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# **EIOPA Report on the IORP II Pension Benefit Statement Designs**

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## Executive Summary

The chapters below describe the process for developing the designs of a pension benefit statement (PBS) and the improvements made after every consultation stage.

The PBS designs are meant as examples and are therefore non binding. They were drawn up with the aim of inspiring the NCAs and IORPs in the implementation of the IORP II obligations in relation to the PBS.

Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORP II) introduces – amongst other information requirements - the obligation for IORPs to draw up a pension benefit statement, which should be made available to each member at least annually.

To facilitate the implementation of this new information requirement, a Project Group on the Pension Benefit Statement (PBS) was created. The findings of this Project group were documented in [the EIOPA Report on the Pension Benefit Statement](#) issued in November 2018.

The next step was to bring the principles and guidance identified in the PBS Report into tangible PBS designs for DC schemes. Given the fact that there is a wide landscape of occupational pensions in Europe, with differing national requirements, this was not an easy task.

During 2019, examples of what a PBS could look like were developed by the Project Group members and EIOPA staff, in cooperation with the European Commission Publications Office. The designs were submitted to the industry and the Occupational Pensions Stakeholder Group (OPSG) for comments and were assessed by a panel of consumers.

These activities resulted in two PBS designs for DC schemes that try to provide the mandatory information in a clear and understandable way on two pages. The information is presented according to the members needs/questions and nudging is used to trigger a desired action.

They can be used as a practical tool to be further developed and adapted to the national specificities and/or characteristics of each pension scheme. To that end, a helpful small guide that describes what is “behind the designs” for each Statement, highlighting the main differences both in terms of design and content has been added.

## 1. Aim of the PBS designs

The starting point for the development of the PBS Designs is the EIOPA Report on the Pension Benefit Statement issued in November 2018.

The Report analysed the new IORP II requirements on the Pension Benefit Statement with focus on four areas: the goal, pension projections, cost disclosure and the use of layout and layering tools.

Principles and guidance were identified for each area, taking into consideration existing good practices at national level, the research on behavioural economics and (national) consumer testing results.

EIOPA views the PBS as an important pillar in pension information and observes that in the majority of Member States there is an increasing trend towards DC pension provision. Employers are increasingly struggling to bear the cost pension risk alone, due to the increasing volatility of financial markets, the low yield environment and the increasing longevity of European population. DC pensions place more of the risk and responsibility of pension accumulation on the individual, leading to an increased need for decision making by pension scheme members themselves.

The main goal of the PBS is to provide adequate information on the second pillar retirement income to help members to make informed decisions, by:

1. - outlining the current financial pension savings
2. - projecting future retirement benefits,
3. - enabling retirement planning.



**Fig. 1 Overview of four subgoals in the PBS**

Having agreed on the principles and their implications for the Pension Benefit Statement, with particular importance for the DC schemes, the challenge was to come up with tangible PBS designs.

For this work to start, EIOPA agreed to the following conditions:

- To design a PBS for a DC type of scheme, given the trend from DB to DC and the shift of the risk and costs towards the individual
- The designs would be of a voluntary nature, in particular helpful for those Member States with no information templates in place
- The designs would be publicly available, editable and free of charge and copyrights
- The designs can be adjusted in accordance with the national social and labour law and the specificities of each pension scheme

The objectives pursued in the PBS designs were as follows:

- To meet the new IORP II requirements (Articles 36, 38, 39, and 40)

- To design the PBS with a behavioural approach, so that the information addresses the key questions of the member and establish what (s)he should do with this information
- To consider different layout tools to help make the information effective, attractive and easy to read
- To look at how to present difficult concepts such as costs and pension projections in a way to help the member process the information easily
- To start with a paper-based PBS design, to be looked in combination with digital channels (website, apps)
- To try to develop a short and concise PBS design, that captures the attention of the member providing the right amount of information.

The timeframe of the project was from February to December 2019. The PBS Designs are available on the website: [https://www.eiopa.europa.eu/content/pension-benefit-statement-packaged-files\\_en](https://www.eiopa.europa.eu/content/pension-benefit-statement-packaged-files_en)

## 2. Process

The table below summarises the main milestones in the project:

Milestone	Months in 2019
1. Development of initial mock-ups	March-June
2. Targeted consultation with the industry and relevant associations	June-July
3. Review of the mock-ups	August-September
4. Testing of mock-ups with consumers	October-November
5. Finalisation of the PBS designs	December

### How were the PBS designs developed?

This was a joint effort between Project Group members, EIOPA staff and the European Commission Publications Office.

The approach began with the formulation of two types of PBS, following the conclusions of the EIOPA Report. First, a “basic” PBS, covering all mandatory elements and implicitly helping the member towards a retirement decision. Second, an “advanced” PBS, going beyond the mandatory PBS requirements by providing additional information to the member, and explicitly showing the various options at hand to improve the member’s retirement prospect.

For practical reasons, the working documents or mock-ups were named after “short PBS”, with a length of 2 pages, and “Long PBS”, with a length of 3 pages.

Following the PBS subgoals, the PBS structure included following sections/questions:

1. Data: Your data/ Your details
2. Accumulation: How much money do you already have in your pension pot?
3. Projection: What could you receive when you retire?/ How much money could you get when you retire?
4. Evolution: How your pension pot has changed in 2018/ How your pension pot has changed over the past year
5. Scheme features: Your pension at a glance/ Your pension plan at a glance
6. Nudging: What can you do to plan better for retirement?/ What can you do to plan better your retirement
7. Supplementary information: Other important information

For the long versions, the following information was added:

- Extended evolution: a monthly breakdown of the contributions
- Extended nudging, with a question on: How to increase the money you receive at retirement?

Two designers at the Publications Office developed each a layout for the short and the long PBS. This resulted in two differentiated designs:

- Statement 1 with a presentation of **boxes in muted colours** and with the use of a **weather metaphor** for the **pension projections**

- Statement 2 with a presentation of **vivid colours, emphasis on visuals** and with the use of a **purse metaphor** for the **pension projections**

A total of 4 mock-ups were developed: Statement 1 short, statement 1 long, statement 2 short, statement 2 long. These were consulted with the industry and relevant associations. As a result, the two types of designs (in the short and long version) were continued and reviewed to take on board the feedback received. The next step involved the consumer testing.

After the consumer testing, the PBS were reduced from 4 to 2 designs, namely statement 1 (short and long merged) and statement 2 (idem). Here the decision was to remove the extended monthly breakdown of contributions and to keep the extended “nudging” section. The designs are each 2 page long.

The final PBS designs were approved by EIOPA in January 2020.

### 3. Practical considerations on the PBS designs

The PBS designs are non binding and are not intended to supersede national approaches to information provision in the PBS. They are designed to be a practical tool to be further developed and adapted either by National Competent Authorities (NCAs) or by pension providers (IORPs).

The PBS designs already contain amounts and information to make them more realistic and readable. It goes without saying that these amounts and the positions taken must be adjusted to reality and undergo (further) consumer testing.

The idea of developing two quite different type of designs responded to the need to approach different cohorts with different preferences in terms of communication styles.

Whilst the format chosen for statement 1 and 2 differs substantially, the content in is broadly the same, with a few differences that are colour-coded in the below table. For each statement, a practical guidance shows what is “behind the designs” - including what is the non-mandatory information and which amounts are used.

#### Small guidance table:

Section	Statement 1	Statement 2
<b>1. Data</b>	<p>The identification of the pension plan is a number</p> <p>Name of the pension provider is part of the document heading</p>	<p>The identification of the pension plan is the name placed next to the logo</p> <p>Name of the pension provider is more salient in this section</p> <p>E-mail of the member</p>
	[Not mandatory] Date since the member joined the scheme	
<b>2. Accumulation</b>	Different icons for contributors and historic return (net of costs)	Euro icons for contributors and historic return (net of costs) towards a piggy bank
<b>3. Projections</b>	Weather analogy in table format	Purse analogy in column format
	[Not mandatory] It includes a favourable scenario, to show a wider range of outcomes.	
	[Not mandatory] Projected amounts are expressed in real terms, net of inflation. In order to emphasise that these amounts are estimates, they have been rounded off.	

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Calculation of the assumptions is not described, as this could differ from MS to MS. However a link can be added to additional information on how the amounts are calculated

Warning/disclaimer to alert that projections may differ from the final value and that this might be subject to taxation (the latter is not mandatory).

[If available, not mandatory]: Link to a pension calculator to support the member finding out what the desired pension is and play around with variables, such as contributions, retirement age, other options, etc.

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#### 4. Evolution

Table format

Column format

Costs broken down according to their nature

Costs broken down according to the source to cover the cost

Total sum in 2018

Colour coding for contributions (blue) and costs (orange)

Use of (+) and (-) to distinguish contributions, revenues and costs.

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#### 5. Scheme features

[Not mandatory]

[Not mandatory]

Generic information about the investment of the pension pot into funds, with a link for more details.

Breakdown of the investments by fund with a % allocation and a reference to the risk profile [visual of odometer] of the portfolio, which is linked to the retirement date

Non-guaranteed type of scheme: sentence to alert the possibility to lose part of the pension pot.

Partial guarantee offered by a third company/insurer, with link to more information.

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[Not mandatory]:

- Brief description of the pension scheme
  - Monthly contributions by employee and employer
  - Entitlement to beneficiaries in case of decease of the member
- 

#### 6. Nudging

Prompts to save more, review current savings, investments and debts

[Not mandatory]

[If available at MS level]: Prompt to check the national pension dashboard to get a full picture of state pension and other pensions entitlements (e.g. occupational pension, private pension)

Prompt to find out pensions entitlements in Europe (if the member has worked in different EU MS)

[The options are just an example of potential actions that could be feasible and should therefore be adjusted at scheme/employer level]

Options provided to increase the retirement benefits to be further discussed with the employer or pension provider.

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#### 7. Supplementary information

Prompt to check the pension plan options and choices

Prompt to contact in case of cease or change of work

Link to the Annual Accounts, Annual Report and Investment Policy

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The Project Group was of the view that the differences between the two designs should also respond to the different type of DC schemes existing in the occupational pension landscape. This can be observed in the information on funds, with statement 1 providing generic information on the funds that can respond to a pension scheme with a default investment fund. And in statement 2, presenting a graphic breakdown of the funds by percentages, including information on the risk profile, which can reflect a type of scheme where the member has a choice on the investment option.

## **4. Feedback from industry**

A selected number of stakeholders and NCAs were approached to conduct an informal consultation on the 4 PBS mock-ups. This was done through an on-line EU survey launched from mid-June until beginning of July. A total of 28 responses were received<sup>1</sup>.

### General comments:

The initiative was welcomed as a useful tool in particular for those NCAs that do not currently have any requirements on the pension benefit statements. The mock-up was perceived as a good approach to work on an end-user friendly basis. However, it was not sufficiently clear that the PBS designs are for a DC type of scheme.

It was criticised that the statements did not always include all the mandatory elements of IORP II or include additional ones. Some were of the view that the designs cannot take into consideration the specific nature of the different national pension systems, the applicable national social and labour and tax law, national supervisory requirements and the scheme. For this, it was argued that EIOPA can provide general indications to NCAs, but should leave autonomy to the Pension Funds as regards the method of communication.

### Preference:

Overall respondents had a slight preference for statement 1 short, where the sections on the pension projections and the evolution were easier to understand. As regards to the structure, the question and answer format was well perceived, finding it easier to navigate and to find key information. The colours and icons in statement 1 were better valued than in statement 2. The long statements were perceived by 2/3 as not so useful and the nudging section had split views on its usefulness. Some perceived the designs as too numerical and complex for members to understand them.

Ranking of the mock-ups: 1. Statement 1 short, 2. Statement 1 long, 3. Statement 2 short, 4. Statement 2 long.

### Specific comments by section:

On the projections, the inclusion of three scenarios was deemed not in line with the IORP II requirements (best estimate and unfavourable) and the assumptions not transparent enough, such as no reference to the impact of inflation. It was suggested to place the pension tool/calculator next to the projections.

On the pension at a glance, the name given to the investment funds was found too judgemental. It was suggested to add a warning sentence regarding the information on guarantees and to remove the names of the beneficiaries.

For the long statement, the breakdown of monthly contributions would make sense only if the amounts differ. On the nudging section, the part of the options to increase retirement benefits: this is not always possible or legally allowed; some suggested including "what-if" scenarios.

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<sup>1</sup> 15 OPSPG members, 8 Other institutions, 3 NCAs and 2 Individuals.

## **What were the changes following the consultation?**

Here is a summary of the main changes:

- The middle scenario was renamed from “most likely” to “best estimation” and the pension calculator was moved under the projections;
- Risk-profile on statement 2 was linked to the investments and the expected date of retirement;
- The names of the funds were changed to non-judgemental (e.g. A, B, C)
- Non-guaranteed type of scheme: a warning sentence was added on statement 1
- The names of the beneficiaries were removed, a generic mention kept
- Pensions projections annuities were adjusted to more realistic figures
- Long statement: the numbers were adapted to a % type of contribution and to reflect varying monthly contributions

## **5. Feedback from Consumer testing**

Considering the budget limitations, the contractor proposed three approaches for the consumer testing: focus groups, on-line focus groups (webinars) and individual virtual interviews. The Project Group decided for the option of organizing 12 interviews via phone or in limited cases face-to-face, allowing for an in-depth individual reflection and interaction with materials in a number of languages, thereby reflecting different national contexts.

The consumer testing was carried out in four Member States. The Member States chosen were: Ireland, Belgium (French), Spain and Romania. The choice of countries provided a good geographical spread over Europe and was also represented within the project group, which proved valuable for reviewing the translations of the PBS.

The consumer testing shed light on three main aspects: the design of the statements, the clarity of the statements and the support the statements can provide.

Both statements were well received by participants, with a half choosing Statement 1, arguing that it felt more familiar, closer to an official document and a slight preference to read in rows. The other half that preferred Statement 2, argued that even if it seemed a gamification at first, it felt catchier than usual official statements they receive in their everyday life and expressed preference to information presented in columns and bigger numbers.

Regarding the scenarios, a small majority preferred the weather analogy, which was perceived as an original idea though a few thought that this analogy was too categorical and might not apply to all countries. The remaining participants had a preference for the purses scenario, which received a little bit less interest, but was found more intuitive at first sight.

Almost all participants were aware that the scenarios were projections only, regardless of the analogy used. However, the reasons behind the presence of three scenarios were not always fully understood: most participants did not make the link with the investments and the financial markets.

Regarding the evolutions, most participants preferred the Statement 1, but missed a figure with the total costs. Statement 2 confused some participants due to the colourfulness and the third column, which felt illogical.

The most difficult part to understand in the statements was the “Pension at a glance”, as most participants had no idea what the funds were and why their pension money

would be invested in those. The lack of background knowledge on occupational pension mechanisms made it difficult for some participants (in Spain and Romania) to fully grasp what is at stake in this section and how it related to other information found elsewhere in the statements.

Regarding the long statement, the breakdown on the monthly contributions was found interesting but not necessarily relevant. On the possibility to get advice on ways to improve their pension, namely the extended nudging section, this was always very much welcome, especially by younger participants under 30 years-old who felt they were lacking general knowledge on how to plan their retirement. Also it was pointed out that, if this type of information was not given to them directly via an official document such as the pension benefit statement, they would not look for it themselves.

In relation to the reaction from participants after reading the statement, all agreed that the retirement benefits were way too little for them. In this regard, most participants suggested they would take action, either by increasing their occupational pension contribution, finding out about their State pension, looking at the possibility to make private investments or to save up on their salary. In addition, a few participants suggested they would click on the URL links to find out more, with one of them also saying they would get in touch with professionals in a position to give them advice. Only one participant said that he would store the document somewhere and look at it at another time.

## **What were the changes made following the consumer testing?**

Here is a summary of the main changes:

- Reduced from short and long into a single PBS, possibly to fit into 2 pages
- Linking the projections with the investments, with an introductory sentence before the scenarios
- Statement 1:
  - Changing the grey into a another faded colour, to make the document more attractive
  - Adding a total costs figure in the evolution and a separate column for the breakdown of costs
  - Removing the breakdown of invested funds
- Statement 2:
  - Simplifying the chart and inverting the colours: contributions in blue and costs in orange.

## **6. Digitalisation**

During the consumer testing participants were asked about the preferred channel to receive their PBS. In fact, only two participants said they would prefer a paper version. Most participants preferred electronic format, with a majority preferring to receive PDF files that they can classify and archive themselves, and this regardless of the participant's age. Mobile applications were also mentioned a few times, as well as clickable links directly leading to the statement. In general, it was agreed that the access should be as simple as possible and require no login, app downloading etc.as this could lead to beneficiaries not looking at the document at all.

In this regard, the current mock-ups could be provided in a pdf type of format with the active function of links, which can render a paper-based PBS more interactive and has the advantage to allow the storage of information.

Due to the budget and time constraints it was not possible to further investigate how could the PBS be adapted for a digital channel, such as a website or an app. In this regard, EIOPA is mandated to conduct consumer testing in the remit of the PEPP KID and the PEPP Benefit Statement (BS). Given the similarities of the two annual statements, conclusions drawn for the PEPP BS could to some extent be applicable to the IORP II PBS.

## **Conclusions**

EIOPA work on the PBS Designs is further step in the direction of communication with a behavioural approach, where the information responds to the member key questions and helps him/her in making informed decisions.

Drawing from the principles and guidance developed in the Report on the Pension Benefit Statement, EIOPA has produced non-binding PBS designs for a DC type of scheme that meet the new IORP II requirements.

The process started off with four PBS mock-ups - consisting of two distinctive designs and two lengths - and, after ten iterations to improve the mock-ups, concluded with two different PBS designs of two pages each: Statement 1 and Statement 2.

The PBS designs can be accessed from EIOPA website, with the possibility to be downloaded and edited free of charge and copyrights. EIOPA encourages NCAs and IORPs to draw inspiration from them and to adjust them in accordance with the national social and labour law and the specificities of each pension scheme.

EIOPA is grateful for the continuous feedback received from the Occupational Pensions Stakeholder Group (OPSG) and the industry stakeholders who took part in the targeted consultation of the PBS designs. The work is the result of an exemplary collaboration between NCAs, EIOPA staff and the graphic designers of the European Commission Publications Office.