



Evaluation of Openness and Transparency Initiatives of the Danish Insurance Association

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Section 1: Introduction

1.1 Introduction

The Danish Insurance Association¹ (“DIA”) and the Danish Ministry of Business and Growth have agreed to an evaluation of the openness and transparency initiatives put in place by the DIA. The Ministry has given the DIA approval to commission Towers Watson to carry out an independent evaluation of these openness and transparency initiatives, according to the detailed description of the scope of the evaluation agreed between the Ministry and the DIA.

The purpose of the evaluation was to assess the effectiveness of the DIA openness and transparency initiatives and whether, collectively, they meet their purpose and the needs of Danish consumers. As part of this evaluation, Towers Watson has developed a theoretical consumer needs framework based on expert literature and behavioural economics theory. This framework considers the information required which would enable a consumer to make an informed decision in relation to their pension savings and related insurances. The framework was used to assess whether the DIA initiatives (outlined in Table 1.1 below) meet the needs of consumers.

Table 1.1: Overview of DIA initiatives evaluated

Initiative name	Description
PensionsInfo ²	An online portal which allows consumers to access and get an overview of all of their pensions and associated life insurance entitlements from all of their providers including public pensions ³ .
Cost Initiative (Omkostningsinitiativet)	Requires all pension providers to disclose to consumers the total annual personal pension costs (ACK and ACP) ⁴ incurred that year and provides technical guidance on how to calculate the cost, and requires the calculation to be reviewed by an external auditor.
Cost Calculator (Omkostningsmåler)	Requires all pension providers to have a calculator on their website which allows consumers to input their details and calculate their expected future annual pension costs.
Pensions Overview (Pensionsoverblik)	Requires pension companies to display six key types of pensions information (entitlements, contributions, premium for insurance, costs, investment return, value of the scheme) in an easy accessible way in their annual pension statements or continuously on their web-based statement.
Comparing Pensions (Fakta om pension)	A website which consumers and other interested stakeholders, such as journalists, can use to compare the elements of different standard pensions offered by Danish pension providers.
Pensions Calculator (Pensionsmåler)	An internet tool which, after input from the consumer, calculates their projected income on retirement and compares it to their current day salary. It can also be used to calculate the effects of later retirement, higher contributions etc.

¹ DIA members comprise all life insurance companies and industry-wide pension funds operating in the Danish market.

² PensionsInfo is established as a co-operation between the DIA, ATP (i.e. the Labour Market Supplementary Pension) and the Banks.

³ Public pension is used throughout the report and refers to public pay-as-you-go pensions, also known as Pillar 1 or state pensions.

⁴ Annual Costs in Kroner and Annual Costs in Percentage.

Initiative name	Description
General Pension Info:	
Your first pension scheme (Den første pensionsordning)	Web pages which provide information on the different elements that consumers should be aware of in a pension scheme given marital, dependents status, etc.
Does your pension fit your needs? (Passer din pension)	Web pages which detail the pension and insurance needs of an average consumer together with advice on what consumers need to be aware of in certain situations.
Payout Methods (Udbetalinger)	Web pages which outline the different types of payments that consumers may be entitled to under circumstances such as retirement, illness, disability or death.
Pensions ABC	A teaching tool where the consumer chooses modules on different topics such as the Danish pension system, the sources of retirement income (public, occupational and personal) and information on types of products, providers, costs etc.
Pensions Dictionary (Ordbog)	An online dictionary allowing consumers to look-up explanations of pension terminology.
Pensions Exam (Pensionseksamen)	An online test which consumers can use to evaluate their knowledge about pension related topics. Topics include term annuity pensions, life-long pensions, lump sum pensions, voluntary early retirement (efterløn), divorce etc.
Pensions Hotline (Pensionsoplysningen)	An independent advice service offered by the DIA to consumers. Consumers can access the service via telephone or email.

In addition to the assessment of the DIA initiatives against the consumer needs framework, we sought to understand the approach to openness and transparency in other countries which have been the most proactive in these areas. Germany, the Netherlands, Sweden and the UK were selected for comparison as we consider that they are also advanced in openness and transparency initiatives and, more widely, in consumer protection.

Finally, the DIA commissioned an independent survey from Statistics Denmark to understand the experience of Danish consumers regarding pensions.

In addition to the above, and based on the agreement between the DIA and the Danish Ministry of Business and Growth, the DIA has specifically asked us to conduct a technical review of the methodology underlying the DIA recommendation on costs ("Cost Initiative"). The focus of this review was to ensure that all significant costs are included in a transparent manner.

Section 2: Executive Summary

2.1 Our approach

In evaluating whether the openness and transparency initiatives of the DIA meet the needs of Danish consumers, we have considered whether the initiatives **support consumers to make informed decisions in relation to pension savings and related insurances in accordance with their needs and preferences.**

The vast majority of the Danish workforce is covered by mandatory occupational pension schemes. Within these pension schemes consumers⁵ can make decisions in two ways. A consumer can make individual decisions regarding options that are open to them within their own specific scheme, for example, the level of insurance coverage required. A consumer can also participate in collective decision making within their occupational scheme, for example by influencing those responsible for setting the default options for the scheme (usually social partners, union representatives or employers). This evaluation considers both types of decisions.

Our approach and methodology is described in Section 3. In summary, the evaluation of the DIA initiatives has been conducted in three main parts:

- Assess whether the DIA initiatives collectively meet consumer needs (Section 6)
- Compare coverage of DIA initiatives to those in selected European countries (Section 7)
- Assess current views and knowledge of Danish consumers based on work conducted by Statistics Denmark (Section 8)

Our main findings in relation to each of the above are summarised below together with our overall conclusions. Where possible we have set out additional observations which may be helpful for stakeholders involved in transparency and openness initiatives going forward.

Underlying our work is our consumer needs framework which lays down a theoretical consumer decision making process for pension related issues. For each step in the process, we outline the associated behaviour that would, ideally, be demonstrated by consumers. The framework then outlines the information required to enable that behaviour and how the information should be presented to encourage action. Further detail on the consumer needs framework is given in Section 5 and Appendix A.

Finally, our technical review of the methodology underlying the DIA recommendation on costs is described in detail in Appendix C. Our main conclusions in this area are also highlighted below.

⁵ Throughout this report we refer to consumers, however, we note that in many collectively agreed occupational pension schemes the consumers are commonly referred to as scheme members or customers.

2.2 Main conclusions and observations from our analysis

Overview

The DIA has been very active in the field of openness and transparency with a comprehensive set of initiatives. The DIA's focus on openness and transparency has increased over time and many of the initiatives have been delivered over the last few years including, for example, Comparing Pensions, Pensions Overview, and the Cost Initiative.

For the Danish market, the benefits of openness and transparency for the consumer fall under two broad categories:

- Direct benefits as consumers are able to make informed decisions; participate in collective decision making; influence decision makers; and generally improve their engagement and likelihood of taking appropriate action;
- Indirect macro benefits such as improved competition, innovation and efficiency in the market.

The DIA initiatives are making a positive contribution in both of these areas, based on the evidence reviewed during this project. This report focuses on the direct benefits for consumers.

The benefits of openness and transparency, in particular in the context of the Danish pensions market, are discussed further in Section 4.

Comparison against the consumer needs framework

Overall, the coverage of the DIA initiatives against the consumer needs framework is comprehensive. We were able to map all of the existing initiatives to steps in the consumer needs framework. This indicates that all initiatives are playing a positive supporting role in addressing consumer needs.

There are some particularly innovative examples of transparency and openness initiatives:

- **PensionsInfo⁶:**

An online portal which provides consumers with a clear and understandable overview of their pensions and associated life insurance entitlements from all of their providers (including public pensions).

This initiative is a testament to the collaboration and openness of the pensions industry in Denmark. The comprehensiveness and accessibility of the information available as a result of the initiative is unique to Denmark.

⁶ PensionsInfo is established as a co-operation between the DIA, ATP (i.e. the Labour Market Supplementary Pension) and the Banks.

- **Cost Initiative:**

This initiative ensures that all pension providers disclose annual personal pension costs to consumers. The costs are calculated on a consistent basis and are expressed in a single figure. The costs are presented to consumers through other DIA initiatives (as discussed below).

This initiative enables clear comparison of costs across the industry, resulting in increased competition to the benefit of all consumers. In addition, the transparency introduced by clearly disclosing costs will increase consumers' trust in the pension system.

- **Comparing Pensions:**

A unique tool which we have not seen outside of Denmark. This tool enables consumers with a reasonable level of financial literacy, social partners/decision-makers making decisions regarding collective schemes, and other interested stakeholders, (such as journalists and intermediaries) to compare key information between Danish pension providers.

The transparency of this tool enables consumers, social partners/decision-makers and other stakeholders to compare and highlight differences in costs, performance, service levels and product features, which should help increase competition and innovation in the market, to the benefit of both individual consumers and society at large.

Our analysis indicates that initiatives exist to cover each of the steps in the consumer decision making process and we did not identify any material gaps resulting in the need for new initiatives. There is a range of initiatives which comprehensively address the need for the consumer to become aware of a need, for them to identify the functional requirements of their need and to carry out regular evaluation after they have made a decision.

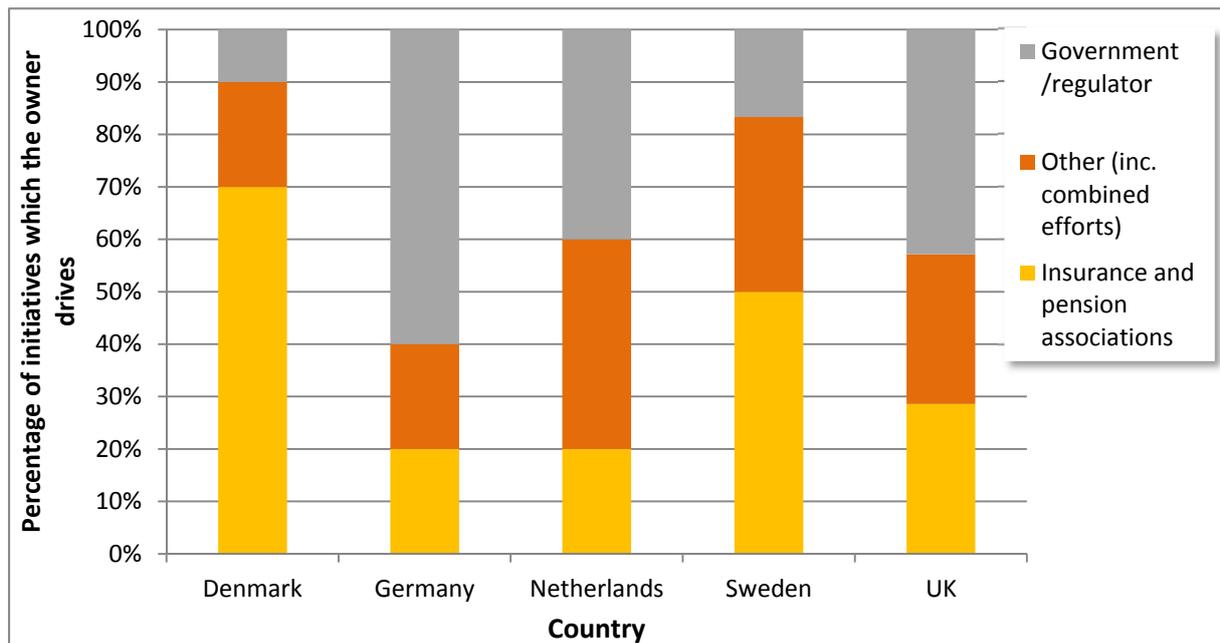
In general, the information provided by individual initiatives was found to be appropriate in both its content and level. The information provided was valuable and useful to consumers, taking into account the target audience for the information.

Our assessment of the DIA initiatives against the consumer needs framework is described further in Section 6. Details of the individual assessments of the DIA initiatives are given in Appendix B.

Comparison against selected European countries

The survey of selected European countries (Sweden, Netherlands, UK and Germany) indicated a range of approaches to openness and transparency.

The DIA is involved with and drives a wider range of openness and transparency initiatives compared to their European counterparts (i.e. other industry bodies). Where we observed similar initiatives in other countries, these are often driven by wider stakeholders such as government or state bodies. It is clear that the DIA takes a proportionately greater responsibility for openness and transparency initiatives in Denmark than their equivalent industry bodies in the four countries surveyed, as shown in Figure 2.1.

Figure 2.1: Drivers of openness and transparency initiatives in the surveyed markets⁷

In a number of initiatives the DIA has successfully implemented fully functioning solutions, whilst some other countries are still working on delivering such solutions. A particular example is PensionsInfo. This initiative was first launched in Denmark 1999 with a major re-design in 2007. Sweden and the Netherlands have similar initiatives to PensionsInfo, which currently have reduced scope and functionality compared to PensionsInfo. As in Denmark, these tools are under continuous development and refinement. Germany is currently in the planning stage for the introduction of an equivalent initiative.

There are two specific DIA initiatives which are unique to Denmark: Comparing Pensions and the Cost Calculator. We did not observe other countries providing equivalent information in as comprehensive a manner as these Danish initiatives. In addition, the recommendation regarding calculation of costs (i.e. the Cost Initiative) is only found in the Netherlands and Denmark.

Further details on the comparison against the four selected European countries is given in Section 7 and responses to the questionnaire are shown in Appendix D.

Views and knowledge of Danish consumers

The results of the survey carried out by Statistics Denmark show that the Danish consumers' knowledge, engagement and confidence in relation to occupational and personal pensions are more favourable than for public pensions. This is illustrated in the selection of key results summarised in Table 2.1.

⁷ Source: Towers Watson analysis of questionnaire responses. The figure illustrates how active different stakeholders are in driving openness and transparency initiatives. It is based on the responses to the questionnaire as shown in Appendix D. Initiatives regarded as focusing solely on financial literacy are not included for the purpose of this figure. The range, breadth, and usage of initiatives is also not represented here.

Table 2.1: Summary of responses regarding consumer knowledge (self-perceived and actual), confidence, satisfaction with information and ability to find information⁸

Percentage (%) of respondents indicating that they:	Pension Type				
	Personal pension	Occupational pension	Public Pension	Labour Market Supplementary Pension	Voluntary early retirement
Have high self-perceived knowledge regarding their pension scheme	39	26	16	17	32
Know the expected monthly benefit from their pension	36	34	22	20	34
Are confident that they will receive their forecasted pension	77	72	46	73	58
Are satisfied with the information that they receive about their pension	74	66	33	57	57
Find it easy to find information about their pension	60	53	29	44	38

The results strongly suggest that the efforts of individual providers and the DIA initiatives have had a positive impact on the experience of consumers.

Consumers' self-reported knowledge of their occupational and personal pension schemes is greater than for public pensions. The results also showed that occupational and personal pensions schemes scored well for ease of finding information and for satisfaction with the information found. In addition, consumers have greater confidence in occupational and personal pension schemes compared to their public pensions. However, consumers generally have a low level of knowledge regarding all types of pensions.

The Statistics Denmark results indicate that there is a link between the level of knowledge a consumer feels they have regarding pensions and their engagement and confidence in pensions. As a result, attempts to influence the level of knowledge of consumers, for example, through efforts to improve financial literacy of consumers, will also likely improve consumer engagement and confidence.

Similarly, those consumers who feel they have a higher level of knowledge regarding occupational pensions are much more satisfied with the information they receive about their occupational pension scheme. Thus, provision of information is likely to be more effective to those consumers with a higher level of financial literacy and suggests an expected positive effect of increasing the focus on financial literacy in Denmark.

⁸ Full results can be found in the Statistics Denmark report (Viden om og holdninger til private og offentlige pensionsordninger, Danmarks Statistik 2013). The Statistics Denmark report is available in Danish and English on the website of the DIA (www.fogp.dk) together with this report.

The results of the Statistics Denmark survey are discussed further in Section 8.

Methodology underlying the Cost Initiative

We believe that the DIA Recommendation underlying the cost initiative is comprehensive and addresses the significant cost elements that we would expect, given the available data on the financial markets.

During the course of our work we identified that bid offer spreads⁹ are not explicitly included in the cost calculation methodology. This is not unique to the Danish pensions industry but also applies to the costs disclosed for Danish investment funds¹⁰. In both cases, this is due to lack of available data from the external (also including international) portfolio managers. The lack of bid offer spread data makes it difficult to estimate the potential size of the costs.

Lack of bid offer spread data is not an issue specific to Denmark, but is also common in other international markets. Accessing bid offer spread data would require additional disclosures from portfolio managers. Once the costs were known then they would need to be applied to all financial sector cost disclosures consistently in order to achieve comparability. We note that any solution to this issue would involve a range of stakeholders and not just the DIA.

The Recommendation provides a sound basis for cost disclosure which allows consumers and other key stakeholders to compare costs across the industry. This is supported by a robust oversight process which involves external audit to ensure companies implement the Recommendation consistently.

The initiative is innovative and the underlying cost information is not commonly available in other markets. In our survey of selected European markets we only identified a similar initiative in the Netherlands.

The Recommendation explicitly states that a “look through” approach should be used for associated legal entities in order to mitigate the effect of varying corporate structures. It also states that if a company is in doubt as to whether to include a specific cost, then it should include it.

We note that there is an on-going process facilitated by the DIA to annually revise the cost Recommendation to reflect feedback from stakeholders, clarify any areas of ambiguity and to react to new products and changes in the cost environment. We see this as an important peer review mechanism to enforce market discipline and ensure that the cost initiative remains current and to react to market changes. To facilitate this, the DIA has established working groups looking at both administrative costs and investment costs.

The results of the Cost Initiative feed into other DIA initiatives:

⁹ The bid offer spread for a security is the difference between the prices quoted for an immediate sale (offer) and an immediate purchase (bid) of that security. The size of the bid offer spread in a security is one measure of the liquidity of the market and of the size of the transaction costs.

¹⁰ The ACP for investments funds was developed jointly between The Federation of Danish Investments Associations, The Danish Financial Authorities, The Danish Competition and Consumer Authority, The Danish Consumer Council, Ministry of Economy and Business, The Danish Bankers Association and the Danish Shareholders Association. This was then adapted by the DIA as part of its Cost Initiative.

- Cost Calculator
- Pension Overview
- Comparing Pensions

Our analysis showed that these initiatives disclose the total costs to consumers in a clear and transparent manner.

Our review of the Cost Initiative methodology is described further in Appendix C.

2.3 Pre-conditions for improving consumer decision making

During our work we recognised that the quality of the openness and transparency initiatives in place is only part of the solution to improved consumer decision making (both for individual decision making or through influencing collective decision making). There are other pre-conditions including:

- Trust and confidence in the pension system - Consumers need to believe that the pension system will meet its commitments.
- Consumer motivation - Consumers need a reason to engage. A lack of interest or motivation to engage in pensions and insurance issues will mean it is less likely that the consumer will make active decisions. We would expect greater motivation to act where the consumer needs to make active choices about their pension provision. Where occupational pension schemes provide default options for consumers the consequences of such consumers failing to act are limited.
- Underlying basic numeracy and financial literacy - In order to make informed choices the consumer needs to have a basic underlying grasp of numeracy and a level of financial literacy to enable them to make sound financial decisions. Financial literacy would include knowledge on topics such as: budgeting, basic financial products, understanding the impact of inflation and the time value of money. Without a foundation of basic numeracy and financial literacy, the information provided – no matter how it is presented – will fail to enable informed decision making. This emphasises the need for a broad effort to increase financial literacy generally.

We believe that the more strongly these pre-conditions are met, the more valuable the DIA openness and transparency initiatives would be, as consumers would be more willing to engage and able to understand the information that is provided to them.

We discuss the importance of these pre-conditions further in Section 4.

2.4 Potential development areas

DIA Initiatives – consideration for future work

We discuss below some suggestions which could be considered in the course of future revisions to further augment the effectiveness of the DIA initiatives.

Improved linkages across initiatives

The DIA initiatives and tools span the consumer needs framework. Many decision steps have several initiatives providing relevant information. However, from a consumer perspective, the ease of navigation and linkages between initiatives could be improved. We understand from the DIA that their development plans include the enhancement of linkages between the initiatives to improve the ability of consumers to move through the decision making process.

The DIA could also consider whether it was appropriate to encourage consumers to seek further information from pension providers, or to increase the awareness of availability of advice, as a supplement to linking to other DIA initiatives.

Personalisation

A key finding of behavioural economics research is that consumers engage with information better where it is personal to them or where they can recognise their own personal circumstances. In many instances the DIA initiatives already make use of personalised information (for example, in PensionsInfo and Pensions Overview). However personalisation could be enhanced further by access to other sources of information (such as tax or health data).

We recognise that the ability of the DIA and pension providers to personalise information may be restricted by data protection and other legislative issues. Therefore increased personalisation would most likely require wider stakeholder involvement in determining potential solutions, including support for any required legislative changes.

Prompting

Consumers are most likely to react if they are targeted with information at the appropriate time, for example, on getting married or on the birth of a child. Consideration should be given to how consumers can be prompted at the correct time. Such a development could be extremely powerful in encouraging consumers to interact with their pension at appropriate life events. However, this would require the involvement of appropriate legislative, tax and healthcare stakeholders, as well as the pensions industry.

The DIA and the National Register of Patients are currently co-operating on a system that prompts consumers diagnosed with critical illnesses to contact their pension provider. This model of co-operation may be worth further exploration and development.

Potential variability of results

Consumer and behavioural economics research shows that consumers, in general, are not strong at understanding different types of risk, or of assessing risk in a statistical manner. It is, however, important that consumers understand the risks involved in their pension choices so that they can form realistic expectations of the impact of risk and take action to mitigate them. Whilst the information relating to risk and volatility is potentially complex and would require suitable layering and presentation, consumer understanding of it is a key driver of long term trust.

Projected pension entitlement information provided to consumers could include illustrations relating to the potential variability in the results, thereby making it clearer to the consumer what the level of certainty is in reaching a particular outcome. This could be linked with information about how consumers could respond to variations to ensure their retirement plans remain on track.

A requirement for illustrations of the potential variability of results is likely to be introduced by regulation when Solvency II comes into force¹¹. In addition, the DIA is currently developing a common industry practice for the calculation of risk and return indicators for market return products to increase comparability.

Promotion of DIA initiatives

The Statistics Denmark consumer survey suggested a close correlation between consumers' interest, involvement and self-perceived knowledge of pensions. 53% and 60% of those surveyed found it easy to find information on their occupational and personal pensions respectively. This is a strong performance, especially in the context of a comparable figure of 29% for the public pension. The results indicated that the existing DIA initiatives have a strong role to play in increasing consumer knowledge and interest in pensions. This would be enhanced by continued promotion of the existing DIA initiatives. We therefore recommend that the DIA (in conjunction with other stakeholders) consider potential approaches for targeted promotion of its initiatives to increase general awareness and usage of them.

Many of these suggested potential enhancements would require a range of stakeholder involvement, including the government, data authorities and other industry bodies. A coordinated approach would be required if they are to be implemented, and we would not expect the DIA to implement these changes alone.

In general, increasing transparency and openness is an on-going iterative process. We would therefore expect initiatives to be regularly enhanced in reaction to consumer feedback and changing market requirements.

We note that the DIA has separately commissioned usability testing on some of its initiatives by independent consultants. We understand that the focus of these tests has been on consumers' experiences with the use of Comparing Pensions, PensionsInfo, Pensions Overview and the Pensions Calculator. Although the sample sizes for the usability tests are relatively small, the results are

¹¹ When it comes into force, the Solvency II Directive will introduce a requirement for life insurance companies to show projected income under three different return scenarios (Article 185.5)

generally consistent with our findings described above. We understand from the DIA that work is in progress to further improve the usability of Comparing Pensions and PensionsInfo.

The importance of financial literacy

As discussed above, we consider basic financial literacy to be one of the pre-conditions for openness and transparency initiatives to result in improved consumer decision making. Without a certain level of financial literacy, the quality and standard of the initiatives becomes less effective as consumers are less likely to engage with the information, or understand the information even if they seek to engage.

We observed in the results of the Statistics Denmark survey that there is a link between the level of knowledge consumers feel they have regarding pensions and their level of engagement and confidence in pensions. Similarly, we previously discussed that provision of information is more effective to those consumers that have a higher level of financial literacy.

In addition, in the data provided by other European countries, we observed that in many countries there is a collective effort to address financial literacy issues. For example:

- Germany, the Netherlands and Sweden have umbrella organisations made up of multiple stakeholders including state bodies, regulators, insurance companies and banks. These focus on providing a co-ordinated approach to financial education.
- The UK has introduced the Money Advice Service, which is a UK statutory body, with a significant budget¹², focussed on 'improving people's understanding and knowledge of financial matters and their ability to manage their own financial affairs'.

These organisations have each introduced various initiatives to improve financial literacy in their markets, such as providing lessons on financial literacy and financial literacy training for school teachers. The financial education addressed by these organisations focuses on a broad range of financial topics such as budgeting, saving, pensions and various other financial matters.

In light of this, we would recommend an increased and co-ordinated approach to improving financial literacy within Denmark. This would require a broad range of stakeholder involvement (as witnessed in other countries), and would include government, educators, industry bodies and specific providers.

Our discussions with the DIA have indicated that the Money and Pensions Panel in Denmark has a similar role to the organisations described above, although with a limited annual budget of 2.2 million Danish Kroner.

Checklist for designing consumer information

Our work on developing the consumer needs framework has drawn together substantial amounts of behavioural economics literature and best practice guidance such as EIOPAs 'Good Practices on Information provision for Defined Contribution schemes'. The consumer needs framework should

¹² The budget for 2013/2014 is £44 million in respect of objectives to increase financial literacy and competency, and a further £35 million to improve the quality, consistency and availability of consumer debt advice. (Source: Money Advice Service Business Plan 2013/2014 pp41-42)

therefore be taken into account as a standard in the design / enhancement of initiatives or legislation to provide consumer information.

In particular, when specifying information requirements, it should be considered whether the requirements mean that information will be presented in such a way as to encourage consumers to take the appropriate action. This means considering the following:

Purpose:

- Does the information have behavioural purpose?
- Does the information have personal relevance?
- Does the information have context?

Content:

- Is the information up to date, factually accurate, and sufficiently complete to enable the consumer to complete the decision step?
- Is the message of the information clear to the user?

Presentation:

- Is the information presented in an aesthetically pleasing manner?
- Is the information structured – both in terms of complexity but also importance?
- Is the information correctly framed to engender action?

Section 3: Background, Scope and Approach

3.1 Background

The DIA has been very active in the field of openness and transparency initiatives.

This is documented in three key strategy plans¹³:

- the 18-point plan for openness and transparency from 2006
- the strategy and action plan of the DIA from 2007
- the DIA Consumer Plan of 2010

As part of these plans the DIA has designed and delivered new initiatives such as Comparing Pensions, Pensions Overview and the Cost Initiative and also updated some of its existing initiatives, such as PensionsInfo.

The DIA and the Danish Ministry of Business and Growth have agreed to an evaluation of the openness and transparency initiatives put in place by the DIA. The Ministry and DIA have together developed and agreed a detailed description of the scope of the evaluation. The Ministry has given the DIA approval to commission Towers Watson to carry out an independent evaluation of these openness and transparency initiatives, according to this description.

This evaluation has been carried out to investigate the effectiveness of the DIA openness and transparency initiatives and whether, collectively, they meet the needs of Danish consumers.

Our evaluation has been carried out at one point in time. In reality, the implementation of the initiatives is an on-going process which has accelerated in recent years. The DIA plan to continually develop their initiatives and we have taken into account specific areas where the DIA indicates it has approved plans in place to develop the initiatives.

3.2 Scope and approach

The evaluation has focused only on DIA openness and transparency initiatives. We have not assessed initiatives in the Danish market other than those specified by the DIA. Our work is based on information provided by the DIA (with independent professional translation of official recommendations where required). Where possible, we have reviewed the information provided for reasonableness and consistency with our knowledge of the insurance industry and with publicly available information.

¹³ These are all publicly available on the website of the DIA (in Danish only).

We have not explicitly considered financial literacy initiatives or consumer engagement in our evaluation, although our work has encountered both. Similarly, this report does not evaluate the Danish pension system.

The information provided to consumers by the DIA initiatives is a supplement to the information provided by individual pension providers to their customers. We have not explicitly considered the customer information from individual pension providers as part of the evaluation¹⁴, although we understand that pension providers put great effort and resources into their customer communications.

Our approach has been to carry out the evaluation in three main parts:

- **Assess whether DIA initiatives meet consumer needs (Section 5 and Section 6)**

Firstly we defined a theoretical framework for Danish consumers' needs with regard to pension information. The framework illustrates the process and pre-conditions for consumers to make informed decisions about pensions in the context of their needs and preferences. In developing the framework, we considered consumer needs in the context of various academic bodies of knowledge, including consumer purchasing models, behavioural economics, and information definition.

We assessed the DIA initiatives against this framework to determine whether, collectively, the openness and transparency initiatives meet consumers' needs.

In addition, independent usability testing was conducted for selected initiatives and we have used the results of these tests in forming our conclusions. Translation of the results into English was carried out by independent professional translators.

- **Compare against selected European countries (Section 7)**

As part of our evaluation, we sought to understand the approach to openness and transparency in other countries which have been the most proactive in these areas. We sent questionnaires to key stakeholders in Sweden, the Netherlands, Germany and the UK that requested information on openness and transparency initiatives. The information included responses such as their sponsors and drivers, purpose, content, and coverage. We have relied upon the data submitted by the respondents to the questionnaires in undertaking the comparison.

The resulting data enabled us to perform a high-level gap analysis between initiatives in other markets and the DIA initiatives.

- **Assess current views and knowledge of Danish consumers (Section 8)**

The DIA commissioned an independent survey from Statistics Denmark to understand the experience of Danish consumers. This survey aimed to provide insight into the views of Danish consumers and their interactions with pensions. This included the ease of finding information, how understandable the information provided is, and the general level of consumer engagement. The survey also aimed to more broadly assess the knowledge of consumers in regard to

¹⁴ Note this also means that we have not looked at pensions information or initiatives from other sources such as the ATP (Labour Market Supplementary Pension) or at information provided by the State on public pensions.

pensions in the three different pension types¹⁵ (public, occupational and personal). Translation of this survey into English was carried out by independent professional translators.

The resulting data enabled us to draw conclusions on the level of knowledge of consumers in regard to pensions and the links between knowledge, engagement, confidence and satisfaction with information provided.

Collectively, the conclusions from these three parts have enabled us to carry out this evaluation on the extent to which the DIA openness and transparency initiatives meet the needs of Danish consumers. It has also enabled us to make suggestions to help maximise the positive impact of the DIA initiatives.

In addition to the above, and based on an agreement between the DIA and the Danish Ministry of Business and Growth, the DIA has specifically asked us to conduct a technical review of the methodology underlying the DIA recommendation on costs (“Cost Initiative”). The focus of this review was to ensure that all significant costs are included in a transparent manner. The details of this analysis are set out in Appendix C.

The contents of this report are subject to the reliances and limitations outlined in Section 9 of this report.

¹⁵ The three different pension types may also be referred to as the three pillars where pillar 1 is the compulsory, pay-as-you-go public pension, pillar 2 is the supplementary occupational pension and pillar 3 is the individual savings, personal pension. Throughout this report we will use the terminology public, occupational and personal pension rather than referring to pillar 1, pillar 2 and pillar 3.

Section 4: Transparency and Openness in Context

4.1 Objectives and benefits of openness and transparency

Openness and transparency are created by the sharing of information and knowledge. For the Danish market, the benefits of openness and transparency for the consumer fall under two broad categories:

- Direct benefits as consumers are able to make informed decisions; participate in collective decision making; influence decision makers; and generally improve their engagement and likelihood of taking appropriate action;
- Indirect macro benefits such as improved competition, innovation and efficiency in the market.

Direct benefits

If the consumer is unable to access appropriate knowledge and information which they can use to take action, they will not realise the direct benefits mentioned previously. The initiatives (together with information that individual providers give to their customers) should aim to provide consumers with sufficient information and knowledge to ensure that they can make informed decisions. Such decisions can therefore be directly actionable in respect of their individual pension provisions; or through influencing the stakeholders responsible for their occupational pension scheme.

Such informed decisions should enable consumers to understand the actions needed to achieve a target level of retirement income, and how to take action, whether directly or by way of influencing occupational scheme decision making. Individuals will, naturally, have their own views and preferences as to their 'target level of retirement income'. Nonetheless, consumers should be able to meet their retirement needs in a cost efficient way and with a return that is appropriate to the consumer's desired level of risk. Openness and transparency initiatives will perform a key enabling role in allowing consumers to optimise their situation for themselves.

Therefore, in our evaluation, the effectiveness of the openness and transparency initiatives are evaluated against the end goal of ***“Supporting consumers to make informed decisions in relation to pension savings and related insurances in accordance with their needs and preferences”***.

Indirect benefits

There is also a wider role for openness and transparency in maintaining a strong and efficient pensions market.

The consumer's need for an income on retirement should be met by a cost-efficient pension with a return that is appropriate to the consumer's desired level of risk. Strong competition in the market is a pre-condition to achieve this.

Transparency enables interested parties such as employers, social partners, the media and pension providers to compare and communicate differences in price, performance, service levels and product features.

Such information helps to raise standards and increase overall competition in the market. It can be used to apply pressure on underperforming organisations to improve, as well as to highlight and share examples of good practice across the market. Transparency and openness therefore promote competition and innovation in the market for the benefit of both individual consumers and wider society.

Whilst the macro market benefits of openness and transparency can be substantial they are not the focus of this report. They are evidenced elsewhere (for example the decline in average costs as illustrated by the Danish Financial Authority's data on their website and through the DIA Analysis report 2012:4¹⁶).

Our report focuses on the potential direct benefits as described above.

4.2 Pre-conditions for initiatives to drive improved consumer decision making

During our work we recognised that the quality of the openness and transparency initiatives in place is only part of the solution to improved consumer decision making. There are other pre-conditions including:

- **Trust and confidence in the pension system**

Consumers need to believe that the pension system will meet its commitments. If they do not, then rational consumer behaviour will be to consider alternative solutions to retirement funding, including increasing current expenditure rather than saving for the future.

Consumers' trust in the system will be influenced by a wide range of factors such as their own experiences with their providers, the political climate and focus, media stories, the stability of the legal and regulatory framework, the work of consumer groups, as well as openness and transparency initiatives.

- **Consumer motivation**

Consumers need a reason to engage with pensions. A lack of interest or motivation to engage in pensions and insurance issues will mean it is less likely that the consumer will make active decisions.

We would expect greater consumer motivation to act where the consumer needs to make active choices about their pension provision. For example, self-employed persons who are not covered by an occupational pension need to make an active decision if they wish to receive more than the public pension on retirement. In practice, such consumers may still lack motivation to act due to other influences.

¹⁶ Forsikring & Pension Analyserapport 2012:4 – "Pensionsbranchens økonomi og konkurrenceforhold 2011". The Analysis report is only available in Danish on the website of the DIA (www.fogp.dk) under "Statistik og analyse".

In Denmark, there are sensible default options in place for consumers with occupational pensions hence the consequences of such consumers failing to act are limited. The worst case is that a consumer's pension scheme and insurance coverage are not optimised to their individual needs and preferences. This is in contrast to other countries where a failure to engage could result in no retirement income other than the public pension. As a result of this safety net, consumer motivation to engage in pensions and insurance issues may be less strong in Denmark.

- **Underlying basic numeracy and financial literacy**

In order to make informed choices the consumer needs to have a basic underlying grasp of numeracy (e.g. what percentages mean). Consumers must then build on this basic numeracy to develop financial literacy to enable them to make sound financial decisions. Financial literacy includes knowledge on topics such as: budgeting, basic financial products, understanding the impact of inflation and the time value of money. Such knowledge enables consumers to gain maximum value from the information presented to them.

Without a foundation of basic numeracy and financial literacy, the information provided – no matter how it is presented – will fail to enable informed decision making. This emphasises the need for a broad effort to increase financial literacy generally.

We believe that if these pre-conditions were not met, the quality of the DIA openness and transparency initiatives would be less effective in enabling consumers to make decisions as:

- Consumers would not engage with the information provided due to lack of trust in the system, or due to a lack of motivation.
- If they did try to engage with the information, they would not understand it due to lack of financial literacy.

As a result, the aim of the initiatives to *“Support consumers to make informed decisions in relation to pension savings and related insurances in accordance with their needs and preferences”* would not be met, but through no fault of the openness and transparency initiatives themselves.

Therefore, for the purposes of evaluating the initiatives, we assume that consumers meet the above pre-conditions adequately when using the DIA initiatives. For example, the evaluation does not consider the effectiveness of the initiatives for consumers with little or no financial literacy.

We note that influencing the pre-conditions set out above would require involvement from a wide range of stakeholders. For example, this might range from government initiatives to improve levels of basic numeracy and financial literacy in schools, to targeted campaigns in the media to improve consumer motivation.

4.3 The Danish pensions market in context

The Danish pension system is extremely well regarded internationally, including within a recent report which ranked it first in the world¹⁷.

The vast majority of the workforce is covered by mandatory occupational pension schemes. Therefore their need for additional pension savings to supplement the public pension is met. These schemes cover over 90% of the workforce and are either company specific schemes decided upon by the employer, or schemes based on the collective agreements of social partners in the labour market.

This means that for many consumers, there is an inbuilt safety net. Even if they are not actively engaged in the areas of pension saving and risk cover, the system will pick them up via automatic enrolment as part of their employment.

When negotiating the specifics of a collective scheme for employees, the social partner or employer ensures that the scheme meets the typical needs of that group of employees through the selection of defaults.

There are still actions an individual consumer can take regarding their occupational pension. Firstly, individual consumers can commonly make choices within their pension scheme, for example, the level of death cover they require, or whether they would prefer a with-profit or market return scheme. They can therefore take action to optimise their choices according to their individual preferences. Equally important is the ability for consumers to influence their representatives or social partners to adapt the scheme to better meet employee needs. This can be a powerful way to ensure that optimal collective choices for consumers are made. Transparency is essential to enable this and give individual consumers confidence that their representatives or social partners are acting in their best interests.

In Denmark, only a very small percentage of the workforce does not have an occupational pension. These consumers have a greater personal responsibility and need to engage in pension matters if they wish to supplement their public benefits. They must make active purchasing decisions relating to providers and products for both pension savings and risk cover.

There are therefore important decisions in both occupational and personal pensions that require consumer engagement and decisions to achieve optimal outcomes.

For the purposes of this evaluation, the main distinction between occupational and personal pensions is the level of personal choice and the potential consequences in failing to engage. Transparency and openness initiatives are key to enabling informed decision making in both occupational and personal pensions.

¹⁷ Melbourne Mercer Global Pension Index– 5th edition, October 2013

Section 5: Overview of Consumer Needs Framework

5.1 Introduction

This section gives an overview of our theoretical consumer needs framework. The consumer needs framework describes consumer needs with regards to information and tools required to make informed decisions in relation to pension products, both when entering into a scheme and during on-going membership of the scheme. The framework illustrates the different dimensions of a five step process that a consumer should go through to make informed decisions about his/her pension needs. We discuss the framework in more detail, together with examples, in Appendix A.

In developing this framework we have considered a wide range of relevant academic literature regarding the consumer decision making process, behavioural economics and presentation of information to consumers. We have set out more detail on the theoretical background to our framework and a bibliography in Appendix A.

Furthermore, we have met with various Danish and European experts who have provided feedback on the framework. We would like to express our thanks to the following experts for their input and constructive review of this framework, which has been invaluable.

- **Anders Anderson** – Deputy Director, Institute for Financial Research, Swedish House of Finance. Co-Author Anderson and Korling (2013).
- **Nynke de Boer M.A.** – Netherlands Authority for Financial Markets.
- **Karen Kofoed** – Skandia, Industrial PhD, Consumer Information in Pensions.
- **Louise Skjødsholm** – Head of Section, Sociologist, Danish Money and Pension Panel.
- **Dr. Janneke Toussaint** – Netherlands Authority for Financial Markets, Chair of the EIOPA OPC sub-committee on Information Provisions and lead author of EIOPA Good Practices on Information Provision for DC Schemes.

In addition, on 23 August 2013, we held a Danish stakeholder workshop at which we discussed an earlier draft of this framework and its application in the Danish market. We would like to thank the attendees for their participation and the expression of their views:

- **Morten Bruun Pedersen** – Danish Consumer Council.
- **Annette Bjaaland Andersen** – Head of Division, Consumer Affairs and Financial Intermediaries Division, Danish FSA.
- **Martin Nyvang, Jesper Mølbæk and Christina Hoffgaard** – Danish Competition and Consumer Authority.

- **Katrine Sauer** – Danish Ministry of Business and Growth.
- **Per Bremer Rasmussen** – CEO, Danish Insurance Association.

Whilst we have taken comments and feedback into account in developing the consumer needs framework, the development of this framework has been carried out by and reflects the views of, Towers Watson.

5.2 The use of the framework for occupational and personal pensions

The framework we have developed can be applied to consumer needs both in regards to occupational and personal pensions, albeit to varying degrees.

As described in Section 4, there is still a need to engage the consumer in occupational pensions to enable desired consumer behaviour and thereby ensure consumers' individual preferences are met. We however note that the incentive for these consumers to engage is less obvious to these consumers, as their basic needs are already covered. Engagement is also a prerequisite for occupational pension consumers to engage with collective decision making in respect of their schemes.

We have illustrated the various steps in the framework with two examples in Appendix A, in order to take the differences between occupational and individual pensions into account.

The examples given are intended to demonstrate the ideal consumer behaviour and as such we appreciate that our expectations of the consumer are high. We recognise that such 'perfect' behaviour is unlikely to be exhibited by every individual in the real world, even should the required information be presented in the required way. However, we believe that a focus on presenting the required information in the required way improves the chances of individuals demonstrating optimal behaviour likely to be in their long-term best interests. This applies to both occupational and personal pensions, regardless of the differences in incentives for the individual to engage actively with the system.

Defining an ideal process therefore gives us a well-defined goal against which to guide consumers towards an optimal behaviour and outcome.

5.3 Overview of the framework

In determining our consumer needs framework we consider that the consumer's fundamental need is to be engaged and to have the information and tools available to enable them to make informed decisions in relation to their individual needs and preferences.

As discussed in Section 4, we believe that in order to achieve consumer engagement in the process, so that consumers can work their way through the framework, there are three pre-conditions to be met:

- Trust and confidence in the pension system;
- Consumer motivation; and
- Basic numeracy and financial literacy.

In addition, we have assumed that an 'appropriate' product is available in the market for each consumer.

The Towers Watson consumer needs framework is composed of four inter-connected dimensions.

- **Dimension 1: The decision making process**

This dimension explains the five steps that a consumer needs to take in order to make an informed decision or to be engaged with their financial situation.

The process is constructed in such a manner that each step builds upon its predecessor, ultimately resulting in an action or decision which is likely to be in the consumers' best interest.

- **Dimension 2: Desired consumer behaviour**

This dimension details the consumer behaviour that is desired at each step in the decision making process. This is behaviour that should be encouraged on the basis that it is more likely to be optimal to the consumer's interests and those of society.

- **Dimension 3: Information to enable the desired consumer behaviour**

This dimension considers the type of information that is required by consumers at each step in the decision making process to encourage the right consumer behaviour. If this information is not available to the consumer, the consumer is unlikely to take the appropriate action.

- **Dimension 4: Requirements for presenting information**

The final dimension considers the presentation and framing of the information that is required to engender the desired consumer behaviour at each step in the decision making process.

The presentation and framing of information is distinct from the type of information provided. Correct and relevant information which is provided to the consumer may still result in a failure in the process if it is not presented or framed in a manner that encourages the consumer to take appropriate action.

The framework therefore considers two main elements from the perspective of transparency and information provision:

- Firstly, has the consumer been provided with or been given access to the required information at each step in the decision making process to be theoretically able to complete successfully the step in question.
- Secondly, has the information at each step in the decision making process been presented and framed in such a way as to engender consumer behaviour that is likely to enable the desired consumer behaviour for that step.

Put simply: has the consumer had the right information to make a decision and/or take action, and has that information been presented or framed in such a way that they will actually make a decision and/or take action as a result.

To optimise the likelihood of the consumer completing the process and making informed decisions several conditions need to be met. Not only does certain information need to be provided or be available, but this information needs to be presented in a certain way at a relevant time.

A graphic illustration of the consumer needs framework is shown in Figure 5.1. We discuss each of the dimensions further, together with examples, in Appendix A.

Whilst behavioural economics specifically recognises that individuals do not always make decisions on the basis of rational logic and structured process, we contend that, where consumers are given the right information that is presented and framed in the right manner, they can potentially be 'nudged' towards decisions and actions that are more likely to be aligned with their best interests. The framework therefore considers what a logical purchase/engagement process should look like as the basis for structuring and appraising the information which is required and the manner of its presentation and framing in guiding consumers towards appropriate behaviour and outcomes.

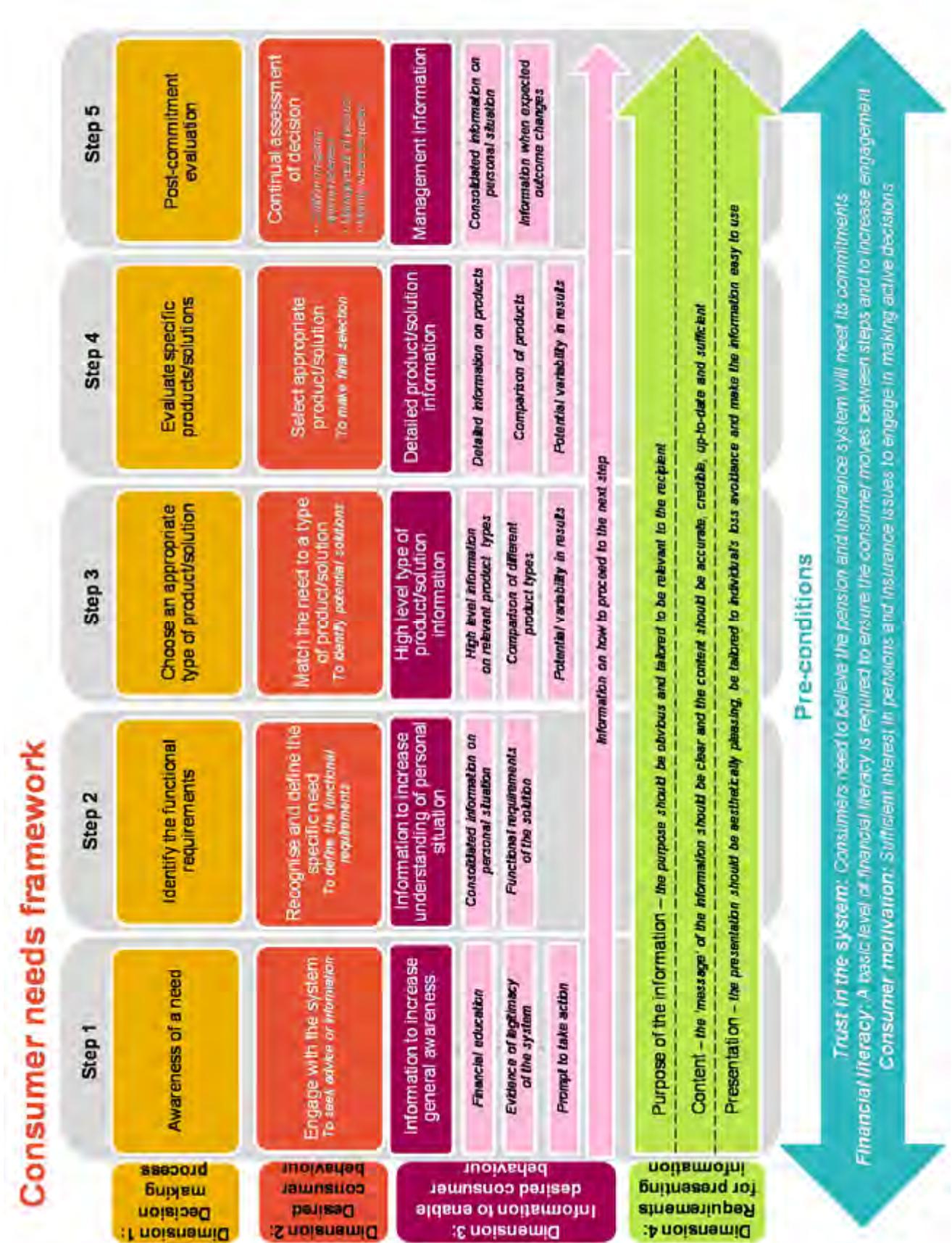
5.4 Importance of presentation and framing of information

The presentation and framing of information provided to the consumer, as represented by Dimension 4 in the consumer needs framework, is of particular importance as if the information is not presented in a suitable way, the consumer is unlikely to take appropriate action on the basis of the information provided. We outline below the key requirements for presenting information.

Purpose

The information provided should have a clear behavioural purpose, i.e. the consumer, in reading the information, should know why they were being given the information and what they should do with it.

Figure 5.1 Diagram of the consumer needs framework



The information provided should also have personal relevance. Where the consumer can recognise their personal situation in the information it would be considered personally relevant to them. Personally relevant information enables a consumer to understand their own position, meaning it is 'brought to life' for them.

Where the information presented is referenced to other information that is likely to be familiar to or have meaning for the consumer it can be said to have context. If the information has context, the consumer would be able to benchmark the information (for example against historic trend, or against their monthly salary) such that the information gains meaning.

Content

The content of the information provided should be factually accurate, as well as up-to-date and sufficient to enable the consumer to make an informed decision.

Information sources should not overload the consumer but at the same time make it clear both where and how further information and support can be accessed.

The message of the information should be clear to the consumer. This includes the use of simple vocabulary together with the avoidance of ambiguous language or jargon. The use of varying forms of content (for example textual and graphic) is also advantageous in assisting consumer understanding and engagement.

The impact of any associated risks should be highlighted in order for the consumer to fully understand the potential impact of their decision. This is especially important as consumers are more likely to relate to hazard rather than risk, for example they are able to appreciate potential outcomes, but have difficulty visualising or relating to the impact of the probability of those outcomes. In such situations, scenario illustrations can be a useful way of demonstrating risk.

Presentation

Information should be presented in a way that captivates attention and facilitates understanding. This includes aesthetic presentation such as making information eye-catching and easy to read. For example, techniques such as using vivid colour and pictures or having attention-grabbing headlines can help make information eye-catching. Presentation also includes consideration of the medium through which the information is presented (for example, the internet, paper-based, videos etc.)

Layering of information should be used to present information with a hierarchy of importance and a hierarchy of complexity, in order to allow the consumer to control how much information they access. The most important information should therefore be highlighted and easy to ascertain with clear signposting of how to access further information. This allows the consumer to access a level of information appropriate to their needs, personality and understanding, whilst remaining confident that further information is available, should they require it.

The information should be framed to engender action. Information should be presented in such a way that it leverages relevant consumer heuristics and biases in order to encourage action – such as referencing an individual's position to that of their peer group. For example, previously it has been

shown that an effective way of getting people to reduce their electricity consumption is to provide electricity bills showing that person's consumption compared to the average consumption of their neighbours.

5.5 Example of consumer journey through the consumer needs framework

Below, we summarise an example of an occupational pension scheme consumer moving through the consumer needs framework. This example is expanded in more detail in Appendix A, together with an example for a consumer with a personal pension.

Background

Julia is married and has two children. She worked as a nurse at the local hospital for the last 15 years and during this time she contributed to an occupational pension scheme (a collectively agreed industry wide pension scheme).

She has just changed jobs and has started working at a private clinic. As part of her employment benefits she has been enrolled in a new occupational pension scheme with a new provider. This scheme is a company specific scheme.

Step 1: Awareness of a need

In this step, Julia becomes aware of a financial need. At this stage, her awareness is likely to be very high level and will not be well defined.

Julia receives a welcome letter from her new pension provider making her aware that she must now make some choices regarding the new pension such as the level of insurance coverage.

Example of information required: the welcome letter from her new pension provider is a prompt for Julia to consider how her needs may have changed given the change in her circumstances, and results in her engaging with the system.

Among other things, Julia realises that she needs to make sure that her children are provided for if she dies. Julia has become aware of a need.

Step 2: Identify the functional requirements

In this step, Julia starts to define the functional requirements of her need. These will still be high level but will specify the aspects of her needs that must to be met.

Example of information required: Julia will need information that will help her determine what her children will need in the event of her death. This might include information on the amount of income that they would need to support their education and lifestyle and how it might be provided to them.

Julia determines what it means for her children to be 'provided for' by considering parameters such as the amount of money that they would need, how it should be paid, and how long it should be paid for.

Step 3: Choose an appropriate type of product or solution¹⁸

In this stage, Julia considers which potential products or solutions there are that would address her functional requirements and determines which of those solutions is likely to be best for her. For example, her potential solutions might include: cover from her previous pension scheme, cover from her new pension scheme, or a stand-alone policy.

Example of information required: *Julia will need understandable and comparable information on potential ways in which to ensure her children receive an income. This will enable her to understand which type of solution is most likely to meet her needs.*

Julia considers her and her husbands' combined financial obligations and decides that a child's pension product is likely to be the best solution.

Step 4: Evaluate specific products or solutions

In this stage, Julia considers which specific product or solution is best for her given her financial situation and needs. Having determined that a child's pension product is the best solution, she will now need to determine the specific product and provider to choose.

As Julia is unsure of the relative advantages and disadvantages of the different specific solutions she accepts an offer from her new pension provider to talk to a pensions advisor.

Example of information required: *When Julia discusses her requirements with her pensions advisor, she will need him to provide detailed information on the costs and benefits of retaining a child's pension in relation to the old and new pension schemes. She therefore requires a detailed assessment of the suitability, risks and costs inherent in each option.*

After her discussion with the pensions advisor, Julia decides to continue to pay reduced monthly contributions to her old pension scheme as the child's pension product provided by the old scheme would be cheaper than a child's pension in the new scheme with the same cover.

Step 5: Post-commitment evaluation

In this step, having made her choices, Julia will need to regularly review the development of her accumulated pension rights and any changes in her need for insurance cover given her personal circumstances.

Example of information required: *Julia will require consolidated information on the coverage and expected entitlements from her public provisions, her old scheme and her new scheme. She will need to be able to access this on a regular basis to enable her to review her position at regular intervals.*

For example, Julia may decide to change her insurance cover once her children grow up and move away from home. In this case she would then go back to step 1 in the decision making process to determine what changes to make, albeit potentially progressing much more quickly through the steps in the framework.

¹⁸ Note that where we refer to types of product or solution here, this refers to the set of solutions available. For example, this may be a specific product, a set of multiple products, or alternatively optional functionality within an existing product.

5.6 The iterative nature of the decision making process

In Figure 5.1 we have represented the process as a linear process, leading from Step 1, awareness of a need, to Step 5, post-commitment evaluation. However, in practice, this process is likely to be an iterative process for the consumer, as illustrated in Figure 5.2.

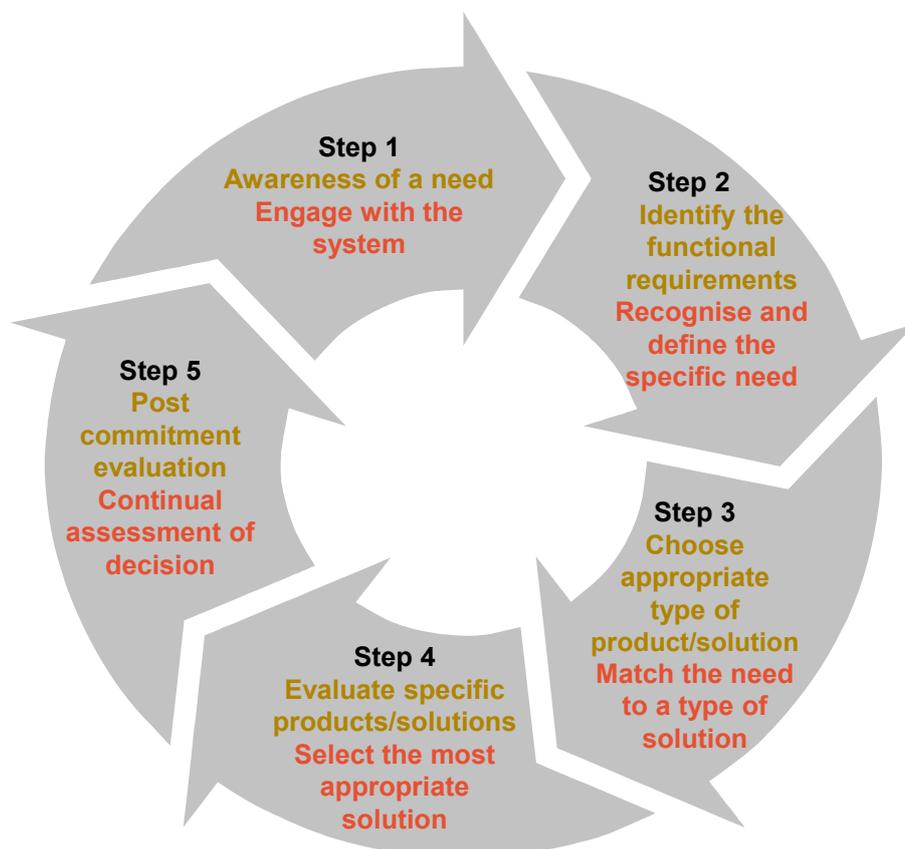
Changing circumstances for the consumer may lead to a new need or requirement. For example;

- on marriage or the birth of a child there may be a need to consider new life insurance requirements;
- on changing employer, an individual may change pension scheme and need to make new decisions regarding their pension requirements.

Awareness of this need as a first step is essential. As such, a consumer is likely to go through this process many times as their needs change throughout their lifetime. However, the speed at which a consumer moves through each step will vary according to the decision, its context and the consumer's experience and knowledge levels.

When consumers are automatically enrolled in occupational pension schemes, as is mainly the case in Denmark, steps 1-4 of the initial decision making process are completed on their behalf by the pension provider. These consumers will typically only complete the five steps explicitly when they are already enrolled in the scheme, and are given the option to make choices to move away from the default product choices.

Figure 5.2: The consumer needs framework represented as an iterative process



Although this is an iterative process, for ease of communication the framework is represented linearly in the remainder of this report.

Section 6: Assessment of Danish Initiatives against Consumer Needs Framework

6.1 Our approach

The DIA have provided us with descriptions and access to the following DIA Initiatives which are summarised in the table below. Further details of each initiative are given in Appendix B. Note that where we refer to “pension providers” below, this refers to pension companies and pension funds that are members of the DIA.

Table 6.1: Overview of DIA initiatives

Initiative name	Name in Danish	Description
PensionsInfo ¹⁹	PensionsInfo	An online portal which allows consumers to access and get an overview of all of their pensions and associated life insurance entitlements from all of their providers including public pensions.
Cost Initiative	Omkostningsinitiativet	Requires all pension providers to disclose to consumers the total annual personal pension costs (ACK and ACP ²⁰) incurred that year and provides technical guidance on how to calculate the cost, and requires the calculation to be reviewed by an external auditor.
Cost Calculator	Omkostningsmåler	Requires all pension providers to have a calculator on their website which allows consumers to input their details and calculate their expected future annual pension costs.
Pensions Overview	Pensionsoverblik	Requires pension companies to display six key types of pensions information (entitlements, contributions, premium for insurance, costs, investment return, value of the scheme) in an easy accessible way in their annual pension statements or continuously on their web-based statement.
Comparing Pensions	Fakta om pension	A website which consumers and other interested stakeholders, such as journalists, can use to compare the elements of different standard pensions offered by Danish pension providers.
Pensions Calculator	Pensionsmåler	An internet tool which, after input from the consumer, calculates their projected income on retirement and compares it to their current day salary. It can also be used to calculate the effects of later retirement, higher contributions etc.

¹⁹ Note that banks and ATP are co-founders of PensionsInfo and deliver data on consumers' pension savings and entitlements.

²⁰ Annual Costs in Kroner and Annual Costs in Percentage

Initiative name	Name in Danish	Description
General Pension Info:		
Your first pension scheme	Den første pensionsordning	Web pages which provide information on the different elements that consumers should be aware of in a pension scheme given marital, dependents status, etc.
Does your pension fit your needs?	Passer din pension	Web pages which detail the pension and insurance needs of an average consumer together with advice on what consumers need to be aware of in certain situations.
Payout Methods	Udbetalinger	Web pages which outline the different types of payments that consumers may be entitled to under circumstances such as retirement, illness, disability or death.
Pensions ABC	PensionsABC	A teaching tool where the consumer chooses modules on different topics such as the Danish pension system, the sources of retirement income (public, occupational and personal) and information on types of products, providers, costs etc.
Pensions Dictionary	Ordbog	An online dictionary allowing consumers to look-up explanations of pension terminology.
Pensions Exam	Pensionseksamen	An online test which consumers can use to evaluate their knowledge about pension related topics. Topics include term annuity pensions, life-long pensions, lump sum pensions, voluntary early retirement (efterløn), divorce etc.
Pensions Hotline	Pensionsoplysningen	An independent advice service offered by the DIA to consumers. Consumers can access the service via telephone or email.

Note that the initiatives have been developed by the DIA with a specific purpose in mind, and before the consumer needs framework was developed. Thus, the purpose of the initiative being assessed may not exactly match the purpose of one of the steps in the consumer needs framework. Each individual initiative has been assessed according to the strength of its contribution to the consumer needs framework. Consideration was given to the information provided and the presentation of the information.

In Section 5 we describe the five steps of our consumer needs framework. For the purposes of this assessment, we have identified the primary and secondary steps to which we believe each initiative contributes.

- **Primary contribution:** The primary contributions of an initiative are the decision making steps which we consider to be the primary focus of the initiative. This is determined by considering what information the initiative provides, to which steps this is most suited and consequently which of the framework's decision steps and associated desired consumer behaviour are most likely to be supported and enabled by the initiative.
- **Secondary contribution:** The secondary contributions of an initiative are the decision making steps to which we consider the information provided within an initiative contributes, but that are not the primary focus of the initiative.

In assessing the information provided, we have considered whether the consumer is able to complete a decision making step on the basis of the information made available to them. This is directly considered against the types of information outlined for each step in the consumer needs framework.

In assessing the presentation of the information provided, we have considered whether it has been presented in such a way as to encourage or induce consumers to take the appropriate action for that step. This considers the requirements outlined in dimension 4 of the consumer needs framework as set out below.

Purpose

- Does the information have behavioural purpose?
- Does the information have personal relevance?
- Does the information have context?

Content

- Is the information up to date, factually accurate, and sufficiently complete to enable the consumer to complete the decision step?
- Is the message of the information clear to the user?

Presentation

- Is the information presented in an aesthetically pleasing manner?
- Is the information structured – both in terms of complexity but also importance?
- Is the information correctly framed to engender action?

We have used the above approach to carry out an overall assessment of the DIA initiatives against the requirements set out in the consumer needs framework described in Section 5. This assessment takes into account the interaction of the initiatives and the overall coverage against the consumer needs framework. The ultimate aim is that consumers should be able to make informed decisions in relation to pension savings and related insurances in accordance with their needs and preferences.

Details of the individual assessments of the DIA initiatives are given in Appendix B.

We note that the DIA has separately commissioned usability testing on some of its initiatives by independent consultants. We understand that the focus of these tests has been on consumers' experiences with the use of Comparing Pensions, PensionsInfo, Pensions Overview and the Pensions Calculator. Although the sample sizes for the usability tests were relatively small, the results are generally consistent with our findings described below. We understand from the DIA that work is in progress to improve the usability of Comparing Pensions, PensionsInfo and Pensions Calculator.

6.2 The need for basic financial literacy and consumer motivation

As outlined in the consumer needs framework discussed in Section 5, certain pre-conditions need to be met to ensure engagement in the decision making process.

A basic level of financial literacy is required for a consumer to make decisions in relation to pension savings and related insurances. Without this, consumers are unlikely to be engaged in the decision making process and are unlikely to move between steps in the decision making process.

As such, when carrying out this assessment of the DIA transparency and openness initiatives against the consumer needs framework, we have assumed that consumers possess a basic level of financial literacy, sufficient to enable them to make informed decisions in relation to their individual needs and preferences, given the necessary tools and information.

In addition, we have assumed a certain level of consumer motivation to take an interest in pensions and insurance issues. Even if a consumer has a good level of financial literacy and if the necessary tools and information is made available and presented in the right manner, they may not be inclined to make active decisions regarding their pensions and insurance requirements if they are not motivated. For example, they may have a view that “*pensions are boring*”, or alternatively, they are disinclined to take any action because the level of defaults in Danish occupational pensions means that the consequences if they don't take action are unlikely to be severe.

These assumptions allow us to assess the DIA transparency and openness initiatives against the need to provide the right information to consumers, presented in such a way as to encourage or induce them to take appropriate action, i.e. against the consumer needs framework.

The importance of these assumptions to assessing the effectiveness of the transparency and openness initiatives is discussed further in Section 4 of this report.

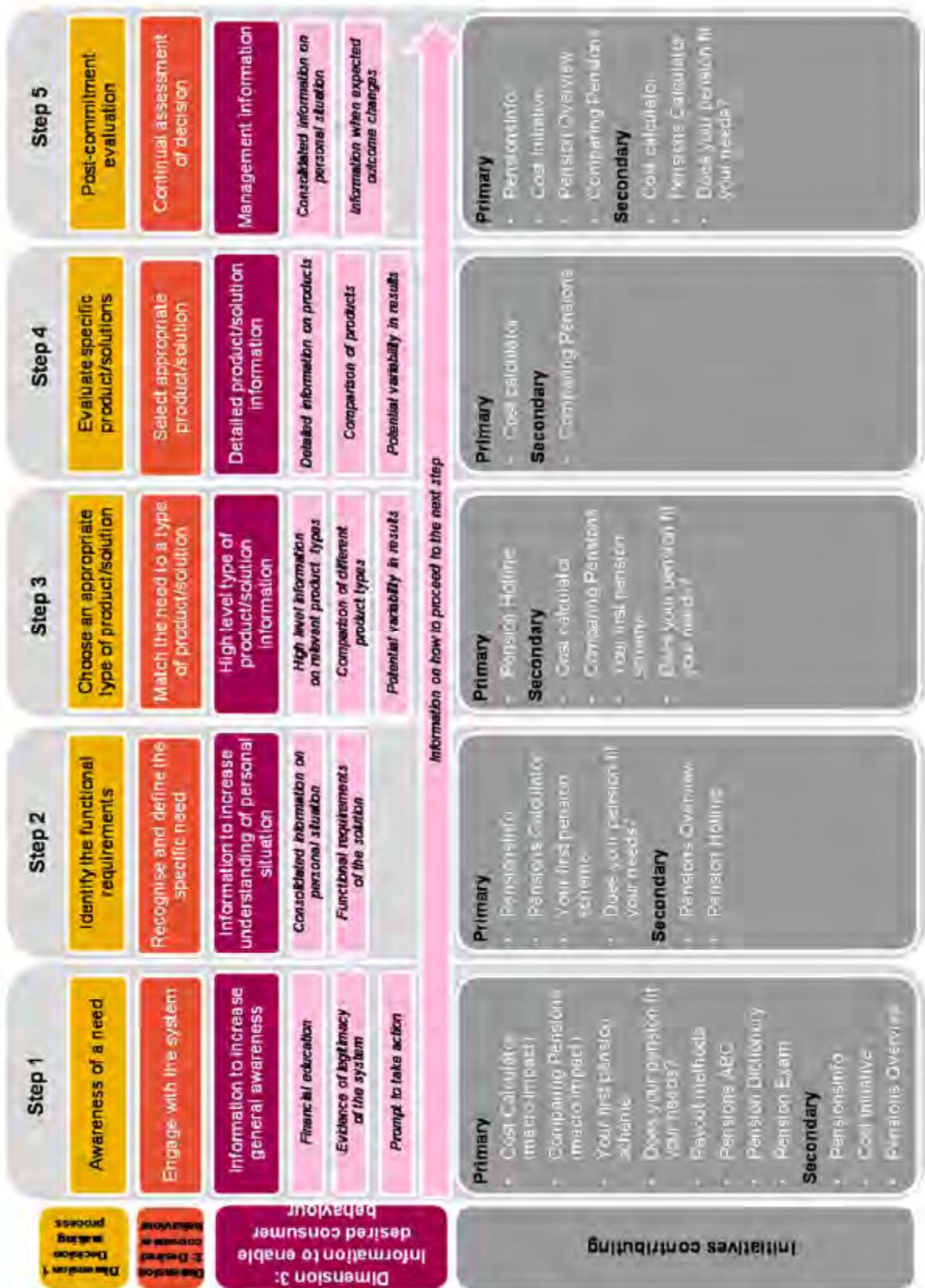
6.3 Conclusions of overall assessment

The diagram shown on the next page sets out the contribution of the DIA initiatives to each step in the overall consumer needs framework.

Within this diagram, we have classified each initiative as having either a primary or secondary contribution to the decision making process. When assessing coverage of the overall framework, primary initiatives would have a greater weighting than secondary initiatives.

Overall, the coverage of the DIA initiatives against the consumer needs framework is comprehensive. We have not identified any material gaps resulting in the need for new initiatives. In addition, as shown in Figure 6.1, we were able to map all existing initiatives to one or more steps in the consumer needs framework, confirming that all initiatives play a positive part in addressing a consumer need.

Figure 6.1 Contribution of DIA initiatives to each step in consumer needs framework



In particular, there are some specific innovative examples of transparency and openness initiatives which do a very good job of meeting consumer needs.

- **PensionsInfo²¹:**

An online portal which provides consumers with a clear and understandable overview of their pensions and associated life insurance entitlements from all of their providers (including public pensions).

This initiative is a testament to the collaboration and openness of the pensions industry in Denmark. The comprehensiveness and accessibility of the initiative is unique to Denmark.

- **Cost Initiative:**

This initiative ensures that all pension providers disclose annual personal pension costs to consumers. The costs are calculated on a consistent basis and are expressed in a single figure. The costs are presented to consumers through other DIA initiatives (as discussed below).

This initiative enables clear comparison of costs across the industry, resulting in increased competition to the benefit of all consumers. In addition, the transparency introduced by clearly disclosing costs will increase consumer's trust in the pension system.

- **Comparing Pensions:**

A unique tool which we have not seen outside of Denmark. This tool enables consumers with a reasonable level of financial literacy, social partners/decision-makers making decisions regarding collective schemes, and other interested stakeholders, (such as journalists and intermediaries) to compare key information between Danish pension providers.

The transparency of this tool enables consumers, social partners/decision makers and key stakeholders to compare and highlight differences in costs, performance, service levels and product features, which will increase competition and innovation in the market, to the benefit of both individual consumers and society at large.

As shown in Figure 6.1, the overall coverage of Steps 1, 2 and 5 is comprehensive, and consumers' needs within these steps are well met by a range of DIA initiatives:

- There are a variety of pensions and insurance education initiatives which provide the consumer with clear information to learn about the Danish pensions system and key product types available. These should increase their awareness of a need to engage with the system.
- There are specific engaging initiatives such as the Pensions Calculator, "Does your pension scheme fit your needs?" and "Your first pension scheme" which enable consumers to identify the functional requirements of a solution that would meet their needs.
- In addition, it is easy for consumers to obtain a comprehensive overview of their personal situation, and confirm the on-going appropriateness of their financial situation, by accessing PensionsInfo and receiving annual Pensions Overview statements.

²¹ Note that banks and ATP are co-founders of PensionsInfo and deliver data on consumers' pension savings and entitlements.

Coverage of Step 3 is less comprehensive. This is however to be expected given the fact that the vast majority of Danish consumers are covered by occupational pension schemes. Given the existence of sensible defaults, the basic needs of consumers who have an occupational pension are met. Therefore, there is not the same need to provide these consumers with information to enable them to choose an appropriate type of product or solution. However, there is still a need to provide these consumers with additional information if they are making decisions to move away from defaults to ensure their individual preferences are met.

Within Step 4 there is much less of a role for the DIA to play in providing information, as the information required in this step is regarding specific products or solutions. It is to be expected that pension schemes and insurance providers would provide specific information on their own products to the consumer to enable them to evaluate and choose a specific solution. In fact, it is obligatory for pension providers to provide some of this information according to regulation. Therefore we would expect stakeholders other than the DIA to actively provide the information to cover this step and hence it is to be expected that the DIA initiatives' coverage of Step 4 is not comprehensive.

As outlined in Section 3, our assessment has focused solely on DIA openness and transparency initiatives. We do not expect the DIA to have sole responsibility to meet all consumer needs. If initiatives from other stakeholders were included, then the coverage within each step of the consumer needs framework would be greater.

We note that improvement in the areas of transparency and openness is an on-going iterative process. We expect initiatives to be periodically enhanced in reaction to consumer feedback and changing market requirements. We discuss further below some suggestions which could be considered in the course of future revisions to further augment the effectiveness of the initiatives in meeting consumer needs.

The DIA initiatives as a whole give good overall coverage of consumer needs. However, to further increase the consumer benefit of the initiatives, the DIA could consider improving the linkages between the initiatives thereby helping consumers to map the entire pension landscape as it relates to their circumstances.

It is important in providing information to consumers that it is clear to them what they are expected to do with the information provided, i.e. the behavioural purpose is clear. In some cases, the behavioural purpose of the initiatives could be made clearer to the consumer. Linked to this, the DIA could consider how to enhance the information they currently provide to make it clearer to consumers how to move to the next step in the decision making process. This may include encouraging consumers to seek advice or information from a pension provider, as a supplement to linking to other DIA initiatives.

Information provided in a personalised manner is often more engaging and likely to result in the consumer taking action, for example, where a consumer can recognise personal data or where information is customised using segmentation by age, lifestyle etc. Where possible, it should be considered whether more personalised information can be provided to the consumer (taking into account constraints introduced by data protection legislation).

Pro-active prompting of consumers to consider whether they have a specific need or should take a specific action through the provision of relevant information on a timely basis would lead to greater engagement and greater likelihood that consumer needs are met. It should be considered to what

extent such prompting is possible, (in particular given the constraints of data protection legislation). For example, prompting could be implemented through co-operation between the pension sector and public authorities. Public authorities have the relevant knowledge about consumers required to ensure prompting is used successfully. One current example is the existing co-operation between the DIA and the National Register of Patients on critical illness.

In presenting information to the consumer it is important that they have some understanding of the potential variability in the results. The projected pension entitlement information provided to consumers could include illustrations relating to the potential variability in the results, thereby making it clearer to the consumer what the level of certainty is in reaching a particular outcome. This is likely to be introduced to some extent by regulation when Solvency II enters into force²².

We note that in some cases these potential enhancements will involve a range of stakeholders and a coordinated approach will be required if they are to be implemented. For example, the DIA (or DIA members) are unlikely to be able to introduce comprehensive prompts for consumers independently as they would not have access to the personal data required.

6.4 Assessment against steps in consumer needs framework

We describe our assessment for each step in the framework in further detail below.

Note that as well as providing the specific type of information within each step as outlined in the consumer needs framework, we would also expect information to be provided that would enable the consumer to progress between the steps in the consumer needs framework.

Step 1: Awareness of a need

In this step we would expect the consumer to be provided with information to ensure that they recognise that they have a financial need to fulfil and to decide whether they will engage with the system to address that need. The type of information that would help them to do this is:

- Information providing financial education on pensions and insurance,
- information which provides evidence of the legitimacy of the system, and
- information which prompts the consumer to think about whether they have a specific need at an appropriate time, for example, on the birth of a child or at the end of the tax year.

Note that, as outlined in Section 5, we would expect the educational information provided by the DIA to specifically focus on pensions and insurance. This is as opposed to broader financial literacy, which, as discussed in Section 4 is a pre-condition for the transparency and openness initiatives to enable consumers to make informed decisions, and is the responsibility of multiple stakeholders.

Table 6.2 below gives an overview of the type of information that each initiative contributes to Step 1.

²² When it comes into force, the Solvency II Directive will introduce a requirement for life insurance companies to show projected income under three different return scenarios (Article 185.5)

Table 6.2: Contributors to step 1

Primary Contribution	Information type	Secondary Contribution	Information type
Cost Calculator (macro impact)	Evidence of legitimacy of the system	PensionsInfo (macro impact)	Evidence of legitimacy of the system
Comparing Pensions (macro impact)	Evidence of legitimacy of the system	Cost Initiative (macro impact)	Evidence of legitimacy of the system
Your first pension scheme	Pensions and insurance education	Pensions Overview (macro impact)	Evidence of legitimacy of the system
Does your pension fit your needs?	Pensions and insurance education, Prompts		
Payout Methods	Pensions and insurance education		
Pensions ABC	Pensions and insurance education		
Pension Dictionary	Pensions and insurance education		
Pension Exam	Pensions and insurance education		

There is a large number of initiatives providing a range of information which covers consumer needs within step 1.

The majority of the initiatives contributing to Step 1 have the aim of providing pensions and insurance education to consumers on a variety of topics. Generally these initiatives provide clear information enabling the consumer to learn about the Danish pensions system and key product types available, with effective use of layering to allow the user to control the amount of information they receive.

There is some scope to improve links between these initiatives to provide the consumer with more educational information on pensions and insurance topics. In addition, there is scope to improve the explanation of what consumers would be expected to do with this information.

Consumer engagement when providing them with pensions and insurance education could be further enhanced by increasing the personal relevance of the information, for example by targeting consumers further according to age, lifestyle etc.

Comparing Pensions, the Cost Calculator and Cost Initiative all increase the transparency in the market by ensuring that accurate and comparable information is provided, subject to peer review of the market and competitors. Similarly, PensionsInfo and Pensions Overview increase transparency through providing consumers with a clear understanding of their pension position. These initiatives provide evidence of the legitimacy of the system and are likely to increase consumers' trust in the Danish pension market. However, these initiatives will not solely be responsible for increasing consumers' trust in the market. Outside forces such as consumers' experiences with their providers, the political climate and focus, media stories, the stability of the legal and regulatory framework and consumer groups will also greatly influence consumer trust.

There is little provision of information at industry level prompting consumers to become aware of pension needs which they may have. The DIA has informed us that pension providers typically refer to certain trigger points in their on-going consumer communications (e.g. by including sections within communications which are titled 'if you have got married', 'if you have had children' etc.) to make consumers aware that there may be a need to reconsider the appropriateness of their pension scheme. There is however potential to make prompting from providers more effective by extending existing initiatives further or by introducing a new initiative or efforts to address this gap. This presupposes either that pension providers gain access to information on when prompts are relevant or that relevant authorities who have access to the information become responsible for prompting.

Alternatively, a partnership between authorities and the pensions industry could be developed along the lines of the existing co-operation between the DIA and the National Register of Patients in relation to critical illness.

Step 2: Identify the functional requirements

The aim of this step is for the consumer to define the requirements of the solution they want to meet the need they recognise in Step 1. The type of information that would help them to do this is:

- Information giving them an overview of their personal situation, and
- information which helps them understand the potential requirements of a solution to meet their need.

Table 6.3 below gives an overview of the type of information that each initiative contributes to Step 2.

Table 6.3: Contributors to step 2

Primary Contribution	Information type	Secondary Contribution	Information type
PensionsInfo	Overview of personal situation	Pensions Overview	Overview of personal situation
Pensions Calculator	Potential solution requirements	Pension Hotline	Potential solution requirements
Your first pension scheme	Potential solution requirements		
Does your pension fit your needs?	Potential solution requirements		

There is a number of initiatives providing a range of information which comprehensively covers the consumer's need to recognise and define their needs within step 2.

The initiatives with a primary contribution to Step 2 largely enable the consumer to understand the potential requirements a solution will need to have in order to meet their identified needs. Consumers can also access the Pension Hotline to ask specific questions on solution requirements.

“Does your pension scheme fit your needs?” and “Your first pension scheme” provide information to help consumers identify their requirements for a suitable product or solution. Layering is used effectively in presenting the information. There is also a certain level of personalisation of information by allowing consumers to select at a high level their personal situation and by explaining what generic functional requirements may be under several circumstances, for example, regarding marital status.

The Pensions Calculator is a useful and engaging interactive tool which enables consumers to consider their requirement for income on retirement compared to their current income. While the tool is useful in its present form, it could be considered whether it would be possible to further enhance the user-friendliness and personal relevance of the tool by linking the information from PensionsInfo directly to the Pensions Calculator. We note, however, that this would require bringing personal data from a secure environment (PensionsInfo) into a non-secure environment (Pension Calculator), which may be difficult in practice.

It is easy for the consumer to obtain an overview of their personal situation through accessing PensionsInfo and from the annual Pensions Overview statements they receive (or have access to). The presentation of these initiatives is discussed further under Step 5 below.

Currently there is relatively little information provided on how consumers can proceed to Step 3 to choose an appropriate type of product or solution. This could be improved by, for example, providing information about who the consumer should contact to get further information.

As discussed in Section 4, the functional requirements in step 2 for occupational pension schemes have – as a starting point – been managed by the social partners or employers when deciding upon the generic default solutions. But, as also stressed in Section 4, there is still a need for scheme members to actively engage in order to optimize the coverage of the pension scheme in accordance with their individual needs and preferences and to take part in collective decision making in respect of their scheme.

Step 3: Choose an appropriate type of product or solution²³

Once the consumer has identified the requirements of the product or solution, they need to identify the different types of products that may meet their need, and select a generic product or solution before going into more detail. The type of information that would help them to do this is:

- High level information on the different types of products/solutions to meet different types of need,
- information which allows them to compare potential products/solutions, and
- information which enables them to understand the potential variability in results given different potential products/solutions.

These information requirements need to be considered within the context that the vast majority of Danish consumers are covered by occupational pension schemes. Given the existence of defaults, the basic needs of consumers who have an occupational pension are met. Therefore, there is not the

²³ Note that where we refer to types of product or solution here, this refers to the set of solutions available. For example, this may be a specific product, a set of multiple products, or alternatively optional functionality within an existing product.

same urgent need to provide these consumers with information to enable them to choose an appropriate solution. However, there is still a need to provide these consumers with additional information if they are making decisions to move away from defaults to ensure their individual preferences are met and their pension scheme is optimised.

Table 6.4 below gives an overview of the type of information that each initiative contributes to Step 3.

Table 6.4: Contributors to step 3

Primary Contribution	Information type	Secondary Contribution	Information type
Pensions Hotline	Information on different product types, comparison of product types	Cost Calculator	Comparison of product types
		Comparing Pensions	Comparison of product types
		Your first pension scheme	Information on different product types
		Does your pension fit your needs?	Information on different product types

Pensions Hotline primarily contributes to step 3. This initiative has the potential to address all four of the information categories within this step, depending on the question being asked by the consumer and the information being offered by the expert. Promotion of the Pension Hotline further could increase the number of consumers accessing the service and therefore the effectiveness of the initiative.

The Cost Calculator and Comparing Pensions enable consumers to carry out comparison of product types, for example between a provider's with-profit and market-return pensions.

There is little information provided by these initiatives which enables consumers to understand the potential variability in results given different product types.

Where consumers are seeking additional information to enable them to make a decision to move away from defaults within an occupational scheme, it is likely that the provider of the occupational scheme would be the most appropriate and main source of additional information. However, the DIA may have a role to play in providing information such as where to go to access expert advice.

Step 4: Evaluate specific products or solutions

In this step, the consumer needs to select the most appropriate specific product or solution, for example, choose a specific product from a specific provider or to choose the exact amendments needed to the default solutions offered by his or her occupational pension. The type of information that would help them to do this is:

- Detailed information on the different types of specific products/solutions,
- information which allows them to compare specific products/solutions, and
- information which enables them to understand the potential variability in results given different specific products/solutions.

Table 6.5 below gives an overview of the type of information that each initiative contributes to Step 4.

Table 6.5: Contributors to step 4

Primary Contribution	Information type	Secondary Contribution	Information type
Cost Calculator	Comparison of specific products/solutions	Comparing Pensions	Comparison of specific products/solutions

Within the Cost Calculator and Comparing Pensions initiatives there is little information provided which enables consumers to access detailed information on the different types of specific products or solutions available to them. However, given that within this step the consumer is considering specific products or solutions, the DIA is not the appropriate provider of this information. Detailed information on products is provided by the pension schemes and providers themselves.

The types of decisions that Danish occupational scheme consumers are likely to be making are those to ensure that their pension provisions and insurance coverage meet their individual preferences. Consequently, it would be difficult for the DIA to provide the second and third types of information required within this step, namely that of information which enables consumers to compare specific products or solutions and that of information on the potential variability of specific products or solutions for occupational scheme consumers.

Consumers can use the Cost Calculator to make detailed comparisons of the costs which they might experience under different product types and providers. For example, an occupational pension consumer could use the Cost Calculator to compare cost differences in standard products from different providers.

Similarly, Comparing Pensions provides consumers with a detailed comparison of key information and standard products between Danish pension providers. The specifics they can compare include insurance cover, investment options, service and advice, returns and costs.

As previously discussed, occupational pension scheme consumers may not be able to use the information provided to make direct choices regarding their own scheme. However, the information provided by the Cost Calculator and Comparing Pensions does have a significant benefit for occupational pension scheme members. They can use the information provided to influence their representatives or social partners to adapt their scheme to better meet their needs. In addition, the ability for other stakeholders to compare information about different pension providers and standard products is likely to lead to increased competition in the market. In particular, social partners and employers can use Comparing Pensions to compare and thus stimulate the competition in the market (as outlined previously in the contribution to Step 1).

Given that pension providers are the natural providers of information on specific products or solutions, any co-ordinated DIA effort to enhance information provision within this step would need to be aimed at the providers. One potential solution may be to try to standardise information given to consumers by providers, for example, similar to “key facts” documents²⁴ provided in the UK. However, standardisation may not be appropriate for all types of information requested and it also makes it difficult to target information to certain consumers or groups. Alternatively, access to information and advice could be promoted to enable consumers to select an appropriate product/solution.

Step 5: Post-commitment evaluation

Once the consumer has selected a product/solution, they need to monitor their situation to ensure that their decision is still appropriate for them. The type of information that would help them to do this is:

- Information which gives them a detailed overview of their personal situation, and
- information which outlines if their expected outcome has changed.

Table 6.6 below gives an overview of the type of information that each initiative contributes to Step 5.

Table 6.6: Contributors to step 5

Primary Contribution	Information type	Secondary Contribution	Information type
PensionsInfo	Detailed overview of personal situation	Cost Calculator	Detailed overview of personal situation
Cost Initiative	Detailed overview of personal situation	Pensions Calculator	Detailed overview of personal situation
Pensions Overview	Detailed overview of personal situation	Does your pension fit your needs?	Identification of a need to go back to step 1
Comparing Pensions	Identification of a need to go back to step 1		

Coverage of step 5 is comprehensive, and consumer needs within this step are well met by a range of initiatives.

Consumers are able to access detailed information to give them an overview of their personal situation. As well as receiving annual statements (including Pensions Overview) from each of their providers, they can at any time access PensionsInfo to give them a comprehensive view of their projected consolidated retirement provision and associated risk covers. As discussed previously, this is an innovative initiative providing more comprehensive information and accessibility than we have seen elsewhere.

Similarly, the Cost Calculator enables consumers to monitor their expected future pension costs, and this provides them with information on their personal situation. The Pensions Calculator allows consumers to evaluate whether their current provisions and intended future contributions are still sufficient to meet their desired pension provisions.

²⁴ Key Facts documents as defined by the UK Financial Conduct Authority's Conduct of Business Rules.

Comparing Pensions enables occupational scheme members to assess whether their pension provider is over- or under-performing compared to other providers. Similarly, although consumers with personal pensions may not be able to purchase the standard products specified within Comparing Pensions, they can use the information provided to give an indication of the efficiency and performance of different providers. This information is likely to lead them back to step 1, where they may decide their needs have changed given the performance of their pension, or alternatively, occupational scheme members may try to influence their employers/social partners in the case of under-performance of a scheme.

One of the challenges often encountered is to help consumers to identify if their expected outcome has changed, or how it is likely to change, given certain events. For example, by including an illustration of what may happen given “good, bad and likely” scenarios, consumers would have a better understanding of the potential variability in the projection of their retirement benefits.

Providing context in the results to further enable consumers to identify if their savings are on track is likely to result in action. The context in the information provided to the consumer could be further increased by including a comparison of projected retirement income to their current salary and through peer referencing. This could be done through greater linkages between PensionsInfo and Pensions Calculator, for example.

A list of questions or a specific link to “Does your pension fit your needs?” could be included in the Pensions Overview designed to prompt the consumer to consider whether their needs have changed. Similarly, interactive links from PensionsInfo to the initiatives providing pensions and insurance education could be included. These would both result in greater links back to Step 1 in the process.

Section 7: Overview of Initiatives across Europe

7.1 Our approach

As part of the evaluation of the DIA's openness and transparency initiatives, we wanted to compare the openness and transparency initiatives from Denmark with those in other countries which have been the most proactive in these areas. Germany, the Netherlands, Sweden and the UK were selected for comparison as we consider that they are also advanced in openness and transparency initiatives and, more widely, in consumer protection.

We sent questionnaires to key stakeholders in the selected countries that requested information on their openness and transparency initiatives. The questionnaires covered areas such as sponsors and drivers for the initiatives as well as their purpose, content, and coverage. The DIA also completed the same questionnaire for Denmark regarding the DIA initiatives. The responses to the questionnaires from the individual participants can be found in Appendix D.

We would like to express our thanks to the following participants for providing the requested information:

- Germany: Michaela Willert - German Insurance Association (Gesamtverband der Deutschen Versicherungswirtschaft, "GDV")
- Netherlands: Olaf Simonse - Moneywise Platform (Wijzer in Geldzaken) and Mieka van Westing - Dutch Association of Insurers (Verbond van Verzekeraars, "VVV")
- Sweden: Marie Hosinsky - Insurance Sweden (Svensk Försäkring)
- UK: John Yeo, Rob Yuille and Elizabeth Hoskins (Association of British Insurers, "ABI") and Cathy Twamley (Department of Work and Pensions, "DWP").

The data from the questionnaires was analysed and aggregated to form an overview of the initiatives and developments in each country. This enabled us to perform a high-level gap analysis between initiatives in other markets and the DIA initiatives. The analysis also enabled us to consider the involvement of various stakeholders in the openness and transparency initiatives in each country.

Financial literacy is important as a pre-condition to consumer engagement, as discussed in Section 4. We therefore also asked questionnaire participants to outline key financial literacy initiatives in their countries.

7.2 Openness and transparency initiatives

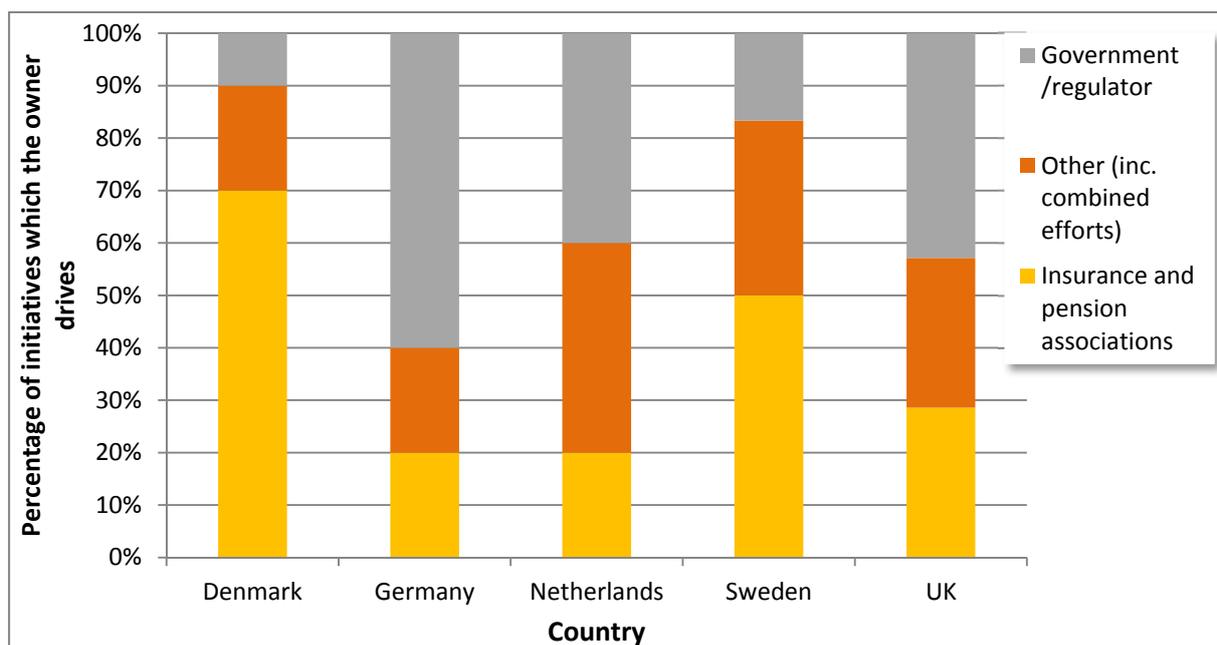
Survey findings

The results below are based on the responses provided to our questionnaire. The results do not necessarily generate an exhaustive account of every initiative in each market, but can still be used to make high level observations.

The results demonstrated a range of approaches to openness and transparency across Europe. Our analysis of the results from other countries did not identify any need for additional Danish openness and transparency initiatives.

The DIA is involved with and drives a wider range of openness and transparency initiatives than their European counterparts (i.e. other industry bodies). Where we witnessed similar initiatives in other countries, these were often driven by wider stakeholders such as government or state bodies, as shown in Figure 7.1 below. It is clear that the DIA takes a proportionately greater responsibility for openness and transparency initiatives in Denmark than their equivalent industry bodies in other countries.

Figure 7.1: Drivers of openness and transparency initiatives in in the surveyed markets²⁵



There appears to be a fair degree of consistency of approach across countries in terms of the types of information provided by initiatives. Some DIA initiatives, such as ‘Payout Methods’ and ‘Your First Pension Scheme’, have close equivalents in terms of information in Germany, the Netherlands and the UK.

²⁵ Source: Towers Watson analysis of questionnaire responses. The figure illustrates how active different stakeholders are in driving openness and transparency initiatives. It is based on the responses to the questionnaire as shown in Appendix D. Initiatives regarded as focusing solely on financial literacy are not included for the purpose of this figure. The range, breadth, and usage of initiatives is also not represented here.

The development of initiatives is an iterative process across all countries. However, in several instances, the DIA appear to have more comprehensive solutions in place in terms of functionality and coverage. One such example would be PensionsInfo. This initiative was first launched in Denmark in 1999 with a major re-design in 2007. Sweden and the Netherlands do have similar initiatives to PensionsInfo. However, both of these initiatives currently have reduced scope and functionality compared to PensionsInfo. As in Denmark, these tools are under continuous development and refinement. Germany is in the planning stage for the introduction of an equivalent initiative. This contrasts with the more fully developed solution in Denmark.

There are two specific DIA initiatives which are unique to Denmark; Comparing Pensions and the Cost Calculator. We did not observe other countries providing equivalent information in as comprehensive a manner as these Danish initiatives.

Our observations on the results

In considering the questionnaire responses, we have seen good examples of initiatives which demonstrate some of the principles previously raised in our assessment of the DIA initiatives against the consumer needs framework. We discuss these further below.

Prompts

The proactive use of prompts, for example, on the occurrence of a specific life event, is an important way to establish the awareness of need to take action in consumers.

An initiative that illustrates this approach – albeit relatively narrow in scope - is that of the UK government's requirement for the consumer to be directed to information and advice at key stages such as in the run-up to retirement, on joining a pension scheme, on divorce etc. Upon reaching such a 'trigger point', consumers will be directed by the trustees or pension manager (i.e. insurer) to information and advice from the Money Advice Service or the Pensions Advisory Service.

Linkages between initiatives and wider sources of information

It is important to direct consumers to sources of information to avoid them 'stalling' and failing to complete the decision making process. Appropriate linkages to more detailed sources of information or advice are important where consumers require information over and above that provided by transparency and openness initiatives.

An initiative that is illustrative of this approach is the UK Money Advice Service which is linked to by many other initiatives and serves as a centralised starting point for consumers.

Presentation of information

Several examples of initiatives aiming to improve communications with consumers were observed in other countries. These initiatives largely focused on guidelines for language use and consistency. Specific examples included:

- Glossaries standardising and simplifying communications with pension consumers (DWP and Insurance Sweden)
- Standardised and prescribed formats for communications with consumers prior to retirement (ABI)
- Recommendations for life insurance product fact sheets and pre-contractual information (Insurance Sweden).

In some cases these initiatives have grown out of original initiatives to define glossaries of terms and now include wider guidelines on presentation and format.

On the basis of its existing work on the Pension Overview (that lays down an industry standard for the six key pieces of pensions information that customers are provided with), the DIA could consider further developing and driving work on consistency of language and terms used in pensions within the Danish market to the benefit of consumers.

7.3 Financial literacy

Financial literacy is an important pre-condition of consumer engagement and the ability of consumers to derive benefit from openness and transparency initiatives. As outlined in Appendix E, the results from the questionnaire show that other European countries appear to have wider stakeholder involvement and, in some cases substantially higher budgets than Denmark, to address financial literacy of consumers.

We observed that in the compared countries there is a collective effort to improve financial literacy:

- Germany, the Netherlands and Sweden have umbrella organisations made up of multiple stakeholders including state bodies, regulators, insurance companies and banks. These focus on providing a co-ordinated approach to financial education.
- The UK has introduced the Money Advice Service, which is a UK statutory body with a significant budget²⁶ focussed on 'improving people's understanding and knowledge of financial matters and their ability to manage their own financial affairs'

The financial education addressed by these organisations focuses on a broad range of financial topics such as budgeting, saving, pensions and various other financial matters. These organisations have,

²⁶ The UK's Money Advice Service, for example, has a significant budget for 2013/14 of £44 million in respect of its objectives to increase financial literacy and competency, and a further £35 million to improve the quality, consistency and availability of consumer debt advice. (Source: Money Advice Service Business Plan 2013/2014 pp41-42)

therefore, introduced various initiatives to improve financial literacy in their markets, such as providing financial literacy training for school teachers and lessons on financial literacy for consumers.

Our discussions with the DIA have indicated that the Money and Pensions Panel in Denmark has a similar role to the organisations described above, although with a limited annual budget of 2.2 million Danish Kroner.

Section 8: Views of Danish Consumers

8.1 Introduction

The DIA commissioned an independent survey from Statistics Denmark to understand the experience of Danish consumers. The survey aimed to provide insight into the knowledge and views of Danish consumers with regards to pensions, and to enable a comparison between public, occupational and personal pensions.

The purpose of the survey was:

- to assess the knowledge of consumers in regard to public, occupational and personal pensions;
- to study Danish consumers' confidence in the different parts of the pension system;
- to obtain consumers' views on ease of finding information and ease of understanding; and
- to assess the general level of consumer engagement.

The survey was conducted in July 2013 by the Interview Services of Statistics Denmark through a combination of telephone interviews and online questionnaires. The sample size was 3142 people.

The complete methodology and results of the survey can be found in Statistics Denmark's public report "Knowledge of and attitude to private and public pension schemes"²⁷.

We provide our interpretation of the findings in the context of the wider work around consumer needs and our evaluation of the DIA transparency and openness initiatives below.

8.2 Interpretation of findings from Statistics Denmark

Overview

We have reviewed the results of the survey carried out by Statistics Denmark. Using these results we have considered Danish consumers' knowledge, engagement, and confidence in relation to pensions that are covered by DIA initiatives compared to those that are not.

A selection of the key results are summarised in Table 8.1 on the following page.

²⁷ Full results can be found in the Statistics Denmark report (Viden om og holdninger til private og offentlige pensionsordninger, Danmarks Statistik 2013). The Statistics Denmark report is available in Danish and English on the website of the DIA (www.fogp.dk) together with this report.

Table 8.1: Summary of responses regarding consumer knowledge (self-perceived and actual), confidence, satisfaction with information and ability to find information²⁸

Percentage (%) of respondents indicating that they:	Pension Type				
	Personal pension	Occupational pension	Public Pension	Labour Market Supplementary Pension	Voluntary early retirement
Have high self-perceived knowledge regarding their pension scheme ²⁹	39	26	16	17	32
Know the expected monthly benefit from their pension	36	34	22	20	34
Are confident that they will receive their forecasted pension	77	72	46	73	58
Are satisfied with the information that they receive about their pension ³⁰	74	66	33	57	57
Find it easy to find information about their pension	60	53	29	44	38

As shown above, the findings overall are more favourable for occupational and personal pensions, compared to public pensions. The results suggest that the efforts of individual providers and the DIA initiatives have had a positive impact on the experience of consumers.

It is also interesting to note that the Labour Market Supplementary pension and voluntary early retirement pay scheme generally performed better than the public pension although not as well as the personal and occupational pensions.

In considering the results further, we noted that those consumers with a higher level of self-perceived knowledge about their occupational pension report higher engagement in pensions issues and higher confidence that they will receive the benefits forecast by their occupational pension scheme. This implies there is a link between the level of knowledge consumers feel they have regarding pensions and their engagement and confidence in pensions. As a result, attempts to influence the level of knowledge of consumers, for example, through efforts to improve financial literacy of consumers, will also likely improve consumer engagement and confidence.

Similarly, those consumers who feel they have a higher level of knowledge regarding occupational pensions are much more satisfied with the information they receive about their occupational pension

²⁸ Full results can be found in the Statistics Denmark report (Viden om og holdninger til private og offentlige pensionsordninger, Danmarks Statistik 2013). The Statistics Denmark report is available in Danish and English on the website of the DIA (www.fogp.dk) together with this report.

²⁹ Consumers were asked whether they had sufficient knowledge about their occupational pension scheme. Those who responded with a 'high degree' or 'very high degree' are defined as having 'high self-perceived knowledge'.

³⁰ Consumers were asked to what degree they thought the information they received is satisfactory. Those who responded with 'greatly' or 'somewhat' are defined as being satisfied with the information that they received.

scheme. This is consistent with our previous observation in Section 4 that provision of information is more effective to those consumers who have a higher level of financial literacy. This suggests an expected positive effect of increasing the focus on financial literacy in Denmark.

This was the first time that such a survey has been carried out. There are therefore no previous results against which we can assess whether consumers views and knowledge have changed. Repeating the survey at a suitable future date would illustrate whether there has been growth in consumer knowledge, engagement and confidence over time.

Consumer knowledge in Denmark

Consumers' self-perceived knowledge of occupational and personal pension schemes is greater than for the public pension and Labour Market Supplementary Pension. For example, 39% of respondents with personal pensions and 26% with occupational pensions felt to a high degree that they had sufficient knowledge in relation to their pensions compared to an equivalent figure of 16% for the public pension. In addition, the level of self-perceived knowledge increases with age, and is higher for people with higher education and for men.

However, the overall findings of the survey do suggest that the actual level of consumer knowledge regarding pensions is low. Just over a third of people knew the expected monthly payments of their occupational and personal pensions and only a fifth knew the expected monthly payment from the public pension, as shown in Table 8.1.

Consumer engagement

Those consumers who report a higher level of self-perceived knowledge regarding pensions are more likely to have greater interest and greater involvement³¹ in their occupational pension scheme, as shown in Figure 8.1 and Figure 8.2 on the following page³². Thus there is a link between consumers believing they have greater knowledge about pensions and consumers being more engaged in pensions.

Consumer confidence

Consumers were more confident that they will receive the benefits forecast under their occupational and personal pension schemes compared to under the public pension. Of those surveyed, 72% had great confidence in their occupational scheme, whereas only 46% had great confidence in the public scheme, as shown in Table 8.1.

³¹ Consumers were asked how often they had sought information on their pension in the last year. Those who had sought information in the last year are defined as having 'great involvement'. Those who have not sought information in the last year are defined as having 'little involvement'.

³² Data for these figures is taken from Table 3 in the Statistics Denmark survey

Figure 8.1: Consumer interest in pensions by knowledge level regarding occupational pensions³³

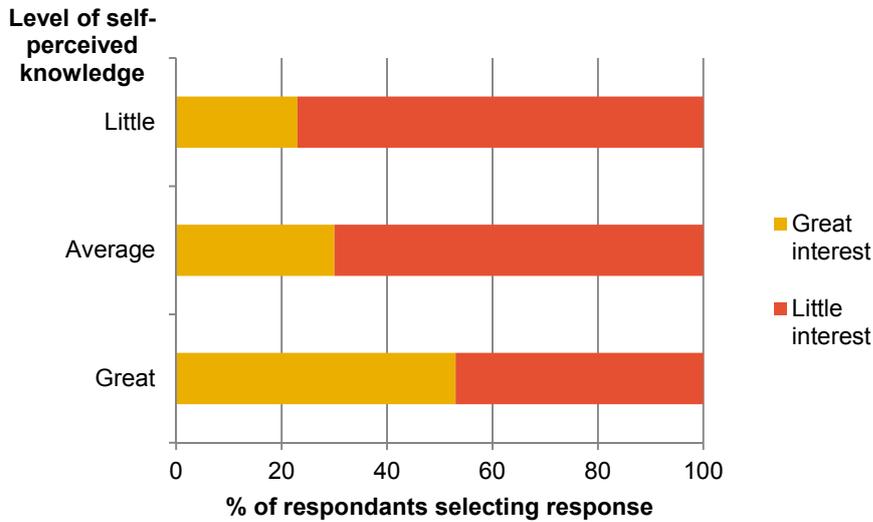
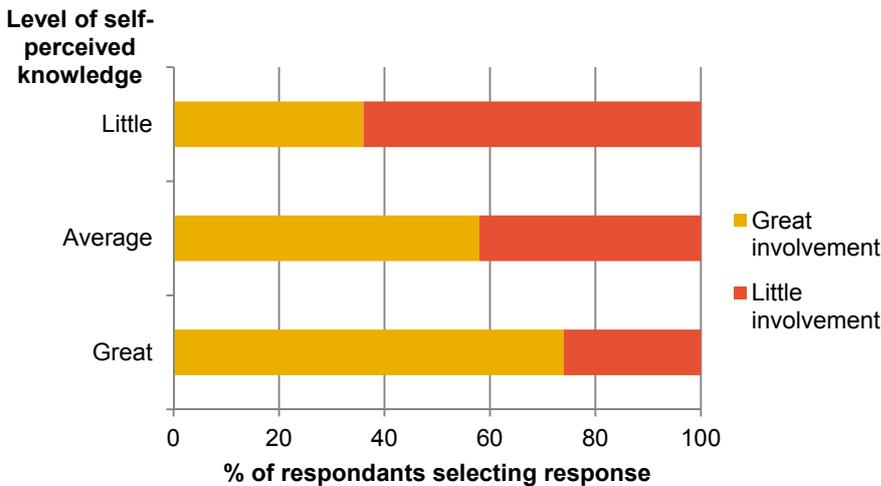


Figure 8.2: Consumer involvement in pensions by knowledge level regarding occupational pensions³⁴

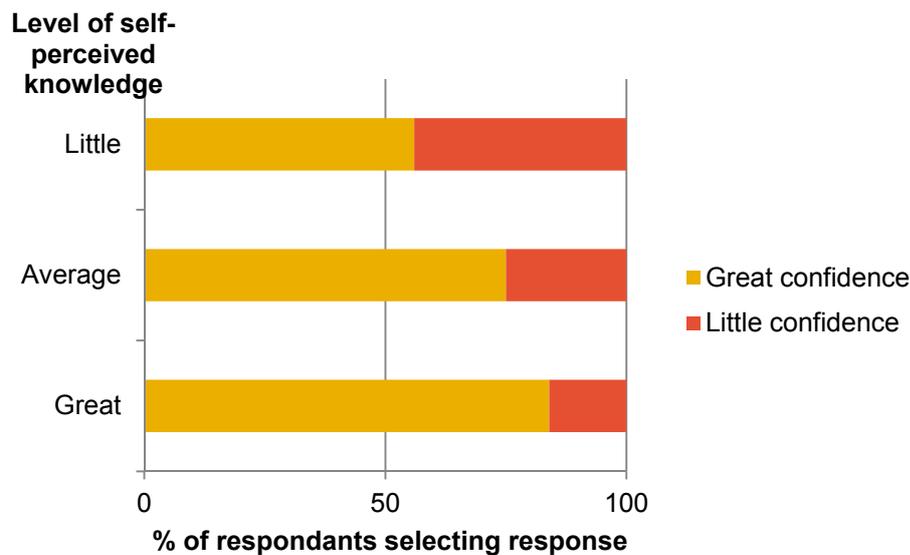


³³ Consumers were asked whether they had sufficient knowledge about their occupational pension scheme. Those who responded with a 'high degree' or 'very high degree' are defined as having 'great knowledge'. Those who replied 'to some degree' are defined as having 'average knowledge'. Those remaining (including those who responded 'don't know') are defined as having 'little knowledge'.

Consumers were also asked how interested they are in their occupational pension schemes. Those who stated that they had a 'high degree' or 'very high degree' of interest and who also stated an expected retirement age are defined as having a 'great interest' in pensions. The other participants are defined as having 'little interest'.

³⁴ Self-perceived knowledge is defined as above for Figure 8.1.

Consumers were also asked how often they had sought information on their pension in the last year. Those who had sought information in the last year are defined as having 'great involvement'. Those who have not sought information in the last year are defined as having 'little involvement'.

Figure 8.3 Consumer confidence in occupational pensions by knowledge level³⁵

There is also a link, as Figure 8.3³⁶ shows, between the level of self-perceived knowledge and confidence in pensions. 84% of consumers who report a higher level of self-perceived knowledge regarding their occupational pension scheme have great confidence in their scheme compared to 56% of consumers who report little self-perceived knowledge.

We also noted that over 80% of retirees found their financial situation on retirement to be 'as expected' or 'better-than-expected'. This suggests that consumer expectations are being met by their pensions, which gives a strong platform for consumer trust in the industry.

Satisfaction with information available

The results showed that occupational and personal pensions scored well for both finding information, and satisfaction with the information found. The performance was especially strong compared to the performance of the public pension.

Consumers find it easier to seek information on occupational and personal pensions. 60% and 53% stated it was 'easy' to find information on their occupational and personal pensions compared to 29% for the public pension, as shown in Table 8.1. Furthermore, over 85% of those with occupational and personal pensions either knew what their monthly benefits would be or where to find the information if required³⁷.

³⁵ Self-perceived knowledge is defined as above for Figure 8.1. Consumers were asked how confident they were that they would receive the benefits forecast under their occupational pension scheme. Those who responded with either 'great confidence' or 'very great confidence' are classed as having 'great confidence'. Those who responded with 'little confidence', 'very little confidence' and 'don't know' are classed as having 'little confidence'.

³⁶ Data for this figure is taken from Figure 13 in the Statistics Denmark survey

³⁷ As illustrated in Figure 2 in the Statistics Denmark survey report

Consumers were also more satisfied with information relating to occupational and personal pensions than public pensions. Over two thirds of consumers were satisfied³⁸ with the information they receive on their occupational and personal pensions. Only one third of consumers were satisfied with the information they receive regarding public pensions.

In addition, those consumers who report a high level of self-perceived knowledge regarding their occupational pension scheme have a greater level of satisfaction with the information provided to them.

³⁸ Here we define satisfied as those consumers who responded "To a very high degree", "To a high degree" or "To some degree".

Section 9: Reliances and Limitations

9.1 Reliances

In carrying out our review and producing this report we have relied without independent verification upon the accuracy and completeness of the data and information provided to us, both in written and oral form, by the DIA and the sources listed below. Where possible, we have reviewed some of the information provided, for reasonableness and consistency, with our knowledge of the insurance industry and with publicly available information.

Reliance has been placed upon, but not limited to, the following information:

- Information on individual initiatives translated into English, provided by the DIA;
- An online example of PensionsInfo, provided by the DIA;
- Responses to our questionnaires (shown in Appendix D);
- The DIA initiative websites, websites of those initiatives detailed in the questionnaire responses, and sample Cost Calculators found on Danish pension provider's websites;
- 'Knowledge of and attitude to private and public pension schemes' (translated), Statistik Danmarks 2013;
- 'Traffic and target group analysis for PensionsInfo' (translated), Web analytics;
- 'Comparing Pensions Usability test and traffic analysis' (translated), Advice digital; and
- 'Usability test of Pension Overview and Pension Calculator' (translated), Interfazes.

Translation was carried out by independent professional translators commissioned by the DIA.

9.2 Limitations

This report was prepared by Towers Watson on the instructions of, and for the sole and exclusive use, of the Danish Insurance Association. The report was current as of 30 October 2013 and takes no account of developments after that date. Towers Watson Limited is under no obligation to update or correct inaccuracies which may become apparent in this report.

The report sets out Towers Watson's views on the issues discussed and is intended to be only of general interest and guidance. Decisions should not be made or based on any information in this report, without seeking specific professional or legal advice. This report must be considered in its entirety as individual sections, if considered in isolation, may be misleading.

Towers Watson does not assume any responsibility, or accept any duty of care or liability to any third party and any reliance placed by such third party on this report is entirely at their own risk.

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Appendix A: Further Detail on the Consumer Needs Framework

A.1 Overview of the framework

An overview of the consumer needs framework is given in Section 5.

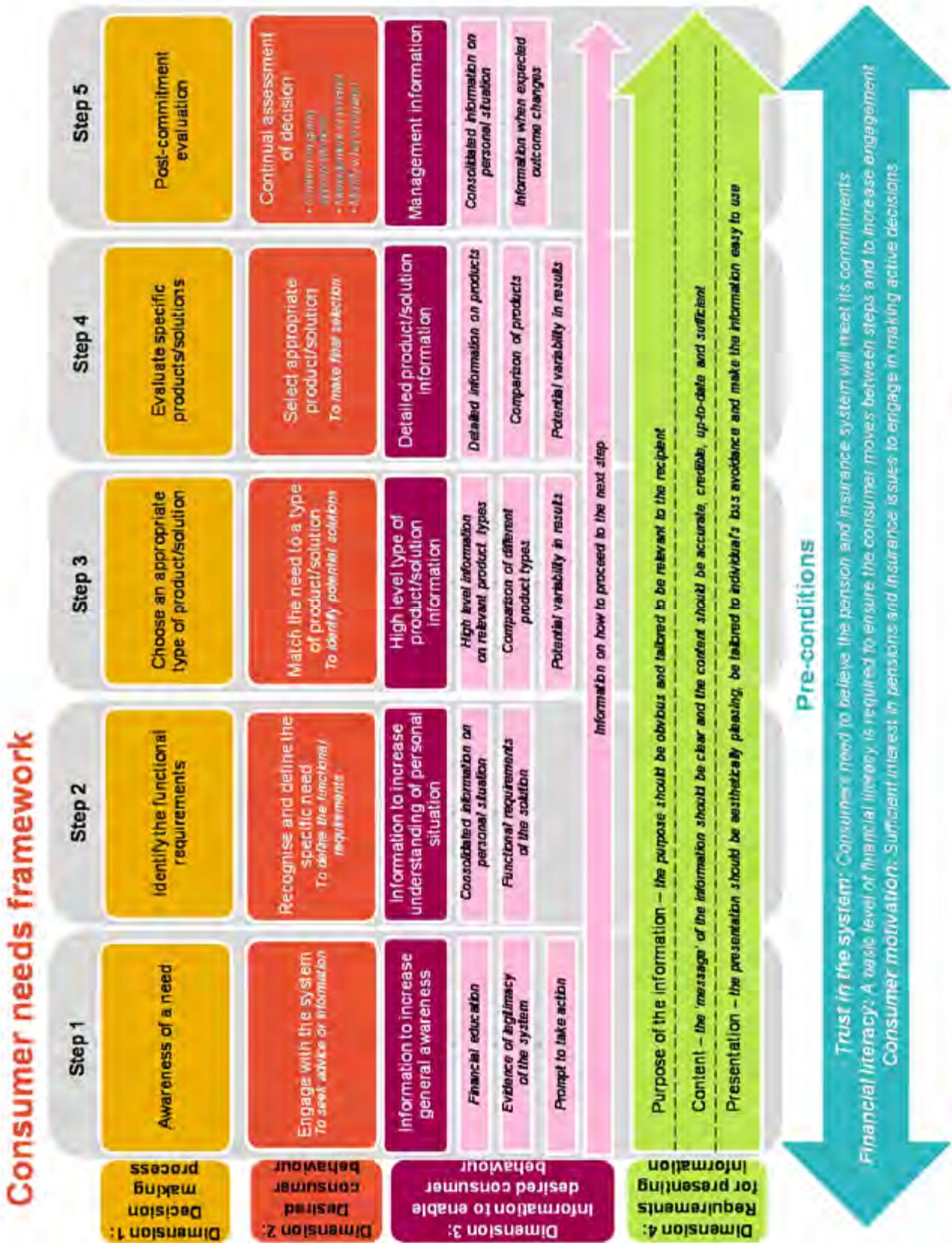
A graphic illustration of the consumer needs framework is shown in Figure A.1 below. We discuss the pre-conditions and each of the dimensions of the framework further in the following sections.

In order to illustrate the differences in the application of the framework between occupational and personal pensions, we have illustrated the various steps detailed in the framework with two examples:

- Julia, who already has an occupational pension but due to a job change is entering another occupational pension scheme with a new provider and thus has some choices to make, and
- Peter, who is self-employed and does not have pension provision over and above his public entitlements. He is therefore looking to augment his basic entitlement.

These examples are intended to demonstrate the ideal consumer behaviour and as such we appreciate that our expectations of Julia and Peter are high. We recognise that such 'ideal' behaviour is unlikely to be exhibited by every individual in the real world, even should the required information be presented in the required way. However, we believe that, should the required information be presented in the required way, then this improves the chances of individuals demonstrating appropriate behaviour likely to be in their long-term best interests. This applies to both occupational and personal pensions, regardless of the differences in incentives for the individual to engage actively with the system. This is also illustrated in the examples provided.

Figure A.1: Diagram of the consumer needs framework



A.2 Theoretical background and context

In seeking to evaluate the transparency and openness initiatives put in place by the Danish pensions industry, Towers Watson considered the guidelines laid down in the report 'INFE Detailed Guide to Evaluating Financial Education Programmes' (*The OECD 2012*). Whilst the remit of Danish transparency initiatives is substantially wider than financial education (for example, to enable consumers to make appropriate choices and to engender competition), the taxonomy presented within the OECD report with regard to initiative appraisal is instructive. The Towers Watson Consumer Needs Framework is therefore constructed to enable a design evaluation of the transparency and openness initiatives in order to determine whether the initiatives are likely to achieve the intended results in the manner in which they were designed to do so.

In order to assess the extent to which the transparency initiatives are likely to assist Danish consumers in their selection of and engagement with their pension products, a five-step consumer decision making process was adapted from the seven-stage Engel-Blackwell-Miniard model (*Blackwell et al. 2005*) and the four-stage model outlined in 'Better regulation of consumer information in financial services' (*Anderson & Korling 2013*). This decision making process was then considered from an outcome perspective in the context of the Danish Pensions market to determine the consumer behaviour that should be encouraged and enabled through the successful completion of each decision stage.

In isolation, such a decision-making process could be argued to take consumer rationality as axiomatic, which would not sit comfortably with the body of behavioural economics and heuristics and biases literature such as the seminal work of 'Judgement under uncertainty: heuristics and biases' (*Tversky & Kahneman 1974*). The aim of Danish transparency and openness initiatives is, however, to provide data to enable consumers to make decisions likely to be consistent with their long term best interests. Whilst recognising therefore that consumers are not necessarily economically rational by default, there is legitimacy in seeking to enable and encourage consumers to reach rational outcomes. Consumers may not follow a logical process by default and without encouragement or 'nudging' (*Thaler & Sunstein 2009*), but in order to 'nudge' towards rational outcomes, one should know what rational, in theory, should look like.

To consider the likely effectiveness of the transparency and openness initiatives in encouraging consumers to make decisions appropriate to their long term interests, two further dimensions require consideration: firstly the information provided by the initiatives, and secondly the manner in which such information is provided.

Defining and considering the information required by consumers at each step in the decision making process was based upon the framework for defining information requirements as outlined in 'Assessing information needs in the age of the digital consumer' (*Nicholas & Herman 2009*). This was further augmented by the report 'G20 High-Level Principles on Financial Consumer Protection' (*The OECD 2011*), specifically with regard to the principles for 'Disclosure and Transparency' and the resulting characteristics of data provided to consumers (including, but not limited to: completeness, accuracy, honesty, comprehensibility, and comparability).

Extensive literature has been published with regard to behavioural economics since Tversky and Kahneman in 1974. Utilising this understanding to determine how information should be presented – both aesthetically but also in a much wider conceptual manner – is therefore key to determining whether the information given to consumers by transparency and openness initiatives is likely to enable them to make appropriate decisions likely to be in their long term best interests. Against the

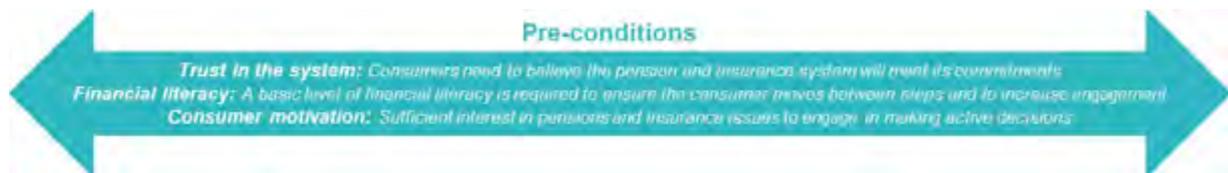
background of the high level of compulsion within the Danish pensions market, Thaler and Sunstein's 'Nudge: Improving decisions about health, wealth and happiness' (*Thaler & Sunstein 2009*), was instructive in considering the decision architecture created by a compulsion-orientated system where many decisions are made on behalf of participants but where some critical ones remain.

The EIOPA report 'Good Practices on Information Provision for DC Schemes' (*EIOPA 2013*) was especially influential on our thinking, both as a wide and practical behavioural economics literature review, and in specific reference to the more detailed consideration of how information required by consumers should be presented in a manner most likely to engender appropriate consumer behaviour. It is therefore in this 'presentation of information' dimension that due weight is given to the inherent heuristics, biases and irrationality of consumers – and therefore whether the transparency and openness initiatives successfully leverage these characteristics in such a manner as to 'nudge' consumers towards more rational decisions.

A full list of references can be found in the bibliography.

A.3 Pre-conditions for consumer engagement in the decision making process

Figure A.2: Pre-conditions



We believe that in order to achieve consumer engagement in the process, so that a consumer can work their way through the framework, there are three pre-conditions to be met:

- Trust and confidence in the pension system
- Basic numeracy and financial literacy
- Consumer motivation

Without these pre-conditions, the quality of the information provided to encourage a consumer to move through the consumer needs framework becomes immaterial, as consumers will not engage with the information, or understand the information even if they seek to engage.

We acknowledge that there is an iterative link between a successful journey through the consumer needs framework and improvements in these pre-conditions. For example, if a consumer can be guided successfully through the framework once, then it is likely that they will have greater trust in the pension system, their understanding of financial issues may be greater, and they are more likely to be motivated to take active decisions in the future. However, the pre-conditions still need to be met to a sufficient level such that this first successful journey through the framework can be achieved. We discuss each pre-condition further below.

Trust and confidence in the pension system

The consumer must have trust and confidence in the pension system in order to engage and decide to act to address their need. If the consumers do not believe that the pension system (as a whole or the individual pillars) will be around and able to meet its commitments when the individual reaches retirement age then the rational behaviour would be for the consumer to look at alternative solutions to retirement funding. In practice, consumers may not be rational and a lack of trust is likely to lead to a lack of engagement in retirement planning.

Confidence in the pension system is contributed to by many sources of information such as consumers' own experiences with their providers, the political climate and focus, media stories, the stability of the legal and regulatory framework and the consumers' knowledge of this regulation and safeguards in place. From an engagement perspective, this is especially important where there are high levels of compulsion in order for that compulsion to be perceived by the population to be appropriate rather than oppressive.

Without a critical 'tipping point' of trust (*Gladwell 2000*), consumers are unlikely to engage with the system, even if it is in their best interests to do so.

Basic numeracy and financial literacy

In order to make informed choices the consumer needs to have a basic underlying grasp of numeracy (e.g. what percentages mean). In the absence of such foundations, information provided – irrespective of the manner of its presentation – will fail to enable informed decision making. Consumers must then build on this basic numeracy to develop financial literacy to enable them to make sound financial decisions.

The OECD INFE (*The OECD 2012*) defines financial literacy as 'a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing'.

Whilst fully fledged 'financial literacy' may not be required to successfully negotiate each step of the consumer needs framework, there is a requirement for **a basic level of financial literacy** implied in the ability to make decisions in relation to pension savings and related insurances in accordance with an individual's needs and preferences. Without a basic level of financial literacy, consumers will not feel confident in making decisions, and as a result are likely to be less engaged or motivated to make decisions. They would therefore be less likely to move between steps in the decision making process.

Financial literacy is likely to vary greatly between consumers, depending on aspects such as the level of education and familiarity with, as well as attitude towards, financial issues. Financial literacy can be influenced through various means such as providing financial education in schools, media campaigns and government initiatives.

A lack of financial literacy can be mitigated to a certain extent, for example, through tailoring the information provided to different types of consumers, through the use of default options in pension and insurance provision or through making it clear where a consumer can go to get clear and trustworthy financial advice. However, a basic level of financial literacy is still required to encourage engagement in each step of the process and to enable better understanding of information given at each step.

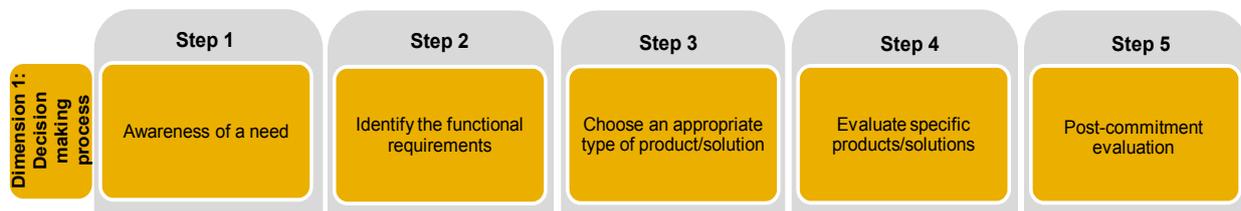
Consumer motivation

Consumers need a reason to engage in the process. A lack of interest or motivation to engage in pensions and insurance issues will mean it is less likely that the consumer will engage in making active decisions.

The more that is done automatically for consumers in the form of sensible default options, the less the need is for them to act, or at least the potential negative consequences if they do not act are smaller than if no sensible default had been ensured. In theory we would expect greater consumer engagement where the consumer needs to actively decide on their pension provision. However, we know that in practice that is not always the case e.g. self-employed persons who are not covered by an occupational pension are not automatically more interested and engaged in pensions than employees with an occupational pension.

A.4 Dimension 1: The decision making process

Figure A.3: The decision making process



The decision making process shown in Figure A.3 involves five steps which the consumer needs to take in order to make an informed decision or be engaged with their financial product. The process can be applied regardless of the size or scope of the decision to be made, although the specific result will vary depending on the individual consumer's circumstance and the options available in the market.

The process is constructed in such a manner that each step builds upon its predecessor, ultimately resulting in a consumer action which is likely to be in his or her best interest. The process can, however, derail at any step prior to completion resulting in a sub-optimal outcome for both the consumer and society.

Step 1: Awareness of a need

The consumer needs to recognise that they have a financial need to fulfil and should determine whether or not they are going to act to address that need (Anderson & Korling 2013).

At this stage the need recognised is likely to be very high level and poorly defined, such as 'I need to be able to retire at some point'.

An occupational pension example (Julia):

Julia is 44 years old and is a nurse. She is married and lives with her husband John who is a 43-year-old civil servant. They have 2 children aged 10 and 13. They own the house that they live in.

Julia worked as a nurse at the local hospital for the last 15 years and during this time contributed to an occupational pension scheme. The scheme is based on a collective agreement and consists of:

- *Pension savings (a lump sum payment as well as a regular payments upon retirement)*
- *Death cover (both a lump sum for beneficiary and spouse's pension)*
- *Disability cover*
- *Illness cover*
- *Child's pension³⁹*

Julia has just changed jobs and started working at private clinic. As part of her employment benefits she has been enrolled in a new occupational pension scheme with a new provider. The new scheme is a company specific scheme. In addition to pension savings the scheme also includes death, disability and sickness cover as default. However, the default levels of insurance cover are on a different level and also require her to disclose her general health status. Another difference is that the new scheme does not include a child's pension as a default.

³⁹ Under a child's pension, each child under the age of 21 years is eligible for 25% of the regular payment pension entitlements in case of death or disability.

She receives a welcome letter from her new pension provider making her aware that she must now make some choices regarding the new pension such as the level of insurance coverage.

She may also need to evaluate what will happen to her existing occupational pension from her previous job.

A personal pension example (Peter):

Peter is 36 years old. He has been a self-employed carpenter for eight years and his business is successful. Despite repeated encouragements from his bank advisor and accountant, he has not yet made any individual pension provisions, and as a self-employed carpenter he is not covered by any occupational schemes. However, after a long discussion with friends about changing demographics and the need for private pension savings, he has now decided to look into the possibilities for his own provision for retirement.

Peter lives alone in a rented apartment. He has about 30.000 Euros savings in the bank from the profits he has made over the past few years.

Step 2: Identify the functional requirements

The next step is for the consumer to define their functional requirements, (the outcome that they need to achieve and therefore the fundamental requirements that any product or solution would need to fulfil), in order to meet their need (Anderson & Korling 2013). This will also be relatively high level, albeit more focussed than the simple awareness of need in step 1.

Occupational scheme - Julia:

Julia may assess that she and her husband want financial security should an accident or sickness result in her losing her job, restrict her ability to work or if she dies. She wants to make sure her children are financially taken care of in the event of her death or disability.

Also, she wants to consider stopping payments into her old pension scheme, but she is uncertain of the consequences and whether this would be a sensible course of action.

Personal pension - Peter:

Peter may assess his personal requirements and determine that he requires his pension to provide an income equivalent to at least €20,000 per annum when he retires, and that he needs to be able to make contributions on an ad hoc basis, in line with his varying income levels. Peter may also decide that he requires a relatively low maintenance pension with the flexibility to reflect his uncertain income.

Step 3: Choose an appropriate type of product or solution

Once the consumer has identified their functional requirements, they must decide on the action they want to take in order to fulfil those requirements as best as possible (Anderson & Korling 2013), for example by adjusting or supplementing their occupational pension.

Occupational scheme - Julia:

After considering her and her husband's combined financial obligations, Julia may consider that she wishes to keep a child's pension and to increase her disability and death cover.

However, she is unsure of the relative advantages in relation to her old and new pension schemes, and decides to accept an offer from her new pension provider to talk to a pensions advisor.

Personal pension - Peter:

Peter may decide that, in generic terms, a pension would be an appropriate product to address his requirements. He may also consider that, of his possible pension options, the most appropriate product to suit his needs is a market return (i.e. unit-linked) pension where the provider (rather than the consumer) chooses the underlying investments. This decision recognises his requirements for flexibility, his relatively long time to retirement and his desired low level of active management as the investment profile is managed by the provider.

Step 4: Evaluate specific products or solutions

Once the consumer has decided on the most appropriate type of product or solution, they must identify the specific solutions, including any 'optional extras' that may be relevant.

Occupational scheme - Julia:

Following a discussion with a pensions advisor, Julia assesses that, given her personal circumstances, the old collective scheme meets her need for financial security quite well. In particular, she learns that a child's pension in the new scheme with the same cover would be more expensive.

Therefore Julia decides not to transfer her existing fund from the old scheme to the new scheme, and to continue paying reduced monthly contributions. That way she can keep the child's pension and other covers (albeit at a low coverage level).

In addition, Julia decides to adjust the level of disability and death cover in the new scheme so that the combined benefits from the old and the new scheme meet her desired target level of entitlements in case of disability or death.

Personal pension - Peter:

If Peter decides that he wishes to invest in a market return pension he will need to determine which specific type of market return pension product he wishes to buy. He also needs to decide on which provider to use and the various associated product level decisions such as contribution levels and insurance covers.

Peter seeks advice directly from the pension providers. Based on information and guidance from various pension providers, Peter might choose a life cycle market return product and a lump sum death insurance coverage.

Step 5: Post-commitment evaluation

After having committed to a specific product or solution, the consumer should continue to monitor its progress and its continued suitability (Anderson & Korling 2013). This is because the

consumer's needs may change over time and product performance may deviate from original expectations, resulting in the consumer needing to modify their original decisions to optimise his or her affairs. Active post-commitment evaluation is likely to result in the consumer repeating the decision making process in order to choose new functionality or adjust existing options as circumstances evolve.

Occupational scheme - Julia:

Having made her choices, Julia will need to regularly review the development of her accumulated savings and any changes in her need for insurance cover given her personal circumstances.

She needs to confirm that she is on track to meet her expectation of target income on retirement from her various pension entitlements from the public pension and her occupational schemes.

She also needs to confirm that her choices continue to be relevant to her circumstances. For example, when Julia's children grow up and move away from home, her and her husband's combined financial obligations decrease. She may decide to decrease her death and disability covers. She might also decide that the child's pension is no longer required. As a result she might decide to transfer her savings from the old scheme to her "new" scheme. At the same time she might wish to adjust the level of disability and death covers with the new scheme to ensure that the benefits meet her and her husband's needs given their combined financial situation.

In this case she would need to go back to 'step 1' of the decision making process to determine what changes to make, albeit potentially progressing much more quickly through the decision steps as the decisions are adjustments to earlier decisions.

Personal pension - Peter:

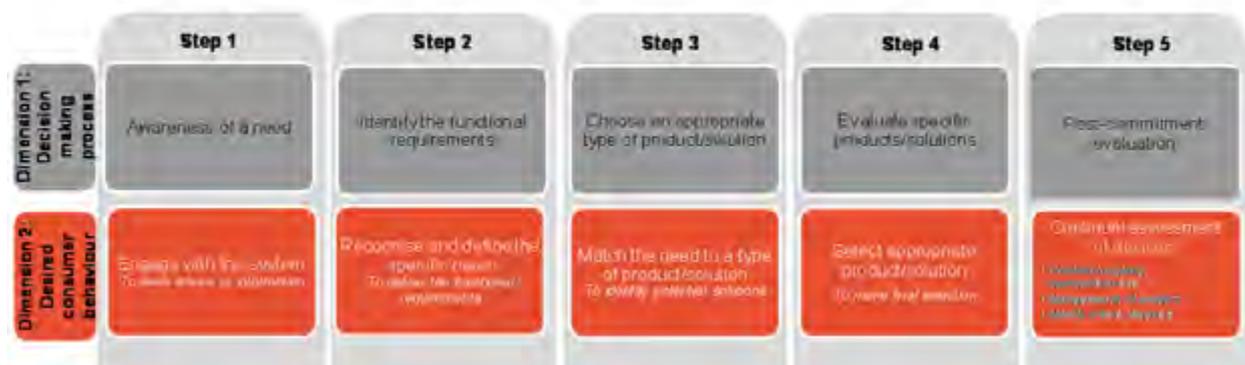
Having made his choices, Peter now needs to regularly review them and the development of his accumulated savings.

He needs to confirm that he is on track to meet his ultimate expectation of a target income equivalent to at least €20,000 per annum on retirement from his public and personal pension entitlements. As a consequence he may decide that changes are needed to his contribution levels. In this case he would need to go back to 'step 1' of the decision making process to determine any required changes, albeit potentially progressing much more quickly through the decision steps where the size and scope of the decision in question is smaller.

He also needs to confirm that his provision continues to be relevant to his circumstances, for example, if he got married then he may wish to change his death insurance coverage.

A.5 Dimension 2: Desired consumer behaviour

Figure A.4: The decision making process and the associated desired consumer behaviour



For each of the decision making process steps outlined in dimension 1, there is desired consumer behaviour that should be encouraged on the basis that it is more likely to be optimal to the consumer's interests and those of society.

If the consumer fails to demonstrate the desired consumer behaviour, the decision making process may not be completed appropriately or it could fail to complete. In either instance the likely outcome is that the consumer's financial need will not be met appropriately and in accordance with the consumer's preferences.

Figure A.4 shows how these outcomes are associated with the decision making process steps.

Step 1: Consumer engages with system

When the consumer is aware of their need, they must engage with the financial system, such as advisers, trade bodies, service providers, government and other sources of information or direction, in order to seek advice or information about the next steps to take.

Failure to engage with the system will result in the consumer being aware that they have a need, but failing to act to address that need. This engagement (or indeed dis-engagement) is likely to be the result of a sub-conscious decision rather than the result of a considered and calculated decision.

If Julia and Peter do not engage with the system then, although they have both identified that they have specific needs (that Julia needs to act to address her insurance options and to address her previous employer's pension and that Peter currently has no pension or insurance coverage), they will not act to address the need and instead will make no changes to their existing provision or insurance cover.

Their potential lack of engagement with the system is likely to be a sub-conscious decision arising from a lack of motivation, rather than a considered and calculated decision to not take any further action to address their needs.

However, for Julia, the decision may be a conscious one. As she is covered by a collective pension scheme, she may assume that her needs are already well met. She may therefore

decide that the additional time and resources required for her to actively ensure that the scheme is optimised according to her specific needs is not worth it.

Step 2: Consumer recognises and defines the specific need

Consumers must then recognise their specific need in order to define the generic functionality of the product or solution required.

Failure to do so will result in the consumer having an inaccurate perception of the need they are seeking to address and the functionality required to address it. Any such failure therefore potentially places later steps around decision making and product selection in jeopardy, particularly where the consumer needs to make active choices.

Julia and Peter must both recognise their individual needs and functional requirements.

Julia needs to identify her need for financial security for her and her family in the case of her death, disability or illness. Also, she needs to identify her need to make a decision in relation to her old scheme.

Peter needs to identify his requirements for a target income equivalent to €20,000 per annum on retirement, of flexibility in contributions and of ease of administration. This is necessary in order for Peter to appraise the actions required and which product types would deliver the required functionality.

Step 3: Consumer matches the need to type of product or solution

In choosing an appropriate type of product or solution⁴⁰, the consumer should assess the functionality of potential types of solution against their own functional requirements to determine which type of solution is most appropriate to their situation.

Failure to do so results in the risk that the consumer acts on their 'gut feel' or does not assess all the potential options, but instead selects the most well-known product type or the first type of solution that they find (Anderson & Korling 2013).

Within this step the consumer will select a set of solutions available, for example, selection of suitable types of products. A detailed evaluation of specific solutions, for example, considering specific product features, will take place in Step 4 as described below.

Julia and Peter both need to match the potential types of solution to their needs (the types of insurance cover for Julia and the pension or savings products available for Peter).

If they do not do this they could potentially jump straight to selecting a specific product, without considering their broader functional requirements and the sorts of product types that might fulfil these, which is likely to lead to inappropriate selection.

Step 4: Consumer selects the most appropriate product or solution

Having determined the appropriate type of product or solution, the consumer now needs to evaluate the specific product/solutions available in order to select the most appropriate one. This will involve comparing the available options within the selected type of product/solution and the costs of fulfilling them in the context of the consumer's functional requirements.

⁴⁰ Note that where we refer to types of product or solution here, this refers to the set of solutions available. For example, this may be a specific product, a set of multiple products, or alternatively optional functionality within an existing product.

Failure to do so results in the risk that the consumer selects the most prominent product, goes with their 'gut feel' or makes another type of uninformed decision.

Julia and Peter may compare product features, expected returns, costs and the specific insurance terms and conditions to decide on the specific selections that they will make, and which provider they will choose. When doing this they will compare results on each of their options and how these compare to both their individual needs and the results of the other options to determine the best value option to fulfil their functional requirements.

Step 5: Consumer continually assesses their decision

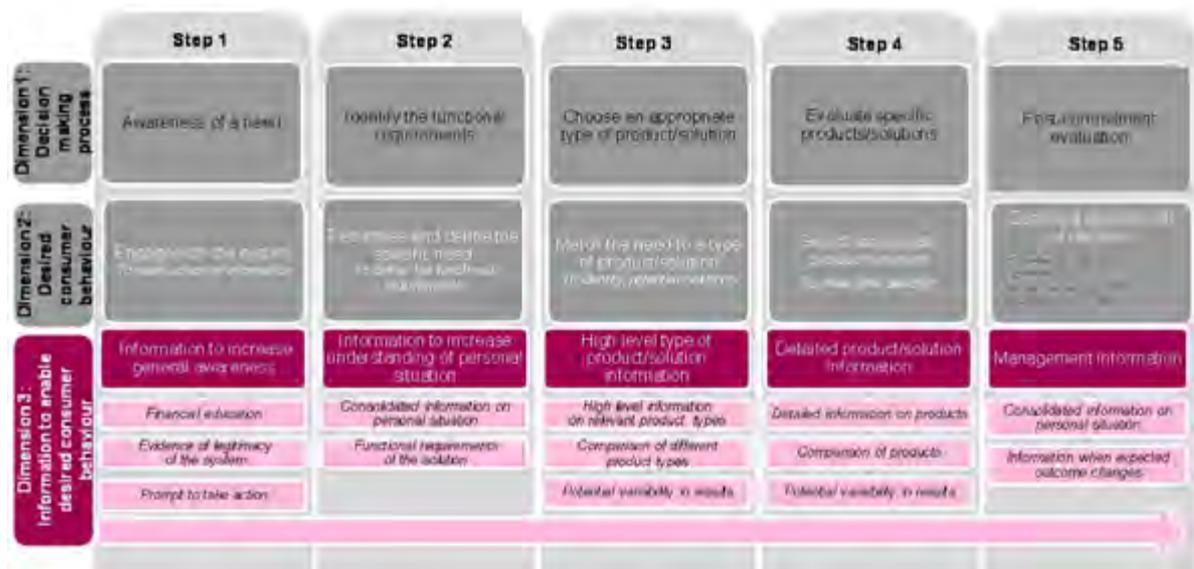
Having opted for the specific product and/or insurance covers, the consumer then needs to regularly assess their performance to confirm its on-going appropriateness and to manage and modify the solution when required. This will involve comparing a solution or product's continued suitability and performance to how the consumer expected the product to perform at inception and subsequent review points. They should also monitor any changes in their requirements.

Failure to continuously assess the product's performance and/or insurance cover may result in the consumer initially making the correct investment decision, but subsequently failing to update it and as a result the ultimate outcome of the decision not being as expected.

One of the assessments that Julia and Peter should conduct is to monitor their annual statements and their level of contributions to ensure that their retirement provisions are on track to be able to support their desired incomes in retirement and to ensure that their insurance coverage etc. remains appropriate.

A.6 Dimension 3: Information to enable consumer behaviour

Figure A.5: The decision making process, the associated desired consumer behaviour and the associated information requirements to enable this



In order for the consumer to be able to demonstrate the desired consumer behaviour, they need to be provided with or have access to various information types at the various steps in the decision making process. If the consumer does not have this information then the desired consumer behaviour is unlikely to occur and the decision making process will not be completed effectively.

Figure A.5 shows how this information is associated with the decision making process steps and the desired consumer behaviour. We discuss the information required further below.

Step 1: General awareness

Consumers require general awareness in order to identify that they have a need to address. At the 'general awareness' stage, there is a requirement for **a basic level of financial education** implied in the ability to be aware of (a) one's current financial circumstances (b) one's desired future financial circumstances and (c) the principle of there being a gap between them. Financial education is provided for in various forms such as education in schools, media and government initiatives, and is strongly linked to the pre-condition of a need for basic financial literacy, as discussed previously. In the context of the DIA openness and transparency initiatives, this would refer specifically to information providing education on insurance and pension related topics.

The consumer also requires information which provides **evidence of the legitimacy of the system**. This information helps to engender trust in the system, which is a pre-condition for engagement, as discussed previously. This information may be provided in different ways, for example, government campaigns to raise awareness of the need to engage with pensions issues, or information provided by the pensions industry to raise transparency of costs charged to the consumer. Strong examples of this type of information will encourage the consumer to engage with the system.

Prompts to take action at appropriate times can help raise awareness of a need in consumers. Appropriate times may be life-events such as a marriage or birth of a child, or alternatively annual occasions such as the end of the calendar or tax year.

Step 2: Understanding of personal situation

In order to identify his or her functional requirements, the consumer requires **consolidated information on their present and potential future personal situation**, as well as information in order to help them determine the provision that they aspire to.

Julia will need an overview of the coverage and expected entitlements from her public provisions, from her old scheme and from her new scheme. She will need tools and information to help her to understand whether the desired level of entitlement for her and her family in the case of her death, disability or sickness is appropriate.

Peter will need to consider the provision that he currently has for retirement, for example any public pension he can expect. He will also require information and tools to help him to understand what his desired level of income should be and whether this is appropriate.

Step 3: High level type of product/solution information

In order that the consumer can choose an appropriate type of product or solution, they will require **high level information on the types of product or solution**⁴¹ relevant to fulfilling their functional requirements. They then need information to enable them to assess and **compare different types of product**. This includes both explanations of ways to assess and compare as well as the product details required to perform these tasks. Lastly, it is important they understand the risks inherent in each product type and as a consequence the **potential variability in results** (in particular for pensions saving products).

Julia will need consolidated and comparable information on her current pension provisions and insurance entitlements. She will then use this information by comparing it against her functional requirement of a desired income for her and her family in case of her disability or death, to conclude whether she wants to increase her insurance cover and whether she wants to retain a child's pension.

Peter will require information on potential methods of retirement savings provision. He will need information to enable him to compare and decide on which method or product type is the most appropriate to his needs, including information on benefits provided, cost, flexibility, level of management required etc. When deciding on which product type to proceed with, he needs to consider the risk inherent in each product type and whether this is suited to his requirements.

Step 4: Detailed product/solution information

When the consumer has decided on the type of product/solution and is investigating which specific product/solution to choose they will require more **detailed information on the specific product/solutions** available within the type to enable **comparison** of the expected functionality, performance, service levels and costs.

⁴¹ Note that where we refer to types of product or solution here, this refers to the set of solutions available. For example, this may be a specific product, a set of multiple products, or alternatively optional functionality within an existing product.

It is also important that the consumer is provided with information helping him or her to understand the **potential variability in the results** due to the risks inherent in each specific product. This information will be required at a more detailed level than in step 3.

When Julia discusses her requirements with her pensions advisor, she will need him to provide detailed information on how to increase her disability and death cover and how to retain a child's pension, in relation to the old and new pension schemes. She will require a detailed assessment of the suitability, risks and costs inherent in each option.

Before Julia decides to proceed by increasing the death and disability covers in her new scheme whilst keeping her old scheme (with a reduced contribution), she will also require information on the effect on her overall expected pension and insurance entitlements.

If Peter decides to proceed with market return pensions, he will require information on the different types of market return pensions that are available to him. He will need criteria and the relevant information to use in order to compare them (for example, costs, service level, past performance etc.). When making the decision on which type of market return pension to opt for, he will also need information on the risks of each different type of market return pension that is available.

Step 5: Management information

In order to continually assess the product/solution, its performance and its suitability, the consumer requires **financial information on the performance of the product/solution and consolidated personal information** on the interaction of the various sources of pensions⁴² the consumer has available. Of particular interest would be **information outlining if and how the expected outcome of their provision has changed** since the last assessment.

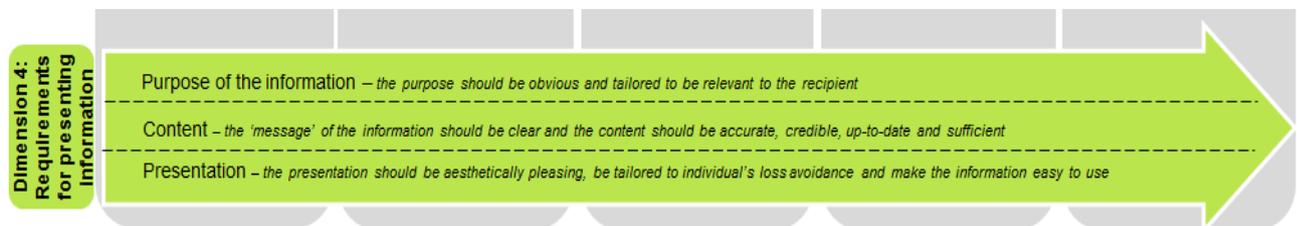
For example, if their pension performance is not as expected, then both Julia and Peter should be informed so that they can act to determine whether to make changes to their provisions.

For all of these steps there is also a need for the consumer to be informed as to how they can proceed to the next step. Failure to provide this may result in one decision step being completed incorrectly or the customer 'stalling' and not progressing to the subsequent step.

⁴² Generally retirement income can come from any or all of pillar 1 public pensions, pillar 2 occupational pensions and pillar 3 individual pensions. For the individual consumer it must be presumed that it is the expected accumulated retirement income from all pillars that is of interest and relevance to the consumer.

A.7 Dimension 4: Requirements for presenting information

Figure A.6: The requirements for presenting information to consumers



The presentation and packaging of financial information to consumers is crucial to their success in addressing their needs. Correct and relevant information being presented to the consumer may still result in failure of the decision making process if it is not presented or framed in a manner that engenders appropriate consumer behaviour and associated actions conducive to the desired outcome (*Anderson & Korling 2013*) (*EIOPA 2013*). Information that is presented and framed well will encourage the consumer to move through the decision process and make conclusions at each step that are more likely to be in their best interests.

The elements of this dimension are applicable to all of the information requirements of each of the decision steps.

Figure A.6 shows the elements of this dimension:

Purpose

The information provided should be designed with a **behavioural purpose** in mind which should be apparent to the information user (*EIOPA 2013*). Successful implementation of this will result in the consumer being aware of how the information is useful to them and how they should use it.

The information provided should also have **personal relevance and context** (*EIOPA 2013*) in order to engage the consumer and illustrate the relevance of the information to their individual circumstance. For example, timing of information delivery is an important dimension of personal relevance and should coincide with times at which the consumer is most likely to use the information. This may result in a need for it to be accessible on demand. Alternatively, it may result in a need for it to be presented at either the end of a calendar or a tax year, or at the occurrence of 'life events' such as a birth, or milestone birthday.

Any numbers used should be appropriate to the individual (*EIOPA 2013*) – both in terms of magnitude, such as the reference salary used, and figures that are easy for the consumer to understand and relate to. For example, it is hard to understand the impact of a pension fund of size £x. However, when this is framed in terms of the income that it may be expected to provide, then it is easier for the consumer to understand.

Segmentation is another technique that can be used to increase personal relevance by customising to categories of consumers' criterion, using criterion such as age, level of understanding or lifestyle profiling (*EIOPA 2013*).

Content

'Content' requires careful definition (*Nicholas & Herman 2009*) to ensure that all aspects of the information are appropriate. The content of the information is crucial to the decision making process and the likelihood of it producing optimal outcomes. It is therefore a fundamental requirement that the content is **factually accurate** as well as **up-to-date and sufficient** to enable the consumer to make an informed decision.

Information sources should not overload the consumer but at the same time make it **clear both where and how further information and support can be accessed** (*EIOPA 2013*).

Clarity of message is also crucial with regard to content (*Anderson & Korling 2013*) (*The OECD 2013*). This requires vocabulary to be simple and avoid the use of jargon. In circumstances where jargon is unavoidable, it should be explained clearly. The drafting style used should be simple and avoid ambiguity, together with grammatical structure that aids understanding and ease of reading (*EIOPA 2013*). The language and terms used should be consistent throughout the information source as this facilitates readers in processing the information.

The EIOPA report (*EIOPA 2013*) suggests using a mixture of textual and non-textual communication forms to assist in delivering the message. When used well, graphics can be a very useful tool for conveying ideas. It is important however that any numbers used are easy to understand and relevant to the consumer. For example, a reference salary should be similar to that of the user and it should be a rounded number.

The impact of any associated risks should be highlighted in order for the consumer to fully understand the potential impact of their decision. This is especially important as consumers are more likely to relate to hazard rather than risk in that they are able to appreciate potential outcomes, but have difficulty visualising or relating to the impact of the probability of those outcomes. In such situations, scenario illustrations can be a useful way of demonstrating risk.

Presentation

Information should be presented in a way that captivates attention and facilitates understanding. This includes **aesthetic presentation** such as making information eye-catching and easy to read (*EIOPA 2013*). Simple techniques such as using vivid colour and pictures or having information-grabbing headlines can help make information eye-catching. Appropriately sized font, a limited number of words on a page and the use of columns can make information easier to read.

Information should be also presented with a **hierarchy of importance** and a **hierarchy of complexity** in order to allow the consumer to control how much information they access. The most important information should therefore be highlighted and easy to ascertain. The EIOPA report outlines (*EIOPA 2013*) a concept of layering to create a hierarchy of importance and/or a hierarchy of complexity. Under layering, the consumer is provided with high level information and clear sign-posting of how to access further information. This allows the consumer to access a level of information appropriate to their needs, personality and understanding, whilst remaining confident that further information is available, should they require it. Considering the questions that the consumer may be asking when processing the document may also help in providing appropriate hierarchies.

Information should be **orientated towards decisions** that need to be made **and actions** that need to be taken (see behavioural purpose above) (*EIOPA 2013*). To this end, the information should be **framed in terms of loss avoidance** (rather than potential gain), conforming with

consumer's loss aversion tendencies (*Anderson & Korling 2013*) (*Committee of the Money and Pension Panel 2013*) (*Thaler & Sunstein 2009*).

Reference points and benchmarks that allow the consumer to compare them against other members of society can help the decision making process by enabling peer group referencing, validation and reinforcement (*EIOPA 2013*).

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Appendix B: Description and Assessment of Individual Danish Initiatives

B.1 Assessment methodology

The assessment methodology serves to outline the approach to the individual initiative assessments and to ensure a consistent assessment process in applying the Towers Watson consumer needs framework.

The initiatives were developed by the DIA with a specific purpose in mind, and before the consumer needs framework was developed. Thus, the purpose of the initiative being assessed may not exactly match the purpose of one of the steps in the consumer needs framework. However, as explained further below, for the purposes of this assessment, we have identified primary and secondary steps to which we believe the initiative contributes. The interaction of the initiatives and overall coverage of the consumer needs framework by the initiatives is considered in the overall evaluation as detailed in Section 6.

Each individual initiative was assessed according to the strength of its contribution to what was determined to be its intended step of our consumer needs framework. In order to assess each initiative, consideration was given to:

- a. whether consumers have been given the right information to perform a step of the decision making process, and
- b. whether that information has been presented in such a way as to encourage or induce consumers to take the appropriate action for that step.

A well performing initiative will, for a given step of the consumer decision making process, provide the right information in the right manner to enable the consumer to make appropriate decisions and progress to further steps. Alternatively the requirements for a particular step may be met by a combination of strongly linked initiatives which provide the outstanding information types within the step – under this circumstance the same requirement for the right information to be provided in the right manner still stands. The ultimate aim of both approaches is that consumers should select and maintain the right pension and protection provisions according to their needs and preferences.

The DIA has informed us that usability tests have been carried out by independent consultants on Comparing Pensions, PensionsInfo, Pensions Overview, and the Pensions Calculator. The DIA are currently working on improving usability (in particular ease of use) of Comparing Pensions and PensionsInfo in line with the recommendations and experiences demonstrated in the usability testing. The DIA have also informed us that they intend to take the outcomes of the usability testing into account in future revisions of Pensions Overview and the Pensions Calculator.

The following sets out how we have structured the assessment of the initiatives. The overall conclusion as a result of these assessments is discussed in the main body of the report in Section 6.

Introduction to initiative

A brief high-level summary of the initiative is included.

Primary contribution(s) to the Towers Watson consumer needs framework

A description of the primary step(s) to which the initiative contributes and the reasons why the initiative is deemed to focus on this step.

In order to assess an initiative against the consumer needs framework, it is important to establish which steps of the framework the initiative is primarily focussed on. This is determined by considering what information the initiative provides, to which steps this is most suited and consequently which of the framework's decision steps and associated desired consumer behaviour is most likely to be supported and enabled by the initiative.

Establishing the primary steps in such a way ensures that the assessment is performed with the appropriate requirements in mind.

Secondary contribution(s) to other steps

This section is included in the case when an initiative contributes to secondary steps.

Where an initiative provides an information type which is required in a step, but where it is felt that the provision of this information type is not the main goal of the initiative, we consider it to have a 'secondary contribution' to this step. For these secondary contributions we have performed a similar, albeit briefer, comparison of the initiatives to each of the information and presentational requirements.

Assessment of initiative

Information provided

A description of the information that is provided by the initiative, using the Towers Watson consumer needs framework as guidance.

The first stage in the assessment is to consider the information being given to consumers to enable them to complete the decision making step(s).

To enable this stage of the assessment process, we have assumed that the consumer wants to be engaged and has an understanding of his / her financial affairs. The question then arises as to whether the consumer is able to complete the decision step on the basis of the information made available.

The types of information are outlined for each decision making step in the consumer needs framework and each assessment therefore directly considers these.

A strong-performing initiative would be expected to manifest all of the information types for its primary contribution step. Alternatively, strong-performance could be exhibited by an initiative addressing one or several of the information types required for the primary contribution steps and providing strong links to other initiatives which provide the outstanding information types within the step.

Further information over and above the requirements outlined in the consumer needs framework can, sometimes, improve the effectiveness of an initiative. Where relevant, the provision of such extra information is discussed below. It should be noted, however, that additional information can also be unhelpful if it complicates the decision unnecessarily or disengages the consumer with its quantity or quality.

Presentation of information

A description of the presentation of the information provided by the initiative, using the Towers Watson consumer framework as guidance.

This stage of the assessment process considers whether the data provided by the initiative has been presented in such a way as to engender the consumer to take appropriate action on the basis of it.

This is considered under the Towers Watson consumer framework's 'dimension 4' groups of 'purpose', 'content' and 'presentation' as outlined in the framework. These topics are considered holistically in the assessment to give an overall view as to the initiative's presentation, rather than broken out into separate sections commenting on each individual aspect. The areas considered include, however:

Purpose

- Does the information have behavioural purpose? Where behavioural purpose exists, the consumer, in reading the information, should know why they were being given the information and what they should do with it. An initiative that performs well will therefore leave the consumer in no doubt about what they should do as a result of receiving the information.
- Does the information have personal relevance? Where the consumer can recognise their personal situation in the information it will be considered personally relevant to them. An initiative that makes a strong contribution will therefore enable a consumer to understand their personal position which will be 'brought to life' for them.
- Does the information have context? Where the information presented is referenced to other information that is likely to be familiar to or have meaning for the consumer it can be said to have context. The consumer will therefore be able to benchmark their information (for example against historic trend, or against their monthly salary) such that the information gains meaning.

Content

- Is the information up to date, factually accurate, and sufficiently complete to enable the consumer to complete the decision step?

- Is the message of the information clear to the user? This will include the use of simple vocabulary together with the avoidance of ambiguous language. The use of varying forms of content (for example textual and graphic) is also advantageous in assisting consumer understanding and engagement.

Note: due to the initiatives being in Danish, our assessments are performed without considering the use of vocabulary, although we have taken account of where there is consistent use of vocabulary and terms (for example, ACK and ACP) across initiatives.

Presentation

- Is the information presented in an aesthetically pleasing manner? Whilst this can be somewhat subjective, the focus in evaluating the initiatives is on whether the aesthetics of presentation are such that they will attract and hold the consumer's attention. For example graphical representation can often be more engaging than text or tables of numbers.
- Is the information structured – both in terms of complexity but also importance? A strongly performing initiative will ensure that the most important information is available on the surface (i.e. the first layer of information that the consumer is faced with), and that the surface contains the simplest information. More complexity or more detail should be available but by 'drilling down' rather than overwhelming consumers at the surface level. One ancillary but critical test related to this is to consider the likely behaviour of a consumer who only reads the surface layer and whether they are likely to engage with it, and derive sufficient understanding from it to complete the decision step.
- Is the information correctly framed to engender action? A strongly performing initiative will leverage relevant consumer heuristics and biases in order to encourage action – such as referencing an individual's position to that of their peer group. Another example is framing decisions, where appropriate, in terms of loss avoidance, as it is well documented that consumers are more likely to take action to avoid a negative outcome than to make a gain.

B.2 Overview of individual initiatives

The diagram in Figure B.1 sets out the primary and secondary contributions of each DIA initiative to the overall consumer needs framework.

The description and assessment of each initiative follows.

Figure B.1: Contribution of DIA initiatives to each step in consumer needs framework



B.3 PensionsInfo

Introduction to PensionsInfo

PensionsInfo is an online portal allowing Danish consumers to see their consolidated personalised information on all of their projected pension benefits from all three pension pillars. The information given is accurate and up-to-date as it is sourced from providers in real time upon request.

Primarily, the web interface displays the expected retirement income provision resulting from each pension entitlement in tables and as histograms. This therefore enables the consumer to see the summation of the expected income from their various pension entitlements. The expected retirement income forecasts are based on Common Projection Assumptions regarding returns as notified to the Danish FSA and agreed between the DIA and the Danish Bankers Association.

Functionality is included to model the impact of retirement at varying ages by simply clicking on retirement ages at the top of the screen. An example screenshot of this is given in Figure B.2. More detailed information on each of the pension provisions is available by clicking on the name of each provision thereby forming an effective hierarchy of detail.

The website also provides other useful ancillary information on pension benefits such as death and disability benefits along with related insurances (death, disability and sickness / critical illness covers).

Primary contribution(s) to the Towers Watson consumer needs framework

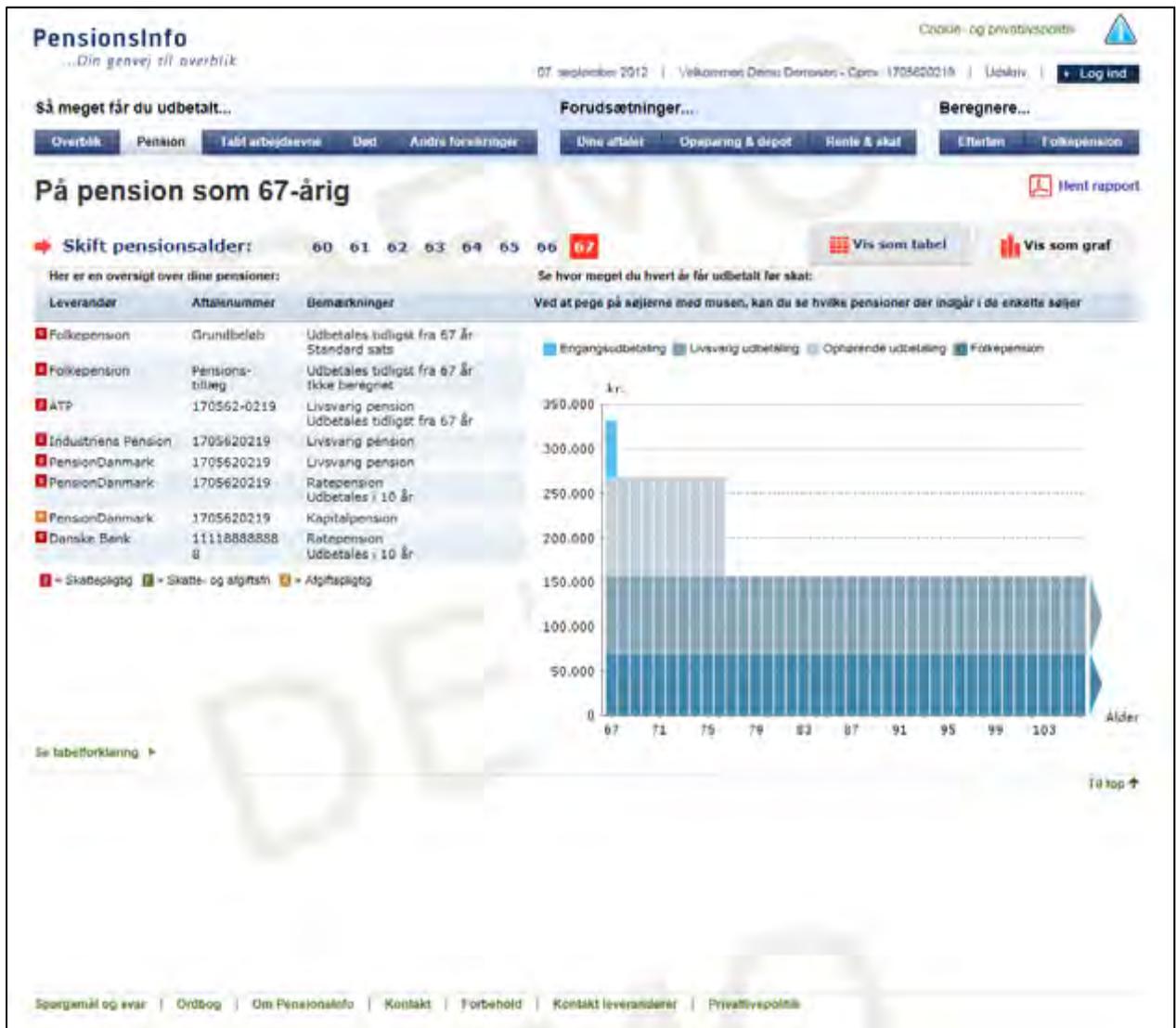
We believe that PensionsInfo is primarily a step 2 and a step 5 initiative in that it provides consumers with consolidated information on their personal situation (a step 2 informational requirement) and in that it aids consumers in the monitoring of their on-going pension provisions (a step 5 informational requirement). Consequently the initiative has been assessed predominantly on these bases.

From a behavioural perspective therefore, the information provided by PensionsInfo should both enable the consumer to understand their personal situation and identify their functional requirements, as well as enable consumers to assess their on-going provision and identify whether it remains appropriate or whether and how to take remedial action.

Secondary contribution(s) to other steps

Whilst the core contribution of PensionsInfo is to step 2 and step 5, we believe that it could also play a role in step 1 as, by providing the consumer with an increased understanding of pensions, it is likely to increase trust in the market and, consequently, we would expect it to give consumers confidence in the legitimacy and functionality of the system.

Figure B.2 An example screenshot of PensionsInfo



Assessment of PensionsInfo

Information provided

PensionsInfo provides a clear and easy way for consumers to access consolidated information on their personal situation and is testament to the collaboration and openness of the pensions industry in Denmark – the comprehensiveness and accessibility of the initiative is unique to Denmark.

PensionsInfo provides comprehensive personalised information on all pension provisions from all three pillars for a given consumer. The calculations behind the information presented are complex, and would be difficult for consumers to calculate themselves, so providing the information in this accessible manner is valuable to the consumer.

The information is up to date and accessible quickly. It is accessible both via internet banking (once the consumer has logged in) or with the Danish Nem-ID system (where the consumer can access information using a single public electronic identification code). Death, disability, sickness and critical illness insurance information is also included where such covers are part of the pension scheme.

PensionsInfo also provides the contact details of the pension providers and a method by which the consumer may contact them for further information.

The details of each consumer's insurance provision are also outlined by the website, and the increasing level of detail and complexity is well layered such that the 'face' of the website displays the summary whilst it is easy to click through to more detail.

A link is provided to explain the information in the table in more detail, and that the calculation of pension provisions is an estimate based on common standard assumptions regarding future contributions, interest rates, inflation and tax.

Presentation of information

PensionsInfo provides consumers with information when they request it, taking typically less than 60 seconds to provide the information. This timescale is made clear to consumers, which should minimise potential abandonment rates. It is also made clear where any data is not available within the timescale and where such data is therefore not presented owing to it having 'timed out'.

The information is personally relevant in that it contains the details of the individual's own provisions.

The information on future pension provisions is annual and gross of tax, which is relevant for consumers who find that the easiest way to relate to the information is to compare it to their annual gross salary. Whilst some consumers may budget on a net of tax basis, the data required to calculate a net of tax figure includes information such as spouse income and deductions for capital losses. We understand that pension companies do not have access to information of this nature and, consequently, PensionsInfo is unable to calculate a personalised net of tax figure for individual consumers.

Scenario illustration is available by way of selecting various potential retirement ages, thereby enabling consumers to see the overall impact of choosing to retire at different ages.

The information is presented clearly and with the option of being represented both as graphs and tables. Navigation of the site is user friendly. Layering of information is used effectively such that the face of the site contains high level summary information, whilst it is easy to click through to lower levels of detail.

We understand from the DIA that PensionsInfo is currently being revised to enhance consumer experience in line with the recommendations from the usability testing that was carried out by independent consultants.

B.4 Cost Initiative

Introduction to the Cost Initiative

The Cost Initiative ensures that all occupational and personal pension providers disclose annual personal pension costs to consumers, calculated on a consistent basis expressed as the annual cost in Kroner (ACK) and the annual cost as a percentage (ACP).

The technical methodology for calculating the costs is specified by the DIA. An assessment of this methodology is carried out in Appendix C. As detailed in Appendix C, we believe that the DIA Recommendation underlying the Cost Initiative is comprehensive and addresses the significant cost elements that we would expect, given the available data on the financial markets.

Providers supply their consumers with details of the costs that have been taken from their fund over the past year within their Pensions Overview statement and for standard products in Comparing Pensions.

Expected future annual pension costs are provided to consumers through the Cost Calculator.

Primary contribution(s) to the Towers Watson consumer needs framework

We believe that the Cost Initiative is primarily a step 5 initiative in that it is an initiative defining the information requirements related to costs in statements which are provided to the consumer to help them manage their pension provisions.

From the perspective of desired consumer behaviour, the information provided by the Cost Initiative should result in consumers continually assessing their pension decision in order to confirm its on-going appropriateness to the consumer, to manage the product and to modify it when required.

Secondary contribution(s) to other steps

Whilst the focus of the Cost Initiative is step 5, it also has an additional role to play in step 1 as providing clear, consistent and comparable information to consumers on a regular basis increases transparency in the pensions market and consequently should improve consumers' confidence in the legitimacy of the pension system.

Assessment of the Cost Initiative

Information provided

The Cost Initiative provides consumers annually with a single figure of the costs which their pension fund incurred over the past year which is comparable across companies due to the consistency which the initiative prescribes.

The information provided on costs increases transparency in the market. It is also likely to drive competition between companies resulting in lower pension costs across the Danish market and the increased transparency provided by the initiative will result in increased confidence in the system.

The information which results from the initiative is consistent across providers as standardised calculation methods are used. This provides comparable results between companies.

Presentation of information

Please see the assessments of Pensions Overview, Comparing Pensions and the Cost Calculator for the assessment of the presentation of costs. The Cost Initiative is not presented as a consumer accessible initiative in its own right.

B.5 Cost Calculator

Introduction to Cost Calculator

The Cost Calculator initiative requires pension providers to have a cost calculator on their website which allows consumers to input their details and calculate their expected future annual pension costs. This is useful as it allows the consumer to assess the cost level of the company as well as to compare the costs of one company with those of another company. The output is the expected future annual costs, expressed both in Kroner and as a percentage of the consumer's fund, which is calculated as specified by the Cost Initiative technical methodology.

Primary contribution(s) to the Towers Watson consumer needs framework

We believe that the Cost Calculator has a macroeconomic impact in step 1 as providing information on costs in a clear and transparent way, and in such a way which permits stakeholders and journalists to compare costs across providers and products, provides evidence of the legitimacy of the system and is likely to lead to consumers having increased confidence in the system.

The Cost Calculator also has a role to play in step 4 as consumers can use it to make detailed comparisons of the costs which they might experience under different product types and providers. For example, a consumer with an occupational scheme could use the Cost Calculator to compare cost differences in standard products from different providers.

From a behavioural perspective therefore, the information provided by the Cost Calculator initiative should result in Danish consumers (both individually and collectively) engaging in the system to address their pension needs. It should also result in consumers contributing to the decision making with regards to selection of the product type and provider which is most suited to them.

Secondary contribution(s) to other steps

We also consider the Cost Calculator initiative to have secondary roles in steps 3 and 5.

The information the Cost Calculator provides is focused on products from individual providers. It can be used to assist consumers in selecting a product type through comparison of product types. For example a consumer could use the Cost Calculator to compare the expected future costs of with-profit and market return pensions (from a particular provider) and this could contribute to them deciding which type of pension is most appropriate to their needs.

The Cost Calculator also enables consumers to monitor their expected future pension costs and hence provides information on their personal situation, contributing to step 5.

Assessment of the Cost Calculator Initiative

Information provided

The information which the cost calculators provide is likely to result in increased competition in pension costs and hence reduce the overall costs incurred in the Danish pension industry. The initiative also increases the transparency of pension costs and this will improve confidence in the pensions market.

The initiative allows consumer to assess the costs that they should expect to pay on their pension, both as an annualised amount in Kroner and as a percentage of their investments.

The results provided are consistent and comparable across providers as the costs are calculated using standardised assumptions.

Presentation of information

Providing the costs both in Kroner and as a percentage gives context to consumers. The standardised format of the output allows consumers to compare costs across product types and product providers and this increases personal relevance.

B.6 Pensions Overview

Introduction to Pensions Overview

Pensions Overview is an initiative which requires pension providers to display six pieces of information to consumers in an easily accessible overview as part of their annual statements. The statements can be sent to customers by post or provided as web-based statements. These pieces of information have been determined as key pieces of knowledge for consumers to have and consist of:

- Pension and life insurance entitlements
- Contributions paid over the past year
- Premium paid over the past year for insurance coverage
- Costs paid over the past year (expressed as ACK and ACP)
- Investment return earned
- Value of the scheme either by transfer value or fund value.

This information can be displayed either electronically or in paper format and there are rules in place ensuring that the information provided is accessible.

Primary contribution(s) to the Towers Watson consumer needs framework

We believe that Pensions Overview is primarily a step 5 initiative in that it is an initiative defining information requirements in statements provided to the consumer in order to help them manage their on-going pension provisions.

From a behavioural perspective therefore, the information provided by Pensions Overview should result in consumers continually assessing their pension decisions in order to confirm their on-going appropriateness, to manage the products and to modify them when required.

Secondary contribution(s) to other steps

We consider Pensions Overview to have a secondary role in step 1 as providing clear and comparable information to consumers on a regular basis will increase transparency and provides evidence of the legitimacy of the system.

The initiative also has a secondary role in step 2, as ensuring that occupational and personal pension providers supply consumers with the same information facilitates consumers in evaluating their overall approximate consolidated personal position due to the comparability of the information from different providers.

Assessment of Pensions Overview

Information provided

The six key pieces of information that Pensions Overview requires provide the consumer with a simple and good overview of their provision and its management, increasing their understanding of the provisions that they have in place.

Presentation of information

The information is presented to the consumer by individual providers in company specific customer communications, either by letter or on-line. Therefore we have not assessed the presentational aspects of the communications between the providers and their customers.

The recommendation on the Pension Overview includes suggested terminology and an example layout to try to ensure that the consumers are able to understand their statements. Although the ultimate decisions on the presentation of the information remains with the pension providers, these examples, as well as the six key pieces of information, should help to increase comparability and provide an indication of the standard of communication required. Consequently, pension consumers are more likely to receive overviews which are easily understood.

Consistent provision of information from year to year gives the initiative context as consumers are able to compare paper statements to those of previous years and to those of different providers with whom they have pension provisions.

There is a requirement for the information to be presented in the first two pages of a paper statement, making it accessible, and there are efforts to standardise and simplify the terms used which will help increase consumers' understanding of the information.

B.7 Comparing Pensions

Introduction to Comparing Pensions

Comparing Pensions is a website which consumers and other interested stakeholders can use to compare different elements of standard occupational pensions offered by Danish pension providers. It is targeted at users with a reasonable level of financial literacy, as well as journalists, analysts and pension scheme decision makers.

It allows the user to learn about different pension providers and the services they offer, as well as to compare specifics between the products that are most commonly supplied to consumers. The specifics that users can compare include returns and costs, insurance cover, investment options, other potential choices, service and advice.

The details given by each individual provider on the site are those which apply to the most typical pension products of that provider, i.e. the elements of the type of product⁴³ that the 'average' consumer will have. Consequently, the details shown may deviate from the specific costs, charges, investment funds etc. which a particular employer or social partner may negotiate with the provider. An example screenshot of Comparing Pensions is given in Figure B.3.

⁴³ If the provider offers both with-profit and market return products, the provider must supply details of both product types. The information provided on each product type will be that of the 'most typical' product.

Primary contribution(s) to the Towers Watson consumer needs framework

We believe that Comparing Pensions primarily has a macroeconomic impact within step 1 as providing information in a clear and transparent way, and in such a way which permits stakeholders and journalists to compare across providers and products, provides evidence of the legitimacy of the system and is likely to lead to consumers having increased confidence in the system.

Figure B.3 An example screenshot of Comparing Pensions

	Selskab 1	Selskab 2	Selskab 3
ÅDK - Årlige omkostninger i kroner	3.390	3.335	3.172
ÅOP - Årlige omkostninger i procent	1,1 %	1,2 %	1,1 %
Administrationsomkostninger i kroner	708	621	360
Investeringsomkostninger i kroner	2.582	2.714	2.812

<ul style="list-style-type: none"> Administrationsomkostninger Investeringsomkostninger Betaling til selskabets ejere Manglende betaling for sikkerhed Lovgivning om omkostninger 	<h3>Administrationsomkostninger</h3> <p>Udgifter til administration varierer mellem de forskellige selskaber. De kan afhænge af, hvad du får for pengene, fx service, rådgivning og valgmulighederne i pensionsordningen.</p>
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In addition, Comparing Pensions contributes to step 5 as it enables occupational scheme members to assess whether their pension provider is over- or under-performing compared to other providers. Similarly, although consumers with personal pensions may not be able to purchase the standard products specified within Comparing Pensions, they can use the information provided to give an indication of the efficiency and performance of different providers. This information is likely to lead them back to step 1, where they may decide their needs have changed given the performance of their pension, or, alternatively, occupational scheme members may try to influence their employers/social partners in the case of under-performance of a scheme.

From a behavioural perspective therefore, the information provided by the Comparing Pensions initiative should result in Danish consumers engaging in the system to address their pension needs, as well as continually assessing their situation.

Secondary contribution(s) to other steps

Comparing Pensions also has a role to play in steps 3 and 4 as consumers can use it to make detailed comparisons between different standardised product types and providers. For example, Comparing Pensions could be used to compare the with-profit and market return pensions of a specific pension provider, hence providing the user with an understanding of the elements of the two different pension types.

Although personal pension consumers may not be able to purchase the standard products specified within Comparing Pensions, and the information provided does not cover all the options available to them, they can use the information provided to give an indication of the efficiency and performance of different providers, and of average offerings in the market.

From a behavioural perspective the information provided by Comparing Pensions should assist consumers to select the product type and provider which is most suited to them.

Assessment of Comparing Pensions

Information provided

As detailed above, Comparing Pensions provides information about the company profile, returns and costs, insurance cover, usual investment options, other potential choices, service and advice that each pension provider offers and a facility by which to compare them.

The information is layered which allows consumers to control how much information they access. The DIA has informed us that the layering of information on the site will be improved as part of revisions planned to increase the overall usability of the tool in line with recommendations from the usability testing.

The user selects the type of information which they wish to compare and is able to choose between returns, interest, costs, insurance offered, savings, options and service. They can then specify up to four companies and compare the provisions of each. In addition, the user can select to view company profiles and understand factors such as the company's typical customer.

The transparency of this tool enables consumers and key stakeholders to compare and highlight differences in costs, performance, service levels and product features, which will increase competition and innovation in the market, to the benefit of both individual consumers and society at large.

The details given by each individual provider are the 'standard' versions which the provider quotes, as opposed to the specific charges, investment funds etc. which an employer or social partner may negotiate with them.

Presentation of information

The information has personal relevance in that the consumer selects the providers which are relevant and interesting to them. Context is given by the facility to compare the services of different providers.

B.8 Pensions Calculator

Introduction to Pensions Calculator

Pensions Calculator is an online tool that is part of the DIA website and company specific versions of the Pension Calculators can be found on the providers' websites. It allows consumers to compare their projected income on retirement to their current day salary. It can also be used to calculate the impact of earlier or later retirement, higher contributions etc.

Consumers input their age, current monthly salary before tax, monthly pension contributions, desired retirement age, current pension savings and length of their pension payments. The output is their projected pre-tax monthly pension income, their currently monthly pre-tax income and a brief sentence explaining how the two compare. An example screenshot of the Pensions Calculator is given in Figure B.4.

There is additional functionality to include or exclude the public pension and the Labour Market supplementary pension, and to change some underlying assumptions such as mortality and inflation.

Primary contribution(s) to the Towers Watson consumer needs framework

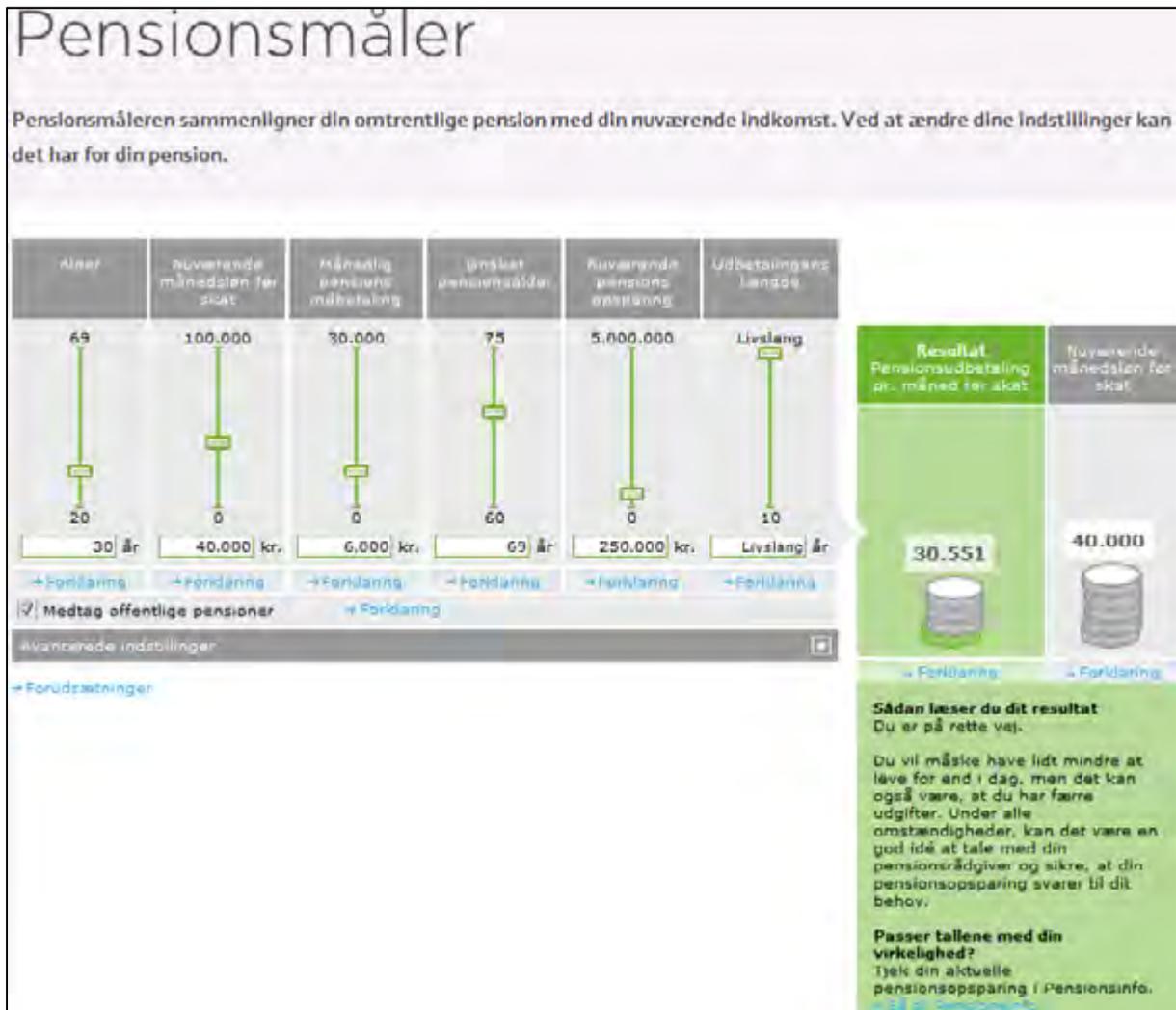
We believe that Pensions Calculator is primarily a step 2 initiative in that it is an online tool aimed at helping consumers gain information on their potential future personal situation.

From a behavioural perspective therefore, the information provided by Pensions Calculator should result in consumers recognising and defining their specific pension needs.

Secondary contribution(s) to other steps

We also consider Pensions Calculator to have a secondary role in step 5 as it helps consumers evaluate whether their current provisions and intended future contributions are still sufficient to meet their desired pension provisions.

Figure B.4 An example screenshot of the Pensions Calculator



Assessment of Pensions Calculator

Information provided

Pensions Calculator provides a clear and simple way for consumers to gauge how much income they can expect to receive in retirement. They can use the tool to compare their expected income in retirement to their current income levels. The information is up-to-date and it is dependent on various inputs, all of which should be reasonably easy for the consumer to ascertain. The user can choose to include or exclude public retirement entitlements.

Users have the option to adjust some underlying parameters. This helps them understand the effect of varying these parameters and also highlights that there is a risk that their quoted future pension provision may not be achieved. In addition, the user can also vary their inputs such as expected retirement age and contribution level to understand their influence on their expected monthly income in retirement.

The calculations behind the information presented are complex, and would be difficult for consumers to calculate themselves, so providing the information in this accessible manner is valuable to the consumer.

Presentation of information

The tool is very easy to use and has a strong behavioural purpose as the consumer can compare their current income with their planned income on retirement. The tool is interactive and this helps to convey the message and engage the user.

Commentary is given when the results of the calculator are displayed and this is tailored to the results, increasing the context and the behavioural purpose of the initiative.

B.9 Your First Pension Scheme

Introduction to Your First Pension Scheme

Your First Pension Scheme is a collection of webpages which form part of the DIA internet site. The initiative is aimed at describing the considerations surrounding pensions for various types of consumer. The initiative has sections on:

- The right pension: This section explains the various products that may be relevant to consumers who are single, single with children, cohabiting, cohabiting with children, married or married with children.
- Illness: This section explains illness and disability cover and explains public payments and private supplements.
- Death: This section explains life cover and explains public payments and private supplements.
- Investment of pension funds: This section explains asset types as well as the return earned on with-profit and market return pension schemes. It asks three questions to the consumer with the aim of helping them determine which pension type is best suited to their needs:
 - Would you like to know with certainty what you get in retirement?
 - Are you interested in investing?
 - When do you plan to retire?

For each possible answer it discusses whether with-profit or market return products are more appropriate. An example screenshot of 'Your First Pension Scheme' is given in Figure B.5.

Figure B.5 An example screenshot of 'Your First Pension Scheme'

Primary contribution(s) to the Towers Watson consumer needs framework

We believe that Your First Pension Scheme is primarily both a step 1 and a step 2 initiative. The initiative supplies step 1 type information by providing consumers with pensions and insurance education, as well as prompts at various 'life events', helping the consumers become aware of any needs that they may have.

The initiative also supplies step 2 information as it provides details on what a consumer's functional requirements may be under various possible personal situations, hence helping them identify their functional pension requirements.

From a behavioural perspective therefore, the information provided by Your First Pension Scheme should result in the consumer having an increased general awareness of a need, as well as recognising and defining their specific needs so that they can define their functional requirements.

Secondary contribution(s) to other steps

Whilst the focus of Your First Pension Scheme is on step 1 and step 2, we believe that it also addresses step 3, by providing consumer with some high level information on various product types, helping them match product types to their functional requirements.

Assessment of Your First Pension Scheme

Information provided

Your First Pension Scheme provides the consumer with information that helps them understand their consolidated personal situation, by explaining the provisions that they may have in place to cover various possible life-events such as early retirement or illness. Your First Pension Scheme also provides the consumer with an understanding of their functional pension requirements by highlighting what their pension needs may be, depending on their marital status and whether they have children.

The DIA has indicated on the website when the information was published/updated as it is important that the information provided is kept up-to-date. A recent date will give consumers confidence that they are accessing up-to-date information.

Links are provided to the Pensions Hotline and to Pensions ABC which the consumer can use to access further information.

Presentation of information

The information provided is personally relevant in that the consumer is able to select whether they are single, cohabiting or married and whether they do or do not have children. The questions asked in the investment section also increase the personal relevance as the user is able to select the response applicable to them.

As Your First Pension Scheme is an online portal, consumers are able to access it when they wish. The presentation of the information is clear and it is easy to navigate through the site. Layering of information has been used and this is effective as it allows the consumer to control the level of information that they access. There is a graphic displaying how pension requirements vary with marital status and whether the consumer has children and this increases engagement.

B.10 Does your pension scheme fit your needs?

Introduction to 'Does your pension scheme fit your needs?'

'Does your pension scheme fit your needs?' is a collection of webpages which form part of the DIA internet site. The initiative is aimed at explaining to the consumer how their pension needs change throughout their lifetime and as such it has sections covering:

- **Employment:** This section explains the decisions that must be made when the consumer changes their job. It includes pages covering consumer's first jobs with a pension, changing jobs and decisions surrounding previous occupational pensions, unemployment, sabbaticals, moving abroad, self-employment, considerations when changing a job, considerations when transferring a pension and small pensions.

The page on small pensions includes a tool whereby consumers can determine whether they have 'small' pension funds which they should consider consolidating.

- Changes in relationships: This section explains amendments that should be considered for certain personal situations such as having a partner, being married and separating from a partner or spouse.
- Having children: This is a small section explaining products that may be required by consumers who have children.
- Purchasing a house: This is a small section explaining products that may be required by consumers who have bought a house.

Primary contribution(s) to the Towers Watson consumer needs framework

We believe that 'Does your pension scheme fit your needs?' is primarily both a step 1 and a step 2 initiative. The initiative supplies step 1 type information by providing consumers with pensions and insurance education, as well as prompts at various 'life events', helping the consumers become aware of any needs that they may have.

The initiative also supplies step 2 information as it helps consumers identify their functional requirements for their pension.

From a behavioural perspective therefore, the information provided by 'Does your pension scheme fit your needs?' should result in the consumer having an increased general awareness of a need, as well as recognising and defining their specific needs so that they can define their functional requirements.

Secondary contribution(s) to other steps

We believe that 'Does your pension scheme fit your needs?' has a secondary role to play in step 3, by providing consumer with some high level information on various product types, helping them match product types to their functional requirements.

This initiative also has a role to play as a Step 5 initiative as it provides information which may result in the consumer considering whether their needs have changed, leading the consumer back to Step 1 in the consumer needs framework.

Assessment of 'Does your pension scheme fit your needs?'

Information provided

The information provided shows the consumer what the typical functional needs are with someone in their personal situation and how this changes with the situation, for example if they have a child.

The information in 'Does your pension scheme fit your needs?' is layered effectively allowing the consumer to both control how much information they receive and to ensure that the information they receive is relevant to them. Some information is provided regarding how the consumer can proceed to the next step of choosing an appropriate product type as phrases such as 'contact your attorney' are included.

Presentation of information

The website is easy to navigate and layering is used effectively.

The behavioural purpose of the initiative is clear as it is evident that the consumer should compare the products that are suited to their needs and determine whether their cover is appropriate or whether they require further protection.

The information is personally relevant in that it is categorised depending on the consumer's marital status and whether they have children.

B.11 Payout Methods

Introduction to 'Payout Methods'

'Payout Methods' is a collection of webpages which form part of the DIA internet site. The initiative is aimed at explaining the types of payments that pension plans may provide and as such it has sections covering:

- Payouts on retirement: this section explains retirement payments and includes sections considering topics such as:
 - where pension payments come from (public, occupational and personal pensions), public pension requirements and information about labour market supplementary pensions,
 - possible early retirement ages and possible flexible benefit ages,
 - how consumers who are soon to retire would like their pension to be paid and types of payments, for example, life-long annuities, term annuities and lump sum payments.
- Payouts on illness or disability: this section links to the relevant pages in Your First Pension Scheme, and gives high level information on the different types of insurance cover that would cover prolonged illness, accident or disability.
- Payouts on death: this section links to the relevant pages in Your First Pension Scheme, and gives high level information on the different types of benefits that could be paid to dependants on your death.

An example screenshot of 'Payout Methods' is given in Figure B.6.

Figure B.6 An example screenshot of 'Payout Methods'

Primary contribution(s) to the Towers Watson consumer needs framework

We believe that 'Payout Methods' is primarily a step 1 initiative in that it is an online learning device aimed at educating the consumer, thereby increasing the consumer's general awareness of pensions.

From a behavioural perspective therefore, the information provided by 'Payout Methods' should result in consumers engaging with the system to seek advice or information about their pension needs.

Assessment of 'Payout Methods'

Information provided

'Payout Methods' provides consumers with information on the payments that they could expect to receive on retirement, death, illness or disability. Links are also given to the Pensions Hotline and PensionsInfo so that the consumer can log-on and access information on their personal pension provisions.

Presentation of information

'Payout Methods' provides instantaneous access to information on the webpage. The information provided is layered and this aids the consumer in controlling how much information they receive and in ensuring that the information which they do receive is relevant to their personal situation.

B.12 Pensions ABC

Introduction to Pensions ABC

Pensions ABC is a collection of webpages which form part of the DIA internet site. The initiative is aimed at explaining the Danish pension system and as such it has sections covering:

- The Danish pension system: this section explains the three different pension pillars including details such as who pays for each type of pension provision. It also includes information on the structure of the various types of pension providers, such as who the owners are and who their clientele are.
- With-profit products: this section explains the Danish with-profit pension products and explains who bears the economic risk, what reserves are, how the product works, the relevant legislation that is in place, bonuses and collective bonus potential.
- Market return products: this section explains the Danish market return (i.e. unit-linked) pension product and explains what the product is, the various types of market return products available, how to choose between with-profit or market return products, the relevant legislation that is in place and the history of the product.
- Costs: here the various costs associated with pensions are explained. This includes the costs of insurance coverage, administration costs and investment costs. Cost related topics such as direct and indirect charging, legislation on costs and the history of pension costs are also covered.
- Tax and pensions: this section covers all of the types of tax that a consumer may pay in relation to their pensions; tax on deposits, tax deductions, tax whilst saving for retirement, tax whilst receiving pension payments, age limits, relevant legislation, history of tax and pensions and examples demonstrating the tax rules on pensions.

Primary contribution(s) to the Towers Watson consumer needs framework

We believe that Pensions ABC is primarily a step 1 initiative in that it is an online tool aimed at providing education to the consumer on the Danish pensions system, thereby increasing the consumer's general awareness of pensions.

From a behavioural perspective therefore, the information provided by Pensions ABC should result in consumers engaging with the system to seek advice or information about their pension needs.

Assessment of Pensions ABC

Information provided

Pensions ABC provides information to consumers as described above. This information increases consumers' knowledge and understanding of the Danish pension system and the products available,

as well as providing points to consider when deciding between the two main types of pension products.

Links are provided on the home page to the Pensions Hotline and Pensions Dictionary.

The DIA has indicated on the website when the information was published/updated as it is important that the information provided is kept up-to-date. A recent date will give consumers confidence that they are accessing up-to-date information.

Presentation of information

Pensions ABC is a collection of webpages on the DIA's website and as such it offers consumers instantaneous access to information. Navigation of the site is easy and in the same format as several of the other initiatives.

Layering of information is used effectively such that the face of the site contains high level summary information, whilst it is easy to click through to lower levels of detail.

B.13 Pensions Dictionary

Introduction to Pensions Dictionary

Pensions Dictionary is an online dictionary featured on the DIA website. The dictionary allows consumers to look-up the meanings of various technical pension terms either by searching for the term or by searching alphabetically.

Primary contribution to the Towers Watson consumer needs framework

We believe that Pensions Dictionary is primarily a step 1 initiative in that it is an online learning device which contributes to their pensions and insurance education.

Assessment of Pensions Dictionary

Information provided

The Pensions Dictionary provides a clear and easy way reference for consumers on the meanings of various pension terms.

There are approximately 500 terms included in the dictionary so it is likely that the size and scope of the dictionary will be appropriate to the users. The vast majority, if not all, of the required terms used in other initiatives are already included within the dictionary.

Presentation of information

By the very nature of being a dictionary, the behavioural purpose is clear to the user. The DIA are active in keeping the content of the dictionary up to date. Users can search alphabetically or by term and this makes the dictionary very easy to use.

B.14 Pensions Exam

Introduction to Pensions Exam

Pensions Exam is an online service which allows consumers to test their own knowledge on a variety of pensions-related topics such as:

- Pension annuities (life-long annuities and fixed term)
- Lump sum pensions
- Public pensions
- With-profit pensions
- Market return pensions
- Retirement (e.g. retirement ages)
- Divorce
- Tax
- Inheritance (e.g. rules about inheritance)
- Health
- Illness

Consumers can select two topics and are then asked a range of multiple choice questions about these. The right answer is supplied after having answered a question and a score is given at the end. In addition, the consumer can choose to 'challenge' a friend to also answer the quiz.

Primary contribution to the Towers Watson consumer needs framework

We believe that Pensions Exam is primarily a step 1 initiative in that it is an online test of the level of a consumer's pensions and insurance education, which will allow the consumer to identify gaps in their knowledge and should therefore increase the consumer's general awareness of pensions.

From a behavioural perspective therefore, the information provided by Pensions Exam should result in consumers engaging with the system to seek advice or information about their pension needs.

Assessment of Pensions Exam

Information provided

Pensions Exam provides the user with a series of questions and the correct answer after the question has been answered.

After the quiz, the user is provided with a guide as to how knowledgeable they are on a certain pensions topic. This is useful as it highlights to the consumer where their knowledge gaps are and therefore where they should be seeking further education. The consumer can then click on links to information points on the other DIA initiatives such as 'Payout Methods'.

Presentation of information

The presentation of Pensions Exam is easy to follow and, by the nature of being an exam, it has a clear behavioural purpose. As the consumer can select the topic, the questions can be tailored to be appropriate to their interests increasing the behavioural purpose further.

The format of the exam is naturally engaging as the consumer is encouraged to continue 'clicking through' the exam, and to seek further information on completion of the exam.

B.15 Pensions Hotline

Introduction to Pensions Hotline

Pensions Hotline is a free advice service offered by the DIA to consumers wishing to ask questions relating to pensions. The service is detailed on a specially designated page of the DIA's website, as well as advertised on other DIA webpages.

The service offers impartial expert advice via telephone or email conversations, on topics of the consumer's choice.

The DIA has informed us that approximately 80% of enquiries made to the hotline relate to personal questions about terms and conditions and coverage of a consumer's own pension.

Primary contribution to the Towers Watson consumer needs framework

We believe that Pensions Hotline is primarily a step 3 initiative in that its primary purpose is to aid consumers gather an understanding of which pension products are best suited to their needs.

From a behavioural perspective therefore, the information provided by Pensions Hotline should enable consumers to understand various potential pension product types and it should help them to match these to their own personal needs.

Secondary contribution(s) to other steps

Whilst the focus of Pensions Hotline is on step 3, we believe that consumers may also use it to address step 2 issues such as to gather information on what their functional requirements are for their pensions. As a result, should commonly asked questions be added to the website, consideration could be given to including some which are relevant to step 2 type needs.

Assessment of Pensions Hotline

Information provided

As pensions hotline is a telephone and email advice service, we have been unable to assess the content of the information provided due to its dependence on the consumer's question and on the individual adviser responding.

The information offered is from an independent professional and, as such, we expect it to be correct and free from bias. As the service provided is a response to the questions asked, the information given is tailored so that it is specifically relevant to the consumer and to the question which they have asked.

Presentation of information

For the reasons outlined above, we are unable to assess the presentation of the advice which is given, however we are able to assess the webpage that promotes the service, as well as the 'adverts' to it on other initiative pages.

There is consistent promotion of the Pensions Hotline throughout the DIA's other initiative webpages and this is particularly important for the Pensions Hotline due to its success being dependent on the consumer contacting the advice service.

Appendix C: Review of Cost Initiative Methodology

C.1 Introduction

As part of their commitment to openness and transparency, the DIA released its latest recommendation on the reporting and auditing of pension scheme-related costs, also referred to as the Cost Initiative in December 2012. We have been provided with a professionally conducted English translation of their guidelines entitled DIA Recommendation on Costs (referred to as “Recommendation” in the rest of this section), which sets out the methodology underlying the recommendation. We understand that a new and revised Recommendation will be issued before the end of 2013.

The recently revised Recommendation covers customer-specific (ex post) and cost calculator (ex ante) cost calculation approaches for all pension schemes provided by DIA members. The customer-specific cost shows all costs that individual pension scheme customers have incurred in the preceding calendar year. This amount represents all the charges paid directly by the customers and all the costs allocated to customers but paid indirectly through collective reserves or by reduced investment return.

The cost calculator is a cost outlook (ex ante) for the different products the companies provide based on common assumptions for projected return and company specific investment costs identical to those of the preceding year. The cost calculations are based on the individual consumer’s age, contribution and existing savings, before any group negotiations.

The DIA Recommendation applies to all pension companies in the Danish market. All significant costs are notified directly to the customers and companies are obliged to publish a Method Statement which sets out how the various cost items are dealt with and provides a reconciliation between the costs they have disclosed and the costs they have incurred.

C.2 Background

The DIA has worked on transparency on costs for several years. The first DIA Recommendation was issued in 2007 and has been in a process of iterative improvement ever since. The requirement to report costs in monetary amounts (Annual Cost in Kroner, “ACK”) and percentage terms as a proportion of end of year fund value (Annual Costs in Percentage, “ACP”) was introduced to the recommendation in 2010. By the rules set out in the Pensions Overview it is obligatory for companies to disclose the ACK and ACP incurred over the year to the individual customer. The ACK provides the customers with the total costs that the individual customer has incurred in the past year expressed in a single figure.

The first year that the members of the DIA had to follow the Recommendation for ACK and ACP was in 2012, based on 2011 data. The cost calculators were fully implemented by July 2011.

The development of the Recommendation has been responsive to the differences in nature and organisational set up of the different pension companies on the Danish market. The Recommendation is revised and refined at least once a year. Two expert working parties, under the auspices of the DIA, continuously look at the recommendation and discuss questions that arise when applying the Recommendation and the calculation methods. In addition, the auditors contribute suggestions as part of the review and revision process. Thus the Recommendation is revised, when relevant, to respond to new market developments and to provide clarity in response to questions on its underlying principles.

The DIA's objective of the Cost Initiative is first and foremost to ensure that all customers with a pension scheme are informed of the total annual costs that have direct or indirect impact on the amount of their pensions. Moreover, all transparency initiatives of the DIA are based on the tenet that enhanced competition and consumer satisfaction are mutually achievable and that transparency generally has a positive effect on the market. In particular that:

- Transparency generally increases competition for all insurance products on the Danish market; and
- Greater transparency will increase competition for the benefit of the consumer and the Danish insurance industry.

C.3 Overall conclusions

The purpose of this section is to report on our technical review of the DIA Recommendation on costs. We have been asked to assess:

1. Whether all significant costs are covered by the Recommendation; and
2. Whether the costs are disclosed to the customer in a transparent and comprehensive manner.

Overall, we believe that the approach underlying the DIA costs Recommendation is comprehensive and addresses the significant cost elements that we would expect given the available data on the financial markets. The Recommendation explicitly states that if a company is in doubt as to whether to include a specific cost, then it should include it and a "look through" approach should be used for associated legal entities to mitigate the effect of varying corporate structures.

During the course of our work we identified that bid offer spreads are not explicitly included in the cost calculation methodology. This is not unique to the Danish pensions industry but also applies to the costs disclosed for the investment funds⁴⁴. In both cases, this is due to lack of available data from the external (also including international) portfolio managers. The lack of data makes it difficult to estimate the potential size of the costs.

⁴⁴ The ACP for investment funds was developed jointly between The Federation of Danish Investments Associations, The Danish Financial Authorities, The Danish Competition and Consumer Authority, The Danish Consumer Council, Ministry of Economy and Business, The Danish Bankers Association and the Danish Shareholders Association. This was then adapted by the DIA as part of its Cost Initiative.

Lack of bid offer spread data is not an issue specific to Denmark, but is also common in other international markets. Accessing bid offer spread data would require additional disclosures from portfolio managers. Once the costs were known they would need to be applied to all financial sector cost disclosures consistently in order to achieve comparability.

The Recommendation provides a sound basis for cost disclosure which allows comparison of costs across the industry. This is supported by a robust oversight process which involves external audit to ensure companies implement the Recommendation consistently.

The Recommendation is the foundation to several other DIA initiatives relating to cost disclosure:

- Pensions Overview
- Comparing Pensions
- Cost Calculator

These initiatives disclose information on costs in a transparent and understandable manner.

The use of an industry wide standard to calculate costs has the advantage of being able to respond quickly and flexibly to product and market developments. We note that there is an on-going DIA revision process that applies to the cost recommendation to allow for interchange of information and experience, clarify any areas of ambiguity and to react to new products and changes in the cost environment. We see this as an important mechanism to ensure that the Cost Initiative remains current.

Two areas which are being discussed as part of this on-going revision process are:

- Revision of the standard cost assumption: We note that in cases where cost information on fund and fund of funds is not available, the company must use standard assumptions. In some cases, standard assumptions can make up a significant proportion of the overall cost. Therefore as part of its annual review, the DIA actively considers whether the standard assumptions are up to date. As part of this process, the DIA has decided to engage an external consultant this year to review the accuracy of the existing standard assumptions. The revised assumptions will be included in the next Recommendation to be issued before the end of 2013.
- Application of 'look through' principle to investment funds wrapped as a listed share: We understand that the DIA look through principle applies to associated legal entities in order to capture underlying costs and to mitigate the effect of varying corporate structures. The Recommendation states that all cost must be included regardless of where they are incurred in the pension company's ownership structure. Therefore, according to the Recommendation, the costs from investment funds wrapped in a listed share should also be included in the investment costs.

Future work on the Recommendation will aim to clarify how companies should treat the costs in respect of investment funds packaged as listed shares in the Danish market.

These areas are discussed in further detail in our review of the methodology. The bases for the calculations performed for both the customer-specific cost and the cost calculator are the same so, unless stated otherwise, our comments relate to the recommended approaches to both types of cost calculation.

Our focus has been on the design of the cost calculation methodology and the oversight process. In particular, we have not covered the degree to which individual Danish companies follow the Recommendation. We understand however, that the DIA does review the compliance of their members with the Recommendation.

The remainder of this section is divided into:

- Review of methodology, which covers how the calculation must be conducted; and
- Review of oversight process, which covers the safeguards that are in place around the process.

Our comments are based on our review of the Recommendation (professionally translated into English) and discussions with staff at the DIA.

C.4 Review of methodology

Overall guidance

The DIA Recommendation sets out the industry standard on cost disclosure and provides guidance and examples on how firms are required to undertake the calculations.

The “costs” which are included in the calculation are those that impact the consumer. The data on the costs are derived from the companies’ income statements and other financial reports. Data on the actual costs may be missing from these due to the informational arrangements of reporting processes. For example external fund managers may provide investment returns net of costs and in such cases the actual cost information is not available. When the actual costs are not available the costs must be reflected by using standard assumptions which are provided in the Recommendation.

The overarching principle of the Recommendation is that all costs must be included and if there is doubt as to whether a cost item should be included, the rule is that it should be.

Tax is not included as a cost to the extent that it is specific to an individual’s circumstance.

Bid offer spread⁴⁵ costs

Costs incurred through the buying and selling of assets can often be implicit in the price charged for the assets. Therefore transaction costs, such as spreads, are difficult to extract.

⁴⁵ The bid offer spread for a security is the difference between the prices quoted for an immediate sale (offer) and an immediate purchase (bid) of that security. The size of the bid offer spread in a security is one measure of the liquidity of the market and of the size of the transaction costs.

When cost information cannot easily be extracted from the available data, it can be difficult to distinguish between costs and returns. One high-level guideline for whether an item is an investment cost or not is whether the item (directly or indirectly) leads to a lower net return.

Spread-type costs are also relevant to financial transactions like derivatives and structured products where the setup costs (brokerage fees and administrative expenses) and the writer's profit margin could be considered to be a cost item or a reduced future income depending on how transaction is arranged.

At present, due to the limitation of data, the DIA recommendation does not explicitly include spread costs as a type of investment cost to be included in the disclosure. Inclusion of such costs is not straightforward as there will be a number of challenges:

- The underlying data is often not available. In particular companies will depend on data from external portfolio managers at home and abroad, and in order to ensure this information could be provided changes would be needed in disclosure requirements for fund managers.
- This issue is wider than the pensions industry and any solution needs to be applied consistently to all financial sectors to achieve comparable costs. Otherwise this could place the pension companies and Danish portfolio managers at a disadvantage.

Looking through to costs

The DIA applies a look through principle to the costs in associated legal entities. The principle ensures that all costs that the customer incurs are included and reflected in the customer-specific cost regardless of which legal entity the costs originate from.

The DIA working groups on costs and investment costs closely follow the developments within the cost environment for pensions, particularly given the dynamic nature of investment costs as a result of new types of investment products and new ways to package investment products being developed.

The DIA have noted that there are early signs of a trend towards investment funds being wrapped in listed shares where the cost structure is less obvious.

The Recommendation states that all cost must be included regardless of where they are incurred in the ownership structure. Therefore, according to the Recommendation, the costs from investment funds wrapped in a listed share should also be included in the investment costs. The DIA is currently considering what steps may be necessary including methodology and / or auditor documentation requirements to address this issue in detail.

Standard assumptions for costs

Standard assumptions for indirect investment costs are provided in the DIA Recommendation. Companies must use the standard assumptions unless they are able to obtain the actual costs incurred by fund managers. Costs arising from collective investment vehicles, alternative investments and investments in real estate are often based on standard assumptions. In many cases the

retrospective fund-specific costs are difficult to obtain as such historical records of costs are not maintained by these agencies or the data is not provided.

The DIA Recommendation allows the companies to use the actual incurred fund-specific costs if they can present relevant documentation for these costs. As institutional investors usually do not pay entry and exit fees they typically experience lower costs than the standard assumptions, which are based on the costs for retail investors.

The Recommendation states that a decision to move from using estimated costs to actual incurred costs is binding. This restriction is made to avoid “cherry picking”. However, it is not the explicit intention of the Recommendation that costs from pension providers should ultimately all be based on the obtained costs. This is because there is no clear evidence that the value of a minor increase in accuracy is worth the costs related to obtaining this information.

As the costs based on standard assumptions can make up a significant proportion of the overall cost, it is important that the assumptions remain relevant and up to date. Therefore as part of its annual review, the DIA actively considers whether the standard assumptions are up to date. As part of this process, the DIA has engaged an external consultant this year to review the accuracy of the existing standard assumptions. The revised assumptions will be included in the next Recommendation to be issued before the end of 2013.

Cost calculators approach

The cost calculator is designed to show the cost level that would be payable by a typical new customer so that the customer (new or already with the company) can ascertain the level of cost which would be payable and can compare this across other companies.

Cost calculators must determine costs for a typical prospective customer using a similar methodology to customer-specific costs and use the audited actual investment costs from the previous year. This is meant to be indicative as individual customers will vary from the typical customer profile and the cost calculator uses the cost information from the last year which may be different from actual future costs.

Our key observations on the cost calculator approach are as follows:

- The specificity of the cost calculator to the customer is dependent on the granularity of the information requested from the user (such as age and scheme type). However, there are several standard elements. The cost calculator assumes that all contributions in the year are made at the beginning of the calendar year and it uses common assumptions for projected return agreed between the DIA and the DBA (and notified to the FSA according to regulation) every year, to project the development of the fund. We have not reviewed these notified return assumptions nor the process used to derive them, but recognise this as a key element of all cost calculators.
- A default administrative cost rate that is a realistic representation of the administrative cost of undertaking the business must be set up on the cost calculator. The Recommendation requires that companies state the size of pension scheme on which the calculations are based, which promotes transparency around the calculation of this representative rate.

- The updates that are made to the cost calculator must be synchronised with changes to assumptions so that the company's current level of costs is reflected. For example, a change in company investment strategy necessitates an update to the cost calculator.

C.5 Review of oversight process

Roles and responsibilities

Audit and disclosure requirements around the DIA Recommendation are wide ranging with detailed responsibilities laid out to maintain consistency and oversight. In particular there are template assurance reports for the company and the auditor to complete, which must be published on the company's website.

The primary function of the oversight aspects of the Cost Initiative is to ensure that companies are undertaking their cost disclosure responsibilities in a manner that is consistent with the Recommendation and therefore comparable across the industry.

The DIA Recommendation outlines the roles of the company, external auditor and the market review in ensuring that the recommended cost reporting framework has been adhered to.

- **Role of the company**

The company is responsible for producing the Method Statement, Reconciliation Form and Company's Assurance Report.

- The purpose of the Method Statement is to set out and describe the source of cost data (accounting figure, estimate, standard assumption or obtained cost) and how allocation of cost amongst customers is conducted.
- The purpose of the Reconciliation Form is to reconcile the total customer-specific costs with the actual costs incurred by the company.
- The Company's Assurance Report must attest that Method Statement and Reconciliation Form have been prepared in accordance with the DIA recommendation.

- **Role of the auditor**

The external auditor is responsible for producing the Auditor's Assurance Report.

- The Auditor's Assurance Report must attest that the preparation of the Reconciliation Form is in accordance with the Method Statement and the financial statements.

The objectives of the audit process are to ensure that the companies comply with the guidelines and that:

- Cost calculations comply with published Method Statement and Reconciliation Form;
- Cost allocation is such that all costs have been allocated; and

- Cost notifications to the customers correspond to the calculated costs.

The tools available to auditors are identified in the Auditor's Assurance Report and include limited sampling, interviews and review of procedures. Ultimately, the auditor is responsible for controlling the accuracy of the figures in the Reconciliation Form. The Reconciliation Form is key to ensuring that there is strong relationship between the amount of costs that are allocated to customers and the amount of actual costs reported.

- **Role of the market**

Interested parties such as journalists, analysts and competitors are able to access detailed company information on cost structure via the Method Statement and Reconciliation Form for each company and come to their own conclusion regarding the suitability of the cost disclosure.

Templates for the Method Statement, Reconciliation Form, Company's Assurance Report and Auditor's Assurance Report are provided in the Recommendation. All of these must be published simultaneously on each company's website on or before 1 June each year.

DIA oversight and development process

The DIA plays a role in the oversight of companies' compliance with the Recommendation. The association collects information on the cost disclosures across the entire Danish market and facilitates expert working parties on key areas such as the development of the cost recommendation and a specialist group on investment costs.

Each year the cost recommendation is revised by the DIA. The revision is based on feedback from:

- Companies, based on their practical experiences in applying the Recommendation;
- Auditors, based on their experiences from auditing the companies' implementation of the Recommendation; and
- DIA secretariat staff, based on their experience with the overall process and review of Method Statements and Reconciliation Forms.

The use of an industry wide standard to calculate costs has the advantage of being able to respond quickly and flexibly to product and market developments.

The cost disclosures for a company in any particular year give a snapshot of the approach and assumptions used to calculate costs at that time.

We believe that the involvement of the DIA working parties is important to help ensure consistency and comparability across companies and to react to new products and changes in the market. To facilitate this, the working parties may consider conducting an analysis of the disclosure information (such as the total amount of actual costs) over a number of years to help identify trends that have appeared due to underlying issues or material changes in a company's approach.

Appendix D: Initiatives across Europe

This section documents the responses that were received from the questionnaires which we sent to the participants detailed in Section 7. The questionnaire was sent to the participants along with a guidance document which summarised the information requirements from the consumer needs framework.

The questionnaire has the following sections:

- Section 1: Background information
- Section 2: Details of up to 15 initiatives and tools that are important in your pensions market
- Section 3: Details of up to 10 new or envisaged initiatives and tools that will or may be introduced to your pensions market
- Section 4: Any other comments

Section 1: Background information

Question 1: To what extent are the following organisations involved in promoting financial openness and transparency?

Topic	Denmark (DIA)	Germany (German Insurance Association)	The Netherlands (Money Wise Platform and Dutch Association of Insurers)	Sweden (Insurance Sweden)	UK (ABI)	UK (DWP)
Government/Government Bodies	Medium	Medium-high	High	High	Medium	High
Regulators/Supervisors	Medium	Medium-high	High	High	Medium	High
Trade associations for pensions and/or insurance	High	High	High	High	Medium-high	High
Consumer organizations	Medium-low	Medium-low	Medium	High	High	High
Pensions providers/Insurers	High	Medium	Medium-high	Medium-high	Medium-high	High
Trade unions	Medium-low	Low	Medium-low	Medium	Medium	High
Other trade and business associations	Low	Medium	-	-	Medium	High
Statutory bodies set up to help the public with financial matters*	-	-	-	-	High	-
ATP (Labour Market Supplementary Pension)*	Medium-high	-	-	-	-	-
Min Pension – subsidiary of IS^{*46}	-	-	-	High	-	-
Academic institutions have been involved in calling for transparency and setting out arguments for it, but not delivering solutions**	-	-	-	-	Medium-high	-

*subject suggested in “Other A”

**subject suggested in “Other B”

⁴⁶ Min Pension is a subsidiary of Insurance Sweden, managed in cooperation between Insurance Sweden, Swedish Pensions Agency and National Government Employee Pensions Board.

Question 2: Which organisations are the main contributors, in your country, to each of the following areas of information?

Topic	Denmark (DIA)	Germany (German Insurance Association)	The Netherlands (Money Wise Platform and Dutch Association of Insurers)	Sweden (Insurance Sweden)	UK (ABI)	UK (DWP)
Raising general awareness	<ul style="list-style-type: none"> • Danish Insurance Agency • Pension providers/insurers • ATP (Labour Market Supplementary Pension) • PPP (The Money and Pension Panel – a government body) 	<ul style="list-style-type: none"> • Trade associations for pensions • Government • Consumer organisations 	<ul style="list-style-type: none"> • Ministry of Social Affairs • Ministry of Finance • Authority for Financial Markets • SVB – the organisation that implements national insurance schemes in the Netherlands • Pension Register 	<ul style="list-style-type: none"> • Government bodies • Supervisors • Consumer organisations 	<ul style="list-style-type: none"> • Pension providers • Media • Pensions Regulator • Pensions Advisory Service • Money Advice Service 	<ul style="list-style-type: none"> • Government/ government bodies
Helping consumers understand their situation	<ul style="list-style-type: none"> • Danish Insurance Agency • Pension providers/insurers • ATP 	<ul style="list-style-type: none"> • Pension providers • Pension advisors employed by the public pension scheme 	<ul style="list-style-type: none"> • *See Above* • Individual pension funds/pension insurers 	<ul style="list-style-type: none"> • Other (Min Pension) • Consumer organisations 	<ul style="list-style-type: none"> • Media • Money Advice Service • Citizens Advice Bureau • Local advice charities 	<ul style="list-style-type: none"> • Government/ government bodies • Consumer organisations • Pension providers/insurers
High level product type information	<ul style="list-style-type: none"> • Danish Insurance Association 	<ul style="list-style-type: none"> • Trade associations for pensions • Government • Consumer organisations 	<ul style="list-style-type: none"> • Pension Register • Pension funds • Pension insurers 	<ul style="list-style-type: none"> • Consumer organisations 	<ul style="list-style-type: none"> • Media • Money Advice Service 	<ul style="list-style-type: none"> • Government/ government bodies • Consumer organisations • Pension providers/insurers
Detailed information on available products	<ul style="list-style-type: none"> • Pension providers/insurers 	<ul style="list-style-type: none"> • Pension providers 	<ul style="list-style-type: none"> • Pension funds • Pension insurers • Third pillar pension providers 	<ul style="list-style-type: none"> • Insurers • Consumer organisations 	<ul style="list-style-type: none"> • Pension providers Financial advisors 	<ul style="list-style-type: none"> • Pension providers/insurers
Helping consumers manage their pensions	<ul style="list-style-type: none"> • Danish Insurance Agency • Pension providers/insurers 	<ul style="list-style-type: none"> • Pension providers • Advisors 	<ul style="list-style-type: none"> • Pension Register • Ministry of Social Affairs • Ministry of Finance • Pension insurers/pension funds 	<ul style="list-style-type: none"> • Government bodies • Consumer organisations • Other (Min Pension) 	<ul style="list-style-type: none"> • Pension providers Financial advisors 	<ul style="list-style-type: none"> • Pension providers/insurers

Question 3: Do you have any other comments in relation to your market?

- Demark (DIA): No comment
- Germany (German Insurance Association): No comment
- The Netherlands (Money Wise Platform and Dutch Association of Insurers): No comment
- Sweden (Insurance Sweden):

“With consumer organisations we refer to Konsumenternas försäkringsbyrå (the Swedish Consumers Insurance Bureau). In Sweden the industry organisation, Insurance Sweden (Svensk Försäkring), does not handle consumer issues. Instead the Bureau was created in 1979 and is fully financed by the industry. The founding bodies are Insurance Sweden, Konsumentverket (Swedish Consumer Agency) and Finansinspektionen (Financial Supervisory Authority). The Bureau offers pre-purchase information, advice concerning claims and publishes overviews of virtually all forms of consumer insurance, including pension products. Within ‘other’ we refer to Insurance Sweden’s subsidiary Min Pension. This is a public-private partnership where Insurance Sweden, the Swedish Pensions Agency and the National Government Employee Pensions Board are the principles.”

- UK (ABI): No comment
- UK (DWP):

“The introduction of automatic enrolment into workplace pensions is changing the way workers in the UK start saving into a pension. The provision of clear and consistent information to raise awareness and help consumers who want to understand their personal situation is still important and does have a role in a policy based on inertia, but it is no longer the only driving force behind increasing saving for retirement in the UK.”

Section 2: Details of up to 15 initiatives and tools that are important in your pensions market

Denmark – DIA

DENMARK: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN DANISH PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
PensionsInfo	To provide a complete overview of their pension entitlements and related insurance covers (disability, death and sickness) from all pension providers	PensionsInfo provides an easy, accessible, consolidated overview and tracking tool of projected pension entitlements from pillars 1, 2 and 3. It covers both pensions from banks and pension companies. The entitlements are projected on the basis of expected return (which is based on common projection assumptions between the DIA and the Danish Bankers Association in accordance with regulation from the Danish FSA), the current contribution and the expected state benefits (pillar 1). The consumer also gets an overview of related insurance covers.	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	PensionInfo is run by an association whose membership comprises virtually all Danish pension providers (including both the member of the DIA, the Danish Bankers Association (DBA) and the ATP).	Internet through a personalised access. It is accessible through online banking and through the single sign-in electronic ID (nem-id).	Consumers. The target group is all Danish citizens.	All	The use and breadth of this initiative is very high with more than 3 million visits and more than 1 million unique hits per year (the population of Denmark is 5.6 million, the working population is 2.6 million).
Omkostning-shenstillingen - The Cost Initiative - Annual Costs in Kroner (ACK) and Annual Costs in Per cent (ACP)	To make the total annual costs of the pension scheme clear and visible to the customer. To standardise the calculation of costs to facilitate comparability.	The Cost Initiative sets out detailed guidelines in the Cost Recommendation for how pension providers have to disclose all costs incurred by the customer the previous year. The costs have to be disclosed in Danish Kroner (ACK) and in % (ACP). Customers must be informed of the ACK/ACP in the annual statements or on an on-going basis on the company's website (via log-on). The cost recommendation describes how the ACK/ACP must be calculated and that all costs incurred by the customer have to be included. No matter how the customer is paying for the costs, i.e. as a fee, as a reduction in return, through collective reserves etc. Each company must also disclose how they have calculated the costs. The calculations, methodology and calculation base are reviewed by an external auditor and have to be made public.	<input type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Forsikring & Pensions - The Danish Insurance Association (DIA).	Internet or direct mail	All customers with a pension scheme.	2, 3	The initiative has universal coverage. All customers of a pension company have to receive the information on costs.

DENMARK: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN DANISH PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Omkostning-småleren - Cost Calculator	To provide an indication of the company's general cost level. The purpose is also to enable a comparison of costs across companies.	Contrary to the customer-specific costs paid in the past, the cost calculators are future-oriented and aim to give an indication of the general level of costs of a typical products of the provider. The cost calculator will show ACK and ACP for a chosen pension product. The number is an indication of the costs during the first year. It will also show a breakdown of costs into administration, investment, and other costs. The guidelines for the Cost Calculators are a part of the DIA Cost Recommendation mandate for all DIA members. All pension providers therefore have to have a cost calculator on their website.	<input type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Forsikring & Pensions - The Danish Insurance Association (DIA).	Internet	The cost calculators target consumers. But also journalists and analysts use the cost calculators to research stories on costs etc.	2, 3	The cost calculators cover is universal as it has to be available on all pension companies' websites.
Pensionsoverblikket - The Pension Overview	To give customers an overview of the six key pieces of information about their pension. The purpose is also to create comparability and for the customers to recognise the information across companies.	The Pension Overview provides customers with the following six key pieces of information: <ul style="list-style-type: none"> • How much will I receive? (include entitlements both from old-age pension and from risk covers) • How much did I contribute last year? • How much did I pay for my insurance last year? (premium) • How much was the total annual cost last year expressed in ACK and ACP? • What was my interest/return last year? • What is the value of the scheme? (Accumulated value of the pension scheme/the value on transfer). Providers have to disclose this information to the customer in the annual statement or on an on-going basis on a personal secure website.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Forsikring & Pensions og pensionsudbydere - The Danish Insurance Association (DIA) and pension providers.	Internet or direct mail	All customers of a pension company.	2, 3	The initiative cover is universal. All customers of a pension company have to receive the Pension Overview.
		The guidelines on the Pension Overview Pension are also a part of the DIA Cost recommendation and mandatory for all members. The information is compatible with the customer information required by Danish regulation.						

DENMARK: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN DANISH PENSIONS MARKET

Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Fakta om pension - Comparing Pension	To give interested users a tool to compare pension companies and the typical pensions they offer. The purpose is also to create transparency by providing the user with the opportunity to benchmark their existing pensions with those of other providers.	<p>Comparing Pension is an internet tool that allows the user to compare typical occupational pension schemes from the various pension providers. The comparison covers a wide range of topics like costs, returns, insurance covers, and the level of service offered.</p> <p>The costs (ACK/ACP) are calculated using the same methodology as the cost calculator - according to the DIA Cost Recommendation and is also mandatory to all DIA members.</p>	<input type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Forsikring & Pensions - The Danish Insurance Association (DIA).	Internet	Comparing Pensions targets consumers. But also journalists and analytics use the cost calculators to research stories on costs and the pension market in general.	2	Comparing Pension covers all pillar II pension companies. Since the launch in December 2012 until June 2013 there have been more than 75,000 hits.

DENMARK: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN DANISH PENSIONS MARKET

Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Pensionsmåleren - Pension Calculator	To give the user an indication of whether the contribution is sufficient by showing the expected retirement income compared to present income. The purpose is also to create awareness of the effects on expected retirement income when adjusting elements like contributions, retirement age, expected returns, and/or expected inflation.	The Pension Calculator is a tool that makes it possible for users to compare their expected pension entitlements with their present income level. The calculator takes expected entitlements from all three pillars into account. The pillar 1 entitlements are minimum average approximations. The user is asked to provide information on: <ul style="list-style-type: none"> • age • present salary • present contribution • expected age of retirement • present pension savings, and • the length of the pay-out period. By adjusting some of the information the user is able to see the consequences it has on the pension entitlements. The Pension Calculator can be found on the website of the DIA. A Pension calculator can also be found on the website of some of the pension companies. These calculators have to follow guidelines from the DIA in regards to the assumptions used etc. to ensure comparability.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Forsikring & Pensions og pensionsudbydere - The Danish Insurance Association (DIA) and pension providers.	Internet	The Pension Calculators target consumers. But is also to some extent used by journalists to research stories.	2, 3	The DIA only has statistics for the use of the DIA Pension Calculator. The initiative is not that widely known among consumers. Average hits over the last few years are 7000 a year.
Generelle pensionsider - General Pension Information Pages	To provide objective and educational consumer information on a wide range of pension topics.	The DIA website www.forsikringogpension.dk has a large section dedicated to consumer information on pensions. The site offers a one-access point for educational and objective information on a range of different topics like: <ul style="list-style-type: none"> • Your first pension scheme • Does your pension fit your needs? • Pay-out methods • PensionsABC • Pension Dictionary • Pension Exam • Pension Calculator • Comparing Pensions. 	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Forsikring & Pensions - The Danish Insurance Association (DIA).	Internet	The General Pension Information Pages target all individuals and the public in general.	All	The General Pension Information Pages are accessible for all users through the DIA website. There are more than 350,000 hits per year.

DENMARK: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN DANISH PENSIONS MARKET

Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Pensionsoplysningen - The Pension Hotline	To provide independent information to consumers on an individual basis. The purpose is also to provide consumers with answers and general advice on questions regarding their pension matters.	Consumers can contact the service with specific questions relating to life insurance and pensions by phone or by e-mail. On the website a list of FAQs and a complaint guide can be found. The service is free of charge and is independent of the interests of the individual insurance and pension companies.	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Forsikring & Pensions - The Danish Insurance Association (DIA).	Mail, phone and the internet.	The Pension Hotline targets all individuals that need objective advice. But also journalists use the Hotline for research.	All	The Pension Hotline is available for everyone. There are about 900 calls and e-mails per year.

DENMARK: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN DANISH PENSIONS MARKET

Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Penge og Pensionspanel et (The Money and Pension Panel)	The purpose of the Panel is to promote consumers' interest for and knowledge about financial products and services.	<p>The Money & Pension Panel was established by law in 2007. The members of the Panel are representatives from financial and consumer organizations and the chairmen are assigned to have a special and scientific knowledge of consumer research. Members and chairman are politically appointed by the Minister of Business & Growth.</p> <p>The aim of the Panel is to:</p> <ol style="list-style-type: none"> 1) publish objective consumer information 2) carry out and publish market studies (tests) of e.g. prices, costumer services and conditions at diverse financial suppliers 3) Initiate and publish consumer affairs studies in order to achieve a better understanding of e.g. consumer views/behaviour. <p>The annual budget of the panel is 2.2m Danish Kroners. For examples of the panel's work see: The Pension Report (Pensionsrapporten) and the information campaign "Broke – avoid little debts" (På Røven – undgå klatgæld) targeted young people. English descriptions of the two can be found on: http://www.raadtilpenge.dk/da/ENG.aspx</p>	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	The Ministry of Business & Growth	Primarily the internet (www.raadtilpenge.dk). But also social media like Facebook.	Consumers	All pension pillars. The Money- and pension Panel provides general financial information and information on specific financial topics like loans, mortgages and pensions.	The information is accessible for all consumers through the website and social media. The main website had close to 100,000 hits the last year (since October 2012). The Facebook profile has close to 12,000 likes.

DENMARK: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN DANISH PENSIONS MARKET

Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Statistik fra Forsikringsankenævnet - Insurance Appeals Boards Statistics	The Purpose of the Insurance Appeals Board Statistics is to create transparency into the number of complaints and number of rulings made in favour of/against individual pension/insurance provider.	<p>The statistics enable the consumers to compare information on insurance companies in relation to:</p> <ul style="list-style-type: none"> - the number of complaints made to the board - number of rulings made in favour of the insurance company. <p>The information can also be accessed according to categories of rulings in regard to the issue or type of insurance concerned or the type of insurance company e.g. life insurance companies or pension fund. The statistics are shown for the three preceding years.</p>	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	The DIA, The Danish Consumer Council and the Insurance Appeal Board	Internet at the DIA website and the Appeal Board's websites www.ankeforsikring.dk/Statistik.aspx	It targets consumers, journalists and other interested parties.	2, 3	The Appeal Board Statistics is accessible to all users through the DIA website and the Appeal Board's website. On the DIA website the statistics had just over 1000 visitors last year.

Germany - German Insurance Association (Gesamtverband der Deutschen Versicherungswirtschaft, "GDV")

GERMANY: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Statutory annual pension information	Personalized information on state pension entitlements.	Pension information on current and expected benefits based on past social insurance careers. Alternative scenarios regarding annual indexation rates are used. Awareness on the need for supplementary savings should be raised.	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Legal requirement for state pension scheme	Annual information is sent by mail	Employees with contribution records of at least 5 years	1	All employees receive the information and awareness is high.
Annual surplus statement on occupational or private pension contracts	Personalized information on pension contracts.	The statements inform about the development of individual pension benefits including surpluses.	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Legal requirement for pension providers	Sent by mail	Contract holders	2, 3	Providers are required to send the information to the policy holder. In cases where the employer is the policy holder it is not always clear that information is passed to employees.

GERMANY: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Eigenvorsorge-Report (print and online version)	Tool to consolidate personal information from different sources.	Table provided on paper or online that enables users to add their projected monthly pension benefits and disability benefits from different sources. The layout is based on the information received from the state pension scheme, supplementary pensions and insurance contracts. Information can be benchmarked against an individually chosen threshold (replacement rate).	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	GDV, insurers	Sent by mail together with annual surplus statements and available online	Insurance policy holders	All	Unknown
Rentenblicker	Website to provide general information on the pension system for young people.	The website intends to raise awareness for pensions with focus on the state system. Teaching material is provided.	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	State pension scheme	Website	Young people	Focus on 1, but also on 2 and 3	Unknown
Safety 1st	Information on the pension system, insurance and savings for pupils to increase their financial literacy.	Award winning teaching material and website to increase financial literacy and enable young people to plan their social security http://www.safety1st.de	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	GDV in cooperation with Foundation Jugend & Bildung	Website, printed teaching material, E-book	Secondary schools	All	35.000 printed copies of the teaching material sent by mail and more than 40.000 downloads in the year 2012.

GERMANY: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
My Finance Coach	Increase financial literacy	My finance coach provides teaching material and partners ("coaches") for lessons at school. Teachers attend preparatory lessons to increase their own knowledge and pedagogical skills on financial literacy. http://myfinancecoach.de/	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Foundation my finance scout	Lessons for teacher, teaching material and face to face lessons	Young people	All	Cooperation with 210 schools, lessons with 22,900 pupils in the year 2012.
Verbraucher-service des GDV (consumer service)	Verbraucherservice provides general information on insurance products.	Pre-competitive product information on different types of available pension and insurance products.	<input type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	GDV	Online, booklets	General public	3	-

Netherlands - Money Wise Platform & Dutch Association of Insurers (Verbond van Verzekeraars [VVV])

Netherlands: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Pension Register (incorporating the former initiative 'Pensioen kijker')	Provide insight into overall personal pension situation.	On one single website (www.mijnpensioenoverzicht.nl) consumers get an overview of all their current and past pension claims (currently, for first and second pillar).	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Owner: Pension Register	Internet (www.mijnpensioenoverzicht.nl)	General population (employees)	Currently 1 and 2. There are plans to add 3.	2.2 million visitors in 2012.
Uniform Pension Overview (UPO)	Provide uniform overview of individual pension claims.	Each pension fund and pension insurer provides each individual participant with a uniform pension overview once a year. The overview contains (amongst others) accrued pension and expected pension (gross amount, per year). The specifics are described in the Pension Law.	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Ministry of Social Affairs	Paper	General population (current and past employees).	2	Everyone with a second pillar pension (current or past).

Netherlands: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Pension3Day	Raise pension awareness and increase insight.	During the Pension3Day, pension providers, financial advisors, government and employers help consumers to get insight into their pension situation.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Ministry of Finance (Money Wise Platform)	Media, internet, personal advice	Employees	All	1.2 million people
MoneyWise	Help people make sense of their pension.	MoneyWise is the Dutch implementation of the National Strategy for Financial Education. Over 40 partners from financial services industry, NGOs and government work together in the MoneyWise Platform. MoneyWise aims at raising levels of Financial Literacy. Openness (as defined in the guidance document with this questionnaire) is one of the means of achieving this. Pensions form one of the three priorities of MoneyWise.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Ministry of Finance	Mainly internet (www.wijzeringe ldzaken.nl)	General public	All	1.2 million visitors (overall)

Netherlands: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET

Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Pension Law	Improve pension communication	In the Pension Law 2011, there are a number of requirements to pension funds and pension insurers with respect to the way that they communicate to pension plan participants. Based on evaluations of the effectiveness of pension communication, the Pension Law will be changed to incorporate (scientific) insights. A.o. the new Pension Law will include requirements w.r.t. communicating about risk and inflation.	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Ministry of Social Affairs, Authority for Financial Markets	Online, paper	All pension participants	All	Not implemented yet
Starting letter	Providing general information about the pension scheme.	When a participant enters a pension scheme (mostly after changing jobs), the employer and pension fund are required to send him a Starting Letter, explaining the most important characteristics of the pension scheme.	<input type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Employers, Pension Funds	Paper	People that enter a pension scheme	2	National

Netherlands: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
The modellen de Ruter	Provide greater transparency of premiums, costs and values of investment to pillar 3 consumers.	Mandatory information leaflets supplied to pillar 3 consumers when they consider buying a product, before effecting the insurance, as an attachment to the yearly policy documents and on surrender. The formats/models are supplied by the Dutch Association of Insurers.	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Verbond van Verzekeraars	Various	Pillar 3 consumers	3	-

Sweden - Insurance Sweden (Svensk Försäkring)

Sweden: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Min Pension	The purpose is to give individual information and a concise picture of a person's own pension situation.	Min Pension has two functions: to serve both as a pension tracking system and as a web retirement planner.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Insurance Sweden (see also Q3) in Section 1.	Internet – website.	Individuals. The target group is persons who have earned the right to a pension in Sweden.	All	In Jan 2013 there were more than 1.7 million registered users out of a total population of 9.5 million. 98% of total pension capital can be tracked through the website.
Pensionsorden	The purpose is to influence the pension providers to standardise the vocabulary and, at the same time, help consumers understand pensions-related words and expressions.	A glossary which defines words and expressions relating to pension products. There is work in progress to develop the glossary into a Swedish standard. See also Section 3.	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Insurance Sweden and the Swedish Pensions Agency	Internet- the glossary can be downloaded free of charge.	Pension providers and consumers.	All	-

Sweden: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Jämförelse Pension	The purpose is to enable the consumer to compare pension products.	Two aims: 1) A comparison of fees, insurance cover etc. 2) A calculator showing the effect of different fees on pillar 2 pension providers.	<input type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	The Swedish Consumers' Insurance Bureau	Internet - web-based tools	Individuals / Consumers	Aim 1: 2-3 Aim 2: 2	-
Standard för pensionsprognoser (Guidelines on pension forecasts)	An initiative to harmonize the calculations of pension forecasts made in the financial markets.	The Standard specifies what assumptions the factors behind the forecasts should be based on. There are 6 general factors (inflation, economic growth, future income/premiums, yield, tax yield and presentation) where the assumptions made in the standard should be used. There are also 4 product specific factors for which the standard states that factual figures should be used. If these are not available the assumptions made in the standard should be used. These factors are fees, survivor protection, inheritance gain, and longevity assumptions/ interest rate forecast. See also Section 3.	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Swedish Pensions Agency	-	Insurers and other entities, such as intermediaries who calculate pension forecasts.	All	Recently finalised.

Sweden: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Rekommendation om faktablad för livförsäkringsprodukter av sparandetyper (Industry recommendation on fact sheets for life insurance products with a savings element)	To further standardize and simplify the fact sheets which are compulsory according to the supervisory authority's regulatory code.	The recommendation focus is on the structure of the fact sheets and giving detailed guidance regarding the cost example to be provided.	<input type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Insurance Sweden	Internet	Insurers are the target of the recommendation but the effects are aimed at individuals / consumers.	3	Implementation of the recommendation is decreed for by members of Insurance Sweden.
Rekommendation om förköpsinformation (Industry recommendation on pre-purchase information)	To facilitate the consumer's choice of insurance by making the pre-purchase information as pedagogic and accessible as possible so the consumer knows what he/she is buying.	Guidelines for the presentation of pre-purchase information as well as how and when the consumer should receive such information.	<input type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Insurance Sweden	Internet	Insurers are the target of the recommendation but the effects are aimed at individuals / consumers.	3	Implementation of the recommendation is decreed for by members of Insurance Sweden.

Sweden: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Ekonomismart	To help young adults become fully aware consumers equipped with the necessary tools to make active choices, identify risks and avoid incurring excessive debts.	A nationwide project aimed at young, unemployed adults. An educational programme resulting from cooperation between authorities, educational associations and municipalities.	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Folkuniversitet, Swedish Consumer Agency, Swedish Financial Supervisory Authority. The project is financed by the State Inheritance Fund.	Teacher-led lessons	Unemployed young adults	All	Nationwide
Gilla Din Ekonomi (an assembly for public financial education)	To increase knowledge of personal finances for citizens of all ages.	GDE is a network for financial education with members including authorities, insurance companies, banks etc. The members decide for themselves how engaged they want to be and with what kind of resources they want to support the network. Several of the projects listed here have been initiated within the network.	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	An Advisory Board leads and coordinates the work and has overall responsibility for achieving the goals of the project. Members of the board come both from the public and private sector.	The network has a website where information on the different projects can be found.	Citizens of all ages	All	-

Sweden: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET

Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Koll på cashen	To increase the interest for private financial issues in the upper secondary schools and to increase the pupils' financial literacy.	Educational material to be used by the teachers. The material consists of a DVD-film, a teachers' guide, a web game and a yearly competition.	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Financial Supervisory Authority, Swedish Consumer Agency, Enforcement Authority.	Internet	Teachers with the aim to reach pupils in the upper secondary school.	All	Nationwide
SFI-ekonomi	To ensure that education in private financial issues can be part of the municipalities' educational program for immigrants (SFI).	Educational material to be used by the teachers, including DVD-films and a teacher's guide.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Financial Supervisory Authority	Internet	Teachers within the SFI programme with the aim to reach immigrants studying Swedish.	All	-

Sweden: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Trygga din ekonomiska framtid	To strengthen consumers' position on the financial markets and to improve their knowledge of private financial issues.	Individuals receive training so they themselves can educate others regarding private financial issues. The individuals who receive training will hold courses at the workplaces.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Financial Supervisory Authority, Swedish Pensions Agency, Enforcement Authority, Swedish Consumer Agency, private companies and others.	Person-to-person	Ombudsman at the trade unions and other persons interested in training others in these matters.	All	Nationwide
Freebook	Educate upper secondary school pupils on financial literacy.	Educational material	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Commercial body. However the book is sponsored by authorities etc. and is free for the consumers.	A book to be ordered	Teachers but the final target group is upper secondary school pupils.	All	-

Sweden: UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET

Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Tryggare ekonomi på äldre dar	Strengthen retired persons' financial knowledge.	A nationwide project aimed at retired persons.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	The Swedish Financial Authority, the Swedish Pensions Agency and the five largest organisations for retirees.	Educational material	Retired persons	All	Nationwide

UK – Association of British Insurers (ABI)

UK (ABI): UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Annuity Window	To make all annuity rates public	A regular survey of ABI members' annuity rates (i.e. annual income paid in a lifetime annuity from a pension), published on the ABI website. It is based on 12 fictional customer profiles, which will change each month. It is intended to raise understanding of the factors affecting annuity rates, and to motivate shopping around. Prior to this, information was not available about the rates offered by providers who only sell annuities to their own pension customers. It was published for the first time in August 2013. Data is one month old to avoid infringing competition law.	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	ABI	Web, with the expectation that media will promote it and reproduce the information.	Media and stakeholders; plus general public.	Personal pensions and occupational DC	Extensive media coverage and attracted 27,000 visitors. Could evolve in future.
Retirement Choices Code	Clear and consistent communications from providers to customers in the run-up to retirement.	A Code of Conduct, compulsory as a condition of ABI membership, setting out standards and format for providers' communications 6 months and 6 weeks from retirement (the timing of these communications are set by existing FCA regulations - see below). The Code's standards give customers the information they need to shop around on page 1 of the cover letter; and highlights the key questions they need to consider, in written communications or any telephone-based sales process. It also banned application forms being sent with the pre-retirement communications to prompt shopping around.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	ABI, with widespread stakeholder interest and involvement.	Written information, telephone.	Customers at the point of taking retirement benefits.	Personal pensions and occupational DC	Likely to reach at least 500,000 customers each year.

UK (ABI): UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Pension Charges Calculator	To allow employers to compare the effect of pension charges on the pension pots of their employees.	An employer selecting an automatic enrolment scheme can obtain, from their adviser or directly from a pension provider, a Summary of Charges template outlining the charges that will apply under a particular provider's scheme. The calculator is designed to allow employers (independently, with their advisers or with their employees) to obtain an idea of the combined effect of those charges on an average employee's pension fund in automatic enrolment schemes using various scenarios based on age, average salary and anticipated length of service.	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	ABI	Internet	Employers	2	Calculator was launched in mid-August so extent of use is unknown at this stage.
Charges Agreement	The Agreement on the Disclosure of Charges and Costs sets out a commitment of its signatories to disclose all charges and costs in a consistent way, both at outset and annually to members of workplace pensions.	The Agreement will see all pension charges disclosed to members of workplace pensions to an agreed definition at outset and annually. This enhanced disclosure will be consistent across all signatories and will be disclosed in pounds on an annual basis. A form of consistent disclosure of transaction costs is also under development.	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	ABI	Disclosure documents	Members of workplace pension schemes.	2	The signatories to the Agreement represent over 90% of the defined contribution workplace pension market.

UK (ABI): UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Money Advice Service	Statutory body set up to help public understanding of money and ability to manage money.	The MAS was set up in legislation in 2010. It evolved from the FSA's work on financial capability involving a wide range of stakeholders. A Government review recommended a separate organisation to run this service and co-ordinate a national strategy for financial capability. It has now taken responsibility for co-ordinating debt advice. Pension tools include: annuity comparison tables (real-time indicative quotes); a pension calculator; decision tools; face-to-face and telephone guidance; printed guides mandated by FCA rules (see below).	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Government and former FSA, with involvement of a wide range of stakeholders.	Mainly web, but also face-to-face, telephone and print.	General public - more information about target audience on MAS website.	All, but primarily personal pensions and occupational DC.	MAS can provide details; 1 million+ web visitors each year; extensive use of annuity tables.
Joint Industry Code of Conduct	To help employers understand the impact of charges when choosing a workplace pension scheme for their employers.	The purpose of the Code is to provide information about charges to employers in a form they can understand and to allow a more ready comparison of charges and services so that employers are able to act as well informed customers. The Code's key requirements are that all charges are clearly and accurately stated in writing to an employer before the employer makes a choice of pension scheme and a standard template summarising the services to be provided by the pension arrangement.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Association of British Insurers, National Association of Pension Funds, Investment Management Association.	Internet, direct mail.	Employers	2	Limited impact

UK (ABI): UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Enhanced disclosure of fund charges and costs	The aim of the guidance is to provide easier access to information on fund charges and costs.	In following the guidance Managers should provide a single location where entry and exit fees, on-going charges and performance fees are displayed and explained. In addition the transaction costs incurred when buying and selling underlying investments should be displayed together with explanations of how these affect investors' returns. All of this information should be made readily accessible for investors, for example, by clearly signposting it on company websites.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Investment Management Association	Disclosure documents, internet.	Consumers/ individuals	2, 3	IMA Member firms representing 95% of total retail funds under management have indicated that they are either ready and following the guidance or will be ready to follow at a future date.
Department for Work & Pensions guidance on language	To encourage clear and understandable language in communications about pensions.	The DWP and NEST, the statutory pension provider aimed at lower income earners, produced a guide using simpler language to use in pension communications. The intention was that these would be used instead of the less clear language used in legislation and by industry.	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	DWP, NEST	All	Pension providers, and ultimately general public.	Occupational and group personal pensions.	Unknown

UK (ABI): UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Providers' own activity	To engage customers and prospective customers in decisions about money.	Providers' own activity comes in two forms: (a) tools to engage customers - this is typically online and allows customers to manage their pension and understand their own situation (b) corporate social responsibility activity, generally aimed at more generic understanding of finances and engagement with saving.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Individual pension providers	Web, workplace.	Customers and prospective customers.	All, but mainly personal pensions and some occupational DC.	Individual providers would be able to say.
Statutory triggers for information and advice	To provide customers with information and advice at key life stages.	There are several examples of requirements for customers to be directed to information and advice from the Money Advice Service or the Pensions Advisory Service at key stages (this is also true in other financial markets): - as set out above, in the run-up to retirement; - on joining a pension scheme; - on divorce.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Government/ regulators/ advice services	As above.	Targeted groups of general public.	All	Unknown

UK – Department of Work and Pensions (DWP)

UK (DWP): UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET								
Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Automatic Enrolment communications and information campaign	<p>To increase awareness and acceptance of the introduction of automatic enrolment into workplace pensions, and to provide clear and consistent information for those who want it.</p> <p>To help build trust, confidence and engagement in pension saving as the norm.</p>	<p>DWP is running a high profile communications campaign involving TV, radio, billboards and press ads and digital marketing. We are also working in partnership with various media channels and brands. The marketing campaign aims to build understanding to enable individuals to accept automatic enrolment and pension saving as the norm.</p> <p>Those who might want to find out more are directed to information about workplace pensions on GOV.UK. This information service then signposts consumers to the Money Advice Service (MAS) for questions about wider money management issues, and to the Pensions Advisory Service (TPAS) for more complex pensions queries. The online information is backed by telephone services run by DWP, MAS and TPAS.</p> <p>DWP has also developed materials for employers to use in meeting their duty to tell their workers about automatic enrolment. The materials are hosted on the Pensions Regulator's website and include letter templates and FAQs. The materials signpost individuals who are being enrolled to the more detailed information available from GOV.UK, MAS and TPAS and the telephone service.</p>	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	DWP	<p>The comms campaign is via TV, Radio, billboards, press ads and digital media.</p> <p>Information is presented online (GOV.UK) with a supporting telephone line, and hard copy materials available on request.</p>	The general public, and in particular those who are furthest from pension saving (the 'daunted' and 'unprepared' audience segments)	2	Public awareness with information services freely available to all. The campaign began in January 2012 and is planned to continue throughout the rollout of automatic enrolment.

UK (DWP): UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET

Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Automatic Enrolment and Pensions Language Guide	To help build trust, confidence and engagement in pension saving by overcoming the jargon and complex language that can put people off saving.	Based on DWP research and user testing with consumers, the guide provides a set of principles for presenting pensions information, as well as simple and consistent language about workplace pensions and automatic enrolment. It builds on work done by NEST, the Pensions Regulator, the Association of British Insurers, The Pensions Advisory Service and the Money Advice Service, to help people understand pensions. The guide was first published in July 2011 and has been regularly updated and promoted to the pensions industry. DWP plans to develop the guide further to cover language about State Pensions.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	DWP	The guide is for any information, regardless of channel.	Providers of information to the public.	All	The guide is publicly available on GOV.UK and has been taken up across the pensions industry.
State Pension Statements	To provide working age consumers with an estimate of their State Pension entitlement based on their National Insurance record to date. This can be factored into their retirement planning, helping them build a picture of their overall retirement income and make decisions about their private pension arrangements.	Consumer can request a State Pension statement online from GOV.UK/state-pension-statement, or by telephoning or writing to DWP's Future Pension Centre. A State Pension statement gives an individual an estimate of the State Pension they may get under the existing scheme when they reach their State Pension age. It is based on their National Insurance record as it stands when the statement is produced. There is also general information about the State Pension on GOV.UK	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	DWP	Online, or by phone or correspondence. Majority of requests are received by phone.	All working age citizens.	All	Nationwide. DWP issues around 50,000 statements on request each month.

UK (DWP): UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET

Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Regulatory requirements for disclosure of information by private pension schemes	To require schemes to disclose certain information to their members and others (such as beneficiaries or trade unions). This helps to ensure members receive consistent information from any scheme they are part of, including personalised annual benefit statements and information about how to access pension benefits at retirement.	The UK Government regulates for the disclosure of certain information by pensions schemes. We have recently concluded a project to review and update the regulations and plan to lay a new statutory instrument in October.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input checked="" type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	DWP	The regulations allow schemes to choose the most appropriate communication channel for their members, either paper based or electronic.	The regulations impose a duty on the industry and are intended to provide consistent information to scheme members.	2	The regulations apply to all private pension schemes in the UK.
Combined Pension Statements	To provide members with an annual statement that includes both state and private pension information.	Combined Pension statements are voluntary service for employers and pension schemes to provide savers with a statement covering both state and private pension information. DWP provides the State Pension information for participating schemes to issue with their own benefit statements, offering the individual a joined up view of their personal pension situation.	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	DWP	For the scheme to decide.	Savers	1,2	Nationwide. Volumes fluctuate. Between 2 and 4m Combined Pension Statements are issued annually, depending on pension scheme/employer participation levels.

UK (DWP): UP TO 15 INITIATIVES AND TOOLS IMPORTANT IN GERMAN PENSIONS MARKET

Initiative name	Initiative Purpose	Description of initiative	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Transparency of pension scheme charges	To make employers aware of pension scheme charges and encourage them to take this into account when choosing a scheme for their workers.	<p>Last year the Minister for Pensions challenged the pensions industry to review charges in legacy schemes which they wouldn't offer to customers today. Meanwhile, in December the Pension Regulator warned employers against using "small" defined-contribution arrangements and high-charging legacy schemes for automatic enrolment, and encouraged the use of larger-scale schemes which can deliver low charges through economies of scale, and better governance.</p> <p>The Department's Default Fund Guidance, published in May 2011, made clear that default funds used for automatic enrolment should disclose a breakdown of overall charges, making clear the effect that charges will have on member outcomes.</p> <p>The ABI recently launched an agreement on the disclosure of costs and charges to members, with signatories committing to disclosing all charges and costs in a consistent way to members – to date, fourteen of the UK's biggest pension providers have signed up to the standards set out. ABI also launched a charges calculator for employers, this is hosted on the TPAS website.</p> <p>The NAPF has also led an industry-wide group to develop a Code of Practice on the transparency of charges for employers, which was published in November 2012. The code was developed jointly by pension providers and groups representing consumers, employers and employees, to help employers understand the impact of charges when choosing a pension scheme. The Code's key elements are:</p> <ul style="list-style-type: none"> • A requirement that all charges are clearly and accurately stated in writing to an employer before the employer makes a choice of pension scheme; • A standard template summarising the services to be provided by the pension arrangement; and • Provision (either directly or through access to a web-tool) of clear examples of the effect of charges on the pension pots of employees. <p>The Investment Management Association (IMA) is currently consulting on the introduction of a new Statement of Recommended Practice (SORP) for the financial statements of UK authorised funds which will include more comprehensive disclosure of fund performance and charges, and in particular transaction costs. For more detail see: http://www.investmentfunds.org.uk/policy-and-publications/sorp-2013/</p>	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	DWP	Various	Primarily employers as they are responsible for selecting the scheme they enrol their workers into. Secondary audience is members.	2	Nationally for all schemes used for automatic enrolment.

Section 3: Details of up to 10 new or envisaged initiatives and tools that will or may be introduced to your pensions market

Denmark – DIA

DENMARK: UP TO 10 NEW OR ENVISAGED INITIATIVES AND TOOLS THAT WILL OR MAY BE INTRODUCED TO YOUR PENSIONS MARKET									
Initiative name	Initiative Purpose	Description of initiative	Expected implementation date	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Projekt om alderpension (age pension project)	To aid consumers with an endowment pension in deciding whether a conversion into the new product "age pension" is a sound choice for them.	From 2013 there will no longer be an option to make deposits to an endowment pension. Consumers with an endowment pension plan are faced with the choice of what to do with arrangements for future payments and for the funds already deposited in the endowment pension. The choice is made more urgent with the temporary reduced tax rate of 2.7% on pensions converted into the new "age pension product". The reduced tax is available until the end of 2014. The initiative is made relevant by the 2013 tax reform. The Money and Pension Panel are in cooperation with the relevant stakeholders on this area working towards formulating some simple and unbiased rule-of-thumb advice on the matter.	Mid-November 2013	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Pengeog Pensionspanelet (The Money and Pension Panel)	www.raadtilpenge.dk - the website of the Money and Pension Panel and flyers in PDF which can be obtained at the website and distributed face to face or by email by financial advisors to the consumer.	Consumers with an endowment pension.	3	National breadth and time limited until end of 2014.

DENMARK: UP TO 10 NEW OR ENVISAGED INITIATIVES AND TOOLS THAT WILL OR MAY BE INTRODUCED TO YOUR PENSIONS MARKET									
Initiative name	Initiative Purpose	Description of initiative	Expected implementation date	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Project om supplerende pensionsopsparing (Supplementary pension project)	To aid consumers in the individual decision of whether a supplementary pension is a relevant choice for them, and if so, which kind of supplementary long term savings could be most beneficial for them.	<p>1. A report on supplementary savings, divided into easily understandable and operational recommendations, set within the framework of a life cycle perspective. Plus a background report documenting the recommendations.</p> <p>2. The recommendations of the report will be incorporated into a supplementary pension module on the website of the Money and Pension Panel.</p> <p>The report is being drafted by a working group under the panel, consisting of experts in pensions and personal finance.</p>	Spring 2014	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Pengeog Pensionspanelet (The Money and Pension Panel)	www.raadtilpenge.dk, the website of the Money and Pension Panel.	Consumers who are considering a supplementary savings scheme or those who are outside Pillar I or II.	3	National breadth

Germany - German Insurance Association (Gesamtverband der Deutschen Versicherungswirtschaft [GDV])

GERMANY: UP TO 10 NEW OR ENVISAGED INITIATIVES AND TOOLS THAT WILL OR MAY BE INTRODUCED TO YOUR PENSIONS MARKET									
Initiative name	Initiative Purpose	Description of initiative	Expected implementation date	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Riester-Product information document	Pre-contractual information on state subsidised pension products (so called Riester and Basic pensions).	A standardized information document that should increase comparability of product features.	2014	<input type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Legal requirement	On paper	People interested in concluding a pension contract.	3	-
Säulenübergreifende Renteninformation	Online tool that gives all Germans a complete overview of their pension entitlements	It intends to provide an easy overview and tracking of pensions.	Unknown	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Gesellschaft für Versicherungswissenschaft und –gestaltung e.V. (Society on insurance science and development).	Paper or online	All Germans	All	-

Netherlands - Money Wise Platform & Dutch Association of Insurers (Verbond van Verzekeraars)

NETHERLANDS: UP TO 10 NEW OR ENVISAGED INITIATIVES AND TOOLS THAT WILL OR MAY BE INTRODUCED TO YOUR PENSIONS MARKET									
Initiative name	Initiative Purpose	Description of initiative	Expected implementation date	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Pension law	New Pension Law – the Pension Law 2011 (see above) will be changed to incorporate (scientific) insights. A.o. the new Pension Law will include requirements w.r.t. communicating risk and inflation.	-	2015	<input type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	-	-	-	-	-
New Uniform Pension Overview	Adapt UPO (see above) to participants' needs.	The goal of this initiative is to adapt the Uniform Pension Overview to the latest scientific insights of communications and behavioural economics.	2015	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Ministry of Social Affairs	Online / paper	General Public	All	National

NETHERLANDS: UP TO 10 NEW OR ENVISAGED INITIATIVES AND TOOLS THAT WILL OR MAY BE INTRODUCED TO YOUR PENSIONS MARKET

Initiative name	Initiative Purpose	Description of initiative	Expected implementation date	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Pension 123	Provide layered pension information to participants.	The Pension123 entails a new pension strategy, aimed at improving accessibility and "meaning" of pension information.	Unknown, but initiative is currently work in progress.	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Pension register, funded by the pensions sector.	Online	Participants in pension schemes	Predominantly pillar 2	Unknown
Financial Dashboard / Pension Dashboard	Give people control over their pension (current and future).	This project is still underway. The goal is to give people oversight and insight into their current and future financial situation, and to give them potential actions that they can take.	2018 – initiative is currently a work in progress.	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Pension register, funded by the pensions sector.	Online	General Public	All	Not available yet. Aimed at a large portion of the population.

Sweden - Insurance Sweden (Svensk Försäkring)

SWEDEN: UP TO 10 NEW OR ENVISAGED INITIATIVES AND TOOLS THAT WILL OR MAY BE INTRODUCED TO YOUR PENSIONS MARKET									
Initiative name	Initiative Purpose	Description of initiative	Expected implementation date	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Rekommendation om Standard för pensions prognoser	To ensure that members of Insurance Sweden implement the Guidelines.	Recommendation regarding the initiative 4 in Section 2. The guidelines will describe how the standard should be used in web-tools constructed specifically to give pension forecasts.	Will come into force on 1 January 2014.	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Insurance Sweden	Internet	Members of Insurance Sweden	All	Members of Insurance Sweden represent more than 90 % of the Swedish life insurance market.
Svensk Standard för Pensions-termer	To develop initiative 2 in Section 2 (Pensionsorden) into a Swedish Standard and thereby strengthen the standardizing effect on the terminology used.	The work is carried out within the Swedish Standards Institute which is a member-based, non-profit association specialized in national and international standards. A more consumer-friendly version of the glossary will also be produced within SIS.	January 2014	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Insurance Sweden and Swedish Pensions Agency	Internet	Pension providers	All	Members of Insurance Sweden represent more than 90% of the Swedish life insurance market.

SWEDEN: UP TO 10 NEW OR ENVISAGED INITIATIVES AND TOOLS THAT WILL OR MAY BE INTRODUCED TO YOUR PENSIONS MARKET

Initiative name	Initiative Purpose	Description of initiative	Expected implementation date	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Pensions-labbet	To further strengthen the transparency of pension products.	Web-based comparison tool which goes into detail in such factors as financial strength, survivor protection and historic performance.	First step finished 2013/2014	<input checked="" type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	The Swedish Consumers' Insurance bureau	Internet	Individuals/ consumers	2,3	-
Key ratios on yield and costs	To make comparisons of life insurance companies easier.	The initiative aims to develop key ratios showing "effective yield" and "effective costs".	2014/2015	<input type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	Insurance Sweden	Internet	Insurance companies, with the final target group being journalists. When the ratios have been established on the market the consumers may benefit from the new ratios.	2, 3	To be published in Insurance Sweden's statistics

UK – Association of British Insurers (ABI)

UK (ABI): UP TO 10 NEW OR ENVISAGED INITIATIVES AND TOOLS THAT WILL OR MAY BE INTRODUCED TO YOUR PENSIONS MARKET									
Initiative name	Initiative Purpose	Description of initiative	Expected implementation date	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
FCA - transparency	Transparency to change customer or firm behaviour.	The Financial Conduct Authority issued a Discussion Paper on its approach to transparency. It included a section on information they could require firms to publish. Annuities were mentioned in this context but it did not state what information would be required. See also (1) - Annuity window in the other section.	Decision in May 2014	<input type="checkbox"/> General awareness <input type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	FCA	Unknown - probably web	Firms and customers	Personal pensions and occupational DC at retirement.	Unknown
Directory of intermediaries	To make shopping around easier by providing a directory of intermediaries.	A directory of intermediaries (advisers and brokers offering non-advised processes) who can help shop around at retirement. The intention is that this directory will be signposted by MAS (see 5) and ABI members' pre-retirement communications (see 2).	October 2013	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input checked="" type="checkbox"/> Detailed information on available products <input checked="" type="checkbox"/> Management of pensions	PICA - smaller trade body	Web	Customers at retirement	Personal pensions and occupational DC at retirement.	Unknown

UK (ABI): UP TO 10 NEW OR ENVISAGED INITIATIVES AND TOOLS THAT WILL OR MAY BE INTRODUCED TO YOUR PENSIONS MARKET									
Initiative name	Initiative Purpose	Description of initiative	Expected implementation date	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Single tier State Pension.	To make State Pension provision clear and simple and a foundation for private saving.	Making the State Pension a single tier - removing the existing complex earnings-related and means-tested components. Communicating with everyone with a State Pension entitlement in 2016 to make clear their current position and how to build on it.	April 2016	<input checked="" type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	Government	Unknown	All public with State Pension entitlement.	1	Unknown

UK – Department of Work and Pensions (DWP)

UK (DWP): UP TO 10 NEW OR ENVISAGED INITIATIVES AND TOOLS THAT WILL OR MAY BE INTRODUCED TO YOUR PENSIONS MARKET									
Initiative name	Initiative Purpose	Description of initiative	Expected implementation date	Information type provided by initiative	Owner/ Driver of initiative	Channel used to communicate information	Target audience of initiative	Pension Pillars to which initiative is relevant	Use and breadth of initiative
Best practice for communication and disclosure of information by private pension schemes	<p>To encourage pension providers to produce clear and consistent communications that are designed to engage their members as well as meeting the requirements of the disclosure regulations.</p> <p>To help build trust, confidence and engagement in pension saving.</p>	Working with industry and regulators to build on existing best practice, DWP is considering what further guidance might be helpful to schemes in designing their communications for members.	Not known	<input type="checkbox"/> General awareness <input checked="" type="checkbox"/> Understanding of personal situation <input type="checkbox"/> High level product type information <input type="checkbox"/> Detailed information on available products <input type="checkbox"/> Management of pensions	DWP in partnership with regulators and industry.	TBC	Pension providers in the first instance, but ultimately consumers.	All	TBC but will be nationwide

Section 4: Any other comments

- Demark (DIA): No comment
- Germany (German Insurance Association): No comment
- The Netherlands (Money Wise Platform and Dutch Association of Insurers): No comment
- Sweden (Insurance Sweden):

*“Insurance Sweden has published a report on consumer information. The report (only in Swedish) can be found on our website:
http://www.svenskforsakring.se/Global/Rapporter/Konsument%202013/SF_rapport_konsument_webb.pdf?epslanguage=sv”*

- UK (ABI): No comment
- UK (DWP): No comment

Appendix E: Examples of Financial Literacy Initiatives in Selected Countries

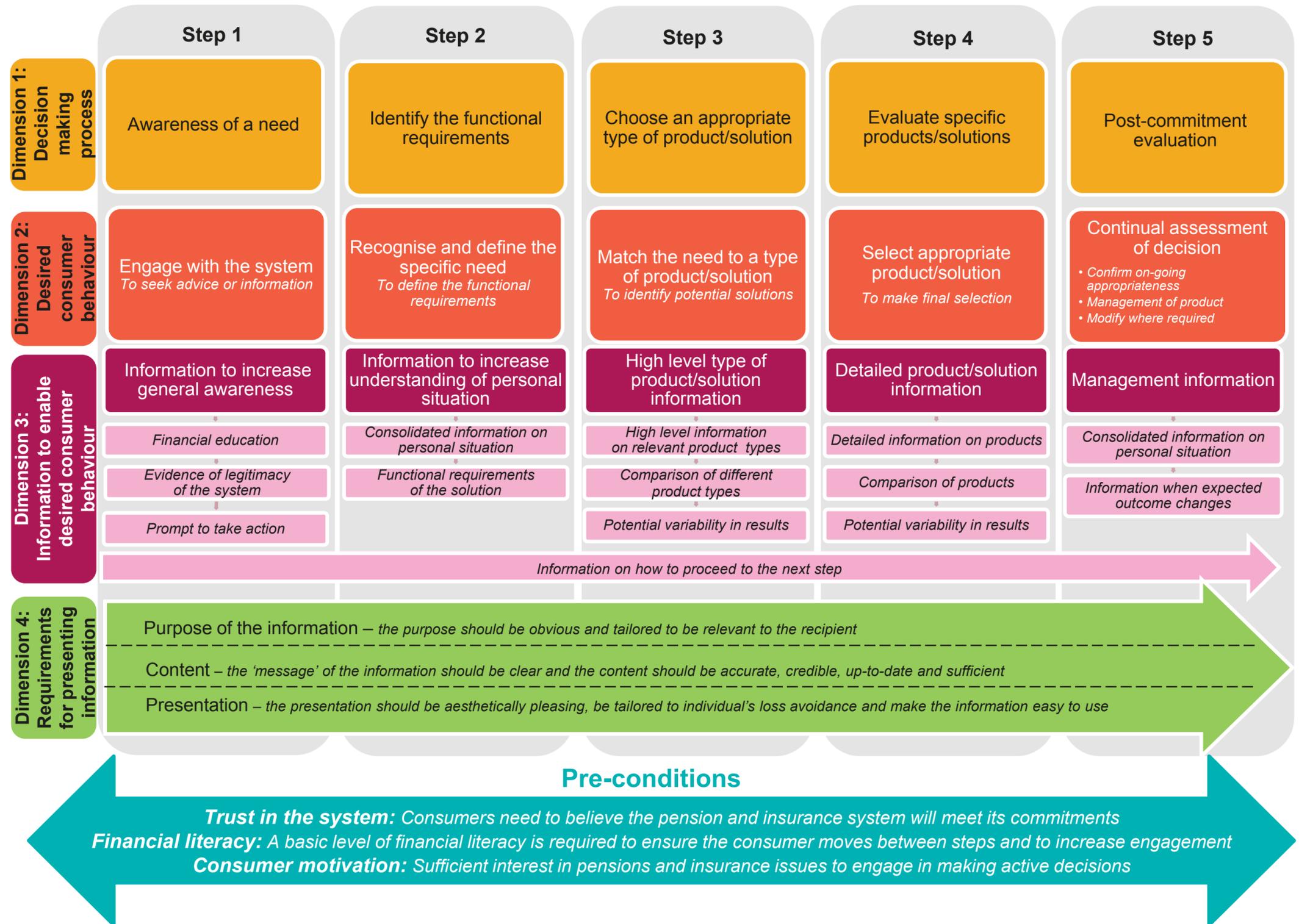
Table E.1: Examples of financial literacy initiatives in selected countries⁴⁷

Country	Initiative name	Description of initiative	Owner / Driver of Initiative
Germany	Safety 1st	An initiative providing teaching material and a website focussed on increasing financial literacy and enabling young people to plan their social security.	The GDV in cooperation with Foundation Jugend & Bildung
Germany	My Finance Coach	An initiative providing teaching materials and partners for lessons at schools. Teachers attend preparatory lessons to increase their own knowledge and pedagogical skills on financial literacy.	Foundation my finance scout
The Netherlands	Pensions3day	A day during which pension providers, financial advisors, the government and employers help consumers to get insight into their pension situation.	The Ministry of Finance
Sweden	Ekonomismart	An initiative aimed at providing an educational programme at unemployed young adults.	Various government bodies
Sweden	Koll pa cashen	An initiative providing educational material such as a DVD and a web game to be used by teachers.	Various government bodies
Sweden	SFI-ekonomi	An initiative providing educational material for teachers to use. This initiative can be part of the municipalities' educational program for immigrants (SFI).	Financial Supervisory Authority

⁴⁷ Note that these are as outlined in the questionnaire responses and therefore not necessarily representative of all financial initiatives in each country.

Country	Initiative name	Description of initiative	Owner / Driver of Initiative
Sweden	Trygga din ekonomiska framtid	Financial literacy training for school teachers and others.	Various government bodies
Sweden	Freebook	A free book that is provided for free to educate upper secondary school pupils on financial literacy.	Commercial body but sponsored by authorities
The UK	The Money Advice Service	A statutory body with a website which provides various pension tools such as annuity comparison tables, a pension calculator, decision tools, face-to-face and telephone guidance and printed guides which were mandated by FCA rules.	The government and former FSA, with involvement of a wide range of stakeholders.
Denmark	Penge-og Pensionspanelet (The Money and Pensions Panel)	A statutory body whose members are representatives from financial and consumer organisations and are politically appointed. The main aims are to publish objective consumer information, to carry out consumer market impact studies and to carry out consumer affairs studies to gain a better understanding of consumer behavior.	The Ministry of Business and Growth

Consumer needs framework



The Consumer Needs Framework

