

Consultation Paper

on

**Good Practices on Communication Tools
and Channels for communicating to
occupational pension scheme members**

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Responding to this paper

EIOPA welcomes comments on the Good Practices on Communication tools and channels for communicating to occupational pension scheme members¹, and in particular those suggestions outlined in Section 4.

The consultation package includes:

- The Consultation Paper
- Template for comments

EIOPA invites comments on any aspect of this paper. Comments are most helpful if they:

- Respond to the question stated, where applicable;
- Contain a clear rationale; and
- Describe any alternatives EIOPA should consider.

Please send your comments to EIOPA in the provided Template for Comments, by email CP-15-011@eiopa.europa.eu, by 22 March 2016.

Contributions not provided in the template for comments, or sent to a different email address, or after the deadline will not be processed.

Publication of responses

Contributions received will be published on EIOPA's public website unless you request otherwise in the respective field in the template for comments. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.

Please note that EIOPA is subject to Regulation (EC) No 1049/2001 regarding public access to documents and EIOPA's rules on public access to documents².

Contributions will be made available at the end of the public consultation period.

Data protection

Please note that personal contact details (such as name of individuals, email addresses and telephone numbers) will not be published. They will only be used to request clarifications if necessary on the information supplied.

EIOPA, as a European Authority, will process any personal data in line with Regulation (EC) No 45/2001 on the protection of the individuals with regards to the processing of personal data by the Community institutions and bodies and on the free movement of such data. More information on data protection can be found at <https://eiopa.europa.eu/> under the heading 'Legal notice'

¹ The term scheme members comprises active and deferred members and beneficiaries. Where relevant, a reference to a specific group is used.

² [https://eiopa.europa.eu/Publications/Administrative/Public-Access-\(EIOPA-MB-11-051\).pdf](https://eiopa.europa.eu/Publications/Administrative/Public-Access-(EIOPA-MB-11-051).pdf).

Executive Summary

This Report summarises the findings of EIOPA and puts forward Good Practices with regard to the use of different communication tools and channels to communicate to pension scheme members of occupational pension schemes operated by Institutions for Occupational Retirement Provision (IORPs) and insurance undertakings.

The Good Practices outlined in this Report depict existing rules and market practices in one or more Member States that have particular merits in improving the communication tools and channels to occupational pension scheme members. Good Practices are neither binding on any party nor subject to the “comply or explain” principle and are not intended to be exhaustive nor universal.

As a starting point, the communication practices by IORPs, insurance undertakings, employers and other relevant entities have been analysed. EIOPA looked in particular at the following issues:

- How the **welcome/enrolment pack** is transmitted to new members;
- in which form active and deferred members receive any **regular information** about the status of their individual pension entitlements;
- Whether there are any **retirement planning tools** made available to members;
- how *ad hoc* **information** on changes directly affecting pension scheme members is being communicated;
- Should scheme members change jobs, in which format they would be informed about the options available including the **pension transfer** request form; and
- Once the point of **retirement** is drawing closer, whether, and in which format, scheme members are informed about the options available.

The analysis (see Section 3 for further details) concluded that **most Member States follow a rules-based approach towards disclosure and communication**, i.e. there are clear and detailed prescriptive regulatory and/or supervisory requirements regarding the frequency, content, calculation method, format and channels to be used. In a number of jurisdictions, **a gradual transition towards a more principles-based approach** can be observed.

Furthermore, in the absolute majority of cases, **information is provided to scheme members by the IORP and/or insurance undertakings directly**. There are only few examples when relevant information would be communicated by the employer or another relevant entity.

Besides, the **most prevalent communication channel used at the moment on all of the above occasions is paper**. There is however an indication of a **shift towards the use of the electronic communication channels**, in particular email and online user accounts.

Building upon these findings as well as own research, EIOPA has developed seven Good Practices.

In line with common EIOPA policy with regard to Good Practices, these **are aimed as an inspiration to any relevant parties interested in maintaining and continuously improving effective communication practices towards occupational pension scheme members with a clear focus on communication tools and channels**.

They illustrate practices that, in EIOPA's view, have distinctive merits in particular situations and/or when aiming to reach specific type(s) of scheme member(s). In this

context, **EIOPA does not wish to promote one specific communication tool or channel at the expense of other possibilities**, but instead suggests a multi-channel communication strategy combining several different communication tools and channels.

Other Good Practices developed by EIOPA can be broadly distinguished into two main groups:

- Firstly, **Good Practices which are considered as generally valid and beneficial to be followed when communicating to all types of scheme members and on all occasions:**
 - *Good Practice 1: Coherent communication strategy*
 - *Good Practice 2: Storing of all communication in one online space*
 - *Good Practice 5: Advanced tracking services*
- Secondly, **Good Practices concerning the use of specific communication tools and channels on specific occasions:**
 - *Good Practice 3: Employer online platform to combine information about related Human Resources matters and pensions*
 - *Good Practice 4: Pension calculators*
 - *Good Practice 6: Evaluation of communication strategy effectiveness*

All in all, taking into account EIOPA's previous work on this topic³, the Report seeks to promote transparency and inform future discussions on communication tools and channels. As part of this process, EIOPA is conducting a public consultation seeking in particular stakeholders' views and input on possible Good Practices⁴.

³ See for example EIOPA (2012): EIOPA's Advice to the European Commission on the review of the IORP Directive 2003/41/EC; https://eiopa.europa.eu/Publications/Consultations/EIOPA-BoS-12-015_EIOPA_s_Advice_to_the_European_Commission_on_the_review_of_the_IORP_Directive.pdf; EIOPA (2013): Good Practices on information provision for DC schemes; https://eiopa.europa.eu/Publications/Reports/Report_Good_Practices_Info_for_DC_schemes.pdf; EIOPA (2014): Report on issues leading to detriment of occupational pensions scheme members and beneficiaries and potential scope of action for EIOPA; https://eiopa.europa.eu/Publications/Reports/8_1_EIOPA-BoS_-14-071_Report_on_Issues_leading_to_detriment_of_pension_scheme_members.pdf; EIOPA (2015): Report on Investment options for occupational DC scheme members; https://eiopa.europa.eu/Publications/Reports/2015-01-29_Final_report_on_investment_options.pdf; EIOPA (2015): Final Report on Good Practices on individual transfers of occupational pension rights; https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-15-104_Final_Report_on_Pensions_Transferability.pdf.

⁴ See in particular Section 4. Good Practices and Annex III Summary of Questions to stakeholders for further details.

1. Introduction

Motivation and previous work by EIOPA

Ensuring effective and appropriate communication to occupational pension scheme members was identified by EIOPA in 2014 as an important topic in its **Report on issues leading to detriment of occupational pension scheme members and beneficiaries and potential scope of action for EIOPA**⁵.

The results of some major industry surveys (such as those of the **2014 Annual Retirement Readiness Survey conducted by Aegon**⁶), pointed out a rather high dissatisfaction amongst scheme members with the information provided to them. This was on the basis that they feel that they do not receive enough information from their employer/occupational scheme provider regarding their pension. This suggested that there may be potential for improvement in terms of transparency and appropriate communication. Namely, relevant information should be made available in such a way so that individuals can easily access it.

Moreover, linking the information communicated to the scheme members with tools helping them to understand it better (e.g. financial education tools/initiatives) could boost the actual positive effect on individuals⁷.

Secondly, in EIOPA's recent **Report on Good Practices on individual transfers of occupational pension rights**⁸, communication/information disclosure was earmarked as one of the three key areas which, if addressed, could make a significant difference to facilitating transferability of pension rights.

In EIOPA's view, it is essential to ensure that scheme members can reach an informed decision whether to transfer or not. In this regard, both the content of the information provided to scheme members as well as its timing are key.

Layering of information and the use of appropriate tools (e.g. online platforms) to provide (additional) relevant information may also prove helpful. Furthermore, it was considered a Good Practice to inform scheme members of the possibility or the need to seek advice on transfers⁹.

Furthermore, in EIOPA's **Report on Good Practices on information provision for DC schemes**¹⁰, it is underlined that the average European DC scheme member behaves differently than the 'Homo Economicus', i.e. people have limited time and motivation to read and understand pension information. Instead, they often use heuristics (i.e. rules of thumb) to quickly process information¹¹. Whereas it has been

⁵ https://eiopa.europa.eu/Publications/Reports/8_1_EIOPA-BoS_-14-071_Report_on_Issues_leading_to_detriment_of_pension_scheme_members.pdf.

⁶ The results of the 2014 Aegon Retirement Readiness Survey are available at <http://www.aegon.com/en/Home/Research/Aegon-Retirement-Readiness-Survey-2014/>.

⁷ EIOPA (2014): Report on issues leading to detriment of occupational pensions scheme members and beneficiaries and potential scope of action for EIOPA; https://eiopa.europa.eu/Publications/Reports/8_1_EIOPA-BoS_-14-071_Report_on_Issues_leading_to_detriment_of_pension_scheme_members.pdf.

⁸ https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-15-104_Final_Report_on_Pensions_Transferability.pdf.

⁹ EIOPA (2015): Final Report on Good Practices on individual transfers of occupational pension rights; https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-15-104_Final_Report_on_Pensions_Transferability.pdf.

¹⁰ https://eiopa.europa.eu/Publications/Reports/Report_Good_Practices_Info_for_DC_schemes.pdf.

¹¹ EIOPA (2013): Good Practices on information provision for DC schemes, p.3; https://eiopa.europa.eu/Publications/Reports/Report_Good_Practices_Info_for_DC_schemes.pdf.

assumed that information leads to better understanding, to the willingness to act and to subsequent appropriate actions, studies in behavioural economics have shown that this is most often not the case. Members have often scarce processing resources and cannot consciously read and analyse all the information that they encounter.

In addition, in the recent **EIOPA Report on investment options for occupational DC scheme members**¹², insights from behavioural research suggest that when provided with a high level of choice and faced with complexity or uncertainty, average members tend to make suboptimal decisions.

In addition, whilst information provision is not a panacea to address individuals' bounded rationality¹³ in the context of investment decision-making, it is highly important for on-going member engagement (after the initial choice – whether passive or active). Disengaged members give rise to potential choices of unsuitable investment strategies and/or investment options over time.

Finally, according to the said Report¹⁴, there is some evidence that interactive automated tools can have a positive impact on actual decision-making also relevant to occupational pension schemes. The development of interactive automated decision tools could support scheme members in their decisions and increase feedback mechanisms in DC schemes.

Communication campaigns

In general, communication campaigns could be seen as interplays of four main components:

1. *The information transmitted ["content"] – this depends on the occasion and purpose;*
2. *The way in which the information is presented ["presentation"] (e.g. use of charts; visualisation; layering);*
3. *The way how the information is transmitted ["channel"] (e.g. online; paper; face-to-face); and*
4. *The format in which the information is transmitted ["tool"] (e.g. a letter; meeting). N.B. A channel and tool are often considered in conjunction (e.g. a newsletter = a letter sent online; a webinar = an online meeting.).*

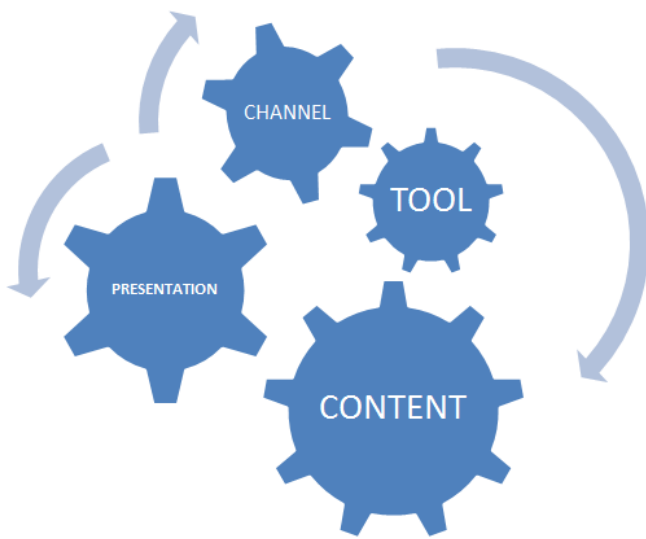
Furthermore, literature¹⁵ distinguishes also between so-called "push" and "pull" communication channels. In the case of the first, information is being sent towards scheme members at the initiative of the IORP or the insurance undertaking operating the occupational pension scheme. There is typically little interaction or follow-up expected (e.g.: annual benefit statements sent by mail/email). In the case of "pull" communication channels, the initiative comes from scheme members, who request certain information (e.g. pension calculators).

¹² https://eiopa.europa.eu/Publications/Reports/2015-01-29_Final_report_on_investment_options.pdf.

¹³ The concept of "bounded rationality" describes situations where perfectly rational decisions may not be feasible due, for example, to limited available information, poor understanding of the decision problem or lack of time to make a decision.

¹⁴ EIOPA (2015): Report on Investment options for occupational DC scheme members, p.52.

¹⁵ Sinickas, A.D. (2002): The Role of Intranets and Other e-Channels in Employee Communication Preferences; <http://sinicom.com/Sub/pubs/articles/article46.pdf>.



Source: EIOPA

Depending on the intention of the communication campaign – merely to "inform" or to trigger certain action from the addressee – the choice or calibration of the above parameters may differ. In its previous work on DC pensions-related topics¹⁶, EIOPA encouraged stakeholders envisaging a communication campaign to firstly and foremost think about the objective they would like to achieve. In its previous work, EIOPA provided substantial input on the content of information to be disclosed¹⁷ as well as how it should be presented best and recommended, in particular, the use of layering and visualisation¹⁸.

As outlined below, this piece of work is focusing on the channel and associated tools used to communicate the information. In this way, it will both build upon previous findings, as well as complement them with new insights.

¹⁶ EIOPA (2013): Good Practices on information provision for DC schemes; https://eiopa.europa.eu/Publications/Reports/Report_Good_Practices_Info_for_DC_schemes.pdf .

¹⁷ EIOPA (2012): EIOPA's Advice to the European Commission on the review of the IORP Directive 2003/41/EC; https://eiopa.europa.eu/Publications/Consultations/EIOPA-BOS-12-015_EIOPA_s_Advice_to_the_European_Commission_on_the_review_of_the_IORP_Directive.pdf.

¹⁸ EIOPA (2013): Good Practices on information provision for DC schemes; https://eiopa.europa.eu/Publications/Reports/Report_Good_Practices_Info_for_DC_schemes.pdf.

Scope of this Report

The focus of this Report is on occupational pension schemes operated by IORPs¹⁹ and insurance undertakings (for insurance-based occupational pensions). Furthermore, where relevant, the Report covers also communication by employers and any other parties.

When preparing this Report, EIOPA benefitted from insights and experience of its Member authorities²⁰ and from additional input from the Occupational Pensions Stakeholder Group. The information presented in this Report is based on responses received by 10 September 2015.

The purpose of the Report is twofold:

1. Identify communication tools and channels that are used in practice to transmit scheme-specific, personalised/tailored information to individual new/active/deferred scheme members and beneficiaries or specific target groups on specific occasions (e.g. members due to retire next year).

Therefore, focus is put on personalised communication, i.e. information which is prepared for a specific member/target group and is sent only to him/her, taking into account his/her personal situation.

2. Suggest Good Practices

When assessing potential Good Practices, the following criteria have been considered of particular relevance:

- *Scheme member engagement*: Is a practice of using a certain communication tool/channel effective at engaging scheme members? Is it interactive?
- *Cost efficiency*: Is the practice cost-effective? What is the cost-benefit ratio?
- *Accessibility*: Is the information communicated via a particular tool/channel accessible to a wide variety of scheme members (ideally all)?

The Good Practices portray existing rules and market practices in one or more Member States that have particular merits in improving the communication tools and channels to occupational pension scheme members.

With reference to the principle of proportionality, **the Good Practices in this Report are intended to be neither exhaustive nor universal**. Individual Good Practices may not be applicable in certain Member States, for example due to the nature of the individual legal framework or the costs and benefits, or may not be applicable to certain schemes (e.g. very small and voluntary schemes).

The Good Practice observations in this Report should be regarded as principles-based, with Member States and market participants encouraged to apply them to the extent that they benefit their individual circumstances and that they fit

¹⁹ In RO, although Law no. 204/2006 transposes Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003, there are no IORPs currently established. However, individual pension funds operate under the IORP Directive as informal reference by national legislation. For the purpose of this Report, these personal pension funds are regarded as providers that would fall under the IORP Directive, i.e. references as IORPs.

²⁰ In total, 27 Member States took part in the overall survey (AT, BE, BG, CZ, DE, DK, EE, ES, FI, FR, HR, HU, IE, IS, IT, LI, LU, LT, MT, NL, PL, PT, RO, SE, SI, SK, UK). As part of the survey, 12 Member States provided information about market practices of IORPs (BG, ES, FI, HR, HU, IE, IT, LI, PT, RO, SK, UK), one Member State about insurance undertakings (DK) and 8 Member States about both (AT, BE, DE, LU, NL, PL, SE, SI).

with the pension system. **The Good Practices are not legally binding on any party nor subject to the “comply or explain” principle.**

Definitions

For the purposes of this Report, the following terms have been defined as follows:

- **Channel:** The way in which information is transmitted (e.g. online, paper, face-to-face).
- **Tool:** The format in which the information is transmitted (e.g. a letter; meeting etc.).
- **National measures:** National measures should be interpreted broadly and may include, for example: national law and national non-legally binding measures (e.g. national guidelines, rules, principles and internal procedures of Competent Authorities).
- **Active members:** An active member of an occupational pension scheme is accruing benefits/assets and/or paying contributions under that scheme in respect of current service.
- **Deferred members:** A deferred member of an occupational pension scheme has preserved benefits or accrued assets (to be payable at a later date upon retirement), but no longer contributes to or accrues benefits/assets in the scheme.
- **Hard-to-reach members:** “Hard-to-reach members” should not be treated as a homogeneous group. In the context of communication channels, “hard-to-reach” groups would often include members who are difficult to contact “operationally” because of: a) record-keeping issues (e.g. out-of-date mail address on the scheme member’s record is often an issue with deferred members); b) accessibility issues (e.g. disability, nature of the member’s job means he/she does not have access to core communication channels, for instance, catering staff may work shifts and may not have access to emails); c) transient employment (e.g. seasonal workers, students) which can also be linked with the previous issue of scheme record-keeping.
- **Beneficiaries:** A person receiving retirement benefits from the pension scheme. Dependents are not included in scope for the purpose of this work.
- **Enrolment/welcome pack:** A personal information pack provided by occupational pension schemes/IORPs/employers to employees which are newly enrolled into an occupational pension scheme which explains to new members how the occupational pension scheme works, and whom to contact. The enrolment/welcome pack may also include personal member information (e.g. certificate of membership with personal member ID).
- **Retirement planning information/aids:** Communication whose aim is to inform/educate scheme members about retirement and pensions (e.g.: pension entitlement calculator).

2. Legal and supervisory framework

2.1. European legislation

Articles 9(1)(f) and 11 of the IORP Directive contain provisions on the information to be given to members and beneficiaries of IORPs. Article 9(1)(f) provides that Member States shall ensure members are sufficiently informed of the conditions of the scheme, while Article 11 specifies the information that members and beneficiaries should be given either automatically or on request. Depending on the nature of the pension scheme established, each Member State shall ensure as a minimum that every institution located in its territory provides at least the following information to:

I. Members and beneficiaries and/or, where applicable, their representatives

a. mandatory

- Within a reasonable time, any relevant information regarding changes to the pension scheme rules.

b. on request

- The annual accounts and the annual reports referred to in Article 10, and, where an institution is responsible for more than one scheme, those relating to their particular pension scheme.
- The statement of investment policy principles, referred to in Article 12.

II. Members

a. mandatory (every year)

- Brief particulars of the situation of the institution as well as the current level of financing of their accrued individual entitlements.

b. on request

- Detailed and substantial information on:
 - The target level of the retirement benefits, if applicable;
 - The level of benefits in case of cessation of employment;
 - Where members bears the investment risk, the range of investment options, if applicable, and the actual investment portfolio as well as information on risk exposure and costs related to the investments;
 - The arrangements relating to the transfer of pension rights to another institution for occupational retirement provision in the event of termination of the employment relationship.

III. Beneficiaries

- On retirement or when other benefits become due, the appropriate information on the benefits which are due and the corresponding payment options.

2.2. National requirements

The fact-finding among the National Competent Authorities (NCA) enquired about communication/information disclosure requirements at national level and whether these may be mandatory, on request or voluntary.

In total, answers were received from 27 jurisdictions²¹ describing different communication occasions.

Overall, the following occasions were distinguished:

1. *Enrolment/welcome pack*
2. *Regular information*
3. *Ad hoc information*

With regard to communicating at the point of **enrolment**, in most jurisdictions, the communication comprises the send out of a key information document and/or welcome pack and is mandatory in the majority of Member States on IORPs and insurance undertakings²². In four Member States²³, it is however the employer who is obliged to communicate to scheme members on this occasion.

The communication of **regular information** comprises typically the following elements:

- 1) Annual statement of the scheme – in the majority of Members States, it is disclosed on a mandatory basis, in **IS** on request.
- 2) Information about the scheme (regular and regarding changes to the pension scheme rules) – in a number of jurisdictions, there are legal limits set by when scheme members are to be informed about any changes affecting them²⁴.
- 3) Information about the investment strategy; structure of portfolio, etc. – there is no prevalent practice; it could be disclosed on mandatory basis or on request/voluntary basis.

Finally with regard to **ad hoc information**, the elements described could be grouped into the following categories:

1. Termination of employment/transfer – in most Members States mandatory by IORP or insurance undertaking;
2. Options (if any) at retirement – in most countries mandatory, with the exception of **LI** where it is on request;

²¹ AT, BE, BG, CZ, DE, EE, ES, FI, FR, HR, HU, IE, IS, IT, LI, LT, LU, MT, NL, NO, PL, PT, RO, SK, SE, SI and UK.

²² An exception is AT where such disclosure is voluntary for the IORP and in ES on request from the IORP.

²³ AT, HU, PL and UK (in respect of automatic enrolment).

²⁴ EE: within 30 days; PT within 45 days; BG, FR, IT and SI, at least annually.

3. Access to information about one's account (e.g. historical annual statements, access to dossier) – where this exists, access is typically on request; however, in **LU** it is to be provided by the IORP/insurance undertaking on a mandatory basis.

2.3. National (supervisory) approaches: Rules-based or Principles-based

Most NCAs have indicated that their **national law specifically prescribes measures with respect to member information provision**²⁵.

Moreover, pension information disclosure requirements are **in most cases rules-based**, with clear and detailed prescriptive requirements regarding the frequency, content, calculation method, format and channels used, rather than being principles-based.

The majority of Member States²⁶ that have indicated that their national law has specific measures with regard to member information provision, **have acknowledged the existence of a rules-based system**.

These legislative provisions may refer either to general scheme provisions (pension fund characteristics or important changes to the pension scheme or investment approach) or more personal information for scheme members (regarding own status or choices that they may take in an informed way with regard to *their* pension in different stages of life).

Some Member States, however, have a more principles-based approach to information provision and others have indicated that they are in a transition from a rules-based to a principles-based system.

Specific country examples

- In **NL**, although some elements of information content and frequency are legally prescribed, the legislation is less detailed and prescriptive than before.
- A similar situation can also be found in **HR**, where most NCA efforts are directed towards the completeness and trustworthiness of the information contained in the **Key Information Document**.
- In **FI**, legislation prescribes only elements with regard to information content, while in **CZ**, **IS** and **NO** there are more general descriptions of what information and when it should be provided to members, in the third Member State specifically based on **Article 11 of the IORP Directive**.
- In the **UK**, although a principles-based approach is the norm, the legislation does provide when and what information should generally be sent to scheme members.

In the majority of Member States²⁷, **there are specific channels and tools prescribed in the applicable legislation for information provision to members**.

²⁵ 26 out of the 27 respondent countries (with the exception of EE): AT, BE, BG, CZ, DE, ES, FI, FR, HR, HU, IS, IE, IT, LI, LT, LU, MT, NL, NO, PL, PT, RO, SE, SI, SK and UK.

²⁶ 19 out of 26 Member States: AT, BE, BG, DE, ES, FR, HU, IE, IT, LI, LT, MT, LU, PL, PT, RO, SE, SI and SK.

²⁷ 15 Member States: AT, BE, BG, EE, ES, HR, IE, LT, NO, PL, RO, SE, SI, SK and UK.

Although this situation is more common in rules-based systems, there are principle based approaches that make such specifications too²⁸.

Most Member States refer to the annual information statement, enrolment information or retirement information to be sent to members, and although many countries specify as mandatory the **physical form** (9 out of 16) or the form agreed directly with the scheme member, some allow, encourage or prescribe the electronic means (email or website), such as in **BE, BG, EE, IT**, and the **UK**.

Moreover, in **NO**, employers and/or employees have to give specific consent for communication via electronic channels, and, in **ES**, only at specific member request can electronic means be used.

In about half of Member States²⁹, NCAs have a direct role concerning member information provision, and usually this regards format and content established through regulations and secondary legislation, and also providing guidelines.

Specific country examples

- In **NL**, legislation has been adapted to accommodate online tools of communication, one successful example being the pension tracking service with a total overview of pension income from different sources for members. A legislative effort to accommodate online tools is planned in **ES** as well.
- In **SE**, the internet tends to be promoted in member communication but with little success among older people and some immigrants. In **IE**, the NCA has become directly involved in providing disclosure guidelines as models to be used in practice, not as mandatory but as an inspirational basis. **IS** is considering such a move.
- In **BG, NO** and **SK**, the authorities encourage or mandate IORPs to form a digital file for each member, allowing them to have a secure access to it afterwards.
- In **EE** and **IT**, the industry is promoting electronic and social means of communication, while in **RO** some pension fund administration companies voluntarily provide online facilities for members.
- NCAs have drawn limited conclusions from practice in some Member States. For example, in **NL**, one conclusion was that most insurance undertakings provide good information to members via online portals (i.e. financial planners for members). However, many members do not manage to use these portals.
- In **NO**, it has been observed that often a combination of channels is used in member communication, including personalised website accounts.
- In **RO**, analysis has shown that mandatory postal means of communication with members are quite costly for pension fund administration companies. However, other digital forms of communication have gained ground.

²⁸ HR, NO and UK.

²⁹ 17 out of 27 Member States: AT, BE, BG, FR, HR, HU, IE, IS, IT, LI, LU, MT, PT, RO, SI, SK, and UK.

- In **IS**, the fact that the annual statement can be accessed online has proven quite successful. Even so, not all electronic means of communication turn out to be a success.
- In **PT**, the national authority has concluded that the mere availability of information on a provider's website is not sufficient and tailored information should be personally delivered or addressed to members and beneficiaries in order to make them fully understand their retirement situation.
- In the **UK**, the FCA (Financial Conduct Authority) is looking at how to effectively engage consumers with the choices they need to make and has recently published a discussion paper (Smarter consumer communications³⁰) to encourage firms, consumer groups, and stakeholders to work together to deliver information to consumers in smarter and more effective ways.

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http://www.fca.org.uk/static/channel-page/dp-smarter-comms/dp-smarter-comms.html?utm_source=smarter-comms&utm_medium=smarter-comms&utm_campaign=smarter-comms#home

3. Factual findings

This section provides an overview of communication tools and channels most predominantly used in practice by IORPs, insurance undertakings, employers and other entities (where relevant) on different situations. More concretely, the following occasions during the scheme member's membership have been considered:

- Communication to new members: welcome/enrolment pack
- Communication to active members:
 - *During accumulation phase*
 - *Regular individual pension information*
 - *Retirement planning information/aids*
 - *Ad hoc personalised communication on changes directly affecting active members*
 - *Pension transfer options and request form (occasion: job change)*
 - *Pre-retirement or at retirement: Pre-retirement or at retirement information/assistance (e.g. retiring early/late, payment options available)*
- Communication to deferred members:
 - *During accumulation phase*
 - *Regular individual pension information*
 - *Ad hoc personalised communication on changes directly affecting deferred members*
 - *Pre-retirement or at retirement: Pre-retirement or at retirement information/assistance (e.g. retiring early/late, payment options available)*
- Communication to beneficiaries: *ad hoc* personalised communication on changes directly affecting beneficiaries

The factual findings are based on the survey among EIOPA's members³¹.

3.1. Communication to new members

New members of a pension scheme often receive information (welcome/enrolment pack) about the most important characteristics of the pension scheme.

The **most common communication tools/channels for IORPs, insurance undertakings and employers to communicate the welcome/enrolment pack to new scheme members is physical mail (paper)**: this is the case in fourteen Member States³².

Email (a pdf/html file) is the second most common communication channel in most Member States³³. The third most common communication channel for the

³¹ 12 Member States provided information about market practices of IORPs (BG, ES, FI, HR, HU, IE, IT, LI, PT, RO, SK, UK), one Member State about insurance undertakings (DK) and 8 Member States about both (AT, BE, DE, LU, NL, PL, SE, SI). As most NCAs do not (regularly) collect information about communication tools and channels, it is based on their experience and knowledge of their markets.

³² AT, DE, ES, FI, IE, IT, LU, NL, PL, PT, SE, SI, SK and UK.

³³ DE, IE, IT, HR, NL, PT, SK and UK.

welcome/enrolment pack is a website³⁴. For these websites, a log-in is generally required to access personalised information (e.g. workplace intranet).

In six Member States³⁵, there are occasions where the **employer** communicates the enrolment/welcome pack to scheme members.

In five Member States³⁶, along with IORPs, insurance undertakings and employers, **other entities** communicate the welcome/enrolment pack. The most common type of "other entity" are intermediaries.

3.2. Communication to active members

Active members typically form the bulk of membership of pension schemes. A number of typical occasions that scheme members may encounter during their life have been examined in greater detail.

3.2.1. During accumulation phase

The accumulation phase is the period of employment when the scheme member gathers and/or maintains pension rights entitlements.

3.2.1.1. Regular individual pension information

Scheme members may be informed about their accumulated pension rights entitlements at regular intervals (e.g. annually) or this information may be put at their disposal to be accessed any time (e.g. via personal online accounts or pension tracking websites).

In practice, the **majority of Member States have indicated that paper is the main form of regular individual communication with members both by IORPs as well as insurance undertakings**³⁷. The forms of communication that have been most commonly chosen as second are email and personal online accounts (i.e. websites requiring a log in).

As far as regular individual pension information is concerned, four Member States³⁸ have reported the employer as being an important entity in communicating with members.

Specific country examples

- In **PL**, the employer develops internal procedures to inform members on specific topics prescribed by legislation. However, he has limitations to his responsibilities, as all changes in regulations are notified to the employer by the IORP/insurance

³⁴ IE, IT, MT, NL, RO and UK.

³⁵ BE, MT, PL, SE, SI and SK.

³⁶ HR, IS, RO, SE and SK.

³⁷ For the purpose of this Report, Pension Fund Administrators from the Romanian pension system are assimilated with IORPs, although they are not. Please refer to footnote 19.

³⁸ HR, PL, SE and UK.

undertaking. The employer is not responsible for updating the information until becoming aware of any regulatory change.

- In the **UK**, benefit statements may sometimes be passed to members via their employer, but the duty to provide this information on time and in the correct manner remains with the pension scheme. Employers will usually bear the cost of such communications within DB schemes.
- Also in the **UK**, other parties (e.g. providers, third-party administrators, employee benefit consultants or other advisers) may issue communications to members on behalf of the scheme/employer. Even so, the relevant legal duty to communicate remains with the scheme (or employer in the case of some automatic enrolment communications).
- In **BE**, as from 2016, active and deferred members will receive on an annual basis their individual pension information from the administrator of the public database on occupational pensions Database Second Pillar (abbreviated DB2P)³⁹.

3.2.1.2. Retirement planning information/aids

The purpose of such tools is to help scheme members assessing and predicting future retirement income. This information or tools are most commonly provided by the IORPs and/or insurance undertakings.

The most common communication channel for retirement planning information for IORPs and insurance undertakings is paper⁴⁰. The second most common channel for IORPs is email⁴¹, while the third most common channel is through a website, this is the case for **BG, IE, IT** and **SI**. In the case of insurance undertakings, the second most common channel is through the website (log-in) (**AT, NL** and **SE**) followed by email; this is the case for **AT** and **SE**.

Only in two Member States⁴² the **employer** also plays a role in providing scheme members with such information and in four Member States⁴³, **other entities such as intermediaries** take on this role.

3.2.1.3. Ad hoc personalised communication

Ad hoc developments such as, for example, changes in the legislation may have repercussions on scheme members' situation. Scheme members typically receive this information from IORP and/or insurance undertakings. To inform scheme members about any such changes directly affecting them, IORPs and insurance undertakings most frequently rely on paper-based communication⁴⁴ followed by email and personal online accounts.

³⁹ Refer to Annex II Recent developments for additional detail on DB2P.

⁴⁰ AT, BG, DE, ES, FI, HU, IE, IT, LU, NL, PT, SE, SI, and SK.

⁴¹ BG, DE, ES, HR, HU, IE, IT, MT, PT, SI and SK.

⁴² HR and SE.

⁴³ BE, IS, SE and SK.

⁴⁴ AT, BE, BG, DE, ES, FI, HU, IE, LI, LU, NL, PT, RO, SE, SI, SK and UK.

There are a few exceptions to this general trend: in **DK**, information about changes directly affecting active members is communicated on a public website, an automated decision tool and in face-to-face meetings with an adviser. In **BG**, the relevant information could be communicated in a newsletter.

It is rather rare that *ad hoc* information on changes directly affecting active members may be also communicated by the employer (**BE**⁴⁵, **PL**⁴⁶ and **SI**⁴⁷) or by other entities (**SI** and **SK**). In these cases, the typical means of communication is via email, face-to-face meetings or physical mail.

3.2.1.4. Pension transfer options and request form (occasion: job change)

When changing jobs, one of the decisions to take regards also one's pension, and in particular whether to transfer any existing pension rights into the scheme of the new employer (where this is possible⁴⁸) or whether to maintain them in the scheme of the previous employer and become a so-called deferred member.

In July 2015, EIOPA advised that in order to reach an informed decision, scheme members need to be appropriately informed about the options (if any) and their consequences.

In practice, the pension transfer options and request forms (on the occasion of a job change) are communicated mainly by physical mail (paper) followed by the email. Nevertheless more countries seem to use websites as a possible tool/channel to transport the information to the relevant recipient. The used website requires almost exclusively a log-in to access personalised information (e.g. workplace intranet).

The data collected also shows that the information is, in most Member States, provided by the responsible IORP or insurance undertaking. In three countries, the employer is in addition responsible.

Specific country examples

- In **IT**, the employer informs scheme members about the possibility to join a sectoral/collective pension scheme in occasion of job change.
- In **MT**, the employer provides the employee with an information pack, which includes the options for transferring the accrued capital into the scheme of a new employer, when the employee terminates his/her employment.
- In **HR**, the pension company and the sponsor of a pension scheme provide adequate information to pension scheme members when they move to another

⁴⁵ In BE, the employer is legally obligated to ask for advice from the employees on proposed changes of the pension scheme, the investment policy, funding method, etc.. This information is not personalised.

⁴⁶ In PL, the employer informs its employees, in accordance with its standard (internal) procedure, of the terms and conditions of a scheme (general information which may significantly affect members). Employers also confirm the receipt of disposals made by the scheme member, for example, change in the amount of supplementary contributions, change of allocation of contributions, change in instructions to be followed in the case of the employee's death.

⁴⁷ In SI, the employer communicates to scheme members about the implications of a change of the pension scheme and/or change of contract.

⁴⁸ For further details please consult EIOPA (2015): Final Report on Good Practices on individual transfers of occupational pension rights; https://eiopa.europa.eu/Publications/Reports/EIOPA-BoS-15-104_Final_Report_on_Pensions_Transferability.pdf.

Member State regarding their pension rights and the choices available to them under the scheme.

- In **SE**, any job change would be registered as a new enrolment by the elections centres.

3.2.2. Pre-retirement or at retirement

As the retirement age draws closer, scheme members may be in need of more specific information preparing for retirement, and explaining any options (if any) and their implications (e.g. of retiring early/late, payment options available etc.).

Typically, this information is communicated by the IORP and/or the insurance undertaking and/or the employer. In this case, the most frequent communication channel in the majority of jurisdictions to communicate to active members in preparation of or at retirement is paper⁴⁹.

There are a few exceptions to this general rule: in **HR** this information is communicated in the first instance via a public website. In **DK**, the most prevalent communication channel is a website requiring a log-in.

Furthermore, email and website requiring a log-in follow. In a number of countries, also communication channels involving personal contact seem to play an important role.

More concretely, in five Member States⁵⁰, telephone calls have been indicated as the second or third most frequent communication channel; in **HR** and the **UK**, face-to-face meetings with an advisor are also offered.

In two Member States (**PL**⁵¹ and **SI**⁵²), the information in preparation of or at retirement is communicated by the employer, typically by email, paper or in a face-to-face meeting. Finally, in two other Member States (**BE**⁵³ and **SK**⁵⁴), other entities are also entrusted with this task.

In **SK**, financial advisors may provide pre-retirement information/assistance with planning; including when retiring early/late to active members during the pre-retirement phase. This is predominantly done in face-to-face meetings.

⁴⁹ Classified as the most frequent communication channel in AT, BE, BG, DE, ES, FI, HU, IE, IT, LU, NL, PL and PT.

⁵⁰ DK, HR, MT, NL and UK.

⁵¹ In PL, the employer is obliged to provide the scheme member with written information on the terms of disbursement of the assets accumulated in the scheme: 1) in the first quarter of the calendar year in which the participant reaches the age of 60, or 2) within 30 days of the termination of employment as a result of the employee gaining early pension entitlement.

⁵² In SI, the employer informs scheme members on the assets accumulated and rights which arise out of these assets. This information can be communicated by email, paper or in a face-to-face meeting.

⁵³ In BE, if the administrator of the public database on occupational pensions (DB2P) detects that pension rights have not been paid to the scheme member six months after his retirement, the administrator will inform the scheme member by letter (on paper).

⁵⁴ In SK, financial advisors may provide pre-retirement information/assistance with planning; including when retiring early/late to active members during the pre-retirement phase. This is predominantly done in face-to-face meetings.

3.3. Communication to deferred members

Similarly to active members (see Section 1.2. above), deferred members may also be approached on different occasions with relevant information. Compared to active members however, the communication to deferred members is not mandatory in a number of Member States (e.g. **IT**⁵⁵ and **RO**⁵⁶).

3.3.1. During accumulation phase

3.3.1.1. Regular individual pension information

The most frequent communication channel by both IORPs and insurance undertakings is paper⁵⁷. In addition to paper, the most prevalent communication channel is communication via personal online accounts; this is the most frequent practice in one country⁵⁸.

Specific country examples

- In **SE**, addition to communication by IORPs and insurances undertakings themselves, a tracking website also exists, which includes information about all pillars and enables to forecast future pensions. This website is owned by the national insurance trade association. Furthermore, the election centres in SE provide annual information about paid-up benefits in paper form.
- In **BE**, as from 2016, pension institutions (IORPs and insurance undertakings) are no longer obliged to send individual pension information to deferred members. Deferred members will receive on an annual basis their individual pension information via DB2P.

3.3.1.2. *Ad hoc* personalised communication

Deferred members receive *ad hoc* information on changes predominantly from IORPs and insurance undertakings in written in paper. The second most prevalent communication channel is email followed by personal online accounts.

Specific country examples

- In **MT**, this information is predominantly sent via email but can also be communicated by telephone.
- In **DK**, this information is posted on a public website and communicated via an automated decision-making tool.

⁵⁵ In IT, deferred members are not entitled to receive individual pension information during the pre-retirement phase or at retirement.

⁵⁶ In RO, the pension system was established in 2007. Only in few exceptional cases, members have reached the legal retirement age. Also, the law regarding the private pension payment system is currently undergoing the legislative process and there is no established market practice regarding information for retirement yet. Until the above mentioned law comes into force, there are only lump sum payments, and in this process there is a direct contact between the scheme member/beneficiary and the pension fund management company (via paper, telephone etc.).

⁵⁷ Classified as the most frequent communication channels by IORPs in AT, BE (till end 2015), BG, DE, ES, FI, HU, IE, LI, LU, NL, PT, RO, SE, SI, SK, and UK; Classified as the most frequent communication channels by insurance undertakings in AT, BE (till end 2015), DE, LU, NL, SE and SI.

⁵⁸ DK.

- In **BE**, as from 2016, the administrator of DB2P will send each scheme member who reaches the age of 45 his individual pension information by letter (on paper). As long as the scheme member doesn't agree to consult his/her individual pension information in an electronic way, he/she will receive this information on paper every 5 years (at the age of 50, 55, 60 and 65).
- In **SK**, financial advisors may provide (on request) *ad hoc* personalised communications on changes directly affecting deferred members to deferred members during the accumulation phase. The communication channel predominantly used is face-to-face meeting.
- In **SE**, the election centres may provide general information on broader issues concerning major changes in pension schemes in paper form.

3.3.2. Pre-retirement or at retirement

In most Member States, deferred members receive individualised pre-retirement information. Only three communication tools/channels are frequently used.

A letter (on paper) is the most common communication tool/channel, used in the majority of Member States⁵⁹.

Email is emerging and already used in a growing number of Member States⁶⁰, however, sometimes with restrictions. In some Member States, email can only be used at the request of the scheme members. Sometimes the explicit approval of the scheme members is necessary to be able to use email. In other Member States, IORPs and insurance undertakings can use email, unless members make objection against it or request the information on paper.

The third most used communication tool/channel is a website where a log-in is required to access personalised information (e.g. workplace intranet). This communication tool/channel is used in five Member States⁶¹.

Exceptionally, other communication tools/channels are used such as a **public website⁶²**, a **telephone call⁶³**, an **automated decision tool⁶⁴**, a **mobile app⁶⁵** or **face-face meetings with an advisor⁶⁶**. New communication tools are not (yet) widespread: only in **NL**, mobile apps are used by IORPs. In **DK**, insurance undertakings developed automated decision tools. Furthermore, other more traditional communication tools/channels are not widely used. In only three Member States, IORPs use a telephone call to communicate with the deferred members about their retirement (**BG, MT** and the **UK**). Insurance undertakings use a telephone call only in one Member State (**NL**). In some Member States, deferred members receive pre-retirement information from other entities than their IORP, insurance undertaking or employer.

⁵⁹ 16 Member States: AT, BE, BG, DE, ES, FI, HR, HU, IE, IS, LU, MT, NL, PT, SE, and SK.

⁶⁰ 13 Member States: AT, BG, DE, DK, ES, HR, HU, IE, IS, MT, PT, SE and SK.

⁶¹ AT, BE, IE, NL and SE.

⁶² DK, HU, SK and UK.

⁶³ BG, MT and UK.

⁶⁴ DK.

⁶⁵ NL.

⁶⁶ UK.

Specific country examples

- In **SE**, members can consult a special all-inclusive website compilation for overwhelmingly all pension pillar values, that also provides forecasts of future pension benefits for each citizen. This website is owned by the national insurance trade organisation. Sometimes, the election centres provide annual information of paid-up pension benefits within the scheme (in paper form).
- In **BE**, as from 2016, active and deferred members shall be able to consult their pension rights online on the website of DB2P. If the administrator of (DB2P) detects that pension rights have not been paid to the member six months after his/her retirement, the administrator will inform the member by letter (on paper).
- In **SK**, financial advisors may provide (on request) pre-retirement information and assistance (planning; including when retiring early/late) to deferred members during the pre-retirement phase. The communication channel predominantly used is face-to-face meeting.
- In the **UK**, members with DC benefits nearing retirement age can find guidance on their retirement options on the website "Pension Wise". This is a free and impartial government service. Pension Wise does not recommend products or tell members what to do with their money, but provides guidance on the options available. Scheme members can use the Pension Wise website, or book an appointment for free guidance either over the telephone or in person. Independent financial advisers may also provide members with advice on their retirement planning options and provide them with information/communication as part of this service, although these communications would be separate to any information provided by the scheme and subject to different legislation.

3.4. Communication to beneficiaries

Beneficiaries form the last type of audience. As they are already receiving benefits from the scheme, the personalized communication to them may focus on *ad hoc* changes (e.g. due to legislation) which may directly affect their situation.

The data collected shows that the most predominant communication tool/channel in respect to *ad hoc* personalised communications on changes directly affecting beneficiaries is still the letter (on paper) followed by email. Nevertheless more countries seem to be developing websites, at least as an additional tool/channel to transport information to the relevant recipient.

As expected, the available information in respect to the occasions when the employer communicates the *ad hoc* personalized communications on changes directly affecting beneficiaries to the beneficiaries during the pay-out phase, is limited. The reason is that this is outside of most NCA's jurisdiction. Furthermore, during the pay-out phase and in respect to the beneficiary, the employer plays less of a role for the communication aspects.

There was not much reported in respect to any other (next to IORPs, insurance undertakings or employers) entities (e.g. consultants etc.) who would provide *ad hoc* personalized communications on changes directly affecting beneficiaries to the beneficiaries during the pay-out phase.

Specific country examples

- In **SK**, financial advisors may provide (on request) *ad hoc* personalized communications on changes directly affecting beneficiaries to the beneficiaries during the pay-out phase. The communication channel predominantly used is face-to-face meeting.
- In **IE**, if there are to be changes in benefits, beneficiaries will receive notification of the reduction in benefits within a period of 2 months of the reduction. The letter could be written or in electronic format where certain conditions are met, for example, the scheme member consents.

4. Good Practices

The aim of this section is to put forward and seek feedback from stakeholders on so-called Good Practices, i.e. practices that in EIOPA's view have distinctive merits in particular situations and/or when aiming to reach specific type(s) of scheme member(s).

To facilitate giving feedback to EIOPA, dedicated questions have been included.

The Good Practices are intended to be neither exhaustive nor universal. Individual Good Practices may not be applicable in certain Member States, for example, due to the nature of the individual legal framework or the costs and benefits, or may not be applicable to certain schemes (e.g. very small and voluntary schemes).

The source of inspiration for the Good Practices below has been the fact-finding exercise as well as own research into market practices. They aim to illustrate practices that in EIOPA's view have distinctive merits in particular situations and/or when aiming to reach specific type(s) of scheme member(s). In this context, EIOPA does not wish to promote one specific communication tool or channel at the expense of other possibilities.

When assessing potential Good Practices, the following criteria have been considered:

- *Scheme member engagement*: Is a practice of using a certain communication tool/channel effective at engaging scheme members? Is it interactive?
- *Cost efficiency*: Is the practice cost-effective? What is the cost-benefit ratio?
- *Accessibility*: Is the information communicated via a particular tool/channel accessible to a wide variety of scheme members (ideally all)?

Good Practice 1: Coherent communication strategy

Without prejudice to national legal requirements, EIOPA considers it a Good Practice if the IORPs, insurance undertakings, employers and/or other relevant entities implement a coherent communication strategy, of which communication tools and channels are elements.

Effective communication requires a coherent plan of action that should consider the objectives, constraints and imperatives for communicating to occupational pension scheme members. The selection of the most appropriate communication tool and channel to reach scheme members on a given occasion should be made in light of the overall communication strategy⁶⁷.

When it comes to communicating appropriately, it is certainly true that "one size does not fit all". For example, as noted in Section 3 above, sending of information by

⁶⁷ It is understood that in some Member States, the use of particular communication tools and channels is prescribed by national legislation (please see Section 2. for further details). EIOPA Good Practices should not apply in such situations.

physical mail (paper) is currently the most prevalent means of communicating with scheme members. On the one hand, it is a rather established and traditional way of communicating, and may be appreciated in particular by elderly members or those not internet-savvy or who do not trust the internet due to security or fraud concerns.

On the other hand, it is not the most interactive way of communicating. Should scheme members move without informing the scheme and leaving a new address, it may give rise to other types of concerns⁶⁸. The latter may however be also the case when communicating via email if the email address changes, and could be seen as another reason for deploying a multi-channel communication strategy (see also Good Practice 7 for further details).

Furthermore, the feedback expressed by some EIOPA Members suggests that there is a gradual shift towards a greater reliance on other communication tools/channels, in particular email and internet. Against this background, the parties communicating to scheme members are encouraged to keep considering what would be the most appropriate communication tools and channels on each occasion.

Good Practice 2: Storing of all communication in one online space

EIOPA considers it a Good Practice if IORPs and/or insurance undertakings store all communication with scheme members in one online platform, if appropriate. The online platform should be accessible to all scheme members at any point in time.

Storing of all communication in one online space would imply an absolute transparency and tracking of actions towards scheme members; it may be particularly beneficial for internet-savvy members. Importantly, deferred members and beneficiaries should equally have access. IORPs and insurance undertakings should take into account their own individual circumstances, for instance in regards the communication systems they already have in place, when considering whether and how they can implement this Good Practice.

⁶⁸ Referring in particular to “hard-to-reach” members.

Good Practice 3: Employer online platform to combine information about related Human Resource matters and pensions

EIOPA considers it a Good Practice if the employer combines information about related Human Resources matters (e.g. information about benefits and entitlements) and pensions in one online platform accessible to all scheme members at any point in time. In this regard, personal data of the scheme member is to be protected.

In this way, when consulting the HR-related information, scheme members may be motivated to consult relevant pension information and communication. This practice would however involve coordination between the relevant IT systems of the employer and of the scheme. There are, however, first examples documenting this practice⁶⁹.

Good Practice 4: Pension calculators

EIOPA considers it a Good Practice to offer scheme members the use of pension calculators in addition to regular communication. In this regard, personal data of the scheme member is to be protected.

The aim of “pension calculators” or similar tools is to help scheme members with assessing and predicting their future retirement income. It is a highly interactive tool often developed and included on websites in addition to other information. It is however accessible to internet users only.

On the one hand, pension calculators could be a useful tool in particular for new and active members to find out whether they are “on track” to ensure an adequate level of retirement income. On the other hand, such tools may have little or no value added for beneficiaries or members close to reaching retirement. In the case of the latter, adequate information explaining the options available, for example of retiring early/late and their implications, may be more appropriate. See also Good Practice 6 for further details.

Good Practice 5: Advanced tracking services

EIOPA considers it a Good Practice when tracking services can in addition serve also as communication channels e.g. include alerts/notifications when new information becomes available.

The purpose of online tracking tools/services is to facilitate scheme members to maintain accurate knowledge about their current entitlements. There are, however, also examples⁷⁰ of more advanced tracking services which serve also as communication platforms with scheme members and send alerts/notifications via email when new information becomes available.

⁶⁹ E.g. ASDA supermarket chain in the UK; see Partridge, K. (2015): Why fancy tools are not enough to communicate with savers; Pensions Expert, 7 January 2015, <http://www.pensions-expert.com/Comment-Analysis/Why-fancy-tools-are-not-enough-to-communicate-with-savers?ct=true>.

⁷⁰ E.g. the newly enhanced tracking service in NL.

Good Practice 6: Evaluation of communication strategy effectiveness

EIOPA considers it a Good Practice if the IORPs, insurance undertakings, and, where applicable employers and/or other relevant entities assess the effectiveness of their communications and the degree to which members have understood them.

The definitive purpose of an effective communication strategy is to ensure that members receive and understand the information and, if required, act upon it. Any party responsible for communication should, on one hand, make utmost efforts to ensure that the information provided has been understood and, on the other hand, gauge the degree to which scheme members have understood the information as a means to assess the strategy.

Some individual decisions may require particular level of information; most notably in the case of a job change or when preparing for retirement. On such occasions, it may be desirable to offer scheme members the possibility to have their specific questions answered and to ask follow-up questions.

It is recognised that making sure that information has been understood requires significant efforts on the side of the communicating party. To this end, the use of highly interactive communication channels such as telephone calls or face-to-face meetings and possibly combining it with a multi-channel communication strategy may be of help.

Good Practice 7: Multi-channel strategy

EIOPA considers it a Good Practice if IORPs, insurance undertakings, where relevant, employers and/or any other relevant entities make use of a multi-channel strategy to communicate to their members.

When using a multi-channel strategy, several communication tools and channels are to be combined. For example, a website (including user-friendly navigation and use of layering) could serve as a first source of reference providing comprehensive information. In addition, in case of questions, scheme members could also make use of telephone or email to establish contact. Due to the combination of different channels while offering fall-back options, such a strategy could be useful for all types of scheme members and occasions (including elderly members or those not internet-savvy or who do not trust the internet due to security or fraud concerns).

Furthermore, as suggested above, a multi-channel strategy may help to mitigate the risk of losing contact with scheme members as the IORPs, insurance undertakings, and/or other relevant entities do not rely on a single communication channel to reach scheme members.

Questions to stakeholders during public consultation

- 1. Do you consider the above criteria i) level of scheme member engagement, ii) cost-efficiency of the communication and iii) accessibility to a wide variety of members) that were considered when choosing among possible Good Practices appropriate?*
- 2. What additional criteria should EIOPA consider and why?*
- 3. Do you consider the Good Practices outlined above appropriate to address the occasions and/or specific scheme members indicated? If not, please explain the reasons and provide further details (e.g. with regard to concrete experience made).*
- 4. In respect to proportionality, do you see any limitations to the applicability of the Good Practices suggestions that should be taken into consideration (e.g. size of scheme in terms of number of members; single-employer or multi-employer schemes etc.)? If so, please name the Good Practice in question and provide further details.*
- 5. With regard to ensuring that information has been understood, what measures/practices to apply in practice? Please describe your experience.*
- 6. How do you check the effectiveness of communication strategies in combination with the use of particular tools and channels? Please describe your experience.*
- 7. With regard to layering of information, do you have any experience with regard to the use of particular communication tools/channels?*
- 8. Would you like to suggest any other/additional Good Practice(s) on communication tools and channels? If so, please explain the reasons and provide further details (e.g. with regard to concrete experience made).*
- 9. Would you like to make any other comments and/or suggestions? If so, please indicate the topic/section of the Report that the comment refers to.*

5. Conclusions

As referred to above, EIOPA identified seven Good Practices aiming to improve the communication tools and channels to occupational pension scheme members.

EIOPA acknowledges that when it comes to communicating effectively, "one size does not fit all". Besides, communication practices and strategies should be seen also as a mirror of their time. In this context, while paper-based communication is at the moment the most prevalent practice, EIOPA noted a gradual shift towards the use of additional channels such as email or online platforms. This development may follow from changing preferences of scheme members (e.g. the younger generation being more internet-savvy).

Against this background, **EIOPA does not wish to promote one specific communication tool or channel at the expense of other possibilities.** In fact, EIOPA came to the conclusion that **a multi-channel communication strategy which combines several different communication tools and channels⁷¹ seems to be an effective way to reach different types of scheme members with different habits and preferences.**

For example, younger scheme members may refer to the website of the scheme as a primary source of information and, in case of questions, seek answers via email or online chat, while older scheme members and beneficiaries may prefer to seek contact over the telephone. In this way, the risk of losing contact with scheme members, should they move without leaving an address, can be also mitigated given that the scheme would possess – besides a physical address – also telephone numbers and emails and assuming that not all of the above contact details would change at once.

The remaining Good Practices can be broadly grouped into two categories:

- The first group comprises **practices, which are seen as generally valid and beneficial to be applied when communication to all types of scheme members and occasions** (i.e. active and deferred members as well as beneficiaries). In this context, EIOPA firstly notes the importance of a coherent communication strategy and selecting an appropriate communication tool and channel in light of the overall strategy⁷². Secondly, EIOPA believes that storing all communication in one domain accessible to all members could help fostering transparency and accountability towards the scheme members⁷³. Related to that possibility and in combination with the preceding Good Practice, advanced tracking services⁷⁴ could be used as communication tools which would notify scheme members when new information becomes available.
- The second group depicts **specific communication tools and channels in the context of specific occasions.** For example, so-called "pensions calculators"⁷⁵ are considered a particularly helpful tool for new and active members in order to keep track of one's retirement income planning. Similarly, combining information about HR-related pensions matters with specific pension information in one online platform⁷⁶ could increase the convenience in particular for active members, and

⁷¹ Good Practice 7.

⁷² Good Practice 1.

⁷³ Good Practice 2.

⁷⁴ Good Practice 5.

⁷⁵ Good Practice 4.

⁷⁶ Good Practice 3.

encourage them to take greater interest in the matter. Furthermore, EIOPA is of the view that some occasions and decisions (e.g. whether to transfer vested pension rights on not on the occasion of a job change or the decision whether to retire early/late) may require a specific level of information, ideally provided in an interactive way so as to make sure that it has been fully understood and the scheme is aware of the implications⁷⁷.

EIOPA is confident that the facts and practices depicted in this Report will serve as a useful source of inspiration to any relevant parties interested in maintaining and continuously improving effective communication practices towards occupational pension scheme members.

⁷⁷ Good Practice 6.

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Annex I: Literature review – Theory behind communication tools and channels

This chapter sets out the goal of exploring current trends and market practices in communication with members of occupational pension schemes that are mentioned in studies and articles developed by institutions with a direct involvement in the private pension systems of European and non-European origin.

Challenges and goals

In the OECD research paper, Lessons from National Pensions Communication Campaigns (2012), we observe that the main challenges in pension communication are: (i) the lack of interest in the topic (especially for the young), (ii) the perceived and actual complexity of the topic and (iii) the low level of financial awareness and literacy.

Moreover, members seem to be more engaged if facing clear and simple messages, accompanied by visual aids, active statements (rather than passive documents), and snapshots of the future (like projections). Messages that have a clear and measurable objective seem to be perceived as more effective and the mean and method of delivery seem to have a better impact if correspondent to the needs and characteristics of the target group. For example, neuro-marketing studies from the Netherlands show that, although pensions overall as a topic is negatively perceived, the uniform annual pension statement as means of communication with members is perceived quite favourably.

Market practice trends in communication with members

In an article published in 2014⁷⁸, RPMI, a British pension scheme administrator, underlines that importance of effective and relevant communication with members as a main role of a pension administrator. As such, the first step in establishing a good communication line seems to be the understanding of your target audience, their attitude towards occupational pension schemes and their pension related needs, motivations and concerns. Having formed a vision and a goal, the institutions can work on building a consistent communications strategy that can be developed at an integrated level by encompassing different media channels and communication tools. Having understood the personas (target group) and communication strategy, recent trends put a higher emphasis on the use of technology. As such, although they may still be always people that prefer written communication, the use of email and SMS have become increasingly popular.

Main strategies of pension communications and tips for better communications

In the Pensions Communications' Project (2010) the NAPF (UK) has discovered where main member communications effort is directed and what tips could be used for improving such communication in the future.

⁷⁸ Engaging, innovative, relevant: what do your member communication say about your scheme

Current and Future Efforts	Tips
Simplification of complex ideas (push non-essential information in secondary channels)	Take advantage of scale wherever possible (target more people so to be more cost effective)
Creative ideas/graphics (highlight messages in larger campaigns)	Personalize everything you can (best and easiest way is by doing things at a large scale)
Call to action (focus on influencing specific member behaviour and maximize retirement outcomes)	Communications is a discipline (requires experts as it involves the need for consistency over multiple channels)
Segmentation of audiences (clustering based on member activity and behaviours, and not so much on age)	Education in an impersonal sense is no longer a useful tool (members want to be educated personally)
Personalization of messaging (more costly, needing more resources and skills to engage with members personally)	Improve the accountability of communications (measure the impact of pension practitioners)
	Regulation is not the problem (may be a nuisance but not the problem, because it stirs creativity)

Framing information

The effects of framing information and providing context to it is based on the need to provide members with more relevant information, more comprehensive information and easy accessible information.

Online information tools may manipulate information (e.g. by presenting it as a monthly stream of income rather than a pension pot) and, as such, may decrease the urge of members to engage in large spending transactions and increase the effort to save more. These are also very useful tools as they have a large financial impact in the decision to save or spend for members, and provide a cost-effective solution for providers⁷⁹.

One innovative approach in communication with members is to encourage them to build well thought out goals (financial independence, travel, leisure, bequests, self-improvement etc.), sort them in "buckets" by importance and build their retirement plan based on these goals.⁸⁰

One other innovative approach is building concise and cohesive phrases that evolve around a core message to be transmitted to the target group (e.g. NEST: "Tomorrow is worth saving for" – builds engagement).

⁷⁹ Information Architecture and Intertemporal Choice: A randomized field experiment in the United States, Yaron Levi, 2014

⁸⁰ A web tool to refine your retirement priorities, Shlomo Benartzi

Electronic disclosure

More and more, information disclosure in occupational pension schemes is diversified in between: post (paper), website (general information and personal accounts) and via email. Electronic information disclosure presents an important advantage in cost savings, bypassing printings, and packaging and postage fees. Furthermore, such information is easily accessible for members that do have access to the electronic means necessary. However, if emails are not provided or if members specifically request information on hard-copy, electronic means are avoided and the best channel used remains the paper form.

Case studies:

1. UK auto enrolment results

Non-engaging information is not well received by members (such as regulator standard letters) and there is an apparent link between good communication and low opt-out rates. Moreover, good communication can reduce costs for employers by reducing the number of people that need additional assistance and help. There is still a serious problem of awareness and engagement, since employees have generally a low engagement level with their pension and do not know much more that the specific amount taken from their wages.

2. Local Government association – best practice in communication with members

Among the most important forms of communicating with members, the most effective (must-have's) in the UK are considered to be the following: a pension fund interactive website, a dedicated members' helpline, newsletters to active and deferred members, as well as for pensioners, guideline for employers and meetings organized on their behalf, presentations, leaflets and factsheets, summary reports and combined forecasts built for members, and, last but not least, an online access platform for employers, as well as for employees.

3. Communication tools and channels used by Wiltshire pension fund (market practice)

For active members: literature, benefit statements, newsletters, website, pension surgeries (info sessions at work), pre-retirement courses, retirement packs, pension helpline.

For deferred members: benefit statements, website, pension helpline.

For pensioners: pay advice (taxes), newsletters, website, pension helpline.

For prospective members: new starter packs, website, promotional leaflets and posters, corporate induction courses.

For employers: guides, technical newsletters, individual meetings, promoting the scheme, website, annual report and accounts.

Other organizations (trade unions).

4. "Smarter Consumer Communications" discussion paper (until 25th of September 2015) launched by the FCA (Financial Conduct Authority) states the importance of the type of information presented to consumers, the way it is delivered, and when it is delivered so as to stem positive outcomes regarding their choices of purchasing a specific product. The paper has a goal of encouraging firms, consumer groups and other stakeholders in delivering smarter and more effective information that is clear, easy to understand and engaging.

Examples of smarter communication from the paper include: plain language, short format, bullet points, graphics, interactive apps, videos and infographics.

Behavioural aspects for members:

As mentioned, when faced with making pension related decisions or when interpreting pension related information, members are prone to making different types of mistakes. Common causes for these patterns of mistakes can be found in aspects explained by behavioural finance.

As previously stated, members are not a good representative of the so called "Homo Economicus" and cannot fully understand and apply, in most cases, the principles of traditional finance (bounded rationality) where they would: be able to fully identify their goals and needs, fully assess/forecast their current and future resources and capabilities, and determine a good prognosis of financial and human capital in order for them to make the optimal financial decisions regarding their pension allocation. As such, members strive to analyse information make decisions based on heuristics applied to the contextual background members manifest in making investment decisions.

Inertia or status quo

This is an emotional bias that individuals manifest based on the strong desire to do nothing if such a possibility is offered to them or if they are confronted with a passive choice (for example with the only the possibility to opt out). Specifically directed member information regarding their need to adjust at certain moments might be crucial.

This bias leads to a higher success for auto-enrolment plans (successfully mitigating the risk of non-participation), but does little for the diversification and adjustments that members need to make during their active lifetime in order to maximize their future pension income (the possibility of sticking with an investment choice that becomes inappropriate to their objectives)⁸¹.

Representativeness and availability heuristics

When faced with complexity, risk and/or incomplete information, individuals use simple rules of thumb or mental shortcuts, so called heuristics, leading them to make inaccurate estimations and hence sub-optimal decisions. In order to avoid the possibility of forming erroneous heuristics, messages to members should be specifically simplified and clear to encourage a certain behaviour.

The influence of information framing

As previously discussed, framing is an information processing cognitive bias that individuals manifest, and it refers to the direct connection between the manner that information is framed and the way that the information is processed and consequently, the decision or answer that individuals will form in a particular context. Thus, a decision/action may very well be positively influenced by the phrasing or frame in which the problem is presented⁸².

⁸¹ Madrian, C. B. et al (2001).

⁸² An & Shi, N. (2012)

Annex II: Recent developments

The Netherlands

Recently, in the Netherlands new legislation came into force changing the requirements on pension information. Relevant in the light of communication tools and channels are the following changes.

First of all, it is easier for IORPs and insurance undertakings to communicate electronically with members, deferred members and beneficiaries. Whereas the IORP/insurance undertaking first needed explicit approval from the scheme members before it could send information electronically, now the scheme member has to make objection against receiving information electronic. If the scheme member does not react/does not make objection the IORP/insurance undertaking can inform the scheme members electronically.

Moreover, the IORPs and insurance undertakings can use the digital mailbox from the government to inform their members. All information (welcome pack, pension benefit statement, regular pension information etc.) can be given electronically.

Electronic information is cost efficient and – even more important – makes it easier to provide the information in layers to members. An example is the "Pension1-2-3": the welcome pack for new members. Layer 1 gives the most important information, layer 2 some more explanation on the subjects mentioned in layer 1, and layer 3 is background information such as the annual report of the IORP. A test with the Pension1-2-3 showed that members who received the first layer on paper, did not look up more information in the layers 2 and 3, whereas members who received the first layer electronically, did click for more information. Layered information is one of the recommendations following the Report of EIOPA 'Good Practices on information provision for DC schemes'.

An important channel and tool for pension information in the Netherlands is the pension tracking service www.mijnpensioenoverzicht.nl. This is an online tool where members can check their total pension income on the retirement age in the first and second pillar. With the new legislation the pension tracking service gets a more central role in the communication to members. This means the pension tracking service will in the future also give information about risks, important choices and the influence of life events on the pension income. Next to this development, IORPs and insurance undertakings have or are developing their own online tools for pension information or financial planning. Although these tools often give a lot of useful information for members, they amount of members who log in is still disappointing.

Belgium

As from January 1st 2016, a new legislation will come into force, changing the requirements on pension information. Relevant in the light of communication tools and channels are the following changes:

- **DB2P**

A public database on occupational pensions is created, called Database Second Pillar (abbreviated DB2P). This is a nationwide government owned database who collects the individual pension rights of Belgian employees, self-employed persons and civil servants within the context of the second pension pillar. The database is fed by declarations of the pension institutions (IORPs and insurance undertakings).

As from 2016 active and deferred members shall be able to consult their pension rights online on the website of DB2P. The advantage is that they can consult an overview of all their pension rights accrued in different pension schemes (e.g. if he/she changed jobs several times and therefore is member of different pension schemes).

- Individual pension information to active and deferred members

As from 2016, active and deferred members will receive yearly their individual pension information from the administrator of DB2P.

The law prescribes that this individual pension information has to be sent to the secure email box (e-box) every Belgian citizen has for communication with the government. If communicated, the active and deferred members receive a warning in their private mailbox when information is available in their e-box.

- Pension benefit statement only for active members

Up till now, pension institutions (IORPs and insurance undertakings) were obliged to send an annual pension benefit statement to both active and deferred members.

As from 2016, pension institutions are no longer obliged to send an annual pension benefit statement to deferred members: deferred members will receive yearly their individual pension information from the administrator of DB2P. This measure is cost reducing for the pension institutions.

Moreover, by signing an agreement, the administrator of DB2P can take over the obligation to send the pension benefit statement to active members from the pension institutions (IORPs and insurance undertakings).

Pension institutions are allowed to provide the annual pension benefit statement to the active members in an electronic way, but the law stipulates the following conditions:

- members should be able to print their pension benefit statement;
- the pension benefit statement should be stored on a durable medium;
- all scheme members should receive access to a computer in order to be able to consult their pension benefit statement;
- members have a legal right to request their pension benefit statement on paper.

- Specific anniversaries

As from 2016, each scheme member will receive at the age of 45 his/her individual pension information by letter (on paper) from the administrator of DB2P. As long as the scheme member doesn't agree to consult his/her individual pension information in an electronic way, he/she will receive this information on paper every 5 years (at the age of 50, 55, 60 and 65).

- Retirement

If the administrator DB2P detects that pension rights have not been paid to the scheme member six months after his retirement, the administrator will alert the scheme member by letter (on paper).

Bulgaria

Ordinance No 47 of the Financial Supervision Commission on the requirements to the information systems of the pension insurance undertakings, requires them to establish an electronic dossier of each fund member (which contains all documents related to the social insurance of the scheme member) and to provide him/her upon request with a unique identifier for accessing the data in the electronic dossier and in the individual account.

Norway

NORSK PENSJON is an initiative of the Norwegian Life insurance undertakings. It collects information on pension schemes/plan, from both insurance undertakings, from IORPs and now also from the Norwegian Public Service Pension Fund and the Norwegian Labour and Welfare Organisation, which organize the national insurance (pillar 1).

Norsk pensjon aims to give the individual active and deferred members in occupational pension schemes an informal overview of the different schemes from the participating pension providers. Furthermore it includes a webpage which shows historical returns on the various profiles, life insurers offer to members of DC pension schemes.

The website www.norskpensjon.no is used by individuals for illustration purpose after applied request. In order to log in to Norsk Pensjon, electronic ID from MinID or from Buypass is used.

Portugal

ASF has been promoting and assuring the delivery of personalized information to members and beneficiaries through durable media (paper or other instrument that allows them to store the information for future reference, in accordance with the definition already foreseen in some EU legal instruments, and soon to be included in the Portuguese law).

In what concerns industry initiatives, the Portuguese Association of Investment Funds, Pension Funds and Asset Management has implemented a certification system for Defined Contribution Plans ("Certificado de Responsabilidade para a Reforma") which prescribes, as one of the mandatory elements for certification, that members are given access, preferably through electronic means, to the value of their individual account and to the projection of the expected amount of the pension to be received at the normal retirement age.

Annex III: Summary of questions to stakeholders

Questions to stakeholders during public consultation

- 1. Do you consider the above criteria i) level of scheme member engagement, ii) cost-efficiency of the communication and iii) accessibility to a wide variety of members) that were considered when choosing among possible Good Practices appropriate?**
- 2. What additional criteria should EIOPA consider and why?**
- 3. Do you consider the Good Practices outlined above appropriate to address the occasions and/or specific scheme members indicated? If not, please explain the reasons and provide further details (e.g. with regard to concrete experience made).**
- 4. In respect to proportionality, do you see any limitations to the applicability of the Good Practices suggestions that should be taken into consideration (e.g. size of scheme in terms of number of members; single-employer or multi-employer schemes etc.)? If so, please name the Good Practice in question and provide further details.**
- 5. With regard to ensuring that information has been understood, what measures/practices to apply in practice? Please describe your experience.**
- 6. How do you check the effectiveness of communication strategies in combination with the use of particular tools and channels? Please describe your experience.**
- 7. With regard to layering of information, do you have any experience with regard to the use of particular communication tools/channels?**
- 8. Would you like to suggest any other/additional Good Practice(s) on communication tools and channels? If so, please explain the reasons and provide further details (e.g. with regard to concrete experience made).**
- 9. Would you like to make any other comments and/or suggestions? If so, please indicate the topic/section of the Report that the comment refers to.**