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Implementation of IORP II: Report on other information to be provided to prospective and current members

Pension Benefit Statement (PBS) Designs

EIOPA Occupational Pensions Stakeholder Group meeting
Frankfurt, 21 February 2019

1. What is the issue about?

Present the EIOPA Report on Other information to prospective and current members and the work on the PBS designs

2. What does EIOPA want OPSG to do?

EIOPA welcomes OPSG input on both topics

3. What are the next steps?

- o Publication of the Report on Other information documents
- o Consultation on the PBS designs

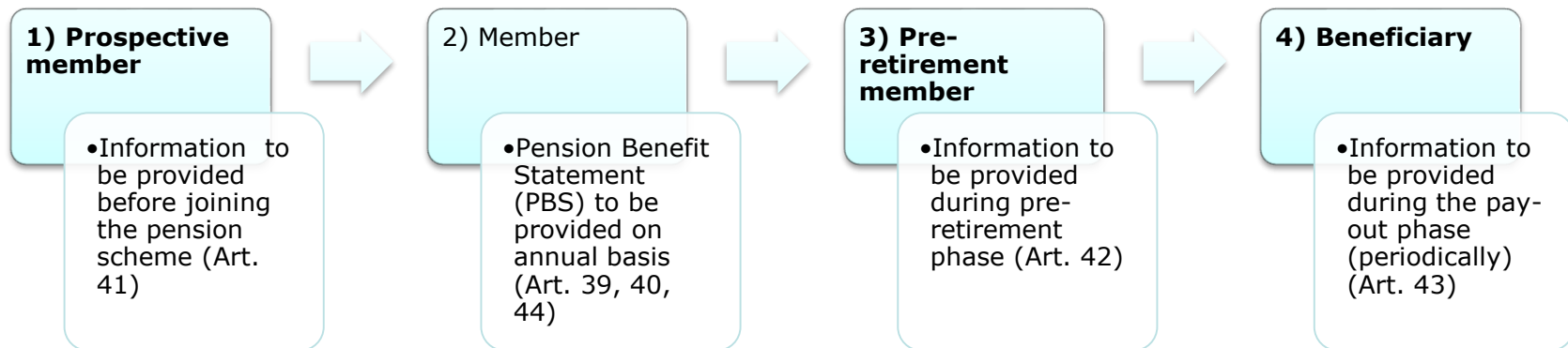
1. The Report on other information to members (prospective, current)

- o Objective
- o Design of documents
- o Past performance
- o Pre-retirement information
- o Pay-out information

• Development of PBS designs

- o Objectives, consultation & timeline

- Complement the EIOPA Report on the Pension Benefit Statement
- Set out key principles and guidance in core areas:
 - past performance information for prospective members;
 - presentation of retirement options, timing of disclosures and channels to use in pre-retirement and pay-out phases.



Overview of information documents across the membership phases: Report covers stages 1, 3 and 4. Stage 2 covered under the PBS Report. ESG factors not covered.

Design of information documents across the membership phases



- Overarching principles for PBS also valid more widely:
 - Design with a **behavioural purpose** and information should respond to members key questions
 - Adapt to the **characteristics of the pension scheme** (DB vs DC)
 - **Integrate with communication tools** already in place (e.g. pension dashboard).
- (Reinforce) **Principle on layering: information should be simple, easy to read for the member and put in appropriate layers**
- (New) **Principle on digital guidance: IORPs are encouraged to use also digital (interactive) techniques to support members towards retirement decisions**
 - e.g. use of tutorials, short videos, visuals and images, on-line calculators

Past performance for prospective members: principles EIOPA

1. In order not to be misleading, information on past performance should be **clear, correct** and **balanced**
2. ...and should come with a clear warning that the shown **past performance** does **not imply** an **indication for future returns**
3. Past performance should be shown as an **appropriate combination of annual and cumulative returns**
4. ...and should be provided for an **appropriate time period**
5. In case of a **lifecycle** investment policy, information on past performance should be shown in **different age cohorts**
6. Past performance information should be designed to aid assessments of **suitability of options** for the members **own risk and return profile**
7. Past performance information should be **comparable** within a Member State
8. ...and presented **net of all costs** on the basis of clear methodologies

Pre-retirement information: Step by step principle



Pre-retirement information should be provided to members during the steps towards retirement: starting five years before the retirement until the retirement date.



Step 1 - Preparing for Retirement

*[Circa 5 years
before]*

Organisation of awareness campaigns for employees to inform about processes and conditions applicable depending on the retirement date

Aim:

help prepare and explain the process
show potential impact of changes in the retirement date



Step 2 - First announcement

*[Between a
year and few
months
before]*

Provide information on the retirement options and timeline

Aim:

official start of the retirement process



Step 3 - Personalised information

[A few months before]


Personalized information on:

*the pay-out options, incl. shop around, opt-out
the forms to be filled out*

For DC, how to:
*find additional information
get personal advice*

Aim:

presenting the options at hand
how to select one
where to find more info/help/advice



Step 4 - Filling out forms by the member

*[Until 4 weeks
before]*

*Member to
choose the
desired pay-
out option*

Aim:

facilitate the choice of the retirement option
further info/
help/advice



Step 5 - Granting the pension

*[By the
retirement
date]*

Information on:

*the exact
retirement
amount
payments
frequency
payments
date*

Aim:

provide details on the first payment

Content: In addition to annual statement for pensioners (from MS*) to cover: annual tax adjustments, indexation of benefits and reductions of the level of benefits.

Principles on:

- **Frequency:** pay-out information should preferably be provided to beneficiaries on **annual basis** after retirement
- **Personalisation:** information that refers to the **adjustment of benefits** should be provided in a way that shows the effect of the benefit reduction for the individual member
- **Communication channel:** information should be provided to beneficiaries in the **most reliable medium** – paper, digital or a combination of both



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Development of PBS designs

- Following the principles and guidance provided in the PBS Report, aim is to develop tangible examples/designs of a PBS
- EIOPA together with the EU Publications Office and a communication's agency is developing several PBS designs
- EIOPA to consult PBS designs amongst **OPSG**, targeted industry participants and members & beneficiaries representatives – May-June 2019
- Possibility to test the PBS prototypes through consumer testing (Focus Groups)
- Finalisation and publication of editable and free of charge PBS designs for voluntary public use of NCAs or IORPs (where there are no designs foreseen at national level) – Q4 2019