The Financial Crisis, Pensions and Financial Education

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National Pension Communication Campaigns (NPCC)

- Pension reforms in most OECD countries – driven by ageing populations and fiscal pressure
- Pensions are a complex and emotive subject – with financial literacy levels challenging individuals’ ability to manage DC accounts
- NPCCs used by governments to build consensus about reform; raise awareness; build trust; help individuals understand change; and ultimately to influence individual behaviour
NPCCs

Main NPPC:
- NPCCs linked to systemic pension reform: introduction of a mandatory or quasi-compulsory funded DC plan
- NPCCs with on-going objectives: e.g. promoting coverage, encouraging additional savings, improving knowledge about pension plan and products (usually part of broader financial education initiatives)

Monitoring and Evaluation:
- Pre-campaign research (awareness, target audience), evaluation toolkit (quantitative and qualitative)
- Only a few countries implemented comprehensive monitoring and evaluation, including pre-campaign research
- Most popular type of monitoring was website hits and call centre contacts
National Awareness Campaign-Ireland

Face up to your financial future
Campaign implementation: lessons

- Need for clear and measurable objectives
- Dedicate adequate budget
- Focus communication on target groups
- Avoid confusion between government information and provider marketing
- Multi-stage campaigns to focus message
- Harness the power of the press
- Use innovative communication channels - outreach
The Financial Crisis, Pensions and Financial Education

The financial and economic crisis of recent years tested confidence in financial institutions – including pensions.
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- This highlights the importance of rebuilding confidence in pension systems - a job which often falls to pension supervisors

- Hence many pension supervisory authorities launched campaigns around the time of the financial crisis to explain that pension investments are long-term

- For example – Israel/ Turkey / Chile campaigns
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Lessons learnt from these financial crisis related campaigns include:

– Pension supervisory authorities have an important role to play in maintaining / rebuilding trust in the pension systems which they oversee;

– Pension supervisory authorities can use periods such as the financial crisis, when they have the attention of pension fund members and the public at large, to strengthen / build on existing communication and education campaigns – ‘don’t waste the opportunity of a good crisis’;

– Messages should be kept simple/ entertaining / rooted in everyday experience - with as many media channels as possible used and should be adapted to the audience preferences and level of financial literacy.
As DC plans increase in importance – so do pension statements as these are the primary means of communication between plan providers/governments and members.

Most providers – including the government – assume that the average member has a low level of financial literacy and acknowledge that the statement should be brief, clear and simple.

However, beyond the basic accounting information there is little consensus as to what other information should be provided and presented.

Communicating the risk inherent in DC plans is particularly challenging.
Pension Statements

● In Sweden an ‘Orange Envelope’ is sent annually to everyone covered by the country’s national pension system.
● This contains information on how their DC account has changed over the year and also projections for their future pension income.
● Though the statement is being read by the majority of recipients, there has been debate that it needs to be made easier to understand.
Pension Statements – Lessons Learnt

• Statement providers should set clear and measurable objectives and introduce thorough evaluation processes.

• Statements should be much more than a passive document that delivers information – should also aim to engage the member and encourage actions to improve retirement income adequacy. In particular it should focus on demonstrating the potential impact of increased contributions and the postponement of retirement.

• Much more work needs to be done on the best way to present projections that are meaningful and that also prompt members to take appropriate action.

• The value of pension information to the individual is significantly diminished if information only relates to a single plan. Therefore there is an urgent need for combined pension statements that take account of the all sources of pensions, including state (public) systems.