

Comment

of the German Insurance Association (GDV)

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on the EIOPA consultation on Good Practices on Communication Tools and Channels for communicating to occupational pension scheme members

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Executive summary and general comments

The GDV welcomes EIOPA's work on identifying good practices in communication tools and channels for communicating to occupational pension scheme members.

In our opinion, it is particularly important to make sure that all citizens of working age are provided with appropriate information on what their future pension entitlements and survivor's benefits are likely to be. Enhanced and timely information can play an important role in encouraging people to save more for their old age and make the arrangements that best meet their particular circumstances. This applies not only to occupational pensions but also to public pension systems and personal pension products. In countries with multi-pillar pension systems people would greatly benefit from an integrated cross-pillar approach which can be achieved through online tracking tools. The German insurers believe that such projects require a political will of all stakeholders and pragmatic solutions for implementation which are not burdensome for small and medium size employers, IORPs and insurers. Finally, a solid legal basis is required with respect to the data protection issues to ensure a successful implementation of online portals and legal certainty for providers.

The German insurers support the multi-channel communication approach. We believe that there should be flexibilities in communication methods with members and beneficiaries. For example, it should be clarified by law that providers are allowed to communicate with consumers through electronic means only (email, website) if agreed to by the beneficiary. Under the current legal framework, a paper-free communication is either not possible or there are legal uncertainties due to unclear provisions.

Furthermore, it is important that relevant key information is communicated to members and beneficiaries in a first layer. In their further work on information provision to new and active members and beneficiaries, EIOPA should thoroughly assess which information new and active members and beneficiaries require for understanding the value of their future benefits:

The GDV believes that particularly the true risk profiles should be made transparent to new members, members and beneficiaries:

- the share of risk borne by an IORP itself compared to the risk borne by the sponsoring undertaking or members and beneficiaries,
- existence or non-existence of a system that protects the pension benefits in case of the insolvency of either an IORP or the sponsoring undertaking, depending on who bears the risks,
- the right to impose additional contributions on the employers and/or benefit reduction mechanisms inherent to IORPs.

We would like to point out that there is a range of DB schemes, for which the traditional definition of final salary DB schemes does not fit. Some of them provide conditional guarantees and IORPs can reduce benefits. Even if in some cases employers are liable for the difference between promised and paid benefits, those employees are not always protected through a pension protection scheme. Therefore, if the employer becomes insolvent, members will see their benefits reduced. On the other hand, if past employees continue paying into the pension scheme after a change of employer, the previous employer is not liable anymore. Thus, it should be clearly communicated to new and active members and beneficiaries whether the promised benefits are subject to IORP's discretion to reduce the benefits or not.

The German insurers agree with EIOPA that the Good Practices should be neither exhaustive nor universal. Individual Good Practices may not be applicable in certain Member States or may not be applicable to certain schemes. The German insurers agree with EIOPA that the Good Practices should be neither exhaustive nor universal. Individual Good Practices may not be applicable in certain Member States or may not be applicable to certain schemes. We agree with EIOPA that these good practices should be neither binding on any party nor subject to the "comply or explain" mechanism.

Comments on Good Practices

Good Practice 3

Regarding the data protection perspective, it is important that unauthorised third parties do not have access to information on human resources matters unless it is relevant for and has influence on the employee's pension entitlements and which would be communicated to members anyway (such as bonuses or additional entitlements). For example, information on other employment related issues such as warnings of the employer or examination results by the company doctor should not be shared with IORPs or other third parties.

Good Practice 4

It is important that members can assess whether they save enough for their retirement. However, a proportionate approach is needed to ensure that such calculators can be implemented in a non-burdensome and cost-efficient way in addition to on-going information members and beneficiaries receive on a yearly basis. This is in particular important for small and medium size providers. Professional and business associations like the GDV also provide such calculators online. Pension schemes could simply link to such external calculators provided they are of good quality.

Good Practice 5

In our opinion, it is particularly important to make sure that all citizens of working age are provided with appropriate information on what their future pension entitlements and survivor's benefits are likely to be. Enhanced and timely information can play an important role in encouraging people to save more for their old age and make the arrangements that best meet their particular circumstances. This applies not only to occupational pensions but also to public pension systems and personal pension products. In countries with multi-pillar pension systems people would greatly benefit from an integrated cross-pillar approach which can be achieved through online tracking tools. The German insurers believe that such projects require a political will of all stakeholders and pragmatic solutions for implementation which are not burdensome for small and medium size employers, IORPs and insurers. Finally, a solid legal basis is required with respect to the data protection issues to ensure a successful implementation of online portals and legal certainty for providers.

Good Practice 6

It is not clear how IORPs and insurers that provide occupational pensions can ensure whether the information every single member receives is understood in a right way. Therefore, it is more appropriate and less burdensome to already assess the comprehensibility of information in the drafting phase of pension statements. Often, linguists and marketing experts are

involved in the drafting of information provided to ensure its comprehensibility and user-friendliness. In any case, a proportionate generalised approach is necessary: It is not feasible to assess whether every single member has fully understood the information provided to him.

Good Practice 7

The German insurers support the multi-channel communication approach. We believe that there should be flexibilities in communication methods with members and beneficiaries. For example, it should be clarified by law that providers are allowed to communicate with consumers through electronic means only (email, website) if agreed to by the beneficiary. Under the current legal framework, a paper-free communication is either not possible or there are legal uncertainties due to unclear provisions.

Answers to the Questions

Question 1 to stakeholders

The German insurers agree with EIOPA that the Good Practices should be neither exhaustive nor universal. Individual Good Practices may not be applicable in certain Member States or may not be applicable to certain schemes. We agree with EIOPA that these good practices should be neither binding on any party nor subject to the “comply or explain” mechanism.

We agree that communication tools/channels used by IORPs and insurers providing occupational pensions should be effective at engaging scheme members. The German insurers welcome that EIOPA does not wish to promote one specific communication tool or channel at the expense of other possibilities. We agree that a multi-channel communication strategy which combines several different communication tools and channels is an effective way to reach different types of scheme members with different habits and preferences.

Good communication would encourage people to save more for their old age and make the arrangements that best meet their particular circumstances. However, it should be taken into account that sound legal provisions are necessary that

- enable paper-free communication by electronic means (such as email and websites),
- ensure respective data protection rules enable effective communication with members.

Such measures would also enhance cost-effectiveness of communication with members and beneficiaries.

Question 2 to stakeholders

The approach should be proportionate and not too burdensome for small and medium size employers, IORPs and insurers.

Question 3 to stakeholders

In general, the GDV welcomes EIOPA's work in identifying good practices in communication tools and channels for communicating to occupational pension scheme members. As regards the seven good practices, we would like to refer to the respective response fields.

Question 4 to stakeholders

Good practice 4: It is important that members can assess whether they save enough for their retirement. However, a proportionate approach is needed to ensure that such calculators can be implemented in a non-burdensome and cost-efficient way in addition to on-going information members and beneficiaries receive on a yearly basis. This is in particular important for small and medium size providers. Professional and business associations like the GDV also provide such calculators online. Pension schemes could simply link to such external calculators provided they are of good quality.

Good practice 5: Tracking services are most valuable for citizens if the services work at a large scale and include as many providers as possible. However, a balance between user friendliness and pragmatic technical requirements for the participating providers is needed. If the implementation becomes too burdensome, small providers could be discouraged to participate.

Question 5 to stakeholders

Good practice 6: It is not clear how IORPs and insurers that provide occupational pensions can ensure whether the information every single member receives is understood in a right way. Therefore, it is more appropriate and less burdensome to already assess the comprehensibility of information in the drafting phase of pension statements. Often, linguists and marketing experts are involved in the drafting of information provided to ensure its comprehensibility and user-friendliness. In any case, a proportionate generalised approach is necessary: It is not feasible to assess whether every single member has fully understood the information provided to him.

Question 6 to stakeholders

The number and nature of inquiries is usually evaluated systematically through the service divisions of IORPs and insurers providing occupational pensions, in particular after mailing and information campaigns. The eval-

uation is conducted through the so-called customer relation tools, which can be used to record the previous contact history.

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