Financial Services User Group's (FSUG)

Response to

COMMISSION STAFF WORKING DOCUMENT

Consumer protection in third-pillar retirement products

18/07/2013

About FSUG

The Financial Services User Group (FSUG) is an expert group set up by the European Commission following the core objective "to secure high quality expert input to the Commission's financial services initiatives from representatives of financial services users and from individual financial services experts". The mandate of the group is to:

- advise the Commission in the context of the preparation of legislative acts or other policy initiatives affecting users of financial services, including consumers, retail investors and micro-enterprises;
- provide insight, opinion and advice concerning the practical implementation of such policies;
- proactively seek to identify key financial services issues which affect users of financial services;
- where appropriate, and in agreement with the Commission, liaise with and provide information to financial services user representatives and representative bodies at the European Union and national level, as well as to other consultative groups administered by the Commission, such as the European Consumer Consultative Group, the Payment Systems Market Expert Group, the European Securities Markets Expert Group and the Expert Group on Financial Education.

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General remarks

The FSUG welcomes the Commission Working Document on “Consumer Protection in third-pillar retirement products” and finds the topic of the document extremely important for securing adequate retirement income for all EU citizens. FSUG recognizes that the long-term savings financial products, whose aim is to secure adequate income of savers for the future, needs to be adequately promoted all across Europe. Single market for pension savings products has been emerging only particularly and very slowly, which is in contrast with the development in certain Member States. However, significant differences in transparency and information disclosure and consumer protection measures at national level creates urgency for intervention at EU level, as it is clear that national frameworks and regulations create divergent approaches towards pension savings products and thus creates different levels of protection for consumers. On top of this, current findings on poor performance of private pension products sold to consumers accompanied with above equilibrium fees and charges under the information asymmetry calls for urgent regulatory interventions on EU level. This can be viewed not only in the area of pension set-up frameworks, but also charges (through the whole value-chain), investment strategy regulations (qualitative and quantitative limits), information disclosure and savers (investors) protection standards.

At their simplest, pensions are a form of savings (deferred wages) where a future pensioner saves now in order to pay for his/her consumption in the future with expectation to achieve a certain level of replacement ratio. To achieve this ultimate goal, adequate savings ratio is needed, but even important is the vehicle the savers use to achieve the goal. Most of the vehicles take place in special structured financial products and are based basically on two principles: insurance vs. investment. However, to persuade individuals to undertake such savings and choose one of the long-term vehicles, most EU countries use either fiscal incentives and/or compulsion to encourage this type of saving, and have created special regulatory and other structures relating specifically to these pension savings. The application of these incentives or requirements means that the resulting pension systems in EU countries are relatively complex in their nature, and their individual set-up varies significantly between individual countries and also within one Member State. This implies relatively complex requirements on savers to understand every aspect of the respective pension set-up and its consequences on its final outcome in a future from the perspective of consumer. This is in a direct contrast with the known low level of financial literacy of most savers participating in such complex systems.

Until the recent development of DC-funded pension schemes in Europe, most traditional pension provisioning involved little need for consumers to make decisions. Most retirement income came from state pension systems (pillar 1) and that from the private sector often involved company-run DB schemes based simply on years of employment and final salary. However, the growing role of personal DC pension schemes has increased the need for consumers to make decisions with regard to vehicles (personal pension products - PPPs). In many 3rd pillar pension schemes, employers still arrange, administer and contribute towards pension schemes, but consumers now tend to have a greater say in buying pension products and investment decisions since they face the investment risk directly during accumulation phase and longevity risk during the pay-out phase. Latest movements from the financial industry successfully separated these two phases and left the consumers exposed to many risks without relevant (or hidden in highly complex legal terms) information and mechanisms (contractual and legal) to deal with the risks.

Are consumers well placed to face these risks and make optimal decisions? For consumers to make good decisions, they need access to the right information at the right time, they need unbiased advice from independent financial advisors (not intermediaries), and they need to have tools and mechanisms allowing them to successfully face the risks, while their needs should be considered as a priority by those controlling the pension system. There is much evidence suggesting that consumers are often not well placed to make good decisions about long-term financial products, and therefore this is an important topic not only for protection standards, but also for a wider pension debate across Europe.

There is a considerable quantity of information available to consumers on general pension system set-ups and there are some notable similarities between some of the countries in terms of the set-up of their private pension systems (especially the 3rd pillar pension schemes). However, the (unbiased) information provided to consumers regarding the suitability, cost-effectiveness, risk taking and resulting expected adequacy (in term of real value) of particular pension products is missing and blurred by the financial industry. This gives a lot of space for misselling practices and overall predatory selling techniques experienced in many countries without fully understanding the needs and savings abilities of consumers where the adequacy, internal rate of return and overall cost-effectiveness of private pension products suffer.

Questions

1. ***Is the following definition, used in the 2012 questionnaire, effective for identifying third-pillar retirement products?***

The FSUG recognizes the need for a broader definition of 3rd pillar pension products. A general overwhelming definition is needed in order to cover most of the pension products sold (with short-term incentives) and financed (on long-term beliefs) on the individual basis regardless any additional sources flowing into the product (employer, government contributions and incentives). However, the FSUG think that from the position of savers, several key aspects of private pension products should be recognized even within the definition.

2. ***If not, what would be the most appropriate common EU definition for third-pillar retirement products?***

Any definition of 3rd pillar retirement product should include both a legal and a socio-economic view. The legal part of the definition needs to include the commitments of contracting parties to contribute to the product (consumer) and to manage the savings towards achieving the socio-economic goal of adequacy of the retirement income (financial provider). The definition of these specific financial products should take into consideration these three dominant aspects:

1. it is a product (any definition should clearly recognize, that the subject of any relation between the saver and provider is based on a product basis - vehicle);
2. it is a contract (any definition should impose that the legal relation between saver and provider is on contractual basis whose subject is a pension product SOLD to the end-users) defining the obligations of both parties;
3. it has a clear primary objective or purpose (any definition should recognize, that the main socio-economic objective or purpose of buying, holding and financing such product by a consumer and managing the savings by financial provider is to secure adequate stream of income during the retirement).

These three main features should appear in any definition of such complex structured financial products. Therefore, the FSUG suggest the following definition of third-pillar pension products (PPPs):

> ***"Third-pillar pension products are defined as any type of financial products sold to a consumer on an individual basis whose primary objective is to secure adequate income during the retirement."***

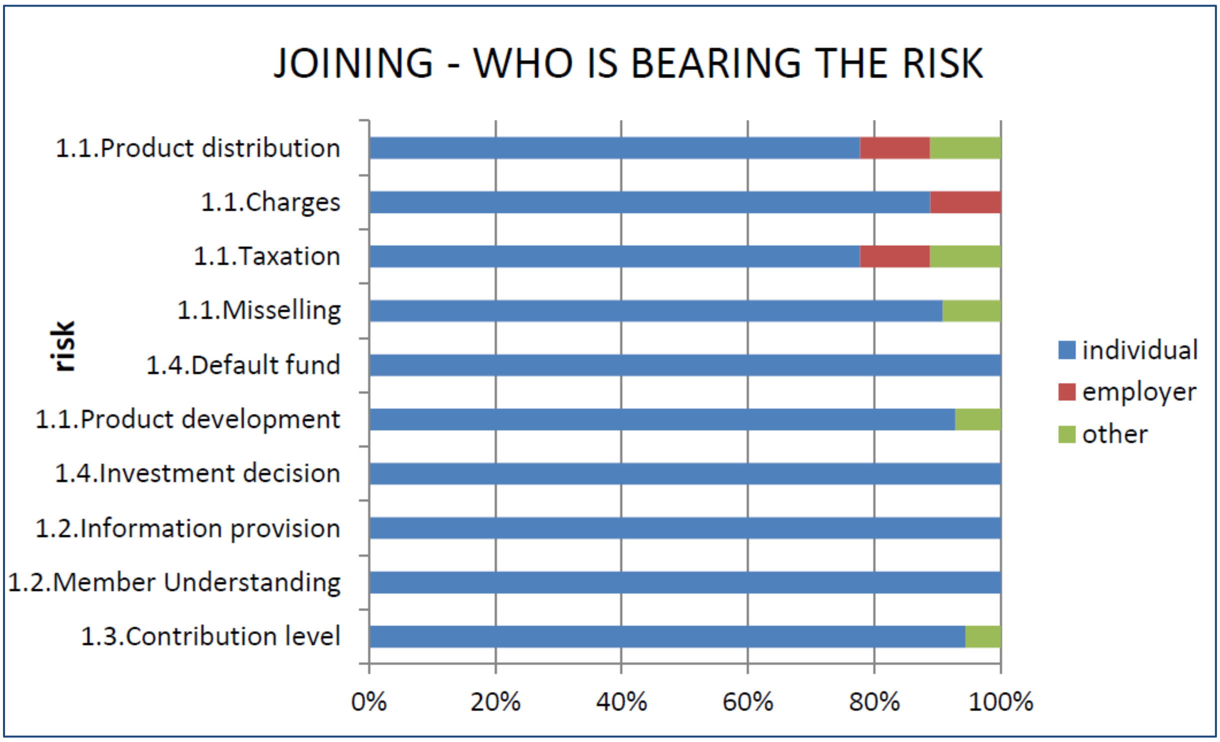
Any additional aspects of a PPPs definition should fit under above mentioned definition features and in addition should stress out the inner structure of the products and clarification of economic obligation of contracting parties. These additional features should take into consideration the risks shifted on to consumers.

3. ***What are the main risks for consumers when purchasing a third-pillar retirement product?***

The key aspect that should be taken into account and understood by regulators is the misalignment between the speed of decision taken on buying financial product and the long-term features of savings schemes and duration of the contract (or holding the financial product). Most of the potential clients face significant pressure from financial intermediaries to sign the contract without having sufficient time to analyze and compare products, contract conditions (obligations, expected added value, etc.) and to consider individual socio-economic impact of such decision (aligning individual preferences with long-term objective, product features and contract obligations).

This fact signifies the risks associated with the pre-contractual (joining) phase as presented in a figure below.

Figure 1 Ultimate bearers of the risks during the joining phase



Source: EIOPA, 2011

Existence of information asymmetry between the industry and consumers results in a transfer of above mentioned risks on the consumer due to:

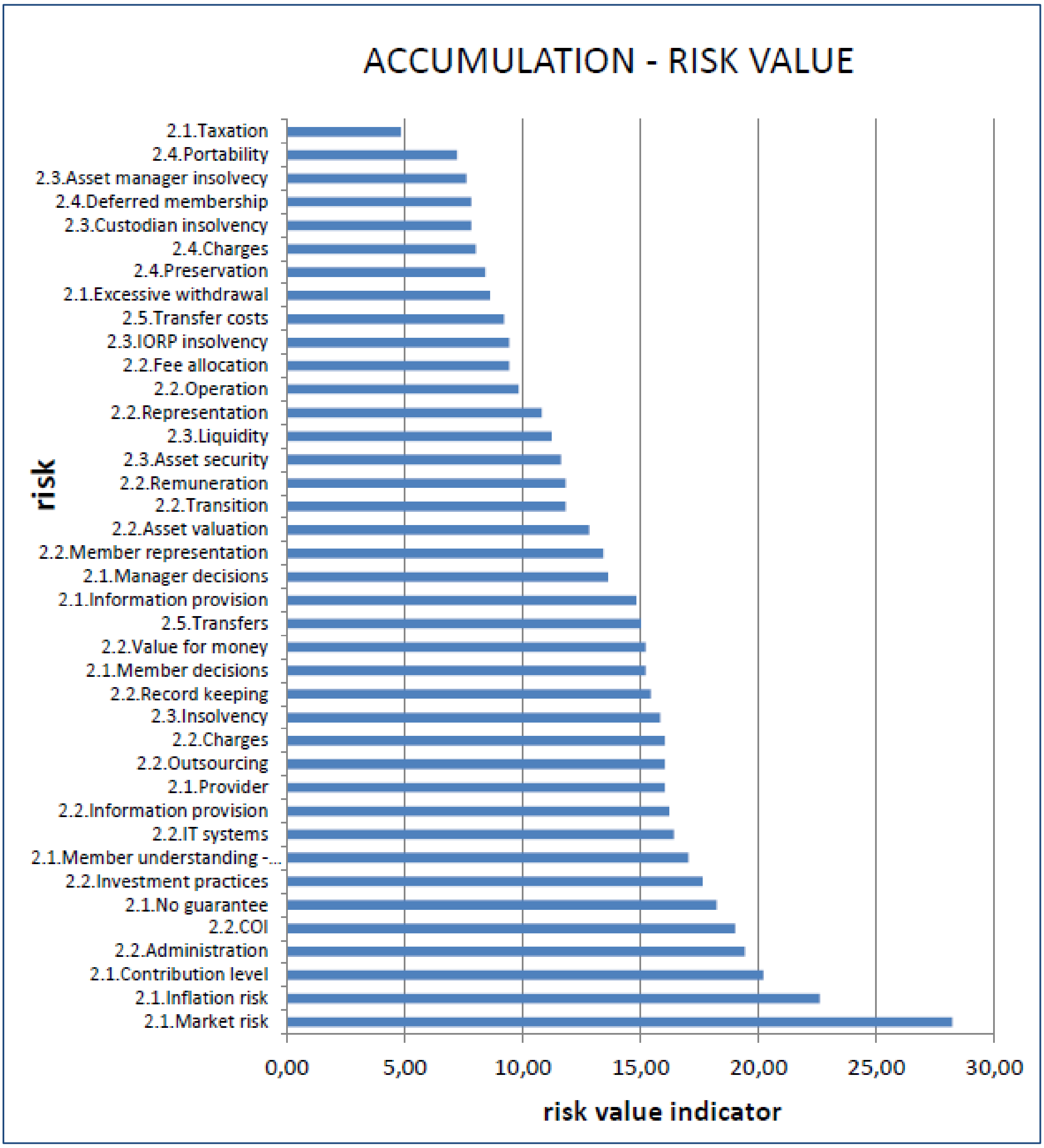
a. lack of financial knowledge and information (methodology) on how to consider the technical aspects of financial products (inability to compare products due to the lack of information on key features of PPPs),
b. lack of ability to assess his/her contributory capacity over a long-period (most of the contracts expect fixed or increased level of contributions, which do not reflect or allow changes in a contributions over time),
c. lack of time and ability to match the financial product features with the long-term savings objective (assess the adequacy) as there are limited information and tools to match these two aspects, which leaves a lot of room for misseling practices and recommending PPPs that do not suit the needs of consumers.

Overall, the key risk consumers' face in a pre-contractual phase is the lack of information (on the methodology of assessing the product features as well as information needed for comparison of real value of PPPs with regard to the individual situation/preferences and the expected adequacy).

The second (contractual) phase is the main part of the consumer life-cycle, where all the risks associated with PPPs might emerge. The FSUG thinks the EIOPA Report[1] provides a quite comprehensive overview of risks the consumer face when buying DC based PPPs. Figure 2 below provides an overview of the main risks connected to the accumulation phase. The risks with the highest value are market risk, inflation risk, risk of stopping or reducing payment of contributions, administration, charges, information availability to consumers, investment strategies (practices). A study performed by Oxera[2] (2013) on behalf of FSUG and EC as well as a recent EuroFinuse study[3] (2013) show, that the impact of charges have been underestimated not only by consumers, but also by regulators and should be one of the key information parameters provided to consumers during all three phases (joining, accumulation, pay-out). Moreover, this parameter should remain on the priority list of all regulators and supervisors regarding the consumer protection standards.

[1] EIOPA Report on RISKS RELATED TO DC PENSION PLAN MEMBERS, CEIOPS-BOS-11/024 (final), 8 July 2011
[2] Oxera study „Position of Savers in Private Pension Products“. Research study prepared for behalf of FSUG and EC. 2013
[3] EuroFinUse Research report „Private Pensions: The Real Return”. 2013 (http://www.eurofinuse.org/fileadmin/user_upload/documents/Research_Reports/Pension_Study_EN_website.pdf)

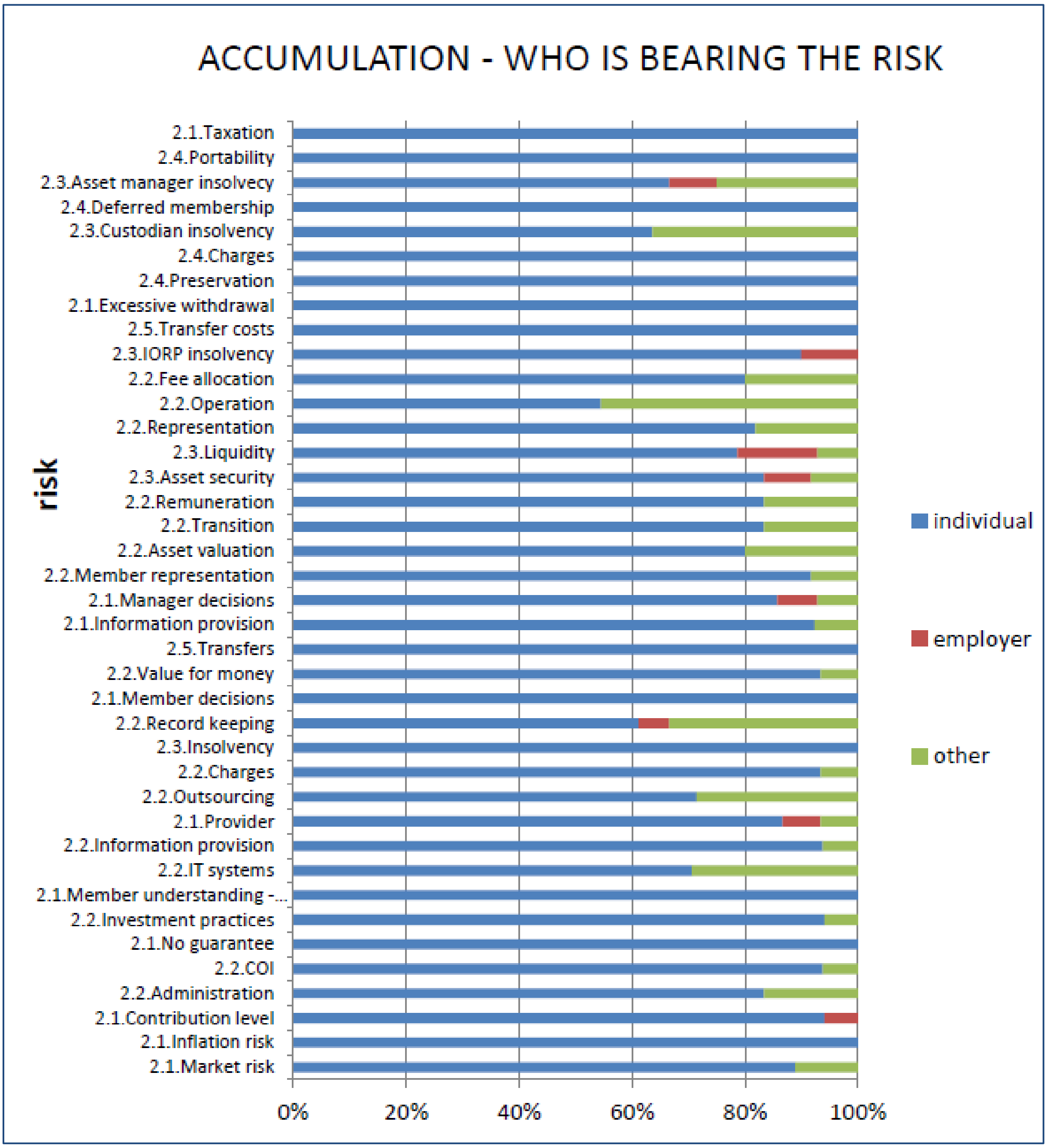
Figure 2 Accumulation Phase Risks



Source: EIOPA, 2011

The bearers of risks associated with the contractual (accumulation) phase are presented in a figure below.

Figure 3 Ultimate bearers of the risks during the accumulation phase

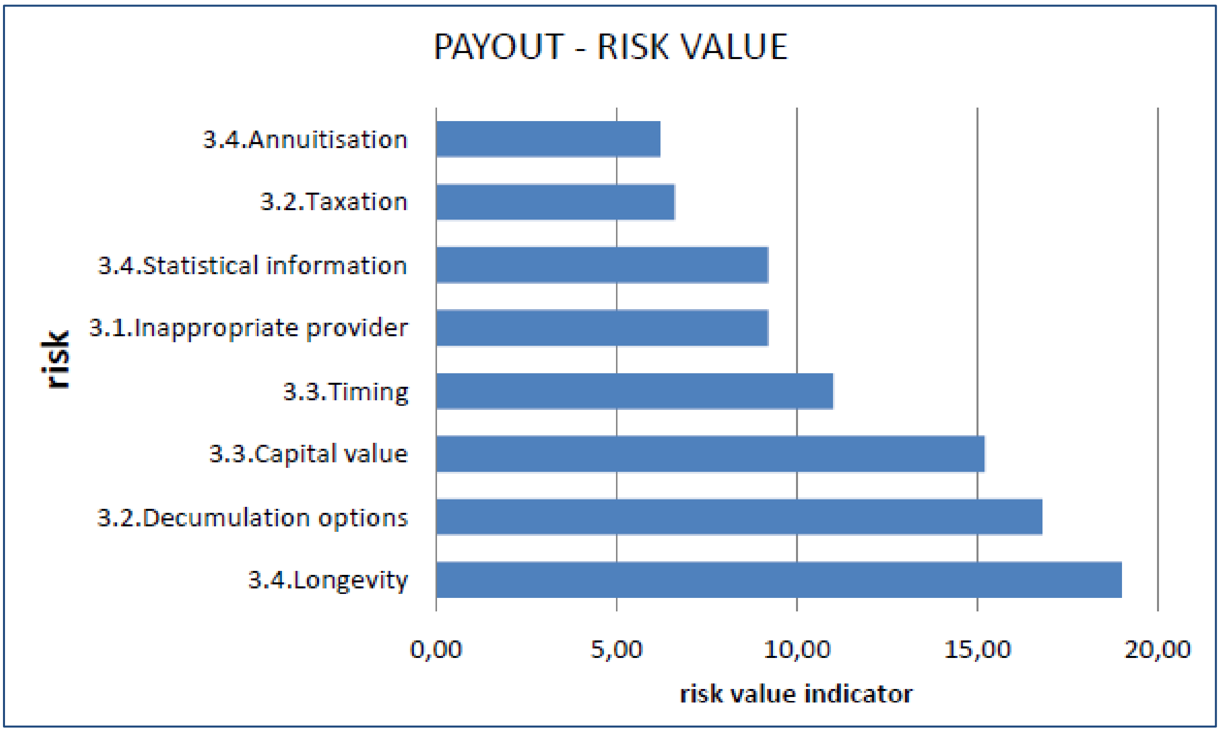


Source: EIOPA, 2011

The FSUG thinks, that separating the accumulation and pay-out phase could create significant detriment to consumers as the PPPs most often do not cover the pay-out phase. Thus, this negative development trend all over the EU has significant consequences by leaving the consumer in a risk of not being able to assess the PPP towards the ultimate retirement goal (adequacy).

In order to create a respectable information disclosure and consumer protection EU certification scheme, the pay-out phase should play an integral part of PPP and consumer life-cycle as there are the most significant risks present (see Figure below).

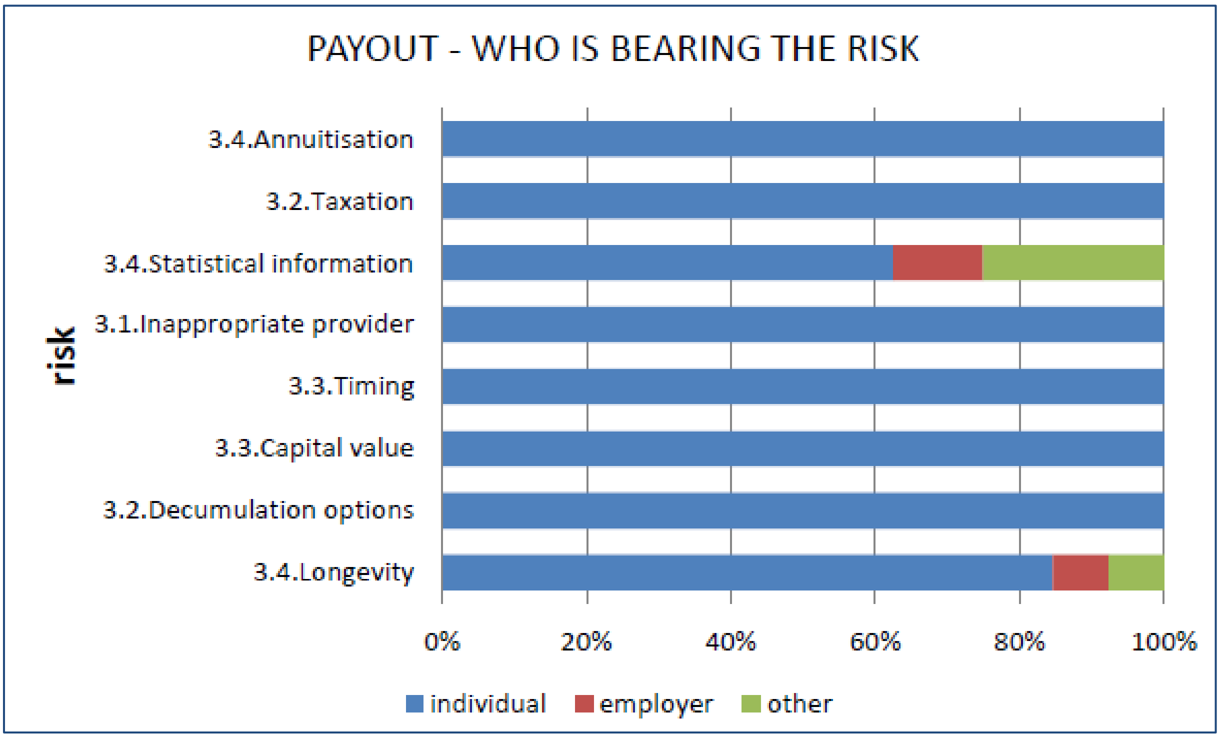
Figure 4 Pay-out Phase Risks



Source: EIOPA, 2011

The payout phase risks point to longevity risk as having both highest level of importance and highest number of members affected. Also the risk that the decumulation option chosen is not adequate to meet the individuals needs as well as the risk that capital accumulated is not enough to purchase an annuity are showing high indicators by both impact and frequency. At the same time, annuitisation risk and taxation risk are indicated as having low level of importance and number of members affected (EIOPA, 2011).

Figure 5 Ultimate bearers of the risks during the pay-out phase



Source: EIOPA, 2011

Similarly to the joining and accumulation phase risks, payout phase risks are mostly borne by individual consumers (figure above) while decisions in the payout phase are more delegated to individuals that in other phases of the life-cycle.

It is worth mentioning, that the most common product for a pay-out phase is a life annuity and for the common types of annuity the decision taken by consumers is one-off and irreversible.

4. ***How problematic do you consider the asymmetry between the consumer and the provider in terms of information about and knowledge of third-pillar retirement products?***

Research has shown over and over again that people are naturally poor pension planners. Financial skills are in general not well developed, and especially retirement is a difficult topic as it is so very far away in the future. As time and motivation are scarce resources, individual consumers buying or holding PPPs are unlikely to actively plan for retirement. This is even more the case when information remains difficult to read and understand (EIOPA, 2011).

However, the empirical research is divided regarding the question, whether the poor planning ability of consumers is more a result of low financial knowledge or a result of rational ignorance due to the missing and/or inadequate information (what is concerning the scope, quality, readability and timing). If the second one prevails, solving this problem could help to improve the first one.

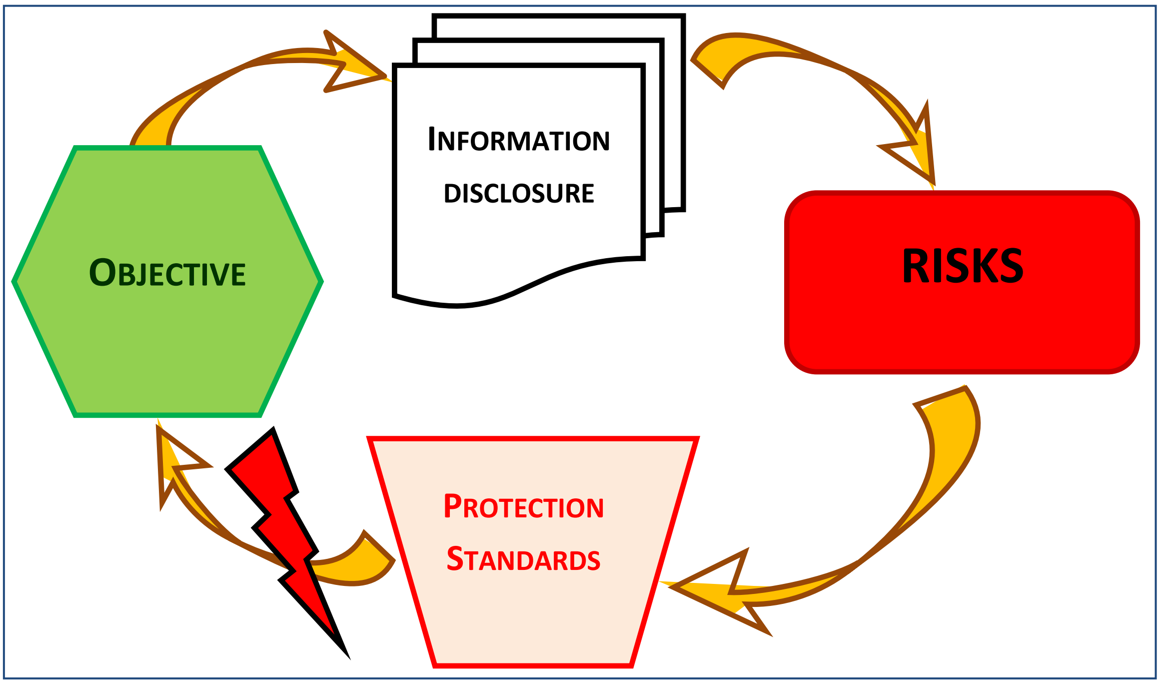
5. ***Are there specific needs of consumers purchasing third-pillar retirement products that have to be better taken into account, for example via EU voluntary codes or certification schemes on consumer information (transparency) and protection standards?***
    a. ***If so, how could consumer information (transparency) be improved? Please cover precontractual and contractual information***
    b. ***If so, how could protection standards be improved? Please cover marketing, sales practices, inducements, advice and other aspects.***

The reasoning for inefficiency of self-regulatory codes is described under the question 6. However, the **enforcement** of information disclosure (transparency) and protection standards is one of the weakest points of regulatory and supervisory activities of existing local, national and EU bodies.

There have been several regulatory attempts (mentioned in the respective consultation document) to introduce and formalize information and protection standards in the area of financial services, which can be used as a lesson.

The rationale of information disclosure and protection standards can be displayed as a decision-making cycle (see figure below).

Figure 6 "Objective-information/Risk-protection" decision-making cycle



Source: Own elaboration

The rationale for integrated approach towards EU certification scheme of PPPs on the information disclosure and protection standards follow the results of EIOPA Report (2011) and EIOPA Good Practices[4] (2013) and suggest that:

- information disclosure should be layered (see EIOPA, 2013) according to the phase as well as objective(s) of this phase to ensure, the consumer is provided with adequate, understandable and timely information on the level of achieving his/hers objective;
- protection standards should be tied to the risks shifted to the consumers, so the regulatory and protection mechanism do not allow the detrimental cumulative effect of several risks to occur at the same time that would jeopardize the achievement of the ultimate goal (minimum level of adequacy);
- each information disclosure should follow the particular risk so the consumer has timely, accurate and understandable information for making decision on how to deal on individual basis with particular risks.

The basic “objective-information/risk-protection” scheme for 3rd pillar retirement products (PPPs) that can be used as a framework for potential EU certification scheme is presented below.

Table 1 "Objective-information/Risk-protection" scheme for PPPs

<table>
<tr><th>Phase</th><th>Objective</th><th>Information disclosure</th><th>Risk</th><th>Protection standards</th></tr>
<tr><td rowspan="4">1. Pre-contractual
(Joining)</td><td rowspan="4">Adequacy
Ability to align the product features with obligations and the objective (adequacy)</td><td rowspan="2">1. Individual stochastic modeling of the consumer life-cycle under the different PPPs (including all charges during the whole life-cycle)</td><td>A. Understanding of the PPPs by consumer</td><td>Obligation of industry (provider, intermediary) to present individual stochastic based model of adequacy under different PPPs life cycle</td></tr>
<tr><td>B. Contribution level</td><td>Right to change the contribution level</td></tr>
<tr><td rowspan="2">2. Structure, source and availability of information (What? Where? How to read?)</td><td>C. Information availability</td><td rowspan="2">Obligation of PPPs provider to disclose information on all phases prior to signing</td></tr>
<tr><td>D. Investment (savings) strategy</td></tr>
<tr><td rowspan="3">2. Contractual
(Accumulation)</td><td rowspan="3">Path-tracking
Convergence with the modeled life-cycle path</td><td>1. Regular, time specific and retrievable data on respective risks and parameters of particular PPP</td><td>A. Market risk
B. Inflation risk
C. Investment strategy</td><td rowspan="2">Right to switch the PPP for another PPP during the accumulation phase (not withdrawal)</td></tr>
<tr><td>2. Benchmarking</td><td>D. Long-term poor performance</td></tr>
<tr><td>3. Full disclosure of charges (TER)</td><td>E. Charges</td><td>Capping the TER based on industry average ratio</td></tr>
</table>

[4] EIOPA „Good practices on information provision for DC schemes - Enabling occupational DC scheme members to plan for retirement“. EIOPA-BoS-13/010. 24 January 2013.

		4. Individual replacement ratio modeling (career path vs. performance of savings)	F. Contribution level G. Added-value risk	Right to change the contribution level Right to suspend/pause the PPP for a certain period of time (e.g. due to unexpected unemployment) Supervision fines for "poor" added-value (banning the product)
3. Pay-out (Retirement)	Pension needs Ability to align the product features with the adequacy and individual preferences	1. Life tables and actuarial calculations 2. Comparison tools (e.g. Chilean SCOMP)	A. Longevity risk	Supervision of actuarial models and calculations (under existing regulation)
		3. Regular, time specific and raw data on respective risks of particular pay-out products (annuities vs. PW)	B. Inflation risk C. Market risk D. Interest risk	**Right to switch** the product for another during the pay-out phase

Source: Own elaboration

The FSUG positively recognize the latest EIOPA work on the information disclosure in DC pension products and recommend building any future regulation on these findings. Interesting findings that could be taken as good discussion point for increasing the protection standards especially at the very end of the accumulation phase, just before the decisions on pay-out phase, can be found in the Harrison[5] (2012).

Ability of consumers to assess the risks during the accumulation phase is based on the ability to create their individual life cycle savings projections, which can be than tracked in later phases. The best approach to convey uncertainty and increase the involvement of consumer into the process of decision-making may be to provide projections (based on unified and prudent methodology) of expected adequacy (e.g. present value of future pension benefits, individual replacement ratio, etc.) including a range of probabilities for different pension outcomes (see for example Blake, Cairns and Dowd[6], 2002; Antolin and Payet[7], 2011; Dowd and Blake[8], 2013).

It can be argued that these types of projections are too complex to prepare and can be difficult for consumers to interpret and understand. However, if designed appropriately, projections on future pension benefits including a range of probabilities (probability distribution) for different

[5] Harrison, D. 2012. *Treating DC scheme members fairly in retirement?* NAPF and Pensions Institute Research Report, February 2012.
[6] Blake, D., Cairns, A., and Dowd, K. 2003. *PensionMetrics 2: Stochastic Pension Plan Design During the Distribution Phase*. In: Insurance: Mathematics and Economics, 33, 29-47.
[7] Antolin, P. and S. Payet. 2011. *Assessing the Labour, Financial and Demographic Risks to Retirement Income from Defined-Contribution Pensions*. OECD Financial Market Trends vol. 2010, issue 10 (http://www.oecd.org/daf/financialmarketsinsuranceandpensions/financialmarkets/47522586.pdf)
[8] Dowd, K., Blake, D. 2013. *Good Practice Principles in Modelling Defined Contribution Pension Plans.* Discussion Paper 1302. The Pension Institute. [online] http://pensions-institute.org/workingpapers/wp1302.pdf

outcomes could convey the most valuable information on uncertainty and risks, if provided in a consumer "language". The best tool to provide this information on uncertainty about future pension benefits may be a pension risk simulator. On-line pension projection tools enable individuals to input assumptions for future values of several key parameters (e.g. contributions, retirement age, returns on investment) to obtain projected retirement income. However, they require a high level of knowledge about assumptions, but have the advantage that the individuals who choose to use them are more likely to understand the results and follow the path. Additionally, on one hand obtaining a wide variety of results could add another layer of confusion that, on the other hand, would serve to further underline the message that projection results should not be considered as definite or relied on exclusively (Antolin and Fuentes[9], 2012).

6. ***Would a self-regulatory code be the best tool for improving the quality of third-pillar retirement products?***

FSUG thinks it would be unrealistic to expect that the PPPs providers would give up the advantage of information asymmetry and voluntarily provide more information (increase transparency) and/or create comprehensive tools allowing consumers to compare the PPPs features and assess the value of PPPs. At the same time, it has been proven by many empirical researches, that self-regulatory codes are not sufficient tools for increasing transparency and introducing the measures allowing clients to easily compare the products or assess the real value of products including the added value (returns, performance), fees and charges, guarantees, etc. Most studies have confirmed that obtaining relevant information for comparison of PPPs key features is in most cases an impossible task even for regulators on national level. Therefore we claim that expecting that the self-regulatory code would increase the level of transparency regarding the PPPs is rather naïve.

7. ***For which objectives would it be the best way of doing so? (e.g. improving consumer confidence, providing a guarantee of quality, or others?)***

N/A - see the reasoning under the question 6

8. ***What outstanding pension-specific consumer protection issues could a self-regulatory approach help deal with?***

N/A - see the reasoning under the question 6

[9] Antolin, P. and O. Fuentes (2012), "Communicating Pension Risk to DC Plan Members: The Chilean Case of a Pension Risk Simulator", OECD Working Papers on Finance, Insurance and Private Pensions, No. 28, OECD Publishing.(http://dx.doi.org/10.1787/5k9181hxzmlr-en)

9. How and by whom should the effective application of the code be monitored?

N/A - see the reasoning under the question 6

10. Would an EU certification scheme be the best way of improving consumer protection for third-pillar retirement products?

The FSUG favors, under the recognition of the recent EIOPA initiative in the area of a possible EU-single market for personal pension products, the creation of an EU certification scheme.

Having in mind the value of the "EU" brand, introducing such mechanism on EU level, backed by the supervision of one or more ESAs (either EIOPA or ESMA), might have a significant impact on achieving a higher transparency of PPPs for consumers.

11. For which objectives would it be the best way of doing so? (e.g. improving consumer confidence, providing a guarantee of quality, or others?)

Based on the results of EU Consumer Markets Scoreboard, the financial services (especially investment, retirement and savings products) do face lowest consumers' confidence and satisfaction. Introducing an "EU" label for PPPs with strong, clear and consumer "friendly" information disclosure, a high level of transparency and fair consumer protection mechanisms would strengthen the consumer confidence in such products and thus lead to higher savings rate (contribution ratios), which in turn might increase the overall savings. As a secondary market effect, this will prompt the creation of an EU wide single market for PPPs, increase competition and thus decrease the systemic risk the financial sector still faces.

On the other hand, it is worth mentioning, that introducing an EU certification scheme will open a new area of supervision and impose larger duties on ESAs (especially EIOPA and ESMA). Introducing an EU certification scheme, if introduced properly based on fair approach and recognition of the need for transparency, might be viewed as guarantee of quality for such products.

12. What outstanding pension-specific consumer protection issues could an EU certification scheme help deal with?

The FSUG thinks that transparent reporting and information disclosure to PPP holders all over the EU is one of the key prudential principles that should be tracked by the proposed document. The level of transparency and ability to compare PPPs is alarmingly low and this fact directly forces consumers to buy and/or hold "poor value products", which might in near future create unrecoverable detriment to the consumer. Having an EU level information database providing high-quality data on PPPs is viewed as a major step towards transparency by FSUG. The FSUG suggests to start with the unconditional reporting of information, especially:

1. **costs and fee structure (fee policy),**
2. **individual savings/retirement account statements,**
3. **performance/returns during different time periods.**

Based on the FSUG members' experience and knowledge supported by findings of Oxera research study (2013), there is a lack of public data availability resulting in low transparency of PPPs. At the same time, the FSUG observes ongoing divergent development in this area, which requires urgent measures from national and supra-national bodies to revert this trend. More specifically, the following areas do require more attention from EU regulatory bodies in order to provide more transparency of PPPs:

1. Private Pension Schemes Portfolio Structures: The data available for personal plans would appear poorer than for the employer-arranged plans. The main issue is the lack of consistency between categories across countries. Standardization of the reporting requirements would help comparisons and thus increase the ability to compare the overall performance of PPPs under the single regulatory regime (EU certification scheme).
2. PPPs Costs and Charges: The difficulty of finding publically available charge data for thorough comparison varies significantly between the EU Member States, from detailed daily publications (e.g. Slovakia, Poland, Estonia, Sweden, Romania) to the total absence of such data. Ideally, the supra-national regulation should ensure, that the full spectrum of costs should be available to consumers for comparison and analysis, including the otherwise 'hidden' costs that result in lower returns, e.g. trading and post-trading. The costs published vary in terms of the granularity. Disclosure of costs on each of the key activities of the pension provider (management, administration, acquisition etc.) would allow for a detailed analysis of performance and 'value for money', from a consumer's perspective.
3. PPPs Returns and Performance: Typically expressed as average annual growth rates, the main issue about returns data surrounds data availability at the required level of granularity. It is even impossible to have comparable data on performance vis-à-vis respective benchmarks.
4. Private Pension Schemes Savers Behavior (Switching): The information on switching has come in a number of formats; ideally one would report a complete switch matrix detailing both the origin and destination plans, also for cross-scheme transfers. Such detail may be prohibitively complex to collate, but would shed light on the trends beyond simple portfolio re-allocations.

Results of the Oxera study (2013) do not support the proclaimed expectations, that the competition among private pension's schemes operating under the IORP Directive would bring the level of charges to the market equilibrium levels which would be comparable across schemes within and among the countries. Instead, the study findings show that there are significant differences among the charges, which varies more than 200% in some cases, even within national pension systems. Alarming results can be seen in the performed analysis of final pension pots provided by different pension schemes in particular countries, where the overall charges imposed on scheme members differ more than threefold. These findings open legitimate questions on the adequacy of final pensions and the reasonable level of charges imposed by private pension schemes on their members. Interconnecting the overall poor performance of pension funds with high-level of charges will lead to the overall decrease in the adequacy and thus increase the pressure on already troubled publically run pension schemes and generally on public finance.

Considering the dominant risks consumers face in most of the DC (or even DB) based PPPs, FSUG sees an immediate need to increase the transparency by disclosing the possible negative scenarios and draw-backs caused by particular risks. Current regulatory requirements in most countries do not require providers to disclose any scenarios of future developments that would explain possible consequences of particular risks occurrence nor any calculations of impact of these risks on savers´ final pension pots. The OXERA study (2013) showed that the 'known' information is relatively well supplied, with most schemes providing information during the accumulation phase. But this is in contrast to the provision of the 'predictive' data, which is often not supplied by personal pension schemes. On top of this, personal schemes tend to provide less predictive information regarding the expected retirement income levels or returns, when compared with employer-arranged schemes.
Regarding the overall transparency of information supplied to the private pension scheme members, several findings can be made:

- there is considerable variation across the individual Member States in the amount of information provided to savers;
- the information tends to be better for fund- than insurance-based products, which presumably reflects the likelihood that fund-based schemes are DC in nature and therefore require consumers to make more decisions (necessitating more information);
- The Netherlands, Sweden as well as some eastern EU countries (Slovakia, Romania, Poland, Estonia) can be used as a good practice for fund-based PPPs information disclosure, as they experience highest transparency and information disclosure.

The FSUG thinks that the predominant pension-specific consumer protection issue that should be covered in more details under the EU certification scheme is the **advice on PPPs**. Drawing from the Oxera research study (2013), comparison of advice given to savers confirmed the overall low quality of advice; advisors have not followed all MIFID guidelines when approached by researchers posing as consumers aiming to buy a low-risk investment product. Advisers spent little time assessing their customers' needs and risk profiles and there was concern over due diligence in the recommendations given, although the more developed markets (e.g., UK, France) had higher proportions adhering to guidelines. Combining the above mentioned findings and recommendations with the behavior of advisors create the urgent need to standardize the requirements for presentation of information and advisory activities.