

Analysis of the standardized Pan European Personal Pension (PEPP) product and its impact in four European countries: the Netherlands, Estonia, Finland and Hungary

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Comments

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Characterization paper

- Topic: What is a good product design for a pan-European pension plan (PEPP)?
- Contents paper
 1. Critique on PEPP-proposal by EIOPA
 2. Benefits of PPR
 3. PPP's in countries and added value of PEPP

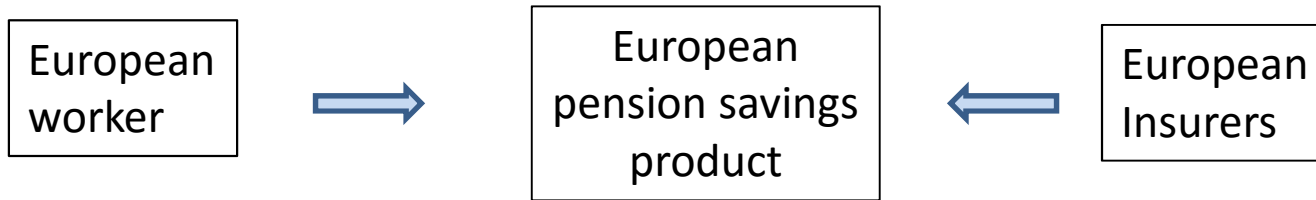
Characterization paper (2)

- Paper is critique on EIOPA's proposal for PEPP
 - Standards in accumulation phase, but inappropriate
 - No standards in decumulation phase
- PPR better solution (B&N):
 - integral management of accumulation and decumulation
 - decumulation in line with national rules
 - lump sum, - annuitization, - draw-down strategies

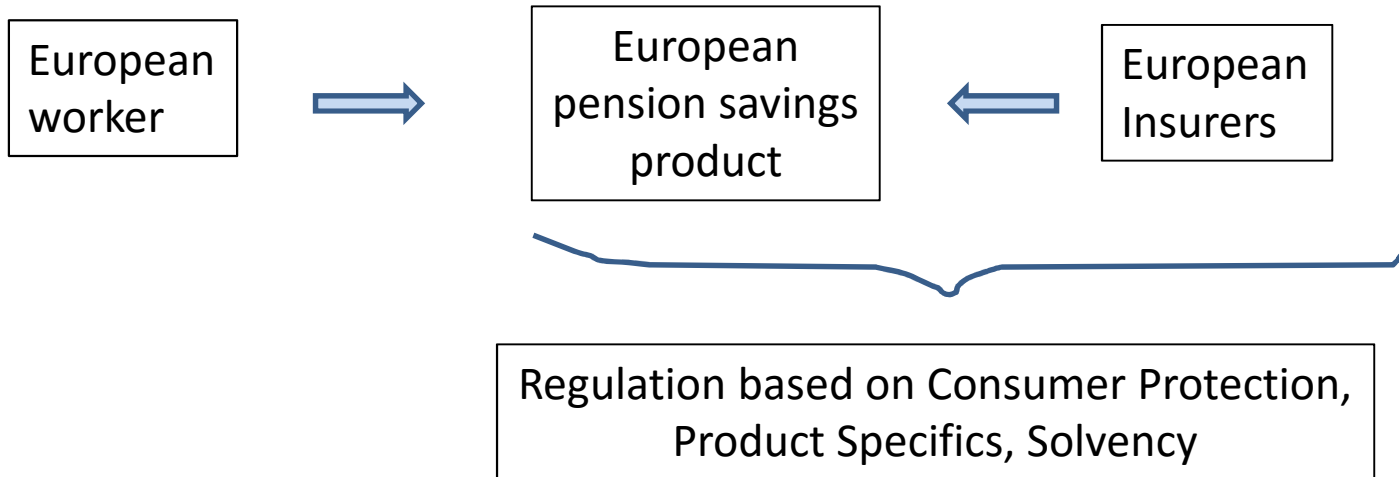
Opinion

- Paper needs an editor to unify separated parts
- Limited list of standardization by EIOPA makes sense as long as national regulations in Europe prevail
- but simpler regulation of PEPP would be recommended

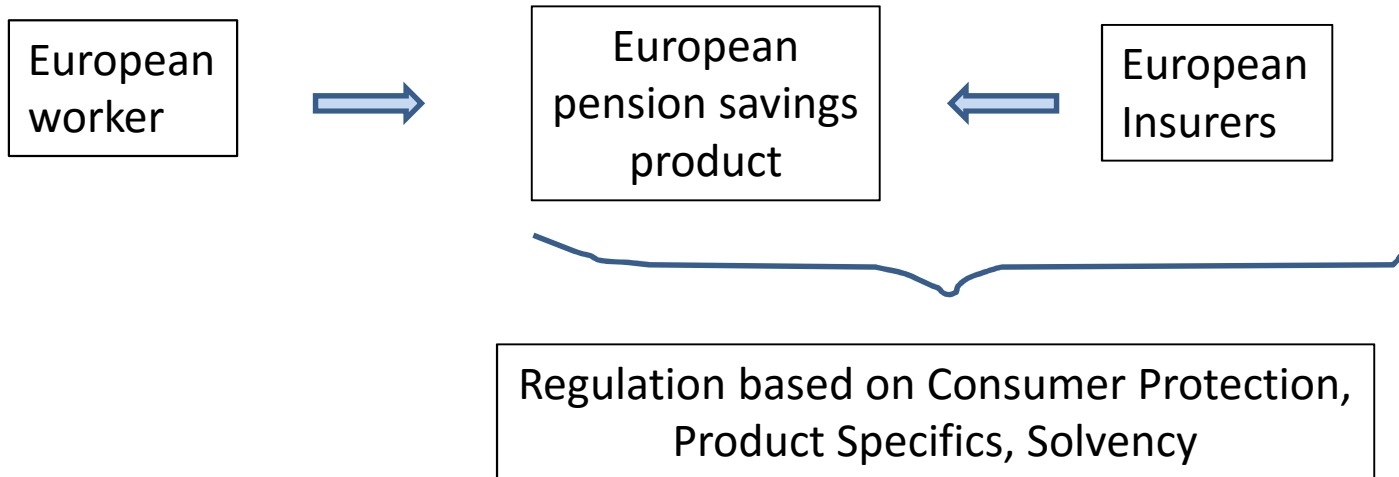
Orientation regulation



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PROBLEM #1 =
Individual behavioral failures
Lack of Savings

Adequacy savings

3 models to warrant adequacy pension savings

1. Social partners

- quasi-mandatory labour contract (Scandinavia, NLD)

2. Government

- mandatory savings (Australia, Provident funds)

3. Auto-enrollment

- NEST (UK)
- KiwiSavings (NZ)

Auto-enrollment with opting-out

- Is NEST an idea for PEPP?
 - Simple
 - Less regulation
 - Interests individual employees are the focus
 - Implementation integral management by PPR
- What is Nest?
 - DC plan, with simple asset allocation and decumulation
 - PPP for all workers with no pension plan employers
 - Auto-enrolment with opting-out
 - Nest plan acts as NORM
 - Private financial institutions may offer PPP as well the terms should be at least equal as Nest

Final

- Need for unity in the focus paper
- PEPP is new product, so opportunity to avoid complex regulations
- Define a NORM for PEPP as to contributions, asset allocation and expected pension
 - => PPR of Bovenberg&Nijman good candidate
- Set up an institution like NEST for [1] auto-enrollment and [2] setting the norm contents product

Short characterization

- Topic: What is a good product design for a pan-European pension plan (PEPP)?
- PEPP will contribute to:
 1. Multi-pillar Diversification
 2. Labour mobility within Europe
 3. Consumer Protection
- EIOPA has proposed standards during accumulation:
 - Asset allocation in accumulation phase
 - Liquidity options in accumulation phase
- No standards during decumulation:
 - Retirement in home country, and so national rules apply

Short characterization paper (2)

- Paper criticises the standardization and proposes integral management of accumulation and decumulation by PPR as suggested by Bovenberg and Nijman
- PPR allows for decumulation in line with national rules:
 - lump sum, - annuitization, - draw-down strategies
- For four European countries usefulness of PEPP is discussed
- Common point is advantage of PEPP to enhance transferability and transparency
- No explicit discussion of usefulness of PPR in the countries