EIOPA-OPSG-20-19

27 May 2020

# OPSG input on Consumer Trends for EIOPA's 2020 Report

## 1. Background

EIOPA is required under its Regulation to collect, analyse and report on consumer trends[1]. To date, EIOPA has produced seven Consumer Trends Reports. The term 'consumer trend' is not defined in EIOPA's Regulation. EIOPA therefore devised the following working definition:

"*Evolutions in consumer behaviour in the insurance and pensions markets related to the relationship between consumers and undertakings (including intermediaries) that are significant in their impact or novelty*".

The term "trends" is understood in a broad sense: it covers, for example, evolutions in volumes of business or in the relationship between members and pension funds, as well as the emergence of new products or services, or other linked financial innovations. The trend may already be consolidated for a number of years, but it may also be only emergent, with the possibility of becoming significant in the future.

The report aims to inform EIOPA in the identification, prioritisation and development of targeted policy proposals; EIOPA seeks to identify possible consumer protection issues arising from identified trends. Nevertheless, positive developments are also identified and highlighted.

[1] Article 9(1)(a) of the Regulation 1094/2010 establishing EIOPA

## 2. Questions to the OPSG

| | Developments in demand / offer / financial innovations / market environment / market practices/ consumer protection |
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| Occupational pensions | **Fieke VAN DER LECQ, The Netherlands, Academic:**<br>Nationwide reform in progress.<br><br>**Hans VAN MEERTEN, The Netherlands, Academic:**<br>In my view, consumer protection vis-a- vis 2nd and 3th pillar pensions can be improved. In my view, the normal EU consumer law ('new deal') should apply to these financial products. At Utrecht University, I have been granted a subsidy for the coming years to appoint 2 Ph. D students and 1 co-worker how this can be improved. I am composing a think tank in June 2020 with supervisory authorities, market parties and consumers. Proper consumer protection is all the more important because pension consumers should be better aware of the risks they are subject to.<br><br>**Onno STEENBEEK, The Netherlands, IORP:**<br>As of 2019, pension providers are obliged to apply the Uniform Calculation Methodology (URM) in their communication about the pension to be achieved. This results from the Pension Communication Act, which has been in force since 2015. The calculation method provides participants with insight into the purchasing power and risks associated with their pension accrual.<br>The Pension Communication Act is intended for a better and more realistic insight into pension results. Much had already been improved with the introduction of the Act, but the final step had yet to be taken. As of 2019, pension amounts must be communicated in three scenarios. This enables participants to estimate their pension income and make a feasible financial plan for themselves. Because all pension administrators should be using the same calculation |

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| | method, participants in more than one pension fund will be able to create a realistic overall picture.<br><br>Now that the URM is formally introduced and used, the impact can be evaluated, possibly leading to adjustments.<br><br>**John MAHER, Ireland, Academic:**<br><br>Final decisions have been taken yet on the design of an Automatic Enrolment scheme and the outgoing Minister with responsibility for leading this initiative recently lost her seat in parliament.<br><br>The Government response to COVID-19 has seen the use of the Revenue Commissioners tax refund channel as a basis for providing employment subsidies in order to maintain the connection between employers and employees. Its use has demonstrated that this channel can be used for more than collection and refund of taxes, and means it could serve as the collection channel for Automatic Enrolment pension contributions.<br><br>Market professionals and analysts observe the campaign being undertaken by the Financial Times (this paper circulates daily in Ireland and is available through online subscription) with respect to the transparency of charges. In DC schemes and personal pensions where fund accumulation risk is borne by the beneficiary, the opaqueness of charges, their incalculability by members ex post or ex ante, means that the asymmetry in market power is continued under current regulations.<br><br>**Jerry MORIARTY, Ireland, IORPs:**<br><br>Pension reform in Ireland is moving very slowly with little progress in the last Government's Pensions Roadmap. Introduction of auto-enrolment is the main reform. There also has been a failure to implement legislation to ensure solvent employers winding up a DB plan would be legally obliged to fund the plan to at least the minimum funding standard level.<br><br>**Michael REINER, Austria, Academic:**<br><br>In the course of the implementation of IORP II Austria switched to a pure prudent person principle this without any quantitative limits. The Austrian financial market authority (FMA) revised some by-laws |

in the course of the IROP II implementation, esp regarding risk management.

A survey of the FMA in 2019 showed that nearly all IORPs have some kind of ESG policy and the IORPs reported a major demand for ESG investment.

In the search for yield there is a major trend towards investments on non regulated markets, although starting from a low basis.

**Christian GÜLICH, Germany, Beneficiary Representative:**

Out of 135 IORPs 36 "Pensionskassen" are under "enhanced" supervision by the German NCA (BaFin) due to the ongoing low interest rate phase, including two IORPs which are not allowed anymore to underwrite new business. This number may increase in the future, because a lot of them still have many contracts with rather high guaranteed interest rates from the past.

But most problematic are those cases of "Pensionskassen" in which sponsors do not exist any longer. Several possible solutions are discussed by BaFin and the Federal Ministry of Labour and Social Affairs, but no definite decision has been taken until now.

Additionally some „Pensionskassen“ have asked the NCA for reducing the calculation parameter of pension pay-outs („Rentenfaktor“). It is usually fixed after the start of the pay-out phase. A little bit more than 5 million contracts of IORPs exist in Germany.

**Stefan NELLSHEN, Germany, IORPs:**

As a consequence out of the Corona crisis the NCA has made use of of the possibility to allow IORPs to provide reporting data later than originally foreseen (as initiated by EIOPA).

One further consequence out of the Corona crisis is that the recent shocks, which had to be observed in many capital market segments, led for some IORPs to a sharp fall of the market value of their assets. So discussions are starting right now to allow e.g.

a) for a certain underfunding position, which resulted out of the crisis, for a limited period of time

b) for a temporary violation of certain maximum allocations for some asset classes (due to base effects)

In addition some people discuss, how sponsoring companies, which eventually would have to provide support for IORPs, can be helped with regard to their own liquidity situation during the crisis.

But it should be stated, that there are also some IORPs not having any problems with regard to minimum funding (or solvency) requirements after the capital market shocks stemming from the Corona crisis so far.

**Sue LEWIS, UK, Beneficiary Representative:**

The main development in the UK has been new regulation for Master Trusts, the multi-employer pension schemes that are the main vehicle for auto-enrolment, with around 16 million members at the beginning of 2020. Parliament passed a law in 2018 requiring Master Trusts to be authorised by the Pensions Regulator, to increase member protection. The number of providers reduced from 90 to under 40 during 2019, with many choosing to leave the market rather than undergo a rigorous authorisation process. Some consolidation of remaining trusts is expected. In setting out COVD-19 support measures, the government made clear that firms should continue to pay at least the minimum contribution to employees' pensions. It is too early to tell, but it is a concern that members will opt out of occupational schemes as the economic effects of COVID-19 bite.

**Catalin OROVICEANU, Romania, Beneficiaries:**

At the beginning of 2020, the Romanian Parliament passed Law 1/2020 on occupational pensions, which is actually an implementation of the IORP II Directive. The new law appears as a stronger intention of the state to finally implement IORPs and occupational pensions in Romania (a previous attempt has been made in 2004, but the law adopted at that time was short-lived and was never applied).

As a sign of this stronger intention, the regulator (Financial Supervision Authority) has already adopted secondary legislation in support of the new law.

However, except for a few press releases from the regulator, there has been little publicity about this law and most likely, employers and employees alike are not very aware about it. It remains to be seen, especially in the context of the Corona crisis, if we will see any occupational pension schemes in Romania during 2020.

**Christian LEMAIRE, France, IORPs:**

*The PACTE Law 2019 (Pillar II & III):*

Major ambitions:

- Unify and harmonise existing pension savings schemes
- Finance the real economy by developing corporate equity financing
- Encourage long-term investments horizon and lifecycle to offer higher returns to savers
- Facilitate transfer to other schemes, helping job mobility

*Main changes in the French Pension System:*

- Increase opportunities for small companies to offer pension schemes for employees
- Companies with less than 50 employees don't pay social charges on all contributions
- Encourage all employers to offer occupational pensions...
- ...by offering tax incentives (cap of 16% on social charges for collective schemes for companies with over 50 employees)
- Simplify pension products and make them portable...
- ...by letting companies offer a unified, standardized savings scheme (PER) with dedicated solutions for retirement (life cycle, early withdrawal of funds), which will be entirely portable over a pensioners lifetime.
- Encourage a long-term investment approach and promote Life-cycle solutions
- « Equilibrium » asset allocation will be set as default option and more in line with long-term saving targets

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| | **Senka Fekeža KLEMEN, Croatia, IORPs:**<br>There are 20 IORPs in Croatia, with EUR 135 million in assets under management, which is still a small segment compared to other western European countries. As opposed to occupational pension savings, the mandatory second pillar (1st bis) has continuously been posting an increase in the number of members and assets under management, reaching EUR 15 billion or 27,3% of the Croatian GDP in 2019. Simultaneously with rising assets under management, all fees for members are decreasing, thus achieving a total cost indicator of 0,4% annually in mandatory pension funds and around 1,6% to 2,2% in voluntary pension funds, depending on the fund type. Consequently, net income of all 4 pension funds management companies has fallen by 24%.<br><br>Pension funds performed exceptionally well last year in terms of new members, contributions payments and performance. The same trend continued this year but a sudden coronavirus outbreak has caused many shortcomings. Due to the measures introduced to protect the economy such as, temporary postponement or even abolishment of taxes and contributions for companies that could not continue with their operations, payments of mandatory contributions are bound to decrease significantly in the following months. Besides turmoil on stock markets, all pension funds (mandatory and voluntary, occupational or private pension plans) have been negatively affected by widening of the spread between Croatian bonds and German Bund. Croatia is in the process of joining European exchange rate mechanism (ERM) and at the moment of COVID-19 crisis outbreak, it did not meet the conditions for ECB bond purchasing program. As this is an extraordinary situation, we hope that ECB will make an exception and include member states, which are preparing to enter ERM, in bond purchasing program to help protect pension savings of European citizens.<br><br>**Ann-Marie WANCKE WIDEMAR, Sweden, IORPs:**<br>Conditions on the labour market are regulated to a very high degree through collective agreements, rather than through legislation and state intervention. A Swedish company is **not** required by law to provide its employees with occupational pension schemes, but occupational pension schemes are mandatory if there is a collective |

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| | agreement at the workplace. Collective occupational pension has a 90 % coverage today since most Swedish employers offer their employees occupational pension schemes. (Average earner – 60% public pension and 40% occupational pension). Occupational pension savings are mostly managed by life insurance undertakings (insurance), article 4 IORP I, or occupational pension funds, (appr. 5 %).<br><br>On 15 December 2019, the Occupational Pensions Law (IORP II) **entered into force**. This act goes further than the provisions in the IORP II-Directive, which is a result of the Swedish legislator wanting to, among other, increase the level of consumer protection to that of the Solvency II-directive. There have been discussions in Sweden if the use of gold-plating has indeed increased the level of consumer protection.<br><br>However, the Swedish Parliament made an *announcement* to the government before passing the government bill to review its proposal and make amendments to the legal act in four areas:<br>• the capital requirements,<br>• freedom of contract for the collective agreement parties (employers' organisations and labour unions) regarding information provisions to members and benficiaries to ,<br>• occupational pension for self-employed, and<br>• supplementary benefits to be allowed in an occupational pension fund.<br>In (29) April 2020, a memorandum was presented by the Swedish Government with the proposed changes. The government bill is expected to be published after the summer and the changes will enter into force on 1 December 2020.<br><br>**Philip Neyt, Belgium, IORPs:**<br><br>On 11 January 2019 Belgium was one of the first countries to transpose the IORP II directive into national legislation. The national legislation provides a framework to accommodate pan-European pension funds to opt for Belgium as home country. The main focus of IORPs in 2019 has been the implementation of this new legislation. |

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| | As from 1 January 2025 differences in occupational pensions between blue collared and white collared employees are no longer allowed. In 2019 the social partners reached agreement on which elements of the pension promise require harmonization. They provided an advice accordingly.<br><br>**Valdemar DUARTE, Portugal, IORPs:**<br><br>In Portugal, the current government is not supportive to promote the development of the II and III Pillars of private pensions the official vision is that the existing model of public repartition is enough to provide retirement for the population.<br><br>IORP II Directive has not been transposed yet. But is very closed to be approved. First the draft Law was sent in June 2019, to Parliament to approval but was postponed due to lack of time before the general elections. In December 2019 was submitted again to Parliament approval and should be already if it was not the Covid 19.<br><br>The new Pension Fund Law, beyond the IORP II transposition, is very comprehensive incorporating new rules resulting from the market and regulatory experience. It also, integrate the last improvements coming from 2019 EIOPA recommendations in terms of risk management like the ORA, ESG governance and Information duties.<br><br>To align with EIOPA and ECB requirements for uniform reporting, the regular report to the NCA was changed from November 2019. But the requirements of look through information to apply in funds with more than 1 B€ AuM was not yet implemented.<br><br>The alternative to receive the pensions DC pots directly from the pension funds with drawdown solutions in alternative to the previous mandatory annuity way, was successfully implemented and an huge majority of new comers in retirement had made their option for Flexible Pensions.<br><br>**Francesco BRIGANTI, Italy, IORPs:**<br><br>Due to the COVID-19 crisis, some mandatory reporting tasks of pension funds were postponed by the Italian Supervisory Authority (Covip).<br><br>According to some articles and reports, the COVID-crisis does not seem to have significantly affected, at least at the moment, the returns on investments, which remain positive. |

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| | Several media are suggesting to Italians to transfer their severance pay (TFR) from their employers-companies to pension funds (basically Italians have this choice) in order to better protect their future savings, to get fiscal incentives, to benefit from the opportunity to get early withdrawals of the 30% of the accrued capital: this option, allowed for pension funds, would be not possible for severance pay kept in the company.<br><br>The big worry of the Coronavirus crisis for pension funds is that the potential consequent economic crisis (failure of several companies, high unemployment rates and collapse of people's income) will lead to a massive withdrawal of companies and members from pension funds, and a freezing of payments of contributions.<br><br>On another note, according to Covip, in the last 20 years the number of Italian pension funds almost halved, because of continuous mergers and consolidation. It seems that this trend will be also partially urged by the recent implementation of the IORP 2 directive. |
| Personal pensions | **Fieke VAN DER LECQ, The Netherlands, Academic:**<br><br>Political debates about introducing 2nd pillar pension plans for self-employed, besides the current 3rd pillar dedicated savings / investment accounts.<br><br>**Onno STEENBEEK, The Netherlands, IORP:**<br><br>The current pension discussion is likely to have consequences for the pension provision of the self-employed, which is a growing white spot in Dutch pension provision. Over the past decade, certain sectors (e.g. construction) experienced a significant outflow of employees from companies participating in mandatory pension provision to being self-employed. These self-employed are often rehired on a temporary contract in which pension is not covered. This creates unfair job-market advantages for the self-employed in the short run, while the individual eventually pays by not accruing any pension.<br><br>**John MAHER , Ireland, Academic:**<br><br>Currently individuals on retirement have some choice regarding an undrawn amount (having taken a tax-free lump from a fund within a defined limit). There is some sentiment that where an individual does not buy an annuity that they should be offered a collective investment |

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| | vehicle which could share investment risk, administration costs and perhaps offer some other advantages not available through current individualised package products.<br><br>The decline in investment markets in response to the impact of COVID-19 has highlighted market awareness of the significance of guarantees and/or risk mitigation strategies, particularly if beneficiaries have a limited time frame in which to make decisions regarding their funds at or close to retirement.<br><br>**Christian GÜLICH, Germany, Beneficiary Representative:**<br><br>Due to the ongoing "low for long" interest rate phase, the Association of German Actuaries had proposed another lowering of interest rate for life insurance with long-term guarantees (from 0,9% to 0,5%). Usually the proposal of the actuaries is examined by the NCA (BaFin) and then transmitted to the Federal Ministry of Finance which takes the final decision.<br><br>But in March 2020 the Federal Ministry of Finance decided not to follow the proposal of the actuaries, and additionally BaFin stressed the „reponsibility“ of the insurers that the legally fixed guaranteed interest rate is only the upper limit for any fix guarantees given by life insurers. But of course life insurers are allowed to guarantee a lower interest rate for new contracts. Until now primarely due to market competition life insurers have refrained from offering minimum guarantee interest rates which are lower than the legally fixed one. It is obvious that this business behavior has to be overcome, because the contractually fixed minimum guarantee interest rate must not endanger the long-term capital reserves of any life insurer. In consequence any guaranteed interest rates have to be calculated individually. This is all the more crucial as global financial effects of the coronavirus-crisis will very probably even enhance the "low for long" interest rate phase.<br><br>Another consequence of a further lowering of legally fixed guaranteed interest rate would have been that life insurers could not offer any more state subsidized Riester pension plans (due to costs and to the 0% minimum return guarantee of paid premiums at the beginning of the pay-out phase). From consumer's perspective demands of lowering or even of abolishing this minimum return guarantee seems to be appropriate, because they could enable insurers a more flexible investment policy. But this must not divert from the crucial requirement to reduce costs as well in the accumulation as in the decumulation phase. |

**Philippe SEIDEL, France/Germany, Beneficiary Representative:**

Not country-specific: a trend towards digitalisation of both advice and sale of personal pensions is ongoing, with the possibility to commit to pension plans without meeting any physical adviser. While this development is welcome, as it eases the access to personal pensions, there are several risks linked to this development:

- as individual websites/intermediaries may offer only products from one pension provider, the role of independent comparison websites is ever more crucial. A future edition of the report could look at comparison websites: in which member states do they exist? Which guarantees exist for their independence?

- some pension providers may offer personal pension products exclusively online, or charge differential fees for accessing personal pensions according to the medium used to establish the pensions, i.e. charging higher fees for pension plans established in offline distribution channels. This could also be an area for future investigation by the Consumer Trends report.

**Catalin OROVICEANU, Romania, Beneficiaries**

The managers of private pension funds (labelled Pillar 2 funds, funded by the state through a percentage of social contributions due by the employee) have suffered, according to some reports in the press, a certain decrease in their income and profitability. This is due to a new computation scheme regulated at the end of 2018, which links the level of the management fee to the performance of the fund against inflation.

Such reduction in fees did not seem to affect performance: pension funds have shown good performance during 2019 (an average of 11% in 2019 – helped by the rally of the Bucharest Stock Exchange) and decent one on medium and long term (average of 5.6% over the last 10 years).

A recent shock has occurred at the end of March-beginning of April 2020, when assets of pension funds decreased with around 7%, due to the stock exchange fluctuations caused by the Corona crisis. No regulatory steps have been taken in this respect, as this was (correctly) seen as a consequence of the over-all economic climate (and not as bad management), with limited impact on long term.

**Christian LEMAIRE, France, IORPs:**

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| | See answers to the 1st question.<br><br>**Aleksandra MĄCZYŃSKA, Poland, Beneficiaries:**<br><br>POLAND<br><br>The Polish supplementary pension market is still in its early stage of development and only a small part of Poles decided to secure their retirement income by joining an occupational pension plan or purchasing individual pension products. Pillar III, supplementing the basic, mandatory pension system, is based on four elements: • PPE employee pension programs • IKE individual retirement accounts • IKZE individual retirement savings accounts and • PPK employee capital plans. In 2019 the number of PPEs increased by ca. 700 programs due to the fact that companies providing PPEs are exempted from the obligation to run PPK.<br><br>FRANCE<br><br>The PACTE Law 2019 (Pillar II & III):<br><br>- The first "PER" (Plan d'Epargne Retraite) created by the PACTE Law were launched in October 2019. After a good start, their intake has slowed down due to the confinement induced by the corona epidemic.<br>- The final Law lifts the 15 year ban on inducements (commissions) on personal pension products that saver organizations obtained in 2004: the "PERP" (Plan d'Epargne Retraite Populaire; where commissions on "units" have to be returned to the Plan, increasing its performance for pension savers) will be replaced progressively by the PER where commissions on units will be pocketed by distributors and providers. FAIDER estimates[2] that this lift of the ban on inducements will transfer at least 20 billion euros of wealth from pension savers (who already were getting poor returns on average – see BETTER FINANCE 2019 research report on the real returns of Long Term and Pensions savings[3]) to distributors and providers, not counting the very negative impact of the conflicts of interests in the selection of the units generated by these big commissions.<br>- Another detrimental effect of the PACTE Law for pension savers is that the free choice of the payout option between capital (lump sum) and life annuities is not balanced by the French Government unkept promise to make the annuity option (which |

[2] https://cdn.website-editor.net/811dab026050400bb68a725665e66c62/files/uploaded/2019-06-03-FAIDER-Com-%25C3%25A9pargne%2520retraite.pdf

[3] https://betterfinance.eu/publication/pension-savings-the-real-return-2019-edition/

constrains the pension savers even longer) more attractive taxwise. Like the recent similar change of rule in the UK, this is likely to create severe economic and social issues for small pension savers when they reach a very old age, are more and more dependent but without any pension money left.

- Also, contrary to the initial will of the Government, the non-insurance regulated PERs will be exempted from the mandatory subscription of PERs by pension saver associations. This feature specific to the French Law enables to reduce the information asymmetry and increase the negotiating power of the pension saver side in a very technical and complex market.
- A positive new feature is that these pension savings liabilities for insurers will have to be isolated in their balance sheets as a segregated liability, separately from their general funds.

**Ann-Marie WANCKE WIDEMAR, Sweden, IORPs:**
Personal pensions are still unusual since there are no tax incentives for private pension savings.

Prior to 2016, 1.9 million individuals saved regularly in a personal pension plan. However, in 2016, the Swedish government abandoned/abolished the applicable tax relief rules, which allowed for deductions for private pension savings schemes. The market for private pension products is therefore almost non-existing in Sweden.

**Valdemar Duarte, PORTUGAL, IORPs**

The launch for Flexible Pensions made also possible that the population in retirement age may convert their saving pots from whatever product in a regular stream of income with full flexibility.

The offer is not yet fully widespread in the market, but in one provider that is selling the product in retail distribution the reaction of the demand was very positive.

The option to convert in a drawdown solution (Flexible Pensions, annuities or a similar product) the sale of the family house, by individuals that are retired or have at least 65 years old, with a exemption of taxation of added value tax, is just doing the first steps in the market, but is also expected to be successful product.

**Francesco BRIGANTI, Italy, IORPs**

According to Covip (Italian NCA), the new PEPP Regulation might represent a good opportunity to finally pave the way to remove the

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| | taxation on investment returns from personal pensions (PIPs). Indeed, the current taxation formula of Italian personal (and occupational) pensions is ETT.<br><br>Quite paradoxically, 3,1 millions of Italians are enrolled into personal pensions (PIPs): more than the ones enrolled into sector-wide collectively agreed occupational pensions (3 millions); and more than the ones enrolled into open-multiemployer pension funds (1,4 million). Even many workers who could have joined an occupational pension, decided to enroll into a PIP, and normally had to renounce the employer contribution. The success of PIPs is probably due to very aggressive marketing campaigns, and to their flexible formulas. However, their management is by far more expensive than occupational pensions, and their returns on investments are not necessarily higher than the other private pensions. |

| | **Developments in demand / offer / financial innovations / market environment / market practices/ consumer protection** |
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| DB schemes | **Fieke VAN DER LECQ, The Netherlands, Academic:**<br>Ongoing transitions from DB to CDC (collective DC).<br><br>**Hans VAN MEERTEN, The Netherlands, Academic:**<br>See above.<br><br>**Onno STEENBEEK, The Netherlands, IORP:**<br>An important element in the current reform discussion in the Netherlands is focused on the introduction of choice options in the mandatory space. Allowing pensioners to take a lumpsum on retirement of possibly up to 10% of accrued capital, appears to be likely. This option can be viewed as an extreme version of the high-low arrangements already in place. In these arrangements, the beneficiaries can choose to receive a higher pension benefit in the years immediately after retirement at the expense of a lower pension benefit in later years (or the other way around).<br><br>**John MAHER, Ireland, Academic:** |

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| | A comprehensive review of the Consumer Protection Code (CPC) will be undertaken by the NCA in 2020. This provides an opportunity to develop the protections for consumers over the product life cycle.<br><br>Of those employees who have occupational pension schemes, 36.4% have defined benefit schemes according to the Central Statistics Office (CSO) 2019 survey.<br><br>**Jerry MORIARTY, Ireland, IORPs:**<br><br>Continuing decline in number of DB schemes and employees covered by them (other than in pay as you go public sector).<br><br>**Francesco BRIGANTI, Italy, IORPs**<br><br>Only old pre-existent pension funds (basically covering the banking sector) created in the 80s. The Italian pension funds work a DC basis. |
| DC schemes | **Fieke VAN DER LECQ, The Netherlands, Academic:**<br><br>Momentum for 'enhanced DC' = with some risk sharing mechanisms.<br><br>**John MAHER, Ireland, Academic:**<br><br>As for CPC immediately above.<br><br>An increased and granular focus on the remuneration of financial intermediaries will see the impact of incentive systems on consumer outcomes receive greater scrutiny and intervention by the NCA where required.<br><br>Of those employees who have an occupational pension, 61.7% have a defined contribution plan while a distinct minority (1.9%) at this stage are members of hybrid schemes, according a the 2019 CSO survey.<br><br>There has been a delay in implementing the IORP II directive and it would be appropriate that this matter should not be left lie in abeyance indefinitely.<br><br>**Jerry MORIARTY, Ireland, IORPs:**<br><br>Increase in number of employees in DC schemes due to increased employment (pre Covid-19). |

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| | **Michael REINER, Austria, Academic:**<br>The trend towards dc-schemes continues.<br><br>**Catalin OROVICEANU, Romania, Beneficiaries**<br>The newly regulated occupational pensions will only be DC based (either simple or guaranteed). No visible trend, due to novelty of the law and lack of occupational pension schemes.<br><br>**Christian LEMAIRE, France, IORPs:**<br>See answers to the 1st question<br><br>**Ann-Marie WANCKE WIDEMAR, Sweden, IORPs:**<br>Generally, the trend towards DC schemes continues.<br><br>**Francesco BRIGANTI, Italy, IORPs**<br>Apart from the old pre-existent pension funds (basically covering the banking sector), the Italian pension funds work a DC basis.<br><br>Some funds offer a guaranteed line on the capitals or on the returns. In the latter case (returns on capital), the reference is the severance pay ("TFR") that Italian workers would normally get, in case they did not decide to transfer it to a pension fund. As the severance pay - withdrawable at the end of the working life- has to be legally indexed every year according to some parameters, those workers who decide to transfer their TFR to a pension fund might expect that the fund will assure them at least the same indexation as their TFR. |

In addition, the OPSG is invited to provide input on the following topics:

1. Innovations in the decumulation phase

With life expectancy increasing, a strain is being put on the decumulation phase. To address this issue, **innovations in the decumulations** are taking place. For example, some funds are developing new products with specific changes to the decumulation phase. In some Member States, reforms are also being introduced to address this issue by delaying the retirement age. And, finally, some beneficiaries are voluntarily choosing to delay the decumulation phase.

Please indicate the jurisdictions where such innovations in the decumulation phase have been noticed:

- Yes: [JURISDICTIONS]
- No: [Belgium]
- No information available / Not applicable: [JURISDICTIONS]

Please state your views on how such **innovations in the decumulation phase** can impact the pension sector as well as any benefits and potential risks for consumers. Where relevant please differentiate between personal and occupational pensions and specify whether such innovations relate to: (i) Public reforms; (ii) New products being developed/launched by pension funds; (iii) Decisions taken by beneficiaries.

**Fieke VAN DER LECQ, The Netherlands, Academic:**

DC plan members can choose between fixed or variable annuity.

DB plan members can choose to receive higher benefits in the first years after retirement and lower benefits in later years.

**Onno STEENBEEK, The Netherlands, IORP:**

DC plan members can remain invested after retirement.

DB plan members can choose retirement date and high-low arrangements (see above)

DB plan members can take up a lumpsum at retirement (likely reform)

**John MAHER, Ireland, Academic:**

Most pension schemes beneficiaries may take a tax-free lump sum from their pension fund up to a maximum of €200k on retirement.

For DC schemes, they may choose between an annuity or remain invested in an approved fund, with the balance taxable on actual or deemed annual withdrawals from the fund (4-6% depending on age and size of fund) thereafter.

At present many retirees are slow to commit to an annuity because of the perceived high cost. The result is that, like many institutional investors, retirees take more risk by not investing in a government bond related product, and choose instead more volatile and potentially higher yielding investment funds. They may do this with or without advice, and all the decision-making risk that this involves. The State plays no role in providing advice in this domain though does offer relatively limited information. There is no integrated decision making support tool provided by any of the State agencies with responsibility for consumer protection.

**Jerry MORIARTY, Ireland, IORPs:**

In Ireland, most DC members can choose to take a tax-free lump sum and use the balance of their fund to purchase an annuity or transfer to an Approved Retirement Fund which is a drawdown product. Almost all members chose the Approved Retirement Fund.

**Sue LEWIS, UK, Beneficiary Representative:**

In July 2019 the UK Financial Conduct Authority set out new rules and guidance (https://www.fca.org.uk/publication/policy/ps19-21.pdf) to:

•require drawdown providers to offer ‘investment pathways’ for consumers entering drawdown without taking regulated advice. These pathways will set out options in plain terms, eg “I plan to start taking an income in the next five years” so that consumers can be offered options consistent with their goals.

•ensure that consumers entering drawdown only invest mainly in cash if they take an active decision to do so

•require firms to send annual information on all the costs and charges paid over the previous year to consumers who have accessed their pension

As a result of COVID-19, implementation of these measures has been delayed to 1 February 2021.

**Michael REINER, Austria, Academic:**

There were no changes in the decumulation phase. In 2012 there were many changes in the course of the financial crisis towards more stable forms of outpayment.

**Phillipe SEIDEL, France/Germany, Beneficiary Representative:**

Not country-specific: Taking pension entitlements as lump sums may expose pensioners to a number of threats, such as: fraudulent practices/scams targeting persons exactly at this moment when they have large liquidities available, partial advice about reinvestment and suboptimal choices for reinvestments. There is also the risk that pensioners put this lump sum into a savings account, bringing them minimum return and actually real loss over the years given the very low interest rates.

**Christian LEMAIRE, France, IORPs:**

Some providers have designed personalized Life Cycle Strategies based on proprietary glide paths. The principle is to adapt the investment horizon to the profile of each individual plan member, to optimize allocation to deliver maximum performance on contributed and capitalized savings while implanting efficient risk mitigation technics aiming at capital preservation as the individual approaches retirement. This allows providing much higher expected return than capital guaranteed funds with a very high probability of capital preservation over 20+ years.

**Senka Fekeža KLEMEN, Croatia, IORPs:**

DC occupational and personal pension plan members have been required to save 5 years longer for their retirement. Lump sum is limited at 30% of their total savings and the remaining 70% can be paid off in the following 5 years. Since the beginning of last year when the amended Act on Voluntary Pension Funds came into force, members have the possibility to choose between fixed or variable annuity or they can combine both. Pension insurance company has offered a new product on the market, ensuring progressive annuity in the first two years. Therefore, in the first two years, pension members are entitled to receive 80% of their pension savings.

**Ann-Marie WANCKE WIDEMAR, Sweden, IORPs:**
On 1 January 2020, some changes entered into force aiming to address the increasing life span. Regarding pillar 1, public pension decumulation at the individual's request, may from 2022 start at the earliest 62 (today 61). In 2024 it will be increased to 63 and from 2026 age 64. At the same time the "normal retirement age" will increase from today's 65 to 66 (2023) and to 67 (2026) The occupational pension schemes are expected to in some way adjust to these changes to the pillar 1 schemes.

**Philip NEYT, Belgium, IORPs:**

Although beneficiaries have the option to take pension benefits as an annuity most pensioners opt to receive a lump sum payment at retirement.

**Valdemar Duarte, PORTUGAL, IORPs:**

The Flexible Pensions for II Pillar without possibility of redemption and with an actuarial maximum defined in market terms or for the III Pillar with full flexibility or for the III Pillar for the reinvestment of own house with pension cap equal to 7,5% of the invested capital, are changing the landscape for the payment of benefits during the retirement age that were just possible with annuities that are a not an interesting product neither for clients (low values without flexibility) neither for insurance companies (shortage of market high S II capital requirements.

**Francesco BRIGANTI, Italy, IORPs**

Theoretically, it *is* possible to receive up to a 50% in lump-sums and the remaining 50% in annuities.

*However, as the 50% annuity is mandatory only if the value of* the potential *annuity* is higher than some parameters, in practice the great majority of retiring members can choose (and they usually do) a 100% lump sum payment.

2. Innovation in communications

Effective and comprehensible communication with members is essential for them to be aware of both pension products' characteristics and their pension's situation. Nevertheless, members, in particular those who have just entered the workforce, reportedly are not engaged with their pensions. As a response given that more and more members prefer online and more interactive communication, some funds are making communication 'more digital and simultaneous'. Other pension funds are also reviewing the language used and recurring to social medial to increase members' engagement. Finally, some funds are also implementing behaviourally informed techniques – such as nudging – to increase members' awareness and engagement in decisive moments in a pension's products lifecycle (e.g., prior to retirement or when changing jobs).

Please identify the type of **innovation in communications** in different jurisdictions:

- More digital and simultaneous communications: [JURISDICTIONS]
- Reviewing language and using social medial to increase members' engagement: [JURISDICTIONS]
- Usage of behaviourally informed techniques – such as nudging – to increase members' awareness and engagement in decisive moments in a pension's products lifecycle: [JURISDICTIONS]

Please state your views with regard to the benefits of these types of innovations, including whether you believe they can be effective in improving members' engagements. In your answer, please provide any concrete examples of the types of innovations taking place as well as of their effectiveness. If possible, please also refer to any shortcomings and concerns.

**Fieke VAN DER LECQ, The Netherlands, Academic:**

IT firms have entered the market for pension delivery services, such as administration. By implication, they develop their own interfaces for communication to plan members. Thus, it is no longer the pension fund but instead their delivery organisation which determines the functionalities as well as the look and feel of the communication.

**Michael REINER, Austria, Academic:**

In the course of the implementation of IORP II the communication channel allowed for in the Austrian Pension Fund Act (PKG) was generally changed from paper to electronic.

**Sue LEWIS, UK, Beneficiary Representative:**

In 2019 the UK Financial Conduct Authority introduced new rules on the information pension providers are required to send to their members before they access their pensions. Known as 'wake-up' packs, these were usually sent to consumers a few months before their retirement date. To try to get people to think about their pension options earlier, the FCA now requires providers to send the packs when consumers reach age 50, and then every five years until they have crystallised their pension. There are requirements on the format of the information in the 'wake-up' packs, which must be easy to understand and contain a short summary. Consumers must also receive risk warnings, and be told they can access free government pensions guidance (PensionWise). Providers are forbidden to include marketing information about their decumulation products with the packs. It is hoped that getting better information, and at an earlier stage, will encourage consumers to think about their pension options early enough and even save some more while they have time.

**Stefan NELLSHEN, Germany, IORPs:**

The staff of many IORPs is working from home according to existing Business Continuity Plans. The government allowed to postpone Annual (General) Meetings of IORPs. Many IORPs are making use of that. Others choose the form of a virtual Annual Meeting. From my (maybe subjective) point of view, the current crisis works as a catalyst regarding the process of digitalising certain workflows in IORPs in Germany.

**Christian LEMAIRE, France, IORPs:**

Propose training to board members to assist them in their effort to improve the level of engagement of their plan members.

Offer tutorials in short video to individual plan members in order to encourage them to save more for their pension.

**Senka Fekeža KLEMEN, Croatia, IORPs:**

Pension funds, together with their association (UMFO) or independently, have constantly been working on increasing the level of awareness about pension savings and financial literacy in general. UMFO has set up numerous activities such as: Small

Academy of Finance (Mafin), in cooperation with the Ministry of Science and Education, media partners and the Faculty of Economics and Business in Zagreb. The project was organised in two rounds, comprised 96 elementary schools in Croatia and lasted one year. Pupils in aged 10-14 years were learning about pension savings, differences between capitalised personal savings in (2. and 3. pillar) and pay- as- you-go schemes in (1st. pillar), and generally about savings and ways how to create home budgets. The feedback was very promising and showed positive attitudes towards savings from children's point of view. Furthermore, it is worth mentioning the project of financial literacy and digital platform "My pension", set up in cooperation with one of Croatian newspapers, with the aim of educating people about savings, investments and pensions as lifelong savings.

Recently published pension benefit statement also had a positive impact on communication with pension members, giving them illustrative and informative tool/review and allowing them to better understand and plan pension savings.

**Ann-Marie WANCKE WIDEMAR, Sweden, IORPs:**

In Sweden, a well-functioning pension dashboard can be found at: https://www.minpension.se/om-minpension minpension.se.
Everyone who has earned retirement pension, had occupational pension or saved privately in Sweden can log in to minPension to get information about the Swedish pension system, which effects changes in life can have and see their entire pension savings (pillar 1, 2 and 3) and make pension forecasts. The service is run and financed half by the Swedish government and half by the pension companies. This means that minPension is a neutral and independent website that is free of charge for the user.
Information about minPension can be found in English here: https://www.minpension.se/minpension-se-info-pa-engelska.
Konsumenternas Försäkringsbyrå, (The Swedish Consumers' Insurance Bureau) provides consumers with independent information and advice regarding financial services. All information and advice are free of charge. https://www.konsumenternas.se/in-english

There are four (4) big countrywide occupational pension schemes covering 90 % of the labour market with the following coverage: blue collared workers, white collared workers, government employees and county council and municipal employees.

The collective agreement parties for white and blue collared workers(representing both employers and employees) have in the summer of 2019 started a joint information company that is planned to, in the coming years, provide all of the information to employers and the beneficiaries of occupational pension schemes. The aim is to reduce insurance companies', pension funds' and administration hubs' costs related to providing information to companies and beneficiaries and to establish an information centre/hub. The information that today is sent from insurance companies, pension funds and the administration hubs (valcentraler) will therefore in the future be managed by this newly established information company, "one way in". The handover will be done little by little starting from 2021.

**Philip NEYT, Belgium, IORPs:**

In 2019 focus in communication was on the alignment of the IORPII requirements on communication with the requirements of the Belgian social legislation applicable to all Belgian pension plans.

**Francesco BRIGANTI, Italy, IORPs:**

Pension funds can provide **electronic** information**, but** a previous **consent of members is requested (privacy laws)**. The o**ngoing trend is surely going towards paperless. However, paper hasn't disappeared yet.**
In addition the national pension funds have to offer an online service (through reserved/secure member area), by providing personal information of the member's position; projected/expected pension income on the long run; and possibility to download some relevant documents. Moreover, on the pension funds' websites, members can also make **operations** like to **elect beneficiaries**; **activate** b**enefit requests,** or **request switches**, etc.

3. Pensions' dashboards

With more and more consumers changing jobs multiple times in their lifetime, the chances of them having been part of multiple pension's schemes are higher. This makes it difficult for them to have visibility on their pension's rights. As a response, in some Member States there are some public and/or industry led initiatives to create **pensions' dashboards** enabling consumers to access all their pensions' information simultaneously online. While such dashboards should lead to more transparency some risks exist, in particular with regard to data accuracy as well as risks relating to members fully relying on the information provided and not seeking adequate advice prior to retirement.

Please indicate whether in your jurisdictions there are already in place **pensions' dashboards**:

- Yes: [The Netherlands, Belgium]
- No: [JURISDICTIONS]
- No information available / Not applicable: [JURISDICTIONS]

Please state your views with regard to the effectiveness of such dashboards in providing consumers an accurate picture of their pension's rights. If possible in your answer please outline what could be the potential conduct risks relating to **pensions' dashboards** as well as what you believe may be the necessary pre-conditions for such dashboards to lead to better consumers' outcomes.

**Fieke VAN DER LECQ, The Netherlands, Academic:**

YES (www.mijnpensioenoverzicht.nl). This platform works quite all right. It does not hold a database, but works via real life query's to all pension funds and insurance firms.

Unfortunately, this only covers the 1st and 2nd pillar. Insurance firms seem unwilling to join and deliver reconciled data for their customers on 3rd pillar pension products.

**John MAHER, Ireland, Academic:**

The lack of an integrated dashboard of accumulated pension benefits is incompatible with employer groups and analysts' pronouncements on career and job mobility aimed at younger cohorts of workers. Those same workers have lower pension coverage than their middle aged or preretirement counterparts, as noted in the 2019 Pension Coverage report – see **https://www.cso.ie/en/releasesandpublications/ep/p-pens/pensioncoverage2019/**

Effective well designed dashboards could prove to be a springboard to stronger engagement with retirement planning for many individuals, particularly those who embrace digital platforms in their lifestyles.

There is much talk in the financial sector regarding the application of big data and artificial intelligence concepts to the innovative provision of services. Consumers are yet to experience much benefit on this front in the pensions' domain.

**Jerry MORIARTY, Ireland, IORPs:**

No, and doesn't appear to be part of the proposed reforms or the plan for auto-enrolment.

**Sue LEWIS, UK, Beneficiary Representative:**

Progress on a Pensions Dashboard in the UK has been painfully slow. There is currently legislation going through Parliament that will mandate pension providers to give consumers access to their pension data through a dashboard. There is as yet no timetable for completion of the various stages. The government has committed to supporting a public sector dashboard, to be designed and run by the Money and Pensions Service. Consumer groups have argued consistently that an impartial and 'sales free' dashboard is important for consumer protection. The stakeholder group responsible for taking forward the dashboard has indicated it will not be able to set out a clear timetable for delivery until the end of 2020. It is essential that all three pillars are represented on the dashboard.

**Michael REINER, Austria, Academic:**

There is no pension dashboard in Austria.

**Senka Fekeža KLEMEN, Croatia, IORPs:**

Competent Ministry engaged consultants for the project called “The role of pension awareness and promotion of pension savings” to help create an integrated web - based information service in Croatia called - My Pension.hr

It can be challenging for members and beneficiaries to have an overview of different pension sources in multi-pillar pension system, therefore, the objective of ‘My Pension.hr’ is to provide members with comprehensive, up-to-date, coherent, actionable individual information on the future pension benefits. The platform is designed to provide information and not to be used as marketing platform and it should be set up as a public-private partnership, requiring strong participation and commitment from all stakeholders. According to consultants’ report, it is realistic to expect a launch of the platform within a period of one year after signing a memorandum of understanding. We are now preparing to sign a memorandum of understanding.

**Ann-Marie WANCKE WIDEMAR, Sweden, IORPs:**
See above.

**Philip NEYT, Belgium, IORPs:**

A pension dashboard MyPension.be provides individual information on 1st and 2nd pillar pension plans giving an overview of the pension entitlements for individuals. It also provides an overview of the pension career in the different pension systems. All 2nd pillar pension plan providers feed individual information to the database of MyPension.be. Only by having an overview of all pension entitlements combined, beneficiaries can make informed decisions on their retirement benefits.

**Francesco BRIGANTI, Italy, IORPs**

**In Italy a real pensio**n dashboard combining the potential overall pension income **coming from first and second pillar is still inexistent.**

The social security pension institute (INPS) created a pension income simulator (“la mia pensione futura”: **https://www.inps.it/nuovoportaleinps/default.aspx?itemdir=50033** ) in 2015, considering that the current public pension system works on a NDC (Notional Defined Contribution) basis.

The system, which was also accompanied in 2016 with an information document inspired by the Swedish “orange envelope” (“busta arancione”), applies to the first pillar public pension only.

Some supplementary pension funds, or other online services provide simulations of the expected overall pension income (including first and second pillar) on request.

4. Other focus topics

During discussions, which took place during the OPSG February 2019 meeting, Members provided ideas with regard to potential financial innovations/focus topics that could be covered in more detail in Consumer Trends Reports. In light of this, Members are requested to provide a common European view on the topics below. In your answer please briefly describe: the topic and the underlying issue (2 paragraphs), any shortcoming and consumer protection/conduct concerns (2 paragraphs), and potential solutions to address such concerns (1 paragraph):

- **Gender pension gap**

**Fieke VAN DER LECQ, The Netherlands, Academic:**

Little to no awareness on the gpg in the Netherlands.

**John MAHER, Ireland, Academic:**

Considerable awareness exists regarding of the gender gap in pay and in pensions. Some commentators hold that as the pay gap narrows, the pension gap will also converge. However, this does not take into account the societal and household distribution of care responsibilities for the young and the old. These often necessitate shorter working hours or indeed withdrawal from the labour market, thus affecting contribution capacity and levels, as well as triggering lower matching contributions from employers. Care issues involve social and cultural mores which can inhibit or accelerate change with respect to its provision, and these are intricately entwined with incentives and State interventions

There are sectoral dimensions regarding the pensions gap. Certain forms of employment pursued by women eg teaching , nursing ( usually well pensioned), retailing, hospitality (often not well pensioned ), and these have quite varying pension benefit arrangements.

Some exploration of household pension accumulation which facilitates allocation of benefits or fund value to either party might be a further step towards equalising benefits. Incentives to rejoin the workforce could include State and/or employer lump sum contribution to a pension which would reduce the loss experienced from discharging care responsibilities on a full time basis.

Dependent (or survivor) pensions are an important part of the pension mosaic. Public policy may need to factor them into consideration as labour market participation and pension coverage increases for women over time.

**Jerry MORIARTY, Ireland, IORPs:**

Has been some work done on this in Ireland.

**Sue LEWIS, UK, Beneficiary Representative:**

There continues to be concern about the gender pension gap in the UK. The body of research is growing, see for example: https://thepeoplespension.co.uk/info/wp-content/uploads/sites/3/2019/05/Gender-pension-gap-report_2019.pdf. However, there is as yet no political appetite for solutions.

**Michael REINER, Austria, Academic:**

For the first time the Austrian NCA covered the gpg in the yearly report about IORPs, although not very detailled.

**Catalin OROVICEANU, Romania, Beneficiaries**

No specific attention to this issue in Romania.

**Philippe SEIDEL, France/Germany, Beneficiary Representative:**

The main issue on the gender pension gap regarding occupational pensions is the difference in pay (gender pay gap), which automatically translates into lower occupational pension entitlements for the same career length. Non-employer-related aspects such as the difference in hours worked also play a role.

In addition, there seems to be a large gap in coverage gates of male and female employees by occupational pensions. Future editions of the report should analyse these gaps in coverage along the following dimensions:

- prevalence of occupational pensions in certain sectors that might have a predominantly male workforce

- access to occupational pensions for the same job with different employment arrangements, i.e. open-ended full-time contract / open-ended part-time / fixed-term full time / fixed-term part-time / flexible or zero-hour contract; given the gender differences in the prevalence of part-time work, this has an impact on access to occupational pensions

Practices that can overcome this are sectoral agreements or national legislation that does not allow an employer to discriminate on the basis of employment type. A closer analysis of coverage rates and the drivers of different coverage rates is clearly within the scope of the Consumer Trends Report, as it covers the central question of ‘who is the consumer’?

**Francesco BRIGANTI, Italy, IORPs:**

Gender gap is still quite impressive in Italy. According to the last COVIP Report (2019):

- man represent the 61,9% of the overall members in supplementary pensions, and they are particularly enrolled in pension funds set up through collective agreements (mainly at sector-wide level): 73,1%.

- In personal pension products (PIPs is the Italian acronym), the gender distribution is much more balanced: 46,3% of members are women.

- **Millennials' pension needs**

**Fieke VAN DER LECQ, The Netherlands, Academic:**

No specific attention to this issue in the Netherlands.

**John MAHER, Ireland, Academic:**

The phased introduction of Automatic Enrolment is seen as making a contribution to the needs of Millennials, though this initiative is on hold.

The use of digital technology for the provision of information and the conduct of transactions is likely to increase. This is particularly the case if trends in online banking and general insurance migrate to pensions. The emergence of new suppliers and platforms are also evident in these neighbouring financial sectors.

**Jerry MORIARTY, Ireland, IORPs:**

No real specific attention in Ireland either. One issue is the greater likelihood of Millennials continuing to rent rather that own property throughout their lifetime.

**Michael REINER, Austria, Academic:**

No visible awareness in Austria.

**Catalin OROVOCEANU, Romania, Beneficiaries:**
No specific attention to this issue in Romania.

**Philippe SEIDEL, France/Germany, Beneficiary Representative:**

Similarly to the gender pension gap, millenials might have less access to occupational pensions because of a higher prevalence of flexible employment contracts with younger people. Also, the Employment Equality Directive allows to discriminate on the basis of age with regard to pay and entitlements (including occupational pensions), if the policy pursues an aim to favour employment of younger people. For instance, employers can be allowed not to offer occupational pensions to younger workers in the framework of a policy that fights youth unemployment by cutting labour costs. An assessment of the existence and prevalence of such measures within the Consumer Trends Report would be highly interesting also from the point of view of Solidarity between Generations, a principle of the EU according to art. 3 TEU.

**Francesco BRIGANTI, Italy, IORPs:**

Millennials are not receiving enough support in Italy. Apart from the typical fiscal incentives to join supplementary pensions with special tax advantages in case of first employment, millennials suffer precarious and often atypical jobs preventing them from joining occupational pensions.

According to the last data on supplementary pensions coverage, in a Country where the only the 30,2% of the workforce is enrolled in private pensions, the 54,7% of that part is made up of members aged between 35-54; and the 27,6% of older than 55. That implies that only the remaining 17,7% is represented by younger generations.

Moreover, and probably more importantly, wages of millennials are remarkably low, and so there is no enough financial margin to pay into private funds considering their priorities to satisfy other needs. That applies even if many millennials are aware of the challenges for their future pensions' adequacy.

Finally, another serious challenge for Italian millennials is that public pensions work on a NDC basis: career breaks and lack of regular employment contracts are limiting the continuity of contributions to public pensions, which will make them even lower in the future.

- **The impact on consumers of the continuous shift from DB to DC schemes**

**Fieke VAN DER LECQ, The Netherlands, Academic:**

In the Netherlands, most plans are CDC or enhanced DC.

**John MAHER, Ireland, Academic:**

About 61% are DC schemes while 34% are DB schemes with less than 2% constituting hybrid schemes. No new DB schemes are being established, and existing DB schemes are generally shut to new members.

With the integration of the state pension with occupational pensions in many schemes, the decision made some years ago to raise the qualifying age for the latter to 67 in 2021 became an election issue earlier this year. This decision may be reviewed prospectively when a programme for government is agreed by the political parties in what will be a coalition government.

**Jerry MORIARTY, Ireland, IORPs:**

The Covid-19 issue has highlighted the lack of understanding among plan members, particularly on investment issues. Often, many plan members look to switch to safer more conservative funds after their existing fund has dropped in value.

**Michael REINER, Austria, Academic:**

In 2012 there was a major reform of dc schemes as a consequence of the financial crisis. Since then there were no major changes.

**Philippe SEIDEL, France/Germany, Beneficiary Representative:**

The shift also means a shift in who bears the risk (the employee in the case of DC schemes), which does not necessarily translate also in a higher stake in how the pension assets are invested. Essentially, beneficiaries bear a risk that they are not responsible for, because they were not given a choice (only their employer or sectoral organisation took the choice). Another issue of lack of choice is the limited number of investment options within a DC schemes, which sometimes excludes more beneficial investment choices (such as a higher share of stocks in the portfolio) especially in view of the long term of pension investments.

Greater individual choice within occupational pension schemes regarding the investment of assets, including the choice to invest into a DB arrangement, could be beneficial to address this discrepancy.

**Francesco BRIGANTI, Italy, IORPs:**

In Italy the overall pension system for the current active workers is basically working on a DC basis.

Public PAYG pensions work on a NDC basis. The shift from DB to NDC was already introduced in the public pension system in 1993 (for workers entering the labour market from 1994 onwards), and then further extended in 2011.

Pension funds (apart from the pre-existent ones limited to few categories such as the banking sector) are all DC.

In conclusion, Italian citizens bear the entire risk of their future pension adequacy: such a challenge is particular strong because of the long stagnation of the national economy, which led to several career breaks, low wages and precarious/atypical jobs especially for the young generations and women.

## 3. Next steps

The input provided by OPSG members will be taken into account in the data collation and analysis of trends, together with data collected from National Competent Authorities and other relevant stakeholders.