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Closing the pensions savings gap with simple, scalable products like PEPP

Estimates put close to 20% of EU citizens at risk of poverty or social exclusion in older age. This makes pensions adequacy and coverage becomes a priority for governments.

Yet, for many people pensions are a complex and confusing, and this makes people reluctant to invest in long-term savings products. The challenge is to overcome these barriers and to stimulate interest and action.

First, there is a need for clear and transparent information.

The pensions landscape varies considerably across Europe, but better information on gaps in sustainability and adequacy will help countries identify the emerging gaps in their system. This type of information will not just help governments in their decision-making. With the right information, people will also be able to make better decisions on how to save for retirement.

This year, EIOPA will be supporting the implementation of the Action Plan on the Capital Markets Union (CMU) with the provision of advice on the development of pensions dashboards that will help strengthen the monitoring of pension developments in Member States.

With the help of a network of experts, and making use of existing best practice, EIOPA will also map the functional feature of a tracking tool, including how best to present information. We will also provide advice on how to communicate and launch the service.

The goal is to create an attractive, easy-to-use tracking system that provides people with comprehensive information – in other words, a system that meets the needs of savers – so that it is easier to engage people with their retirement planning and encourage them to take action if they see shortfalls in their pensions adequacy.

Second, there is a need for pension products that meet the needs of today's workers. This means designing long-term savings products for people who change jobs frequently, or work on a freelance or casual basis.

Products like the pan-European pension product, or PEPP.

The PEPP is a portable, transparent, cost-effective personal pension product. Savers will be able to take their PEPP with them when they move jobs or countries and the Basic

PEPP will offer an affordable and capped default investment option. In addition, savers will receive clear and comparable information about performance and will be able to switch providers if they would like but also with costs being capped.

PEPP also paves the way for more long-term investment in equity-like instruments, in order to increase the potential for better long-term returns for investors and foster sustainable economic growth. Simple, scalable, digital-first products will be key in demonstrating the benefits and the value of a Capital Markets Union to European consumers.

Improving pensions adequacy and coverage are difficult – but not impossible – challenges. Focusing on the demand side and engaging savers in their retirement planning with clear and transparent information will help not only to close the pensions gap, but also provide a source of valuable funding to strengthen the Capital Markets Union.