

GERMAN PENSION DASHBOARD: FINALLY GETTING STARTED

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A team of actuaries was mandated by the German Federal Government in 2018 to develop the conceptual basis for a digital cross-pillar pension dashboard. After a draft legislation in the summer of 2020, the ‘RentÜG’, the ‘Act on the Development and Introduction of a Pension Dashboard’, finally passed German Parliament at the end of last year.



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The ‘Central Office for the Pension Dashboard’ (ZfDR), based under the roof of the Statutory Pension Insurance of Germany (Deutsche Rentenversicherung, DRV Bund), officially started its work when the law came into force in February 2021 and is preparing a first operational phase of the Pension Dashboard by the end of 2022. In this first twelve-month test and evaluation phase, pension schemes can initially connect themselves voluntarily to the dashboard, before mandatory connection of those schemes that are already legally obliged to provide at least annual status reports is expected to be realised in 2024. The preparations of the ZfDR are supported by various expert advisory boards, which contribute a wide range of expertise on all aspects of old-age provision. The German actuaries of the German Association of Actuaries (DAV) and the German Institute of Pension Actuaries (IVS) are significantly involved in these advisory boards.

The Pension Dashboard is overdue. Digital tools already provide us with a quick overview in many areas of our daily lives - but for pensions, many different status reports on paper still prevail. Moreover, experience shows that the expectations of German citizens regarding their standard of living in retirement unfortunately often deviate from reality. Therefore, an early, comprehensible and realistic presentation of the expected retirement income is beneficial

for the individuals to take any necessary savings decisions in a timely manner. Experience from other countries that have already established a pension dashboard solution (e.g. in the Nordic or the Benelux) shows that such an easily accessible source is highly appreciated by individuals and helps to promote financial literacy.

HIGH LEVEL OF COMPLEXITY

Old-age provision in Germany is complex and diverse. Accordingly, it is an ambitious goal to create a platform in the next 21 months that is able to provide an overview of expected old-age provision in a comprehensible and reliable manner for every individual. A central challenge will be to create comparability across



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the different and very diverse claims and to aggregate them appropriately.

In order to achieve this ambitious goal and to leverage existing infrastructure, the ZfDR was established at the DRV Bund. Based on its broad experience in the field of old-age provision, especially with regard to data exchange with a large number of pension funds, the DRV Bund can contribute directly to the ZfDR. Thus, a timely start of the ZfDR could be prepared by a project team of the DRV Bund and other experts from the various pillars of old-age provision. Accordingly, the ZfDR hits the ground running immediately after the law came into force - and it now has the task to bring the Pension Dashboard to life.

ENSURING BROAD ACCEPTANCE

In the future, the ZfDR will decide on important design issues for the Pension Dashboard in consultation with a central steering committee, which by law will be composed of representatives of the three pillars of old-age provision, the Ministry of Labour and Social Affairs and the Ministry of Finance, and Consumer Protection Organisations. This body has not yet been implemented, but a corresponding legal act is in preparation, so that the members of the body will be appointed and begin their work shortly. In accordance with the recommendations of the baseline study, close involvement of all

key stakeholders - and above all the umbrella organisations of the various pension institutions - will be achieved. This is essential in order to create efficient and customized solutions for both German citizens and pension schemes and thus to maintain and further expand the already existing acceptance for the Pension Dashboard.

FIVE ADVISORY BOARDS ESTABLISHED

The fundamental decisions to be made by the steering committee are prepared by the ZfDR in cooperation with the so-called expert advisory boards anchored in the law. The first advisory board which focuses on the necessary data from an actuarial and benefits perspective as well as on comparability and aggregation of different pension benefits has already started its work. The second advisory board has also been constituted and deals with the data structure and the technical interfaces. It will also define and develop the corresponding reporting processes.

The scientific monitoring of the project and the continuous evaluation of the effectiveness and comprehensibility of the Pension Dashboard as well as the quality of the information are subject of the third advisory board. As the project progresses, the fourth and fifth advisory boards will deal in particular with communication issues and the design of the portal solution.

Actuaries have been appointed to all advisory boards, and they are thus significantly contributing to making the Pension Dashboard project a success. The German Association of Actuaries DAV and the German Institute of Pension Actuaries IVS will actively support the members of the advisory boards and thus the ZfDR as a whole.

NEXT MILESTONE WITHIN REACH

The pilot phase, in which pension funds can participate voluntarily, is scheduled to start at the end of 2022. Until then, the advisory boards will have a lot of work to do. The ambition to achieve the target is very clearly noticeable among all groups involved - the next milestone is within reach!

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