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**Report on  
issues leading to detriment of occupational pension  
scheme members and beneficiaries  
and  
potential scope of action for EIOPA**

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## **Executive Summary**

In order to ensure that EIOPA's mandate in relation to the protection of pension scheme members and beneficiaries<sup>1</sup> is fulfilled, and to adopt a systematic approach to this issue, EIOPA has prepared this Report on issues which may lead to (occupational) pension scheme members' detriment and also on the scope of action for EIOPA related therewith.

The objective of this Report is threefold:

- First, it outlines the EIOPA strategy towards addressing consumer protection issues related to (occupational) pensions (Section 1);
- Secondly, it describes the areas and topics in this field identified in 2013/2014 for future work by EIOPA (Section 2), and
- Finally, it sets the priorities (Section 3).

So far, EIOPA identified the following issues which it may analyse more closely in the future:

- Governance issues in the management of occupational pension schemes:
  - Charges;
  - "Value for money";
  - Training standards.
- Lack of European convergence:
  - Portability of acquired rights between occupational pension schemes.
- Insufficient/inappropriate disclosure of relevant information to (occupational) pension scheme members
  - Transparency and availability of relevant information for (occupational) pension scheme members;
  - Comparability of the information disclosed.
- Other
  - Financial education;
  - Collecting, analysing and reporting on consumer trends and monitoring of new and existing financial activities.

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<sup>1</sup> Art. 8(1) (h) and Art. 9 of the EIOPA Regulation.

This list of areas and topics identified may not be exhaustive and should be seen as work-in-progress. It is meant to serve as an initial source of information and a point of reference when defining future EIOPA Work Programmes in the coming years.

Furthermore, besides the matters listed above and detailed in Section 2, also other aspects are to be addressed by EIOPA; for example, in the context of the recently published IORP II legislative proposal; in particular, concerning the Pension Benefit Statement (for further details, see page 15).

In the following, the term “pension scheme member” is used for simplicity reasons. Depending on the context, it is to cover both occupational pension scheme members and beneficiaries. The specificities of the protection of beneficiaries will be taken into account when launching individual Work Streams in the future.

It is noted that a number of the aspects outlined below will have a different meaning for DB and DC arrangements. Therefore, any work by EIOPA on these topics is to pay attention to the specificities, and distinguish between DB and DC schemes, where appropriate. Furthermore, EIOPA will ensure that staff with the relevant skills and abilities will be involved.

Finally, the areas and topics identified in this Report may relate to both personal pension products as well as occupational pension schemes that are under the supervision of EIOPA Members<sup>2</sup>. In this respect it is emphasised, however, that both personal and occupational pensions respectively have their own genuine specificities, which will need to be taken into account when addressing the topics outlined in the Report.

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<sup>2</sup> The so-called “book reserve schemes” are considered out of scope of this Report.

# **1. EIOPA strategy towards addressing consumer protection issues related to (occupational) pensions**

## **1.1. The current context of occupational pension provision in Europe**

The pensions sector is of utmost importance for consumers, especially in the context of retirement income planning. At the same time, pensions are often perceived as a very complex topic by the public in general and by employees in particular. The Aegon Retirement Readiness Survey 2013<sup>3</sup> revealed a paradox situation: On the one hand, employees seem to be well aware of some of the key economic developments related to their future retirement income e.g. the impact of ageing populations on the sustainability of state pensions, as well as the implications of the shift from defined benefit (DB) to defined contribution (DC) schemes in terms of risks and the need to take an active role themselves in order to reach sufficient level of retirement income. Nevertheless, paradoxically, on the other hand, individuals tend to abandon or postpone active decisions with regard to their future pension.

For example, a study by the Money and Pension Panel about the Danish market<sup>4</sup> confirmed that although pensions represent the largest share of the lifetime savings of most consumers, these take very little interest in this subject. Approximately 50% of Danes (and two out of three women) spend less than an hour a year on their pension planning<sup>5</sup>.

An initial analysis by EIOPA identified the following concerns as being frequently encountered by consumers; the actual underlying issues have been also added below<sup>6</sup>:

Employees may not be satisfied with the management governing their occupational pension scheme (e.g. schemes not providing the expected “value for money”) (underlying issue: governance issues in the management of the schemes).

A large share of pension scheme members indicates that they do not receive useful/understandable information from their employer/pension scheme provider (underlying issue: insufficient/inappropriate disclosure of relevant information to pension scheme members).

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3 The Aegon Retirement Readiness Survey 2013 (available at <http://www.aegon.com/Documents/aegon-com/Insight/Retirement-readiness/Aegon-Retirement-Readiness-Survey-2013.pdf>).

4 Money and Pension Panel (2013): The Basic Pension; available at [http://www.raadtilpenge.dk/da/~media/PPP/Pensionsrapport/Basic%20pension\\_full%20report.ashx](http://www.raadtilpenge.dk/da/~media/PPP/Pensionsrapport/Basic%20pension_full%20report.ashx).

5 Ibid, p. 59.

6 The list is based in particular on issues flagged in the following publications: The Aegon Retirement Readiness Survey 2013 (available at <http://www.aegon.com/Documents/aegon-com/Insight/Retirement-readiness/Aegon-Retirement-Readiness-Survey-2013.pdf>); Money and Pension Panel (2013): The Basic Pension; available at [http://www.raadtilpenge.dk/da/~media/PPP/Pensionsrapport/Basic%20pension\\_full%20report.ashx](http://www.raadtilpenge.dk/da/~media/PPP/Pensionsrapport/Basic%20pension_full%20report.ashx) as well as other reports.

Employees changing their job and/or working abroad often find themselves at disadvantage due to non-harmonised rules for transfers of acquired pension rights (underlying issue: lack of European convergence).

In general, many pension scheme members perceive pensions as complex and difficult to understand (underlying issue: financial illiteracy).

## **1.2. EIOPA's objective**

EIOPA's strategy in the area of pensions is wide and encompasses different areas: EIOPA has an important role in assessing the dynamics between adequacy, safety and sustainability of pensions. This includes work on identifying risks and how they are mitigated by pension schemes. It also requires the development of a basis for assessing the soundness of promises, taking into account the national specificities. Furthermore, EIOPA will examine the significance of the pensions sector in terms of financial stability and systemic risk with a view of macroeconomic impact of the sector's investment strategies.

This Report focuses on EIOPA's role in the protection of occupational pension scheme members.

Against this background, EIOPA's objective related to the protection of occupational pension scheme members should be that market practices enable them to make a more informed decision, which would in the end help them taking a more active stance towards the planning of their retirement income. Given the current large fragmentation of the EU and national rules and legislation governing the (occupational) pension scheme sector, there is a potential for making a positive impact for pension scheme members.

To achieve this, EIOPA is to address, as a priority, the four underlying issues identified above which may cause detriment to pension scheme members, namely:

- Governance issues in the management of the occupational pension schemes;
- Lack of European convergence (without the aim of harmonising social and labour law), and
- Insufficient/inappropriate disclosure of relevant information to pension scheme members.
- Furthermore, EIOPA is also to contribute to fostering of financial literacy in this area.

## **1.3. EIOPA's fields of competence and instruments**

The section below discusses the boundaries of EIOPA's fields of competence and the use of instruments in the field of pensions. It is to serve as a reference when deciding on future actions by EIOPA in this area.

As a starting point, EIOPA's name (European Insurance and Occupational Pensions Authority) indicates its scope of competence in relation to occupational pensions.

However, in practise, CEIOPS' and now EIOPA's fields of competence in the area of pensions and protection of pension scheme members has been and is wider than comprising IORPs-related issues only. Firstly, EIOPA's fields of competence are laid down in Articles 1(2) and 1(3) of the EIOPA Regulation<sup>7</sup>, referring to the Insurance and IORP Directives. This implies that third-pillar retirement products (incl. personal pensions) - if provided by insurance undertakings - fall under the insurance directives, and thus under EIOPA's scope of action. Secondly, in order to conduct work on the topic of Occupational Pensions in 2010, the OPC mandate was amended at that time, stating that "where appropriate, the OPC should undertake work on pensions other than IORPs". The approach still applies today<sup>8</sup>. Thirdly, EIOPA has been requested by the COM to provide technical advice on the prudential regulation and consumer protection measures required to develop an EU-wide framework for the activities and supervision of personal pensions. It was concluded at that time that by providing the COM advice on this matter, EIOPA remained within the scope of action as defined by the EIOPA Regulation. Fourthly, EIOPA has been assigned an extensive mandate in the area of consumer protection by its founding Regulation. More concretely, EIOPA is mandated to "foster the protection of policyholders, pension scheme members and beneficiaries"<sup>9</sup> and to take "a leading role"<sup>10</sup> as regards the tasks related to consumer protection and financial innovation, which is formulated more broadly than applying to pension scheme members only.

Finally, it should be recalled that as the definitions of occupational pensions have not been harmonised at European level, the current situation in a number of Member States does not allow for a clear distinction between the 2<sup>nd</sup> and 3<sup>rd</sup> pillars of the pension system as well as the 1<sup>st</sup> pillar bis. This has been recently confirmed also by the findings of the Task Force on Personal Pensions<sup>11</sup> as well as by PensionsEurope<sup>12</sup>.

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7 Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010.

8 See OPC Mandate, dated November 2013, p.1; available at <https://eiopa.europa.eu/about-eiopa/organisation/working-groups/committees/occupational-pensions-committee/index.html>.

9 Art. 8 (1) (h) EIOPA Regulation.

10 Art. 9 (1) EIOPA Regulation.

11 "(...) the discussion recognised the case for enhanced convergence between MS and EU requirements in the areas of consumer protection and pension product development standards".; see letter from EIOPA Chair to J. Faull, dated 19 February 2014; available at [https://eiopa.europa.eu/fileadmin/tx\\_dam/files/publications/reports/EIOPA-14-083\\_Letter\\_to\\_Jonathan\\_Faull\\_GB\\_.pdf](https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/reports/EIOPA-14-083_Letter_to_Jonathan_Faull_GB_.pdf).

12 "The classification of different parts of pension systems becomes more and more unclear. So far there has been referral to the three pillars, but what they are and where a pension scheme belongs varies significantly. (...) How different EU legislation applies to pensions is far from clear and logical.", see Newsletter 1/2014 informing about Workshop EURELPRO – PensionsEurope held on 13 February 2014, available at [http://www.pensionseurope.eu/system/files/Workshop%20EURELPRO%20-%20final\\_0.pdf](http://www.pensionseurope.eu/system/files/Workshop%20EURELPRO%20-%20final_0.pdf).

In view of the above, for the purpose of this Report and future work to be conducted by EIOPA in the field of protection of pension scheme members, a purpose-driven interpretation of EIOPA's scope of action is to be continued to be applied rather than a strict pillar-based distinction. In this way, consistency with previous approach taken by EIOPA will be ensured as well as a coherent way in addressing different categories/classifications of products facilitated (e.g. personal pensions, PRIPs etc.). In doing so, with regard to institutions for occupational retirement provisions, EIOPA shall act without prejudice to national social and labour law in accordance with Article 1(4) of the EIOPA Regulation.

With regard to which instruments EIOPA may use in the pensions field when fulfilling its mandate and addressing consumer protection issues, EIOPA can issue various instruments as further specified in the Regulation<sup>13</sup>. In addition, "the Authority may, as appropriate, develop new practical instruments and convergence tools to promote common supervisory approaches and practices"<sup>14</sup>.

As mentioned above, concerning institutions for occupational retirement provision, the Authority shall act without prejudice to national social and labour law<sup>15</sup>. There is, however, no EU harmonised definition of what constitutes "social and labour law" and a survey conducted by CEIOPS among its Members confirmed large differences as regards its concrete contents<sup>16</sup>. While in theory this does not limit the range of instruments EIOPA has at its disposal, in practice, it might prove difficult in some cases for EIOPA to achieve convergence of respective national laws by means of Guidelines. More specifically, in case EIOPA's Guidelines would not be in line with the applicable national law in one or more Member State(s), because of their national social and labour laws, this Member State(s) would not be in a position to even consider complying with EIOPA's Guidelines. On such occasions, Guidelines addressed to all NCAs<sup>17</sup> might not be the most appropriate instrument.

Against this background, the instrument to be used when addressing the area of occupational pensions is to be chosen on a case-by-case basis. Regarding topics having a particularly strong link to national social and labour law in one or more Member States, EIOPA may wish to preferably use other non-legally binding instruments such as for example Reports on Good Practices. The latter have established themselves as an acknowledged instrument used by EIOPA on numerous occasions<sup>18</sup> and have proven to be adequate and efficient tools to promote good market and/or supervisory practices at EU level.

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13 The legal instruments at EIOPA's disposal are listed in Art. 8 EIOPA Regulation. Two particular instruments that EIOPA may issue at its own initiative and which are applicable towards national competent authorities are guidelines and recommendations (as laid down in Art. 16 EIOPA Regulation) as well as opinions to competent authorities (as indicated in Art. 29 (1) (a)).

14 Art.29 (2) EIOPA Regulation.

15 Art. 1(4) EIOPA Regulation.

16 Survey of specified topics covered by host Member State law with which Guest IORPS operating in the host Member State must comply; available at <https://eiopa.europa.eu/disclosure/occupational-pensions/index.html>.

17 EIOPA may address its instruments such as Guidelines or Opinions also to specific NCAs and/or financial institutions only.

18 Recent examples of EIOPA's Good/Best Practices Reports include Report on Good Practices for Disclosure and Selling of Variable Annuities (April 2012), Best Practices Report complaints-handling by insurance undertakings (June 2012), Report on Good Practices related to the provision of information for Defined Contribution (DC) schemes (February 2013), Report on Good



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Supervisory Practices regarding knowledge and ability requirements for distributors of insurance products (December 2013) and Report on Good Practices on Comparison Websites (January 2014).

## **2. Areas and concrete issues to be addressed by EIOPA**

This section provides further background about each of the three main issues that may possibly lead to most consumer detriment and suggests concrete measures to be undertaken by EIOPA to improve the situation for pension scheme members.

### **2.1. Governance issues in the management of pension schemes**

Governance issues and conflicts of interest in the management of occupational pension schemes may manifest themselves in different practices leading to a detriment of pension scheme members. This area might be particularly dissatisfying for the latter as – in case that they feel that they had been treated unfairly – they may not be in a position to exercise any influence as occupational pensionschemes are offered by employers to their employees as part of their compensation package. For this reason, EIOPA’s intervention in this area is particularly important.

To illustrate this point further, three concrete topics are outlined below, taking into account examples of recent developments in some jurisdictions.

#### **2.1.1. Charges**

The UK Office of Fair Trading (OFT) has conducted a study into defined contribution workplace pension schemes<sup>19</sup>. In its findings, the OFT communicated a number of concerns identified based on the evidence collected from industry. These issues are related to the governance of the schemes and fees charged, in particular. More concretely, the OFT came to the conclusion that consumer detriment may be potentially arising from:

- Poor comparability of charges;
- Lack of switching and the persistence of legacy schemes, and
- Two-tier charging structures<sup>20</sup>.

In the context of the latter, the OFT has raised concerns about practices implying that those members who have stopped making contributions pay a higher annual

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19 See <http://www.of.gov.uk/OFTwork/markets-work/pensions/> for an overview of the main steps of the investigation..

20 Office of Fair Trading (2014): Defined contribution workplace pension market study, p.17ff; available at [http://www.of.gov.uk/shared\\_of/market-studies/of1505](http://www.of.gov.uk/shared_of/market-studies/of1505)

management charge fee (so-called active member discounts)<sup>21</sup> and also the UK Financial Services Consumer Panel has expressed concern about the “potential erosion of the value of workplace pensions savings by the cost of consultancy changes for advice to employers”<sup>22</sup>.

**Possible scope of action for EIOPA:**

**EIOPA may wish to assess whether these matters have been encountered and, if so, how they have been addressed in the EU/EEA countries.**

**A survey on direct and indirect charges that is currently being undertaken by EIOPA could serve as a starting point.**

### **2.1.2. “Value for money”**

The question on whether the occupational pension schemes deliver “value for money” to their members, or in other words, the best possible investment outcomes on their pension savings, is related to the issue of unfair charges (referred to in 1. above), but should, however, be considered as a separate matter. This aspect affects both personal pension products and occupational pension schemes.

The OECD identified large differences across countries in terms of pension funds' operating expenses as a share of total investments<sup>23</sup>. Furthermore, the OFT study, which examines workplace pension schemes only, considers “value for money” to be a combination of the following key elements:

- The charges the occupational pension scheme member has to cover for;
- The quality of the occupational pension scheme including:
  - The design and execution of the investment strategy;
  - Administration of the scheme and communication with the members, and
  - The governance of the scheme<sup>24</sup>.

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21 The OFT has found that on average, members of these schemes can expect their AMC to increase by 0.47% if they stop contributing; see *ibid* p.20.

22 Financial Services Consumer Panel (2013): Annual Report 2012/2013, p.29; available at <http://www.fs-cp.org.uk/publications/pdf/FSCPAR%202012-13.pdf>.

23 OECD (2013): Pensions at a glance 2013; data referring to 2011; available at: <http://dx.doi.org/10.1787/888932908231>.

24 Office of Fair Trading (2014): Defined contribution workplace pension market study, p.16f; available at [http://www.of.gov.uk/shared\\_of/market-studies/oft1505](http://www.of.gov.uk/shared_of/market-studies/oft1505)

The aspect of “value for money” has been an issue observed in several countries. For example, the OFT expressed concerns that a number of schemes may be too small to “deliver value for money” for their members. In addition, the current level of governance of some occupational pension schemes may not be sufficient to ensure that scheme members are getting the best possible investment outcomes.

**Possible scope of action for EIOPA:**

**EIOPA may wish to assess whether these matters have been encountered, and how they have been addressed in various countries.**

### **2.1.3. Training standards**

EIOPA is required by its founding Regulation to “develop training standards for the industry<sup>25</sup>”. EIOPA has recently published a Report on Good Supervisory Practices on Knowledge and Ability for Distributors of Insurance Products<sup>26</sup> which sets out good supervisory practices in the form of high-level principles that competent authorities would apply to all distributors of insurance products. These are supplemented by indicative examples of what a competent authority could require a distributor to demonstrate in terms of knowledge and ability. The objective of the Report is to promote common supervisory approaches in an area where diverse national approaches have arisen out of the implementation of European legislation (the Insurance Mediation Directive (IMD) in this particular case) or where there is no EU harmonization (regarding direct sale of insurance products).

**Possible scope of action for EIOPA:**

**Taking inspiration from its previous work, EIOPA may develop industry training standards e.g. for trustees/board members of occupational pension schemes, especially where the composition of the board is partisan (i.e. representatives of employers and employees).**

## **2.2. Lack of European convergence**

The rules and legislation governing the occupational pension scheme sector are generally not harmonised at present on a pan-European level. EIOPA may wish

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25 Art. 9(1) (c) EIOPA Regulation.

26 EIOPA (2013): Report on Good Supervisory Practices on Knowledge and Ability for Distributors of Insurance Products; available at: [https://eiopa.europa.eu/fileadmin/tx\\_dam/files/publications/reports/EIOPA-BoS-13-172\\_Good-Supervisory-Practices-Report-on-Knowledge--Ability\\_01.pdf](https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/reports/EIOPA-BoS-13-172_Good-Supervisory-Practices-Report-on-Knowledge--Ability_01.pdf).

to – within its mandate and without prejudice to the national social and labour law – aim to facilitate further harmonisation by increasing the transparency and *inter alia* providing for an informed discussion among the stakeholders.

### **2.2.1. Portability of acquired rights between occupational pension schemes**

Compared to the past, employees may nowadays more frequently change their employer several times during their career, and each employer is likely to enrol them into its own<sup>27</sup> retirement pension scheme.

In some Members States so-called “pensions tracking services” exist which enable the scheme members to keep track of their different pension entitlements<sup>28</sup>. The European Commission has been assessing the development of a pan-European tracking system<sup>29</sup>.

Another means of helping the scheme members not to lose their entitlements acquired during previous periods of employment is via transfers of acquired pension rights into the scheme of their new employer. There are currently no (harmonised) pan-European rules for transfers –in and-out of acquired pensions rights between occupational pension schemes. Such transfers may often take place at highly unfavourable conditions for the scheme members or may not be allowed at all. Furthermore, the scheme conditions for deferred pension rights may also be less favourable than for active scheme members<sup>30</sup>.

European Commission’s DG Employment has put forward a legislative proposal for a Directive on improving the portability of supplementary pension rights (the “Portability Directive”) in 2005. During the legislative process, the legislative proposal was revised in 2007 and the provisions regarding the transferability of acquired rights between schemes have been taken out following the comments of the European Parliament<sup>31</sup>. Nevertheless, the legislative proposal still explicitly encourages the Member States to “improve the conditions for transfers, wherever possible”.

#### **Possible scope of action for EIOPA:**

27 Including those whose management has been outsourced to pension scheme providers/insurance undertakings.

28 E.g. in ES, DK and NL.

29 See Call for proposals (VP/2012/011) regarding Support for the development of a tracking service for private pension entitlements.

30 See for example one of the concerns identified by the OFT as described under b. Unfair charges. A number of schemes have been set up with two-tier charging structures where members who stopped making contributions pay a higher annual management change fee.

31 The European Parliament considered the introduction of a compulsory transfer option at this time as a potentially too great burden on some supplementary pension schemes and a cause of considerable technical difficulties.

**Without prejudice to national social and labour law, EIOPA plans to report on good practices for transfers of capital representing acquired pension rights between occupational pension schemes as observed in the market and different Members States.**

**In line with EIOPA's Work Programme 2014, this task has been initiated in 2014 and may roll over into 2015.**

### **2.3. Insufficient/inappropriate disclosure of relevant information to pension scheme members**

According to the above mentioned Aegon Retirement Readiness Survey, a large number of consumers perceive that they do not receive sufficient information from their employer/occupational scheme provider about their pension<sup>32</sup>. When answering the Aegon Retirement Readiness Survey 2013, up to 56% of the respondents in DE and 80% in HU<sup>33</sup> indicated that they would not receive any of the possible avenues of information also not even an annual retirement plan statement. This can be interpreted as though the information provided by the employer/occupational scheme provider was not useful and/or understandable to the scheme members and therefore no attention had been paid to it.

In any case, individuals' dissatisfaction with the information provided is rather high. This survey result outlines a huge potential for improvement in terms of transparency and appropriate communication towards the pension scheme members. Relevant information is to be made available to them in such a way so that they could 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) will boost the actual positive effect on individuals.

In this context, appropriate communication to/via the employers' and employees' representatives in the Boards of Pension Schemes is also to be considered.

When addressing the issue of disclosure of information to individual pension scheme members as well as to the employers' and employees' representatives in the Boards of Pension Schemes, EIOPA shall consider in particular the following two aspects:

#### **2.3.1. Transparency and availability of relevant information for pension scheme members**

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32 The Aegon Retirement Readiness Survey 2013, p. 51, Chart 6.

33 These figures have been calculated as follows: DE: 56% = 45% of respondents who answered that they do not received any of the indicated retirement preparation information (incl. an annual retirement plan statement) + 15% of respondents who answered "don't know".

EIOPA has the task of “contributing to the development of common disclosure rules<sup>34</sup>”. In this context, the relevance of EIOPA’s advice to the European Commission on the review of the IORP Directive is well noted; in particular, the advice provided on information disclosure to members and beneficiaries (including the Key Investor Information Document (KIID)). Furthermore, in its general view on issues in the Call for Advice, EIOPA highlighted also the importance of the principle of subsidiarity, and that “in various places uniform detailed [disclosure] rules would be inappropriate<sup>35</sup>.”

In this context, EIOPA’s Report on Good practices on information provision for DC schemes (the ‘Max Report’<sup>36</sup>) provided valuable guidance to the market as regards “How” relevant information could be communicated to pension scheme members. More concretely, in the ‘Max Report’, examples of good practices have been used to illustrate the recommendations put forward (e.g. to use plain language, optically highlight information etc.).

**Scope of action for EIOPA:**

**It is suggested to build upon the approach put forward in the ‘Max Report’ and report about the tools/communication channels employers/scheme managers use in practice to communicate to pension scheme members (e.g. regular updates sent by post; information about one’s pension contained at dedicated website(s); online modelling tool(s); meetings with a professional retirement adviser; education material etc.).**

**The aim of this deliverable will be to identify good market practices among existing examples rather than defining standards. Accordingly, such a “Good Practices Report” will be fully compliant with EIOPA’s earlier stance as communicated to the European Commission.**

**Furthermore, EIOPA could also develop “Good (market) practices” with regard to the communication to the employers’ and employees’ representatives in the Pension Scheme Boards.**

### **2.3.2. Comparability of the information disclosed**

Ensuring the comparability of information is particularly important in the context of personal pensions. In the case of occupational pensions, the occupational pension scheme is typically selected by the employer and the pension scheme members themselves have often only little or no influence on this decision.

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34 Art. 9 (1) (d), EIOPA Regulation

35 EIOPA’s advice to the EC on the review of the IORP Directive, p.488.

36 EIOPA (2013): Good practices on information provisions for DC schemes; available at [https://eiopa.europa.eu/fileadmin/tx\\_dam/files/publications/reports/Report\\_Good\\_Practices\\_Info\\_for\\_DC\\_schemes.pdf](https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/reports/Report_Good_Practices_Info_for_DC_schemes.pdf).

Even against this background, it may be beneficial to ensure comparability of information available also to pension scheme members allowing them more information as to their economic situation. Moreover, it may assist employees in playing a more active role in the choice of pension scheme provider, where applicable.

In this context, the initiative “Comparing Pensions<sup>37</sup>” by the Danish Insurance Association (DIA) could be used as a source of inspiration. The DIA has developed an online tool that enables consumers to compare different pension schemes from different pension funds and life insurance companies. In this context, attention has been paid to the choice of the parameters that are compared as well as making sure that the methodology used for calculating these is the same across the different schemes thus making the comparisons reliable. The objective of this website is to provide pension scheme members with reliable information about all occupational pension schemes in DK. In this way, should the pension scheme members not be satisfied with the (long-term) performance of their occupational pension scheme in comparison to other occupational pension schemes, they are in a position to put pressure on their employer to change the occupational pension scheme provider.

**Possible scope of action for EIOPA:**

**EIOPA could also take action aimed to ensure that the information disclosed by different (DC) pension schemes is comparable<sup>38</sup>. In this context, among other topics, the method(s) for calculating the projections as well as the overall (investment) performance could be addressed in particular.**

**EIOPA could map the existing practices and summarise the findings in a Report. “Good practices” observed in the market aiming at facilitating the comparability of information are to be highlighted.**

**It is not envisaged however that EIOPA would set up its own comparison tool.**

### **2.3.3. IORP II: Pensions Benefit Statement**

The IORP II legislative proposal empowers the Commission to adopt a number of delegated acts. In this context, the mandate to develop the content as well as the format and layout of the Pension Benefit Statement (Article 54) is closely related to the topic of disclosure of relevant information to pension scheme members discussed in this section. It is anticipated that EIOPA may be asked for advice as regards further details of this delegated act.

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<sup>37</sup> [www.faktaompension.dk](http://www.faktaompension.dk).

<sup>38</sup> Due to the specific individual features of DB schemes, comparability of DB schemes may not be feasible.



## 2.4. Other tasks

The three areas above are suggested to form the “backbone” of EIOPA’s mission in the protection of occupational pension scheme members. In addition, it is suggested to address also the following two topics.

### 2.4.1. Financial education

EIOPA jointly with the NCAs could assist the public in general with gaining adequate knowledge concerning the pensions area so that individuals are able to understand the information related to his/her pension as well as possible choices related to their retirement income planning.

In this context, EIOPA has been assigned the task to “*review and coordinate financial literacy and education initiatives by the competent authorities*”<sup>39</sup> by its founding Regulation. In this regard, EIOPA has published a Report on the national initiatives related to financial innovation<sup>40</sup> and developed a dedicated website<sup>41</sup> in 2012, which provides an overview and links to relevant financial literacy and education initiatives by NCAs and the OECD; some NCAs have provided information about relevant initiatives of financial education/literacy regarding pensions in their countries.

In addition, EIOPA could complement the work of the NCAs by taking into account other pan-European and international developments, such as e.g. the pensions tracking system currently under consideration by the European Commission.

#### **Possible scope of action for EIOPA:**

**First, EIOPA could update the existing website on financial education initiatives in different countries with information about financial education initiatives related to pensions and retirement planning.**

**Secondly, EIOPA could include on its website dedicated to consumers (“Consumer Lounge”)<sup>42</sup>, a section providing basic general information about planning for retirement income.**

39 Art. 9 (1) (b).

40 EIOPA (2011): Report on Financial Literacy and Education Initiatives by Competent Authorities; available at: [https://eiopa.europa.eu/fileadmin/tx\\_dam/files/publications/reports/Report\\_on\\_Financial\\_Literacy\\_and\\_Education\\_EIOPA-CCPFI-11-018\\_.pdf](https://eiopa.europa.eu/fileadmin/tx_dam/files/publications/reports/Report_on_Financial_Literacy_and_Education_EIOPA-CCPFI-11-018_.pdf).

41 <https://eiopa.europa.eu/disclosure/committee-on-consumer-protection-and-financial-innovation/financial-literacy-and-education/index.html>.

42 <https://eiopa.europa.eu/activities/consumer-protection-and-financial-innovation/consumer-lounge/index.html>.

**More concretely, different questions that are likely to be asked could be used as headlines and complemented with relevant information. A similar general approach of presenting the information to consumers was successfully adopted when setting up the existing section dedicated to the choice of insurance products.**

**Thirdly, EIOPA could update its Report on national financial education initiatives, ensuring that it covers the pensions sector.**

#### **2.4.2. Collecting, analysing and reporting on consumer trends and monitoring of new and existing financial activities**

In its founding Regulation, EIOPA is also requested to "*collect, analyse and report on consumer trends*"<sup>43</sup>. The analysis of consumer trends serves as a source for also identifying issues leading to consumer detriment. On this basis, EIOPA's future activities in consumer protection are defined. Examples of such EIOPA initiatives have been most recently the EIOPA Opinion on Payment Protection Insurance (PPI) and the Report on Good Practices on Comparison Websites, which both were identified as consumer trends in the initial overview of consumer trends in 2012.

At the moment, the methodology for collecting, analysing and reporting on consumer trends does not (yet) capture occupational pensions.

Furthermore, under its founding Regulation EIOPA is required to monitor new and existing financial activities<sup>44</sup>. This also includes occupational pensions.

#### **Possible scope of action for EIOPA:**

**The extension of the scope of EIOPA methodology for collecting, analysing and reporting on consumer trends is to be explored as to analyse if and how information on consumer trends in occupational pensions may be captured.**

**Possible data sources may include the monitoring of social media (envisaged as of 2014) and the EIOPA Pensions database.**

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43 Art. 9(1) (a) EIOPA Regulation.

44 EIOPA Regulation Art. 9(2).

### 3. Priorities

Work on the following topics is suggested to be prioritised over the coming years when establishing EIOPA's Annual Work Programmes. This does not mean however that other actions on this area (such as the ones mentioned above) are not undertaken.

EIOPA's Annual Work Programmes are prepared in particular under the consideration of EIOPA's strategic goals; an overview of the ones relevant for pensions is included in the Annex. The topics outlined in this Report will primarily contribute to EIOPA's Strategic Goal 1: "To ensure transparency, simplicity, accessibility and fairness across the internal market for consumers".

The areas suggested for prioritisation are:

- Finalisation of the Report on Good Practices on transferability of supplementary pensions rights (likely to roll-over from 2014);
- Tools/communication channels employers/scheme managers use in practice to communicate to pension scheme members (follow-up to the Report on "Good Practices on information provision for DC schemes (the "Max Report"));
- Practices observed in the market allowing comparability of information disclosed (across different pension funds/companies);
- Charges;
- "Value for money";
- Training standards related to occupational pensions taking the review of the IORP Directive into account, and
- IORP II: Possible advice on delegated acts regarding Pension Benefit Statement.

For the work on these and any other topics in the area of consumer protection related to occupational and personal pensions, synergies and lessons learnt from other EIOPA projects and deliverables are to be sought.

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## **Annex**

### **EIOPA's Strategic Goals relevant for pensions:**

- to ensure transparency, simplicity, accessibility and fairness across the internal market for consumers;
- to lead the development of sound and prudent regulations supporting the EU internal market;
- to improve the quality, efficiency and consistency of the supervision of EU insurers and occupational pensions;
- to identify, assess, mitigate and manage risks and threats to the financial stability of the insurance and occupational pensions sectors; and