Pensioenfederatie's Response to the EIOPA Consultation on Pension Tracking Services

Scope of a national PTS

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

The PTS should strive to maximize its use as a source of personal pension information for all citizens and pensions savers in its MS. It should be a valuable source of information for all citizens that want to know about their personal pension situation.

The organisations that make up the pension sector in a country - including pension providers, the statutory pension institution(s) and the PTS - have a responsibility for making sure that citizens have a good overview of their retirement savings and their projected pension, including the risks and uncertainties that are part of it. They should also help them establish whether this pension will suffice and give them guidance in case action is needed. Reaching these goals should be a joint effort. The PTS has a significant and central role in that field, but since it is not the only player, it is vital that roles are clear, that communication standards are agreed upon and that technical facilities (for example on the exchange of data) are established where needed. The PTS should facilitate this cooperation and in some MS is best positioned to be the main driver to get to a good level of cooperation.

At the same time in many cases pension providers are better positioned than the PTS to help individuals do their retirement planning and help them make sensible decisions on pensions. PTS and pension providers should look for ways of helping each other to carry out this task in a way that makes the customer journey for citizens simple and understandable.

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

Costs are very dependent on the starting situation (like the pension system, the possible sources of pension data, etc.) in a MS. In a live access model the costs for data providers of preparing for data delivery could be a large part of the introduction costs of the PTS. This, of course, depends on the number of potential data providers. Promotion of the new PTS to the citizens in a MS could also be a prominent cost component. If a MS does not have a common ID that can be used across the pension sector, identification and authentication of citizens could also take a lot of effort and resources to set up.

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

We fully agree that both a PTS and an ETS are public goods. One cannot expect individual citizens to pay for the services of such a tracking system. Also one has to avoid 'free rider behaviour' by pension providers where one group of providers benefits from the

efforts, investments and experiences of the rest in setting it up. This implies that there is a public role in setting-up these systems, and organizing the way in which these systems are financed.

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

Whether other type of products besides pensions should be included in the PTS should primarily depend on the priorities of the PTS and the importance (for the financial outcome of citizens) of a specific product. For example, if in a specific PTS the widowers pension is shown prominently and this type of pension is very often taken care of by insurance companies, it makes sense to include these insurance products in the PTS.

Adding new products to the PTS very often means adding complexity. The new product has to be incorporated into already the existing functionality on the PTS in a way that is understandable for users. For example, adding a product that provides a net pension (e.g. TTE) to a portal that, so far, basically shows gross pensions (EET) comes with clear challenges on how to present pension outcomes. So there might be a trade-off between completeness and simplicity in the information the PTS provides.

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

As a public good the PTS should aim to reach all citizens. But by definition, access to a digital platform will pose more challenges for citizens who are less digitally savvy. How these citizens can be helped could change from MS to MS. The organisations responsible for providing statutory or occupational pensions could play a part in that. Another option would be to build functionality for trusted advisors to give them access to the relevant information client so that they can help their client. Consent of the individual concerned should always be the basis there.

It is also important to note that being a public good means the PTS aim to include all citizens. This means the PTS should, for example, also be useful for citizens with no or a very low supplementary pension, or a statutory pension that will fall below poverty rates.

It would, however, be unrealistic to assume that the elderly will never be able to make use of digital possibilities. Over time the percentage of people that are not able to make use of digital means is already going down. Moreover, the PTS is most relevant for individuals that still accumulate pensions, who can use the information on the PTS to understand their projected pension and take action if needed. These people will most likely be digitally skilled.

Front-end design of a national PTS

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

In the live access model the PTS will need to retrieve the information real time from data providers. From the viewpoint of transparency it is helpful if the PTS shows where it is retrieving its data from and also shows if for any reason this data retrieval was not (completely) successful.

As a more general remark, the paper points to the challenges a PTS has in presenting to the user personal, relevant and up-to-date information on their pension in an simple and understandable way. The PTS in its current form offers a generic solution for a very diverse group of users (in terms of life phase, personal situation, professional occupation, financial knowledge and interests, etc.) whilst having to deal with the reality of a MSs pension system. This often results in many different types of pensions that have to be shown in a comprehensible way. The PTS also has to keep up with changes in pension law in a MS and may also have to deal with challenges of getting the required data and at the same time keeping data quality in check. Offering a generic solution to this wide variety of users and pension schemes comes with trade-offs in terms of simplicity, completeness, timeliness and correctness. This leads us to think that in the future it may become increasingly difficult for a one-size-fits-all solution with a single portal serving all citizens to satisfy user needs. Furthermore, adding new functionality or pension products will also add complexity and make the PTS's functionality less agile.

One strategy to deal with this challenge is for the PTS to limit its ambitions in what information is shown and leave the provision of other types information to, for example, pension providers. Another option is that the PTS's front-end and back-end are architecturally separated. The back-end being the basis infrastructure for gathering (and defining) data and keeping data quality in check and the front-end being the user interface. That would make it possible to build several front-ends based upon the same information but with different user groups in mind (for example people who need to make choices on their retirement, people working in a specific sector, etc.). A third option is to build a data exchange facility (in the form of an API) for the PTS's data to be transferrable to pension providers that (in concert with their own data) can provide specific information or services to service the individual.

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

We agree. Also, a PTS should fit national circumstances, which implies a need for flexibility. In the longer term we think the PBS – which is an expensive, limited and static information carrier – could be replaced by the PTS in many MSs.

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

We agree. The PTS combines information of at least the first and second pillar, and this information simply does not exist first pillar pensions. And in case of compulsory

participation in occupational pension schemes, this information does not provide any perspective for action by the users of a PTS or ETS. Moreover, we would argue to limit the amount of information shown to individuals to the minimum that is necessary to meet the objectives of the PTS.

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

Yes we do agree. We have good experiences in the Netherlands with showing the expected (net) monthly retirement income on the landing page. We think this can serve as a best practice, although we urge new PTSs to carefully consider the needs of their specific user groups and to develop their customer journeys and user interfaces based on that, rather than just copy what other PTSs do.

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

In general making use of these possibilities is commendable especially if a PTS wants to show the risks and uncertainties involved in pension outcomes. However, this is also something which is quite dependent on the particular way a PTS is set up. Therefore, we feel that more than a general recommendation, is not necessary.

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

We agree that users should be informed about that the information about their pension benefits is a projection with clear information about the meaning of a projection now for their actual pension income in the future. We believe an average user lacks the financial literacy to fully understand the assumptions and scenarios, therefore we think this information should be placed in third or further layer or if a user is interested in this information can be reached through a link to the providers website.

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

Although we agree that information on ESG factors should be readily available, we do not believe this to be within the remit of a PTS. We believe that the PTS should focus on information that participants can act upon and in the mandatory and collective pension system in the Netherlands this is not the case. Moreover, pension providers will need make sure that information is available on their website as part of the SFDR implementation. Signposting to information provided by pension providers could be possible.

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

Establishing whether a user is saving enough for his retirement requires having a more or less complete overview of the future income sources and spending habits. PTSs do not have that kind of information. Looking at the challenges of a PTS in terms of completeness, simplicity and correctness whilst maximizing its usage, it seems better to have the PTS focus on its core task of providing basis information on entitlements and projected retirement income. A PTS can support a user by giving him insight in his retirement benefits and providing him with general information about how life events have an impact on his benefits and how he can determine if his benefits will be sufficient.

So helping the user with this type of evaluation and giving guidance is best left to other players in the ecosystem that have more knowledge of the individuals personal situation, like the pension providers. That does require however that the PTS can share its information with a pension provider if the user so requires.

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

Back-end design of a national PTS

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

A disadvantage of a live access model is that functional changes in the PTS where extra data is needed, lead to an impact for all data providers which can be costly and time consuming. As a result, this type of PTS may not be as agile in introducing new functionality or information. This aspect needs to be taken into consideration when creating a (new) PTS.

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

If you are implementing really new technologies a pilot project is a good idea.

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

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

The impact for data providers of needing to provide additional data depends on many factors. The obvious one being the question if they have the required data element in their administration in the first place. The easiest expansions for PTS and data providers are those types of data that they already have, use, and are well defined across all data providers, for example because they are part of the PBS.

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

The PBS could serve as a good starting point for defining the data fields the PTS will use. One of the biggest advantages being that the data definitions are already known and used across the sector.

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

That would depend on the governance model. In the Netherlands, the owners of the PTS are the occupational pension providers (including pension insurers) who are also the data providers. In that case there is no need for an independent standardisation body.

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

In a live access model, data minimization should also be a starting point. Starting from the ambition of the PTS to provide a specific service, it first needs to be established what information is shown, to what level of accuracy and what data source is needed. If the conclusion is that the data providers need to transfer the appropriate data then the conditions mentioned above would apply.

For example, if a PTS wants to show the effects of early retirement and the ambition is to just give an impression of what the impact of retiring two years early could have on pension income, the PTS could suffice with a calculation tool and it would not need data from the data providers.

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

If projections are part of the PBS in a MS, the underlying methodology is already defined and agreed upon. So this could be reused for the PTS.

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

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

A PTS could look for improbabilities and report them back to the data provider, but it cannot really check data. Data quality checks should take place at the source in a live access model. The user can also play a part in improving the data quality in that the PTS could offer him the option to make remarks on the information that is presented in terms of it being incorrect or incomplete.

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

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

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

Yes, we agree on the recommendations made by EIOPA on the connectivity with ETS. As it is important to give mobile workers insight in their pension entitlements built up in MS, the PTSs should be connected to an ETS.

In order to achieve this there should be al legal basis for PTSs to share data with the ETS. Currently in the Netherlands both national legislation in combination with GDPR makes this very difficult. This requires a European approach to GDPR-related issues.

We support EIDAS as a mean of identification to connect to the ETS and as a facility to identify and authenticate users across MS. For security reasons we also support the live-access approach that EIOPA suggests.

The suggestion made by EIOPA to start a forum on pension communications, to discuss among other things the data model and data standardisation can be part of ETS and is a suggestion we welcome. Therefore, and also because of the set of behavioural principles, we see ETS as a public good and should be managed through a public-private partnership.

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

Governance and implementation of a national PTS

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

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

Although the Danish example demonstrates that in principle a PTS can be set-up by private initiative, in general it seems most effective to introduce national measures, while also involving the pension sector in creating appropriate public private partnerships.

National measures should define the purpose of the PTS, designate ownership and ensure its actual creation and operation. It should also enforce all involved parties to participate in the effort to create and operate the PTS. At the same time these measures should not focus on specifying the functionality.

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

A progressive roll-out can be a good approach, in particular in first achieving the most important information categories. However, we feel that making roll-out dependent on the willingness of individual pension providers to join, is not very wise because of the risk

of 'free rider behaviour'. Also, large groups of citizens may find themselves in a situation where the PTS does not provide them with complete info simply because their pension provider has not connected (yet).

32) Do you agree that the PTS should be free of charge for users? Do you agree on the identification of the alternatives to user charges: financed through general taxation, or a levy on providers of supplementary pensions or a combination of both?

Yes. Use of subsidies provided by general taxation may be appropriate in the build-up phase of creation of a PTS or an ETS. When these systems are operational, levies on pension providers can be a way to finance such systems. However this should most likely still be underpinned by public regulation. In any case risks of 'free rider behaviour' should be avoided.

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

We agree that it is commendable to do both. However, we would argue that a PTS is a 'conditio sine qua non' for effective non-compulsory ways of encouraging citizens to take responsibility for their own pensions, rather than the other way around. Therefore, a PTS will be very useful to individual citizens, even if other measures have not yet been taken.

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

The awareness for the privacy aspects of digitization is growing. This includes the need for consumers to get control over their own data. With the introduction of GDPR and PSD2 the EC has set steps to give citizens more control over their own data. One of the next steps is EC's Digital Finance Strategy that is expected to open up the data that is currently held by financial services organisations, possibly including pension providers. That means data sharing (on basis of the users consent) becomes the standard. PTS's should prepare for that.

At the same time, the fact that these privacy aspects are regulated at the European level, implies that there is a need for providing clarity at the European level that for instance GDPR does not stand in the way of the needed data exchange for the creation of either a national PTS or an ETS.