Comments of the German Association of Actuaries (DAV) and the German Institute of Pension Actuaries (IVS) on EIOPA’s Consultation Paper on Technical Advice on the development of Pension Tracking Systems

Questions to Stakeholders

Scope of a national PTS

Q1. 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 explain.

We agree with the overarching goal to provide citizens with an overview of their statutory, occupational and private pensions. This should include accrued as well as expected future retirement benefits. Beside regular (e.g. annuity) payments, this should also include lump sum payments eligible at the beginning or during the retirement period. The exact definition of what types of old-age provision should be included should be left to the MSs.

In case of already existing PBS (be it on a regular basis or on demand) the information provided by a PTS should coincide such that contradictions or misleading information are avoided.

Q2. What do you consider to be the main costs in the establishment of a PTS?

A PTS should use already existing data or information (i.e. regular PBS). Therefore, the main costs result from

* defining and setting up a standard data set;
* building the PTS frontend;
* setting up a stable interface between the PTS and pension providers or intermediaries; and
* safeguarding sufficient data protection.

In cases where there is no existing regular PBS the deployment of the necessary IT infrastructure will be quite expensive as well. In such cases a longer transition period is necessary, and requirements should take into account proportionality.
Q3. 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.

In general, we agree with the concept of a PTS being a public good and – as a consequence – that governments and the public in general are responsible to support the collection and compilation of such information. We take the view that in most cases general entitlements to receive information about existing pensions should already exist. In case they do not exist, it should be a starting point to introduce them. In a second step such information should be wrapped up in a standardized (digital) overview. This is essential to make reasonable decisions and to avoid “loosing” unknown entitlements.

Q4. 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 exact definition of what types of old age provision should be included in PTS should be left to the MSs. However, we agree that there should be general guidelines for the exact definitions on the level of the MSs as there are qualitative differences between pension entitlements which are limited to retirement and other financial or non-financial saving alternatives which could be used in many different ways.

Q5. 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
As a starting point there should be a general right to receive a PBS (on regular basis or on demand) either digitally or on a paper form basis. Access to a PTS should generally also be possible for all citizens but certain exclusions may be possible or even useful considering materiality and proportionality. For example, retirees will generally not need an overview of their various retirement savings as they are already consuming them on a regular basis; however, at the beginning of retirement when not all pension entitlements may be completely due such an information may also be of value for retirees. Other reasonable exclusions – at least on a PTS basis – could and should be beneficiaries of older pension schemes (e.g. legacy schemes etc.) for which digitalized information is not available at a reasonable cost.

For beneficiaries that are not able to access a digital PTS solution (due to whatever reasons) the access to independent financial advisors who could access the PTS on behalf of their clients should also be considered and made available at reasonable cost, if possible.

Front-end design of a national PTS

Q6. 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 the behavioral principles of EIOPA. Regarding the feasibility of “immediate response” there will be the need for a transition period especially in the case when there is a huge amount of different (small) providers. Also, any “immediate response” may either require a good infrastructure for collecting and aggregating data from many providers and / or (in case of small providers) also intermediaries, or, alternatively, a central data base on PBS. However, a central data base will probably only be possible under data protection / GDPR considerations (e.g. to save data only if necessary / required) if such a central data base is introduced by MSs via a legislation.

Q7. 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.

This should be right in the sense that the sum is more than its parts. Nevertheless, we strongly advise that a PTS should be consistent regarding the main information (and data) with the PBS. A PTS gives the opportunity to merge different PBS within one view.

Q8. 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.

We agree. In case of already existing obligations to disclose costs this could be done on a deeper layer of the PTS – as we generally assume a PTS will be built based on a layered approach with a top layer of only a few highly condensed facts and figures and the option to drill deeper into details. Such layers may be even built step by step over time and based on user needs and evaluation.

Q9. 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.

The concept of layering the information is helpful to guide the user through useful details. Data should be provided gross on a nominal basis (if already used in a PBS). The landing page should contain all expected cumulative information at a first glance. Deeper layers should contain more detailed information on a provider-by-provider basis.
Q10. 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 recommend to give additional general information on inflation, purchasing power, etc. in a user friendly way. We also recommend to use gross figures on a nominal basis. Additional calculation taking into account taxes or other deductions or discounting figures by inflation should be avoided since this would add assumptions and uncertainties subject to further discussions and misjudgment.

Q11. 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.

Assumptions made within the calculation should be transparent. Since different providers might use different assumptions this should be made clear on deeper layers where payments are assigned to single pensions providers. But we agree that assumptions should not be displayed on the first layer as it would potentially obscure and complicate the matter.

Q12. 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.
Again, this can only be done on a deeper layer since different pension providers may have different approaches. In any case information might already be contained in existing PBS.

Q13. 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.

Finding right measures for what is enough might be tricky and there will be no (quantitative) one-size-fits-all approach. Data from PTS should be easy transferrable so that any user can get professional additional advice for his personal need. The main purpose of a PTS should be the tracking of pensions, i.e. collecting the individual’s pensions, filtering the important top-layer information from PBS and aggregating it into a comprehensive overview. Showing the potential options “in a neutral way” seems very ambitious and might easily be misused or done wrong on a global scale. We tend to leave this to individual professional advice.

Q14. 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.

To ensure general acceptance of the PTS it should in a first step present all the information as neutral as possible. Nudging users in any way towards additional saving might be perceived as encroaching and therefore might ultimately be counterproductive to the general purpose of a PTS.
Back-end design of a national PTS

Q15. 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.

Users will expect a live access model. However, this might conflict with a decentralized data storage, especially in case of many small providers. For small providers, also the use of intermediaries must be possible. And decentralized data storage may in many cases be necessary due to data protection / GDPR requirements unless MSs require a central data base by legislation (which will in our view not be the standard).

Q16. 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.

As long as public aspiration is not too high we strongly recommend a pilot project. This gives the possibility of corrections and adjustments in an early stage. Only if high public aspirations exist (which we are not aware of) an early start without a pilot might be needed.

Q17. Which additional principles should apply to ensure a secure digital access to the PTS?

We would like to emphasize the three main principles that – from our view – any PTS should adhere to:

* **consistency** of presented data to any existing PBS;

* **materiality**, i.e. the information and aggregations presented might make use of approximations and simplifications as long as the PTS provides a true and fair view of the individual’s retirement savings

* **proportionality**, i.e any measures to collect, filter and aggregate the pension savings information must be proportional to its benefit for the individual (it is OK to leave out information if it can only be obtained at an unreasonable cost).
Q18. 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.

This is more or less the basic information the PTS in Germany will start with. On one hand, it gives all the information that is needed for a start and this again can be used to explore additional user expectations within the pilot phase or within the first years after launching the PTS. However, it is worth noting that “projected retirement income” can be understood in at least 2 different ways which should both be presented on the PTS from our point of view:

* a projection including future contributions / future years of service; and
* a projection including also the expected returns on the capital accumulated using a best estimate (i.e. beyond guaranteed returns).

Q19. 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?

We strongly recommend using only data already contained within the PBS. Recognition of already existing information will make the PTS trustworthy. Wrapping up all information of different providers adds useful features for further acceptance.

Q20. 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 strongly recommend to select / define an independent body to set data standards after consultation with all stakeholders. Otherwise, standards might be biased and overly influenced by one or more stakeholder groups and might be of disadvantage for others.
Q21. 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.

We agree in general and like to stress once more our above recommendation to use only already existing data or information.

Q22. 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?

As we advocate to use existing information and projections from PBS we also advocate to work with different projection methodologies and assumption sets. In our view this is a necessary price to pay for consistency across PBS and PTS. Also, it is worth considering that there might be good reasons for the different methodologies and that those are required generally by legislation. Over time the use of a PTS might help to create greater consistency also across methodologies for different retirement benefits but as long as there are different regulations in place the PTS should reflect this as well.

Q23. 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?

To avoid different or extra calculations we recommend using existing assumptions even if they differ between several providers. Again, there might be good reasons to use different assumptions and will be already regulated due to legislation.
Q24. 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?

No further comments.

Q25. 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.

But a level playing field also needs to take into account materiality and proportionality. This is especially important when considering small providers such as small or medium sized entities / companies that may provide pension benefits directly to only a handful of people (in Germany for example we literally have approx. 50,000 of such small providers). The general data requirements will apply also to these providers, but there must be room for extended implementation times for small providers and options to use intermediaries. In certain cases (e.g. old legacy pension schemes for which digitalized information is not available at a reasonable cost or very small benefits) it may also possible to exclude these from any PTS requirements due to materiality considerations.

Q26. 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?

The data on a PTS is highly confidential data – comparable to health, banking and tax data. A very high security level is therefore mandatory.

Q27. 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.

Retirement Savings are in the first place in the responsibility of the MSs. Therefore, an ETS must align itself to the standards and principles of the PTS and take them into account. Of course, an ETS might provide guidance and
principles how to connect and aggregate various PTS information but it is worth noting that the need for an ETS is quite small compared to the need of setting up a PTS in every member country. Only a very small portion of EU citizens (scientists, people in the border regions of member states, politicians, employees of EU institutions) might need an ETS but nearly everyone will have a need for a PTS. Therefore, the PTSs are the primary model on which the ETS may build in a second step.

Q28. 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?

No further comments.

Governance and implementation of a national PTS

Q29. 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?

We agree.

Q30. 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?

Generally, we agree, but we see that a PTS can also be set-up directly by the pensions market as a whole. However, with supporting legislation a PTS may generally be easier to be set up.

Q31. 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?

We agree – a PTS is a service that needs to be started on a minimum basis and which will grow over time based on the citizens’ needs.
Q32. 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.

We agree, a PTS should be free of charge for users and as it is a public good it needs to be financed out of taxes by the government instead of levies on the pension providers which would ultimately reduce pensions, i.e. it would be paid by the citizens with lower pensions.

Q33. 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.

As mentioned before the PTS has a primary purpose in collecting, filtering and aggregating information on retirement savings. This alone is often a great task and it should be embedded generally in measures to improve financial literacy and financial well-being – but auto-enrolment and investment options should generally not be linked directly to the PTS but instead to individual financial advice on the basis of the aggregate PTS information.

Final comments

Q34. Do you have any other comments to share with EIOPA?

No further comments.