

FEEDBACK STATEMENT

on comments received on the draft
consultation paper on the technical advice
on the development of pension tracking
systems

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FEEDBACK STATEMENT

Introduction

EIOPA conducted a public consultation on the draft Technical Advice on the development of pension tracking systems, which ran from 13 July 2021 until 8 September 2021. EIOPA received 18 stakeholder responses to the public consultation. All except two were public. Besides a response from EIOPA's Occupational Pensions Stakeholder Group (OPSG), the public responses were from pension associations (1 European, 1 national), insurance associations (2 European, 2 national), actuarial associations (1 European, 1 national) and association representing employers/employees (2 European, 1 national), industry representatives (2 PTS, Insurer, Pension Fund) and one representative from a Member State. All national responses come from Austria, France, Croatia, Germany, Italy, Netherlands and Norway.

EIOPA would like to thank all stakeholders for their responses to the public consultation. The input received provided important guidance for EIOPA to finalise the Advice. All comments submitted were given careful consideration by EIOPA.

This feedback statement summarises the main responses received and how EIOPA addressed them in the Advice. The individual responses received and EIOPA's feedback on these responses are published in a separate document.

Objective of the Opinion

In December 2020 the European Commission sent a Call for Advice (CfA) to EIOPA, requesting technical advice on the development of best practices on (1) pension tracking systems and (2) a pension dashboard. The current impact assessment report refers to the policy proposals on the referred topics developed by EIOPA in its technical advice on the development of of best practices for national tracking systems that facilitate access to individualised pension information, which is to be submitted to the European Commission.

The technical advice serves as an input to the pension policy of Member States, the intention is not to provide recommendations on political choices or public policy, whether at national or at EU level. EIOPA acknowledges that there are benefits as well as costs to the establishment of PTSs. The benefits relate to to facilitating national pension policy and the overview of individuals pensions information in one place, while the costs include the collection of digital data from private pension providers. As such, the costs, and indeed the benefits, accrue beyond EIOPA's immediate stakeholders.

Main responses received and how EIOPA addressed them

SCOPE

Respondents expressed overall support with regard to the main goal, ambition and prudent roll-out focused on core functionalities (94%). In particular, the fragmented pensions landscape and national (legal) frameworks were noted in several responses. In this regard, many supported the view that Member States should decide what to include in the PTS and what definitions are used.

There were differing viewpoints when it came to the inclusion of non-pension products: consumer representative argued for a ‘broad’ interpretation of pensions, to make the PTS as comprehensive as possible, whilst others agreed with the exclusion, in pro of minimizing complexity and costs.

Several responses also noted that a PTS is important but no ‘silver bullet’ and that its usage should be maximised. A few highlighted that the several organisations that make up the pensions sector in an MS should cooperate and clearly define roles and responsibilities. Respondents’ advice was to be prudent when adding more optional functionalities that increase data requirements for the sector. The OPSG supported the utility aspect of a national PTS as a way to help raising awareness-levels of the importance of pensions by encouraging people to regularly verify their own pension situation. Various responses also mentioned the question about including non-digital citizens. While some argued that, as a public good, a PTS should strive to include as many citizens as possible, others highlighted the additional cost of providing paper copies. One response mentioned privacy and data security issues associated with providing paper copies of the PTS.

EIOPA FEEDBACK

EIOPA technical advice draws on best practices from existing national PTS. To be useful as a tool for pension communications, the PTS should project amount for all pension sources including statutory pensions. Nonetheless, the Advice provides flexibility to the Member States who are ultimately responsible for policy choice, such as to which products to include in the PTS, assess the trade-offs between inclusion and complexity, consider the costs involved and the best form of governance. This also includes the degree to which the PTS should be made available to non-digital citizens.

A PTS however well designed, can miss its goal when there are large groups of participants who do not use this tool. In this regard, we have added a paragraph on the academic research that suggests it is crucial to minimise obstacles that people experience to access to the PTS. One of them being the “digital hurdle” for those who lack the skills to log in to their pension environment. Another is the need to tackle some reluctant groups that might have less positive attitudes towards pension information, e.g. through targeted communication strategies.

FRONTEND

Most respondents agreed with the behavioural principles identified by EIOPA and that the front-end design of a PTS should be user-friendly (82%). A few EU associations suggested that it could be possible to build several front-ends based upon the same information but with different user groups in mind (for example people who need to make choices on their retirement, people working in a specific sector, etc.). One stakeholder was the view that “even if the idea that a first page can provide a simple overview of expected retirement income and default retirement date is obviously attractive but may not be realistic in some countries”.

All respondents agreed that the information presented in a PTS covers different types of pension plans/products/schemes. The information and data contained in the Pension Benefit Statement (PBS) for occupational supplementary should feed into the PTS. Stakeholders shared the view that information provided by the PTS should always be consistent with national information disclosures and hence not lead to additional data requirements for pension providers. A few EU associations were in favour of European legislation to allow Member States to decide whether in the longer term it makes sense to replace the PBS by the PTS.

The majority agreed that the information on costs and investment funds should not be part of the front-end of the PTS (13 in favour, 2 against), with the consumer associations preferring to keep this information in the front line. Whilst some see the layered approach as a solution, others were in favour of a link to the website of the provider.

Concerning the landing page (layer 1 information) 70% of the respondents agreed that the landing page of the PTS should display the expected monthly retirement income and the retirement date in a simple manner whilst the accrued entitlements and pension providers (i.e. breakdown by source) should be disclosed in a second layer. However, three respondents disagreed for different reasons. One that the aggregation of different pension rights to a single amount is not possible (not even within one pillar) since it would be a comparison between “apples and oranges”. Another saying that projections follow national requirements and another arguing the inverted order (L1 accruals, L2 ret. date and projection) would be better.

About two thirds of the respondents (59%) support the PTS should ultimately help the user understand if he is saving enough for his retirement. The PTS role is clearly not to provide financial advice, but to show the user in a neutral manner the types of actions s/he can take, but some argue this is too ambitious.

EIOPA FEEDBACK

EIOPA recognises the tension between providing accurate information and less precise but more understandable information. One of the PTS main functions is precisely to aggregate the expected cumulative information by all possible pension sources and present it in a meaningful way for the user. EIOPA views the PBS as a basis to define the data needs of the PTS back-end, in particular for occupational pensions (or the annual statement for personal pension products) to ensure a consistent and cost-effective approach at national level. The Advice goes further and encourages pension providers to digitalise the “back-office” of the PBS as an intermediate (but necessary) step for feeding the PTS (with raw data).

EIOPA conducted consumer testing on three mock-ups of a PTS landing page (layer 1). A detailed description of the research experiment is included in the Impact Assessment (policy issue 1). The findings confirm the behavioural insights principles of ‘less is more’ or ‘piece meal approach’ described in the advice. According to the study, the information on the retirement date age and the estimated income at retirement is the most important information. Most importantly, all users regardless of their financial literacy understood this information.

EIOPA added that the aggregation of the pension estimate in layer 1 should reflect the decumulation options available to citizens, to avoid confusing users implying they can actually opt for this option.

Under the customisation of the PTS outline, EIOPA has now elaborated further the option to build several PTS front-ends tailored to the user’s profile. A Netspar paper explored the effect of tailoring the structure and visual of pensions information in the navigation phase according to age groups. The paper shows that for the time being tailoring of the digital screen can be simple and not too expensive.

The advice includes now the recommendation that PTS information should be easily downloadable so that users can “do” something with it (i.e. consult a trusted party if needed). Finally, the design of the PTS should consider the desired user journey, by defining the goals of the user’s interaction with the PTS.

BACKEND

Respondents expressed mixed views on the data model exchange (live access vs. central data storage) of a PTS (41% in favour of a live access, 23% against and 35% neutral). Those that were against live access, such as the insurance companies, argued it might be more costly, more complex when the number of connected pension providers is high and less agile for implementing functional changes through all providers. Pension funds were more neutral as to which data exchange model to choose. Some EU associations were the view that EIOPA should be more neutral in its choice, as question of which model to adopt is mainly of a legal and technical nature and hence should be left up to the Member State.

About two thirds of the respondents (59% in favour, 11% against and 29% neutral) supported EIOPA recommendations on the connectivity to the European Tracking Service (ETS). Some EU associations stated that there should be a legal basis for PTSs to share data with the ETS. Also the OPSG questioned whether all necessary legislative measures can be resolved at the national level, or if some issues can be better dealt with in European legislation. In their view, several issues that are of importance for a PTS, and even more an ETS, are closely linked to community law. They quoted two relevant examples: the GDPR and eIDAS.

EIOPA FEEDBACK

EIOPA has addressed in detail the pros and cons of the data model exchange in the Impact Assessment (policy issue 2). The conclusion remains that EIOPA recommends live access as the preferred database model due to the increased data protection. However, it recognises that such a model might not be optimal if no technical solutions are available or the high costs would avert providers to submit the required data to the PTS. EIOPA recognises the dependence of this choice with the existence of central legacy systems on which a PTS could build on or if the aim of the PTS goes beyond the visualization of the pension savings of citizens. EIOPA is the view that a pilot could help assess if the modalities for a live access model are present.

On the connectivity with ETS, some Member States PTSs might have restrictions to transfer personal data to the ETS without a legal basis. The Advice, which already included the recommendation to develop a European legal basis for transferring data to the ETS, calls the European Commission to consider any legal obstacles that might appear in the connection to the ETS and address them when related to European law (GDPR).

GOVERNANCE

The majority of respondents agreed with the public good framework (non-excludable, non-profit, independent, credible, transparent, serving the interests of citizens) (70%, 17% against, 11% neutral), except for a few who considered governance a political question outside the scope of the technical advice. Most respondents also agreed that the PTS should be run through a non-profit public-private partnership (PPP) or by a public entity, also stressing that either way the implication of the pensions organizations in the governance of the PTS is decisive for the success of the project.

There was a broad consensus for PTS being free of charge for the user (83% in favour, 17% neutral). On the PTS funding, most stakeholders including the OPSG supported to cover costs from public expenditure, or at least in the build-up phase of the PTS or its connection to an ETS. However, there were split views on the imposition of levies on the industry, as several respondents warned on the risk of costs being passed onto members and policyholders. One EU association called on EIOPA to explore the possibility to co-fund the PTS with EU grants.

The OPSG emphasised on the necessity of some form of (legal) compulsion to both provide and share the necessary data, as well as to achieve an equitable distribution of costs. The OPSG also noted that an important element for the success of a PTS is the cooperation with the actual pension providers. Finally, it also noted that the paper did not address the role of national competent authorities in the establishment of a PTS.

EIOPA FEEDBACK

EIOPA has addressed the question about an appropriate governance model in the Impact Assessment (policy option 3). 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.

In its analysis on the funding of the PTS, EIOPA recommended using public funding (general taxation) or a combination of public funding (general taxation) and levies on providers. In case of hybrid funding, EIOPA recommends that the levy should apply for all providers that fall within the scope of the PTS regardless of when each group of providers start providing data to the PTS to avoid free-rider problems. The advice also includes a breakdown of the different types of cost.

Finally, the advice clarifies the cooperation between the Member States relevant competent authorities, such as authorities in charge of the supervision of supplementary pensions, and the PTS. The nature of such cooperative relationship would depend on the competences of the national competent authority and the type of PTS.

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