LifeGoals.

POSITION PAPER

The Future of the Pan-European Personal Pension Product (PEPP)

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1. Executive Summary

The Pan-European Personal Pension Product (PEPP) represents one of European Union's most promising initiatives to address the urgent challenges of ageing populations, inadequate retirement savings, and the need to deepen the Capital Markets Union (CMU). The PEPP was envisioned as a harmonized solution to bridge pension gaps, enhance cross-border labour mobility, and channel European household savings into long-term, sustainable investments.

However, despite its ambitious goals, the PEPP has faced limited uptake from both providers and consumers. More than two years after the Regulation became applicable, only two providers have been authorized, and market awareness among EU citizens remains low. Many of the barriers relate not to the core vision of the PEPP itself, but to regulatory fragmentation, operational complexity, tax mismatches, and insufficient Member State engagement.

At LifeGoals Financial Services, we have been deeply committed to the PEPP project. As one of the first licensed providers of a multi-option PEPP offering, and as an active member of CBBA-Europe, we have worked to promote the success of the PEPP both at national and European levels. Through our hands-on experience and extensive engagement with European stakeholders — including regulators, industry bodies, and policymakers — we have identified clear pathways to make the PEPP work.

This paper presents LifeGoals' critical assessment of the PEPP's current status and challenges and puts forward a set of pragmatic proposals for reform. These proposals are grounded in real-world implementation experience and reflect our belief that the PEPP still holds significant untapped potential to improve retirement outcomes for EU citizens. Our goal is to help transform the PEPP into a viable, attractive, and scalable retirement savings product that meets the needs of a modern, mobile, and increasingly digitally savvy European population — while also contributing to the EU's strategic objectives.

The key proposals include:

- Prioritizing transparency and disclosure over rigid, all-inclusive fee caps.
- Harmonizing tax treatment and VAT rules across provider types to ensure a level playing field.
- Clarifying that VAT is a consumer tax and should be excluded from the 1% cost cap for the Basic PEPP, to ensure fair competition across legal provider types.
- Enabling employer contributions and promoting auto-enrolment mechanisms, particularly for SMEs and uncovered workers.
- Simplifying regulatory requirements, especially for the Basic PEPP, including suitability, stochastic modelling, and reporting burdens.
- Enabling the PEPP to serve both individual and employer-supported retirement saving needs within a single, coherent framework — rather than introducing a separate Pan-European Occupational Pension Product (PEOP).

We firmly believe that, with targeted reforms, the PEPP can fulfil its original promise and play a transformative role in improving retirement security in Europe — unlocking both individual benefits for citizens and broader economic benefits for the Union.

2. Introduction

Europe's demographic reality is increasingly stark. According to Eurostat, the old-age dependency ratio — the number of people aged 65 or over compared to the working-age population — is projected to rise from 33% today to 50% by 2050. Simultaneously, birth rates across the EU remain low, and average life expectancy continues to increase. These trends place enormous strain on public pension systems, many of which were designed for very different demographic structures.

In parallel, personal savings in the EU remain concentrated in low-yielding deposits. In 2023, nearly 34% of household financial assets were held in bank deposits, generating returns that often failed to keep pace with inflation. Meanwhile, private pension participation rates are low: only 18% of EU citizens own a personal pension product, and only 20% participate in an occupational pension scheme.

The Pan-European Personal Pension Product (PEPP) was conceived against this background. It represents a bold attempt to create a true European retirement savings market: a simple, portable, transparent product available across the EU, enabling citizens to build supplementary retirement savings wherever they live or work.

The PEPP aligns with broader EU strategic goals, including:

- Enhancing individual financial resilience and retirement adequacy.
- Supporting labour mobility across Member States.
- Channelling savings into long-term investments, thereby strengthening the Capital Markets Union.

- Facilitating the green and digital transitions through the mobilization of private capital.

In particular, the PEPP presents a unique opportunity to direct long-term household savings into the real economy — a longstanding aim of the Capital Markets Union (CMU). By allocating capital toward productive assets such as private equity, infrastructure, and sustainable enterprises, PEPPs can help finance Europe's innovation economy and close investment gaps in critical sectors. However, such strategies often involve higher underlying investment costs. The regulatory framework must recognize this reality and distinguish between provider fees and investment-related charges, enabling transparency without discouraging access to higher-performing asset classes.

Despite its promise, the early experience with the PEPP has been mixed. Uptake has been limited, both on the supply and demand sides. Multiple barriers — regulatory, administrative, fiscal, and market-based — have hindered the realization of the PEPP's full potential.

LifeGoals Financial Services has been at the forefront of efforts to launch and advocate for the PEPP. As a licensed provider and member of CBBA-Europe, we have witnessed firsthand both the strengths and the limitations of the current PEPP framework. We have engaged extensively with policymakers, regulators, and market participants to support implementation and propose enhancements.

As the European Commission prepares for the PEPP revision process, there is now an opportunity to refine the framework in ways that support wider adoption, promote investment into the real economy, and ensure the PEPP's success as a core retirement savings tool for future generations.

3. Current Status of the PEPP

The initial vision for the PEPP was compelling: a simple, transparent, and portable pension product that would operate seamlessly across the European Union. It was designed to complement national pension systems, promote labour mobility, and encourage long-term savings, especially among underserved groups such as mobile workers, the self-employed, and younger individuals.

Yet, more than two years after the Regulation became applicable, the PEPP has yet to achieve meaningful traction. As of early 2025, only two providers — LifeGoals Financial Services and Finax — have been authorized under the Regulation, with active offerings in a very limited number of Member States. This reality suggests that the main constraint is not necessarily lack of consumer interest or product demand, but rather a supply-side bottleneck, exacerbated by regulatory, fiscal, and awareness-related challenges.

Rather than a market rejecting the PEPP, the situation reflects a market that, in many cases, does not yet know the product exists — and where the infrastructure for cross-border distribution remains underdeveloped or inconsistently supported.

3.1 Supply-Side Challenges

Despite the regulatory framework coming into effect in March 2022, only two providers have launched a PEPP. This limited rollout highlights a number of systemic barriers that continue to discourage entry by other financial institutions.

3.1.1 Fee Cap Constraints

The Regulation imposes a 1% fee cap on the Basic PEPP, covering all product-related costs. While cost-efficiency is a worthy objective, the structure of this cap fails to differentiate between a provider's operational costs and the underlying investment costs — particularly when diversified portfolios include private equity or sustainable infrastructure funds, which tend to carry higher expense ratios. As a result, the cap creates a strong disincentive for providers to offer richer, long-term investment options that could contribute more meaningfully to both savers' outcomes and the broader European economy.

In addition, PEPP providers are required to offer extensive pre-contractual information, individual advice, and complex account segmentation. While each requirement serves a valid regulatory purpose, their combined cost poses a serious challenge under the 1% Basic PEPP fee cap. We recognise that sub-accounts are essential for complying with Member State tax and payout rules. However, the administrative complexity of managing them across jurisdictions significantly raises operational costs. For digital-first and cross-border providers, this makes even simple PEPP offerings difficult to sustain without reforms to reduce complexity — such as through standardised templates or centralised guidance.

3.1.2 Mandatory Advice Requirements

Under the current Regulation, providers are required to offer individual investment advice before concluding a PEPP contract — even for the Basic PEPP, which was designed as a default, simplified, and universally accessible savings option.

This requirement is counter-intuitive and unnecessarily burdensome, as it introduces friction, delays, and costs that make it harder to offer the Basic PEPP in a fully digital, scalable format. Most importantly, the requirement effectively triggers a suitability assessment, a process that is neither proportionate to the product's complexity nor appropriate for its target audience.

The Basic PEPP was intended to serve people of all financial literacy levels, including those who are not comfortable making investment decisions or navigating financial advice protocols. Requiring formal advice contradicts this intent and disproportionately affects digital and cross-border providers, who are often best positioned to reach underserved populations with low-cost, tech-enabled solutions.

This barrier not only increases operational costs but also undermines the inclusiveness and simplicity that the Basic PEPP was meant to deliver.

3.1.3 Sub-Account Complexity

To comply with varying national rules on accumulation (savings) and decumulation (payout), PEPP providers must create and maintain national sub-accounts for each Member State in which the PEPP is marketed. These sub-accounts are necessary to ensure compliance with local tax treatment, retirement age, and payout methods.

However, for providers, particularly those without a pre-existing cross-border pensions infrastructure, the operational complexity of maintaining multiple sub-accounts presents a significant administrative burden. Each jurisdiction requires tailored compliance, legal review, and ongoing monitoring, often for relatively small early-stage volumes. While the regulatory need for sub-accounts is clear, the PEPP framework could better support scalability by promoting tools such as standardised templates and coordinated implementation guidance.

3.2 Demand-Side Challenges

On the consumer side, the most pressing issue is not rejection of the PEPP — but lack of awareness. Very few Europeans have encountered the product in practice, and even fewer understand how it compares to national personal pension products (PPPs) or occupational schemes.

3.2.1 Low Consumer Awareness

According to a Eurobarometer survey by EIOPA, 76% of Europeans have never heard of the PEPP. In most countries, there have been no coordinated public campaigns to introduce the product, no consumer education initiatives, and limited media coverage. Without visibility, even the best-designed product cannot attract savers — especially in a sector as trust-dependent as pensions.

Compounding this issue is the limited availability of the PEPP across Member States. In many jurisdictions, consumers don't even have access to the product, while in others, only one option may be available. This scarcity undermines the concept of consumer choice and makes comparison tools less meaningful.

3.2.2 Tax Disadvantages

In most Member States, PEPP contributions do not enjoy the same tax benefits as national PPPs or occupational pensions. This puts PEPPs at a competitive disadvantage — even when they are more transparent, flexible, or ESG-aligned.

The lack of tax neutrality not only limits take-up, but also undermines the EU's broader goals for market integration. If each Member State treats PEPP contributions differently, and some not at all, savers are unlikely to embrace the product.

3.2.3 Behavioural Barriers to Long-Term Saving

The ongoing cost-of-living crisis across Europe — driven by inflation, housing pressures, and economic uncertainty — has significantly reduced households' capacity to save for the long term. In this environment, individuals tend to prioritize short-term liquidity over future financial security, even when doing so puts their retirement adequacy at risk.

This behaviour is not irrational; it reflects deeply ingrained human tendencies. Behavioural economics shows that when saving is optional, abstract, and unstructured — especially for long-term goals like retirement — most people delay or avoid taking action altogether. This is particularly true for younger individuals, workers with variable income, or those without access to workplace pension plans.

As a result, even high-quality, transparent, and low-cost pension products like the PEPP struggle to gain traction without additional policy support. Consumers are not rejecting the PEPP based on performance or features — they are simply not being prompted, incentivized, or nudged to engage.

Moreover, when PEPPs are compared to national personal pension products (PPPs), savers may find the latter more immediately compelling due to upfront tax incentives or employer matching schemes. These immediate, tangible benefits often outweigh the long-term advantages of portability or ESG integration offered by the PEPP — even when those features may ultimately provide better outcomes.

Without coordinated behavioural nudges and supporting policy measures, the PEPP — no matter how well-designed — will struggle to overcome the inertia that characterizes long-term savings behaviour. This reality must be addressed in any serious effort to expand the reach and effectiveness of the PEPP in the years ahead.

3.3 Regulatory and Political Challenges

Beyond supply and demand factors, the PEPP's rollout has also been hindered by structural and political challenges at the regulatory level. While the Regulation was designed to function uniformly across the EU, its implementation has been uneven and delayed in practice. Many of the hurdles faced by providers stem not from the Regulation itself, but from how Member States have interpreted, enacted, or prioritized their national responsibilities under the PEPP framework.

In addition, differences in tax treatment, authorisation procedures, and regulatory enforcement have created an unpredictable operating environment that discourages investment and limits cross-border scalability.

The following subsections highlight some of the key political and institutional obstacles that continue to hold back the development of a truly pan-European personal pension market.

3.3.1 Delays in National Implementation

Although the PEPP Regulation is directly applicable EU law, many Member States delayed the publication of critical national guidelines — especially those related to accumulation and decumulation rules. Several jurisdictions were also slow to define the authorisation process for PEPPs, leaving providers without a pathway to register and distribute the product.

These delays created a fragmented and unpredictable launch environment, undermining the concept of a unified EU framework and increasing first-mover risk for providers like LifeGoals.

3.3.2 Lack of Enforcement

While the PEPP Regulation set out clear implementation timelines, the reality on the ground has revealed how difficult it can be to ensure consistent compliance across the 27 Member States.

In practice, no infringement procedures have been initiated against Member States that have delayed or failed to publish the necessary national PEPP rules, particularly regarding accumulation and decumulation frameworks or application processes.

This lack of formal follow-up likely reflects the inherent institutional and political constraints surrounding cross-border pension enforcement, rather than a lack of will.

Indeed, both the European Commission and EIOPA have taken important steps to promote implementation and clarify expectations — but without stronger tools or coordinated Member State engagement, their ability to ensure full compliance remains limited.

From a provider's perspective, the absence of enforceable timelines or consequences has created a sense of regulatory uncertainty, slowing down investment and innovation. To unlock the PEPP's potential, enforcement mechanisms — or at least transparent progress tracking — may need to be revisited in the upcoming review process.

3.3.3 VAT Inconsistencies

One of the most distortive features of the current PEPP environment is the inconsistent VAT treatment applied across Member States and provider types. For example:

- In some countries, insurance-based PEPPs are VAT-exempt, while investment firm PEPPs are subject to VAT.
- In others, occupational pensions (2nd pillar) and/or local personal pension products (3rd pillar) are treated more favourably than PEPPs, even though the products serve similar policy functions.

This creates an unlevel playing field that not only distorts competition but also deters new market entrants and penalizes more transparent product structures. The fact that the same product can be taxed differently depending on the provider — even within the same Member State — contradicts core principles of regulatory and fiscal neutrality.

In addition, there is growing uncertainty regarding the VAT classification of PEPPs offered through digital channels. If a PEPP is deemed an electronically supplied service under Article 58 of the EU VAT Directive — due to automated, online delivery with minimal human involvement — the provider may be required to charge VAT at the rate of the saver's country of residence under the One Stop Shop (OSS) regime. Conversely, a PEPP involving human interaction or delivered by an insurance-based provider may be taxed at the provider's home country VAT rate, or may even be exempt.

This divergence exposes providers to regulatory ambiguity, compliance complexity, and the risk of unequal treatment for otherwise similar products. We believe this issue requires clarification at EU level and have included a corresponding recommendation in Section 6.5.2.

More broadly, the inclusion of VAT within the 1% Basic PEPP cost cap disproportionately penalizes providers who are legally required to apply VAT — typically investment firms — compared to those whose structures (e.g., insurance-based) benefit from exemptions. As VAT is a consumption tax collected on behalf of governments and not retained by the provider, its inclusion distorts cost comparisons and undermines the level playing field. We argue that VAT should be excluded from the cap to restore neutrality — an issue discussed further in Section 6.3 and 6.5.2.

4. LifeGoals' Commitment to the PEPP

At LifeGoals, we believe in the core vision of the PEPP. Our commitment to the product is not theoretical: we have invested significant resources, technology, and expertise into building a compliant, ESG-integrated, and user-friendly PEPP offering — designed for real people with real retirement needs.

As a pioneer in the European PEPP landscape, LifeGoals has not only developed a product but also helped shape the broader regulatory and policy conversation surrounding the PEPP. Our approach combines product innovation, regulatory engagement, and advocacy, underpinned by a deep belief in the importance of cross-border pension solutions for Europe’s future.

4.1 Early Adopter and Active Participant

LifeGoals was among the very first companies to be authorized as a PEPP provider under the Regulation. Our offering includes three lifecycle investment strategies — Basic, Growth, and Aggressive — each tailored to different risk profiles and time horizons. All strategies are ESG-integrated, cost-efficient, and built to adjust dynamically as savers approach retirement.

Beyond product design, LifeGoals has been an active contributor to the development of the broader PEPP ecosystem. As a member of CBBA-Europe, we have participated in working groups, policy consultations, and advocacy efforts at both national and European levels. Our aim has been to ensure that the PEPP remains true to its promise of being accessible, portable, and scalable across the EU.

4.2 Our Position on PEOP and the Case for an Integrated PEPP

Drawing on our hands-on implementation experience and sustained engagement with European pension stakeholders, we have come to the view that introducing a separate regulation for a Pan-European Occupational Pension Product (PEOP) would likely result in further regulatory fragmentation, administrative complexity, and confusion among both employers and savers.

Rather than creating parallel frameworks, we believe that the more effective and future-proof approach is to integrate occupational elements within an expanded PEPP structure. This would allow for both individual and employer contributions under a single, coherent regulatory regime — simplifying compliance, enabling portability, and making it easier for SMEs and multinational companies to offer consistent pension benefits across Member States.

We are currently developing a blueprint for how this integrated model could operate in practice — aiming to deliver a simple, flexible, and scalable solution that supports a wide range of users and use cases across the EU pension landscape.

4.3 Lessons Learned from Practice

Our direct experience launching a PEPP revealed several key regulatory and operational frictions that need to be addressed to ensure the product can succeed at scale:

- **Mandatory advice** for the Basic PEPP added significant cost and complexity — especially for digital-first providers like LifeGoals. As discussed earlier, the requirement for a full suitability assessment undermines the Basic PEPP's intended role as a universal, low-barrier savings product.

- **Sub-account management** across jurisdictions proved more challenging than anticipated. Adapting to divergent national rules on accumulation, decumulation, and retirement age has introduced significant administrative and legal complexity, limiting scalability.
- **The stochastic modelling requirement** imposed by the PEPP framework has proven especially demanding in practice. While we support forward-looking projections as a transparency tool, the current methodology — particularly its application in annual benefit statements and the obligation to recalibrate when assumptions change — imposes significant compliance and technical burdens. For digital-first providers offering Basic PEPPs under a capped fee structure, this complexity is challenging to sustain. Clarified guidance and simplified procedures would help ensure proportionality without compromising consistency.
- **Limited visibility of the PEPP among consumers** made customer acquisition more expensive. In the absence of public awareness campaigns, consumer trust in the product must be built from scratch, requiring disproportionate marketing investment relative to early-stage uptake.
- **In Cyprus**, there was initial uncertainty as to how PEPP contributions would be treated from a tax perspective, compared to existing 2nd and 3rd pillar pension products. Through proactive advocacy, including our direct engagement with the Ministry of Finance and policy input via the CFA Society Cyprus, we successfully supported the issuance of a ministerial decree that clarified the issue. This clarity was achieved before our product was authorized, ensuring that our PEPP launched on equal footing with national pension offerings. While Cyprus now offers this clarity, many Member States have yet to deliver similar tax certainty or equivalence, limiting the broader appeal and competitiveness of the PEPP across the EU.

- In the Czech Republic, our experience highlights the challenges that arise when national rules treat the PEPP less favourably than comparable local pension products. Unlike the domestic DPS scheme, PEPPs in the Czech market do not benefit from a retirement age restriction, allowing savers to withdraw their funds at any time. This undermines the PEPP's intended function as a long-term retirement product and risks repositioning it as a standard investment account. Additionally, tax incentives are available only if the saver contributes for a minimum of 10 years — a condition that excludes late starters, such as individuals beginning at age 60 with an intended retirement at 65. These rules limit the relevance and attractiveness of the PEPP as a practical retirement solution for many demographics. The situation is compounded by unequal treatment based on provider type: only insurance-based PEPPs are fully aligned with the local pension tax framework, while investment firm offerings may not benefit from the same favourable treatment. These inconsistencies reduce competitiveness, create market fragmentation, and highlight the need for harmonized tax and eligibility rules across the EU.

These lessons have shaped the recommendations we present in the following sections. They reflect not just a theoretical commitment to the PEPP, but a practical, real-world effort to make it work — for providers, for policymakers, and, most importantly, for European savers.

5. Challenges Identified

Despite its strong regulatory foundation and long-term potential, the PEPP has not yet succeeded in establishing itself as a widely adopted personal pension solution across the EU. Through our experience as one of the first authorized providers — and our ongoing engagement with European stakeholders — LifeGoals has identified a number of systemic challenges that continue to constrain both market development and product scalability.

These challenges span three broad areas: regulatory barriers, market design frictions, and policy inconsistencies across Member States.

5.1 Regulatory and Operational Barriers

Fee Cap Structure

The 1% fee cap on the Basic PEPP is well-intentioned but structurally problematic. It fails to distinguish between provider-related costs (platform, advice, distribution, reporting) and underlying investment costs, particularly for diversified or private market strategies. This structure discourages innovation and limits the ability of PEPPs to channel savings into the real economy, contrary to CMU objectives.

The situation is further complicated by VAT: providers that must apply VAT to their fees (e.g., investment firms) are structurally disadvantaged compared to VAT-exempt structures. This results in real disparities in net revenue under the same nominal cap.

Mandatory Advice and Suitability Assessments

The Basic PEPP was intended as a simple, universal product — yet it is still subject to the same investment advice and suitability assessment requirements as more complex offerings, under Article 26(1) of the PEPP Regulation. While onboarding and AML screening are essential and already in place, the additional requirement for formal investment advice — even where no investment decision is made — introduces regulatory friction and added cost. This undermines the scalability of digital, low-cost models and limits access for low-income or first-time savers, despite the Basic PEPP's role as an entry-level retirement solution. A more proportionate approach would exempt Basic PEPPs from suitability advice when no investment choice is involved.

Sub-Account Fragmentation

PEPP providers must create and manage jurisdiction-specific sub-accounts to reflect local rules on accumulation, decumulation, retirement age, and payout methods. While these sub-accounts are necessary to comply with national tax and retirement legislation, their implementation creates significant compliance complexity, particularly for smaller providers. Without supporting tools or coordination, this fragmentation challenges the operational feasibility of delivering a scalable, pan-European PEPP.

Stochastic Modelling Complexity

While the stochastic simulation framework helps ensure consistency and comparability across PEPP providers, its implementation remains technically demanding — particularly for low-risk Basic PEPPs. LifeGoals has implemented the model, but recognises that the ongoing compliance obligations — including its use in annual benefit statements and recalibration requirements — can pose a barrier to potential providers. Greater clarity and proportionality in its application would help ensure broader market participation without compromising transparency.

5.2 Market Challenges and Consumer Barriers

Low Awareness, Not Low Demand

The limited uptake of the PEPP is often misinterpreted as lack of interest. In reality, awareness remains extremely low — with 76% of Europeans having never heard of the product (EIOPA Eurobarometer). This awareness gap, combined with limited supply across Member States, has prevented meaningful demand from materializing.

Behavioural Inertia and the Savings Gap

Even among those who are aware, behavioural barriers such as inertia, short-term thinking, and low financial literacy reduce uptake. Without behavioural nudges — such as auto-enrolment, tax incentives, or employer matching — the PEPP remains an optional product in a system that relies on action rather than default.

Customer Acquisition Costs

Due to the lack of centralized promotion or branding at the EU level, PEPP providers bear the full cost of customer acquisition. In a low-margin environment — especially with capped fees and additional compliance and structural disadvantages such as

VAT obligations that vary by provider type and jurisdiction — this makes scalable rollout economically unviable for many potential entrants.

5.3 Fragmented National Implementation

Uneven Tax Treatment

While some Member States — including Cyprus, thanks to successful pre-launch advocacy — have granted tax parity for PEPPs, many others have not. PEPP contributions are often treated less favourably than national PPPs or 2nd pillar schemes, undermining their competitiveness despite offering more transparency and portability.

Assets Transferability

Savers should be allowed to transfer-in from other retirement schemes such as occupational IORPs, PPPs and Insurance based pension products.

Inconsistent VAT Treatment

PEPPs are subject to varying VAT regimes across both countries and provider types. In some jurisdictions, insurance-based PEPPs are VAT-exempt while investment firm PEPPs are subject to full VAT. Moreover, while a few jurisdictions have introduced specific VAT exemptions or favourable treatments for PEPPs, the majority have not, resulting in an environment conducive to tax arbitrage. This disparity is further exacerbated by the unclear PEPP service provision status, particularly in relation to Article 58 VAT Directive, concerning electronically supplied services. If PEPPs are not deemed to fall under this provision, providers may be incentivised to relocate operations to lower-VAT jurisdictions, thereby undermining the integrity of the single market.

All of the above create an unlevel playing field counteracting the core objectives of the PEPP framework and the broader Capital Markets Union agenda.

Regulatory Delays and Enforcement Gaps

Several Member States were slow to implement the PEPP Regulation at national level, particularly in relation to accumulation/decumulation rules and application processes. While EIOPA and the Commission have taken important steps to promote compliance, the lack of formal enforcement mechanisms has left providers navigating an uneven and uncertain regulatory landscape — increasing first-mover risk and slowing momentum.

5.4 Strategic Disconnect

The PEPP was designed to align with core EU objectives: retirement adequacy, financial inclusion, labour mobility, and deepening capital markets. Yet the current implementation has created a disconnect between policy ambition and operational feasibility.

Without targeted reforms, the PEPP risks becoming a technically sound, but underutilized framework — accessible in theory but unreachable in practice for the majority of EU citizens and providers.

6. LifeGoals' Proposals for Reform

At LifeGoals, we remain firmly committed to the vision of a Pan-European Personal Pension Product that is scalable, inclusive, and effective. Our proposals are rooted in the practical lessons learned from being an early implementer of the PEPP and are aligned with the EU's long-term strategic objectives: improving retirement adequacy, strengthening the Capital Markets Union, and supporting cross-border labour mobility.

The following proposals aim to transform the PEPP into a robust pillar of European retirement security.

6.1 Integrate Personal and Occupational Dimensions Within a Unified PEPP Framework

We propose that the upcoming PEPP revision eliminate the need for a separate Pan-European Occupational Pension Product (PEOP) and instead incorporate occupational features into an expanded PEPP framework. This unified structure should accommodate both individual and employer contributions, with clear rules for tax incentives, employer matching, and workplace implementation.

Together with CBBA-Europe, LifeGoals has arrived at this position through policy engagement and operational insight. We are currently developing a blueprint to illustrate how this model can work in practice. A unified PEPP would simplify regulatory oversight, improve uptake by SMEs and multinationals, and ensure consistency across Member States.

6.2 Encourage Market Uptake Through Smart Policy Tools

6.2.1 Introduce Auto-Enrolment for Uncovered Workers

We propose that Member States introduce auto-enrolment into the Basic PEPP for individuals who are not covered by 2nd or 3rd pillar pension schemes. Participation would remain voluntary, but individuals would be defaulted into the system, in line with best practices in behavioural economics.

We recognise that pension policy falls under national competence and cannot be mandated at the EU level. However, the European Commission and EIOPA can play a key role in encouraging Member States to adopt this approach by providing clear guidance, best practice frameworks, and aligning funding or technical assistance where appropriate. This soft coordination can support national implementation while preserving Member State autonomy.

This approach has proven successful in countries like the UK and New Zealand, significantly increasing participation among young and low-income workers. Auto-enrolment, paired with clear communication and opt-out flexibility, which in the PEPP context would need to occur before the first contribution, would reduce behavioural inertia and ensure broader coverage.

6.2.2 Enable Employer Contributions and Incentives

Employers across Europe—particularly SMEs—should be empowered to contribute to employees' PEPPs. This would turn the PEPP into a practical tool for workplace retirement saving, especially for employers that do not have the scale or resources to operate an IORP efficiently. By enabling employer contributions through the PEPP, Member States could open the door for a broader range of companies to offer meaningful retirement benefits without the administrative and financial burden of setting up standalone occupational schemes.

Furthermore, integrating employer contributions into the PEPP structure could provide a solution for multinational companies that currently face complex legal and regulatory hurdles in offering cross-border pensions under the IORP Directive. A unified PEPP with occupational functionality would streamline compliance and enhance portability for mobile workforces.

This reform would also benefit the growing segment of hybrid and mobile workers, such as digital nomads, freelancers, and platform workers, who often lack access to employer-sponsored retirement schemes. Allowing flexible employer contributions to PEPPs would enable these individuals to build retirement savings with support from multiple short-term or remote employers across jurisdictions.

Clear guidance and fiscal incentives — such as matching contributions and streamlined payroll integration — should be introduced to facilitate employer uptake and ensure broad-based adoption across diverse employment models.

6.2.3 Support EU-Level Promotion and Public Awareness

The lack of public awareness is a core barrier to PEPP adoption. We recommend that the European Commission and EIOPA coordinate an EU-wide promotion strategy for the PEPP, including awareness campaigns, educational content, and inclusion in financial literacy programs.

PEPP providers could support this objective by presenting their offerings through an EIOPA-hosted platform, utilising digital channels to engage remote and cross-border audiences. In addition to product presentations, the platform should feature educational materials such as explainer videos, interactive tools, and comparative guides to help consumers better understand the structure and value proposition of PEPPs. By enhancing transparency, comparability, and financial literacy—and backed by the credibility of EIOPA—this initiative would promote cross-border adoption and strengthen consumer confidence in the pan-European pension framework.

Additionally, EIOPA should expand its PEPP comparison tools, enabling consumers to evaluate fees, sustainability criteria, and investment options across providers and Member States.

6.3 Reform the Fee Cap Framework

The current 1% fee cap for the Basic PEPP includes provider-level fees, underlying investment costs, and in many cases, VAT. This bundled approach disincentivizes providers from offering diversified or long-term portfolios, especially those aligned with Capital Markets Union goals such as private equity, infrastructure, or ESG strategies — which often involve higher underlying costs.

We support maintaining the 1% cap for the Basic PEPP as a consumer safeguard. However, in practice, the vast majority of savers are expected to remain in the Basic PEPP — making it essential that the cap be defined in a way that is both transparent and economically viable.

We recommend that the 1% cap apply only to provider-level fees and exclude third-party investment costs (TER) and statutory taxes such as VAT, provided these are transparently disclosed. VAT, in particular, is outside the provider's control and varies significantly across Member States. Including it in the cap penalizes providers based on their legal form or jurisdiction, not efficiency — distorting competition and reducing provider diversity.

Excluding VAT from the cap aligns with EU law, CJEU precedents on VAT neutrality, and EIOPA's own prior treatment of guarantee costs. This clarification would support provider participation, enhance transparency, and ensure that the Basic PEPP remains viable without undermining consumer protection.

6.4 Simplify Regulatory Burdens and Reporting

6.4.1 Remove Suitability/Advice Requirements for Basic PEPP

The Basic PEPP is designed as a simple, default product — available to all savers regardless of their investment knowledge or experience. However, under Article 26(1) of the PEPP Regulation, providers are required to deliver individual investment advice and a suitability assessment prior to contract conclusion, even when the Basic PEPP offers no investment choice.

While AML screening, licensing, and full regulatory oversight must absolutely remain in place, the requirement for formal investment advice in this specific context imposes unnecessary compliance complexity and cost — particularly for digital-first and cross-border providers operating under the 1% Basic PEPP fee cap.

We recommend that Basic PEPPs be exempted from Article 26(1) where no investment selection is involved. This would preserve all essential safeguards while ensuring that the entry-level nature of the Basic PEPP is not undermined by obligations designed for riskier products.

6.4.2 Simplify Stochastic Modelling and Projections

The stochastic modelling framework required under the PEPP Regulation plays a key role in ensuring consistency, transparency, and comparability across providers. LifeGoals has implemented the model and supports its policy objectives, particularly in projecting future outcomes and supporting standardised disclosure.

However, the methodology is technically demanding and entails significant ongoing compliance — including its integration into annual benefit statements (Article 39) and the obligation to recalibrate when underlying assumptions materially change (as required under the RTS). For digital-first and smaller providers operating under the 1% Basic PEPP fee cap, these requirements can be disproportionately burdensome.

We do not propose abandoning the stochastic model, but recommend that proportionality be applied in its implementation — particularly for Basic PEPPs. EIOPA and the European Commission could provide clarified technical guidance and allow simplified projection formats where appropriate, to ensure the regulatory burden does not discourage market participation or innovation, while preserving transparency and consumer protection.

6.4.3 Streamline Sub-Account Management

Managing sub-accounts across different Member States presents significant operational challenges for PEPP providers, primarily due to the diverse national rules governing accumulation and decumulation phases. This complexity hinders the scalability and efficiency of offering PEPPs on a cross-border basis.

While we fully recognise that national sub-accounts are essential to comply with Member State-specific tax and decumulation rules, the challenge lies in the operational complexity of managing them consistently across jurisdictions.

To address this, we propose the following measures:

- **Development of Harmonized Templates:** EIOPA should collaborate with National Competent Authorities (NCAs) to create standardized templates that outline the specific requirements for accumulation and decumulation in each Member State. These templates would serve as a reference for providers, ensuring clarity and consistency in managing sub-accounts.
- **Creation of a Centralized Information Repository:** A centralized repository managed by EIOPA could house all relevant information regarding national rules and requirements. This would provide PEPP providers with easy access to up-to-date information, aiding in compliance and operational planning.
- **Clarify Key Pension Timing Definitions at the EU Level:** The Regulation should explicitly define key timing parameters that impact PEPP administration. This includes:
    - The reference point for retirement age should be based on the saver's exact birthdate, not just the birth year, to avoid administrative misalignments across jurisdictions.

- The maximum age at which a saver can begin contributing to a PEPP should be harmonized (e.g., no later than five years before statutory retirement age), to safeguard the retirement nature of the product.
- It should also be clearly stated whether the maximum entry age refers to the date of signing the PEPP contract or the start of contributions, to avoid differing interpretations across Member States.

By implementing these measures, the operational complexity associated with sub-account management can be significantly reduced, promoting the scalability and cross-border portability of PEPPs.

6.5 Ensure Fiscal and Regulatory Neutrality

6.5.1 Tax Parity Across Member States

PEPP contributions should receive the same tax treatment as comparable national 3rd pillar PPPs and 2nd pillar occupational schemes. While Cyprus has taken steps to align its treatment, many Member States have not, undermining the PEPP's competitiveness. We urge the European Commission to issue guidance on tax alignment and work with Member States to secure fiscal neutrality.

Without a consistent tax treatment, the PEPP cannot become a meaningful alternative to national products. Tax incentives remain a key driver of retirement saving behaviour, and their absence severely limits adoption — regardless of the product's technical quality.

6.5.2 Harmonize VAT Treatment by Provider Type

As discussed in Section 3.3.3, the VAT treatment of PEPPs is not only inconsistent across provider types and Member States but also complicated by uncertainty regarding their classification as electronically supplied services under EU VAT law.

Depending on the delivery model, a PEPP may be deemed an electronically supplied service under Article 58 of the VAT Directive — particularly if the product is provided through automated digital channels with minimal human intervention. In such cases, providers must charge VAT at the rate applicable in the saver's country of residence, using the One Stop Shop (OSS) mechanism. This can result in significantly different effective tax rates across the EU, increasing operational complexity and reducing fee certainty for both providers and consumers.

In contrast, PEPPs involving more human interaction — or those offered by insurance undertakings — may be taxed only at the provider's home-country VAT rate or enjoy full exemption. This divergence creates the potential for identical or near-identical products to be taxed differently, depending not on their function or policy objectives, but on technical interpretations of delivery methods and legal structures.

This disparity:

- Discourages innovation in digital distribution,
- Creates barriers to cross-border scalability, and
- Undermines the neutrality that should exist in a unified EU personal pension framework.

To address this issue, we recommend the following:

1. Clarify VAT classification and OSS obligations: The European Commission should issue guidance confirming how PEPPs are treated under the VAT Directive — particularly regarding electronically supplied services and the applicable VAT location rules. This would help avoid divergence between Member States and increase legal certainty.
2. Exclude VAT from the 1% Basic PEPP cost cap: VAT is a statutory tax paid by consumers and not a retained fee. Including it in the 1% cap disproportionately affects investment firms and undermines the neutrality of the regulatory framework. Excluding VAT would align with the treatment of capital guarantees (already excluded) and ensure that the cap reflects true provider costs.
3. Harmonize VAT treatment across provider types: Regardless of whether a PEPP is provided by an insurance undertaking, investment firm, or IORP, the VAT regime applied should reflect functional parity, not legal form. Where feasible, the Commission should pursue a harmonized exemption or zero-rate framework.
4. Promote institutional recognition of the PEPP: The VAT exemption under Article 135(1)(g) of the VAT Directive (management of special investment funds) depends on a fund's regulatory classification. The Commission should consider formally recognizing PEPPs — especially the Basic PEPP — as qualifying pension funds under EU VAT law, consistent with CJEU case law (e.g., ATP Pension Service and X v Netherlands). This would align the PEPP with other long-term retirement vehicles and help support cross-border provider participation.

A consistent, neutral, and policy-aligned VAT framework is essential to ensure that the PEPP can operate effectively across the Union, without penalizing certain provider models or discouraging cost-efficient digital innovation.

6.6 Strengthen Implementation and Regulatory Coordination

To improve transparency and confidence, EIOPA should maintain a centralized registry that tracks national implementation of PEPP authorisation frameworks, including key milestones and bottlenecks.

The European Commission should consider publishing implementation scorecards for Member States and, where appropriate, explore follow-up mechanisms to ensure timely compliance. This would promote consistency, reduce uncertainty for providers, and reinforce the credibility of EU pension policy.

EIOPA and the European Commission can also encourage national pension dashboards to include PEPP data, and facilitate standardization through digital infrastructure such as APIs and compliance templates. This would provide savers and providers alike with a clearer understanding of cross-border pension options and legal environments.

7. Conclusion

The Pan-European Personal Pension Product remains one of the EU's most ambitious and forward-looking financial innovations. Conceived as a truly cross-border, portable, and transparent retirement savings vehicle, the PEPP was designed to address major European policy goals — from boosting personal retirement adequacy to strengthening the Capital Markets Union and enabling labour mobility in an integrated market.

Yet two years into its implementation, the PEPP remains underutilized. The reasons are not ideological — they are practical. Regulatory complexity, inadequate national implementation, weak enforcement, uncoordinated tax policy, and limited public visibility have undermined the very conditions required for success.

The upcoming revision of the PEPP framework is a critical opportunity. Policymakers should focus on preserving and strengthening the original vision through targeted reform. This means pursuing pragmatic, achievable improvements that reflect how the market truly operates — across employer and personal contributions, national variations in savings culture, and the increasing digitalisation of financial services.

At LifeGoals, we remain strongly committed to the PEPP. Our direct experience as a licensed provider, coupled with our work as advocates through CBBA-Europe, gives us a unique vantage point. We have seen the promise of this product. We have also experienced the obstacles firsthand.

Our proposals — to integrate occupational and personal PEPPs, to replace rigid caps with transparency, to streamline suitability and modelling rules, to harmonize tax and

VAT treatment, and to enable employer contributions and auto-enrolment — are not radical. They are grounded in sound financial practice, European regulatory principles, and practical feasibility.

A revitalized PEPP is possible. And necessary.

LifeGoals stands ready to work with regulators, legislators, and fellow providers to help the PEPP fulfil its potential as a cornerstone of long-term retirement security in Europe.