

Responding to the Consultation Paper on Pension Tracking Systems

Fields marked with * are mandatory.



Responding to the paper

EIOPA welcomes comments on the Consultation Paper regarding its Technical Advice on the development of Pension Tracking Systems.

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 using the EU Survey tool **by Wednesday, 08 September 2021 23:59 CET** by responding to the questions below.

Contributions not provided using the EU Survey tool or submitted after the deadline will not be processed and therefore considered as if they were not submitted.

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About the respondent

* Please indicate the desired disclosure level of the responses you are submitting.

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* Stakeholder name

Actuarial Association of Europe

* Type of Stakeholder

- Association
- Industry
- Ministry
- Supervisor
- EU Organisation
- Consumer representative
- NGO
- Other

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Questions

Scope of a national PTS

1) Do you agree with the main goal, the scope and the attributes of a national PTS defined by EIOPA (please explain why)? If not, what is missing or what workable alternative would you propose which meets the principles set out in this consultation?

- Yes
 No

Please add an explanation

We do agree. However, information is not the only way in ensuring that citizens will get an adequate retirement benefit. A large number of citizens will stick to not reading the information and thus not acting on that. The important question is how to encourage citizens to consult a PTS and to make sure there are understandable quantitative examples for different career situations. That would suit most people and helping them in making the choices they have to make in the preparation of their pensions. It should also be considered, where applicable, a best estimate annuity. But from an international approach this can lead to discussions on how to add different projections from different countries together. We also see different methods for different products (PRIPPs, IORP, PEPP).

2) What do you consider to be the main costs in the establishment of a PTS?

Our opinion is that the most challenging task is Setting up a standard data set that has to be used to fill in the PTS.
A standard data set is sometimes difficult to set up, but in for example the NL and Belgium this has been succeeded by installing a uniform pension benefit statement.
Denmark and Sweden have Tracking Systems in place since many years. Germany is developing a pilot for 2022. Data protection requirements for Germany are main driver for costs.
Our opinion is that using national experience and synergy will certainly reduce costs.

3) EIOPA views a PTS as a public good, considering the need for public intervention to address market failures stemming from limited rationality. Do you agree with the public good framework as preferred option to provide objective and impartial pension information to citizens (please explain why)? If not, what is missing or what workable alternative would you propose which meets the principles set out in this consultation?

- Yes
 No

Please add an explanation

We agree that an important asset of the PTS is that it is considered to be a public good. This does not necessarily imply that it has to be set up by the government. The established practices in some MS, as for example in the Netherlands, proved that the national PTS has grown to be the best rewarded source of pension information. Far more better than other information sources.

4) Do you agree that the PTS should provide personal information on statutory and supplementary pensions and should exclude the provision of information on other financial products that do not constitute a pension (please explain why)? If not, what would be the desirability, feasibility and benefits for bringing non-pensions long-term investment products into scope of the PTS?

- Yes
 No

Please add an explanation

The PTS can be the one way to prevent market failures from limited rationality. On the other hand, PTS could also state information on the three important labour related events in active service: benefits at retirement, at incapacity for work and survivor's pension. The most important seems to be the retirement benefits because almost everyone will encounter on this situation. On that basis, the information on statutory and supplementary pensions should be the starting point of the PTS. This would encourage people seeking, actively, for alternative sources of income after retirement (like other financial products, restructuring the investments in property, etc.). At a later stage the other benefits could be added.

5) Do you agree that MSs should assess to what extent a (digital) PTS may exclude some citizens and, depending on the outcome, consider offering alternative ways to facilitate PTS access to the digitally excluded citizens (please explain why)? What workable solutions would you propose to either make the PTS also available to non-digital or digitally excluded citizens or to make the PTS information available in a non-digital format?

- Yes
 No

Please add an explanation

It is important that the information is only available for the individual citizen. So even employees of the PTS should not have access on this information. Therefore, the information should only be made available digitally. This should not exclude the possibility though to offer the citizens who are not digitally fit the opportunity to be helped by, for example, a financial advisor or someone else who in any case has to ensure the personal data protection.

AAE understanding is that Digital must be privileged. We are aware that many citizens are not yet able to use digital technology properly. In the initial years it could be a suitable approach to allow a paper sending with the information by letter to the domicile of the citizen above 50 or 55 years old every 5 years. A message to the individuals that the information is digitally available all the time could be a useful addition.

Front-end design of a national PTS

6) EIOPA has identified a set of behavioural principles which should drive the front-end design of the PTS. Do you agree with this approach (please explain why)? If not, what other behavioural principles should apply to the front-end design of the PTS?

- Yes
 No

Please add an explanation

We agree with this set of behavioral principles, taking note that searching for behavioral insights means that in the future new insights will follow which should be taken into account. The reliability and trustworthiness of the information is essential for the users. The PTS could be a neutral source for personal pension entitlements. We fully understand that there could be a tension between providing accurate information and offering a consumer-centric experience, with less precise but more understandable information.

7) Do you agree that the PTS has a broader scope than the PBS? Whilst the PBSs can be used to feed the back-end, the front-end of the PTS should not be constrained by (all) the content or format of the PBSs.

- Yes
 No

Please add an explanation

Indeed, detailed information on for example costs, charges and investment returns is information that should be provided by the pension provider and not by the PTS. The PTS is a first layer of basic information that will give an overview of either's pension situation. From this point onwards citizens will be activated to gain more information at the website of the pension provider or the pension provider's PBS.

8) Do you agree that the information on costs and investment funds should not be part of the front-end of the PTS and that it is a good practice for the PTS to provide a link to the website of each pension provider?

- Yes
 No

Please add an explanation

Please see our comments on the previous question. The information on the costs and investments should not be a part of PTS in the perspective of avoiding confusion for users. However, it would be good practice the PTS to provide links to every pension provider.

9) Do you agree that the landing page (layer 1) of the PTS should display the expected monthly retirement income and the retirement date in a simple manner whilst the accrued entitlements and pension providers (i. e. breakdown by source) should be disclosed in a second layer easily accessible to users wanting to know more? If so, do you have supportive evidence? If not, what would you propose as the key elements for the landing page (Layer 1) and those for subsequent layers (Layers 2 and 3) considering the scope of the PTS and individuals' behavioural and cognitive biases set in this consultation?

- Yes
 No

Please add an explanation

AAE: Indeed, we do agree with the approach of layering information at the website. Above all this is not typical for a PTS. All the suggestions in this paragraph could fit into a chapter about digital pension communication or digital communication in general. More proof of using the wishes of the user to improve the accessibility of the website can be found in behavioral scientific research, but also in the gaming industry where much can be learned on how to improve accessibility. Improving this is a repeating process of testing and adjusting.

10) Do you agree that difficult concepts, such as inflation, purchasing power, communication of projections, etc. should be accompanied by with visual aids, such as short movies, use of metaphors, pictures or additional explanations (pop-up windows)? Do you have supportive evidence and any examples of such “aids”? If not, what is missing or what workable alternative would you propose considering the scope of the PTS and individuals’ behavioural and cognitive biases set in this consultation?

- Yes
- No

Please add an explanation

We would like to refer to the remarks made at question 9. Furthermore, it is important for individuals that they understand their projected benefits first before going into these details.

11) Do you agree that information on the assumptions used to calculate projections or projections with scenarios should be placed in second or third layer? If so, do you have supportive evidence and any examples? If not, what is missing or what workable alternative would you propose considering the scope of the PTS and individuals’ behavioural and cognitive biases set in this consultation?

- Yes
- No

Please add an explanation

Basic scenarios might be helpful especially inflation: but should be reduced to a high and low scenario. Barely no one is interested in the assumptions made for the calculations. People highly tend to trust the work of specialists. Therefore, specialists as actuaries can play an important role in gaining or maintaining that trust.

12) Do you agree that additional information that is not linked to the goal of the PTS, such as ESG factors, should be accessed via signposting to the pension provider or placed in the third layer of the PTS? If so, do you have supportive evidence and any examples? If not, what is missing or what workable alternative would you propose considering the scope of the PTS and individuals' behavioural and cognitive biases set in this consultation?

- Yes
- No

Please add an explanation

One could signpost to the pension provider. On the other hand supportive information could be used as background information at the PTS if all pension providers comply to certain ESG rules. If the ESG initiatives are specific for every pension provider it would be reasonable to signpost this information to the pension provider.

13) Do you agree that the PTS should ultimately help the user understand if he is saving enough for his retirement such that its role is clearly not to provide financial advice, but to show the user in a neutral manner the types of actions he can take, especially if it is integrated in a wider strategy (e.g. support auto-enrolment reforms, improve financial capability)? If so, do you have supportive evidence and any examples? If not, what is missing or what workable alternative would you propose considering the scope of the PTS and individuals' behavioural and cognitive biases set in this consultation?

- Yes
- No

Please add an explanation

Every communication means should help users to understand whether they are saving enough. In order to do so people need to rely on the information and the calculations that have been made. Expectations can't be set too high or too low, so a neutral set of regulations would be best. Also if there are multiple pension benefits neutral calculation methods should help to add these together. In the text it is stated that the government is best trusted, but that is very relying on the country someone lives in and on the processes established for data collecting.

AAE understanding is that PTS should cover also 1st pillar pension. Hence the option for working longer is important to be considered together with the sufficiency of the pensions amount. We want to stress on the importance of the used assumptions and scenarios for projections.

14) Do you agree that the PTS, by designing a smooth user-journey, can help reduce the time and effort to take actions towards more sensible financial decisions, if facilitated through the use of nudges, interactive tools and signposting to where users can find more help or information? If so, do you have supportive evidence and any examples? If not, what is missing or what workable alternative would you propose considering the scope of the PTS and individuals' behavioural and cognitive biases set in this consultation?

- Yes
 No

Please add an explanation

It's rather optimistic to assume that people are willing to stay long on a website with pension information. Scientific testing in the NL showed that a stone brick was more appealing to consumers than talking about pensions. So we may not expect customers stay long on a website for a long time. E.g. make it easy and reliable for consumers to make the right choices concerning their pensions. Taking into account other financial or non-financial information could make it easier to make the right fitting choices. Every communication means should imply a consumer action and should be tested permanently on the effectiveness thereof.

Back-end design of a national PTS

15) The main advantage of a live access model is the increased data protection. Do you agree that if one can start the PTS from a 'blank page', if it is technologically feasible and if the only aim of the PTS is to show the data to the user, then a live access model is the optimal solution?

- Yes
 No

Please add an explanation

AAE: We do agree with that when the goal of the PTS is solely providing pension information to individuals. If the goal is broader than that, the choice for such a model can change depending on the goals that have been set. The first goal should be to show the most recent information to the individual.

16) Do you agree that a pilot project should be conducted to test its technological feasibility? In which circumstances would it not be necessary to conduct a pilot?

- Yes
 No

Please add an explanation

Several countries have already a PTS in place. This can in fact be seen as a pilot for other PTSs. In Germany a pilot is planned for 2022. Especially to get experience with the numerous different pension components and how to develop projections into the future and to summarize that to a proper annuity statement. It is all about learning and facing very complex reality.

17) Which additional principles should apply to ensure a secure digital access to the PTS?

No additions. We consider the listed principles as sufficient.

18) Do you agree that a PTS in its bare minimum could consist only of the following fields: user ID, provider ID, accumulated savings/accrued entitlements, projected retirement income, retirement age and provider email or telephone number? If not, which elements are missing and should be added to operate the PTS? What would be the impact on providers of pension data to the PTS?

- Yes

No

Please add an explanation

We agree these should be the minimum data.

19) Can the PBS be used as a basis to define the data needs for the PTS related to occupational pensions? Which elements would need to be added, which are redundant? What would be the impact on providers of pension data to the PTS?

The PBS can certainly be used as a basis for the PTS. However the PBS consists of rather a large amount of mandatory information. So the question is whether it should be served as a PBS copy. The power of PTS should be its simplicity; therefore one should stick as much as possible to the data mentioned at question 18). A useful addition to the PTS would be a tool that will calculate the projected retirement income after taxes have come in; i.e., the real income the beneficiaries can spend.

20) Do you agree that setting the data standards (data standardisation, transmission) should be done by an independent body after consulting the various stakeholders?

Yes
 No

Please add an explanation

We agree that data standards could and should be set by an independent body in consultation with the pension data providers. When calculations are going to be introduced it could be of merit to use the knowledge of independent specialists such as actuaries. Especially for the assumptions of projecting benefits and the calculations around the retirement age (early or postponed retirement) the actuaries have valuable knowledge to share.

21) EIOPA recommends that data standardisation should be structured, include clear definitions, make use of a uniform reference date, align with agree technical standards and determine the necessity. Do you agree with this approach? If not, what other principles should apply to data standardisation? What would be the impact on providers of pension data to the PTS?

- Yes
 No

Please add an explanation

If we want the retirement benefits to be addable then a reference date is of high importance. This reference date should also be the starting point of the PBS so it might be useful to start with legal commitment to use the same reference date at a national level.

22) Primarily EIOPA stresses that the methodology for projections included in the PTS should not differentiate across pension sources.. It also referred to solutions in case there could be a differentiation in projection methodologies or assumptions used. However, EIOPA also suggests a legal analysis to assess if there is scope for coherent projections of statutory and supplementary pensions. What are your views about coherent projections between statutory and supplementary pensions and uniform projections for supplementary pensions? Which barriers should be removed to achieve coherent projections for all pension products? What would be the impact on providers of pension data to the PTS?

AAE : The real focus should be on how the consumer will be best informed; how to achieve that is of secondary importance. It is thus essential the projection methods of statutory and supplementary benefits to provide coherent estimations. In finding the way to achieve this output discussions between the government, pension providers, actuaries and other specialists should take place. Possible barriers like the change of pension administration systems and the change of the information provided to consumers should be discussed at this level.

23) Are the following assumptions commonly used for calculating projections complete: interest (discount) rate, the return on investments, contributions paid during the year, real wage growth, inflation, the volatility of asset classes, correlations between asset classes and state incentives – tax discounts, costs of pension plan and retirement products, assumed longevity?

AAE: These seem to be the relevant assumptions. From our perspective at least one more factor is good to be investigated – the retirement age and the willingness / ability of working longer.

An additional remark is about the different projection methods now applicable. At this moment under IORP II, PRIPPs and PEPP different projection methods are available. It could be of use to review these methods and look for solutions to integrate these methods. The AAE would like to offer their services to help EIOPA and the EC to look at these projection methods and to advice on topics arising.

24) EIOPA recommends that data quality checks are the responsibility of both the provider and the PTS. The data transmitted to the PTS should be complete, timely updated and consistent. Which other principles would further enhance the data accuracy of PTS?

AAE: The data should indeed be complete, timely updated and consistent. Whether the data should be checked or not by the PTS, this is linked to its basic structure. In particular: If the PTS has a database structure, then the data have to be checked by it. If the PTS is only showing the data to the user, i.e., there is no a PTS database, then then the data cannot be checked by the PTS. In this case it is the responsibility of the pension provider to check the data.

25) Do you agree that there should be a level playing field on data transmission between all pension providers meaning that if a certain product or product category is included in the scope of the PTS, then the protocol for the exchange of information should apply to all providers of these products, independent from the provider type, their size and their technological capacities? What would be the impact on providers of pension data to the PTS?

- Yes
- No

Please add an explanation

We have no outspoken opinion about this.

It is very likely that some of the providers (with small business size) will not be prepared to provide the information needed. That could interfere the quality of the data in PTS.

26) Notwithstanding that the requirements on data exchange identified in this consultation are not specific to PTSs, what other safety certificates and requirements would ensure the security of the PTS?

AAE: It is correct that safety measures, to ensure that data are used by the right individual, is an overarching issue and not only applicable to PTSs. The above described methods are all based on a safe entrance to the data in the existing situation. We have no additions to that.

A different look at this matter is to ask for a different level of secured access to the personal data. For instance, one could build a new layer on the World Wide Web where only individuals and businesses partners who comply to certain rules may have access to. If someone does not comply to the rules, then he /she should be expelled as a business partner having no business at all.

27) Do you agree with the recommendations made by EIOPA on the connectivity with the ETS? Which other recommendations would be needed to make the ETS a success?

- Yes
 No

Please add an explanation

We agree with the recommendations. Also take this one step at a time: first realize the national PTSs and then realize the ETS and in the meantime consider the choices taken on a national level. These should coincide with the decisions needed for the ETS.

28) To what extent do you see the technological developments identified in this consultation as enablers for the development of future PTSs? Which other technological developments could enhance the establishment of PTSs or support the connection to the ETS?

AAE: As stated in our answer to question 26 creating an extra layer to the internet would create the opportunity to access this layer by all individuals. Only selected product providers (those who comply to certain rules on dealing with consumer data, security etc) can do business on this layer. Product providers are pension providers but also financial advisers, social media, webshops, etc.

29) To foster citizens' trust, do you agree that the governance structure of the PTS should be set in national measures, which should specify the development and delivery of a non-profit, independent, credible and transparent service run through a public-private partnership or by a public entity? If not, what is missing or what workable alternative would you propose which meets the principles set in this consultation?

AAE: We agree with this view. An additional remark: governance is connected to trust. In different countries the government (a public entity) is trusted more than in other countries. This should be the starting point for the governance of a PTS in a MS. The role of the consumers should be large, because they will be the end users.

30) To ensure full participation in PTS, do you agree that MSs planning to implement a PTS should introduce national measures specifying the modalities for setting up and funding the PTS as well as the legal duties and responsibilities of both the PTS and the different parties involved in the PTS? What would be the impact of this approach on your organisation/sector? If not, what is missing or what workable alternative would you propose which meets the principles set in this consultation?

AAE: As stated in the above text legislative measures are useful but not always necessary. In DK and SE no legislation was introduced in order to launch a national PTS. In other words, it could be considered as an alternative to let the pension market to setup a PTS.

31) To facilitate the effective implementation of the PTS, do you agree with a progressive roll-out of the PTS over time based on a well-defined strategy which accounts for data providers' different readiness levels and adjustments to new requirements ensuring the complete and accurate transmission of personal data to the PTS? What would be the impact of this approach on your organisation/sector? If not, what is missing or what workable alternative would you propose which meets the principles set out in this consultation?

AAE: National Actuarial organizations could assist countries in setting up this strategy. The Actuarial profession is mostly involved in these large changes in the pension industry.

32) Do you agree that the PTS should be free of charge for users, hence the PTS should be financed through general taxation, or a levy on providers of supplementary pensions or a combination of both whilst MSs should also consider how these costs may be shared between government and relevant partner organisations? What would be the impact of this approach on your organisation/sector? If not, what is missing or what workable alternative would you propose which meets the principles set in this consultation?

- Yes
- No

Please add an explanation

In order to make a PTS as accessible as possible for consumers the PTS should be free of charge. It is also a public tool. In the NL for example this has proven to be a major advantage in getting people acquainted with the service. The AAE has no position on how the PTS should be financed.

33) Do you agree that the successful implementation of the PTS necessitates integrating the PTS in a wider strategy (e.g. support auto-enrolment reforms, improve financial capability) which also aims to provide useful tools for the development of the PTS (e.g. national guidance on pension communication /language)? If not, what is missing or what workable alternative would you propose which meets the principles set in this consultation?

- Yes
- No

Please add an explanation

AAE: In the recent past the provided tools for financial insights have become smarter. However, the basic idea of what is needed to get this insight is still the same as 20 years ago. "The trick is" how to get people to the tools, eg the PTS. This must not be at all underestimated; otherwise, the full investment will become a disinvestment!

Final comemnts

34) Do you have any other comments to share with EIOPA?

AAE considers as a missing element the lack of any advice / opinion regarding supervision of PTSs.
Chapter 2 - behavioral insides: This is an interesting chapter but it cannot be considered as PTS specific. All other digital ways to communicate - for example in a MySpace environment, work with the same insights. So other than emphasizing the importance of behavioral insights we think this chapter could be left out for the goal of this advice.

Contact

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