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COVER NOTE

From:	Mr Gabriel BERNARDINO, Chairman of the European Insurance and Occupational Pensions Authority (EIOPA)
date of receipt:	18 August 2020
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

Subject:	Pan-European Personal Pension Regulation: submission of draft regulatory and implementing technical standards, as well as technical advice on delegated acts
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Delegations will find attached a letter regarding EIOPA's submission of draft regulatory and implementing technical standards on the subject mentioned above, as well as technical advice on delegated acts.

All annexes to EIOPA's letter are attached and continue in the Addenda. They can also be viewed and downloaded here:

<https://www.eiopa.europa.eu/content/eiopa-finalises-regulation-pan-european-personal-pension-product>

Encl.

E-MAIL

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Gabriel Bernardino
Chairman



Mr Valdis Dombrovskis
Executive Vice-President
European Commission
B-1049 Bruxelles
Belgien

EIOPA-20/499
14/08/2020

Pan-European Personal Pension Regulation: submission of draft regulatory and implementing technical standards, as well as technical advice on delegated acts

Dear Vice-President Dombrovskis,

I am pleased to submit EIOPA's draft regulatory and implementing technical standards, as mandated by Regulation (EU) 2019/1238 (PEPP Regulation), as well as the requested technical advice on delegated acts in the areas of supervisory reporting and EIOPA's product intervention powers, accompanied by an assessment of the suggested policies' costs and benefits.

EIOPA developed the set of regulation specifying the requirements of the PEPP Regulation with the objective to ensure the future products will deliver on the promise to consumers for a simple, transparent, cost-efficient and reliable option to save for their retirement and to help closing the pension savings gap. We believe the PEPP is indeed a unique opportunity to empower European citizens to participate in the Capital Markets Union.

The draft legal instruments have been publically consulted and benefitted from the feedback from EIOPA's stakeholder groups and the inputs received from the ESAs, the ECB, the OECD and from outstanding academics in the field of pensions. Further, EIOPA set up an Expert Practitioner Panel specifically to obtain insights from product developers and to carry out industry testing. The PEPP information documents were thoroughly tested with consumers, providing valuable information complementing the learnings from behavioural economics.

EIOPA's proposals found wide support of that wide range of stakeholders. In particular, the coherent and consistent, principle-based design of the proposals

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that is tailored to pension-specific risks of the product, paired with ambitious, yet realistic, targets.

However, I want to highlight that industry representatives stressed their negative assessment of the PEPP business proposition's viability in light of the Basic PEPP's cap on costs and fees namely due to the initial cost of advice. Factually, the level of maximum costs per annum of the Basic PEPP can be observed in current, well-established markets and cannot necessarily – over the long-term – be regarded as excessively low. However, it is important for us to bring to your attention that the cost cap's reference to the accumulated capital may lead to a situation where the providers' expenses cannot be matched in the initial phase of a contract and in the advanced stages of the contract, the costs to the consumer can be relatively high.

Further, we believe that the provision of advice to the consumer, in particular for the Basic PEPP, may deserve further consideration and guidance to allow for an advice process that is fitted to the specificities of the PEPP and to the opportunities of digitalisation and online distribution. The specific nature of the Basic PEPP, understood as the 'default' investment option that is expected to match the demands and needs of the majority of the future PEPP savers, would need to be considered in the advice process. In addition, gathering all relevant information to understand the consumer's sources of future retirement income remains a challenge in many Member States and underlines the need for a European pension tracking system.

EIOPA will continue its work on an efficient and effective implementation of the PEPP Regulation, focussing on a supervisory framework for the PEPP, to ensure supervisory convergence and to encourage good cooperation between competent authorities and EIOPA.

We remain at your disposal if you require any further information or clarification.

Yours sincerely,



CC: Mr John Berrigan, Director-General, DG FISMA
Mr Martin Merlin, Director, DG FISMA
Mr Didier Millerot, Head of Unit, DG FISMA

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supplementing Regulation (EU) 2019/1238 of the European Parliament and of the Council with regard to regulatory technical standards specifying the requirements on information documents, on the costs and fees included in the cost cap and on risk-mitigation techniques for the pan-European Personal Pension Product

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European Personal Pension Product (PEPP)¹, and in particular the fourth subparagraph of Article 28(5), third subparagraph of Article 30(2), third subparagraph of Article 33(3), second subparagraph of Article 36(2), third subparagraph of Article 37(2), third subparagraph of Article 45(3) and the third subparagraph of Article 46(3) thereof,

Whereas:

- (1) The regulation of the pan-European Personal Pension Product ('PEPP') has been guided by the objective to achieve a high quality, safe, transparent and simple personal pension product and it sets out clear and enforceable eligibility criteria whilst leaving sufficient room for innovation to reach superior pension outcomes through tailored investment strategies and risk-mitigation techniques. To ensure an effective and efficient implementation of the requirements of Regulation (EU) 2019/1238 and of this Regulation, the development of the policies followed a strong inclusive approach, building on the expertise of the European Securities and Markets Authority, the European Banking Authority, the European Central Bank, as well as of expert practitioners on personal pension products, to allow for industry testing, and of academics active in the field of pensions.
- (2) The PEPP information documents are crucial components of the PEPP framework to ensure that relevant information is provided to consumers in a way that facilitates understanding and comparability of the PEPPs and of different investment options.
- (3) To achieve comparability of PEPP products and packaged retail investment and insurance products (PRIIPs), the information requirements are, where appropriate and relevant, aligned with the provisions set out in Regulation (EU) 2017/653² concerning the key information document for PRIIPs. In a few areas, it is necessary to tailor the requirements

¹ OJ L 198, 25.7.2019, p. 1-63.

² Commission Delegated Regulation (EU) 2017/653 of 8 March 2017 supplementing Regulation (EU) No 1286/2014 of the European Parliament and of the Council on key information documents for packaged retail and insurance-based investment products (PRIIPs) by laying down regulatory technical standards with regard to the presentation, content, review and revision of key information documents and the conditions for fulfilling the requirement to provide such documents (OJ L 100, 12.4.2017, p. 1).

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to a long-term pension savings product, which can be kept throughout an individual's career and life, with a particular focus on pension-specific risks, such as inflation and risks to maintaining contributions.

- (4) To provide consumers with key information of the PEPP that is easy to read and understand, and to allow for high comparability between PEPPs it is necessary to have a high degree of standardisation and to use mandatory templates for the information documents, which ensure high degree of standardisation, should be established. To facilitate consumers' understanding of the PEPP as a long-term retirement savings product, the information requirements have been tailored to the pension objective of the PEPP to deliver decision-useful information in an attractive and clear way, enabling the use of digital means.
- (5) Key indicators for risks and costs have been designed to be applicable to different potential PEPP investment options in a coherent and consistent manner. The important disclosure of costs focusses on tangible, monetary amounts and ensures comparability to the Basic PEPP's capped level of cost and fees.
- (6) Online distribution is an important feature of PEPPs, hence, it is particularly critical that consumers can easily access, understand and use the information presented in a digital environment. The designs of the information documents should be further developed to present the information in an effective and transparent way when provided using digital means, facilitating the digital provision in an appealing and comprehensible way, with layering of information, ensuring thereby sufficient flexibility to adapt the presentation to different types of digital means and to the evolving digital environment.
- (7) Following consumer testing throughout Europe and taking into consideration findings of behavioural economics, the standard templates have been designed in an easily understandable manner so as to focus on the decision-useful information and to mitigate any potential behavioural biases. Further, the European Insurance and Occupational Pensions Authority ('EIOPA') built on its experience and expertise concerning pre-contractual information documents and Pension Benefit Statements.
- (8) The classification of the risk-rewards profiles and the 'summary risk indicator' of the PEPP follows the identified pension-specific risks and the objective to reach appropriate and stable retirement income. The design of the summary risk indicator provides for a consistent and comparable risk categorisation and is complemented by consistently derived supplementary information to distinguish 'superior' investment strategies and risk mitigation techniques from 'inferior' ones, which will provide consumers with relevant information about whether a riskier investment option indeed provides for the potential of relatively higher rewards.
- (9) Projections of future retirement income are important to the consumers' understanding of the PEPP and its suitability for the individual retirement objectives. In order to achieve this, the PEPP KID will display the results of the inflation-adjusted retirement outcomes of generic PEPP savers with defined accumulation periods and standardised contributions.
- (10) PEPP providers must ensure that PEPP KIDs are accurate, fair, clear and not misleading, at all times, so that the prospective PEPP saver is able to rely on the standardised information contained in the document when deciding on the long-term savings for retirement. Standards should therefore be laid down to ensure regular and appropriate review and, where necessary, timely revision of the PEPP KID.

- (11) Taking a decision on long-term savings for retirement is challenging, as future retirement needs may not be fully known and personal circumstances and careers may change. Therefore, even if the PEPP KID is designed to provide decision-useful information in a comprehensible and reliable way, the prospective PEPP savers should be allowed sufficient time – taking into account their needs, experience and knowledge - to understand and consider the relevant information before making a decision.
- (12) The PEPP Benefit Statement should be presented in a way that enables the PEPP savers to easily track and monitor the development of own PEPP savings. Whilst the PEPP Benefit Statement is by its nature personalised, its consistency with pre-contractual information and on-going comparability amongst PEPPs benefits the PEPP savers by enabling them to take informed decisions on potentially changing the investment option, switching the provider or adapting the contribution levels to achieve the PEPP saver's retirement objective.
- (13) The cost-efficiency of the Basic PEPP is enforced via a cap on the annual costs. In line with the PEPP's policy objective, an 'all inclusive' approach has been used, so that in principle all costs and fees are to be included in the cost cap. However, to ensure a level playing field amongst providers offering a distinct additional feature and in particular, the possible feature of the Basic PEPP to guarantee the accumulated contributions, after costs, it is important to separate these 'costs of the guarantee', i.e. the premium charged for the capital guarantee, from the cost cap and to expressly disclose the corresponding charges.
- (14) The PEPP's risk-mitigation techniques are essential to foster appropriate investment strategies that are capable of achieving better pension benefit outcomes. For this purpose, clear and enforceable criteria are needed to enable the assessment of the effectiveness of the chosen risk-mitigation technique in a consistent way. Those criteria apply to the three main types of risk-mitigation techniques of life-cycling, setting reserves and guarantees, and take into account the specificities of those main types, yet are equally applicable to any new, innovative risk-mitigation technique and therewith foster better retirement outcomes through innovation.
- (15) The long-term nature and the retirement income objective of the PEPPs require stochastic modelling to project future PEPP benefits in a reasonable manner. This Regulation provides for principles that stochastic modelling can follow to assess the risk profile and the potential performance of the investment strategies offered by PEPP providers, reproducing the range of possible PEPP benefit outcomes that could be observed in real life due to uncertain asset returns and contribution levels. Further, stochastic modelling is required to determine the appropriate levels of ambition in terms of risks, to build the performance scenarios for the PEPP KID and the pension benefit projections for the PEPP Benefit Statement as well as to implement the methodology for the summary risk indicator effectively. The PEPP provider should remain free to modify the stochastic modelling to reach the required objective and to integrate the models elaborated by the PEPP providers for other, similar products.
- (16) Due to strong interlinkages and to enhance the consistency between different regulatory areas, it is justified and appropriate to address the empowerments to further specify those areas in a comprehensive and holistic manner. This approach ensures highest level of consistency between the regulation of high-quality product features and their effective communication to consumers. The specific product features of the PEPP have been regulated in a way to achieve a holistic assessment of the balance of risks and rewards for the PEPP saver, whilst ensuring better pension outcomes through innovation and cost efficiencies through digitalisation. It is important to communicate these innovative

approaches in a consistent and comparable way to consumers. Therefore, to support a holistic regulation of the PEPP, and because of a substantive link between the empowerments to specify the requirements concerning the information documents, the costs and fees for the Basic PEPP, as well as the risk-mitigation techniques, those supplementing requirements should be laid down in a single Regulation.

- (17) This Regulation is based on the draft regulatory technical standards submitted to the Commission by EIOPA.
- (18) EIOPA has conducted open public consultations on the draft regulatory technical standards on which this Regulation is based, analysed the potential related costs and benefits and requested the opinion of the Insurance and Reinsurance Stakeholder Group and the Occupational Pension Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council³,

HAS ADOPTED THIS REGULATION:

CHAPTER I INFORMATION DOCUMENTS IN AN ELECTRONIC FORMAT

Article 1

Presentation in an online environment

Where the content of the PEPP KID's or PEPP Benefit Statement is presented using a durable medium other than paper, including website, mobile application, audio or video, then:

- (1) the information shall be presented in a way that is adapted to the PEPP saver's device used for accessing the PEPP KID or PEPP Benefit Statement;
- (2) the size of the components in the layout may be changed, provided that the layout, headings and sequence of the standardised presentation format, as well as the relative prominence and size of the different elements, are retained;
- (3) font and font size shall be such that the information is noticeable, understandable and presented in a clearly legible format;
- (4) if audio or video is used, such speed of speaking and volume of sound shall be used which, given ordinary attention, makes the information noticeable, understandable and presented in a clearly audible format;
- (5) the information presented shall be identical to the information provided in the paper versions of the PEPP KID or PEPP Benefit Statement respectively.

³ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

Article 2

Layering of information

The layering of the information shall be permitted where the PEPP KID or PEPP Benefit Statement respectively is provided in an electronic format in accordance with Articles 28(3) 35(1) and (2), 36(1) and 37(1) of Regulation (EU) 2019/1238 and shall be done in such a manner that it does not distract the customer's attention from the content of the document and does not obscure any key information. When printing the PEPP KID and the PEPP Benefit Statement respectively, they shall be produced as one single, stand-alone document.

CHAPTER II

CONTENT AND PRESENTATION OF THE PEPP KID

Article 3

‘What is this product?’ section

1. Information stating the long-term retirement objectives of the PEPP and the means for achieving those objectives in the section titled ‘What is this product?’ of the PEPP KID shall be summarised in a brief, clear and easily understandable manner. That information shall identify the main factors upon which investment return and pension outcomes depend, the underlying investment assets or reference values and how the return is determined, as well as the impact of contribution levels and the expected savings period until retirement. The principles of the applied risk-mitigation techniques, in particular the allocation of returns within a portfolio to the individual PEPP contract, shall be explained. It shall also make reference to the type of the PEPP provider and to the resulting specific features of the PEPP contract.
2. The description of the type of PEPP savers to whom the PEPP is intended to be marketed in the section titled ‘What is this product?’ of the PEPP KID shall include information on the target PEPP savers identified by the PEPP provider. This determination shall be based upon the ability of PEPP savers to bear investment loss and their investment horizon preferences, their theoretical knowledge of, and past experience with, PEPPs and the financial markets in general, as well as the needs, characteristics and objectives of potential PEPP savers.
3. The details of PEPP retirement benefits in the section titled ‘What is this product?’ of the PEPP KID shall include in a general summary the key features of the PEPP contract, including possible forms of out-payments such as a lump-sum payment and the right to modify the form of out-payments as referred to in Article 59(1) of Regulation (EU) 2019/1238, a definition of each PEPP retirement benefit included, with an explanatory statement indicating that the value of those benefits is shown in the section entitled ‘What are the risks and what I could get in return?’.
4. Where the PEPP contract covers biometric risk, information shall be included in the section titled ‘What is this product?’ of the PEPP KID on details of that coverage, including a list of risks covered and the circumstances that would trigger the cover and the insurance benefits. The biometric risk premium, as defined in Regulation (EU) 2017/653, shall be presented in percentage terms of the annual contribution or in the form of the impact of the biometric risk premium on the investment return at the end of the accumulation phase, based on the generic holding periods used for the projected PEPP benefits. Where the premium is paid in the form of a single lump sum, the details shall include the amount invested. Where the premium is paid periodically, the number of periodic payments and an estimation of the average biometric risk premium as a percentage of the annual contribution shall be included in the information.

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5. The information on the portability service in the section titled ‘What is this product?’ of the PEPP KID shall include:

(a) information that PEPP savers have, upon request, the right to use a portability service which gives them the right to continue contributing into their existing PEPP account, when changing their residence to another Member State;

(b) information on which sub-accounts are immediately available;

(c) a reference to the EIOPA central public register referred to in Article 13 of the Regulation (EU) 2019/1238 where information for the conditions for the accumulation phase and the decumulation phase of the national sub-accounts determined by Member States are contained;

(d) information that where the PEPP provider is not able to ensure the opening of a new sub-account corresponding to the PEPP saver’s new Member State of residence, the PEPP saver shall according to his or her choice be able to switch PEPP provider without delay and free of charge notwithstanding the requirements of Article 52(3) of Regulation (EU) 2019/1238 on the frequency of switching, or continue contributing to the last sub-account opened.

6. The information on the provision of the switching service in the section titled ‘What is this product?’ of the PEPP KID shall include information that the PEPP saver may switch PEPP providers after a minimum of five years from the conclusion of the PEPP contract, and, in case of subsequent switching after five years from the most recent switching, without prejudice to paragraph 5(d) of this article, or if the PEPP provider allows the PEPP saver to switch PEPP provider more frequently, the frequency shall be indicated. The disclosed information shall specify that the switching is free of charge or disclose the associated costs.

The information on the provision of the switching service shall also include information about the right to receive additional information about the switching service as referred to in Article 56 of Regulation (EU) 2019/1238 and the fact that it is available on the PEPP provider’s website and upon request shall also be provided to PEPP savers in accordance with the requirements of Article 24 of Regulation (EU) 2019/1238.

7. The information on the conditions for modification of the chosen investment option in the section titled ‘What is this product?’ of the PEPP KID shall include information, where relevant, on any alternative investment options offered that the PEPP saver can choose, free of charge, after a minimum of five years from the conclusion of the PEPP contract and, in the case of subsequent changes, after five years from the most recent change of investment option. If the PEPP provider allows the PEPP saver to modify the chosen investment option more frequently, the frequency shall be indicated and the disclosure shall specify that this modification is free of charge or disclose the associated costs.

8. The information related to the performance of the PEPP provider’s investments in terms of ESG factors in the section titled ‘What is this product?’ of the PEPP KID shall include narrative explanations and quantitative information, where available, on how the integration of ESG factors affects the actual and expected performance of the PEPP provider’s investments.

9. The section titled ‘What is this product?’ of the PEPP KID shall include information, where applicable, whether there is a cooling-off period or cancellation period for the PEPP saver, and the consequences thereof, including all applicable fees and penalties of using the cooling-off period or cancelling the contract.

10. The information in the section entitled ‘What is this product?’ of the PEPP KID shall include a reference to the information on past performance of the PEPP’s investment options, as allocated to the PEPP savers, which shall be made available on the PEPP provider’s website.

11. Where information is presented in an electronic format with layering of information, the first layer shall contain at least the information referred to in paragraphs 1 to 3 and information whether PEPP contract covers biometric risk, and whether the Basic PEPP provides a guarantee on the capital or takes the form of a risk-mitigation technique consistent with the objective to allow the PEPP saver to recoup the capital, or whether and to what extent any alternative investment option, if applicable, provides a guarantee or a risk-mitigation technique. Other information may be provided in the additional layers of detail.

Article 4

‘What are the risks and what could I get in return?’ section

1. The description of the risk-reward profile of a PEPP, including the narrative explanations of the summary risk indicator in the section titled ‘What are the risks and what could I get in return?’ of the PEPP KID shall be provided in a brief, clear and easily understandable manner. The information shall explain the objective and the results of the summary risk indicator to identify, in a standardised and comparable manner, different risk and rewards profiles and that the summary risk indicator shall be regarded as a reference point when comparing different PEPPs’ risk-rewards profile. The PEPP provider shall clearly state that the PEPP summary risk indicator cannot be compared to the summary risk indicator of products falling under Regulation (EU) 1286/2014⁴.

The information shall explain that a low risk-reward profile implies that the PEPP saver is more likely to receive a moderate retirement income, whilst a high risk-reward profile implies that the PEPP saver is more likely to receive a relatively higher or lower retirement income than lower risk-reward profiles. Narrative explanations shall identify the limitations of the summary risk indicator, including, where relevant, the dependence of the risk-reward profile on the actual developments of the investments, the saving period and the effectiveness of the applied risk-mitigation technique.

2. The required information according to point (ii) of Article 28(3) of Regulation (EU) 2019/1238 of the possible maximum loss of the invested capital in the section titled ‘What are the risks and what could I get in return?’ of the PEPP KID shall be complemented by information on the standardised, stochastically determined, accumulated capital at decumulation under a stressed scenario, equal to the 5th percentile of the distribution.

3. In the section titled ‘What are the risks and what could I get in return?’ of the PEPP KID, the standardised performance scenarios, favourable, best estimate and unfavourable, shall be applied to the projected PEPP retirement benefits of four generic PEPP savers with 40, 30, 20 and 10 years until the end of the accumulation phase, based on a standardised contribution level. The favourable scenario shall refer to the 85th percentile of the distribution, the best estimate scenario to the median and the unfavourable scenario to the 15th percentile of the distribution. The projected accumulated capital at the end of the accumulation period and the projected monthly retirement benefits shall be presented adjusted for the effects of inflation. The information shall be explained by providing the respective nominal amounts and a narrative explanation of the translation in today’s values due to the changes in purchasing powers over time.

⁴ Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs) (OJ L 352, 9.12.2014, p. 1).

4. Where applicable, the information of the conditions for returns to PEPP savers or built-in performance caps in the section entitled ‘What is this product?’ of the PEPP KID shall make reference to the design and the allocation mechanisms of the applied risk-mitigation techniques.

5. The inputs, assumptions and methodologies for the information referred to in paragraphs 1, 2 and 3 shall be in line with the provisions set out in Annex III.

6. Where information is presented in an electronic format with layering of information, the first layer shall contain at least the summary risk indicator and the projected PEPP retirement benefits of four generic PEPP savers, whereas the nominal projected benefits may be provided in the additional layers of detail. Other information may be provided in the additional layers of detail.

Article 5

‘What are the costs?’ section

1. The information in the section titled ‘What are the costs?’ of the PEPP KID shall be provided in a brief, clear and easily understandable manner. Any costs and fees identified in the section ‘What are the costs?’ shall refer to actual incurred costs, incurred directly at the level of the provider or at the level of an outsourced activity, including all related overhead costs. If applicable, costs and fees charged to the prospective PEPP saver, before saving in the PEPP, shall be separately disclosed as ‘initial costs’. Costs and fees, both one-off and recurring, shall be presented as ‘total costs per annum’ in monetary terms and as percentage of the accumulated capital, as defined by Article 2(24) of Regulation (EU) 2019/1238. The compound effect of the costs shall be presented based on a standardised monthly contribution by the PEPP saver in monetary terms, as specified in point 29 of Annex III.

2. The information in the section titled ‘What are the costs?’ of the PEPP KID shall cover the following costs:

- (a) administrative costs, which shall cover those costs arising from the PEPP provider’s activities when administering PEPP accounts, collecting contributions, providing information to members and executing payments;
- (b) investment costs, which shall cover:
 - (i) costs of safekeeping of assets, including fees paid to the custodian for keeping assets safe and collecting dividends and interest income;
 - (ii) portfolio transaction costs, including actual payments by the PEPP provider to third parties to meet costs incurred in connection with the acquisition or disposal of any asset in the PEPP account, such as brokerage and currency exchange fees;
 - (iii) other costs relating to the management of the investments;
- (c) distribution costs, which shall cover those costs arising from marketing and selling the PEPP product, including the costs and fees related to providing advice;
- (d) costs of guarantees, which shall cover those costs charged to the PEPP saver for the financial guarantee to pay back at least the accumulated capital at decumulation and of any other financial guarantee provided under the PEPP contract.

3. Where a PEPP provider charges fees to recoup the incurred costs for initial advice during the initial term of the PEPP contract, before the PEPP saver has the right to switch the PEPP provider according to Article 52(3) of Regulation (EU) 2019/1238, the PEPP provider shall inform prospective PEPP savers about the total amount of those fees, the time period during which, and the frequency with which, such fees shall apply.

4. Where information is presented in an electronic format with layering of information, the first layer shall contain at least the total costs per annum in monetary terms and as percentage of the accumulated capital at the end of the year, as specified in paragraph 1; as well as, if applicable, any initial costs. Other information may be provided in the additional layers of detail.

Article 6

Standard layout of the PEPP KID

PEPP providers shall present the PEPP KID by means of the template laid down in Annex I. Where information is presented in an electronic format, the presentation by means of the template may only be adapted to allow for layering of information.

CHAPTER III

REVIEW, REVISION AND PROVISION OF THE PEPP KID

Article 7

Review

1. PEPP providers shall review the information contained in the PEPP KID every time there is a change that significantly affects or is likely to affect significantly the information contained in the key information document and, at least, every 12 months following the date of the initial publication of the PEPP KID.

2. The review referred to in paragraph 1 shall verify whether the information contained in the PEPP KID remains accurate, fair, clear, and non-misleading. In particular, it shall verify the following:

(a) whether the information contained in the PEPP KID is compliant with the general form and content requirements under Regulation (EU) No 2019/1238, or with the specific form and content requirements laid down in this Delegated Regulation;

(b) whether the PEPP's risk and rewards have changed, where such a change has the combined effect that necessitates the PEPP's move to a different class of the summary risk indicator from that attributed in the PEPP KID subject to review.

3. For the purposes of paragraph 1, PEPP providers shall establish and maintain adequate processes throughout the life of the PEPP in such a way for the PEPP savers to be able to identify at all times and without undue delay any circumstances, which might result in a change that affects or is likely to affect the accuracy, fairness or clarity of the information contained in the PEPP KID.

Article 8

Revision

1. PEPP providers shall without undue delay revise the PEPP KID where a review pursuant to Article 7 of this Regulation concludes that changes to the PEPP KID need to be made.

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2. PEPP providers shall ensure that all sections of the PEPP KID affected by such changes are updated.
3. The PEPP provider shall publish the revised PEPP KID on its website and inform the PEPP savers without undue delay in accordance with Article 7(3) of this Regulation.

Article 9

Provision in good time

1. The person advising on or selling a PEPP shall provide the PEPP KID sufficiently early so as to allow a prospective or current PEPP saver enough time to consider the document before entering into a binding contract or offer relating to that PEPP, regardless of whether or not the prospective or current PEPP saver is provided with a cooling off period.
2. For the purposes of paragraph 1, the person advising on or selling a PEPP shall assess the time needed by each prospective or current PEPP saver to consider the PEPP KID, taking into account the following:
 - (a) the knowledge and experience of the prospective or current PEPP saver with the PEPP or with PEPPs of a similar nature or with risks similar to those arising from the PEPP;
 - (b) the complexity, long-term nature and limited redeemability of the PEPP;
 - (c) where the advice or sale is at the initiative of the prospective or current PEPP saver, the urgency explicitly expressed by the prospective or current PEPP saver of concluding the proposed contract or offer.
3. For the purposes of paragraph 1, if the PEPP KID is provided online, it shall be located in an area of the website or a mobile application where it can be easily found and accessed and it shall be provided in a step of the purchase process where the prospective or current PEPP saver is allowed enough time to consider the document before entering into a binding contract or offer relating to that PEPP.

CHAPTER IV

PRESENTATION OF THE PEPP BENEFIT STATEMENT

Article 10

Presentation

1. The information in the PEPP Benefit Statement shall be provided in a brief, clear and easily understandable manner. The information shall be presented in the following sequence, for each existing sub-account:
 - (a) information referred to in Article 35(1) and (2) of Regulation (EU) 2019/1238;
 - (b) in the section titled 'Product name', information referred to in points (a) to (c) of Article 36(1) of Regulation (EU) 2019/1238;
 - (c) in the section titled 'How much have I saved in my PEPP?', information referred to in point (i) of Article 36(1) of Regulation (EU) 2019/1238, the total amount of the PEPP account, broken down by paid-in contributions and accumulated investment returns net of costs and charges since the PEPP saver started saving into the PEPP; biometric risk premiums shall be separately presented in line with Article 3(4);

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- (d) in the section titled ‘What will I receive when I retire?’, information referred to in point (d) of Article 36(1) and point (d) of Article 37(1) of Regulation (EU) 2019/1238 and Article 4(3) of this Regulation, where the actual contributions, expected contribution levels and individual terms and conditions are applied; and, where applicable, information on additional pension benefit projections based on national rules in accordance with Article 37(3) of Regulation (EU) 2019/1238;
 - (e) the projected accumulated capital at the end of the accumulation period and the projected monthly retirement benefits shall be presented adjusted for the effects of inflation. The information shall be complemented by a narrative explanation of the translation in today’s values due to the changes in purchasing powers over time.
 - (f) in the section titled ‘How has my PEPP changed in the last 12 months?’, information referred to in points (e), (f) and (h) of Article 36(1) of Regulation (EU) 2019/1238 about the evolution of the PEPP account in the previous 12 months, reconciling the starting balance to the end balance by presenting contributions paid in, investment returns allocated to the PEPP account and costs and fees referred to in Article 5(2) of this Regulation; the compound effect of the costs on the projected accumulated capital at decumulation according to point (f) of Article 36(1) of Regulation (EU) 2019/1238 shall be presented as ‘Reduction in Wealth’;
 - (g) in the section titled ‘Key factors affecting the performance of my PEPP’, information, where relevant, referred to in points (g), (j) and (l) of Article 36(1) of Regulation (EU) 2019/1238 and Article 3(10) of this Regulation. The information shall refer to the past performance of the PEPP saver’s investment option, as allocated to the PEPP savers, and shall be provided for the previous ten years, if possible, otherwise for the longest period the PEPP saver has been saving into the PEPP; that information shall be presented as the average investment returns, net of investment costs, for the periods of the previous year, the three previous years, the five previous years and the ten previous years, as percentage of the accumulated capital.
 - (h) in the section titled ‘Important information’, information about any material changes to the PEPP terms and conditions referred to in Article 35(5) and (6) of Regulation (EU) 2019/1238,; and indication where and how to obtain supplementary information referred to in points (a) to (c) and (e) of Article 37(1)) of Regulation (EU) 2019/1238, including, if applicable, a reference to the statement of investment policies considering ESG factors according to point (c) of Article 37(1) of Regulation (EU) 2019/1238.
2. The inputs, assumptions and methodologies for the information referred to in paragraph 1 shall be in line with the provisions set out in Annex III.
 3. Where information is presented in an electronic format with layering of information, the first layer shall contain at least the information covered in points (a), (b), (d) and (e) of paragraph 1. Other information may be provided in the additional layers of detail.

Article 11

Standard layout of the PEPP Benefit Statement

PEPP providers shall present the PEPP Benefit Statement by means of the template laid down in Annex II. Where information is presented in an electronic format, the presentation by means of the template may only be adapted to allow for layering of information.

CHAPTER V

THE COSTS AND FEES FOR THE BASIC PEPP

Article 12

Types of costs and fees referred to in the Basic PEPP's cost cap

1. The costs and fees referred to in Article 45(2) of Regulation (EU) 2019/1238, which are the reference to the Basic PEPP saver's accumulated capital at the end of the respective year, shall comprise all actual incurred costs and fees, incurred directly at the level of the provider or at the level of an outsourced activity, including appropriate overhead costs and fees in relation to the saving in and distribution of the Basic PEPP, including but not limited to the following:

- (a) administrative costs;
- (b) investment costs;
- (c) distribution costs.

2. Any costs and fees linked to additional elements or features for the Basic PEPP that are not required by Regulation (EU) 2019/1238 and any costs and fees linked to the switching services, as set out in Article 54 of Regulation (EU) 2019/1238, may not be included in the costs according to Article 45(2) of Regulation (EU) 2019/1238.

3. If the Basic PEPP provides for a guarantee on the capital, which shall be due at the start of the decumulation phase and during the decumulation phase as referred to in Article 45(1) of Regulation (EU) 2019/1238, the costs directly linked to that capital guarantee may not be included in the costs of paragraph 1.

4. The PEPP provider shall explicitly and separately disclose the costs charged for the capital guarantee under the section titled 'What are the costs?' in the PEPP KID and under the section titled 'How has my PEPP changed in the last year?' in the PEPP Benefit Statement.

5. Where relevant, the PEPP provider shall be able to provide evidence that the respective costs are directly linked to the capital guarantee request by the national competent authority or EIOPA.

CHAPTER VI

RISK-MITIGATION TECHNIQUES

Article 13

Objective of the risk-mitigation techniques

1. When using the risk-mitigation techniques for the investment strategy of the PEPP, PEPP providers shall set up an objective in line with the specific retirement objective of the PEPP saver or a group of PEPP savers, in accordance with the conditions, if any, set out in Article 47(2) of Regulation (EU) 2019/1238.

2. The PEPP provider shall design the risk-mitigation technique in a way to provide for stable and adequate individual future retirement income from the PEPP, taking into consideration the expected remaining duration of the PEPP saver's or group of PEPP savers'

individual accumulation phase and the PEPP saver's chosen decumulation option. To implement this objective, the risk-mitigation technique shall be designed in the following manner, taking into consideration the results of stochastic modelling, to:

- (a) ensure that the expected loss, defined as the shortfall between the projected sum of the contributions and the projected accumulated capital at the end of the accumulation phase, is not higher than 20% under the stressed scenario, which equals the 5th percentile of the distribution; and
- (b) aim at outperforming the annual rate of inflation with a probability of at least 80% over a 40 years' accumulation phase.

3. For the Basic PEPP, when the PEPP provider does not offer a capital guarantee as referred to in Article 12(3) of this Regulation, the PEPP provider shall employ an investment strategy that ensures, taking into consideration the results of stochastic modelling, recouping the capital at the start of the decumulation phase and during the decumulation phase with a probability of at least 92.5%, unless the remaining accumulation phase is equal or less than ten years when taking up the PEPP, in which case a probability of at least 80% may be considered.

4. When designing a risk-mitigation technique for a group of PEPP savers, the PEPP provider shall design the risk-mitigation technique in such a way to ensure a fair and equal protection of each individual PEPP saver within the group and shall disincentivise opportunistic behaviour of individual PEPP savers within the group.

5. PEPP providers shall ensure that any performance-linked remuneration of individuals acting on behalf of the PEPP provider and implementing the risk-mitigation techniques is conducive to the objective of the risk-mitigation techniques.

6. PEPP providers shall safeguard the appropriateness, efficiency and effectiveness of the risk-mitigation technique through a dedicated process and provisions within the product oversight and governance framework, as required by Article 25 of Regulation (EU) 2019/1238, which shall be subject to a supervisory review and to supervisory reporting.

7. Where a PEPP saver chooses a different investment option according to Article 44 of Regulation (EU) 2019/1238 or switches the PEPP provider according to Article 20(5) or Article 52 of that Regulation, the PEPP provider shall fairly contribute the allocated reserves, if any, and the investment returns to the leaving PEPP saver. The PEPP provider shall ensure that the allocation is fair towards the leaving PEPP saver and equally towards the remaining PEPP savers.

8. In the case of adverse economic developments within three years before the expected end of the remaining duration of the PEPP saver's accumulation phase, the PEPP provider shall extend the last phase of the life-cycle or the applied risk-mitigation technique by an appropriate additional time of up to three years after the initially expected end of the accumulation phase, subject to the PEPP saver's explicit consent and in accordance with conditions, if any, set out in Article 47(2) of Regulation (EU) 2019/1238.

Article 14

Life-cycling

1. When using a risk-mitigation technique that adapts the investment allocation to mitigate the financial risks of investments corresponding to the remaining duration, the PEPP provider shall define average exposures to equity and debt instruments whilst ensuring compliance with

Article 41 of Regulation (EU) 2019/1238 for all potential sub-portfolios corresponding to the phases of the life-cycling.

2. The PEPP provider shall design the life-cycling in such a way to ensure that the PEPP savers furthest away from the expected end of the accumulation phase invest - to a contractually specified extent - in long-term investments, which benefit from higher investment returns due to their specific higher risks and rewards characteristics, including illiquid or equity-type characteristics. For the PEPP savers closest to the expected end of the accumulation phase, the PEPP provider shall ensure that the investments are predominantly liquid and of high quality and preferably exhibit fixed investment returns.

Article 15

Establishing reserves

1. When using a risk-mitigation technique that establishes reserves from PEPP savers' contributions or investment returns, the PEPP providers shall set out in the PEPP contract, in a transparent and comprehensible manner, the allocation rules of the accumulated capital and the investment returns to the individual PEPP saver's account, to and from the reserves, and, if applicable, to the corresponding group of PEPP savers.

2. The PEPP provider shall allocate contributions and investment returns of the earmarked assets to the reserves in a transparent and comprehensible manner, with the objective of building adequate reserves in times of positive investment returns. Equally, the PEPP provider shall allocate from the reserves to the individual PEPP saver's account and, if applicable, to the corresponding group of PEPP savers, in a fair and transparent manner, in times of negative investment returns.

3. The PEPP provider shall clearly identify and earmark the assets invested for the PEPP savers. The PEPP provider shall not be able to trade assets on its own account with the assets earmarked for the PEPP savers.

4. In the first ten years of the establishment of a new PEPP, the PEPP provider may contribute to the establishment of the reserves by providing a loan or an equity investment to the PEPP savers' assets. In that case, the PEPP provider shall specify and present in a transparent and comprehensible manner in the PEPP contract the terms and conditions of its contribution and profit sharing, as well as the pattern of the gradual dis-investment over the maximum period of ten years.

Article 16

Minimum-return guarantees

1. When the PEPP provider offers minimum-return guarantees, the PEPP provider shall clearly describe the features, including limits and thresholds, of the guarantee and specify whether the guarantee applies to inflation-adjusted returns or to nominal returns.

2. The PEPP provider shall explicitly disclose in the PEPP KID and subsequently in the PEPP Benefit Statement whether the level of the guarantee is or is not adjusted for the annual rate of inflation.

Article 17

Holistic assessment of the PEPP's risks and rewards: methodologies and techniques

In order to apply the requirements of Articles 3 to 5, 10 and 13 consistently, PEPP providers shall consider the methodologies, approaches, techniques as well as the key inputs and assumptions laid down in Annex III.

Article 18

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Commission
The President*

*[For the Commission
On behalf of the President*

[Position]

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