

Report on key issues for setting up national pension tracking services in six EU-countries



Foreword

Since the European Commission's White Paper on Pensions was published on 16 February 2011 the interest in pension tracking services has been growing. The importance of pension tracking is also connected to consumer protection, an issue that is high on the European agenda. A pension tracking service can give citizens an overview of their personal pension data and as such is an important step to pension awareness in general.

In order to create an European tracking service some important conditions need to be fulfilled. In this digital literacy is key. Research from the European Commission shows that, in the countries we have investigated, more than 70% of the population makes regular use of the internet. Second important condition is that there needs to be a unique identifier to make the connection between the different sources of information on state and occupational pensions.

A European Pension Tracking Service could also contribute to more harmonization in the benefit statements that are available and supplied in the various Member States.

The Actuarial Association of Europe ("AAE") believes that pension tracking services are an important tool for European citizens to take more responsibility for their own finances and savings. In addition pension beneficiaries should be made more aware and should have access to information on the financial risks embedded in individual benefits in occupational pension schemes.

The AAE is ready to work with the European Commission, the European Parliament and other stakeholders to assist in realising an European system of pension tracking services.



Michael Renz
Chairperson of the AAE

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This report was possible thanks to the contributions of members of the AAE Taskforce on pension tracking services, members of the TTYPE (Track and Trace Your Pension in Europe) project team that will come up with a report on a European tracking service in March 2015 and government representatives from the surveyed countries that discussed with us about the issues around a national pension tracking service in their own country.

Contents

1. MANAGEMENT SUMMARY	7
1.1 Importance of pension tracking services	7
1.2 (Im)possibilities of pension tracking services?	7
1.3 Personal pension information provision	8
2. DEFINITIONS	9
3. GENERAL INTRODUCTION	11
3.1 The AAE	11
3.2 Taskforce on pension tracking services	11
3.3 Relation with TTYPE project	11
3.4 Motive for the AAE studying pension tracking services	11
3.5 Goal of this taskforce on pension tracking services	12
3.6 Participating countries	12
3.7 Definition of pension tracking services (by the taskforce and by DG Employment)	13
4. PENSION SYSTEMS IN DIFFERENT COUNTRIES	15
4.1 Short overview of pension systems	15
4.1.1 Belgium	15
4.1.2 France	15
4.1.3 Germany	15
4.1.4 Hungary	16
4.1.5 Ireland	16
4.1.6 United Kingdom	16
4.2 The importance of Pillar 1 and 2 in individual retirement benefits	17
4.2.1 Number of pension plans	17
4.2.2 Importance of different pillars	18
5. CURRENT PENSION INFORMATION PROVISION PRACTICES	19
5.1 General and personal information provision	19
5.2 Information channels	19
5.3 Comparison of pension information	20
5.4 Monitoring system	20
5.5 Information about risks	20
5.6 Information about purchasing power	20
5.7 Different formats on DC and DB plans	20
6. DIGITALIZATION	21
6.1 Unique identifier	21
6.2 Secured login	21
6.3 Digital literacy	21
6.4 Minimum needed to set up national pension tracking service	21
7. INPUT FROM GOVERNMENT (RELATED) INSTITUTIONS	23
7.1 Belgium	23
7.2 France	23
7.3 Germany	24
7.4 Hungary	26
7.5 Ireland	26
7.6 United Kingdom	27
ANNEX I: AAE representatives that have contributed to this report	30



1. Management Summary.....

Following publication of the AAE's report¹ on existing national pension tracking services in Denmark, Finland, Sweden and the Netherlands, the question arose whether pension tracking services could be set up in other countries. To determine whether this is possible the AAE decided to set up a 2nd taskforce on pension tracking services.

Other countries were to be investigated regarding the current situation on pension information provision. We have also talked to national government representatives in these countries to explore the issues around national pension tracking services.

1.1 Importance of pension tracking services

Since the European Commission's White Paper on Pensions was published on 16 February 2011 the interest in pension tracking services has been growing. But the importance of pension tracking services is not only connected to this White Paper. Pension tracking services are also connected to consumer protection, which is an issue that is high on the agenda of the European Commission. Consumer protection is not only about how the national or European government can protect its citizens, but also about how citizens can protect themselves. A pension tracking service helps citizens to get an overview of their personal pension data and can give insight into these financial data in order to act as an individual on this insight. These steps are important to increase pension awareness. This increase in pension awareness is important because in most European countries citizens have to take ever more responsibility for their own finances.

1.2 (Im)possibilities of pension tracking services?

Our research has shown that the number of pension plans in three out of the six countries we have investigated for this report is very large. This applies especially to occupational pension plans. The number of plans in Germany, Ireland and the United Kingdom varies between approximately 40,000 and 85,000. Of course the scale of the issue might diminish significantly if we consider only the number of pension administrators² that provide pension administration services for pension plans, but this would still be a major issue in these countries.

Additionally, the importance of state pension in a citizen's retirement income is highly relevant. If the state pension benefits are high compared to occupational pensions, one could argue that only taking state pension into account in a national pension tracking service would suffice. But there are also countries where occupational pensions are a reasonably large part of the average retirement income. To make a success of the introduction of a national pension tracking service, occupational pensions have to be incorporated into this service.

In Belgium a national pension tracking service is in the making and will be available in 2016 for the state and occupational pensions. In Hungary arrangements are being made to set up a national pension tracking service. In France the digital disclosure of personal pension information is developing rapidly.

For setting up a national or European pension tracking service one needs to know what the important issues are. Of course digital literacy is key. Research from the European Commission shows that for the investigated countries more than 70% of population uses the internet regularly. Apart

¹ See <http://www.actuary.eu/documents/Report%20national%20Tracking%20Services%20Sw-Fi-DK-NL%20Final.pdf>

² See chapter 2 for the definition of a pension administrator.

from this to combine information from state and occupational pensions it would be a great help if a unique identifier is available by which the information can be connected. This unique identifier is available in all investigated countries, for example as a national insurance number or a social security number. Having a unique identifier only works if this unique identifier can be used by all the institutions that have to be connected. But this is not always possible for personal data protection reasons. Mostly this unique identifier can only be used by government controlled organisations.

1.3 Personal pension information provision

What information is already available in the different countries? In France, Hungary, Germany and Belgium personal benefit statements for state pensions and in some countries like France for mandatory occupational pillar 1bis schemes are provided to consumers from a certain age on an annual or five-yearly basis. Apart from this specific information, personal pension information is available on request in all countries. For the majority of the active participants in occupational pensions in all countries an annual pension benefit statement is provided with accrued benefits. Most of the time information about projected benefits at the retirement age is added. For personal pensions annual information about the accrued pension benefits or capital is provided in all countries.

There is currently no legal obligation in most³ of the surveyed countries to provide information on financial risks about individual pension benefits in occupational pensions. In the different countries there are individual pension providers that provide this kind of information to the individual on a voluntary basis. Most of the time this relates to pension benefits in individual DC plans.

In general in the surveyed countries different formats exist for individual information provision⁴ about defined contributions (DC) and defined benefit (DB) plans. These concern the disclosure of the individual's accrued and projected pension capital (in DC plans) whether or not recalculated into an annuity. Information from DC plans mentions a certain return on capital and contributions whereas DB plans consider most of the time a calculation rule dependent on the future years of accrual and the current salary.

³ In Belgium some information on financial risks is available in various documents.

⁴ In Belgium, the regulation states the same information to be communicated in case of the same format will be used in 2016 for individual information provision about DC and DB plans.

2. Definitions

During our work for the taskforce we discovered that the terms that we use can be interpreted in different ways depending on the understanding of English in combination with the specific pension system in the different countries. This is why we have added this chapter to explain what we mean with the different terms that we use.

Pension provider

A pension provider is an organization which is responsible for the execution of a pension arrangement. The pension provider can choose to delegate the administration of the pension arrangement to a pension administrator.

Pension administrator

A pension administrator is defined as the institution⁵ that administers the pension arrangement and delivers the administered data to a national pension tracking service.

National pension tracking services

A national pension tracking service is defined as a system where a consumer can login via the internet and is able to view his or her pension data. These data can be the source data (such as insured periods, career periods, etc.) upon which the pension benefit will be based, or the pension benefit itself.

Pension tracing services

Pension tracing services are services where the consumer can be helped to find out where he or she has accrued pension benefits. These services can be given online, but also by means of a telephone service or a postal address where the consumer can file his or her request.

Personal information and general information

Where we speak of personal information in this report this concerns information with individual pension benefit amounts of the member of the pension scheme. We speak about general information if no individual pension benefit amounts are mentioned in the information that is provided.

1st, 2nd and 3rd pillar pensions

In this report 1st, 2nd and 3rd pillar pensions are mentioned. When these terms are mentioned we use the following definitions:

- 1st pillar pensions: state pensions,
- 2nd pillar pensions: occupational pensions and
- 3rd pillar pensions: personal pensions.

⁵ In the AAE's former report on pension tracking services the name pension institution was used. Due to possible misunderstanding about this terminology we therefore now use the name pension administrator.



3. General introduction.....

3.1 The AAE

The AAE (Actuarial Association of Europe, until 31 December 2013 known as the Goupe Consultatif Actuariel Européen) was established in 1978 to represent actuarial associations in Europe. Its purpose is to provide advice and opinions to the various organizations of the EU on actuarial issues in European legislation and other market developments. The AAE currently has 37 member associations in 35 European countries, representing about 20,000 actuaries. Advice and comments provided by the AAE on behalf of the European actuarial profession are totally independent of industry interests.

3.2 Taskforce on pension tracking services

The Social Security Sub-committee of the Pensions Committee of the AAE was established in July 2012 with the aim of making a significant actuarial contribution in the public interest in the areas of demography, ageing, social security and social protection policy in the European Union.

Disclosure was mentioned earlier in the discussion around IORP 2 as an important issue. Currently disclosure to individuals is high on the agenda and, although an actuary is not typically a specialist on communication and information distribution, the actuary is well educated to have an opinion about what information is relevant for different stakeholders and how the information is calculated.

Consumer protection is also an important issue at EU level. Establishing pension tracking services and providing information towards consumers (transparency) is one way to increase consumer protection. Apart from this pension tracking services can enable consumers to take responsibility for their own financial future.

On 1 October 2013 the AAE published its first report on pension tracking services. This report described the existing national pension tracking services in Denmark, Finland, Sweden and the Netherlands. This 2nd taskforce has built on the results from the first report.

3.3 Relation with TTYPE project

From May 2013 a consortium of pension providers from Denmark, Finland and the Netherlands has been conducting a project on EU pension tracking services (partly financed by DG Employment), which is called Track and Trace Your Pension in Europe (TTYPE). The work that is being undertaken in this project concerns, among other things, functional design, legal issues and technical implementation. The overlap with the work of the AAE taskforce on pension tracking services is minimal and during both projects (from the AAE and TTYPE) there has been close contact between the two on the work that has been done. Therefore the results of the AAE taskforce and those of the TTYPE will be complementary.

3.4 Motive for the AAE studying pension tracking services

Through this report on pension tracking services the actuarial profession wants to emphasize the importance of communication regarding pensions and finance for consumer protection. As experts in the field of pensions and pension calculations the actuarial profession should fulfill its role by pointing out technical issues surrounding pensions and pension communication and providing possible solutions.

3.5 Goal of this taskforce on pension tracking services

The report of the 1st taskforce on pension tracking services has led to the question whether the introduction of national pension tracking services in other countries is feasible or not. Of course this is a question that can only be answered by the national government authorities.

We would therefore like to answer some questions about the current pension information provision in other EU countries. But to be able to understand the priority for pension tracking services one also needs to understand the pension issues that are currently present in the different countries. This is why we talked to government authorities of the different countries.

But our goal is also to share our knowledge about setting up pension tracking services in different countries with these government authorities, so they will have a balanced picture concerning the usefulness of a national pension tracking service and the possibilities or impossibilities of setting up pension tracking services in their own country.

As a summary the goals for this taskforce are to:

- collect pension information practices in other EU countries
- understand the national priority of developing pension tracking services and
- share our knowledge about existing pension tracking services.

3.6 Participating countries

In this report we gathered the experiences from the following countries and their governmental (related) representatives:

- Belgium (Kabinet Pensioenen)
- France (GIP Info Retraite)
- Germany (Bundesministerium für Arbeit und Soziales)
- Hungary (Ministry for National Economy of Hungary, Pensions Department)
- Ireland (Department of Social Protection)
- United Kingdom (Department for Work and Pensions)

The choice of countries is based on several criteria:

- To include countries that have quite sophisticated occupational pensions, to have a good mix between state pensions, occupational pensions and personal pensions
- To have a reasonably good mixture of possible pension systems in the EU
- To include known good practices and, of course
- The availability of actuaries to participate in the taskforce

In order to do this through representatives within the Pensions Committee⁶ of the AAE we have been able to build up our knowledge about the pension system and pension information provision in these countries.

The taskforce has also spoken to government representatives on pensions in the different countries. We are therefore very grateful that we were able to talk and discuss national pension tracking services with the national government authorities on pensions from all the participating countries. These talks and open discussions have helped us to better understand the national pension issues.

⁶ For a list of AAE members that have contributed to this report see Annex I.

3.7 Definition of pension tracking services (by the taskforce and by DG Employment)

In the 1st AAE report on pension tracking services there were different starting points as to what the definition is of pension tracking services. At the start of the TTYPE project DG Employment defined pension tracking services as a “search engine” to look whether pension benefits are available in the 2nd and 3rd pillar in different countries.

The current goal of a pension tracking service within our taskforce and the TTYPE project is the same. It covers state (1st pillar) and occupation (2nd pillar) and possibly personal (3rd pillar) pensions. The goal of a pension tracking service is for individuals to keep track of their pension entitlements with different pension plans.



4. Pension systems in different countries

Before we try to understand pension information provision in different countries and the possibilities or impossibilities of setting up a pension tracking service in each of the countries covered by this report, it is important to understand the broad lines of the pension systems in each of the countries concerned. Therefore we will give a short description of the pension systems in Belgium, France, Germany, Hungary, Ireland and the United Kingdom. The goal of this description is not to give a full detailed description of these pension systems but only a summary of this information so as to better understand the choices these countries can make in setting up their own national pension tracking service.

4.1 Short overview of pension systems

All the countries have a three-pillar pension system. First pillar pensions are based on a pay-as-you-go system in all. Also in all countries, the third pillar pensions are provided by private banks or (health, life or other) insurance companies. Our investigation has made clear that it is quite difficult to make a good estimation of the portion of the average retirement income made up from third pillar pensions. This is due to the fact that in the surveyed countries third pillar pensions are not always paid out as annuities but often as a lump sum. Therefore we will not focus on third pillar pensions, but look into state pension (first pillar) and occupational pensions (second pillar). The roles of first and second pillar benefits differ from one country to another.

4.1.1 Belgium

In Belgium first pillar pensions are divided into three systems: for civil servants, employees and self-employed. Civil servants receive their retirement benefits almost exclusively from the first pillar. For employees and self-employed, the second pillar represents approximately 20% of their total retirement income. This ratio varies from 0% for low wages to more than 75% for higher wages. Second pillar pensions are usually paid out as a lump sum.

4.1.2 France

In France the first pillar is an earnings related state pension that covers all employees who have contributed for at least 3 consecutive months to the system⁷. The system is divided into Pillar 1 and Pillar 1bis. Pillar 1 provides a basic flat rate pension (theoretical maximum of €18,774 in 2014 i.e. 50% of annual Social security ceiling. In practice since the revalorisation of previous annual Social security ceilings to lead to the social annual ceiling of the year of retirement in general one gets between 42 and 44% of the Social security annual ceiling if the employee has had a salary above the annual Social security ceiling during his whole career) whereas Pillar 1bis provides the top-up to 51% of final salary for white collar workers and 69% for blue collar and office workers. Pillar 1bis is compulsory for employees and civil servants.

Pillar 2 (occupational pensions) provides for those employees who are eligible to join a pension plan a limited extra pension on top of Pillars 1 and 1bis.

4.1.3 Germany

In Germany the first pillar is in general a statutory earnings related retirement income scheme. Employees are subject to compulsory coverage. People with a minimum of five years' first pillar pension contribution are entitled to receive benefits from the statutory pension insurance. The current German standard gross replacement rate amounts to 48%. The social security contribution ceiling for the statutory pension insurance (Beitragsbemessungs-

⁷ For civil servants, the equivalent of a quarter / credit for salaried of the private sector and for non-salaried the rule depends if the regime to which they are affiliated is aligned or not to the Social security rules. Either the credit rule will be the same as for employees of the private sector or the rule explained above for civil servants. It can also happen that some regimes have specific rules.

grenze BBG) is defined at €71,400 p.a. in 2014. First pillar pensions provide on average 75% of the total pension of an individual.

For second pillar occupational pensions employers are not legally obliged to offer their employees an employer-financed pension plan. The different types of pension plans are direct pension promise or book reserved pensions (Direktzusage, ca. 52,3% of total pension assets), support fund (Unterstützungskasse, ca. 7,0% of total assets), direct insurance (Direktversicherung, ca. 11,1% of total assets), employer-run insurance (Pensionskasse, 23,8% of total assets) and pension fund (Pensionsfonds, 5,2% of total assets).

4.1.4 Hungary

In Hungary first pillar pensions are earnings related for employees. Until 2012 there was a maximum earnings applicable. As of 2012 this has been removed. People who acquire at least 15 service years are eligible for a pension benefit. The amount of pension benefits depends on the average wage (contribution base) and number of years of service.

Second and third pillar pensions are usually based on lump sum payout. Annuities are very rare in the second and third pillar.

4.1.5 Ireland

In Ireland first pillar pensions comprise;

- a flat rate pension that is dependent on the number of years for which one has contributed before the age of 66. This pension is financed from the contributions of the employees and the employers and a portion is financed by general taxes and
- a means tested payment which is financed from general taxation.

In the second pillar there are more than 62,000 pension plans⁸. There are 159 registered administrators of pension schemes. Over 61,000 pension plans are DC-plans. Fewer than 1,000 plans are DB-plans. Employers are legally required to provide employees with access to a pension arrangement, however there is no legal obligation for the employer to contribute. This does not apply to contractors and self-employed individuals.

4.1.6 United Kingdom

In the United Kingdom first pillar pensions are a universal protection for old age provided by the state. Historically, the first pillar UK state pension had two tiers consisting of the basic state pension and various earnings-related additions. However, the state pension system is being changed for people who reach their retirement age from 6 April 2016. A new simpler system that provides a foundation for workplace saving is being introduced. The state pension is paid out by the Pensions Service (part of the Department for Work and Pensions) as an element of the national social security system. Individuals qualify for the state pension if they have paid National Insurance contributions, have claimed National Insurance credits or particularly for those who reach retirement age before 6 April 2016 have a spouse or partner whose National Insurance contributions cover their benefits. For the second pillar, occupational pensions are provided by DB, DC or hybrid schemes. With the introduction of automatic enrolment legislation, all eligible workers will be automatically enrolled into a pension scheme. Employees do have the right to opt out of the scheme. There are transitional arrangements in place but from 1 April 2018 all employers will have to have scheme which satisfies the automatic legislation set up.

⁸ These numbers are valid as of 31 December 2013. 49,000 plans have one member.

4.2 The importance of Pillar 1 and 2 in individual retirement benefits

As mentioned in our first report, before establishing a national pension tracking service one should find out whether a business case can be built. Elements of this business case should in our view be:

- the number of pension plans and pension administrators that have to be connected: a large number of pension plans will probably complicate the establishment of a pension tracking service,
- the importance of state and occupational pensions for an average retirement income: when the average retirement income almost fully consists of state pension, the need to include supplementary pensions is lower.

Hereunder we have displayed these numbers to get an impression of the differences between the six countries.

4.2.1 Number of pension plans

The number of pension administrators is an important figure in finding out whether the setup of a national pension tracking service is possible or more difficult. During the work of the taskforce it appeared that the number of pension administrators is quite difficult to establish. In the surveyed countries not only pension funds, insurance companies and banks play a role as administrative bodies, but also some sponsoring companies administer their own pension plans and other plans have third party administrators such as consulting firms.

Therefore we decided to give an estimation of the number of pension plans. This is a good estimator of whether the number of pension administrators is large, moderate or small. The estimated number of pension plans per country are displayed in the table below.

	Number of state pension (Pillar 1 & 1bis) plans	Number of occupational (Pillar 2) pension plans
Belgium	3 ⁸	>100,000 ⁹
France	35	50-100 ¹⁰
Germany	1 ¹¹	ca. 85,000
Hungary	1	29
Ireland	1	>60,000
United Kingdom	1	>40,000 ¹²

Table 1: Number of pension plans per pillar in each country.

Table 1 shows that for Belgium, Germany, Ireland and the United Kingdom the number of occupational pension plans is very large. Of course this number can be diminished significantly if we consider only the number of pension administrators. For example in Belgium almost all pension plans are managed and administered by 24 insurance companies and are therefore more easily to manage in the forthcoming Belgian pension tracking service. But in the other countries this would still be a major issue.

This is one of the issues that the TTYPE-report that is due to be published in March 2015 will try to answer.

⁸ LSdPSP-PDOS for civil servants , INAMI-RSVZ for self employed and ONP-RVP for employees

⁹ >100,000 plans organized by 50,000 employers and sectors for 2,500,000 workers managed by 24 insurance companies and 178 pension funds

¹⁰ >90% of the occupational pensions market is covered by 17 insurance companies. There are also paritarian institutions (institutions de prévoyance), mutual companies ("Mutuelles") and in addition you can find some very specific occupational pension funded schemes like for the Banque de France, the National Assembly and the Senate.

¹¹ In Germany the state pension is being delivered by 16 regional offices.

¹² ONS (2013) Occupational Pension Scheme Survey

4.2.2 Importance of different pillars

In order to understand which pension pillars have to be taken into account to give consumers a general but accurate estimation of their pension benefits we have surveyed what retirement income originates on average from which pension pillar. This is important to know when you want to set up a national pension tracking service, because together with the number of pension plans it can give an impression of the complexity of establishing this. For example if retirement income is almost 100% provided by one institution in pillar 1, then national pension tracking services will be easier to implement than in the situation that half of the retirement income is being paid out by occupational pension schemes where there are numerous pension administrators.

The importance of the different pillars in the retirement income for an average individual is displayed in the graph below. In this graph Pillar 1 and 1bis (where applicable) are taken together.

Personal pensions (pillar 3) are excluded from this graph because in most countries these pension provisions are not being paid out as an annuity but as a lump sum payment. Therefore these personal pensions are difficult to compare with State and Occupational pensions.

Figure 1 shows that at least for Belgium, Germany, Ireland and the United Kingdom in order to set up a national pension tracking service that covers more than state pensions, occupational pensions are, on average, a very important part of the citizen's total retirement income. If in these countries occupational pensions are not included in a national pension tracking service, this will generally lead to substantially incomplete pension information for citizens. This could lead to disappointment¹³ for the citizen which will complicate the willingness to return to the (future) pension tracking service.

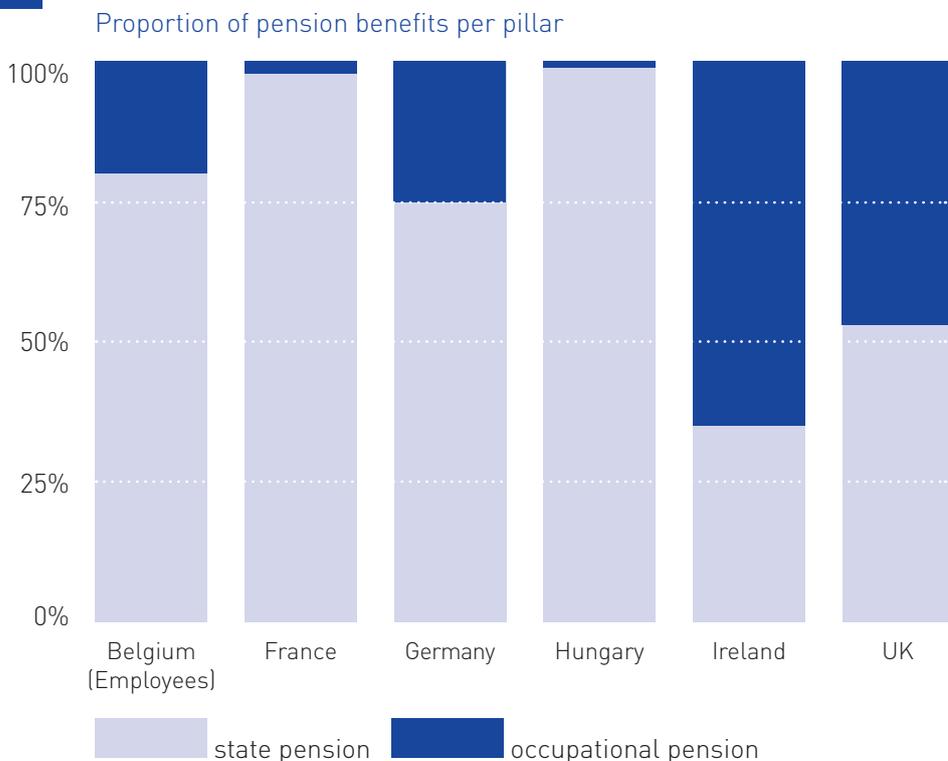


Figure 1: Pension benefits (on average) per pillar in each country (personal pensions excluded apart from the UK¹⁴)

¹³ In the first AAE report on pension tracking service it is stated that one of the success factors for the introduction of pension tracking services is to have a complete picture when citizens login. If you have to tell that the numbers shown are substantially incomplete this will lead to disappointment for the citizen. The chance of returning to the national pension tracking service will diminish rapidly in this case.

¹⁴ PPI pensions Facts Nov 2013- Table 4: Average proportion of pensioner income paid from state and private pension provision where latter includes all occupational and personal pension (including contracted-out pensions and public sector pensions).

5. Current pension information provision practices.....

5.1 General and personal information provision

At this moment the following pension information provision to consumers applies:

STATE PENSION:

- **General information:** there is no statutory obligation to provide pension information. In most countries information provision by the internet or via a service desk is available.
- **Personal information:** in France, Hungary, Germany and Belgium personal benefit statements are being provided to consumers from a certain age on an annual or five-yearly basis. Apart from this specific information, in all countries personal pension information is available on request.

OCCUPATIONAL PENSIONS:

- **General information:** in most countries an annual pension benefit statement is provided. Apart from this most countries also provide annual information about the funds' financial situation and sometimes costs of management are disclosed.
- **Personal information:** in all countries for the majority of the active participants an annual pension benefit statement is provided with accrued benefits. This personal information is being provided so as to meet legal requirements. Most of the time information about projected benefits at retirement age is added. For deferred members in most cases this annual personal information provision applies as well. Retirees may also receive an annual statement.

PERSONAL PENSIONS:

- **General information:** in Germany and Belgium¹⁵ there are prescribed rules for information provision to consumers. Most of these rules apply to personal information provision.
- **Personal information:** all countries provide annual information about the accrued pension benefits or capital.

In all countries there are rules set for pension information provision for occupational pensions. In some countries rules also apply to state or personal pensions.

In some countries in occupational pensions there are rules for information provision for deferred members with dormant pension rights. At least the individual is able to get information on request.

5.2 Information channels

The pension information in all countries is provided on paper as a minimum and/or default. In some countries there are developments in digital information provision. Individual pension administrators sometimes provide information by a webpage and/ or a web portal. In general this method of information provision is developing.

¹⁵ In Belgium, the regulation of insurance contracts provides information to the policyholder. Pension products which have the form of an insurance contract therefore have this information.

5.3 Comparison of pension information

In most countries a person can have accrued occupational pension benefits from several different pension schemes. The comparison of these different occupational pension benefits is not always possible. The same applies to personal pensions. The reason for the difficulties in comparing these benefits within occupational or personal pensions is that most often these products are not alike or the accompanying commitments are different.

To have a consolidated picture of your total pension benefits it is not only necessary to be able to compare and add pension benefits within occupational or personal pensions. One should also be able to make a comparison between state, occupational and personal pensions. This is difficult as well, because different commitments such as guarantees and retirement ages apply.

5.4 Monitoring system

In France a quite full personal pension statement is provided at the age of 35. From 55 five-yearly pension estimates are provided for different retirement ages.

In Belgium a national database of state and occupational pensions is being built. It will be operational via a web portal from 2016.

In Hungary the Central Bank provides information about pension administrators. This contains annual reports, income statements and returns..

5.5 Information about risks

In all surveyed countries there is currently no legal obligation¹⁶ to provide information about financial risks about individual pension benefits in occupational pensions. In the different countries there are individual pension providers that provide this kind of information to the individual on a voluntary basis. Most of the time this concerns pension benefits in individual DC plans. If information on financial risks is provided this is mostly general information.

5.6 Information about purchasing power

In all surveyed countries except for the United Kingdom¹⁷ information about the individual projected pension benefits at the retirement age is provided in nominal terms. This nominal information is provided in annual or monthly amounts. In these amounts it is often assumed that pension benefits will increase in line with price inflation. Information about purchasing power is not provided on a personal level, but some general information about purchasing power effects is distributed in some countries.

5.7 Different formats on DC and DB plans

In the surveyed countries¹⁸ in general, different formats exist for individual information provision about DC and DB plans. One of the differences concerns the disclosure of the individual accrued and projected pension capital in DC plans. Sometimes this capital is converted into an annuity. Whereas most of the time DB plans consider a calculation rule dependent on the future years of accrual and the current salary, DC plans also have to take into account a return on capital and the amount of contributions that will be made in the future. Additionally in some countries there are guarantees that have to be met and taken into account in the information provision.

¹⁶ In Belgium some information on financial risks is available in various documents.

¹⁷ Annual projections for DC plans are provided in real terms.

¹⁸ In Belgium, the regulation states the same information to be communicated in case of DC and DB plans

6. Digitalization

6.1 Unique identifier

In all countries a unique identifier is available. This unique identifier can be a pension insurance number, a social security number, a national insurance number, a personal public service number, etc. Not every institution is able to use this unique identifier, because most of the time the unique identifier is a governmental identifier that can only be used by government related institutions. This means that in some countries finding the individual to pay out the pension is a problem.

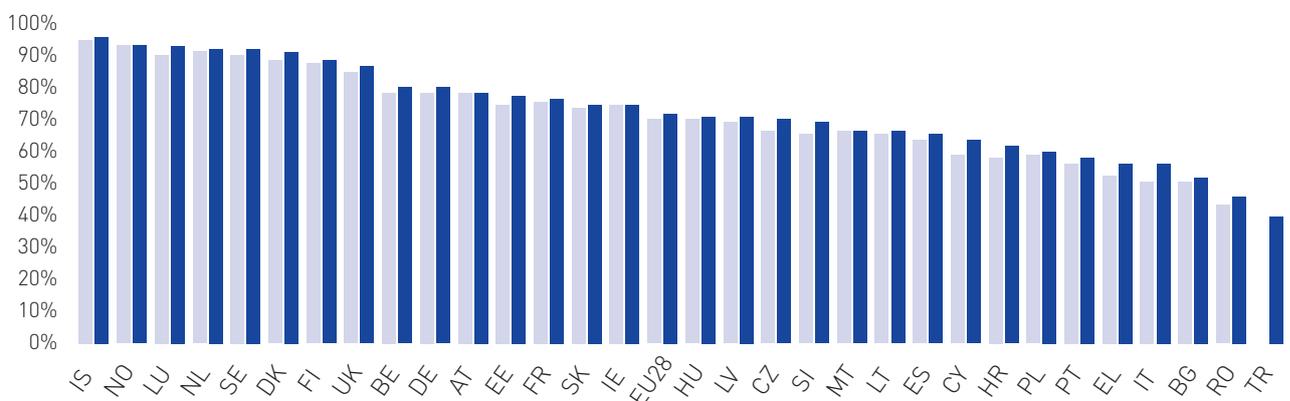
6.2 Secured login

In most countries some kind of safe digital government environment is available. These services are thus only available for government services towards individuals.

6.3 Digital literacy

In the graph below the regular internet use of individuals using the internet at least once a week is displayed. In this graph Germany (DE), the United Kingdom (UK), France (FR), Belgium (BE), Ireland (IE) and Hungary (HU) are displayed with a regular internet use of at least 70% for 2013.

Regular Internet use in the EU and candidate countries (plus Norway):
% individuals using the Internet at least once a week



Legend: 2012 (light blue bar), 2013 (dark blue bar) Source: EUROSTAT

Digital Agenda Scoreboard 2014 - Digital Inclusion and Skills

6.4 Minimum needed to set up national pension tracking service

If a Europe wide pension information system like a EU pension tracking service were to be introduced, following the first AAE report on pension tracking services national pension tracking services have to be set up first. In setting up these national pension tracking services the following issues are mentioned as being the ones to be dealt with first:

- Data protection: how can misuse of consumer data be prevented?
- Uniform national pension benefits statements: to add and compare retirement benefits one needs to have, at least at a national level, a basic level of information harmonisation.

- Unique identifier: to attach the correct benefits to the citizen a unique identifier that is used by all pension providers is necessary.
- Legal basis: in order to set up pension tracking services a legal basis can accelerate the set up as proved in the Netherlands. This is however no necessity because examples in Denmark, Finland and Sweden show the opposite.
- Secured login: to make sure that the consumer is the only one that is able to login into his/ her data.

7. Input from government (related) institutions

Between the end of April and the beginning of October in 2014 we have been talking to national government representatives of the participating countries. At these meetings we have shared our knowledge on pension tracking services and where the participating countries stand at his moment. We also touched upon several other pension issues like the use of a unique identifier, recent pension policy issues and other pension matters. To have an overall picture on the current pension topics and in order to weigh the pension items in the countries we have displayed these issues on a country basis.

7.1 Belgium

KABINET PENSIOENEN

Pension tracking services

At this moment Belgium has a portal for state pension¹⁹. This portal provides some information on the state pension. This portal is in the making. At the end of 2016 an exact calculation of the state pension will be provided for consumers via this portal. Currently the pensions industry and the government are working on disclosing occupational pensions as well via the same portal²⁰. For occupational pensions the upcoming web application is managed by Sigedis²¹ and will be available to the public in 2016. The pension tracking service for occupational pensions is organized as a database instead of a so/called service bus²².

The development of a database for occupational pensions was initiated by the political need to get more insight into occupational pensions in order a.o. to be able to make better policy decisions. The development of this database for policy making purposes has led to an awareness to do something for consumers' awareness of their global occupational pensions rights.

At the age of 45, 50, 55, 60 and 65 consumers are being provided by mail with pension information about state pension and occupational pensions in case the consumer doesn't log in to the portal. In addition to the consultation of the portal, the annual benefit statement of the occupational pension plan will be sent by the organizer of the occupational pension plan for active participants.

Unique identifier

Login into the Belgian pension tracking service can be done via the so called e-card. This e-card is an electronic identity card. Via this card, an e-reader and a pincode, one can be authorized to see his or her information from governmental bodies.

Recent pension policy issues

Recently the increase of the retirement age is being discussed in Belgium.

Other matters

State pension is provided for by 3 pension administrators (for self employed, employees and civil servants). Occupational pensions are being provided by 265 pension administrators of which 35 are insurance companies. These insurance companies provide 80% of the occupational pensions and the 230 pension funds provide 20% of the occupational pensions.

7.2 France

GIP INFO RETRAITE

Pension tracking services

GIP Info Retraite²³ created by the Pension Law of 21 August 2003 is a public law entity Groupement d'Intérêt Public whose mission is to provide to future retirees pensions rights estimations in respect of all 1st, 1 bis and 2nd pillar mandatory regimes. GIP Info Retraite covers the biggest 35 French pension institutions²⁴.

¹⁹ This service is provided for via www.mypension.be

²⁰ View for more details www.db2p.be

²¹ View for more details www.sigedis.be

²² See for more details the AAE's 1st taskforce on pension tracking services at www.actuaries.eu

²³ Information for beneficiaries is available at <http://info-retraite.fr/>

²⁴ These 35 institutions can be found at <http://info-retraite.fr/les-organismes-membres-du-gip-info-retraite>

Until 2003 there was little legislation about pension information provision. The pensions act of 2003 has changed this. As mentioned GIP Info Retraite arose at that time and has to coordinate this information provision for the French mandatory pension schemes.

From 2007 all beneficiaries aged between 35 and 55 have received an overview of their accrued benefits and at which employer they have accrued these benefits. Information about the accrued benefits can be obtained in request and will be sent within 2 weeks. Since 2013 this information has also been available via an internet portal. Within approximately 1 minute after the request the information is available.

From age 55 beneficiaries will receive a more elaborated benefit statement with 6 different years of retirement and pensions simulations. Apart from the five-yearly information the beneficiary will be informed about early or post retirement. This information is sent by mail in a green envelope. As of 2015 this information will also be available via an internet portal. As of now²⁵ there are on average 120,000 electronic information requests per month.

Unique identifier

Salaried from the private sector must first claim their Social security pension and afterwards claim their pensions to the other regime. Since for the Social security regime the identifier is the social security number and because of the fact that the 35 French pension administrators are mandatory for the people working in the sectors that are connected to these institutions, the social security number is used to identify the members.

Recent pension policy issues

The latest changes in the pension information act have ensured the ongoing work on pension information provision. One of the other measures is that the pensions from different pensions providers will be paid out by one pension administrator.

Other matters

The French Ministries of Social Affairs and Finance are responsible for the pension information provision. The Ministry of Social Affairs however has primary responsibility. All pension administrators that are connected to GIP Info Retraite pay a contribution to this system. The contribution is based on the number of active beneficiaries at the pension administrators.

7.3 Germany

BUNDESMINISTERIUM FÜR ARBEIT UND SOZIALES

Pension tracking services

In Germany almost 75% of the average retirement income is based on state pension and Riesterreente. The German state pension is administered by 16 institutions (2 federal and 14 local). In occupational pensions there exist around 85.000 employers with book reserve or support fund plans, 150 Pensionskassen, 30 Pensionsfonds and 80 insurance companies. Apart from these institutions there is PSV (Pensions-Sicherungs-Verein) that insures the pension plans if the employer goes bankrupt in case of direct pension promise (book reserve), support fund and pension funds. For those beneficiaries the PSV also acts as a pension administrator to administer the pensions. Most of the book reserve plans are administered by the sponsoring company. Based on German law annual pension information is provided by the state pension administrator for people who are aged 27 or older and have completed at least 5 contribution years. As from age 55 people obtain the so-called extended pension entitlement information statement, every three years, instead of the pension information notice. Upon application by the insured person this information can also be obtained at an earlier point in time. This information can be used to make preparations for the individual's retirement.

There is no general German law requiring an occupational plan to provide an annual pension benefit statement.

²⁵ April 2014

If the employee has a legitimate interest, the employer or the pension administrator shall inform the employee at her/his request in writing about the amount of the old-age pension to be expected when reaching the retirement age stipulated in the pension insurance contract on the basis of the so far accrued vested rights.

Life insurance companies, Pensionskassen and Pensionsfonds have to inform the insured with pension entitlements annually about:

- the benefit amount which the insured with pension entitlements is likely to obtain as a pensioner
- the investment opportunities and the structure of the investment portfolio and about the potential risks as well as the costs of the asset management and other costs related to the investment, provided the insured person with pension entitlements carries the investment risk, and
- about the situation of the institution as well as the status of the financial situation in relation to the individual pension entitlements.

There is no direct priority for a national pension tracking services at this moment. The only tracking system is a pension tracking service for international researchers that is based in Germany (www.findyourpension.eu). Members can apply to one of the 16 state pension administrators from which they want to get their information about the state pension.

Unique identifier

(for members of the state pension)

Every member of these 16 administrators can only have one affiliation, so the identity of the member is unique. For this the pension insurance number is the unique identifier.

Privacy and safeguarding the members data is an important issue to the German public and the German government.

Recent pension policy issues

The increase in the statutory retirement age which was decided upon in 2007, is an important contribution to securing the funding of the pension insurance in the medium and long term. This means that the statutory retirement age will rise to age 67 by the year 2029. The age limits for other pensions will rise accordingly. Early retirement at age 63 or later is possible with actuarial reduction (0.3 % for each month of early pension receipt). Since 2012, people with an insurance record of at least 45 years of mandatory contributions from employment or care or child-raising periods up to the child's 10th year can claim a pension from age 65 without reductions. For people, who retire on 1 July 2014 or after, the retirement age is temporarily reduced to the age of 63 for this exemption from the age limit increase; the age of 63 will be gradually raised back to 65 years from 2016 to 2029. (More information on the latest pension reform can be found on www.rentenpaket.de). Also the topic of flexible transitions from work to retirement is on the agenda.

Other matters

As in other EU countries also in Germany there is a tendency for consumers to have to take more and more their own responsibility for financial matters, including pensions.

In recent history the cost transparency for individual Riesterrantes has been an issue.

7.4 Hungary

MINISTRY FOR NATIONAL ECONOMY OF HUNGARY, PENSIONS DEPARTMENT

Pension tracking services

In Hungary the state pension covers the most of the pension payments. Only a few percent of the average pension payment to pensioners is from occupational pensions or personal pension plans. This is why Hungary is at this moment interested in establishing a pension tracking service for first pillar (State) pensions. A project to set up this pension tracking service has just started by the pension provider for first pillar pensions. Until now the information about pensions provided to consumers is distributed mostly on paper. Especially the pension administration as administered before 1990 is a paper administration. Therefore this administration has to be digitalized first. In order to make sure that the information is correct, the personal information is sent to the individual on paper. Within a certain timeframe the individual has to respond to the first pillar organization to give notice of any amendments to the information that he or she has been provided with. Possible shortcomings in the information can be filled in this way so that the administrator is able to pay out the correct pension amount. Updating these individual pension records has started with the older cohorts and as time passes, this will shift to the younger age cohorts.

Unique identifier

Hungary uses the social security number as a unique identifier for their pension administration. This registration number is also used for health insurance. This number is unique for all Hungarian civilians. Hungary has also two other unique identifiers for:

- taxation (tax ID)
- elections.

These unique identifiers are not connected to each other as this could probably lead to safety issues on individual data.

Recent pension policy issues

There are no new pension information provision legislation issues foreseen in the near future. The current information works quite well. There are also good practices seen on pension information provision in occupational and personal pension provision. These practices concern mostly digital information provision.

At this time the development of occupational pensions is on the agenda of the Hungarian government. An important issue in this is the annuitisation of pensions.

Other matters

Developing a pension tracking service in Hungary is part of a larger governmental goal. In this the government want to offer digital services to the individual via an e-government web-portal. The governmental goals are to make the information provision towards the individual:

- accessible,
- cost efficient to provide and
- up-to-date when the individual receives the information.

7.5 Ireland

DEPARTMENT OF SOCIAL PROTECTION AND THE PENSIONS AUTHORITY

Pension tracking services

In March 2010 the Irish government published a paper²⁶ on the pensions framework in Ireland. One of the issues mentioned was a pension tracing

²⁶ See: http://www.welfare.ie/en/downloads/nationalpensionsframework_en.pdf

service combined with the treatment of dormant accrued benefits. Due to the fact that employees switch jobs more frequently, it will become more common that employees want to have an overview of their benefits accrued at these different employers. Also it can be difficult for participants to know exactly what and where they have accrued dormant pension benefits. Keeping track of employees pensions is quite difficult. The onus is on the former employee to keep in touch with the former employer and or scheme trustees. Along with this events such as mergers and acquisitions can make it difficult for a former employees to trace their pension entitlements. Measures to develop mechanisms to help employees to keep track of their accrued benefits are ongoing.

Unique identifier

For the state pension a person can be traced via the Personal Public Service number provided they have not changed address since their last engagement with the Department of Social Protection. Also the active members of a private pension scheme are well in scope for pension administrators, because they are directly linked to the employer. However to provide information for all participants in occupational pensions is an important challenge due to the absence of automated mechanisms and the use of a unique identifier to trace scheme members. At this moment pension administrators cannot use the Personal Public Service number as a unique identifier to trace pensioners at retirement, as it may be used only for the purpose of facilitating transactions between individuals and specified bodies. The Personal Public Service number can only be used by a “specified body” under the legislation which are ‘performing a public function’. Pension administrators can contact the Department of Social Protection to trace scheme members. However this is a manual and time consuming approach. Measures have been put in place to build linkages between the Personal Public Service number and the relevant pension schemes which will assist in the development of mechanisms to keep track of accrued benefits.

Recent pension policy issues

The present focus is to continue the work on the development of a pension tracing service. Engagement with the pensions industry on this subject is ongoing.

7.6 United Kingdom

DEPARTMENT FOR WORK AND PENSIONS

Pension tracking services

The UK has a service called “Pension Tracing Service” that can be accessed online, by telephone or by post, with responses provided by post.

At present, in the UK, annual benefit statements for occupational pensions can be provided either electronically or on paper. Currently, there is no system available in the UK for the tracking of pension benefits. There are potential issues associated with a pension tracking services in the UK concerning data protection and being able to find a suitable unique identifier (although the National Insurance Number is a unique identifier).

A key driver for pension tracking services in the UK could be enabling individuals to assess the adequacy of their pension provision.

Pension information in respect of both state and occupational/private provision is not combined into a form that could readily be translated for use in a tracking service. In the past, the DWP undertook a project (Informed Choice) which considered pulling together information into a retirement planner, but there were issues around costs, funding, IT and risk. Some pension schemes do provide a Combined Pension Statement covering state and occupational/private benefits but this is done on a voluntary basis by individual pension providers.

The provision of a long-term solution to retirement planning/ tracking of pensions is highly dependent on the private sector’s appetite to help individuals

with their pension planning or the government's desire to compel the private sector to do so.

The challenges include:

- the development costs;
- ownership of data collection;
- setting the assumptions for projected benefits at the retirement age in order to be able to compare different pension benefits;
- the cost and security implications of an effective IT solution; and
- ensuring pension providers are able to provide the data in a uniform format.

Unique identifier

Important issues for having pension tracking services in the UK concern data protection and finding a suitable unique identifier. The National Insurance Number can be a unique identifier.

Recent pension policy issues

Currently in the UK, there are several pension policy initiatives. These include developments associated with Defined Ambition²⁷, in particular Collective Defined Contribution Schemes. There are also initiatives relating to "pot follows member". However, the most significant changes were announced in the Budget in March 2014. The Budget introduced fundamental changes to retirement savings –from April 2015 members of DC schemes will have increased flexibility about how and when they access their pensions savings. To support individuals in making these decisions, individuals will be offered access to free, impartial guidance (the Guidance Guarantee). The DWP's main priorities are:

- ensuring that disclosure is fit for purpose in light of the Budget proposals, in particular those relating to the Guidance Guarantee;
- proposals relating to charges associated with pension funds, including a charges cap for DC default funds; and
- implementing the Defined Ambition proposals

The "pot follows member" legislation may lessen the need for a tracking service as individuals will have fewer small pension benefits vested in a number of different arrangements.

The Budget announcement increased the public's interest in pensions and may in due course lead to a greater need to consider a tracking service as a means of assisting individuals accessing the guidance under the Guidance Guarantee.

In December 2014, the UK's Financial Conduct Authority (FCA) published an interim report²⁸ on its Retirement income market study. One of the recommendations outlined in that report is that, in the long term, a 'Pensions Dashboard' is created which:

- can be accessed by UK consumers at any time through a personal log-in;
 - sets out an individual's entitlements including all of their accumulated DC pension savings; and
 - could be developed over time to allow consumers to view all of their other sources of retirement (such as DB and state pension entitlements) in one place.
- The FCA is seeking views on this recommendation.

²⁷ A new model of occupational pensions in which risk is shared between employees and employers.

²⁸ <http://www.fca.org.uk/static/documents/market-studies/ms14-03-2.pdf>



ANNEX I: AAE REPRESENTATIVES THAT HAVE CONTRIBUTED TO THIS REPORT

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The Actuarial Association of Europe

The Actuarial Association of Europe (AAE), founded in 1978 under the name of Groupe Consultatif Actuariel Européen, is the Brussels-based umbrella organisation, which brings together the 37 professional associations of actuaries in 35 countries of the EU, together with the countries of the European Economic Area and Switzerland and some EU candidate countries.

The AAE has established and keeps up-to-date a core syllabus of education requirements, a code of conduct and discipline scheme requirements, for all its full member associations. It is also developing model actuarial standards of practice for its members to use and it oversees a mutual recognition agreement, which facilitates actuaries being able to exercise their profession in any of the countries concerned.

The AAE also serves the public interest by providing advice and opinions, independent of industry interests, to the various institutions of the European Union - the Commission, The Council of Ministers, the European Parliament, ECB, EIOPA and their various committees - on actuarial issues in European legislation and regulation.



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