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European Insurance and
Occupational Pensions Authority

IN BRIEF

EIOPA'S PROPOSED REVISION OF THE IORP II DIRECTIVE AND THE PEPP REGULATION

Boosting retirement income: accessible, affordable, and appealing pensions

EIOPA submitted its technical input requested by the European Commission to support the development of supplementary pensions in the context of its Savings and Investments Union (SIU) strategy.

EIOPA put forward a set of proposals to adapt the EU regulatory and supervisory frameworks for supplementary pensions - the IORP II Directive and the PEPP Regulation, emphasising the need for value for money, an auto-enrolment system and better supervision. This factsheet offers an overview of these proposals.

IORP II – PROPOSED WAY FORWARD

[Read the full response](#)

FACILITATING ACCESS TO ALTERNATIVE ASSETS

Alternative assets can offer diversification, long-term returns, and risk reduction. As they require substantial professional expertise, smaller IORPs have less access.

Measures that could stimulate a Risk-Based Access:

- › Promote a risk-based approach to the prudent person principle
- › Explicitly permit alternative assets, and removing restrictive requirements

ENCOURAGING IORP SECTOR GROWTH

Scale driven by participation and consolidation

- › Implement auto-enrolment and use occupational pensions in scope of IORP II or workplace PEPP as default options
- › Promote asset pooling by allowing outsourcing of investment management

Growth driven by regulatory clarity

- › Refine IORP II scope and definitions to open access to occupational pensions and ensure clarity on payout

Reducing cross-border barriers

- › Streamlining transfer rules, notifications, and administrative processes to reduce barriers for cross-border IORPs.

STRONGER SUPERVISION & MEMBER PROTECTION

- › **Enhanced protection and transparency:** require independent depositaries for pure defined contributions schemes, better payout information, and horizontal disclosure to encourage pensions tracking systems
- › **Stronger supervision:** a clearer framework (like Solvency II) with defined powers, operational/financial independence and a strengthened supervisory review process.

PEPP – PROPOSALS TO ENHANCE PARTICIPATION

EUROPENSION: A CONSUMER- FRIENDLY LABEL

Introduce a clear EU label (“Europension”) for the Basic PEPP to ensure its success:

- › Maintain the existing dual structure while introducing a simple, safe, recognizable and standardized EU label for the Basic PEPP.
- › Other types of PEPP would not be called EuroPension, to distinguish them from the Basic PEPP. They can allow for more flexible alternatives under the PEPP Regulation.

ENSURING VALUE FOR MONEY

Value for money to ensure better consumer outcomes while making it more attractive for providers:

- › Four options are proposed to incorporate a value-for-money approach, which could either substitute or partially substitute the existing 1% cost cap.
- › A value for money approach would allow flexibility whilst ensuring that costs are commensurate to the benefits offered by PEPP products, even if there are drawbacks (i.e., limited number of PEPPs, increase in supervisory activity).

REDUCING COSTS WHILE ENSURING LONG-TERM RETURNS

Lifecycling as the default risk mitigation for EuroPension products whilst promoting guarantees that offer value: Lifecycling strategies support long-term capital growth and can allow savers to recoup possible short-term losses over time. Capital protection guarantees and/or guaranteed returns can be valuable complementary features.

Replacing mandatory advice with simplified advice for EuroPension:

- › A simplified distribution process can reduce costs and stimulate uptake.
- › Formal advice is maintained for PEPP Variants, ensuring consumer protection.

OPTIONAL SUB-ACCOUNTS

Ensure that PEPP savers can access PEPPs regardless of their residence: Amend the PEPP Regulation to remove the mandatory requirement for PEPP providers to offer sub-accounts across multiple Member States and clearly specify that PEPP savers can subscribe to any PEPP, regardless of residence, without being limited by the availability of sub-accounts or the location of the provider.

ENHANCING SUPERVISION & REGISTRATION PROCESSES

Consider reviewing the registration and supervision process:

- › The framework should facilitate registration and supervisory processes.
- › PEPP supervision should ensure consistent approaches and savers’ outcomes.
- › PEPP supervision should not add unnecessary complexity; hence, different pros and cons of different options are proposed in the technical input.

EASIER TRANSFERS & PEPP IN THE WORKPLACE

Close gaps and improve consumer outcomes:

- › Allow the transfer of accumulated amounts from other personal pension products into the PEPP.
- › Allow employer contributions to PEPP without replacing Pillar II systems - EuroPension could be offered as an employee benefit that either complements existing Pillar II systems or closes gaps where such systems are not widespread.
- › Using EuroPension as a default option when there is no Pillar II system and employers want to offer auto-enrolment to their employees.
- › A 28th regime, with a flexible opt-in/opt-out approach, is proposed to harmonize the legal framework for EuroPension, thereby simplifying cross-border operations and enhancing the competitiveness of strategic key sectors of the EU economy.