

# TECHNICAL ADVICE ON PENSION TRACKING SYSTEMS – IMPACT ASSESSMENT

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## PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

In December 2020, EIOPA received a Call for Advice<sup>1</sup> from the European Commission on the development of best practices for national tracking systems that facilitate access to individualised pension information. The impact assessment covers the key areas of the requested technical advice and the associated costs, as required by the Call for Advice. According to Article 8(3) of the EIOPA Regulation, EIOPA conducts analysis of costs and benefits where relevant when carrying out its tasks considering the aim of better regulation. The analysis of costs and benefits is undertaken according to an Impact Assessment methodology.

In February 2020 EIOPA set up a consultative group of 17 Practitioners and experts (e.g. academics) to strengthen and complement EIOPA's expertise with regard to internet-based applications that provide citizens with an overview of their future retirement income, based on their entitlements from all pension schemes in which they participate.

### Consultation with stakeholders

The draft Technical Advice was subject to a public consultation from July to first week of September 2021<sup>2</sup>. Stakeholders' responses to this public consultation served as a valuable input in order to revise the draft Technical Advice.

After the public consultation, EIOPA received an opinion by one of its stakeholder group, the Occupational Pension Stakeholder Group (OPSG)<sup>3</sup>.

Further, a stakeholder event was organised in October 2021 for EIOPA to provide feedback on the consultation outcome and to gather additional stakeholder views.

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<sup>1</sup> See [link](#). The Call for Advice also requested EIOPA advice on Pension dashboards to strengthen the monitoring of pension developments in Member States, which is dealt with in a separate document.

<sup>2</sup> [Consultation on technical advice on pension tracking services | Eiopa \(europa.eu\)](#)

<sup>3</sup> [OPSG Advice on Pension Tracking Systems | Eiopa \(europa.eu\)](#)

## PROBLEM DEFINITION

Pensions are an integral part of Member States' social security systems, which in many Member States are complemented by private pension savings, such as occupational pension schemes and personal pension products. As pension entitlements and savings are often scattered between different pension providers and often in different Member States, consumers may find it difficult to trace all their sources of future retirement income. Further, as pension information is often not comparable, consumers cannot easily grasp their total future retirement income from all possible sources, which hinders an appropriate retirement planning, in particular, to detect potential needs for additional savings. Therefore, the key objective of the Technical Advice is to ensure that citizens have access to an overview of their future pension entitlements, which enables retirement planning and may promote pension savings for an adequate future retirement income.

Most individuals have limited time and motivation to be involved in retirement planning and struggle with complex topics such as pensions. The simple act of gathering pensions information is a daunting task for most people. Pension sources can vary from statutory pensions provided by the state, occupational pensions if linked to the employer or personal if acquired on an individual basis. Each source is governed by a different institution and has its particular rules for accruing and executing pension rights, usually set in the correspondent national legislations. It is no wonder that obtaining all the information on pension, in particular when a citizen is saving through different pension providers, is a very arduous task, coupled with the use of jargon language in the information provided. Concepts like “replacement rate”, “accrued savings”, “compound interest”, “defined contribution” make the topic even less digestible for people with limited financial and numeracy literacy. Moreover, the majority of people are mainly interested in questions that affect their future retirement, such as when will they be able to retire or how much will their pension be. Unfortunately, the answer to those questions is today not easily obtainable in a simple and understandable manner in most Member States.

To address this problem, EIOPA delivers to the Commission Technical Advice on the set-up of national pension tracking systems (PTSS) that facilitate access to individualised pension information in order to increase transparency on pension gaps at individual level and engage individuals with a view to triggering adequate retirement planning actions.

What is the Pension Tracking System (PTS) aimed at?

- To reduce the time and effort needed to gather all pensions' information in a digital accessible format (i.e. a website, a mobile app);

- To alleviate the behavioural and cognitive aspects linked to the complex topic of pensions: information overload, present bias, inertia, projection bias and limited rationality – by providing a non-expert view and making information digestible for an average user;
- To allow for comparability and coherent combination of pensions entitlements from different sources – by aggregation of all information;
- To facilitate sensible financial decisions and sound retirement planning – through promoting the use of the website/app and the engagement with pensions.

### Evidence

The evidence used in the development of the Technical Advice was mainly gathered through:

- Input received by the Practitioners Network, composed of:
  - Representatives from existing PTS in several EU MS (Belgium, Denmark, Estonia, France, Netherlands, Norway, Slovakia and Sweden )
  - Representatives from developing PTS in Europe (Germany, Switzerland and United Kingdom) and from the European Tracking Service (ETS) initiative
  - Representatives from Dutch academia and experts in the pension communication (Italy)
  - A representative from a pension provider administrator (Italy)
- Regular contacts established with existing PTS overseas (Australia, Israel)
- Input from EIOPA National Competent Authorities
- Input from EU Member State institutions covering statutory pensions

### Baseline scenario

When analysing the impact from proposed policies, the impact assessment methodology foresees that a baseline scenario is applied as the basis for comparing policy options. This helps to identify the incremental impact of each policy option considered. The aim of the baseline scenario is to explain how the current situation would evolve without additional regulatory intervention. For the analysis of the potential related costs and benefits of the Technical Advice on the development of PTSs, EIOPA has applied as a baseline scenario the situation of Member States that do not have a PTS in place and where there are at least two sources of pensions offered to citizens (e.g. statutory and supplementary pensions information, be it occupational or personal pension).

In this context, the European Commission's Call for Advice states that "European public pension systems are facing the dual challenge of remaining financially sustainable and being able to provide Europeans with an adequate income in retirement" and that, "[a]t an individual level, promoting better understanding and wider engagement in occupational pensions is needed."

The risk is that, while people rely on pensions as the main source of income supporting their standards of living at retirement, they might not realise a growing pension gap, as many are not aware of their pension situation and will not act on time to put remedies at work. Several concurring developments, such as increased life expectancies in combination with a low-for-long yield environment, are making the prospect of a decent retirement income for life less secure and certainly less abundant.

Moreover, across developed economies, capital funded occupational pensions are shifting from Defined Benefit (DB) plans, which guarantee consumers a certain income after retirement, to Defined Contribution (DC) plans, where retirement income depends on how the accumulated contributions have been invested. As a consequence, more responsibility and financial risks are placed on individual consumers for their income after retirement.

Generally, citizens across the EU tend to have little engagement with - or ownership of - their financial planning for retirement. This can be explained by people's cognitive and behavioral biases, such as **focus on the present** (preference of consuming today over saving), **inertia or status quo** (people know they should save for old age but are reluctant to engage with a future and complex subject), **projection bias** (people overestimate the degree to which their future preferences remain the same as in the present), **reference dependence** (people make decisions involving loss and risk in relation to a particular reference point), **illusion of wealth** (relatively big amount of savings could mislead them to think they have enough savings for retirement) and, not to forget, **information overload** (people are overwhelmed by too much information presented at once).

With this in mind, the “do nothing” means leaving citizens to procrastinate pension decisions, which may lead to inadequate pension savings.

## OBJECTIVE PURSUED

In line with the Call for Advice, the Technical Advice covers the following key areas to develop a PTS:

1. Define principles for the goal and minimum objectives of a PTS
2. Define principles for the design of a PTS, including the key information of the landing page
3. Define principles for the back-end solutions for the design of a PTS
4. Define the principles for the governance and implementation of a PTS
5. Foster compatibility of national PTS with the European Tracking Service (ETS)

These key areas correspond to the objective to support people in their retirement of the European Commission's action plan on the Capital Markets Union: (CMU)<sup>4</sup>: Action 9: Supporting people in their retirement<sup>5</sup>.

Action 9 of the CMU Action Plan commits the Commission to developing best practices in the area of pensions that will assist Member States and citizens facing demographic challenges. The opportunities provided by the CMU can lead to greater incentives for pensions savings and a greater supply of capital, which can help finance the long-term growth of the real economy, as well as its green and digital transition. European public pension systems are facing the dual challenge of remaining financially sustainable and being able to provide Europeans with an adequate income in retirement. The main goals of pension and retirement policies are to provide individuals with adequate retirement income, while ensuring financial sustainability. At an individual level, promoting better understanding and wider engagement in pensions is needed. They are also consistent with the following objectives:

- To provide clear and adequate information to members (Recital 63 IORP II Directive)
- Enhancing customer and consumer protection (Article 6 EIOPA Regulation)

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<sup>4</sup> On 24 September 2020 the Commission adopted a [new capital markets union action plan](#)

<sup>5</sup> [Action 9 - Supporting people in their retirement | European Commission \(europa.eu\)](#)

## POLICY OPTIONS

Covering the key policy areas for the development of a PTS, as set out in the previous section, EIOPA has analysed different policy options for every subject required by the Call for Advice.

The following table provides an overview of the most relevant policy issues that have been discussed in the policy development process and the main options considered for each of them. The preferred option for each policy issue is marked in bold.

Policy issues	Options
1. Front-end landing page.	<p><b>A. Option: BASIC</b>                      Retirement date                      Pension estimation (monthly income)</p> <p>B. Option: ACCRUALS + BASIC                      Retirement date                      Total accrued pension pot                      Pension estimation</p> <p>C. Option: BASIC + STOP SAVING                      Retirement date                      Pension estimation                      Pension estimation if I stop saving now</p>
2. Back-end Model.	<p>2.1. <b>Live access</b></p> <p>2.2. <b>Data base</b></p>
3. Governance model	<p>2.3. <b>Public entity model</b></p> <p>2.4. <b>Private Public Partnership</b></p> <p>2.5. Commercial model</p>

## POLICY ISSUE 1

The first policy issue concerns the elements that should be displayed on the landing page of the PTS. The Call for Advice's policy question addressed is: What should the landing page (Layer 1) contain, as overview of key information most relevant for consumers, bearing in mind people's cognitive and behavioural biases? During the desk research and the consultation with the practitioners, EIOPA has considered behavioural insights approach for presenting pension projections. The conclusion reached was that a monthly income amount in today's prices is the most meaningful and easy to interpret number for citizens.

In order to provide an evidence-based answer to this question, EIOPA has conducted exploratory work consisting in a consumer testing<sup>6</sup> to get insights into a newly designed digital interface of a tracking tool, with focus on the landing page with summary/key information and the approach on layering of additional information.

From July to September 2021, a research experiment was conducted among consumers from three Member States: Italy, Spain and Romania. The criteria for selecting the countries was first, those that did not have a Pension Tracking System in place or were not developing one. Secondly, to obtain a geographical spread in Europe of western and eastern countries. Finally the choice was made also considering the available resources from the contractor and the limited timeframe available to develop the field experiment.

The study targeted consumers aged between 45 and 60. To be able to qualify for the experiments, participants had to be familiar with statutory and supplementary pension arrangements. This was done deliberately to compensate for the fact that in those countries a Pension Tracking System is not available and thus citizens might not be familiar with the PTS purpose.

The study began with the design of different PTS "landing pages" mock-ups, following the behavioural insights approach. Several mock-ups were designed both with content and format variations. Following that, the field study was designed in two phases: first the qualitative interviews<sup>7</sup> and second the eye-tracking and survey field experiments, both conducted remotely.

In the qualitative assessment of the study, three different content options were tested in two styles (variations with a bar-chart and a doughnut chart) amongst 24 participants aged between 45 and 60, that were familiar with both statutory and supplementary pension arrangements. See next the landing page mock-ups in the bar-chart style:

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<sup>6</sup> See accompanying report on Consumer testing of digital disclosures in pension tracking systems across the EU

<sup>7</sup> 45 minutes one-on-one guided interviews.

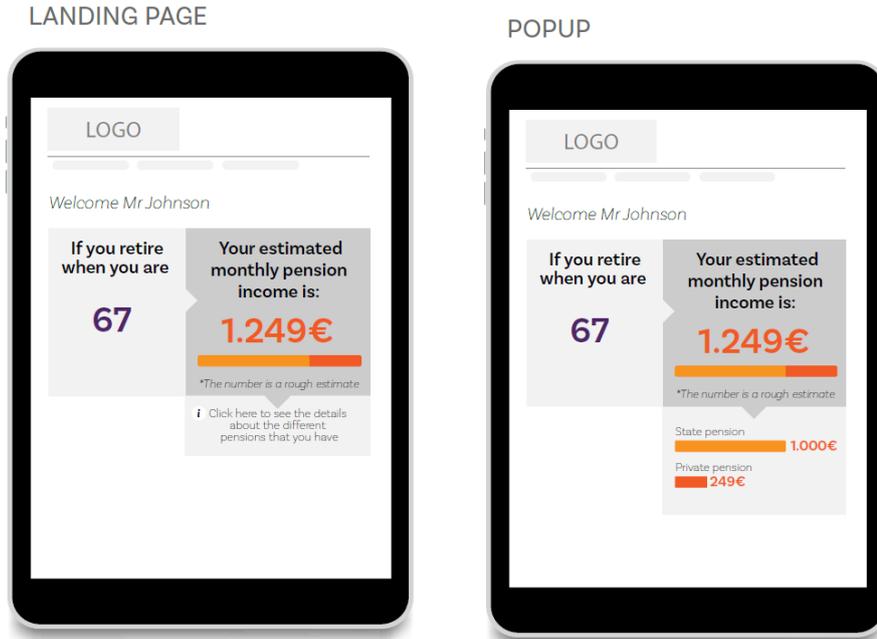


Fig. 1. PTS mock-up OPTION A - “BASIC”: information on the retirement date and estimated income at retirement (landing page and pop-up)



Fig. 2. PTS mock-up OPTION B - “ACCRUALS + BASIC”: information on total savings accrued, retirement date and estimated income at retirement (landing page and pop-up).

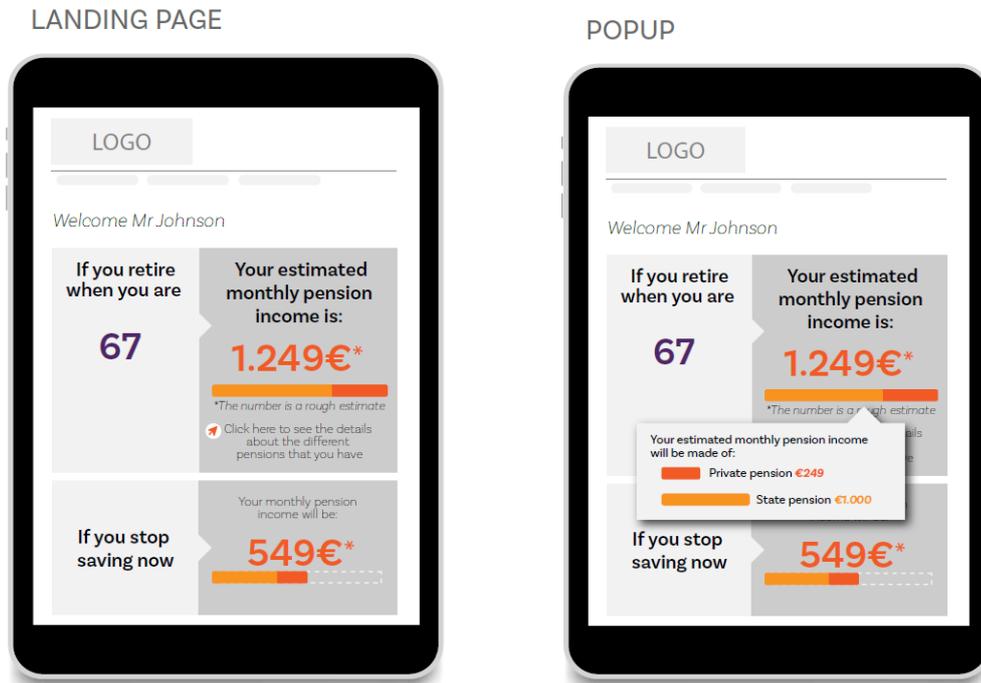


Fig. 3. PTS mock-up OPTION C - “BASIC+ STOP SAVING”: same information as Option A and an estimate of income at retirement in case the individual stopped working/saving (landing page and pop-up).

The second style consisted in a doughnut chart instead of the bar chart. See below the representation:

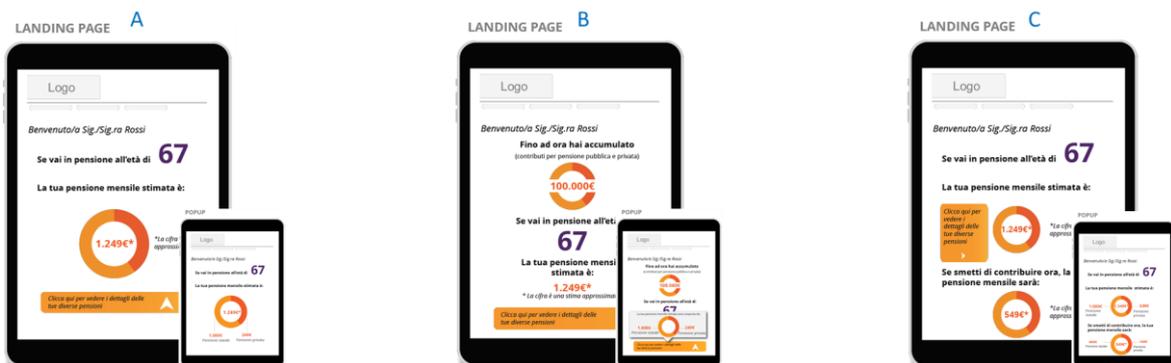


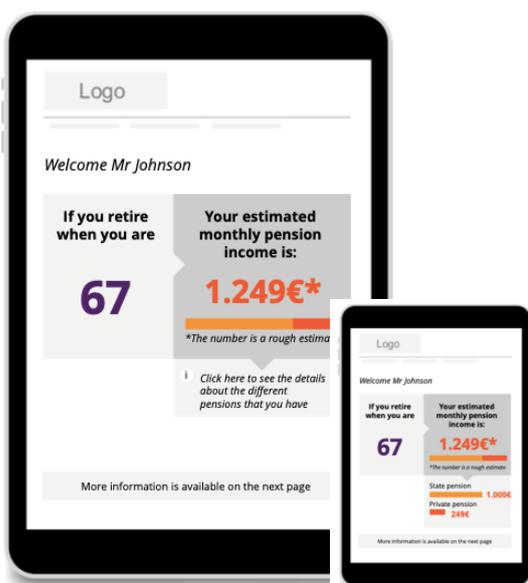
Fig. 4. PTS mock-up second style with doughnut chart (Italian version).

The outcome from the qualitative study revealed that the bar style was preferred by most of the participants, as it provided a visible, understandable and better structure than the doughnut. For the latter, the numbers were found too small and hardly visible when placed inside. Hence for the next round, it was decided to discard the doughnut style and focus on the content of the three options.

Regarding the user experience of the navigation of the PTS mock-ups proposed, a general positive feeling was reported by interviewees. The total number of participants described PTS as a new solution that can be a useful tool in the near future. In addition, they evaluated the overall user experience as intuitive, and the information provided easy to understand. The majority confirmed that those system would allow them to make better and informed decisions, but the sources of information must be official to build trust in the online environment.

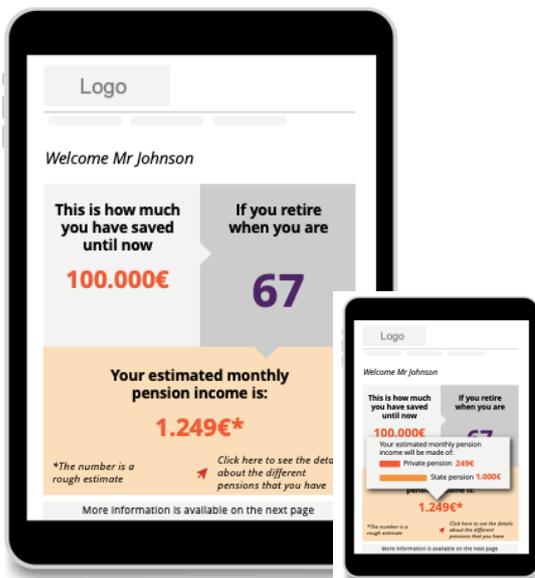
The quantitative assessment of the study consisted in an eye-tracking experiment and a survey of the digitalised mockups, conducted remotely amongst 90 and 600 subjects respectively aged between 45 and 60. Again the test was conducted in the same countries (Italy, Spain and Romania). The **eye-tracking** measures how many people looks at the mock-ups, after how many second and for how long. These measures are used as proxy for (i) attractiveness and (ii) level of interest for specific features of the pension tracking systems. The **survey** provides the stated preferences for given options, the breakdown by level of financial literacy and the understanding/usefulness of key concepts included in the different versions.

A small addition was made to the mock-ups used in the quantitative phase of the experiment: a sentence was added at the bottom of each illustration “More information is available on the next page”. The intention here was to avoid giving the impression that this was all information contained in a PTS page or app. Participants were briefed before the experiment that they would see several “home pages” of a Pension Tracking System, containing the key information. The findings of the eye-tracking can be found next to each mock up window.



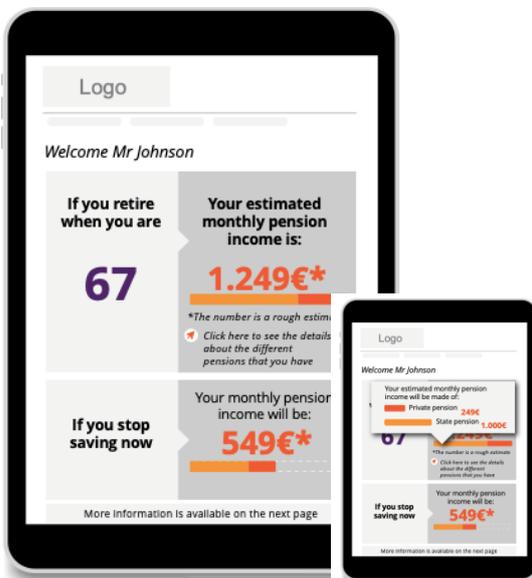
- **Pop-up** does not work well compare to other versions:
  - Users noticed the state/private breakdown after many second.
  - It attracted limited attention (less time spent on it).
- **Simplicity and clarity** was appreciated (from interviews). Others lamented the scarcity of info compared to others.

Fig. 5: PTS mock-up OPTION A -“BASIC” – Feedback eye-tracking



- **Total saving** is the first area viewed by users (possibly due to the positioning, top-left), but it attracted less interest compared to the projected income. From interviews: it is the exact information, not a projection.
- **Projected income:** despite the position is not ideal (bottom), it was still the area that attracted most interest.

Fig. 6: PTS mock-up OPTION B -“ACCRUALS + BASIC” – Feedback eye-tracking



- **“Current projected income”** is not very visible and not everyone looked at it (from interviews: younger people are not really interested). However, those who looked at it, spent more time on it (i.e., are very interested).
- **Pop-up** in this version was positioned better than others.

Fig. 7: PTS mock-up OPTION C “BASIC+ STOP SAVING” – Feedback eye-tracking

The second phase of consumer testing revealed interesting insights. The overall stated preferences of the mock-ups was: OPTION B (38%), followed closely by OPTION A (34%) and less closely by OPTION C (28%). However, this ranking varied slightly across countries and, more significantly, it varied across financial literacy of respondents. Whilst low literates chose simplest OPTION A, participants with higher literacy scores preferred either OPTION B or OPTION C, with more information. Besides, people closer to retirement preferred OPTION C, whilst younger cohorts, that have many years left before retirement, were not interested in this option.

Whilst OPTION B seems the winner of the overall stated preference, the eye-tracking reveals that information on total savings does not attract much attention compared to the estimated income, even if it is positioned in the hot spot of the page (top-left). The reasons for that are not known, but can range from a lack of interest in the total savings, a lack of understanding or perhaps the user does not know “what to do” with this information and thus focuses on the most relevant information (i.e. the retirement income). This could be an example of contradicting views: stated preference vs. actual behaviour.

As a result of the follow-up survey, it emerged that the term “projected” or “estimated” income might be wrongly understood as the exact amount a person will actually get at retirement. This is a critical issue, which should be explored in further research, as the concept of estimate in relation to projected income is key and cannot be misinterpreted by consumers that are using PTS to make informed decisions about their pension plans.

In the table below, the impact on consumers is partially based on the evidence provided by the consumer testing.

Policy option 1. : Front-end landing page - Option A: BASIC		
Stakeholder group	Benefits	Costs
<p><b>Member States - national authorities</b> (including any public authority and relevant Ministries)</p>	<ul style="list-style-type: none"> <li>Less requests for clarification of information from consumers compared to baseline scenario, as this information was perceived useful by all participants of the consumer testing,</li> </ul>	<p>The design of the landing page that is intuitive and easy to use will entail costs, such as the involvement of:</p> <ul style="list-style-type: none"> <li>Communication experts to support the presentation of meaningful information for</li> </ul>

	<p>regardless of their financial literacy.</p> <ul style="list-style-type: none"> <li>• In a governance model with public authority involvement: better consumer engagement due to an effective design of a landing page containing basic information that responds to two fundamental questions: <ul style="list-style-type: none"> <li>○ By when a person can retire and</li> <li>○ Which will be the monthly pension income.</li> </ul> </li> </ul>	<p>the average user and has the necessary disclaimers about the nature of projections .</p> <ul style="list-style-type: none"> <li>• Legal experts to ensure the information provided is compatible with national measures.</li> <li>• Web/App design experts to ensure that the design work follows the most effective behavioural insights</li> <li>• Researchers to develop consumer testing of the page</li> </ul>
<b>Pension providers</b>	<ul style="list-style-type: none"> <li>• Raised awareness of members and consumers pension information sources compared to baseline scenario (no PTS)</li> <li>• In a governance model with pension providers involvement: better consumer engagement due to an effective design of a landing page containing basic information that responds to two fundamental questions: <ul style="list-style-type: none"> <li>○ By when a person can retire and</li> <li>○ Which will be the monthly pension income.</li> </ul> </li> </ul>	<p>The information requirements (data sets to be transmitted to the PTS) are not affected by the design of the PTS landing page. .</p> <p>The pension provider should provide the data, regardless of whether this is part of Layer 1 (landing page) or placed in additional layers, with more detailed information.</p>
<b>Consumers</b>	<ul style="list-style-type: none"> <li>• Most immediate and easy to read, due to concise and little information shown.</li> <li>• Knowing the expected monthly income at retirement</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of not understanding that an estimate is not the exact amount a person will actually get at retirement – this risk has been confirmed by the consumer testing.</li> </ul>

	<p>is the most essential information</p> <p>The areas of interest containing the most relevant and useful information (e.g. projected income, retirement date) were seen almost immediately by participants and were identified the shortest time. Respondents spent a good amount of time reading them.</p>	<ul style="list-style-type: none"> <li>• Less efficacy was detected for the pop-up which did not attract participants’ gaze if compared to Option C.</li> </ul>
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Policy option 1: Front-end landing page - Option B: ACCRUALS + BASIC		
Stakeholder group	Benefits	Costs
<p><b>Member States - national authorities</b> (including any public authority and relevant Ministries)</p>	<ul style="list-style-type: none"> <li>• In a governance model with public authority involvement: good consumer engagement due to an effective design of a landing page containing information that responds to three key questions:                             <ul style="list-style-type: none"> <li>○ How much has a person saved in their pension (pots)?</li> <li>○ By when a person can retire? and</li> <li>○ Which will be the monthly pension income?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• The design of the landing page that is intuitive and easy to use will entail costs (see bullets in OPTION A). In a landing page with more information (e.g. total accrued savings) this will add complexity to the overall design. The presentation of total savings aggregated information might not be possible for statutory pensions in Member States with a Pay As You Go (PAYG) state pension system. In such systems, users might not understand that the accrued contributions presented in the landing page are only the</li> </ul>

		<p>contributions to supplementary pensions.</p> <ul style="list-style-type: none"> <li>• More requests for clarification of information from consumers compared to the OPTION A- BASIC, as the information on total savings was preferred only by participants with higher financial literacy.</li> </ul>
<b>Pension providers</b>	<ul style="list-style-type: none"> <li>• Raised awareness of members and consumers pension information sources compared to baseline scenario (no PTS)</li> <li>• In a governance model with pension providers involvement: good consumer engagement due to an effective design of a landing page containing information that responds to three key questions: <ul style="list-style-type: none"> <li>○ How much has a person saved in their pension (pots)?</li> <li>○ By when a person can retire? and</li> <li>○ Which will be the monthly pension income?</li> </ul> </li> </ul>	<p>The information requirements (data sets to be transmitted to the PTS) are not affected by the design of the PTS landing page.</p>
<b>Consumers</b>	<ul style="list-style-type: none"> <li>• Some participants of the consumer testing, thinking aloud, clearly stated a feeling of confidence and security by</li> </ul>	<ul style="list-style-type: none"> <li>• Consumers struggle to understand how the pension pot translate into retirement monthly income (annuity).</li> </ul>

	<p>knowing how much they have saved until now.</p> <ul style="list-style-type: none"> <li>Highly financially literate people prefer this Option or Option 3, because they contain more information than Option 1.</li> </ul>	<ul style="list-style-type: none"> <li>Risk of perceiving the total savings amount as sufficient to provide an adequate monthly income at retirement (myopic behavioural bias)</li> <li>Risk of not understanding that an estimate is not the exact amount a person will actually get at retirement – this risk has been confirmed by the consumer testing.</li> <li>In the consumer testing, total saving attracted less interest compared to the projected income, despite being displayed in the most favourable position of the page (top-left).</li> <li>The landing page might be difficult to be understood by users that do not have a high financial education.</li> <li>Risk of showing sensitive data on savings, as this is displayed immediately on the landing page (some users would rather have it in a pop-up window or a layer 2).</li> </ul>
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<b>Policy option 1. : Front-end landing page - Option C: BASIC + STOP SAVING</b>		
<b>Stakeholder group</b>	<b>Benefits</b>	<b>Costs</b>
<b>Member States - national authorities</b>	<ul style="list-style-type: none"> <li>Less requests for clarification of information</li> </ul>	The design of the landing page that is intuitive and easy to use will

<p>(including any public authority and relevant Ministries)</p>	<p>from consumers approaching retirement, as this information was perceived useful by older participants in the consumer testing.</p> <ul style="list-style-type: none"> <li>• In a governance model with public authority involvement: good consumer engagement due to an effective design of a landing page containing information that responds to three key questions:             <ul style="list-style-type: none"> <li>○ By when a person can retire?</li> <li>○ Which will be the monthly pension income?</li> <li>○ What is the impact on income at retirement if the person would stop working now?</li> </ul> </li> <li>• In addition, provision of a service at no additional costs for active citizens approaching retirement by showing the impact of an early retirement option: What will be the monthly pension if I stop saving now?</li> </ul>	<p>entail costs (see bullets in OPTION A).</p> <p>In a landing page with more information, such as the calculation of a pension projection of early retirement (or if the person would stop working or saving into the system), could add complexity to the overall design.</p> <p>This option will entail additional costs, depending on the technical solution offered (i.e. a static scenario or a more dynamic pension calculator tool) and depending on who provides the information and performs the calculation (the PTS or the pension provider).</p> <p>More requests for clarification of information from consumers compared to the OPTION A- BASIC, as the information on the “Stop working now” scenario was preferred by participants with higher financial literacy and was found useful only by participants closer to retirement.</p>
<p><b>Pension providers</b></p>	<ul style="list-style-type: none"> <li>• Raised awareness of members and consumers pension information</li> </ul>	<p>Potential additional data requirements to provide the “Stop</p>

	<p>sources compared to baseline scenario (no PTS)</p> <ul style="list-style-type: none"> <li>• In a governance model with pension providers involvement: good consumer engagement due to an effective design of a landing page containing information that responds to three key questions:             <ul style="list-style-type: none"> <li>○ By when a person can retire?</li> <li>○ Which will be the monthly pension income?</li> <li>○ What is the impact on the income at retirement if the person would stop working now?</li> </ul> </li> <li>• In addition, provision of a service at no additional costs for active citizens approaching retirement by showing the impact of an early retirement option: What will be the monthly pension if I stop saving now?</li> </ul>	<p>working now” (early retirement) scenario.</p>
<p><b>Consumers</b></p>	<ul style="list-style-type: none"> <li>• Better support of consumers nearing retirements as they can quickly see the impact of pre-retirement on their pension income and become aware of the monetary gap that an early retirement</li> </ul>	<ul style="list-style-type: none"> <li>• Risk of not understanding that an estimate is not the exact amount a person will actually get at retirement – this risk has been confirmed by the consumer testing.</li> <li>• This interface might be difficult to be interpreted and understood by people that do</li> </ul>

	<p>would have on their pension income.</p> <ul style="list-style-type: none"> <li>• Highly financially literate people prefer this Option or Option 2, because they contain more information than Option 1.</li> </ul>	<p>not have such education and knowledge.</p> <ul style="list-style-type: none"> <li>• Knowledge about the current amount if the person stops saving immediately is not considered important by those who are still “young” and have many years left before retirement.</li> </ul>
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## CONCLUSION OF POLICY ISSUE 1

EIOPA has considered three policy options (A, B and C) to address the policy issue. In this case, the impact on consumers is the more relevant aspect compared to the impact on other stakeholders. For this reason, consumer testing has been carried out to assess which policy option is more beneficial to consumers’ understanding. On the other hand, it is also important to understand if the information presented in the landing page is relevant and can be aggregated in a meaningful way.

In general terms, all the results obtained from the different phases and experiments carried out in the consumer testing lead to the conclusion that simplicity and conciseness, clarity and the understandability of information are the key points to improve the quality of the user experience.

The field experiment confirms that:

1. Retirement age and projected income are considered the most essential information in PTS (OPTION A). This type of interface was understood by all participants.
2. Total accrued saving is deemed to be an important information (OPTION B). This type of interface might not be understood by all participants
3. Estimate of the monthly pension income if a person stops saving immediately (OPTION C) received mixed feedback from participants, becoming interesting the closer the person gets to retirement age. This type of interface might not be understood by all participants.

EIOPA is of the view that OPTION A is the one that contains basic and most essential information for all users of the PTS, that is understood by all users, regardless of their financial literacy knowledge. Hence OPTION A is the recommended option.

Information on total savings included in Option B is very important, but should be provided in a second layer, with a clear signposting. . Consumer testing shows that users are less interested in total savings and focus their attention on projected income. Option B has not been chosen as recommended option in particular because most consumers struggle to understand how the pension pot translate into retirement monthly income. The risk is that they underestimate how much they need to save to secure an adequate income at retirement (myopic behavioural bias). In addition, the information on accrued savings/contributions might not be always possible to present on an aggregated level, especially for MS with a PAYG system, and users might not understand that the accrued contributions presented in the landing page are only the contributions to supplementary pensions.

EIOPA is of the view that advanced PTSs could consider developing OPTION C (an early retirement scenario) for persons approaching the retirement age (i.e. as of 50 years).

## POLICY ISSUE 2: MODEL CHOICE

The data required to present the pension information to the users can either be stored centrally or loaded via accessing the individual providers' databases (so called 'live access'). This section sets out the main benefits and costs of both the live access and central data base models.

### OPTION 2.1 - LIVE ACCESS

The PTS connects directly to the data providers each time when a user has been authenticated and identified. The loaded data is deleted from the PTS' system after the user has logged off.

Policy option 2. 1: Live access		
Stakeholder group	Benefits	Costs
<p><b>Member States - national authorities</b> (including any public authority and relevant Ministries)</p>	<p>In a governance model with public authority involvement:</p> <ul style="list-style-type: none"> <li>Increased data protection security for the PTS as a whole</li> <li>Easier to expand</li> <li>Less costly PTS compared to central database</li> </ul>	<ul style="list-style-type: none"> <li>Less suitable for other objectives beyond the overview of citizens' pension savings</li> </ul> <p>In a governance model with public authority involvement:</p> <ul style="list-style-type: none"> <li>Higher IT architecture requirements for the PTS as a whole, compared to central database</li> <li>Difficult to implement new features across all providers (no central check)</li> </ul>
<p><b>Pension providers</b></p>	<ul style="list-style-type: none"> <li>More control on the data presented</li> <li>Easier to join the PTS at a later stage</li> </ul> <p>In a governance model with pension providers involvement:</p>	<ul style="list-style-type: none"> <li>Higher costs compared to central database</li> <li>Higher IT architecture requirements</li> </ul> <p>In a governance model with pension providers involvement:</p>

	<ul style="list-style-type: none"> <li>• Increased data protection security on the PTS as a whole</li> <li>• Easier to add new providers to the PTS</li> <li>• Less costly compared to central database for the PTS</li> </ul>	<ul style="list-style-type: none"> <li>• Difficult to implement new features across all providers (no central check) for the PTS</li> </ul>
<b>Members and beneficiaries</b>	<ul style="list-style-type: none"> <li>• Increased data protection</li> <li>• Reduced risk of data being shared inappropriately</li> <li>• Faster performance</li> </ul>	<ul style="list-style-type: none"> <li>• More risk of errors in the data (e.g. due to connection failures)</li> </ul>

**OPTION 2.2 - CENTRAL DATA BASE**

The data is stored centrally and the PTS connects directly to this database.

<b>Policy option 2. 2: Central database</b>		
<b>Stakeholder group</b>	<b>Benefits</b>	<b>Costs</b>
<p><b>Member States - national authorities</b> (including any public authority and relevant Ministries)</p>	<ul style="list-style-type: none"> <li>• Easier to use the data for other purposes beyond the visualisation of citizens’ pensions savings</li> </ul> <p>In a governance model with public authority involvement:</p> <ul style="list-style-type: none"> <li>• Increased data protection security for the PTS itself</li> <li>• Simpler IT architecture for the PTS</li> </ul>	<p>In a governance model with public authority involvement:</p> <ul style="list-style-type: none"> <li>• Higher data security costs for the PTS</li> <li>• More prone to system failures for the PTS</li> <li>• Possible legal barriers to share the data to the PTS</li> </ul>

<p><b>Pension providers</b></p>	<ul style="list-style-type: none"> <li>• Less costly</li> </ul> <p>In a governance model with pension providers involvement:</p> <ul style="list-style-type: none"> <li>• Increased data protection security for the PTS itself</li> <li>• Simpler IT architecture</li> </ul>	<ul style="list-style-type: none"> <li>• Possible legal barriers to share the data</li> </ul> <p>In a governance model with pension providers involvement:</p> <ul style="list-style-type: none"> <li>• Higher data security costs for the PTS</li> <li>• More prone to system failures</li> </ul>
<p><b>Members and beneficiaries</b></p>	<ul style="list-style-type: none"> <li>• Less risk for transmission errors</li> </ul>	<ul style="list-style-type: none"> <li>• More risk of data being shared inappropriately</li> <li>• No data available if system failure in central database</li> </ul>

## CONCLUSION OF POLICY ISSUE 2

All options discussed are an improvement compared to the baseline scenario, as it ensures the average citizen to receive information, which it would not receive under the baseline scenario. Which model to adopt is mainly of a legal and technical nature and is closely linked to the purpose and scope of the national PTS. In addition, the model choice is closely linked to the solutions already available in a Member State.

In general, EIOPA recommends live access as the preferred database model due to the increased data protection. This is also the main reason why live access models were set up or that there was a transition from a live access to a central database model in a few countries.

However, live access models should not be installed if technological solutions are not available, if the costs would avert providers from submitting the required data or if there are already central legacy systems available on which a PTS could build. In addition, the aim of the PTS could go beyond the visualization of the citizens' pension savings. Under these circumstances, the central database might be the better solution. A pilot could help to assess if the modalities for setting-up a live access model are present.

Finally, it should be highlighted that the model choice is often not a black or white choice. Under a central database model, different databases could be combined. And the live access model makes sometimes use of a centralized database, for example for providers that do not have the technological means to secure a good connection at all times.

### POLICY ISSUE 3

EIOPA has identified as policy issue the choice of the governance model to create and run the PTS.

The following options have been considered:

- 2.6. Public entity model
- 2.7. Private Public Partnership
- 2.8. Commercial model

#### POLICY OPTION 3.1: PUBLIC ENTITY MODEL

This policy option consist of a governance model where the PTS is developed and governed by a public authority, which can be a ministry or a competent authority.

Policy option 3. 1: Public entity		
Stakeholder group	Benefits	Costs
<p><b>Member States - national authorities</b> (including any public authority and relevant Ministries)</p>	<ul style="list-style-type: none"> <li>• Flexibility to design the PTS by the public authority, compared to other policy options.</li> <li>• Easier to ensure that the PTS is a public good, i.e that the PTS remains nonexcludable and nonrivalrous and that it provides an impartial service to citizens.</li> <li>• Easier to ensure independence of the PTS and cooperation with government and other competent authorities.</li> <li>• Easier to ensure that the PTS is free from conflicts of interest.</li> <li>• Credibility of the PTS is ensured as there is a clear separation of</li> </ul>	<p>More resource intensive as it requires more efforts to design the PTS, engage with the actors participating in the PTS and other stakeholders to understand the impact of the PTS and to design the appropriate technical solutions addressing concerns whilst minimising cost implications.</p>

	<p>responsibilities between the persons responsible for running the PTS and data providers.</p> <ul style="list-style-type: none"> <li>• Possibility to outsource specific functions using transparent, open procurement procedures following EU rules.</li> <li>• Avoid free-rider problem through funding by state budget or levies on all providers of supplementary pensions.</li> <li>• Free from influence of commercial interests.</li> </ul>	
<b>Pension providers</b>	Ensured independence and credibility of the system.	Technical solutions might be less optimal (for example more costly) for some type of providers than when designed by or with pension providers.
<b>Members and beneficiaries</b>	The provision of the PTS is by public authorities ensures non-excludability, this is that no citizen can be prevented from using it, which is an important feature of the PTS as a public good.	Public entities are trusted more in some Member States than in others. However, in some Member State, the participation of the private sector could strengthen the trust in the system by citizens.

**POLICY OPTION 3.2: PRIVATE PUBLIC PARTNERSHIP OR PUBLIC ENTITY MODEL**

A private-public partnership (PPP) consist of an independent, non-profit structure that involves all the actors participating in the PTS. A PPP can take different forms e.g. mutual company, joint venture. The PPP should involve authorities and pension providers, and could involve also sponsors social partners and consumer groups.

<b>Policy option 3.2: Private Public Partnership</b>		
<b>Stakeholder group</b>	<b>Benefits</b>	<b>Costs</b>
<p><b>Member States - national authorities</b> (including any public authority and relevant Ministries)</p>	<ul style="list-style-type: none"> <li>• Limited costs as partially the know-how and resources are provided by the pension providers.</li> <li>• Direct involvement of the relevant parties required to provide personal data.</li> <li>• Potentially smoother roll out of the PTS due to the involvement of the industry in the design of the PTS.</li> <li>• Authorities co-running the PTS can understand the impact of the latter and design appropriate technical solutions addressing concerns whilst minimising cost implications.</li> <li>• The cooperation with the industry could result in cost-effective opportunities for strategic partnership on activities that would otherwise be outsourced to third parties.</li> <li>• Avoids free-rider problem through funding by state budget or levies on all providers of supplementary pensions.</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Some project risk in case there is disagreement between the public and private party.</li> <li>• Limited influence over the design of the PTS.</li> <li>• Costs of inspections by the public authority of the private party.</li> <li>• Limited influence of commercial interests.</li> </ul>
<p><b>Pension providers</b></p>	<ul style="list-style-type: none"> <li>• A balanced decision-making can be ensured between the different partners.</li> </ul>	<p>Moderate pension providers' costs and resources involved</p>

	<ul style="list-style-type: none"> <li>• PTS could choose appropriate technical solutions whilst minimising cost implications.</li> </ul>	in the PTS development.
<b>Members and beneficiaries</b>	<ul style="list-style-type: none"> <li>• Efficient solution in terms of identification of strategic partners and contractors as well as ensuring innovation.</li> <li>• In some Member State, the creation of a PTS through a PPP, with the cooperation of the private sector, might result in more trust in the system by citizens.</li> </ul>	The connection to business interests may carry some risk of affecting the interest of citizens.

### POLICY OPTION 3.3: COMMERCIAL MODEL

A commercial model consists of a governance structure composed solely of pension providers, without the presence of public authorities. The commercial model consists of setting up of a private entity that develops and runs the PTS and that is funded by the pension sector. This governance model is not expected to be accompanied by legislation setting up the PTS and mandating providers to submit data. Hence, the commitment of the different pension providers to provide the data would be crucial to ensure the functioning of the PTS.

<b>Policy option 3.3: Commercial model</b>		
<b>Stakeholder group</b>	<b>Benefits</b>	<b>Costs</b>
<b>Member States - national authorities</b> (including any public	No costs for setting up and maintaining the PTS.	<ul style="list-style-type: none"> <li>• No influence over the design of the PTS and limited or no oversight over the PTS, including</li> </ul>

<p>authority and relevant Ministries)</p>		<p>whether it is used for commercial, for profit purposes.</p> <ul style="list-style-type: none"> <li>• Potential conflicts of interest of the industry might impact the credibility of the PTS.</li> </ul>
<p><b>Pension providers</b></p>	<ul style="list-style-type: none"> <li>• Opportunity to design the PTS in a way that most suits pension providers, including most cost-efficient design.</li> <li>• Beneficial in particular in systems with a strong supplementary pension system with larger pension providers.</li> </ul>	<ul style="list-style-type: none"> <li>• Highest pension providers’ costs and resources involved in the PTS development and management.</li> <li>• Risk of commercial interest not in line with public good status of the PTS.</li> <li>• Risk of exclusion of some providers which may impact on level playing field between different types of providers and overall coverage of the PTS.</li> </ul>
<p><b>Members and beneficiaries</b></p>	<p>More technical facilities (e.g. if the same platform is used) to connect from the PTS to the supplementary pension “pots” and viceversa.</p>	<ul style="list-style-type: none"> <li>• The connection to business incentives may risk impeding on the interest of citizens.</li> <li>• Risk that not all providers participate in PTS leading to coverage issue.</li> <li>• Risk that providers discontinue the data provision (as legally not required to do so) and the presented information is incomplete.</li> </ul>

## CONCLUSION OF POLICY ISSUE 3

EIOPA has considered three policy options to address the question about an appropriate governance model. The public good attributes of a PTS rule out a commercial governance model such as privately-owned, for-profit entities, hence leaving two equally possible and valid governance structures of non-profit PTS: a public entity and a public–private partnership.

Both Option 1 and Option 2 ensure the independence of the PTS and the provision of the PTS as a public good and require pension providers to comply with the legal obligation to provide data, hence both are preferred options for this policy issue, as suitable choices for the set-up of a PTS.

With regard to Option 3, there are benefits of this option in particular in terms of costs and innovation, and good existing examples confirming that industry-led PTS can represent an adequate solution, however this is not a preferred option due to the risks of conflicts of interest and the lack of legal requirements for pension providers to provide the necessary data.

It is worth noting that PTS practitioners and stakeholders agree with EIOPA that the PTS fulfils the characteristics of a public good. This, in turn, has implications on the choice of governance structure of the PTS. A well-governed PTS will foster citizens’ trust and should therefore be underpinned by principles of good governance.

Most respondents to the public consultation claim that the PTS should be run through a non-profit public-private partnership (PPP) or by a public entity and that either way the implication of the pensions organisations in the governance of the PTS is decisive for the success of the project. Respondents also noted that the governance structure should be independent in the sense that no commercial interests and political influences are involved.

Evidence:

- Input from Prctitioners Network
- Non-EEA PTS
- NCAs
- Bodies covering statutory pensions

Policy issue	Options
Front end landing page	<ul style="list-style-type: none"> <li>- Basic - recommended</li> <li>- Accruals + basic</li> <li>- Basic + stop saving</li> </ul>
Backend	<ul style="list-style-type: none"> <li>- Live access – recommended but not black or white</li> <li>- Data base</li> </ul>
Governance	<ul style="list-style-type: none"> <li>- Public</li> <li>- Public-private</li> <li>- Commercial – not recommended</li> </ul>

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