Brussels
FISMA/B.1/JB(2020)8444456

Mr Gabriel Bernardino
Chairman of EIOPA
Westhafenplatz 1
60327 Frankfurt
Germany

Subject: **REQUEST TO EIOPA FOR TECHNICAL ADVICE ON THE
DEVELOPMENT OF BEST PRACTICES FOR NATIONAL
PENSION TRACKING SYSTEMS AND PENSION DASHBOARD**

Dear Mr Bernardino,

1.1. Scope

On 24 September 2020, the Commission published its new action plan on the Capital
Markets Union (CMU). In this action plan, the Commission acknowledges that with
longer life expectancy, people increasingly need to invest long-term so they can get
higher sustainable returns and a suitable complementary income for their retirement.
Action 9 of the CMU Action Plan commits the Commission to developing best practices
in the area of pensions that will assist Member States and citizens facing demographic
challenges. The opportunities provided by the CMU can lead to greater incentives for
pensions savings and a greater supply of capital, which can help finance the long-term
growth of the real economy, as well as its green and digital transition.

European public pension systems are facing the dual challenge of remaining financially
sustainable and being able to provide Europeans with an adequate income in retirement.
The main goals of pension and retirement policies are to provide individuals with
adequate retirement income, while ensuring financial sustainability. At an individual
level, promoting better understanding and wider engagement in occupational pensions is
needed.

EIOPA is asked to provide advice on two tools envisaged to increase transparency on
pension gaps at individual and country level, respectively.

First, the Commission seeks to develop best practices for the set-up of national tracking
systems that facilitate access to individualised pension information.

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Second, the Commission seeks to fill a gap in the current monitoring of pension adequacy in Member States by establishing pension dashboards that cover indicators about future pension entitlements at the aggregate level of the Member State and for all sources of retirement income. For this purpose, it is necessary to complement the public ageing expenditures in the ageing projections and the available adequacy indicators and projections with more complete information about contributions to and benefits received from non-public sources of retirement income. This information should feed into pension dashboards and be used in long-term pension projections.

National tracking systems to facilitate access to individualised pension information

National tracking systems, framed in an easy and intuitive way, should raise people's awareness as regards their future retirement income and engage individuals with a view to triggering adequate retirement planning actions. Taking into account the design of the national pension system and the individual savings needs, citizens should be encouraged to supplement public pensions with life-long saving and investment, including through more active participation in occupational and personal pension schemes. A simple overview of all retirement sources in one place can potentially be a powerful tool to engage EU citizens in an otherwise complex topic. Rendering pension information more digestible and accessible is key to steer people into the planning of their pension.

Individual pension tracking systems are internet-based applications that provide citizens with an overview of their future retirement income, based on their entitlements from all pension schemes in which they participate. The expected return of other long-term products (that could be considered substitutes for pension products) they invest in are also factors which influence individual decision-making. Tracking systems should give citizens a clearer understanding of their estimated financial position in the future in an easily accessible format. This would encourage citizens to take appropriate retirement planning action in advance, thus fighting inertia towards investment decision-making that leads to inadequate retirement savings. In order to set up such systems, it needs to be established first, how the tool can meet citizens' needs in a simple, trustworthy and attractive way, and second, what kind of data it should process to deliver its objective. In this respect, digital solutions are key to facilitate the access to pension information and educate people on better retirement planning. Furthermore, the existence of national tracking services in multiple Member States, preferably using compatible technical solutions, is a necessary precondition for successful scaling up of the cross-border European Tracking Service for pensions, which is currently under development. Given the complexity and diversity of the pension landscape in each Member State and the various sources of pension entitlements to be considered, this is a complex task for which the Commission needs EIOPA's advice.

Pension dashboards to strengthen the monitoring of pension developments in Member States

Pension adequacy and sustainability estimates together with 'dashboards' with indicators estimating the contribution of occupational and personal pensions, can enable public authorities to identify early on emerging gaps in the provision of pensions to their population. They are a means to design suitable policy responses coping with future pressure on public finances or poverty of the population at old age. EIOPA is requested to advise on how data gaps in the projection of retirement income sourced from occupational pensions and personal pensions could be filled. Advice on available data, possibilities to fill data gaps and suitable assumptions on where data gaps cannot be filled

will enable the Commission and, where relevant, Member States to undertake long-term projections of contributions of occupational and personal-private pensions and assess the adequacy and sustainability of overall retirement income in a given Member State. Moreover, EIOPA is requested to advise on the potential methodology for a dashboard estimating the coverage and levels of future supplementary pension benefits, building on the existing and new data for occupational and personal pensions as well as the pension projections prepared by the European Commission and Member States.

Member States have been projecting age-related public expenditures jointly with the European Commission since 2006 and future pension adequacy since 2012. The economic and budgetary projections are published every three years in the Ageing report[1]; and the adequacy projections in the Pension Adequacy Report[2]. The latest edition of both reports date back to 2018, and the next editions are currently in preparation (to be published in April/May 2021). While all Member States project expenditures on public pensions over the next 50 years, and replacement rates over the next 40 years, few have done so for non-public pension schemes. Complementing those projections with non-public pensions would allow obtaining a comprehensive picture of future pension developments. Pension dashboards could provide an up-to-date view of the progress made towards adequate and sustainable pensions in Member States. As populations are ageing, comparable information about the role of occupational and personal pension schemes across the EU Member States would also be valuable for benchmarking, identification of best practices and potentially the formulation of policy recommendations in the EU semester.

1.2. Principles that EIOPA should take into account

In providing its technical advice, EIOPA is invited to take account of the following principles:

- EIOPA should provide comprehensive technical analysis on the subject matters described below, also taking into account different types of private pensions and their providers.
- The technical advice given by EIOPA should not take the form of a legal text.
- The advice provided by EIOPA on national tracking systems should seek to ensure that the envisaged tracking tool would provide *clear, concise, simple,* however *sufficiently complete* information for individuals, taking into account people's behavioural and cognitive biases. Provided information should be accessible digitally.
- The advice should take into account evidence and best practices of how pensions tracking system can help improve engagement with pensions and retirement planning.
- The advice provided by EIOPA on the coverage of occupational and private pensions and indicators for pension dashboards should be provided with an understanding that it could complement the economic and budgetary projections of the Ageing report that the European Commission produces together with the Economic Policy Committee.
- Data and dashboard indicators related to state-run pension schemes would feature in the technical advice only to the extent they are relevant for a comprehensive view of

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[1]   See: https://ec.europa.eu/info/publications/economy-finance/2018-ageing-report-economic-and-budgetary-projections-eu-member-states-2016-2070_en

[2] See: https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8084&furtherPubs=yes

aggregate individual pension income. EIOPA is not requested to provide advice on the functioning of state-run pensions.

- EIOPA should address to the Commission any question it might have concerning the call for technical advice, which it should consider of relevance to the preparation of its technical advice.
- If data gaps are identified that can only be filled through new or revising existing reporting obligations to inform about where legal provisions to this end could be established.

2. Procedure

The Commission requests the technical advice of EIOPA on two subjects that concern the adequacy and sustainability of pensions. First, advice is sought to develop best practices for the set-up of national tracking systems for individuals that will facilitate access to individualised pension information for citizens and thus raise awareness as regards their future retirement income.

Second, advice is sought to identify what kind of information is essential to perform long-term projections about the contributions to and receipts from both occupational pensions and private personal pensions at Member State level and the type of indicators to be included in pension dashboards.

Both parts shall be delivered by 1 December 2021.

The Commission reserves the right to revise and/or supplement this formal mandate. The technical advice received on the basis of this mandate will not prejudge the Commission's final decision in any way. In the case of tracking systems for individuals, in accordance with the established practice, the Commission may continue to consult experts appointed by the Member States, where available, to prepare the best practices.

3. For the development of tracking systems for individuals, EIOPA is invited to provide technical information on the following items:

3.1. "Front end" of the Pension Tracking System

3.1.1. Functionality of the tracking system

EIOPA is asked to map out, based on existing practices, what functional features the tracking system could have for an individual to have a simple, attractive and comprehensive view of his/her income at the retirement age. The mapping should identify specific information that could be derived by the tracking tool and should consider at least the following information:

- total level of future savings across all sources of retirement/investment revenue available at the retirement age,
- break-down of future savings and projected returns across individual sources of revenue and by entity, where relevant,
- projections for future monthly pay-outs,
- information on underpinning assumptions behind the above projections,

- any relevant additional features (e.g. "what if" simulations, a link to a pension provider/fund, possibility to trace a lost pension or a pension accrued in another Member State) that could encourage an individual to:
  - take an action (e.g. seek to increase contributions, switch a provider/fund, request a pension transfer) and/or
  - search for further relevant information (e.g. on costs, taxes, etc.)
- explore the inclusion of ESG-related information that would show individuals the ESG-features of underlying investments.

While doing so, EIOPA is invited to consider which information should be seen as key to an individual's decision making and should therefore be included on the front page or, if appropriate, in a summary.

For each of the identified features and use-cases, EIOPA should specify what specific primary data would be necessary to include in the tracking tool. EIOPA should also assess the frequency at which the above data should be provided/updated (real-time/monthly/quarterly/annual) in order to provide meaningful results to the user.

3.1.2. Format of components and structure

EIOPA is requested to propose an outline for the presentation of the information in the tracking tool (type of the information and order of presentation) and format in which components of the information deemed essential and/or useful should be provided. The assessment should consider different forms of decumulation available for various sources of revenue at retirement age (e.g., annuities vs lump sum payments) and, where possible, propose ways to reconcile them.

The assessment should also consider whether it would be appropriate to allow individuals to customise the outline (type and order of the information), as well as certain elements of the methodology behind estimates/projections (e.g., certain assumptions behind projections), identify those elements that should be open to customisation and suggest the most efficient way to achieving it, including by considering various digital solutions.

The assessment should in particular include an analysis on whether there should be limitations on the breadth and depth of the information provided, whether it should be represented in A4 format (even if presented digitally) and if a limit of pages should be imposed to ensure a digitally friendly solution. It should propose which aspects of the calculation methodology (e.g., underlying assumptions) should be provided to the users, in which format and where exactly in the document.

EIOPA is also invited to consider whether a summary of key information would be appropriate and, if so, propose the most appropriate and user-friendly format for the information to be included in the summary, as well as put forward other relevant recommendations in this regard, including an approach to layering and/or page-limits.

In carrying out this task, EIOPA should take into account the appropriateness or existing individual tracking systems as well as pension statements as set out in existing EU legislations (i.e. IORPs Directive, PEPP Regulation) or other nationally produced pension statements.

3.1.3. Effectiveness of implementation and engagement approaches

EIOPA should propose the most appropriate implementation approach for launching pensions tracking systems and, where relevant and effective, consider a phased-approach.

EIOPA should cover best practice on communication initiatives for successful initial launch of a national tracking system and ongoing initiatives to raise awareness, build trust in the system and improve user engagement.

EIOPA should consider best practices on engagement approaches for users: from promoting frequent use and, where relevant, leading to an adapted saving choice, to engaging users through applications and social media.

Lessons learnt from consumer testing and the uptake by users should provide additional evidence for effective communication and engagement approaches.

3.2. "Back end" of the Pension Tracking System

3.2.1. Identification of relevant data

EIOPA is asked to identify the relevant data points (the relevant pension and potentially other relevant long-term investment products, their associated characteristics as well as other information) across different sources of pension income (i.e. state-run pensions, occupational pensions, personal pensions, etc.) that would be necessary for the development of comprehensive pension tracking systems for individuals. The data should be sufficiently comprehensive to cover relevant savings and sources of retirement income of citizens that would be relied on in retirement, including the income from state-run pension schemes. Consideration should also be given to whether relevant data on taxation is indispensable to provide a full picture of future income for individuals.

3.2.2. Access to data and reporting obligations

EIOPA is asked to identify entities or bodies that would hold or have access to the relevant data identified in section 3.2.1. Furthermore, EIOPA is asked to assess which of the identified relevant data under section 3.2.1.:

1) Would already be easily accessible, as subject to public disclosures or reporting to a public body;
2) Is held by regulated entities identified under 3.2. and could be made available subject to reporting requirements;
3) Could not be made available, as held by entities outside the regulatory perimeter.

EIOPA is asked to provide an assessment of the associated additional burden related to the provision of data in section 3.2. of this Call for advice that could be made available subject to new/additional reporting obligations. The assessment should provide preliminary indications as to the feasibility of including in the scope of an individual tracking system long-term investment products that are not labelled as personal pension products but that, given their attributes, can be considered as close substitutes of such products.

3.2.3. Dissemination of data

EIOPA is asked to assess, based on existing practices, how the dissemination of the relevant data could take place. It should assess possible designs of the framework (i.e. covering the bodies that could provide the interface for accessing the tracking system and the processes around it). The assessment should consider all possible options, such as a

public solution, a public-private partnership and/or a private solution, including elements around the financing, ownership and governance of the envisaged system.

This assessment should specify actors responsible for the holding (if appropriate) and aggregation of data as well as bodies that could provide the interface for accessing the tracking system and the processes around it, aspects related to the transfer of data as well as access rights. EIOPA should evaluate whether direct access to data could be possible (e.g. via an interface that retrieves data from various sources and generates a pension statement on an ad hoc basis and only on demand of the person concerned), or whether data would have to be collected, aggregated, stored and disseminated by an intermediary.

This assessment should take into account financial aspects, such as costs related to the initial set-up of the system as well as on-going maintenance costs. It should consider whether these could be financed by the public or private sector, or individual users of the system, taking into account the potential disincentives this could have for the development of the system and potential take-up.

EIOPA should also consider and suggest how digitalisation of solutions could be further supported. It should also consider whether certain provisions would have to be developed in national or European legislation in order to create the conditions for the development of the national tracking system.

3.2.4. Data modelling standards

EIOPA is asked to consider whether a certain standardisation is necessary for the methodology and data modelling techniques that would be used by tracking systems seeking to estimate or project an individual's financial position as regards retirement savings and income, or for other functionalities of the system, as identified in section 3.4.

EIOPA should propose measures and techniques that could address and ensure consistency of estimates and projections provided by different tracking systems, possibly by developing standard methodologies, or referring to existing practices at the EU level or in national law or practice, where appropriate. These assessments should take into account whether data should be represented in nominal terms or whether it should be adjusted for inflation.

3.2.5. Cross-border flow of data and identification

EIOPA is asked to consider whether any additional measures would have to be envisaged at national level to ensure interconnectivity with the European Tracking Service (ETS)[3], which is currently under development, and efficient flow of data on a cross-border basis for mobile citizens to transfer pension entitlements accrued in different Member States or keep track of the latter. This should include consideration of scenarios where citizens may wish to access information on their pension rights outside their Member State of residence.

In the context of interconnectivity with the ETS, EIOPA should assess, liaising with the ETS project as appropriate, the availability of frameworks and tools that could be used to identify individuals at national level, potential issues (such as fragmentation of regulatory

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[3] https://www.findyourpension.eu/en/ets/about_ets/

approaches) that may affect identification of users and cross-border access to data and possible ways to address them.

3.2.6. Technical specifications

EIOPA is asked to assess the different technical specifications, templates and formats that would have to be developed in order to facilitate the functioning of the identified framework (i.e. for the data provided to an individual, data transfers between holders of data and possible intermediaries, additional reporting (if and where relevant), aggregation of data, data transfer protocols) and the entities that could be in charge of them. It should specify whether they potentially already exist and whether it would be more efficient to develop them at the European or national level. EIOPA should also provide suggestions for minimum requirements in terms of data quality (e.g. data completeness) to ensure that individuals access accurate information.

3.2.7. General consideration

In addition to providing best practices, EIOPA is requested to identify and describe the main barriers to the development of national pension tracking systems, how to overcome them and any lessons learned from existing pensions tracking systems.

3.3. Legal aspects of the national Pension Tracking System

3.3.1. Characteristics and holders of relevant data

EIOPA is asked to identify entities or bodies that would hold or have access to the relevant data identified in paragraph 3.2.1. Furthermore, EIOPA should identify and specify relevant characteristics of the data, for example whether the data would be considered *personal* or *non-personal*, *sensitive* or *non-sensitive*, *commercial* or *non-commercial* and would therefore require specific treatment, and where necessary, clarify that specific treatment.

3.3.2. GDPR considerations and other risks

EIOPA is asked to assess possible risks related to the operation of the tracking system, including the breaches of data security when employing the suggested frameworks, or in potential cross-border situations, in particular as regards misuse of personal data. Potential transfers of data on a cross-border basis should be taken into account. The proposed solution should be fully GDPR compliant.

EIOPA should propose whether any additional safeguards to the use and management of the data by different actors would be warranted in order to ensure safety and security of sensitive data. In particular, whether any risks or elements of the tracking system would require supervision by competent authorities.

4. For dashboards of indicators, EIOPA is invited to provide technical information on:

4.1. Currently available versus required data on occupational pensions

As a first step in order to gather an overview of existing practices in Member States, EIOPA should report whether projection exercises similar to those done by the EPC's working group on Ageing Populations and Sustainability (AWG) exist at national level.

4.1.1. Taking stock and expanding data availability

EIOPA data on occupational pension funds already includes relevant parameters such as historical data on pension contributions, payable benefits, number of members and retired persons, invested assets and income from investment. EIOPA is asked to report on the completeness and reliability of the existing data and when it considers there are material shortcomings in existing data sets, make proposals for how completeness and reliability can be improved. EIOPA is asked to advise on whether and how the existing statistical data could be used for long-term (50 years) projections.

When relevant data gaps are identified, EIOPA should advise on how to obtain the necessary missing data. In doing so, EIOPA should detail the granularity of data, identify potential data sources and, where unavailable, how and from whom data can be collected (e.g., via a reporting requirement in relevant sectorial legislation). In the case of a new reporting requirement, EIOPA is invited to estimate reporting costs and propose how collected data should be administered and by whom.

In case, it is concluded that information cannot be collected at reasonable cost, EIOPA is invited to propose how information can instead be estimated and put forward suggestions for assumptions underpinning these estimations. In doing so, EIOPA is in particular invited to consider assumptions related to the length of contract, length of contribution (accumulation) and pay-out (decumulation) periods, the age structure of contributors and beneficiaries, interaction between the length of contract and statutory retirement age, cost of managing the investment and/or other relevant factors.

4.1.2. Tailoring data coverage to the needs for projections

Since pension projections cover all Member States, EIOPA is asked to inform about country-specific conditions that need to be accommodated to ensure the reliability of projections. This should, in particular, include cases where Member States do not have a well-developed occupational pension sector. EIOPA is thus invited to indicate where special assumptions or solutions should be applied, and if so, what they should be, in ageing projections, notably in case of substantial idiosyncrasies in the set-up of national schemes. Examples of such national specificities may include schemes that provide one-off payments (that would need to be converted into annuities); and/or of employees' pension entitlements backed up by own resources of the company that employs them.

As developments in public finances may shape the development of the occupational pension sector, EIOPA is asked to analyse whether and how the public sector activity has impacted on the use of occupational pensions. If deemed relevant for the reliability of projections, EIOPA is invited to propose how the public sector involvement should be treated in projections, i.e. tax incentives in accumulation and taxes in retirement phase, link to public minimum support and other interaction with public pension or other benefit schemes.

4.2. Currently available versus required data on personal pension products

EIOPA is invited to carry out the tasks set out in section 4.1, where also relevant in the context of personal pensions. In addition, EIOPA is asked to advise on the following additional items.

To obtain a comprehensive view over sources of individual retirement income, EIOPA is invited to advise on the feasibility, coverage and granularity of long-term saving instruments to be included in the dashboard under personal pension income. In its advice, EIOPA should consider possible alignment with the individual pension-tracking tool in this regard. EIOPA is requested to select only those long-term saving instruments which would provide a quantitatively meaningful contribution to individual retirement income at aggregate (Member State) level. For saving instruments with a meaningful contribution, EIOPA is expected to indicate whether data exists at Member State (or European) level. Where data does not exist, EIOPA is invited to propose how (e.g. in a form of a reporting requirement in sectorial legislation), from which entities and what data needs to be collected, assess possible reporting cost and propose solutions, where data cannot be collected at reasonable cost (e.g. estimation of projections on investment return/ participation and contribution rates based on assumptions).

The outcome of this task should be a list of instruments (variables) for which relevant statistical data on contributions, returns, number of participants and pay-outs can be collected for each Member State and subsequently aggregated. If data collection is not feasible for some quantitatively meaningful long-term saving instruments, EIOPA is asked to identify these instruments and indicate whether the information can be approximated using economic assumptions (as well as set out those assumptions).

4.3. Other data deemed necessary to ensure reliability and usefulness of projections

EIOPA is invited to report on data that can provide useful supplementary information, even if this is not strictly necessary for pension projections at aggregated level. With regard to the interpretation of the outcome of projections, such potentially supplementary information could relate for example to data necessary to calculate replacement rates (i.e. the benefit of pension entitlements relative to wages), such as the proportion of wage-earners and self-employed among pension beneficiaries and information on differences in income distribution of users of these pension schemes and the overall population.

4.4. Indicators to be included in the pension dashboards

EIOPA is requested to identify suitable indicators to monitor the state of play in Member States and their progress to achieve adequate and sustainable pensions. These indicators should provide quantitative information about the contribution of different sources of future retirement that complement revenues from public pensions. It would be important that they can be combined with indicators that inform about the contribution of state-run pensions to retirement income in order to come forward with a single indicator per Member State. The indicators should therefore be compatible with the numbers produced by the triennial pension projections performed by the European Commission and

Member States, most notably those relating to state-run pension schemes, and the occupational and personal pension data identified above.

EIOPA should compare the indicators proposed in the pension dashboards with those already existing and used by European or international organisations in terms of (i) how accurately they reflect future pension benefits, (ii) how extensive their coverage is, and (iii) how easy it would be to communicate on these indicators to the general public.

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John BERRIGAN