

**Position paper of the EIOPA Occupational
Pensions Stakeholder Groups (OPSG) on
Information, Terminology
and Transparency**

OPSG view on information, terminology and transparency

OPSG finds it of the utmost importance that information on pension arrangements is delivered to or made available to members and beneficiaries (consumers) in an easily understandable and useable way.

The terminology shall serve to make the information as easily understandable as possible.

All pension schemes shall be transparent. Pillar 1, 2 and 3, both DB and DC occupational pension schemes.

Information

It is the responsibility of the governing body of a pension scheme that consumers receive or have access to relevant information.

The governing body must ascertain that:

- the information is relevant and sufficient
- the information is easily understandable and useable
- the information is disseminated or made available so that the consumers have easy access
- consumers understand when they have to make a decision

Information must cover:

- questions that consumers have to answer in relation to the scheme
- the scheme, so that consumers can
 - o see what the pension will be or how it will be calculated
 - o compare the quality and performance of the scheme with other schemes
 - o make decisions about other questions (especially economic decisions like buying a home, making private pension arrangements)
 - o make decision – if that is a possibility – to leave the scheme or stop contributing.

Information can be send out to consumers or made available on the internet. The choice between distribution methods depends on the information and the members and beneficiaries. Information technology is used by many consumers, but heavy economic information can be very difficult to understand and react upon if it is on a screen.

Information standards like the KIID for UCITS and the KID for the PRIIPs are good tools when comparing UCITS and PRIIPs. A KID for pension products “PBS” is part of the IORP II proposal. Adding new standards created to describe special products makes it more challenging to compare different types of products. What many consumers want is to be able to compare different products of the same type and products of different types.

Financial education as part of curricula at all levels of the education system will be a great help for consumers, but it will take years before all consumers are at a level necessary for making the right decisions in relation to pensions.

For many consumers is it necessary to get advice when they make decisions on pension products and other economic questions with a long time horizon. Consumers of different generations and of different educational and professional background are different in the ways in which they use and understand information and advice and in the way they make decisions in economic matters. Some consumers need information or advice from a physical person in a bank, a pension provider, an

insurance company, an intermediary or a financial advisor. Other consumers rely on information they find on the internet via the social media or from friends.

The challenge for the governing bodies is to provide information via all the ways relevant to consumers: Letters, e-mail, home pages, person-person advice, information platforms with advice or advice-like facilities, information in social media, blogging. Everything will be needed.

Terminology

Financial terminology is difficult to understand, in particular in the area of pensions. It is necessary in the information to consumers to avoid the use of financial terminology or give explanations in clear language of the terms used.

This challenge is especially important when consumers are not meeting an advisor, but using IT systems. Traditional systems will give answers only to those who knows the terminology and is able to pose the right questions.

Information must be available to consumers who do not know a special terminology.

Information about the return of the scheme should be in both percentage and the currency of the member or beneficiary.

Transparency

A pension scheme must be transparent.

Transparency has many faces; the following are some of the important ones.

Transparency from an economic point of view:

- Investment cost and charges.
- What will the pension be or how will it be calculated?
- What is the actual return of my pension savings? [Present return is not a guarantee for future return, but a prognosis promising that future return will be several times higher than the actual return is a call for explanation.]

Transparency from a governance point of view:

- What are the rules of the scheme?
- Who is responsible for the scheme?
- Are there any conflicts of interest in the scheme?

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Adopted by the EIOPA Occupational Pensions Stakeholder Group on 30 November 2015

The Chairperson of the EIOPA Occupational Pensions Stakeholder Group

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