EUROPEAN COLLOQUIUM

Communication on pension rights in Europe

REPORT

25.11.2010 | Tour du Midi | Brussels (Belgium)

Preface

I found the colloquium hosted by the Belgian National Pensions Office (RVP - ONP) and the European Social Insurance Platform (ESIP) in 2010 very interesting. This colloquium on communication on pension rights in Europe has certainly been, together with the Liège Conference, a prominent moment of the pension aspect of the Belgian presidency of the Council of the European Union.

The colloquium's main aim was to spark off a debate on the communication issue within the professional European pension world. To this end both academic researchers and civil servants from various member states have been asked to highlight both opportunities and bottlenecks in their countries' respective pension systems.

Commission representative Fritz von Nordheim kicked off the colloquium on 25 November 2010 with his remarks on the European Commission's Green Paper on Pensions. Mr von Nordheim explained that, in this document, the Commission identifies three main challenges that need to be addressed:

- the changing pension systems of the member states;
- the financial and economic crisis;
- and the demographic development.

The Commission assured the Assembly that it was keenly aware of the fact that pensions are a responsibility of the respective member states and that it would limit its role to merely formulating suggestions.

Mr Pablo Antolin (OECD) then gave us an overview of the main actions countries have performed to inform people about their (future) pensions' rights. Special attention has been paid to the issue of how to tell people that the pension benefits from pension schemes in direct contribution systems cannot always be predicted down to the last euro. A transcript of his presentation can be found in the first part of this report.

The second - academic - part of this report will first focus on the results that Ms Marlene Haupt from the University of Landau

(Germany) obtained while researching her PhD thesis on 'Expectation Patterns of beneficiaries regarding their future pension'. Her analysis and policy recommendations precede the contribution made by the K.U.Leuven (Catholic University of Leuven - Belgium) research team, led by Professor Yves Stevens.

The NPO, ESIP and myself asked Professor Stevens and his team to make an objective analysis of the interventions. For clarity's sake they first describe the pension system of each member state and subsequently make a country specific assessment of the respective pension-related communication systems, using the speeches of the national representatives at the conference as a starting point.

This country specific analysis is followed by a general evaluation. The different national bottlenecks and opportunities are looked at from an integrated perspective. This report is not intended as a peer review of pension-related communication systems nor does it indicate which are the most appropriate or best forms of communications.

However, national policy makers can find out, in the present paper, how other member states have tackled certain challenges related to pension communication. The K.U.Leuven's researchers summarized them in four main questions:

1. What do member states communicate?
2. How do member states communicate?
3. To whom do member states communicate?
4. What is the (legal) value and the authenticity of the communication?

As such this report can be considered as a comparison tool on pension communication aimed at policy makers.

I wish you interesting reading.

Michel Daerden
Belgian Minister of Pensions

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Overview of communication efforts and propositions

(by Pablo Antolin)

Mister Pablo Antolin is Principal Economist at the Private Pension Unit of the OECD Financial Affairs Division. He is currently working on three main projects. The first project aims at distilling policy measures to protect pension benefits derived from DC pension schemes in a world of uncertainty. The second project assesses how pension funds, annuity providers such as life insurance companies, and the regulatory framework incorporate future improvements in mortality and life expectancy. The third project evaluates the retirement readiness of current and future pensioners by looking at all the sources to finance retirement as a whole.

Defined contribution (DC) pension schemes play a key role in providing retirement income in many countries and their importance as a source of future retirement income is growing rapidly. However, pension benefits from DC pension schemes are inherently uncertain.

The information provided in the annual pension statement and, especially, pension projections, can help members plan more effectively for their future retirement. There is a growing consensus across countries that pension projections can be useful for members as a tool to help them plan for retirement.

Some questions concerning projections can be asked: do the benefits of including pension projections in the pension statement outweigh the potential confusion or misunderstanding such projections may cause for members? And how can literacy on pensions and financial matters can be brought to a level so that pension projections become a truly useful tool for members? However, the one addressed here is that given the low level of financial knowledge, how can we professionals communicate better the risks involved in saving for retirement in order to help members understand and motivate them to be proactive and save adequately for retirement?

The purpose of this OCDE project is to assess how to best communicate projections of future pension benefits to DC scheme members, and in particular, how to convey the uncertainty underlying these projections. We know the level of financial education is generally low, but we need to make an effort in communication.

The type of information that is usually included in pension statements can be divided in two categories: the basic accounting information and the forward-looking information, with choice variables and uncertainty. In order to make some proposals we looked how countries like the United Kingdom and Denmark do this in practice.

From these real life examples we distilled some ideas of how it can be done. It does not matter if some will find them ridicolous, they serve to kick-start the discussion. We start from the assumption that regulators decide to communicate projections and to include uncertainty.

Some questions should be asked:

Should we provide relative or absolute figures?

For example in the pension statement of mister X we can say: your pension will be at least 36% of your final salary in 5 out of 10 times. We are giving a relative presentation - 36% - of your future income and we are conveying uncertainty by saying that it will be that amount in 5 out 10 cases.

Or we can say: your pension will amount to at least €1200 in 5 out of 10 times.

Pension benefit statement for Mr. X
Your monthly income at retirement would be **at least 36% of your final salary** in 5 out of 10 times.
Your monthly income at retirement would be **at least € 1 200** in 5 out of 10 times.

If you focus on €1 200, we have other questions to address: do round numbers give an impression of accuracy?

Should we say €1 200 or €1 232,54?

Pension benefit statement for Mr. X
Your monthly income at retirement would be **at least € 1 200** in 5 out of 10 times.
Your monthly income at retirement would be **at least € 1 200,54** in 5 out of 10 times.

Those are questions we need to answer and regulate to communicate those kind of things. For inflation as well, do we use the inflation at the moment the statement is being made or do we insert the estimated future inflation?

Probabilities vs '5 out of 10 times'?

One of the objectives of providing pension projections is to convey a certain degree of uncertainty. By doing so you can convince individuals to be proactive and to save for later.

Pension benefit statement for Mr. X
Your monthly income at retirement would be **at least 36% of your final salary** in 5 out of 10 times.
Your monthly income at retirement would be **at least 36% of your final salary** with a 50% probability.

When we take the same pension statement for mister X and we tell him that his monthly income will be at least 36% of his final salary in 5 out of 10 times. Or should we say there is a probability of 50%?

Should we include recommendations

Pension benefit statement for Mr. X
Your monthly income at retirement would be **at least 36% of your final salary** in 5 out of 10 times.
However, it is possible that 1 out of 10 times your monthly retirement income would be 16% or less.
You would need to double your contributions from 5% to 10% to ensure a minimum monthly retirement income of **at least 36% of your final salary** in 9 out of 10 times

In 1 out of 10 times his monthly income will be at 16% of his last income or even lower. This means that public pension projections will tell you you will have a replacement rate of 16% and that there is a probability of an even lower income. If you suffer unemployment for a long time for whatever reason possible you will not get a very high pension. Making people aware of this uncertainty should stimulate proactive behaviour.

You will need to double your contributions, from for example 5 to 10%, to ensure a minimum monthly retirement income of at least 36% of your final salary in 9 out 10 times. By doubling your contribution you make sure that in 90% of the cases you are going to get a sufficient income. This is an interesting idea for some countries where pension schemes with very low contributions abound and where the government cannot guarantee an adequate replacement rate.

Using visual aids can help people understand what experts try to tell them. You can for example join tables to the statement to visualize the message.

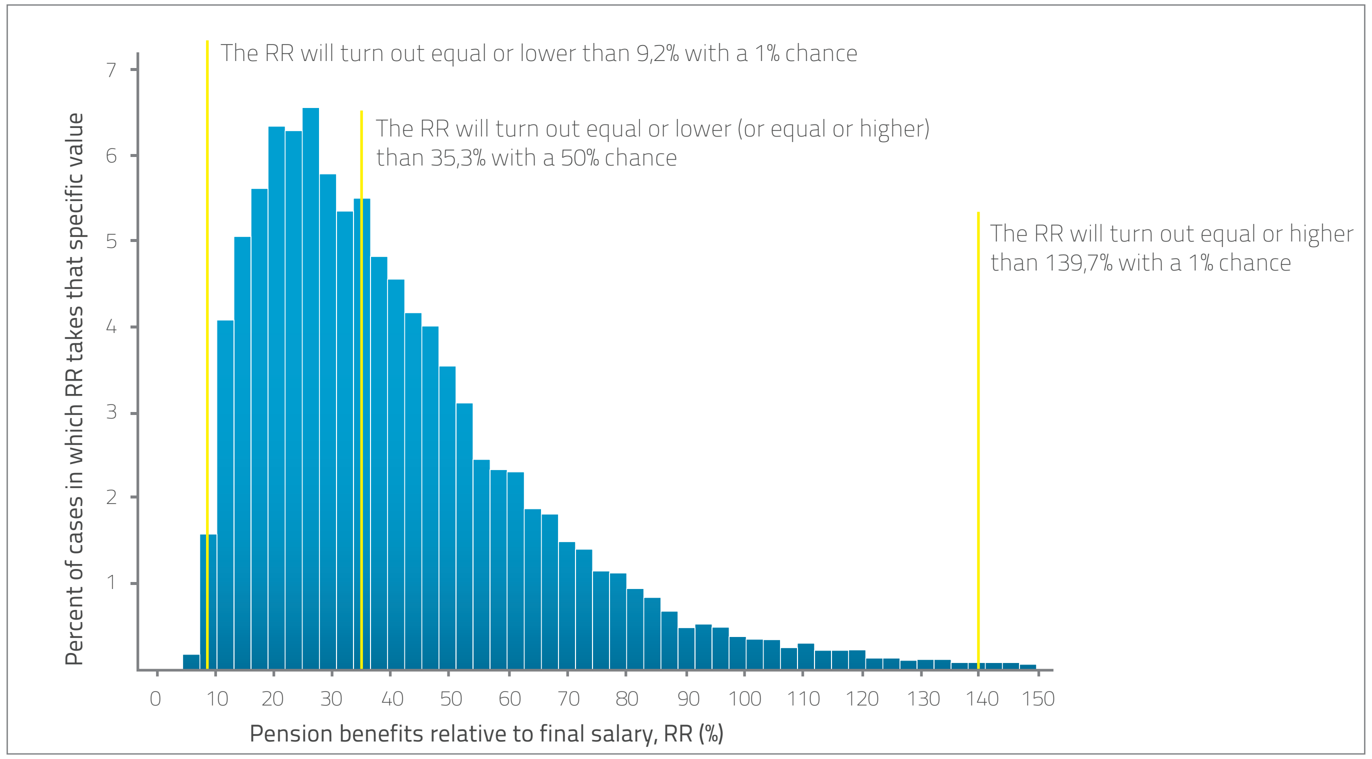
Pension benefit statement for Mr. X
Your monthly income at retirement would be **at least 36% of your final salary** in 5 out of 10 times.
However, it is possible that 1 out of 10 times your monthly retirement income would be 16% or less.
You would need to double your contributions from 5% to 10% to ensure a minimum monthly retirement income of **at least 36% of your final salary** in 9 out of 10 times

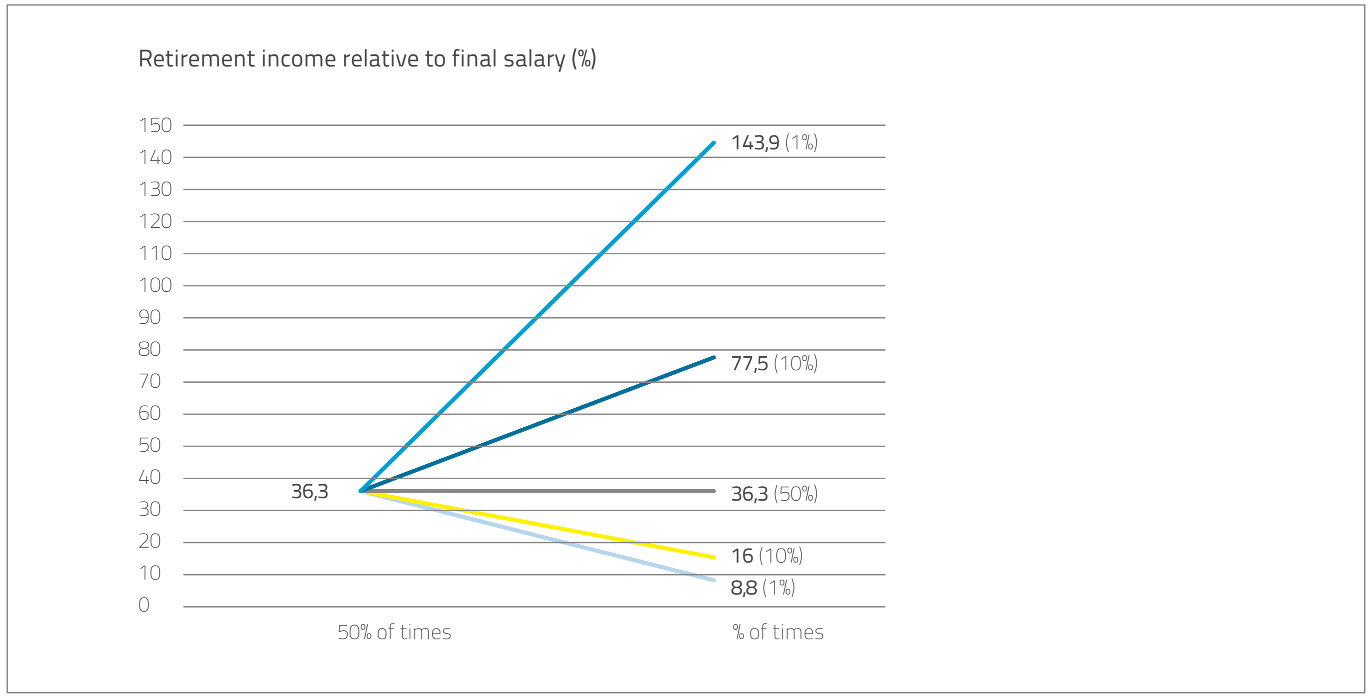
Number of times out of 10 that retirement income relative to final salary may be below a given level					
Retirement income relative to final salary	16	24	36	55	78
Number of times out of 10	1	2,5	5	7,5	9

5 out of 10 times you will get 36%, 1 out of 10 times 16% and if you make a proactive increase of your contributions you might guarantee those 36%. There is 90% chance that will get a 78% replacement rate, but also a 10% chance that it will not exceed 16%.

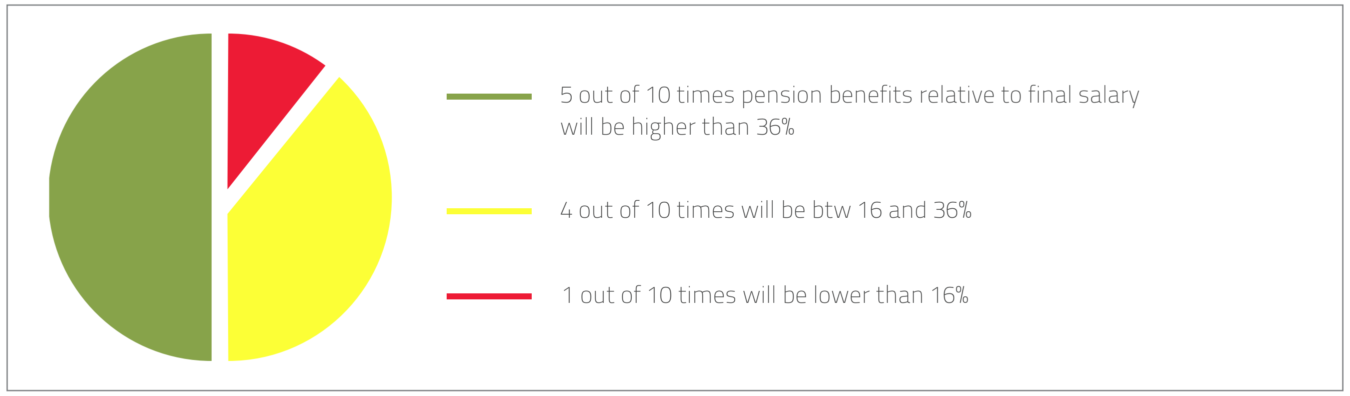
Histograms are quite complicated for most people. What you are basically telling is that they will get a replacement rate of 36% with 50% chance. Obviously there are other amounts to the right of the line, so you can get much more. On the other hand you could get less as well. You can get as low as 9% with a 1% chance and as much as 140% with a 1% chance.

An other kind of visual help you could use is the fan chart. Most of the times you will get 36% but obviously you can get much more and much less. You can situate yourself in this whole range.

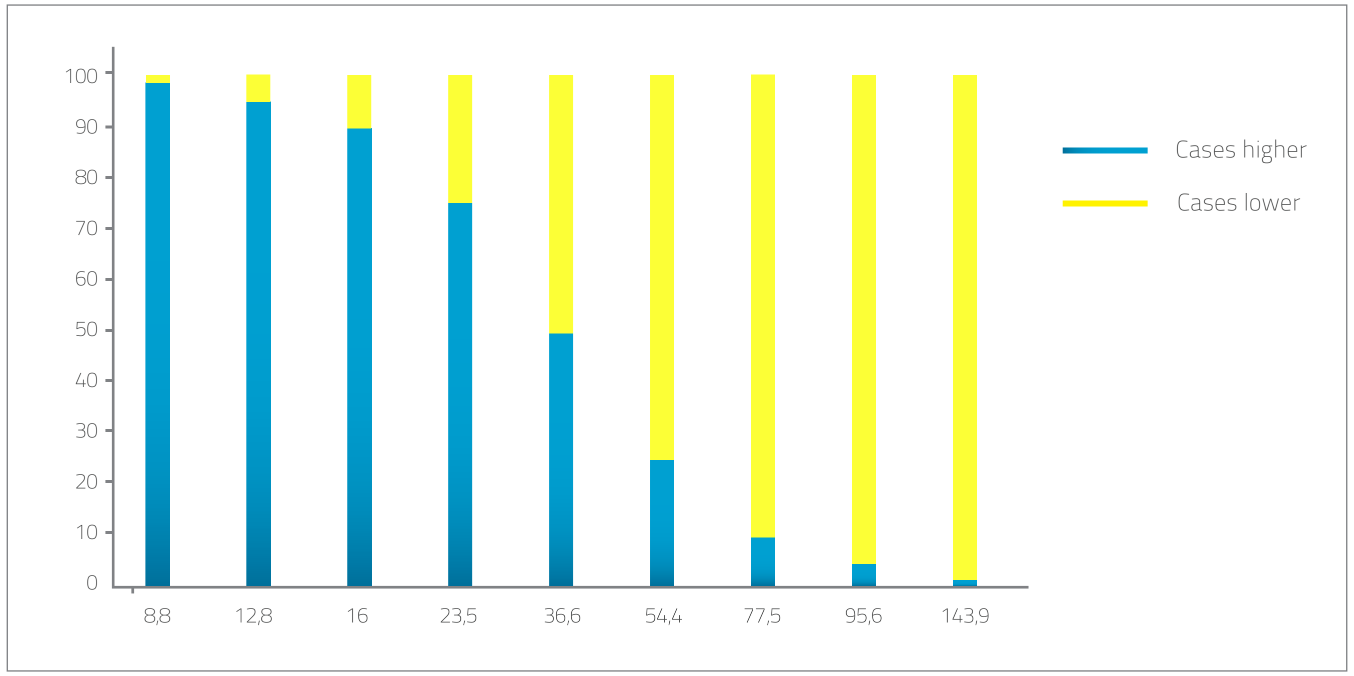




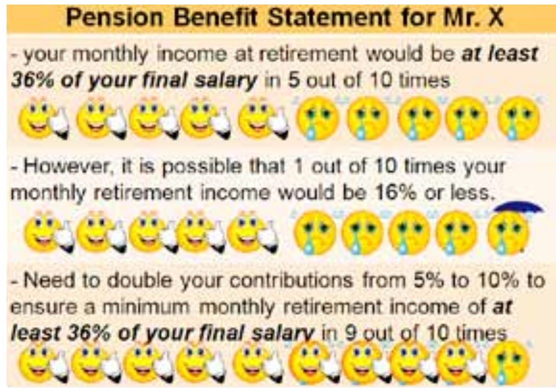
You can also use the idea of coloured bars or pie charts as 'traffic lights'. 5 out of 10 times you are OK, hence the green. But on the other hand the red warns you that it could be less as well.



Coloured bar charts indicate if the replacement rate will be higher (green) or lower (red) than the number given. There is a 99% chance that your replacement rate will be 8.8% and only a 1% risk that it will be lower than that. In theory you can get a replacement rate of almost a 100%, but at a very low probability.



Another idea using animated icons comes from the medical sector where it is for example being used to indicate the chances you might have to get cancer. The worst and best cases scenarios are indicated by smiling or sad faces. If you get a very low pension, the icon will be really sad. If you agree to double your contributions almost all those sad faces will turn into smileys.



With those examples we want to entice the discussion about what we should do. Some people might think that despite the smileys it will be too difficult and prefer to stick to projections without adding probabilities. You can also convey uncertainty by saying that this amount is not guaranteed or by showing two or three assumptions or scenarios as is the common pratice in most countries.

Finally, and more basically, should pension projections be provided to all members in pension statements or should they be provided via online calculators to those members that are interested? Even bad ideas will make people think.

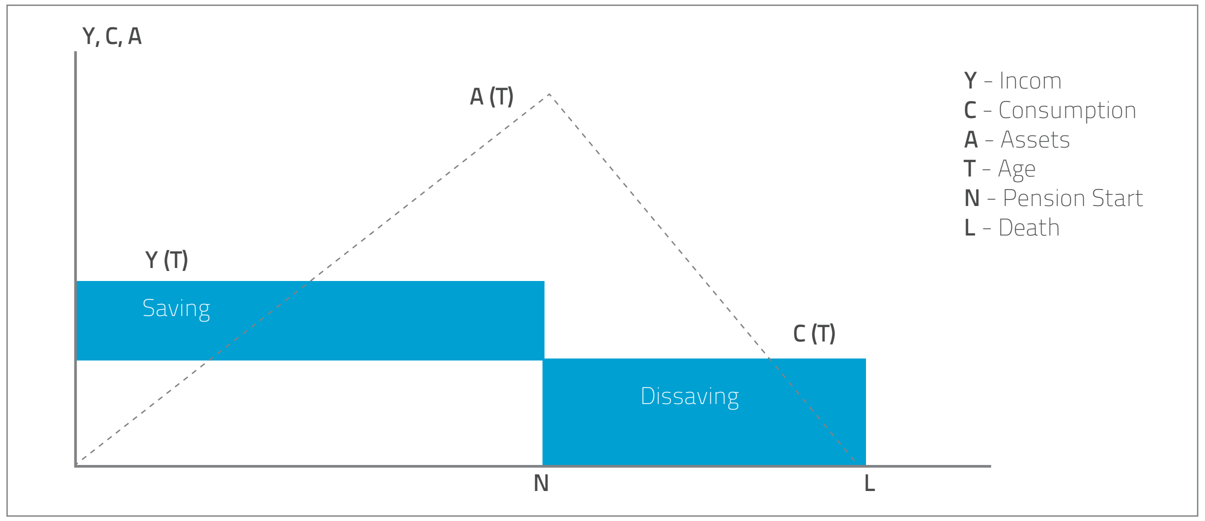
Analysis of expectation patterns and policy recommendations

(by Marlene Haupt)

Miss Marlene Haupt is a research associate at the University of Koblenz-Landau, Campus Landau, Institute for Social Sciences, Department of Economics. The working title of her dissertation project is 'A Behavioral Economic Analysis of the Individual Statutory Retirement Provision Information and its Effects on Private Pension Schemes'.

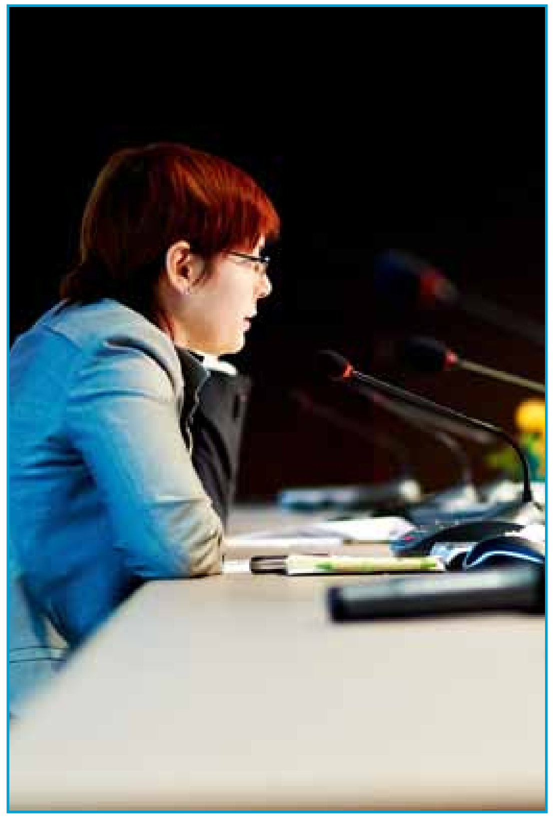
I would like to thank the organizers, especially because the theme of this conference is very much connected to my PHD thesis I am working on right now. At most conferences you have the expert who explains the theoretical part first, followed by the practitioners who will tell you how they deal with it in reality. This time it is the other way round. So, I will first show you the normative and actual behaviour of beneficiaries, then my theoretical foundation to explain the gaps and an analysis plus some policy recommendations.

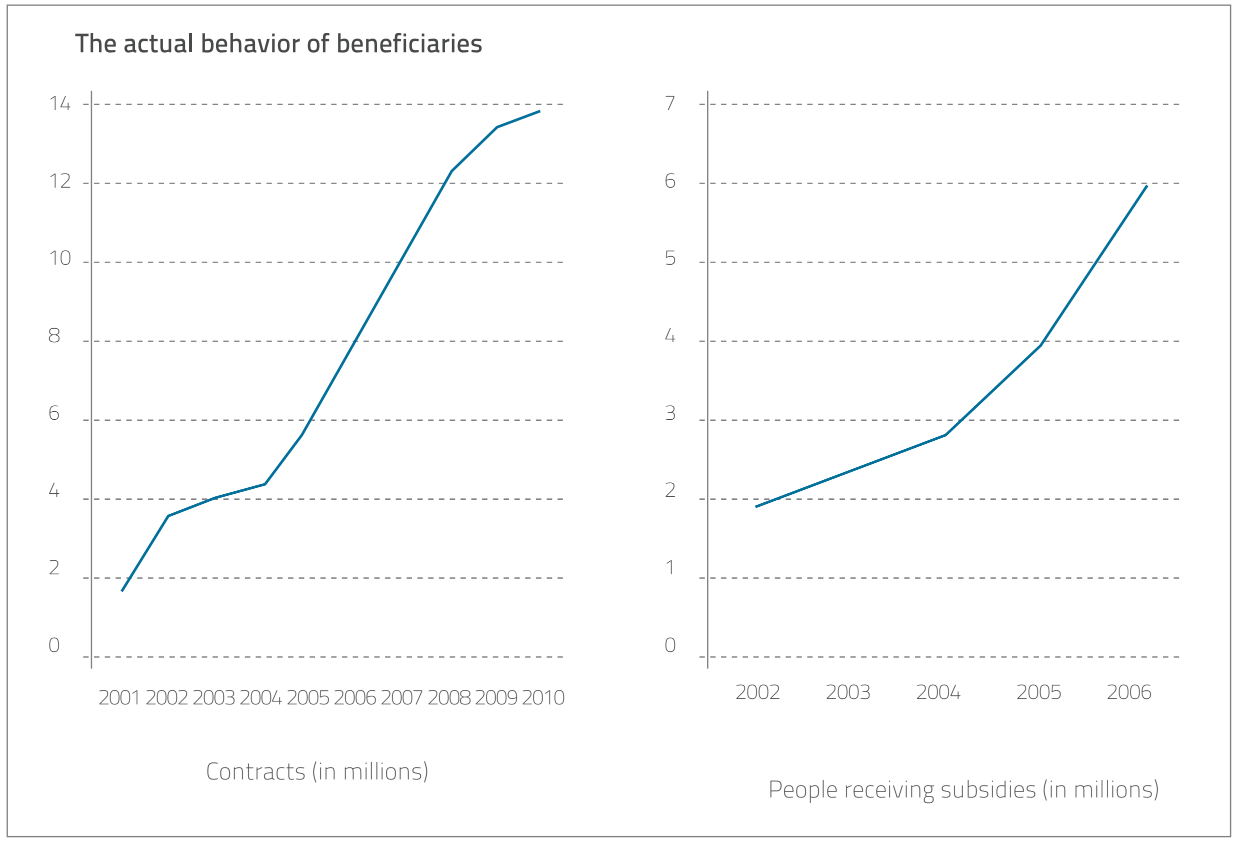
First, I will show you the normative behaviour of beneficiaries. The pension information follows in fact the life-cycle hypothesis of saving. As an economist I love economic models. The most important model on saving behaviour for old-age is the life-cycle hypothesis of Franco Modigliani (and Richard Brumberg/Albert Ando), who won the Nobel Prize in Economic Sciences with it in 1985. The idea behind this model is quite easy to understand. The life-cycle hypothesis analyses the optimal consumption pattern of the individual over the life-cycle. The basic assumption behind this model is that objective individuals plan with a long-term horizon and save rationally to smooth intertemporal income variations over the life-cycle. It is assumed that we have no assets when we are born and have no inheritance at death. We accumulate the assets until the pension starts and then dissave until death.



How does the actual saving behaviour look like compared to this purely economic model? I will present the German case today, starting with the pension reform in 2001 that introduced a more relevant second and third pillar. Until mid-2010, only 13.8 million subsidized private Riester" pension schemes existed. At first sight it looks like people realized that the first pillar is not enough and that they have to do something to save for old-age. This is no longer true when we look at the number of people that are eligible for this system. Each study counts differently but directly or indirectly 30 to 38.6 million people would be eligible for subsidies. The degree of coverage is only 35 per cent and I think the real figure is even lower since not everyone who has a contract is really performing the contract. Higher levels of wages and education are over-represented and low incomes are under-represented in those private schemes. Occupational (second pillar) and private pension (third pillar) provision schemes are rather complementary goods. If people have an occupational pension they also tend to have a private one because they are already aware of the possibilities.

So, I compared the 38 million who are eligible for subsidies with actual figures. Until 2004 there was a low level contract-stagnation until they changed some regulations. In 2006- the latest figures at my disposal- 6 million people were receiving those subsidies although you have about 8 million people who are enrolled in those contracts. So, 2 million people are not drawing on the subsidies for those schemes. The actual behaviour shown in the life-cycle hypothesis of saving does not apply to the private pension schemes. The question is why the actual and standard-economic normative behaviour of individuals do diverge so significantly when it comes to the private old-age pension schemes? Why are not all eligible beneficiaries using those schemes and more importantly the corresponding subsidies?





The actual behavior of beneficiaries

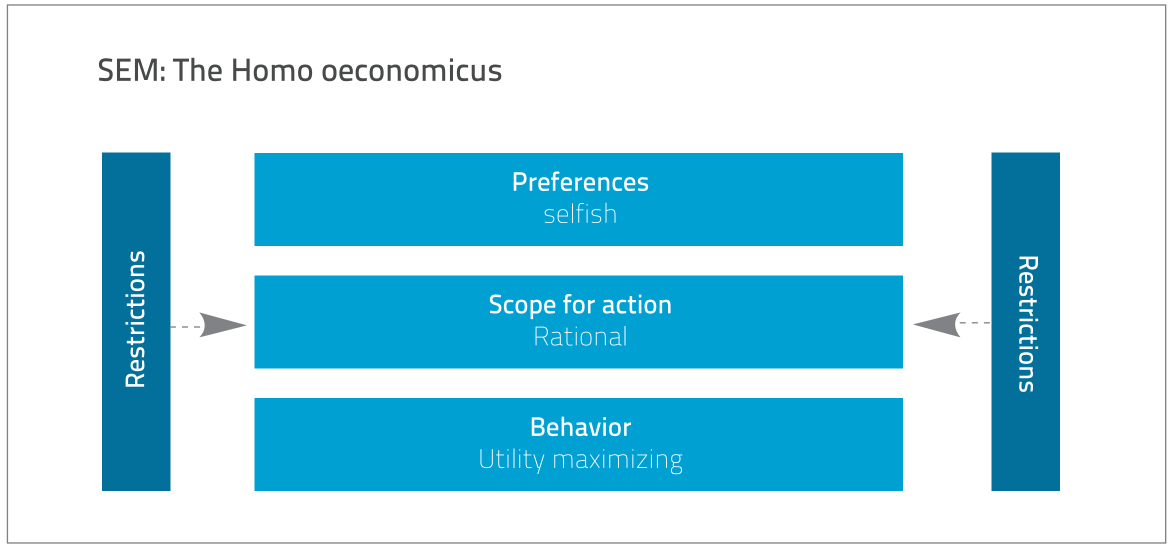
My theoretical foundation is to modify the standard model of the homo oeconomicus - the rational agent from the life-cycle hypothesis - due to findings from institutional economics, psychology and behavioural economics. The homo oeconomicus will become step by step the homo oeconomicus institutionalis. A little reminder: the homo oeconomicus is rational, motivated by expected utility maximization and only governed by pure selfish preferences. He also has consistent time preferences.

What can this model explain in the context of old-age provision? Following the standard economic model (SEM) you would achieve behavioural changes via targeted monetary incentives. But when you study the differences between the SEM and the actual behaviour you will see that the monetary incentives - the subsidies - have not lead to the corresponding effects concerning old-age provision. Two thirds of the eligible people are not using these schemes. The pure economic model gives an imperfect explanation of the individual behaviour. So, I modified the model step by step.

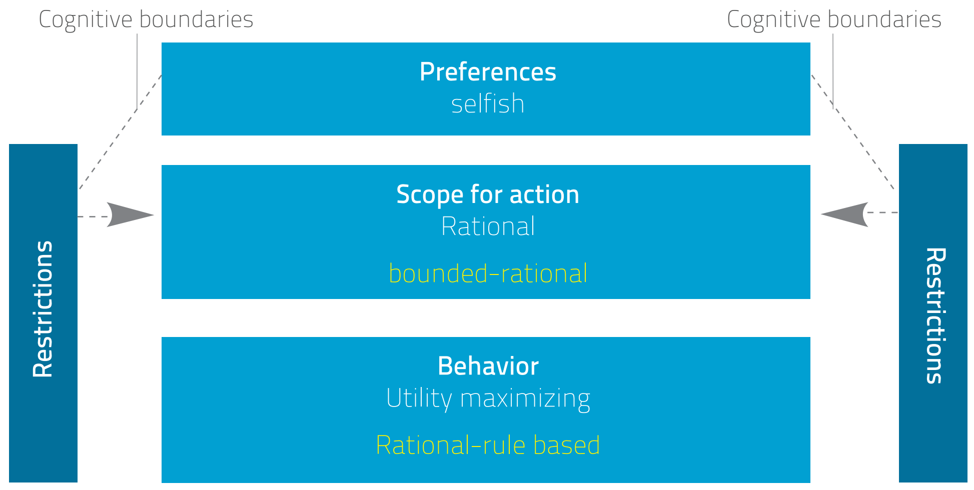
The first step is the 'satisficer' - the homo oeconomicus with cognitive boundaries. This is because individuals are not properly informed and therefore behave as 'satisficers' and

not as 'optimizers'. The explanation comes from the transaction cost theory (cost of search and information proceedings). What do these theoretical findings say about the individual behaviour and pension savings? First we have these increased transaction costs because the analysis of hazards and income situation tends to be hindered due to the costs of information. People have very high information costs and there is a general aversion to finances, sometimes also called financial illiteracy.

I quote from one of the presentations today 'The lack of information is a barrier to saving' and I would like to add that over-information is also a barrier to saving. In Germany for example we have more than 4000 options you can choose from for private pension schemes. People have to choose one scheme out of 4000. So, people rather stay in the status quo - not saving - instead of dealing with all that information and spend entire weekends to check, calculate and then enrol to one single contract. This status-quo bias is very important and it may lead to the inactivity of beneficiaries or to the flypaper effect (people for example see the advertisement of just one insurance company and stick to that one without reconsidering their choice).



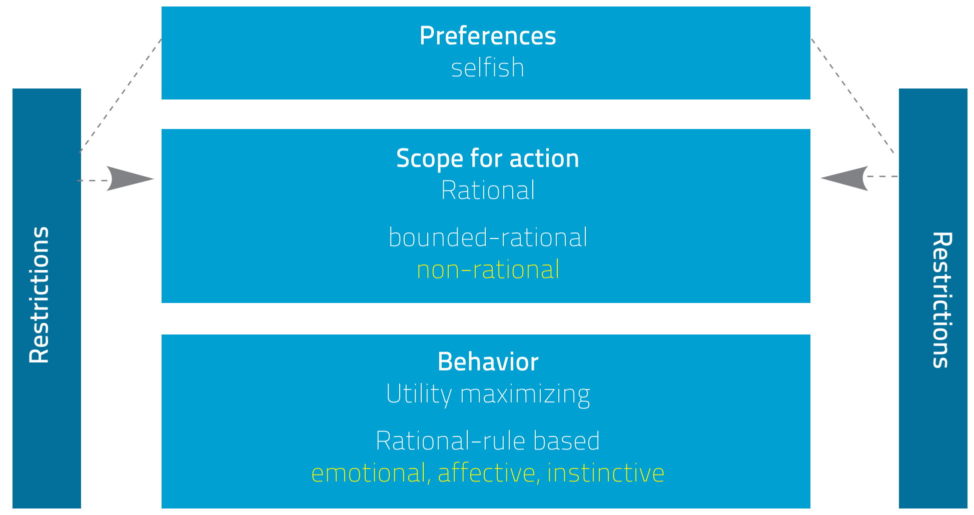
Modification 1: The Homo oeconomicus as, satisficer'



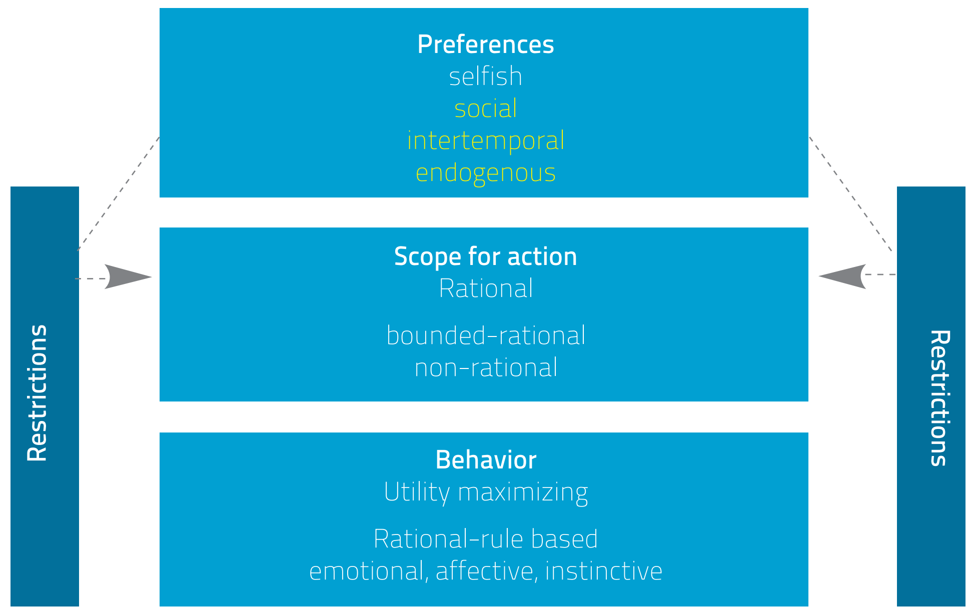
The next step is the homo irrationalis. Behavioural economists found out that there is something like semi-rational emotions. What does this tell us about old-age provisions, this irrational behaviour? Well, the homo irrationalis can help us to explain why individuals tend to behave hesitatively about voluntary private pensions, when they are prone to choose. Despite the high probability of longevity – we are getting older and older – people have a paradoxical evaluation of this probability. People overweigh the chance to die before old age. This is proven by the very important prospect theory of Daniel Kahneman (and Amos Tversky), who was the first psychologist ever to receive the Nobel Prize for Economics for his findings. Another important aspect is the old-age aversion: people connect old age with negative things. Being old is a time in life when you are not as active anymore and often ill. That is why people do not want to think about pensions. Then there are the opportunity costs. Other chances are not considered because of sunk costs. People invested in one program, so they do not even consider other opportunities.

After that we have the 'homo reciprocus', the 'homo oeconomicus maturus' and the 'homo impatiens'. Today, I will limit myself to the 'homo impatiens'. Payment and return never differ more than within old-age provision. People have to save today to retire in about forty years. That is a really long period

Modification 2: The Homo irrationalis



Modification 3 to 5: The Homo reciprocus, homo oeconomicus maturus and homo impatiens



and people have the difficulty imagining what those forty years mean to them. The presence-bias - living today and consuming today and not thinking about what is ahead - predominates.

Impatience of people can also change over time. That is a finding that does not go along with the SEM. The impatience of people can vary according to expected utility outcome. The phenomenon behind this is called hyperbolic discounting: time preference rates of individuals change in an intertemporal time horizon. The individual discounting cannot be seen as independent from the time spending. For retirement the time spending is very long compared to other investments.

The last step of my model developed from the homo oeconomicus is the homo oeconomicus institutionalis by imbedding institutional frames. That is because individual behaviour is fundamentally affected by institutions. A deviation of a historically locked-in path is really difficult due to uncertainties; 'we have always done it this way so we continue doing it like that right now'. Institutions can influence individual actions in two ways:

- Direct influence by the implementation of rules
- Indirect influence because of voluntary compliance to rules (as a result of a learning process)

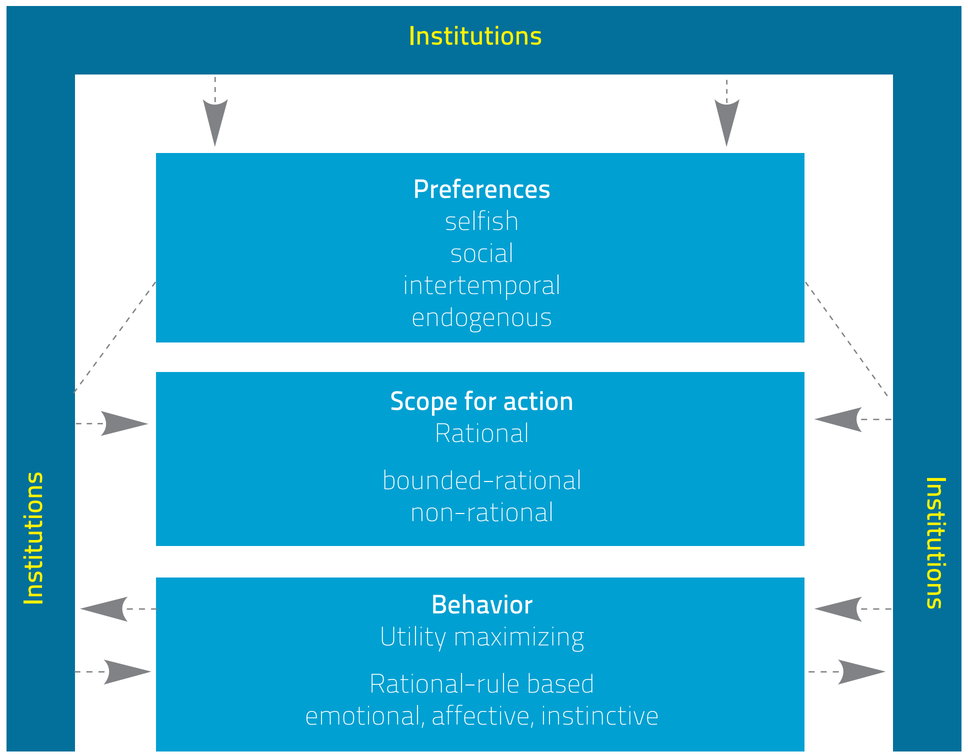
In the following, I will only present to you the results of the German case, but its system looks a lot like other countries in Europe. In the beginning of the century there was only the obligatory statutory insurance in Germany, followed by the introduction of privately funded schemes. The behaviour of the people is still confined to the old path. It is pretty difficult to change the behaviour just by a few letters or information campaigns. The old pension system was a paternalistic system; people did not have to make choices. Now they have to choose to maintain their standard of living. There is no single solution that works for all the countries. There is not only the technical issue, but there are also the socio-cultural differences at play.

Now I would like to translate this theoretical framework into policy recommendations. The goal behind all those information campaigns and policy work is to optimize existing information on pension provision. For most countries the number of privately funded contracts has to be increased to reduce the coverage gaps. The question is not whether this information is useful to the people. What really matters is if it changes the saving behaviour.

Coordinated comprehensive multi-pillar information is needed, whatever it looks like: an envelope, a website or other media. We also need to use simple language and we should try to explain socio-economic developments and ageing problems. To the question if there are too many options there are two answers: financial education and the idea of 'libertarian paternalism'. Libertarian paternalism reduces the number of choices by presenting for instance only 5 choices out of 4000. With fewer choices people are more open to choose, since their transaction costs are lower. Another idea coming over from the US is the opt-out versus opt-in defaults. It means that if you start working you are per se enrolled in one of the occupational pension systems. You have to opt out, which takes some time. US findings show us that there are a lot more people in opt-out programs than there are in opt-in ones. So, we can make use of the people's inactivity to increase the number of saving contracts. In voluntary systems people have a choice or they can choose not to choose and to stay inactive. They are free to save or not to save.

A field of future research is to see how we can influence people to save more, to inform them more and increase the saving rates. Further research is necessary concerning the communication on pension rights and it has to be more theory-driven - instead of trying something and thinking that it works by coincidence. At the end of the day a lot of things are said and done but I think that there are a lot more things said than done.

Behavioral economic analysis: The Homo oeconomicus institionalis



COUNTRY ANALYSIS

In this chapter of the report the pension schemes of eight European member states are briefly presented. Those introductory notes to each national pension scheme are necessary for a proper understanding of the pension communication in those countries. This communication is evaluated for each country on the basis of a presentation given at the colloquium by a representative of each member state

Denmark

Introduction to the Danish pension system

The Danish pension system is a three-tier system. Compared to the pension systems of most other EU countries, the second tier with obligatory DC fully funded multi-employer and single-employer occupational pension schemes weighs heavily and will do so to an increasing extent as the second tierreaches maturity in 20 to 30 years. The first tier consists of the statutory old age pension ('Folkepension') and ATP (The labour Market Supplementary Pension Scheme). The second tier consists of occupational pension schemes overwhelmingly DC, but with a small and diminishing element of DB schemes. The third tier consists of individual DC schemes.

Qualifying conditions

The normal statutory pension age is 65 but will increase to 67 during the period 2024-2027 by 6 months each year as a result of the so-called 'Welfare Reform' from 2006. A full state old-age pension requires 40 years' residence. Shorter periods qualify for a prorated benefit (subject to a minimum of three years' residence).

ATP - introduced in 1964 - is a defined contribution funded scheme. Initially, it only gained rights for employees. Later this pension was expanded to persons who are on parental leave, unemployed people and people who are sick. The ATP is also optional for some categories of people like the self-employed. Entitlement age for ATP follows the 'Folkepension' and is presently 65.

The assumed retirement age for occupational schemes typically follows the 'Folkepension', but in practice people often retire earlier. Tax regulations prevent retirement earlier than 60.

There is no statutory obligation for employers to offer an occupational pension scheme to their employees. However, occupational schemes cover more than 80 percent of the workforce. Most are multi-employer pension schemes based on collective agreements and managed by pension funds, but single-employer schemes managed by life insurance companies are also common. Occupational pension schemes are obligatory for employees - i.e. there is no opting out.

Benefit calculation

The Danish statutory old age PAYG pension system financed by taxes consists of two elements. On the one hand, there is a universal basic pension, which amounts to €10, 000 a year, and a supplementary statutory pension. This supplementary pension is means- tested. This way, a private pension income and other income is offset against the supplementary state pension scheme. In addition, there may be a whole range of special supplements paid out by municipalities.

A full ATP benefit is presently about € 3,000 a year. ATP has an important social function, which is not fulfilled by the occupational private schemes due to their employment-related nature. In fact, people on maternity leave or recipients of unemployment benefits see their contributions to occupational pension schemes discontinued. To compensate for that, the ATP contribution is doubled with respect to the parental or unemployment benefit. Parental benefits are granted for up to 52 weeks in total. During this period, beneficiaries pay 1/3 of the contribution, while 2/3 are paid by the respective municipality. The government pays 2/3 of the contributions when unemployment insurance is exhausted and the individual is still unemployed.

The ATP consists of employer (2/3) and employee contributions (1/3). From 2010 employers must pay ATP contributions for employees even if one defers retirement. Before 2010, contributions were not compulsory after the statutory retirement age. Contributions to ATP are not income related but calculated according to working hours. The contribution is adjusted by the social partners.

Entitlements in DC occupational pension schemes are earned according to the employment history of the individual and the level of contributions. Contributions are paid by employers (2/3) and employees (1/3). Total contribution levels vary between 12 per cent and 20 per cent of salary.

Evaluation of the Danish communication on pension rights

Leif Kvistgaard started his career as a training and education manager at the Danish Savings Bank Association. After 7 years he became deputy managing director at ATP (Labour Market Supplementary Scheme). He is currently active as a managing consultant at PensionsInfo for the Danish Insurance Association.

The insured persons can find information about their pension on PensionsInfo, an online tool on the website www.pensionsinfo.dk. This internet service, which was originally launched in 1999 and relaunched in 2007, wants to reduce the information costs of individuals and their counsellors when they evaluate the appropriateness of their pension entitlements and coverage in case of death and disability. Working with hypotheses, they can consider the consequences of different retirement decisions. This will enable them to make informed choices. This website, and thus the information, is available 24/7, 365 days a year. It provides a high level of data protection and aims to standardise and consolidate information on individual pension rights. The information on the website is provided for by the user's pension providers. PensionsInfo does not want to be a marketplace. So, it does not offer a platform for comparison and benchmarking of pension providers and their products.

The website is run by a private non-profit association. The financing comes from pension providers. They provide an annual budget of 1.5 million euros. The state does not fund the website and it is not based on legislation. It is, however, endorsed by the government, who has representatives in the board of directors. The website has 175 members. Almost every pension provider is a member of this project. This ranges from pension funds, life insurance companies, banks, the labour market supplementary pension scheme and the state. County and municipal defined benefit pension schemes for civil servants and some private defined benefit pension schemes fall outside PensionsInfo.

One of the main goals of PensionsInfo is standardisation and consolidation. They try to reach this by delivering the data based on a fixed data format. In the presentation of the data, the user interface, standardised terminology, texts, tables and graphs are used. For the benefit forecasts, common assumptions about interest rate, return on investments and inflation are used. The use of probabilities is being discussed, but has not yet been implemented.

To support standardisation, branding is forbidden. The message conveyed to the pension providers is: 'One size fits all'. The information provided to PensionsInfo is delivered to the insured persons 'as is'. The only change made, is the consolidation in benefits and entitlements in tables and graphs.

Another basic aim is simplification. In order to reach this goal, the presentation of the data is based on a philosophy of 'layered information'. PensionsInfo provides information in three layers. The first layer shows highlights, very important points. The rest of the information is organised in subsidiary or lower levels.

The first layer gives a comprehensive overview of all the benefits. The figures shown in the table are consolidated figures, combining the information provided by all the pension providers. Retirement benefits are shown at different retirement ages, from 60 to 65 years old. A distinction is made between lump sum, phased withdrawals and lifelong annuities. Apart from the retirement benefits, information is also given about disability benefits, survivors' benefits and private health insurance, for coverage in case of critical illness

and in case of personal accident. This way, the insured persons get an overview of their total retirement income.

The second layer gives an overview of each kind of benefit. This shows the sources of the consolidated figures. Here, the differences between the pension contracts and the pension providers become clear. This layer shows the names of the pension providers, the policy numbers and supplementary information. For example the age of earliest pay-out, the duration of phased withdrawal of benefits. Information on taxation is also given. The insured persons can see whether the income is tax exempt, taxed as a normal income or as a pension. All this information is also presented in graphs. The insured persons can see the flow of their pension income at different retirement ages.

The third layer shows all the information received on a particular benefit. For a pension benefit, benefit forecasts are made for different ages of retirement. Information is given on the taxation, the type of pension, whether it is occupational or private, and the premiums that are assumed to be paid. Finally contact information is shown.

If the insured person asks for it, all the information collected in PensionsInfo, is printed in a report. They can choose between a short and a long version.

PensionsInfo is a big success because the pension providers are very willing to provide information. They do this because of the possibility to embed PensionsInfo in their own website and the possibility to receive data for counselling. That way, their clients can access PensionsInfo from their website. In addition, PensionsInfo can be adapted to the graphic design of the pension providers' own website. The pension providers cannot access consolidated data, unless the insured person indicates, on the embedded website, that the information can be sent to the pension provider. That way, pension counselling is easier and more cost-effective.

The bulk of the insured persons access PensionsInfo trough the website of a pension provider. Less than a fourth of the access comes from search engines or referrers. Research shows that the number of unique users has grown with 25 to 30%. In 2010, they expect to reach 500,000 unique users. The graph of the proportion of the population with logons according to age and gender not only shows that interest rises when the retirement age approaches, but also that the interest rises sharply at the age of approximately 25 years old. That category has, presumably, a higher interest in risks, because they get married, buy a house and have kids. There is also a gender difference. Men are more interested than women. Other numbers show a rise in interest when the contributions increase. There is also a link between education and interest in pensions. The higher the education, the higher the interest in pensions. There is a small deviation for the short academic education. The interest for this category is a bit lower than expected. This can be explained by the gender difference. This category consists largely of women. Nurses, physiotherapists, ... are short academic degrees in Denmark.

A number of issues arise with information, namely transparency, simplification, standardisation and consolidation. Transparency, with the respect of the cost of having a pension scheme, is very important. This generates lots of interest, at least among journalists and consumer organisations.

In Denmark there is no shortage of information on pensions. On the contrary, it is often said that there is too much information available and that it is too complicated for the individual to understand. Therefore, simplification of the information is important. PensionsInfo wants to reach this by targeting and layering the information.

On the pension market, the same type of product can have different names. This makes it difficult for the insured persons to compare products and providers. Therefore, PensionsInfo uses standardised terminology. In Denmark, people can attain pension income from different sources. A typical Dane can have pension income from five different sources. This raises questions: what is the total amount of income? Do I get is as a lump sum? Is it a lifelong income?...

PensionsInfo seeks to increase the amount of logons. They want to decrease the differences due to educational background, income and gender. It might be argued, that at this moment, particularly the people who need it the least, find their way to PensionsInfo. However, the skewedness in the use of PensionsInfo attributable to gender, education and income (though not to age) is gradually being reduced.
PensionsInfo conducts yearly online questionnaires to measure the satisfaction of the users. Here again, particularly persons with high income and education are reached. PensionsInfo wants to move from testing the satisfaction to testing for the effects on the users' financial literacy and behaviour. Apart from this, PensionsInfo is going to make adjustments and changes as necessary.

The Netherlands

Introduction to the Dutch pension system

The Dutch pension system has two main tiers and a third smaller tier (private savings for retirement), consisting of a flat-rate public scheme (called AOW) and an earnings-related occupational scheme.

Qualifying conditions

The basic statutory pension (AOW) is payable from age 65. It is not required that one leaves the labour market when claiming the pension.

The normal retirement age is also typically 65 in occupational schemes. There is no statutory obligation for employers to offer an occupational pension scheme to their employees. However due to industrial relations agreements approximately 90 percent of all employees are covered. Often the participation in these schemes is obligatory for all the employees of that branch of industry, the public-sector employees including civil servants or for all self-employed persons of the same profession. Members of a profession may establish profession-wide pension schemes that are implemented through professionwide pension funds. The Minister of Social Affairs and Employment may make participation in a profession-wide pension scheme mandatory for the profession as a whole upon request of an organization or organizations representing the majority of the profession concerned.

The majority of the occupational pensions are defined-benefit schemes. Of those, approximately two-thirds use an average salary measure of earnings in the benefit formula, while the rest use a final salary measure. There is no ceiling to pensionable earnings.

Benefit calculation

Taken together, the national old age pension (AOW) and the occupational pension is idealtypically supposed to amount to approximately 70% of the last earned professional occupational income, but in most cases it is much less.

The amount of the national old age pension (AOW) depends on the number of years the beneficiary has been insured. The insurance is based on residence. So the amount of the benefit does not depend on any former income or on contributions paid in the past. One is entitled to a full pension after being insured for 50 years. This means 50 years of residence in the Netherlands. Every year less means a pension reduction of 2%. The AOW benefit is a flat-rated one based on the net statutory minimum wage. So also housewives who have never paid contributions are entitled to an AOW benefit when they reach the age of 65.

The pension amount also depends of the status of the pensioner. If he is married or living together, and has an insurance history of 50 years, he receives 50% of the net minimum wage, 70% when he is single, while single parents with a child under 18 receive 90%. A married or cohabiting pensioner receives a supplement when his partner is under 65. This supplement is also 50% of the minimum wage, but may be reduced depending on the income of the partner.

The old age pension entitlement of people who have been insured for less than 50 years is reduced proportionately. People who have not acquired the full AOW pension rights may be entitled to supplementary national assistance. There is a separate national assistance standard for persons with a reduced AOW pension and below a certain minimum income, enabling them to receive as much as people with a full AOW pension. The Social Insurance Bank decides whether a person is entitled to this additional allowance.

The occupational pension serves to supplement the flat rated AOW benefit. As a member in the occupational pension scheme, a person accrues entitlements to a retirement pension, partner's pension and orphan's pension, and the person is usually insured for a disability pension which supplements the public disability benefit. The employer usually pays the major part of the contribution for the occupational pension. The employer has to deduct pension contributions from the salary and transfer these contributions to a pension provider.

It was a major political issue to increase the transparency of occupational pension providers in the wake of the financial crisis. First, each fund has to provide members with an annual statement on assets, investment strategy, and accrual rates. Second, the regulator's solvency rules toughened substantially. Funding requirements are stringent. There is a solvency test and minimum funding test. Furthermore pension funds, which are underfunded, have to produce very clear recovery schemes to the Dutch Central Bank. Thirdly, the fund has to tell what kind of policy they have for indexation, and what the fund's ambition is to keep up with inflation. And if they do not have the ambition to keep up with inflation, the people are at least informed about this.

Evaluation of the Dutch communication on pension rights

Mrs. Marjolein Quené is historian and holds a MBA. After coordinating a peace research program and working some years abroad she became a policy advisor at the European Parliament. She worked several years as manager in the energysector. At this moment she is strategic advisor at the Social Insurance Bank as well as a member of the Board at the Pension Register Foundation.

The statutory pension is an old age state pension. And there is no legal obligation to provide information about this pension, but nevertheless information is provided on an annual basis. The SVB sends this annual statement every January or February, showing the total amount of the AOW pension that one received during the past year, as well as any deductions made for tax and national insurance contributions. Together with the annual statement, the beneficiary receives a statement of the monthly pension for January and SVB's magazine. Additionally, the insured can view their annual statement online during the first week of January.

If someone becomes 64,5 years old, the Dutch SVB sends him or her a form, so he/she can apply for a pensionIt is now possible for citizens to get a pension record on request, before they are 64 and half years old. So, if you are 40 years old and you want to know whether you have accrued a certain right to a state's pension, you can ask the SVB for this statement.

IIn the Netherlands the occupational pensions are very important for social protection.
- But it is difficult to understand for citizens whether the employer or the state is responsible.People joining an occupational pension scheme, must have been adequately informed about the contents as well as the implementation of the occupational pension scheme. When someone starts a job, the employer has to see to it that the pension provider will send an introductory letter within three months. The employee must be informed by the pension provider about the development of pension entitlements. This information must also show whether the pension scheme qualifies as a DB agreement, a DC agreement or a capital agreement. The implementation agreement to be formed must also include the information provided by the employer to the pension provider. The documents must be clear and understandabe and explain the objectives of the pension fund and the rights of the scheme's members and beneficiaries. Changes in those objectives or rights must be reported to the employees in a timely manner.

In order to do so the UPO or uniform pensioenoverzicht (uniform pension overview) was created. The UPO reflects the ambition of an integrated pension vision. An UPO is sent annually to all participants and every five years to every former participant.

The occupational pensions sector will also introduce a pension website portal from 2011 onwards (www.mijnpensioenoverzicht.nl). With the introduction of this pension portal, people will be able to view their accrued pension rights online, including the benefit under the General Old Age Pensions Act (AOW). It is a real pension register for which the Dutch have looked at the Danish example. The register is not a database, it is an index, like Google. When you Google in, your data will be collected from the different pension funds where you have been insured during your career. The register gives the figures in Euros. A figure which is theoretically possible if the circumstances you are in at that moment remain the same. The register gives the accrued rights so far but there are also warnings given by the register:

- your pensions can be higher or lower, because your salary can change;
- a divorce can change things;
- we know one pension fund has not delivered the data, so because of this it can be changed;
- a survivors pension is only at risk basis etc...

The Dutch government supports the project of this Pensioenregister foundation, in which the main stakeholders of the pension sector are participating. The aim of the foundation is thus to provide a complete statement for the statutory pensions and the occupational pensions.

From the citizen's perspective, there has been some research in the Netherlands, and when it comes to pension awareness, the situation is considered troublesome. About 12% of the employees say that they are pension aware and 66% of the employees say they really do not know anything. So, from the citizen's perspective, Marjolein Quené thinks there still is a lot to do. In a system with different responsabilities for the state, employers and employees, transparency is paramount. Citizens need to understand who is responsible for what. Because citizens have no choice in the statutory or occupational pensions, they think they are protected. But very often they are not aware of the risks and the duties they have to perform by themselves.

Poland

Introduction to the Polish pension system

Poland has introduced major reforms of its national pension system in 1999. Currently, the statutory pension system consists of two elements:

- a pay-as-you-go, notional defined contribution (NDC) scheme and
- a fully-funded defined contribution (DC) scheme in open-ended investment funds.

The first is ruled by the Polish social insurance institution (the Zakład Ubezpieczen Społecznych) and the second one is managed by independent private companies under supervision of the state. The management of the two systems is thus divided over a public institution and private companies. The information however, is centralized at the Social Insurance Institution. Furthermore retirement insurance in Poland can be of mandatory or voluntary character.

Pension reform introduced on 1 January 1999 consisted in changes in the areas of :

- financing pensions: changes in the conditions of financing pensions aimed at substituting previous pay-as-you go system with a mixture of PAYG and capital-investment system.
- conditions for acquiring rights for retirement;
- rules for pension calculation.

Next to the statutory pension the Polish pension system knows two occupational pension systems. The first consists of supplementary occupational pension schemes called the Employee Pension Schemes. Those schemes are obligatory and DC. The second scheme is also DC but voluntary and only available since 2004. Both types are fully funded.

Qualifying Conditions

The qualifying conditions vary in Poland and depend mainly on the birthday. People that were 50 of age or older at the time of the reform in 1999 remain in the old system. People under 30 at the time of the reform had to participate in the funded scheme. People aged 30 50 could choose between the old or the new system, but the choice had to be made in 1999 and was irrevocable.

The minimum pension age in the new system is 65 for men and 60 for women. For the minimum pension, 25 and 20 years of contributions are required from men and women, respectively.

Benefit Calculation

Since 1 January 2009 two parallel formulas are applied for pension calculation. For those born before 1 January 1949 the pension is calculated according to defined benefit formula. For those born after 31 December 1948 the pension is calculated according to defined contribution formula. Some percentage points of the total contribution are diverted to the funded scheme for those compulsorily covered or voluntarily choosing this option. At retirement, the accumulated capital must be converted to an annuity (price indexed).

Benefits of occupational pensions can be claimed as a lump sum or in monthly installments. Employee pension schemes are based on arrangements with investment funds, insurance companies, individual company pension funds or foreign financial services providers. Occupational pension schemes in Poland are organized exclusively on a defined contribution basis.

Evaluation of the Polish communication on pension rights

Born in 1970 in Warsaw Miss Wardecka followed a Master of Arts at the Stefan Wyszynski Warsaw University specializing in ecology and human bioethic. She started working at ZUS in 1999 and has been at the head of Customer Service Department since 2005.

After the reform in 1999, the new statutory pension system consists of two elements (supra). The first element is a pay-as-you-go, notional defined contributions scheme and is managed by the Polish Social Insurance Institution. The second element is a fully-funded defined contribution scheme and is managed by independent private companies.

Although the management is thus divided over a public institution and private companies it is important to know that the information streams are centralized by the Social Insurance Institution. At the Social Insurance Institution, individual accounts of the insured persons are held. These contain information on both pension systems.

The form, which is sent to the insured persons, contains lots of information. It shows:

- the indexed old-age pension contributions that are made for the PAYG NDC scheme;
- the amount of contributions made to fully funded DC scheme;
- an overview of those contributions for the last 12 months;
- the contributions that are still due in the fully funded DC scheme;
- the indexed initial capital;
- the amount of hypothetical old age pension. This hypothetical old age pension is calculated by adding up the indexed initial

  capital and indexed pension contributions, divided by the average life expectancy.

All this information is bundled in a document that is sent to insured persons who are born after the 31st of December 1949. This however, only if they have reached a certain age. From the year they turn 35, they receive information on the amount that would be granted on reaching the retirement age. Currently the retirement age is set at 60 years for women and 65 years for men. From five years before reaching the retirement age, the insured person receives additional information. From this point on, they are informed of the amount they would receive if they exceed the entrance age with one, two, three, four or five years. This way the insured person can make an informed decision about the pro and cons of working longer.

Additionally to the sent document, the Social Insurance Institution provides an online tool on their website. Here, the insured person can forecast his old-age pension. This forecast tool takes different data in account. The insured person can enter in different hypotheses and information and see what the effect is on his old-age pension. The data the insured person can insert are:

- whether or not he is a member of an open pension fund,
- the amount of indexed pension contributions,
- the amount of indexed initial capital,
- the age on which the insured person wishes to retire,
- the percentage of expected salary in the future,
- the gender of the insured person and
- the year of the last report.

The Social Insurance Institution wants to achieve two basic and two additional aims by providing the insured persons with information. The two basic aims consist of presenting the data that has been recorded on the individual accounts and enabling the insured persons to verify all the gathered data, contributions and personal details. The additional aims consist of enabling the insured persons to make an informed decision about working longer and deciding if they, alternatively, want to undertake additional old-age provisions.

The reform has also introduced two options for voluntary pension provisions. The first option consists of supplementary occupational pension schemes. This is referred to as 'Employee Pension Schemes'. The second option consists of making individual contributions to individual savings schemes. This is referred to as 'Individual Retirement Accounts'. Both options are defined contribution schemes and are fully funded. The Social Insurance Institution does not provide information on these individual pensions. The requirements for disclosure of information to the 'Employee Pension Schemes'-members are established by collective agreement.

Sweden

Introduction to the Swedish pension system

Sweden has a universal, social insurance system (old system), a universal, notional defined contribution system (NDC - new system), and mandatory individual accounts system or premium pension (MIAS - new system). Furthermore there is a guarantee pension scheme that covers all persons residing in Sweden (irrespective of the old and new system).

Qualifying conditions

TThe three systems (old system - NDC/ new system - MIAS/new system) have various qualifying conditions. The old system is an earnings-related pension covering all employed and self-employed persons born in 1937 or earlier and earning more than a certain amount a year. There is a gradual transition from the old to the new system for persons born between 1938 and 1953. The new system is also earnings-related pension (new system) and covers all employed and self-employed persons born in 1954 or later who are earning more than a certain amount a year. This Swedish state pension is thus an income based old-age pension. 18,5% of one's income, with a maximum ceiling of approximately 36.000 euro per year, is paid as contribution to the state pension. The largest part of this contribution goes to the income pension. This is the new pay-as-you-go, notional defined contribution scheme. The rest of the contribution is deposited in an individual premium pension account, which accrues interest. This is the funded part of the state pension. The insured person can choose the funds in which this part of the contribution is invested.

As a supplement to the State pension, approximately 90% of the workforce has an occupational pension. Employers' organisations and trade unions can set up an occupational pension by nation-wide collectively negotiated agreements. This pension is paid for by the employer. It is viewed as a postponed salary. Common to the different agreements that foresee such an occupational pension, is that the employees choose the insurance company where the pension funds are to be placed. They can also decide the type of fund in which is invested.

The pensionable age is 65 with at least three years of coverage in the old system of earnings-related old-age pension whereby a full pension requires at least 30 years of coverage. An early pension is possible from the age of 61 but then a reduction follows. The pension may also be deferred until age 70. In the new earnings-related old-age pension system the retirement age is flexible, beginning at age 61. The pension is based on lifetime earnings reported to the system. The insured must have years with annual earnings in excess of a certain amount.

Benefit calculation

The basic and most important system of pension provision is the state social insurance which is compulsory for the entire population. The two different systems (both old and new system) will be operating side by side for a long time to come.

In the old earnings-related old-age pension the pension is 60% of the insured's average income above a certain wage in the 15 best years of income. Income in years in which earnings were below a certain wage is compensated at 96% for an unmarried pensioner; 78.5% for a married pensioner. This means that the average income level used to calculate benefits varies from year to year. The pension is reduced proportionately for periods of coverage of less than 30 years. In case of an early pension the pension is permanently reduced by 0.5% for each month the pension is taken before age 65. In case of a deferred pension then the pension is permanently increased by 0.7% for each month that the pension is deferred from age 65 to age 70. All benefits are adjusted annually according to changes in wages.

In the new earnings-related old-age pension the pension is mainly based on notional accounts. This NDC pension is based on an annual index of trends in average wages (other social insurance benefits are counted as earnings), an annuity factor depending on average life expectancy at the time of retirement for the appropriate age cohort (based on the most recent 5-year average of unisex life expectancy projections), and the expected increase of average wages in future years (1.6%). Thus the amount of the pension will be related to national economic growth. The growth norm is 1.6 percentage points. Specific for the new system is that on retirement, the annual Income pension is calculated by dividing the total pension balance by a figure, the annuitisation divisor, which chiefly reflects the average remaining life expectancy in the respective annual cohort. When average life expectancy increases, the annuitisation divisor increases as well. This simply means the longer people live, the lower annual pension they receive since the pension is paid over a greater number of years. The pension for those who draw their pension before reaching 65 is calculated according to a preliminary annuitisation divisor. The final annuitisation divisor for a cohort is determined at the age of 65. National pension for those who retire early is recalculated when they reach 65, applying the final divisor. The pensions provided for under the new system are financed from a contribution of 18.5% of earnings which count towards entitlement. The contribution

with respect to an employee is paid in by the employer, but the intention is that employee and employer will each bear half of the cost. All benefits are adjusted annually according to changes in wages.

The (new) MIAS are DC and thus based on contributions plus net returns. The capital is converted into an individual, joint, fixed, or variable annuity. Those benefits are also adjusted annually according to changes in wages.

Evaluation of the Swedish communication on pension rights

Born in 1968 mister Johan Sjöström obtained a Bsc in Business Administration at the University of Ronneby (Uppsala). After holding positions as Product Manager and Business Development Manager at the Folksam Insurance Group he became Head of Marketing and Communication at KPA Pension (2001) where he is currently working.

In Sweden every insured person receives an orange envelope with information about the state pension (NDC and MIA). The orange envelopes were introduced in 1999. They are distributed between January and March. Each year, approximately 6,2 million people receive such an orange envelope. This is almost two-third of the total population of 9,3 million. The orange envelope is sent to citizens born in 1938 and later, if their pensionable income exceeds 1.843 EUR. As a result, a lot of young adults also receive the orange envelope.

The orange envelope contains five pages of information concerning the state pension. The first page contains information about the insured persons savings for the national public pension. Here, the insured person can see his credited contributions, based on the most recently confirmed income tax declaration. So, in the orange envelope of 2010, the most recently confirmed income tax declaration is this of 2008. Second, the total value of savings up to date is shown. For the envelope of 2010, the value will be shown up to the 31st of December 2009. Further, the first page displays a pension forecast from the age of 65. On the bottom of the page there is an incentive to postpone retirement. For each year the person decides to postpone his retirement, the national public pension can be up to 10% higher.

The second page gives more information on the pension credits. A distinction is made between the income pension (NDC) and the premium pension (MIA). The basis for the calculation of the pension credits is also explained. From the pension basis, 16 % goes to the credit for the income pension and 2,5% goes to the credit for the premium pension. Those contributions are the credits for that year.

The third page gives a pension account statement. It shows how the accounts have changed during the past year and since the start. Here again, a distinction is made between the income pension (NDC) and the premium pension (MIA).

The fourth page gives a detailed description of the development of the premium pension funds. By looking at the change of value in percentages, the person can compare his investment to the investment of the average participant. Based on this, the person can consider changing from one investment fund to another.

The last page gives pension forecasts for different hypotheses. The official retirement age is 65, but a person can retire from the age of 61. A forecast is given for the age of 61, 65 and 70 years old. Besides the difference in age, there is also a difference in growth percentage made. In one hypothesis the forecast is based on 2% growth in salaries in Sweden, 2% growth of the individual salary and an annual growth for the premium pension funds of 5,5%. The other hypothesis is based on 0% growth in salaries and prices and an annual growth of 3,5% for the premium pension funds. The forecasts give the person an idea of the projected monthly pension. This is calculated by dividing the projected pension capital, which consists of the income pension and the premium pension, at the different ages, by the projected average life expectancy at the different ages.
The hypothesis of 2% annual increase in salary is considered too complicated to understand for the individual. For this reason, this hypothesis will no longer be included in the orange envelope in 2012. Only the hypothesis of 0% growth will be shown, with a distinction between the age of 61, 65 and 70 years old.

The orange envelope only offers information on the state pension (NDC and MIA). The yearly statements and projections of the occupational pensions are provided in a green envelope.

Aside from the orange and green envelope, there is an online tool, www.minpension.se, which provides information on all pension forms: state, occupational and individual. It was implemented in 2004 and is a joint initiative of the state and the insurance companies. In 2010 the website reached 1,1 million users. With this tool individual forecasts are possible, including all pension schemes. This way, a person can see what effect parental leave, for example, has on his pension.

At this moment, it is only possible to get an overall overview of all pensions on the website. This is considered to be a disadvantage. Therefore, an aim for the future in Sweden is to provide an overview and a total amount of the different sources of pensions. This aim can possibly be reached by including all pensions in the orange envelope. Life insurance companies in Sweden are not very enthusiastic about providing information on the website. They consider that the website does not contribute extra value. Therefore, a debate is ongoing concerning the quality of the provided data. So, for a further development of the website, the aim is to put political pressure on the life insurance companies and other pension institutions to force them to provide a higher level of quality in the data sent to the website.

Every year, a survey is made about the perceived knowledge of the state pension, the growing confidence in the state pension and how many people open the envelope and read the content. After growing for several years, the perceived knowledge reduced in 2010. The reason for this is that, for the first time, pensions were reduced in 2010 due to the financial crisis in 2008. The other years the perceived knowledge grew, just like the confidence in the state pension. The survey shows that almost everyone who receives the envelope will open it. The number of people also reading its content differs according to the age. The higher their age, the more people actually read the information. The results of the survey also show that the perceived credibility of the pension projection in the orange envelope is increasing.

Belgium

Introduction to the Belgian pension system

The statutory pension in Belgium contains three major schemes: one for employees, one for self-employed, and one for civil servants. The system for employees in the private sector and self-employed is a pay-as-you-go system based on contributions and financial coverage by the federal government. For civil servants, the government pays the pension. Private sector employees and self-employed workers enjoy an average salary defined benefit pension scheme. The self-employed workers receive, on average, a lower pension than the private sector employees.

The statutory pension of an employee and a self-employed person is often topped up by an occupational pension. Because the civil servants enjoy a high old-age pension, they have practically no access to occupational pensions provided by the public employer. Occupational pensions are private and voluntary. The private sector employees can enjoy from occupational pension schemes which are organised by their own company or industry-wide. The self-employed workers can, themselves, take on individual savings contracts or enjoy company-sponsored arrangements for self-employed managers.

The occupational pension can be a defined benefit scheme or a defined contribution scheme, but then there has to be a minimum guarantee. The investment risk must lay with the employer or the pension institution.

Qualifying Conditions

The normal pensionable age for men and woman is 65 years but the statutory pension may be claimed at the age 60 with 35 years of contributions. In this last case the pension will be calculated on a shorter period of years. For some categories of workers there are exceptions on the normal pensionable age (miners, seamen).

For occupational pensions the normal pensionable age for men and woman is 60 years (with an exception for professional sportsmen at 35). Occupational company pension schemes cover all or specific categories of company employees. In the case of sectoral pension schemes, the terms of coverage are laid down in the collective bargaining agreement. Employers in the sector concerned must join the scheme unless the agreement allows them to opt out. Those who do opt out must put in place a scheme providing benefits at least equal to those of the sectoral scheme.

Benefit Calculation

The statutory pensions are earnings related. For employees and self-employed it is an average wage scheme. The earnings measure is thus average lifetime pay. For civil servants it is a last (five) years scheme. For employees and self-employed the schemes are contributory and for shorter contribution histories, the pension will be proportionally reduced. Earlier years earnings are revalued in line with prices. The replacement rate of a married pensioner is 75 %, if the partner does not receive a pension or a compensation for illness, invalidity, unemployment, ... (family pension) .

Defined benefit (DB) schemes are the main dominant occupational pension schemes in total assets. However, defined contribution (DC) schemes are becoming increasingly popular and most new schemes are DC. Since 2004 defined contribution schemes are required to provide an annual minimum return of 3.75 % on employees' contributions and 3.25 % on employers' contributions. The vast majority of sectoral pension schemes are of the DC type, with the total contribution rate varying from 0.6 % to 4.2 %. They are funded exclusively by employer contributions. The standard benefit payout practice is the lump sum, though it can take the form of annuities.

Evaluation of the Belgian communication on pension rights

Mister Henk Becquaert started his career at the Federal Planning Bureau researching public finances and the impact of population ageing on pension systems. After working for subsequent Ministers of Social Affairs, Work and Pensions he became a special representative for supplementary pensions at the CBFA (current FMSA). In the meantime he has become member of the Management Committee.

The Belgian pension system is a patchwork of measures and schemes, with very few linkages between the different systems. This makes it difficult for a person to know exactly how much pension income he will receive. In addition, research shows that people always overestimate their pension. Those problems, combined with the discussion on the ageing of the population and the sustainability of the pension system, led to the Inter-generational pact" in 2005. The general objective of this pact is to provide integrated information on individual pension rights. This upon request as well as automatically. The information would include both statutory and supplementary pensions.

Concerning the statutory pensions, the pact's objective was to send an automatic report at the age of 55, which consists of a career overview and a pension estimate. From the age of 55, this report is send upon request, with a maximum of one every two years. Apart from that, there had to be an integrated and online accessible career dossier. That would render it possible, even for people with a mixed career, to consult a complete career overview and get an overall estimate on all pension schemes (statutory and occupational). There has been important progress within the various systems of the statutory pensions. However, integrated information is still not possible. This both within systems as between systems. For the self-employed workers and the civil servants, there is no career database yet. They have to piece together their career and pension. People with a mixed career still can not obtain integrated information either. With an online simulation tool, www.kenuwpensioen.be, they can simulate their pension, but they have to enter all the data themselves.

Currently, the private sector employees get an automatic pension estimate and career overview at the age of 55 and thereafter upon request. They can, however, also consult their online pension dossier at www.mypension.be. Here, they can consult a career overview and their acquired pension rights at any age. MyPension does not make estimates, it only gives overviews. Self-employed workers receive an automatic pension estimate and a career overview at the age of 55. From this age on, they receive this information upon request. A career database is in creation. For now, the civil servants can only get information upon request after the age of 55. For civil servants all the information is still managed by a multitude of various public employers and is only transferred to the Public Service Pension Service (PDOS-SdPSP) upon retirement. Currently a career database is being set up for those civil servants. The project is called CAPELO.

For the occupational pensions an annual and automatic benefit statement is sent to the active scheme members and to the deferred beneficiaries (sleepers). This benefit statement informs on the vested rights, the transfer value, the transfer value of the previous year and the financing level. If the member is a self-employed worker, some additional information is provided. The total contributions paid, the profit sharing, the charges and the interest rate are also included in their benefit statement. Upon request, the members of an occupational pension scheme receive an historical pension information sheet. From the age of 45, they receive a pension estimate every five years. This estimate shows the gross pension benefit at retirement. Within a month after resignation, the member must receive an exit sheet" for a possible transfer of acquired rights. This sheet shows the vested rights, the transfer value, the transfer options the member has and whether or not the survivor benefits continue. As from 2010, the benefit statement and the estimate must also be sent upon request. This can be on paper or online. If the information is made available online, the pension institution needs to make sure that the document is opened. Otherwise, it should still be sent in paper.

A major project on pension integration is DB2P (database 2nd pillar). DB2P is a database which centralizes all individual data and pension scheme information for occupational pensions. The first reports are expected in 2011. The organizers can mandate SIGeDIS to take charge of preparing benefit statements. For now, providing integrated information is not an explicit objective of DB2P. The challenges concerning the information on the occupational pensions are to provide comprehensible, pertinent, comparable and integrated information. The information provided must be comprehensible, not only for lawyers and actuaries, but also for the member itself. The information must be pertinent. It must make clear whether there are survivor benefits or not, what the net amount of the pension is," Scheme members must be able to make an informed decision and need to be able to compare types of schemes and pensionproviders (insurers and pensionfunds) on the basis of the provided information. A step forward in achieving this can be found in a recent FSMA communication (January 2011). They have brought out a recommendation to use a uniform cover sheet in plain language (www.fsma.be). This would show the estimate for the complete career, the vested rights, the transfer value and the survivor benefits. The annex can be filled in as preferred by the pension institution, taking the nature of the pension commitment and the type of pension institution into account. The FSMA has the power to impose this, but for now it is not yet obligatory

Finland

Introduction to the Finnish pension system

Finland's two-tier pension system consists of the national state pension, which is income-tested, and a range of statutory earnings   related schemes with similar rules, military injury pensions and pensions based on workers' compensation insurance. The schemes for private-sector employees are partially prefunded, while the public-sector schemes are pay-as-you-go systems, financed with buffer funds. The national pension scheme provides pensions on the basis of residence and in order to guarantee a minimum income. The employment-related schemes provide earnings-related benefits to former wage earners, the self-employed and farmers.

Qualifying conditions

The national income-tested pension covers all persons who have resided in Finland for at least three years after the age of 16. The full benefit can be paid for a person who has resided in Finland 80 per cent of the time between his 16th birthday and the beginning of the pension, with adjustments for shorter periods of residence. The national pension is payable at 65. When a person decides to delay his pension, the pension amount is increased by 0.6 per cent per month after the age of 65.

The national pension may be supplemented by a care allowance and a pensioner's house allowance. It is differentiated according to marital status. The national pension is reduced proportionally if the pensioner has resided in Finland for less than 80 per cent of the time between the ages of 16 and the beginning of the pension. The lump-sum care allowance is granted to compensate for costs arising from home care. Several possibilities also exist to take out a national pension before the age of 65.

The earnings-related pension scheme contains old-age pension, part-time pension and disability pension. The pensionable age is flexible between the ages of 63 and 68. Early old-age pension is paid from the age of 62, with a reduction of 0,6 per cent per month. Part-time pension may be granted to a person between the ages of 58 and 67, whose working hours have been cut and whose earnings have been reduced by 35-70 per cent. The part-time pension amounts to 50 per cent of the lost income.

Earnings-related pensions cover all employees aged 18 to 68, persons caring for a child under the age of three, and students who receive a degree, for study periods up to five years. The earliest possible retirement age is 62. The statutory earnings-related pension insurance is the backbone of the Finnish pension system. It is partially a pay-as-you-go-financed system, but it also includes a funded part. The administration of earnings-related pension schemes is decentralized to pension providers, such as insurance companies and company pension funds. The Ministry of Social Affairs and Health and the Insurance Supervisory Authority supervise them. Earnings-related pension provision is governed by several acts, each covering a certain group of employees, such as private-sector and public-sector employees and the self-employed.

Special qualifying conditions apply for public-sector employees, maritime workers and farmers.

Benefit calculation

The national pension is intended to secure a minimum income for retirees whose earnings-related pension is under a certain minimum level. The national pension provides a flat-rate benefit of up to 20 per cent of the average wages in Finland, with a minimum guaranteed income, reduced by the amount of the earnings-related pension. The number of national pension recipients has declined continuously as the earnings-related scheme has developed.

The earnings-related pension is financed by contributions paid by both employers and employees. The average contribution rate in 2008 was 21.8 per cent. The rate is split

unequally between the employer and the employee.

Occupational pension schemes in Finland are earnings-related schemes based on individual or collective labour-market arrangements and executed by companies, separate pension funds or outsourced financial-sector actors.

Evaluation of the communication on pension rights in Finland

Miss Kati Kalliomäki obtained a Master of Social Sciences and Communication at the University of Helsinki. In the 1990ies she worked as an Information Officer at the Federation of Insurance Companies in Finland before accepting the job of editor at the Finnish Insurance Magazine. As of May 2009 she is responsible for the information policy at The Finnish Centre for Pensions.

Miss Kati Kalliomäki from the Finnish Centre for Pensions explained at the colloquium how Finland tackles the pension communication issue. The Finnish Centre for Pensions informs the public about earnings-related pensions in an easily comprehendable way in Finnish, Swedish and English. To achieve this goal, the Finnish Centre for Pensions offers printed material and electronic services. Furthermore, the Finnish Centre for Pensions publishes the journal Työeläke for professionals in the field. Internet services include the website www.etk.fi, as well as the Internet service www.tyoelake.fi (e-pension record), which provides both general pension information and personal pension advice and services. The websites are in Finnish, Swedish and English. The key message sent by the Finnish pension administration is the following: Check your pension record and contact your pension provider to ensure that your pension data is up-to-date".

In December 2002, an Internet site for the entire earnings-related pension sector, www.tyoelake.fi, was launched to provide a service for all insured. The site contains pages that can be accessed by anyone and pages that require personal identification. The site offers information related to the earnings-related pension scheme and up-to-date information on pensions, as well as a pension application form and a pension calculator. The pages that require personal identification provide a list of the customer's private-sector employments and periods of self-employment. The personal pages also include forms for ordering pension estimates.

As of 2008, all private-sector employees have received a pension record annually. The pension administration has sent a letter to let the individuals choose their preferred channel of communication: on paper or online. After the pension reform and because of the accrual of pensions from annual earnings, the insured receive annually a pension record containing information on the accrued pension provision and an estimate of the pension amount. This increases people's awareness of the level of their pension provision. The pension reform has placed more emphasis on the pension recipients' obligation to check the correctness of their wage data. In 2012, the private and the public sector will send a joint pension record to everyone. From 2013 onwards, the private sector will send a pension record once every three years. The reason for the change from one to three years is the possibility to check the information on pension rights via the Internet. Public-sector employees can view their data on the Internet or receive a pension record by request.

Furthermore, people over 50 years receive a projection of their pension rights, assuming they continue work to different future retirement ages, and the pension rights obtained so far. A personalized pension record can fulfill many information objectives. In addition to providing account information, the record includes information on the Finnish pension system and how it works. Finland has chosen not to provide projections on the pension record to participants under the age of 50, as there is a risk that the inaccuracy of the projections will be misinterpreted and taken as an incentive not to work. The disadvantage is that it may be too late to start thinking about additional savings during the remaining 10-15 years before retirement.
Public opinion and confidence in the Finnish pension system are established with questionnaire surveys every three years. According to the results, more and more people wish to stay in the labour force longer than today. The age considered the best for retirement has risen from 61 years to 63 years. People's wishes concerning the amount of their pension reflect a need for supplementary pension provision. Anticipation of career interruptions and diversity of working careers may also increase the need for voluntary pension provision.

The main question asked by the pension administration is the following: is the pension system too complex?" Based on the answers of the insured people, we can draw the conclusion that many individuals are confused about the changes in the retirement age. Furthermore, people do not understand the missing data (e.g. periods of unemployment and public-sector employments). Based on the answers, we can draw the positive conclusion that individuals appreciate that they can find comprehensive data from their private-sector employments in one joint pension record. The feedback received also shows that the register data which the records are based on contain very few mistakes. As of 2012, the coordination will be complete because both private- and public-sector data will be included on the e-pension record

France

Introduction to the French pension system

France has a two tier system, with an earnings-related public pension and mandatory occupational schemes, based on a points system. The specificity of the French system is that both tiers are pay-as-you-go" systems. The contributions on wages and salaries paid jointly by employees and employers are used to pay the pensions of retired people in both the basic and mandatory occupational schemes. The funded occupational schemes that exist for various groups of people are generally optional and of (very) limited importance.

Qualifying conditions

In France, the retirement age is 65, but retirement is possible from age 60, after a working period of 40 years. Those 40 years are gradually being increased to 41 years (2012). After 2012, eligibility for a full pension should follow increases in life expectancy. According to a law in 2008 one is permitted to retire later, until the age of 70. In some professions, people can retire as early as 55 (public transport) or even 50 (bus or train drivers...). In October 2010, the system was changed and the ages were modified from 60 to 62 (minimum age) and from 65 to 67 (normal age).

Benefit calculation

There are basically two schemes and thus two types of benefit calculation. There is the earnings-related public pension scheme and there are the mandatory occupational schemes.

The earnings related public scheme is based on the number of contribution years (calculated in years and quarter years). Almost all the basic schemes and the special schemes for public sector employees operate in this way.

The mandatory occupational schemes are based on the number of points obtained. In this case, contributions corresponding to a salary fraction are paid annually and transformed into units of account which are credited to an employee's individual account. The amount of the pension at the end of an employee's working life depends on the number of points credited to his account and the value of the point at that time. Almost all the occupational schemes operate in this way. The occupational pension schemes are provided by funds belonging to two federations: for executives, the General Association of Pensions Institutions for Management Staff (AGIRC) and for non-

managerial employees (ARRCO). All schemes, with the exception of the special scheme for civil servants and state military personnel, are managed on an equal basis by employees' and employers' representatives.

The target replacement rate is 50 percent for a full career. The 50% full rate is payable to individuals having a total insurance period of 160 to 164 quarters, aged over 65 or belonging to specific categories. The total period of insurance includes periods of contributions and equivalent periods. For women, an additional 1-8 quarters of entitlement is awarded for each child. For shorter contribution periods, the target is reduced pro rata, with an additional penalty for missing years (or each year the pension is drawn before age 67). The earnings measure is a number of best years, valorized in line with prices.

The ARRCO scheme covers the majority of Private-sector employees. Both schemes are PAYG and contribution rates vary between 6-7.5% for ARRCO and 16-20% for AGIRC. Despite higher contribution rates, benefits are only earned on 6% of earnings under the ceiling of the public scheme. Between one and three times the public-scheme ceiling, benefits are earned on 16% of the salary. ARRCO functions as a canonical pension point system. Hence, for early and deferred retirement, the system is rather flexible. However, reductions are dear. Indexation and valorization of pension points is agreed between the social partners and, until 2008, valorization was to prices and indexation to wages.

Evaluation of the French communication on pension rights

Mrs Franceline Féry has been working at the French Ministry of Social Affairs and in different social protection funds since 1971. Since 1990, she has been involved in expert projects working on the question of electronic exchanges between EU Member States and social security organisations. She is currently the Director for International Affairs at the Insurance Scheme for the Self-employed (RSI - Régime Social des Indépendants), the French social protection system for independent workers and their families.

Mister Jean-Marie Palach started his career as member of the General Inspectorate of Social Affairs in the Welfare and Health Ministry and public administrations, where he has occupied different positions for 20 years, mainly in the field of pension policy. Since 2004 he is director of a new public body GIP Info Retraite - in charge of coordinating the implementation by the mandatory pension schemes of the public policy about pension right information.

The French pension information system was enlightened by Mr. Jean-Marie Palach of - Gip Info Retraite - and Miss Franceline Féry of the 'Régime Social des Indépendants (RSI)'.

To understand the French pension communication system it is important to note that there are various pension institutions managing the statutory pension schemes. There were 36 different institutions active in the statutory pension management (nowadays: 35). This complexity of the French pension system means that an insured person can have 3, 4, 5, 9 or 10 rights with various pension institutions.

Prior to 2007 an insured employee could request a statement of his pension rights from the various pension institutions that managed a pension scheme to which he had contributed. After the request, it was an obligation to send a statement of account in the course of their 57th year. That correspondence was not adequate because when workers recently moved or no longer contributed to the scheme they did not receive the correspondence any longer. But above all, there was no coordination between the various pension schemes concerning information on individuals. An integrated vision was lacking. Concretely, without an integrated pension information system a normal person was just unable to calculate his pension prior to retirement.
Since 2007, the National Old Age Insurance Fund for Employees (CNAVTS) has implemented measures to provide access to information on retirement pensions in accordance with the rights established under Act 2003/775 dated 21 August 2003. CNAVTS is the largest basic French retirement scheme and the difficulty was to ensure that all the 35 other statutory pension schemes in France were included. This meant that basic and supplementary schemes for employees in the private and public sectors and self-employed had to be coordinated. All pension institutions were asked to coordinate their activities within a Public Service Group (Groupement d'Intérêt Public - GIP), the GIP Info Retirement" created for that purpose by the 36 statutory retirement organisms (now 35) in order to ensure respect of these information rights. Thanks to the effort made by the bodies insured people only get one document mentioning their pension rights. An integrated

vision for the statutory schemes was installed.

The aim was to ensure that each person who belongs or has belonged to one or more retirement schemes is provided with regular and fulfilling information. This practice was designed to enable all insured members to receive information on their pension rights in the form of a global estimate for information or a personal statement of account, depending on their year of birth. This information is important because insured people can avoid the loss of pension rights by checking the information on their acquired rights, i.e. on their work histories and by checking possible future rights, i.e. an estimated forecast of future retirement benefits.

Retirement information in France is based on the law of 21 august 2003 and the following application decrees. This law contains three main principles:

- mandatory and systematic information;
- information on all pension rights;
- chronological information.

The pension information is sent in a blue envelop. This blue envelop says 'droit à l' information sur votre retraite' (right to information regarding your pension).

The information provided consists of two papers. One paper is an individual statement and is sent to those aged 35 and then every five years until 55. The other paper is a global estimate and is forwarded to those aged 55, and then every five years until they retire. The global estimate gives insured persons an idea what they can expect on their pensionable age.

The information is sent automatically and systematically, based on the year beneficiaries where born. Before 35 years of age insured people can ask this information at the pension administration.

In the information insured people can find a common section and a specific page for each pension scheme to which they belong. The common part looks like a letter, explaining to the person that he receives the document because he is born a certain year. A telephone number and an email address are mentioned in the letter so that the person can contact the pension institution if required. In the specific part insured people can find their career description of all the pension institutions together so they can look at their future retirement income in a single document.

It also includes a general sheet of information that explains the logic of the pension schemes. In this general sheet the pension administration mentions the rights of the insured people and gives them the possibility to contact the right administration for further information.

In 2010, the French government introduced a law that provides three additional services for insured people. Thanks to this law a general information document will be sent to any new worker. This service aims mainly at young people. Secondly, another service is provided to insured persons from the age of 45. People

from the age of 45 have the right to consult a pension body to obtain information on their future pension rights from that age on. Thirdly insured people will have access to their individual pension online (2012).
The GIP also created the website: www.info-retraite.fr. This website gives general information on pensions. An insured person can also find additional information on his pension rights. The website also contains a simulation tool where insured persons can introduce data on his future pension. The website has approximately 7.000 visitors each day, with peaks sometimes, when pensions are in the media.

The presentation at the colloquium also made it very clear that the French government looks at pension information from the citizen's perspective and measures people's satisfaction with regard to the pension information provided. Therefore the GIP Info Retirement has designed observation tools to measure the credibility of the pension information from the citizens' perspective. In pratice this was realized by a postal campaign. The reactions of the insured were slightly positive. For most people the communication was considered useful and thus well-appreciated in spite of some incomplete documents. The systematic dispatch of the documents was seen as very useful by most people questioned. The surveys indicate that a dual purpose was attained: on the one hand to motivate the insured to reflect on their future retirement and on the other hand to rectify the personal information when necessary. Relatively few of the insured contacted the organisms after receiving their documents, but when they did, they were generally appreciative. Most of the insured contacted their pension institutions by telephone.

Germany

Introduction to the German pension system

The statutory public pension system is an earnings related pay-as-you-go system. Calculation of pensions is based on pension points. Occupational pensions are rather limited. The most common financing form of occupational pensions is by means of book reserves. Furthermore there is a social-assistance safety net for low-income pensioners.

Qualifying conditions

For the statutory public pension participation is mandatory for all permanent employees in Germany. The protection provided covers total disability, occupational incapacity, retirement and death of the insured persons. The statutory retirement pension is paid from the age of 65 onwards in the normal case, but in certain cases earlier than that. So the state pensions are mainly payable from age 65 with five years' contributions and from age 63 with 35 years' contributions. Fewer than five years contributions earn no benefit. The statutory retirement age will be gradually increased to 67 during the next two decades. For those born 1964 or later, the statutory retirement age will be 67. From 2012, a special length of service pension will be paid at age 65 with 45 years of contributions. An early pension is possible from age 63 with at least 35 years of coverage, subject to conditions.

To supplement the benefits from the statutory pension scheme for retirement and disability pensions for employees, companies can operate an occupational pension scheme. A considerable degree of freedom is allowed in arranging such schemes, including combinations of different systems. However, the Improvement of Occupational Pension Schemes Act (Gesetz zur Verbesserung der betrieblichen Altersversorgungen) lays down binding regulations on a number of important points, particularly on the non-forfeiture of occupational pension expectation and protection in the event of insolvency.

Benefit calculation

In a statutory public pension scheme a year's contribution at the average earnings of contributors earns one pension point. At retirement, the pension points of every year are summed up. The sum of pension points is then multiplied by a 'pension-point value'. The pension point value is valid for newly retired and already retired pensioners. The relevant average earning is approximately identical to the National Accounts average earnings. Contributions based on lower or higher income earn proportionately less or more pension points. The pension paid to pensioners younger than age 65 depends on the level of individual earnings: if monthly earnings are less than 400, the full pension is paid; if earnings are greater than € 400, a partial pension is paid at 33.3%, 50%, or 66.7% of the full pension, depending on earnings.

In Germany the occupational pension consists of public and private occupational pensions which may be offered by employers to supplement the statutory pension. There are five ways to finance occupational pensions in Germany. The most common one is the direct pension promise. It is better known as the book reserve system. The employer is directly responsible for meeting the pension promise. The employer accrues for pension liabilities on the balance sheet and pays pensions from cash flow at the retirement age. Most companies insure their direct pension promises through an insurance company. Apart from the direct pension promise there are four different forms of indirect pension promises. First there are the so-called pension societies (Pensionskassen). The Pension societies are outsourced and legally independent entities. Those can be used either for a single company or an entire industry sector. The pension society takes out an insurance contract for the employee and builds up capital from which the pension is paid. Pension societies are regulated by the Bafin, the German financial regulator. As a result, the employer is not required to

pay into the Pension Insurance Association (PSV). Scheme participants have a claim against the pension society. Secondly there are support funds. Like Pensionskassen, these are outsourced, externally-funded pension schemes. Unlike Pensionskassen, employers must pay into the PSV as the scheme participants have a pension claim against the corporation instead of the fund. A company can pay in almost unlimited amounts of contributions tax-free, which is particularly attractive for higher incomes. Thirdly companies take out an insurance contract directly with an insurer on behalf of the employee. The administrative burden is low and no PSV contributions are paid. In 2001 pension funds were created as the fourth form of direct pension promise whereby this financing method was created to meet the internationally recognized alternative to the other insurance-based financing vehicles.

The conditions for personal pension accounts were changed in 2002 under the new pension scheme. Government had started to give incentives for voluntary savings. Workers could save one percent of their total income into the authorized private insurances or occupational pension schemes, and from 2008 the savings are allowed up to 4%

Evaluation of the German communication on pension rights

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The main goal of the pension information in Germany is providing a basic structure that supports the retirement planning for people, so their choices are based on good knowledge of the pension system. When people know the basic rules of the pension system in Germany they will set realistic goals for their retirement. They can plan their date of retirement and save some money in function of their realistic pension in the future. Furthermore, the information provided by the pension administration sets a democratic and even political goal. When people know why certain cuts in their pension are done, they will be more understanding towards the decision of the government. Information is considered a basic right in the democratic society.

To accomplish that Germany tries to work on a couple of elements:

- There must be a record of all contributions made so that the employee knows what he

contributed to the pension system;
- Workers need to know their entitlements gained so far, so they can set their goals for the future;
- Workers need to know the possible entitlements for the future (forecast).

Until 2003 there was the rentenauskunft, this was a pension statement. On the age of 55 workers could request information about their pension. This information basically gave an insurance record of their professional carrier and static forecast, based on the contribution made to the current age. Since 2004 Germany has a renteninformation. The main difference with the rentenauskunft is that the information will automatically be sent to insured persons if they are insured for more than five years. Not once a lifetime but annually between the age of 27 and 55. At the age of 27 the insured person gets information about the last five years.

Since the 2004 reform the pension information consists of two pages and gives a summary of the insurance record. That means that all periods giving entitlements in the pension system of Germany are mentionned.

Specific for Germany is that the renteninformation includes the possible current pension in case of disability. This extra information is considered important because people might be afraid to lose their income and this information will give their reassurance for looking at the future. This information is believed to have an informative but also human goal.

The renteninformation also gives a current vision on the pension entitlements at the statutory pension age. This is basically information about the forecast of the pension on the pensionable age.

Last but not least the renteninformation gives warnings and signals of important rules of the German pension law and the hypothesis that rules can change in the next years. Next to those warnings and signals the administration gives a warning when the hypothetical pension is going to be under a certain minimum.

Apart from the automatic information provided by the German administration, people can ask free information regarding their pension; online, by letter or telephone. People can even chat with professionals regarding their pension (www.deutsche-rentenversicherung-bund.de/DRVB/)

A very specific feature of the German pension information system is an explicit warning concerning risky investments for private savings. Although nothing is communicated with regard to individual savings (benefit statement, entitlements, ...) by the government, it warns its citizens for dangerous investments

GENERAL EVALUATION OF THE EUROPEAN COMMUNICATION ON PENSION RIGHTS

Throughout the colloquium it became clear that communication on and of pension rights is of the utmost importance for the member states of the European Union. However important, communication remains troublesome and difficult. The complexity of the pension system is often both the origin and the main reason for the troublesome communication.

Policy questions

Various speakers at the colloquium highlighted the bottlenecks in their national pension communication system. This chapter of the report wants to give an holistic overview of those bottlenecks in an integrated way. This means that the various difficulties are looked at from a general angle irrespective of their national context. All difficulties and bottlenecks are presented as pieces of a jigsaw. The overall picture must allow the reader to learn from the various possible policy options. Policy makers can interpret their own questions vis-à-vis the options they have taken.

In this chapter the reader is supposed to know and understand the main characteristics of the various national pension schemes.

The main communication questions seem to be the same irrespective of the financing methods of pensions or even the nature of the pension (statutory, occupational, mandatory, voluntary, ...). Hence no explicit references are made to financing methods, pillars or specific national requirements unless necessary.

For policy makers there are four main questions:

- What do member states communicate?
- How do member states communicate?
- To whom do member states communicate?
- What is the (legal) value and the authenticity of our communication?

Those policy questions also relate to the concept of communication itself. Communication requires a sender, a message, and an intended recipient. Communication also requires that the communicating parties share a so called - area of communicative commonality. This means that they have a common view, interest, understanding or knowledge about the communication. The communication process is only complete (or successful) once the receiver has understood the sender.

The success ratio of pension communication is clearly complicated due to the technicality of the message (the 'what'-question). The technicality can partially be countered by the method or the means of communication (the 'how'-question). But even then a lot depends on the level of understanding of the recipient (the 'to whom'-question). Furthermore the information must be (legally) correct because of the creation of (legitimate) expectations (question on the legal value of the communication). Thus it is clear from the onset that there is a tension between the (often necessary) simplification of the pension information and the legal correctness of this information.

The division between the four questions ('what', 'how', 'to whom' and 'legal value') is somewhat biased because they are obviously interrelated

Introduction to the Danish pension system

The first main policy question relates to the extent of the information. This question also deals with the perspective of the sender. The sender must create the so called 'area of communicatieve commonality' (supra). Therefore the sender must reply to two main questions: what is the content of the message he wants to send and what is the relevance of the message for the recipient?

Most countries use so-called 'benefit statements' for informing possible beneficiaries of their possible pension rights. Those rights to communication are considered quite differently in member states. Moreover member states have realized quite a progress in the last two decades. From a mere fact giving information system in the 1980s most pension providers currently also provide personalised advice.

The pension communication rights include

- General information on the logic and the principles of the pension calculation.
- A prospect, estimate, forecast or simulation:
  « The possible future pension benefit (a forecast or estimate) whereby in some cases scenarios (simulations) are used. Those scenarios have various forms:
    - Retirement age: the pension benefit at retirement age, at an earlier age than retirement age, at a later age than the retirement age (deferral). It is often linked with a bonus or malus mechanism. In Sweden for example the pension information even states an incentive to postpone retirement for certain scenarios.
    - Indexed or non indexed annuities;
    - Communication in yearly/monthly annuities;
    - Taxed or non taxed amounts (gross or net);
    - Scenarios of pay-out in lump sum or annuities.

Simulation is considered important if people expect a certain old-age income. When they have information about their retirement they can set goals for the future. For example if they wish to leave the labour market earlier or want to live abroad, they may consciously buy additional pension products to compensate for insufficient old-age income.

Online simulation calculators are popular (e.g. the Polish http://mojaemerytura.zus.pl). People frequent those websites a lot.
In general member states provide for two forms of simulation tools on the internet. There are either general simulation tools

or simulation tools based on personal data. The general tool is publically available and everyone can access various fictitious data in order to get a general idea of a possible pension benefit (e.g. in Belgium there is a website called 'www.toutsurmapension.be'). The other simulation tool requires a protected internet access because the personal data are preloaded and all simulations start from those personalized data (e.g. in Belgium there is a tool called 'MyPension' available for the statutory pension of employees on the website of the main public pension institution, the NPO).

« The calculation method of the possible future pension benefit including a communication on the used assumptions and parameters (e.g. Sweden). Those assumptions and parameters can include macro-economic growth figures, expected life expectancy (e.g. Poland and Sweden), (prospective) mortality tables or figures, inflation risks (e.g. Germany), ... For more information: infra.

A very specific communication aspect with regard to the calculation can be found in Sweden. In this benefit statement a beneficiary can compare his personal pension investment choices to the investment choices of the average participant. Based on this, the person can consider changing from one investment fund to another.

« Possible danger scenarios linked to the amount of the pension which gives rise to possible poverty problems in old-age (e.g. Germany).

- An acquired right referring to:
  - « An amount of money referring to a currently acquired right (value of savings up to date);
  - « A benefit history including an overview of the acquired rights;
  - « An explanation of historical differences between periods of times (years) with regard to the acquired rights;
  - « A career record;
  - « A record of all contributions done;
  - « The used income tax declaration of previous years for the calculation (e.g. Sweden);
  - « The calculation method of the acquired right based on:
    - the sort of pension formula used such as defined contribution, defined benefit, cash balance and the calculation basis indicating average wage, last wage, mixed wage, ...
    - the nature of the pension such as earnings related, fixed income or means tested;
  - « The contribution level and/or the paid premiums with regard to the used contribution rates:
    - Of the employer, the employee, the state or mixed rates;

In earnings related schemes: the possible earnings on the basis of which calculations are made and the method of calculation linked to those contributions.

- In funded schemes:
  - « the type of scheme (DB, DC, CB);
  - « the earnings basis: last, average, mixed earnings,...;
  - « an annual statement on assets;
  - « the investment strategy;
  - « the accrual rates (e.g. the Netherlands);
  - « the contributions that are still due (e.g. Poland);

- The pension claim or request of pay-out.

- The right to a value transfer and the consequences. An overview of the possibilities for the transfer of acquired (occupational / funded) pension rights, so that the beneficiary can make a mature and well-advised choice about the possible transfer (e.g. the Netherlands and Belgium).

- The administrative cost of the administration, the pension institution or other bodies involved in the pension administration on pension communication.

Furthermore all those elements must be extrapolated to possible survivor's benefits and disability benefits. Germany, Denmark and the Netherlands already explicitly include the disability information into its communication. The communication of disability rights also depends on the type of national social security scheme. In some member states disability is part of the pension program. Hence the communication basis is linked. Denmark is a forerunner. Apart from the retirement benefits, simultaneous information is given about disability benefits, survivors' benefits and private health insurance, for coverage in case of critical illness and in case of personal accident. That way, the Danes have an overview of their total (retirement) income.

How do member states communicate?

The second main policy question relates to the manner of communication. This question deals with the perspective of the recipient. In the creation of the so called area of communicatieve commonality" the sender must make sure that a possible recipient understands the message. The form of the message is thus of the utmost importance in communication. Therefore the sender must reply to the following question: in what manner do I reach my recipient in the best possible way so that he understands the message?

This question is clearly heavily debated because it is also linked to the level of understanding of the recipient (infra: 'to whom do member states communicate'). Irrespective of this aspect it is clear that member states have evolved enormously in the last decade.

The impact of the computer and more specifically the quasi universal availability of the internet is evident.

There were 8 major policy themes debated at the colloquium:

- the form of the communication;
- the periodicity of the communication;
- the language and the register of the communication;
- the layers of the communication;
- the integration of the communication;
- the centralized or decentralized communication;
- the embedded or non-embedded communication;
- the deterministic and static or flexible communication.

The form of the communication

Prior to the existence of internet pension communication was mainly done on paper. Nowadays nearly all pension communication is available through the internet. However most member states retain the paper communication. All member states apply the same reasoning: not all possible beneficiaries have internet access. In Sweden people receive an orange envelope, in France a blue envelope and in Finland and Belgium a white envelope.

Through the internet the main forms of communication are:

- websites and
- e-mailings. In this mailing process the beneficiary receives a so-called 'e-pension record'. With regard to mailings various mechanisms exist to check whether the recipient has duly and correctly received and opened the message (automatic response, individual response, personal registration by e-ID or token prior to the opening of the message, ...).

Some member states have elaborated extensive follow-up schemes for unopened envelopes or mails. France for example uses a data mapping tool to find out what went wrong with the communication and why it was left unopened.

In some member states the pension claim or request is also available through the internet by means of a secured website.

Most member states and pension institutions provide extra explanation or comment on the pension rights. Mainly three forms exist:

- Call centers with specialized pension advice;
- Invitations for a personalized conversation. Some Members States explicitly invite all possible beneficiaries to such personalized meeting (e.g. France from the age of 45);
- Chat sessions with the pension institution (e.g. Germany).

A specific form of advice exists in Denmark. Since pension information is integrated and embedded with other information (supra) the pension institutions offer true counseling.

The periodicity of the communication

Historically the most common periodicity was the annual communication. This was linked to the paper communication. Nowadays the internet supplies for a quasi permanent communication (24/7/365).

However not all communication is provided on an annual basis or through the internet. Some elements of the pension communication are only available on explicit request of the possible beneficiary. Most of the time this is due to the specificity of the question of a possible beneficiary. The information on a website is intended for a general public and the asked level of technical detail regarding a specific situation is often lacking. In those cases it is necessary to have a service for explicit (technical) requests.

Some pension information is generated automatically and is sent to a possible beneficiary at a given moment in time. Those moments can be a certain age (e.g. from 35 in France and then every 5 years, 55 in Belgium, 27 in Germany, ...), the retirement age, the reaching of a certain seniority, ... In Finland people do not receive personalized projections under the age of 50 out of fear for inaccuracy.

The language and the register of the communication

Probably the most complex element in pension communication is the language used. There is a double bottleneck. Firstly, pension rights are obviously legally defined. Legal texts are often difficult to understand. Secondly, pensions are a highly technical form of social protection with a lot of details on all aspects (financing method, coverage, entitlement, claims, prescription, ...). The combination of the legal form with highly detailed technical form requires the choosing of a correct language register.

The language register is the actual choosing of the appropriate language for the context (a particular purpose or a particular social setting). This context in pension communication lies in a tension field between the technical aspects, the legal correctness, the need for transparency and the necessity of simplification for the average beneficiary (infra). The question of the correct register is important for reaching the possible beneficiary and thus the success of the communication.

By means of comparison, in Belgium the correct register for a leaflet concerning a medicine is an average sixteen year old going to a general but non-technical secondary school. This means that such a person should be able to understand any given leaflet in a box of medicine. Although the Belgian law defines the register we can hardly believe that the aim is attained and that the register is correctly and duly applied by the pharmacy industry.

As far as known, no member state has worked out explicit rules concerning the required register for pension communication. Most member states envisaged the use of 'simple' language. However they do not define what this exactly means. Statements should be easy to read and projections should be comprehensible for an average person. For example people are less likely to understand the word 'projection' than the word 'expectation' in a benefit statement. A certain level of knowledge can be required. However a lot of people are financially rather illiterate. Therefore attention should be paid to questions related to the use of:

- Absolute numbers instead of percentages;
- Absolute numbers that are rounded (no figures after the comma);
- Visual effects such as charts, colours, drawings, ...

All member states seem to balance somewhere between strict legal jargon and simplified language. In some member states pension institutions have worked out plans to communicate not only by means of texts but also through symbols (e.g. coins) or drawings (e.g. ships on sea in the Netherlands or piggy banks in Sweden). This also relates to the financial illiteracy of people: drawings and symbols are often easier to understand. The Danes are again forerunners in this respect. They offer various graphs and tables whereby people can even opt for very detailed or less detailed reports.

At the colloquium a clear example of a wrong general language register was given. In Sweden the pension communication included two macro economic assumptions. One with a 0% annual increase in salary and one with a 2% annual increase in salary. The hypothesis of 2% annual increase in salary was considered too complicated to understand for the average individual. For this reason, this hypothesis will no longer be included in the orange envelope in 2012. Only the hypothesis of 0% growth will be shown, with a distinction between the age of 61, 65 and 70 years old. The initially chosen register was clearly considered too high by the Swedish government. The new legislation foresees a lower register whereby less economic knowledge is expected from the beneficiaries.

The layers of communication

Closely linked to language register is the number of 'layers' in the communication. Mainly the pension information on websites is layered. The more detailed the required information is, the 'deeper' or 'further' one has to look into the websites. The Danish pension communication is for example a layered information system containing three layers (comprehensive, per benefit and detail). Most of the time the various layers also use various registers of language.

Another form of layers in pension communication has to do with the amount of information given by the pension institutions. The older a person gets, the more detailed information is given to the recipient. In Poland for example additional information is given five years before retirement.

The integration of the communication

Most member states have various pension tiers. A fully consolidated and integrated pension communication covers all possible pension schemes, irrespective of pillars or other elements. The idea is simple: a person belonging to more than one scheme will only have one source of information. In this way a possible beneficiary can get an overall overview of all the pension schemes to which he belongs.

Not all member states offer such a consolidated and integrated communication. As a matter of fact most member states are still working towards a fully consolidated and integrated pension communication. In most cases the integration only covers some (statutory) schemes. This means that in most member states people still have various and non uniform sources of pension information. Concretely, without an integrated pension information system a normal person is unable to know his or her pension right(s). In Belgium for example there are huge differences between employees, self-employed and civil servants when it comes to pension communication. Employees get annually automatically generated information on their career. This is not directly linked to the statutory pension but it should enable an employee to see whether the government has the correct data for the pension calculation. Self-employed and civil servants receive nothing on an annual basis. Only for the occupational pensions there are some strict disclosure regulations.

The creation of a fully integrated pension communication was and still is an important political issue. Nearly all member states have developed ideas, projects or systems for the integration of pension communications. Considering the omnipotent and omnipresent internet it seems quasi impossible from a political point of view that people can not be easily informed about all possible schemes to which they adhere.

Denmark and Sweden for example have an integrated communication for all possible pension forms (all so-called pillars). For both countries this fully integrated pension information is only available through the internet. By many Denmark is considered to be the leading country when it comes to the integration of pension communication. The Danish website model (www.pensionsinfo.dk) is seen as exemplary. In France there is consolidation by GIP for 35 different mandatory schemes but it does not include occupational or supplementary pensions. In the Netherlands the UPO (Uniform Pension Overview) reflects the integration idea while in Belgium SIGeDIS clearly has the same aim. In Poland the integration idea was present from the onset of the pension reform in 1999. Still the strictly individual pension schemes are not yet integrated in Poland.

The integration or consolidation process for pension information in most member states is hindered by the lack of (legal and practical) coordination between pension institutions of various schemes (or pillars). A national coordination organ (e.g. the Belgian SIGeDIS) or a national coordination internet tool (e.g. Denmark) is required. In Denmark there is a close cooperation between the private and public bodies. This cooperation is not legally embedded but is endorsed by the government.

An important element of integration is the standardization process of all pension schemes with regard to communication. Ideally there is a single format for all pension schemes and pension institutions on:

- terminology;
- wordings of the content;
- tables and graphs.

Some member states have well developed formats (Finland, Poland, Denmark). Other member states are starting the standardization process. Belgium for example has recently adopted a - for the time being still voluntary - uniform standardized presentation format for the occupational pensions of employees.

The use of consolidated and integrated communication is often complicated when it comes to simulations. So called inter-scheme simulations require extensive computer programming. Only when the integrated schemes are similar few problems occur (e.g. m@rel in France for the 35 mandatory schemes).

The centralized or decentralized communication

When the communication is consolidated and integrated then the question arises about the structure of the provision of the communication. In Denmark for example the communication provision is integrated (all schemes) and decentralized. This means that the pension information is not retained in one single administration, body or databank. In Denmark one can check all personal pension information through the website of his or her personal bank or other financial institution. In this way a person receives a permanent overview of all the schemes to which he or she adheres.

The various data are thus centralized per person through the linking of various databanks without the creation of a single (gigantic) databank. It is a so-called crossroads databank in which no or only a limited number of data are available. The Netherlands followed the Danish idea and installed a pension register (www.pensioenkijker.nl) which is not a database. Belgium however chose to work with a centralized database (SIGeDIS - www.sigedis.be) and is currently setting up a database for all Belgian occupational pension schemes (called DB2P: databank tweede pijler database second pillar).

The embedded or non-embedded communication

In some member states the pension information is embedded with other information. In Belgium the yearly pension communication for employees is embedded in a general social security communication with regard to the career data in a previous year.

In Denmark the pension information is embedded in the bank or insurance communication. This requires a single sign-on (SSO). This is a property of access control of multiple related, but independent software systems. With this property a user logs in once and gains access to all systems without being prompted to log in again at each of them. The case of Denmark is specific because the pension communication is actually lead by a non governmental organisation that unites 175 different pension institutions including the statutory pension bodies. The information comes to a crossroads of databanks without a legal obligation for the pension institutions.

The deterministic and static or flexible communication

Pension communication can be deterministic and static. This means that only certain figures are given without the possibility to check certain scenarios. Historically most pension communication was deterministic and static. This also had to do with the paper communication. With the internet communication the creation of personalized choices and scenarios became possible. With those simulation tools a possible beneficiary can 'play' - as if it a were a game - with his personal pension data in order to make a so-called well considered decision. In most member states one can look at the pension effects on an early or deferred retirement.

Thus personal decisions can be well founded. In Poland the effects are seen of a pension deferral of 1, 2, 3, 4 or 5 years. In France all pension benefits are automatically given for the retirement ages between 60 and 65 (including all historical data).

The retirement age is but one parameter in a pension system, one could easily image computer applications whereby one can simulate with:

1) personal micro economic or personal data such as :

- earnings (increase or decrease),
- the possible effect of unemployment, disability,...,
- the start or ending of a business as a self-employed,
- the change of a job,
- a part-time job,
- the change of partner,
- a divorce (e.g. the Dutch pension register),
- the uptake of parental leave (e.g. Sweden),
- the death of the partner,
- ...

2) or macro economic parameters such as :

- inflation. In Germany for example two different inflation rates are given to show the difference in pension benefit;
- interest rates related to investments. Hereby warnings about possible financial breakdowns are possible;
- mortality of cohorts,
- ...

It is clear that in most member states the level of simulation is currently still rather basic.

In funded pension schemes the rate of return plays an important role. In a deterministic or static communication it is important to know what assumptions are used with regard to the used rate of return, the interest rate and the inflation. If those assumptions are communicated then it is also necessary to know who has set these figures and whether there is a government check. The setting of the figures is important for the so-called level playing field: do all pension institutions use the same parameters? In Denmark for example there is an obligatory assumption of a 2% inflation ratio for all funded pension plans.

To whom do member states communicate?

The third main policy question deals with the possible recipient of the communication. Who is the recipient and more importantly what does he understand? At the colloquium only a few policy themes were debated with regard to this aspect of communication named 'targeting'.

The focus of the colloquium lied with the personal scope of the communication. There were mainly different personal scopes:

- There is communication to everyone (e.g. internet information for a broad public).
- There are forms of communication linked to either the social security basis (employee, self-employed or civil servant) or to a certain ceiling in earnings. In Belgium for example employees receive some information but self-employed and civil servants currently receive quasi no information on their scheme. In Finland civil servants also used to be excluded. Belgium now has several projects running such as Capelo and Sigedis to tackle the problem.
- Some communication is only done from a certain age (35 -e.g. Poland), 45, 50, 55, 65, ...) or seniority (20, 25, 30 years). In Poland for example the communication is also based on the ages foreseen in the pension reform (born before or after 31 December 1949).
- In funded schemes there are so-called sleepers. Those people used to be members of a pension scheme but still have acquired rights within the scheme. Their rights information is often regulated differently from the so-called 'active' members.

What is the (legal) value and the authenticity of the communication?

Throughout the colloquium it became clear that the pension communication on itself has a certain legal value. All member states have written some right to information into their pension legislation during the last two decades- the so-called regulatory disclosure rights. Pension information is increasingly considered a basic right in the democratic society. Although the scope of this right clearly varies between member states (supra), it is obvious that there is a mind change amongst policy makers: people deserve automatic information on pension rights. The specific right can deal with information, prospect, estimate, simulation, claim, acquired right,... There is clearly not a 'one size fits all' vision on this throughout the European Union.

A major concern for all member states is the quality of the provided pension data. The correctness of the data also determines the scope of the responsibility of the provider and/or communicator. Especially the reliability of prospects and forecasts are considered troublesome. In member states where there are defined contributions schemes or notional defined contribution schemes (e.g. Sweden) the economic parameters underlying the calculation of the forecast (interest rate, inflation, growth, ...) create a tension field between the usefulness and the reliability of the forecast.

The following questions were central during the colloquium:

- Who provides the necessary data to which authority or institution for the further communication?
- Who owns those data and who validates them?
- Is there a central databank or not? And if so, is it solely responsible for the data?
- Is the communication authenticated in one or the other way?
- Is the recipient of the information asked to verify the information? In Poland for example the benefit statement explicitly states the verification and the suggestion to contact the pension institution in case of doubt. The importance of the verification mainly has to do with prescription periods or procedures. Who can verify for example the legal correctness of certain data after for example 35 years if there was not a complaint in the initial phase.
- In case of wrong or missing communication, who is held responsible? The owner of the data and/or the communicator?
- Does the communication create a so-called legitimate expectation whereby a possible beneficiary can have a claim against the pension provider (e.g. a wrong prospect or simulation)?
- What are the legal disclaimers used? Throughout the conference it became evident that there is a link between on the one hand the range of simplification and on the other hand the legal disclaimers used. In the German benefit statement there is even a disclaimer on the warning of a potentially low (underneath a certain minimum) pension minimum.
- How is the privacy of the recipients respected when the internet is used as communication medium? What are the technical firewalls installed?

Inherent tensions with regard to pension communication

During the colloquium it became clear that the complexity of the pension systems and the various policy options lead to tensions. Those tensions seem to be inherent within the policy options and are thus unavoidable. All tensions can be seen in the light of four elements: the need for transparency, the need for technical correctness, the necessary simplification for the understanding of the average individual and the legal responsibility for the pension communication.

In pension communication it is up to the policy makers to decide on the balance between those four elements. There is not one specific answer. Each member state will stress another element for some aspect of its' communication. However in all member states the interaction between those four elements will lead to questions about the scope of the legal disclaimers used and about the required financial knowledge of people. This last aspect is better known under the lemma 'financial illiteracy'.

The scope of the legal disclaimer and legitimate expectations

The following questions arise when it comes to the legal tensions:

- To what extent simplification is possible without being technically incorrect or creating legal problems?
- To what extent can you simplify pension communication without making technical errors leading to legal claims?
- How much legal latitude is possible when it comes to simulation tools?

All forms of pension communication clearly create expectations. When those expectations are not met, the true question then becomes whether the expectation was legitimate and thus whether the communicator can be held responsible for an erroneous communication. That responsibility is often based on either general tort law or property law but seldom on pension law. The pension legislation is often too specific or does not explicitly regulate the topic.

No wonder that most pension institutions put legal disclaimers onto their pension communication. Especially when it comes to internet simulation tools whereby a lot of possibilities are given, the disclaimers are clearly visible.

Some member states, such as Finland, explicitly fear the risk of inaccuracy and misinterpretation. Therefore projections are only offered to those who are 50 or older. The question remains whether this is an effective tool.

The right to be financially (il)literate

The following questions arise when it comes to the required financial knowledge:

- How much information should be given in the light of a transparent policy without creating an oversimplified communication?
- Is more information always better information? How much information is required for a successful communication? e.g. Should people receive information on the pension formula and all the used parameters and assumptions? Or should it remain a black box on the personalized communication with a reference to a website with all specified technical details?

All those questions have to do with so-called financial illiteracy. Member states are increasingly questioning whether people should or should not become more financially literate when it comes to pensions. This is an important fact because of the responsibility issue. If the state expects people to understand financial decisions and thus to have the necessary skills and knowledge allowing individuals to make informed and effective decisions, then the responsibility shifts - at least partially - from the state to the individual. Member states whereby people are for example explicitly asked to verify or even validate the given pension information, expect that people understand the given data. In Finland for example people are explicitly asked whether the provided data are correct. But do people truly understand the data? And is silence on the part of the recipient the same as agreement?

It is true: financial education can help to understand pensions as demonstrated by the work of the OECD. Financial education complements regulation of the industry, both prudential (e.g. the IORP Directive) and market conduct rules, and product disclosure rules. It is important that individuals are properly equipped with economic literacy and planning skills to adequately assess their need for financial and social protection and to avoid behavioural biases. For example, with the growing importance of DC schemes people need to make informed decisions about investments. From a social point of view this might seem evident but it is actually not evident at all. The true issue is whether financial illiteracy should or should not be an element in this debate. In classical social security the financial responsibility lies quasi solely with the state or government. When financial education is required for social benefits something is wrong. There is a Matthew effect with regard to unbalanced information. Informed people will always be better off than non-informed people. Can social protection be dependent on the knowledge level of the beneficiary? Furthermore financial actors will always remain better informed than the individual.

CONCLUSION

European pension communication has undergone a revolution in a decade's time. Communication on and of pension rights is nowadays considered of the utmost importance in the member states of the European Union. The ageing issue is clearly the main reason for this evolution. People want to be informed about their rights and they want to be able to make forecasts. Hence member states have started projects on pension communication.

A major priority for most member states is the so-called integration process. A fully consolidated and integrated pension communication covers all possible pension schemes, irrespective of pillars or financing methods. The idea is simple: a person belonging to more than one scheme will only have one standardized source of information. In this way a possible beneficiary can get an overall overview of all personal pension rights and can thus make well considered decisions. However, the integration process proves to be a real challenge for most member states. Integration requires the coordination between pension institutions of various schemes (or pillars) and the standardization of terminology and presentation.

The main communication questions are the same irrespective of the financing methods of pensions or even the nature of the pension (statutory, occupational, mandatory, voluntary, …). The success ratio of pension communication is clearly complicated due to the technicality of the message (the 'what'-question). The technicality can partially be countered by the method or the means of communication (the 'how'-question). But even then a lot depends on the level of understanding of the recipient (the 'to whom'-question). Furthermore the information must be (legally) correct because of the creation of (legitimate) expectations (question on the legal value of the communication). Those four questions actually elucidate a certain tension in pension communication. The tension is between four elements: the need for transparent information, the technical correctness of the communication, the (often necessary) simplification of the pension information and the legal responsibility linked to both the information and the communication.

This quadruple tension appears to be inherent to pension communication and necessarily leads to certain policy options. The two main policy debates are currently on the right of a person to be financially (il)literate and the scope of the legal disclaimers used by pension institutions. Member states unmistakably have different views on these issues.

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ACKNOWLEDGMENTS

This colloquium once again showed us that it can be beneficial to take a look at our everyday work from a different point of view and that it often leads to new solutions and new insights. Sharing ideas, exchanging solutions and comparing different realities always have a positive effect on the way we tackle challenges, in this case the communication on pension rights.

By organising this colloquium the National Pensions Office wanted to offer a high standard meeting place to all the people present. By writing this colloquium report and by inserting the research work of the KU Leuven we want the information to last and to be at the disposal of everyone interested, whether present at the colloquium or not.

Communication, the theme of our colloquium is of utmost importance for everyone working with pensions, irrespective of the pension scheme or pension system. Communication on pension rights is indispensable for citizens who want to prepare their future. That is also why 'information' has become one of the main missions of the NPO, next to calculating and paying pensions.

We owe the high quality of the exchanges during the colloquium to our international team of experts. We would like to thank them for the valuable time they took to share their experiences with us. We are much obliged to our partners as well: ESIP for sharing their expertise and European network and the KU Leuven for the thorough research it conducted in the aftermath of the colloquium.

We wish you interesting reading.

Marc De Block
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National Pensions Office

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34. People born in 1937 or earlier will continue to be covered by the old system as regulated by the 1962 National Insurance Act, while those born in 1954 or later will be covered by an entirely new system regulated by two 1998 statutes: the Earnings-Related Retirement Pension Act and the Guarantee Pension Act. People born during the intervening period 1938-1953 will be covered by a combination of the two systems. D. PIETERS, The Social Security Systems of the Member States of the European Union, Antwerp, Oxford, New York, Intersentia, 2002, 319., Socialdepartementet Ministry of Health and Social Affairs/ Riksförsäkringsverket (RFV) National Social Insurance Board, The Swedish National Pension System, www.sweden.gov.se, 13-14./25, www.eurofound.europa.eu/emire/SWEDEN/ANCHOR-PENSION-SE.htm

35. The assessment basis for the pension is changed to lifetime earnings, subject to an upper limit for each year of 7.5 times the price-indexed basic amount and with a notional level of earnings, being included in the assessment basis for those years when a parent had young children. D. PIETERS, The Social Security Systems of the Member States of the European Union, Antwerp, Oxford, New York, Intersentia, 2002, 319.

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56. Employees aged between 18 and 52 pay 4.1% and those aged 53+ pay 5.2%. The earnings-related pension accrues a specified accrual rate depending on the age of the employee. Since 2005 earnings-related pensions already start accruing at the age of 18, instead of 23 what was the case in 2004.

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