Improving pension information and communication

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IMPROVING PENSION INFORMATION AND COMMUNICATION: OECD SURVEY AND LESSONS LEARNT
Governments’ attention is increasing around the world on the critical need to empower consumers through appropriate financial information and education. This holds especially in the field of pensions, where recent reforms are expected to lead to a growing role for private pensions, and in particular defined contribution (DC) fully-funded arrangements. In DC plans risks are borne directly by the individual, who is required to make a variety of complex financial decisions (how much to save, in which funds, which retirement income product to choose, which payout solution to select, etc.).

To address these demands, the OECD launched its financial education project in 2002, developing policy analysis and recommendations on principles and good practices for financial education and awareness including a focus on specific sectors such as credit, insurance and private pensions.

Building on this experience, the OECD established in 2008 the International Network on Financial Education (INFE) which facilitates information sharing, research and the development of policy instruments and analytical tools. More than 240 public institutions from 107 countries are members of the INFE and collaborate in the development of data, comparative analysis and global policy instruments in a consistent and systematic way.

Under the support of the Russia/WB/OECD Trust Fund for Financial Literacy and Education, the OECD has led the development and worldwide dissemination of the following three main types of products and tools:

- Broad and detailed reviews and inventories of effective financial education activities and policies worldwide, thanks to the wide membership and involvement of the OECD/INFE.
- Policy, analytical and comparative reports and research highlighting good practices and detailed case studies on financial education and literacy across member countries.
- Criteria, standards, principles and guidelines as well as practical tools to facilitate and improve strategic financial education efforts.

Building on earlier work developed by the OECD and its INFE on financial education and pensions, this book explores the issues faced by policy makers in ensuring that people are adequately informed about changes in the pension system. In particular, it analyses two public communication challenges in pension policy, namely National Pensions Communication Campaigns related to pension reforms, and the annual pension statement sent to members of funded DC pension schemes.
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EXECUTIVE SUMMARY

Pension reform remains high on the policy agenda of many countries around the world. Ageing populations and fiscal pressures have led governments to reform their pension systems substantially. Most of these reforms are expected to lead to a growing role for private pensions, and in particular defined contribution (DC) fully-funded arrangements, where risks are borne directly by the individual. In DC plans the individual bears increased risk and is required to make a variety of complex financial decisions (how much to save, in which funds, which retirement income product to choose, etc).

As a result, policy makers face a major public policy challenge to ensure that people are adequately informed about changes in the pension system, the impact of those changes on their pension benefits, and the options they face to improve their financial well-being in retirement.

There are various challenges for any communication initiative in the area of pensions: the lack of interest in the topic for a large part of the population (especially the young), the perceived or actual complexity of the topic, and the low level of financial awareness and literacy of consumers, especially among the more vulnerable groups. Good communication and effective information disclosure are therefore essential to ensure the success of pension reforms in general, and of DC systems in particular.

The OECD and its networks have analysed the public communication challenges in relation to two related areas of pension policy: I) National Pensions Communication Campaigns related to pension reforms (possibly involving the introduction and refinement of DC systems); and II) annual pension statement sent to members of funded DC pension schemes.

Chapter 1 analyses the development and implementation of National Pension Communication Campaigns (NPCCs) in a range of OECD and non-OECD countries, including the pre-campaign planning, the design, the delivery, and the monitoring and evaluation. This research builds upon a stock take conducted among members of the International Network on Financial Education (INFE) to assess the needs and gaps in relation to pension communication issues. The analysis identifies barriers to effective communications and highlighting models of good practice in order to help organisers design campaigns that are more effective in terms of impact and more efficient in the way they use resources.

Chapter 2 deals with another crucial issue in pension communication, that is the design of the annual pension statement sent to members of funded defined contribution (DC) pension schemes in a selection of OECD and non-OECD countries. This research identifies the potential shortcomings in statement planning and design processes, considers potential barriers in communications to members, and highlights trends and models of good practice in these critical areas. Based on this analysis, the chapter aims at developing recommended guidelines for organisers, so that the statement can be developed as an effective (impact) and efficient (cost-benefit analysis, value for money) medium to deliver essential member information and to encourage appropriate member actions.
Chapter 1

LESSONS FROM NATIONAL PENSIONS COMMUNICATIONS CAMPAIGNS

by

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The present report focuses on the pre-campaign planning, the design, the delivery, and the monitoring and evaluation of National Pension Communication Campaigns in a range of OECD and non-OECD countries. The research identifies barriers to effective communications and highlights models of good practice in order to help organisers design campaigns that are more effective in terms of impact and more efficient in the way they use resources. In particular, the report argues that the success of campaign organisers will depend on their ability to set realistic and measurable goals that can be delivered in a timely, cost-effective and innovative manner to achieve maximum impact. The report also calls for better evaluation of campaigns and more targeted communication that delivers clearer messages.

Introduction

Pension reform remains high on the policy agenda of many countries around the world. Ageing populations and fiscal pressures have led governments to reform their pension systems substantially, raising retirement ages and adjusting pension promises. Most of these reforms are expected to lead to a growing role for private pensions, and in particular defined contribution (DC) fully-funded arrangements, where risks are borne directly by the individual.

Some countries – primarily in Latin America and Central and Eastern Europe – have carried out what are described as systemic pension reforms, which have involved a reduction in public pension benefits and a transfer of part of the social security contributions to the new DC system. Major reforms are also taking place in several Western European markets, while systems introduced earlier are under review and are being refined in the light of experience of member behaviour and in response to increasing pressures on state pension systems and concern about the adequacy of private provision.

At the same time, in the older and more developed pensions markets, there is a marked trend among private sector employers to close defined benefit (DB) schemes for future cohorts of workers. The overall result is that in a growing number of countries the success of funded DC systems will be the determining factor in the adequacy and sustainability of old-age incomes for future retirees.

Despite the importance of these changes and the long-history of reform, pensions remain a particularly complex and emotive subject for consumers. Moreover, financial literacy levels remain generally low, which undermines the ability of individuals to manage their DC accounts. As a result, policymakers face a major public policy challenge to ensure that people are adequately informed about changes in the pension system, the impact of those changes on their pension benefits, and the options they face to improve their financial well-being in retirement.

As reflected in the OECD Recommendation on ‘Recommendations on Good Practices for Financial Education Relating to Private Pensions’2, launched in 2008, communication campaigns should be developed to “explain public policy clearly (particularly where mandatory savings are involved), including pension reform, the pension environment, increased individual responsibility, and demographic changes that require individuals to save more. This will help to maintain confidence and transparency in the pension system and thereby encourage individual saving for retirement”. Communication campaigns also need to be complemented by financial education initiatives, which are aimed more specifically at raising financial literacy levels among the general population, including school programmes designed to prepare future cohorts of workers for the pension system.

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1 In 2003, the OECD launched an international programme on financial education, under the aegis of the OECD Committee on Financial Markets and the OECD Insurance and Private Pensions Committee. One of the first milestones of the programme was the adoption of the “Recommendation on Principles and Good Practices for Financial Education and Awareness” by the OECD Council (OECD, 2005), available at www.oecd.org. The OECD defines financial education as the process by which financial consumers/investors improve their understanding of financial products and concepts; and through information, instruction and/or objective advice develop the skills and confidence to become more aware of financial risks and opportunities to make informed choices, to know where to go for help, and take other effective actions to improve their financial well-being and protection.

Effective, broad-based communication campaigns — named National Pension Communication Campaigns (NPCCs) in this report — are critical to ensure the success of pension reforms, especially those involving the introduction of DC systems. NPCCs can have a wide range of purposes, including building political and social consensus for the reform, increasing trust and confidence in the new pension system, and helping individuals understand changes in the pension system and their implications, enabling them to take appropriate actions. NPCCs can also be used on an ongoing basis, for example, to raise awareness about the need to save for retirement, to encourage active consumer engagement with their pensions and also to respond to market conditions that might undermine the individual’s confidence in DC, such as the recent financial crisis. Such campaigns have been a dominant feature of the major systemic pension reforms that began in the late twentieth-century and are regarded as essential by organisers of the reforms taking place today.

NPCCs are usually designed and delivered by a government department or agency, often in collaboration with key stakeholders, such as regulators, private providers, and employers and unions. The design of the NPCC depends on its goals and target audience. The objectives of each NPCC reflect the relevant stage of reform reached, for example advance announcement, phased implementation and post-implementation changes. NPCCs can be largely informative (e.g. setting out the individual’s rights, responsibilities and choices), they may seek to change individual views (e.g. support a pension reform) or they may be aimed at changing individual behaviour and engagement (e.g. to increase contributions to pension plans).

There are three main challenges for any communication initiative in the area of pensions: the lack of interest in the topic for a large part of the population (especially the young), the perceived or actual complexity of the topic, and the low level of financial awareness, literacy, capability and responsibility of consumers, especially among the more vulnerable groups.³

This report analyses and evaluates the objectives, the design, the monitoring and evaluation processes, and the communication channels used by NPCCs in selected OECD and non-OECD countries. The report aims to identify examples of good practice and to draw attention to experience that, with hindsight, reveals flaws in planning and strategy. The objective is to help campaign organisers to plan campaigns carefully, to set goals that are realistic and well-targeted, and which produce outcomes that can be measured and evaluated in a meaningful way. Clearly, a significant influence on the potential success of the campaign is the organiser’s knowledge and understanding of the target audience and awareness of the communication requirements of different population categories, according to demographic and/or behavioural characteristics.

The survey conducted for this research identifies three basic national funded DC models which can also be used to group NPCCs: voluntary, auto-enrolment, and mandatory systems. Auto-enrolment emerges from behavioural economic studies and its success relies to a considerable extent on inertia to maintain the membership of employees automatically enrolled by their employers in the system. The employee’s right to opt-out is the feature that distinguishes auto-enrolment from full compulsion.

Beyond NPCCs, good communication and effective information disclosure to plan members is essential in DC plans.⁴ In general, the individual bears increased risk in these plans and is required to

⁴ The role of the supervisor in providing comparative DC information to plan members is described in IOPS (2011).
make a variety of complex financial decisions (how much to save, in which funds, which retirement income product to choose, etc). In addition, governments are increasingly recognising that NPCCs, disclosure rules and other consumer protection policies need to be supported by a financial literacy campaign that educates the public about all applicable sources of retirement income and other essential financial matters, such as debt, savings and insurance. Important trends in recent years, reflected in the NPCCs examined in this report, include the closer coordination between NPCCs and on-going financial literacy programmes for the population as a whole, as well as financial knowledge courses in schools and other education establishments.

This new report develops previous OECD work on campaigns that have been launched in OECD and selected non-OECD countries. The starting point for this assessment is the OECD Recommendation on Principles and Good Practices for Financial Education and Awareness, approved in 2005 and the OECD Recommendation on Good Practices for Financial Education relating to Private Pensions, approved in 2008.

The research for this report was based on surveys completed in 2010-11 by 21 members of the International Network on Financial Education (INFE)\(^5\) as well as an earlier report on the subject prepared for the OECD-IOPS Global Forum on Private Pensions, held in Kenya in 2008 [DAF/AS/PEN/WD(2009)12].\(^6\) The analysis, therefore, is based on details provided by the NPCC organisers and does not incorporate independent verification of the facts. The analysis was further informed by the work of the OECD Working Party on Private Pensions and the International Network on Financial Education.

The report is organised as follows. Section II discusses general aspects of NPCCs, such as their main goals, their organisation and communication techniques. Section III explores the practical aspects of campaign evaluation. It also provides a summary of the techniques actually used by survey participants. Section IV looks at the organisation and implementation of campaigns, drawing on the experience of the surveyed countries. Section V provides some policy recommendations and the last section concludes. At the end of the report there are three annexes. Annex 1 contains a checklist that can be used in the design, implementation and evaluation of NPCCs. Annex 2 contains a summary of the main features of the campaigns reviewed in the report. Annex 3 contains a country-by-country description of NPCCs.

1. **General Aspects of Communication Campaigns**

All of the NPCCs analysed for this report can be described as national in their scope but their objectives and structure vary considerably, as is demonstrated in the summary table in Annex 2 and in the selected case studies in Annex 3.

1.1 **Campaign objectives**

The most important aspect of any NPCC is its goals. These are set by the government, the pension supervisor or other public agency, possibly in consultation with other stakeholders, and may include one or more of the following aims:

- Building *consensus* among the general public about the need for reform;

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\(^5\) The original INFE questionnaire is included in the Appendix.

\(^6\) IOPS is the International Organisation of Pension Supervisors, an independent international body representing those involved in the supervision of private pension arrangements ([www.iopsweb.org/pages/0,2987,en_35030657_35030263_1_1_1_1_1,00.html](http://www.iopsweb.org/pages/0,2987,en_35030657_35030263_1_1_1_1_1,00.html)).
• Raising **public awareness** about changes in pension systems, the choices faced by individuals and the potential implications for retirement income security;

• Strengthening **public trust** and confidence in the institutions in charge of pension reform and retirement income provision;

• Improving individuals' **understanding and knowledge** about a pension reform or the operation of a pension system to facilitate their decision-making over both one-off decisions (such as whether to stay in the old pension system or move to the one) and recurrent ones (such as the choice of pension provider and investments);

• Influencing **individual behaviour**, such as encouraging workers to move from the old to a new pension system, to remain in an auto-enrolled pension plan, to establish a regular savings habit, to increase contributions, or to delay the retirement age.

Communication campaigns may be stand-alone, or they may form part of a broader national financial education programme designed explicitly to improve levels of financial literacy.

1.2 **Main characteristics of campaigns**

**Pension systems covered:** The campaign may communicate details about the pension system as whole (for example in relation to an increase in retirement ages) or a specific part, such as the state (public) system or a new funded DC system. The main models of DC pension systems covered by the campaigns examined in this report are mandatory, auto-enrolment and / or voluntary (many mandatory and auto-enrolment systems also have a voluntary section to enable members to top up their pensions).

**Target audience:** An important feature of more recent campaigns is the targeting of specific audiences. The decision to organise a focused campaign might reflect the fact that the pension reform only affects an easily identifiable section of the population, or it might be the case that the organisers have made a conscious decision to divide the target population into specific categories in order to ensure communication is appropriate. Such an approach also facilitates monitoring and evaluation, as is discussed in the next section.

Depending on the stage of reform, the campaign might also focus on particular groups, such as young people about to enter the workforce, older employees approaching retirement, and the more vulnerable sections of the labour market, for example lower earners, employees in industries associated with low levels of financial literacy, women (who in most countries have lower levels of pension provision than men), immigrants, ethnic minorities and indigenous peoples. Employers also form an important target for certain NPCCs, where the reform introduces the opportunity or requirement for workplace pension schemes.

**Campaign organiser:** Typically this will be the appropriate government department, its agency, and/or the pension supervisor. In some cases the organiser is the national bank.

**Key stakeholders:** In a funded DC system supervisors work closely with regulators and, where applicable, the national scheme. Such systems usually rely on private providers to administer plans, to provide the investment funds, and to provide draw-down products, such as annuities. Therefore, private providers, or their industry representatives, also represent key stakeholders, which can help disseminate
information and help raise awareness and levels of knowledge. In addition, the NPCC organiser is likely to work closely with employers, trade unions, consumer representatives, and academics, among others.

One of the issues such collaboration raises and which needs to be addressed at the outset of the campaign is the potential confusion, on the part of consumers, between the government NPCC and the advertising, marketing and sales activities of private providers. This confusion can also make the evaluation of monitored results more complicated.

**Campaign time frame:** The campaign might take place over a specific period or it might be on-going. In the latter case the organiser might increase communications at specific times, for example in response to a financial crisis, when it might be felt necessary to reassure members of a funded DC system that over the longer-term their pension fund is likely to make up for any temporary investment losses.

**Budget:** The source of funding for the campaign varies. In most cases this is a government / public authority but there might also be an element of external funding, for example under a voluntary DC system where private providers contribute or fund the entire campaign, on the basis that they will benefit from the increased business.

**Distribution channels:** The range is extensive and the following examples are not exhaustive:

- **Website:** This is a central distribution channel for information for the target audience, which typically is the working population but might also include schools and colleges, and retirees. The site might be a section on the supervisor’s website or there might be a dedicated website for the new system. In some cases the website will be the result of collaboration between the supervisor and private providers. The site communicates information and might also encourage member engagement through the provision of a pension calculator, among other features.

- **The internet:** Apart from the central website, information can be disseminated through search engines and banners on popular consumer sites.

- **Slogan:** The use of a campaign slogan on the part of all stakeholders will help the audience identify with the government’s messages (but might also cause confusion between generic government information and private providers’ promotions).

- **Printed material:** This includes leaflets, guides, and wall posters, for example

- **The media:** An essential resource, this includes a diverse range of channels, for example television, radio, newspapers / journals (independent articles, placed articles and advertorials), and press releases.

- Billboard advertising

- Public transport

- **Public places:** Libraries and citizens’ advice bureaux, among others.

- **Social media:** Twitter and Facebook, for example.
• Mobile phones: A more recent addition and considered useful during holiday periods and also to reach younger people.

Outreach: Although usually included in ‘distribution channels,’ this can be regarded as a related but different category because it involves direct engagement, often face-to-face, with the target audience. Examples include:

• Workplace events
• Public seminars
• Workshops
• Road shows

Schools: University/school events and formal syllabus programmes are a growing trend and also form part of the national financial literacy programme.

1.3 Types of campaign in this report

NPCCs can be divided into two broad categories: campaigns associated with a specific pension reform and those that have more general, on-going objectives. In some cases the NPCC that introduces specific reform might also be used to present a holistic picture of the sources of pension, including the state (public) system, the new funded system and the voluntary system. The campaign in Israel is an example of this type of comprehensive campaign. Campaigns might also combine two objectives. New Zealand’s NPCC, for example, formed part of a wider on-going financial education programme that aims to raise levels of financial literacy in general, as well as pensions knowledge.

(i) NPPCs linked to systemic pension reforms

Systemic pension reforms are defined as those that involve the introduction of a mandatory or auto-enrolment funded DC system, usually at the same time that public pension benefits are reduced. In many of these reforms, part of the social security contributions that were previously financing the public pay-as-you-go (PAYG) pension systems are transferred to the new funded DC system. The NPCC objectives will reflect the nature of the reform, the period in which it is introduced, and the specific stage of reform to be communicated. Campaigns linked to systemic reforms have certain characteristics in common, including the following features.

Campaign goals: In some cases, such as the introduction of the mandatory funded DC Superannuation system in Australia, employees did not have a choice: they had to join. In others, the reform involved a reduction in public benefit rights and a transfer of contributions to a new DC system. These types of reform are by nature controversial and hence a major goal of the communication campaign is to build consensus for the reform, raise awareness and establish trust in the new system.

Under most systemic reforms, individuals also face a combination of new responsibilities and choices. For example, under the reforms in countries such as Chile, Estonia, Mexico, Poland, and the Slovak Republic, workers below a certain age had to decide whether to stay in the old system (PAYG) or move to the new system with a funded DC component. In Poland in the 1990s, employees up to age 30 had to join the new system, while for the 30-50-year olds membership was optional and it was possible to
remain in the old system. The third age group – those over age 50 – had to remain in the old system. In this case the campaign aimed to explain the benefits of the new system to younger people but also to reassure older members that the original system would remain secure. A campaign to accompany a systemic pension reform of this kind is also being implemented in Armenia from 2011-15. In the current campaign in Singapore, members are being encouraged to join the new lifetime annuity system voluntarily before it becomes compulsory in 2013.

These fundamental choices may be presented in different ways, depending on the government’s objectives. For example the choices might be presented in a way that encourages as many people as possible to transfer to the new reformed system on a voluntary basis before it becomes fully mandatory. An important aspect of such reforms, which is reflected in the communication, is the design of the default mechanism. In some cases, the default position might leave the member in the old pension system, while in others the default position might transfer the member to the new system. The communication campaign, therefore, complements the default rule and often has an implicit – if not explicit – goal of influencing individual decisions.

Campaigns have also been used to introduce national auto-enrolment retirement savings systems, like the New Zealand KiwiSaver. Under this type of reform typically the employer is required to auto-enrol employees in the scheme. For the employee the default position is to stay in: to opt out requires an active decision. A similar employee default position was used in the Israeli and Italian auto-enrolment arrangements, and will be used in the UK in 2012 and in Ireland in 2014. In these reforms, the governments’ expectation is that lack of individual engagement over pension issues will lead many employees to stay in the system on a passive basis. Hence, in the accompanying campaigns, the organisers may try to influence behaviour to discourage opting-out and may support this objective through an overarching focus on building trust in the new system.

**Campaign time frame:** NPCCs that accompany a systemic pension reform are usually time-bound. They are most often used during the period of consensus-building prior to the approval and implementation of the reform and during the first years of a new system to build trust and awareness. Where individuals have a choice, frequently there is a specific period during which the option is available, for example the decision to join a new system voluntarily (which might be encouraged by a bonus, as in the case of Singapore) or to opt out of an auto-enrolment system (a recurring option for those who initially opt out and also for job-changers). In this case the communication campaign efforts are concentrated on this decision-making period.

Campaigns frequently are divided into stages, according to the objectives, the date the reform is implemented, and when the new system begins to pay benefits, among others. For example, In the case of Estonia and Sweden, the purpose of the initial NPCC was to raise awareness of the reform in advance of its implementation and to build trust in the new system. Closer to the implementation date, a follow-up NPCC was used to remind those affected by the reform about their new responsibilities and to explain their choices, for example in relation to the provider and the investment choice, where relevant.

A third stage of the campaign may be used to coincide with the date the system begins to pay benefits, so that members approaching retirement understand their options. Such a campaign is already planned in Estonia, while in Singapore a targeted campaign is being used to communicate changes to the annuity system.

**Key stakeholders:** NPCCs that accompany systemic reforms are usually led by the government or a delegated agency. Given the controversy regarding these reforms, their complexity, breadth, and the
different stages involved in the communication campaign, it is important to maintain an effective control of the campaign, avoid mixed messages and ensure the objectivity of the information provided. In Estonia, for example, private providers agreed to postpone their advertising until the government’s NPCC was completed. In Poland, the government went as far as restricting the marketing campaigns used by pension providers during its own NPCC.

(ii) NPCCs with on-going objectives

Beyond systemic pension reforms, the main type of NPCC used tends to be of an on-going nature. However, one-off, short-lived campaigns have been used by governments to seek public support or at least reduce opposition to parametric reforms to the public pension system, such as an increase in the retirement age or a change in the way benefits are calculated. One-off campaigns were also used during the recent financial crisis. Examples of such campaigns include those developed by Israel and Mexico. These campaigns aimed at promoting trust in the pension system, as well as reassuring members about their long-term investment objective and reinforcing the message about the importance of maintaining regular contributions.


campaign goals: Campaigns with on-going objectives include those that aim at promoting personal savings habits or encouraging employers and trade unions to set up and broaden access to pension plans under voluntary systems. For instance, communication campaigns have been used to raise awareness and promote labour market coverage of voluntary private pension systems in countries such as Denmark, Indonesia, Ireland, Spain, and the United States.

Voluntary systems present different communication challenges compared with mandatory and quasi-compulsory systems. To achieve the desired levels of voluntary participation the campaign aims to change attitudes and perceptions and the results are wholly dependent on consumers making active choices to join a plan individually or through the employer. The campaign in Denmark demonstrates that this type of campaign needs to explain the voluntary nature of the decision to join but also to stress that this action is a prudent step and one that the government fully endorses.

Other campaigns with ongoing objectives may be aimed at improving knowledge and understanding of pension products, as part of broader financial education initiatives. For example, in the United States the voluntary pension system is supported by a federal government programme of national pension education, which is coordinated with a financial literacy programme. A similar approach is taken in the Spanish financial education programme which also covers the promotion of the voluntary pension system.


campaign time frame: Unlike systemic pension reforms, where typically individual choice applies to a predetermined period of time or to specific actions (the choice of fund and/or provider, for example), the promotion of voluntary pensions requires an on-going programme of communications to encourage new workers to join and to encourage those in the system to increase contributions. In practice, few campaigns are indefinite. An example is the Pension Fund Socialization and Education Campaign, launched in Indonesia in 2008, which is an on-going campaign that aims to educate and encourage employers and unions to establish a pension scheme on a voluntary basis, and to encourage employees to join. The objective of the campaign is to increase participation rates by 5% per annum. The main channel used in ongoing communication campaigns are websites, as they can be maintained at relatively low cost.
Ireland used a rolling programme of NPCCs over five years to introduce and promote its voluntary system of individual accounts. The campaign organiser coordinated the programme with trade unions and employer groups, the National Library Network, women’s groups, and industry associations, among other relevant organisations and outlets. The overarching objectives were to increase awareness and coverage, to encourage voluntary savings, to ensure that provision is adequate, and to give the general public a solid educational foundation for retirement planning for the future.

An example of a relatively short-lived campaign was the German NPCC in 2001 which involved media advertising to support the introduction of Riester pensions, a voluntary pension plan that benefits from substantial government subsidies. A later campaign in Germany in 2007 aimed to inform the general public about the rise in the official retirement age.

Key stakeholders: Compared with campaigns linked to systemic pension reforms, those with on-going objectives tend to rely more directly and explicitly on the funding and activities of the private pension providers. In Denmark’s case the new system was funded by the entire pensions industry, which also runs the central website and targets individuals. Ireland coordinated its campaign the campaign with trade unions and employer groups, the National Library Network, women’s groups, and industry associations, among other relevant organisations and outlets.

2. Monitoring and Evaluation of the Campaigns

This section explores the practical aspects of campaign evaluation and sets out the component parts of a thorough approach from pre-campaign research through to post-campaign evaluation and the production of “lessons learnt”. It also provides a summary of the techniques actually used by survey participants.

Clearly budget constraints will dictate the scope of the processes adopted but even where funding is limited it is important to include the costs of evaluation within the NPCC budget so that lessons can be learned for future campaigns. The incorporation of evaluation in campaign planning will enable the organisers to analyse the effectiveness (impact) of the campaign and its efficiency (cost-benefit analysis, value for money) in order to ensure appropriate allocation of future resources.

It is important to note that in the survey most organisers assumed a direct link between the campaign and a measurable result, such as the number of voluntary new members in the pension system. In practice cause and effect is more nuanced and it is likely that other factors were involved in the change in behaviour, which are beyond the scope of this report.

2.1 Pre-campaign research

(i) Assessment of pension awareness prior to the campaign

Particularly low levels of financial literacy can affect the efficiency of the DC system as a whole and undermine the campaign. Prior to designing a communication campaign, therefore, it is essential to establish a clear picture of key barriers to understanding and perception, and whether these apply to the population as a whole or to specific sections. One needs to have a good understanding of where the problems like in terms of member understanding and perception.

For example in Mexico the NPCC organiser reported that they carried out a survey of pension awareness prior to the campaign. While the pension account is the most significant personal asset for
90% of the population, most people do not realise that they are members of a mandatory system. The evidence for this lies in the fact that 85% of the questions asked by members are along the lines of ‘Do I have a pension?’ and ‘Where is it?’ The lack of awareness could give rise to orphan assets (unclaimed benefits), which remain in the system because they are not claimed by retirees, whose financial security in retirement will suffer as a result. This indicates the need for the repeated use of a simple NPCC with a single message that informs members of their rights. It also highlights the importance of ensuring the DC system has a default decumulation mechanism, so that the retirement income is not dependent on the member making a claim.

The organiser of the Mexican NPCC attributes its problem to a variety of issues that are likely to be experienced to a greater or lesser extent in other mandatory and quasi-compulsory systems, including insufficient NPCC budget, lack of regional NPCC communications, low levels of financial literacy, the lack of a savings culture, the complexity of the information to be communicated, and the fact that contributions are deducted from salary before pay and therefore might not be noticed by certain members.

More generally, decumulation options represent one of the complexities that face retirees under several mandatory or quasi-compulsory systems. In Australia, Indonesia and New Zealand, for example, individuals can take their funds as cash as well as in the form of an annuity. The organiser of the NPCC in Indonesia noted in particular the confusion among members over the relative merits of lump-sum payments and pensions. Where the government decides to change the decumulation default this requires a targeted NPCC, as was demonstrated by Singapore when it introduced its phased transition from 20-year to lifetime annuities for members with a minimum account balance.

(ii) The target audience

There is a very close relationship between the establishment of the NPCC’s objectives, a thorough knowledge of the target audiences, and the monitoring and evaluation processes.

A good example of a campaign that reflects a targeted reform is Singapore, where the organisers identified a specific population category by age: members born between 1949 and 1954. The campaign’s objective was to inform this group about the forthcoming requirement to purchase a lifetime annuity and to encourage voluntary switching from the existing system, which was based on a programmed withdrawal (term drawdown of about 20 years). In short, the objective in the first (current) phase is to promote CPF LIFE (the life annuity product provided by the Central Provident Fund) as an opt-in scheme. In this example the organisers monitored the number of voluntary switches (more than 60,000 as of June 2011). Members turning 55 from 2013 will be automatically included in CPF LIFE (Lifelong Income for the Elderly) as long as they have at least SG$40,000 in their CPF accounts. The second phase of the campaign (2012 onwards) focuses on this mandatory cohort.

To develop appropriate target groups where the reform affects most of the working population is more challenging. However, experience demonstrates that the failure to take into account the very different requirements of demographic and/or behavioural characteristics can lead to problems, given the low levels of financial knowledge among populations in general. The early experience of Hungary provides a useful lesson. The organisers realised that the first NPCC, which introduced systemic reform in a very generic manner, failed to explain clearly why the reform was necessary and to recognise the different needs of different groups. As a result individuals did not understand why they had to join the new system and how to assess the investment risks inherent in their choice of funds. In the second NPCC, the organisers divided the target population into behavioural categories (for example, ‘opinion leaders’,
‘early adopters’ and ‘laggards’), each of which was sent information in a style appropriate to its perceived needs.

New Zealand organised focused communications for the sections of the labour market associated with low levels of financial literacy, including manufacturing, construction, retail, wholesale, and healthcare. Separately, for the NPCC organizers in Denmark the priority in future is to attract to its information website more women and also more individuals from the unskilled labour market. The Danish NPCC organizer reported a clear correlation between site use, education and earnings.

In a further example, Ireland established a very clear range of target groups from the outset. These included young people aged 25-39, women (who, as in Denmark, historically are characterised by lower pension coverage than men), graduates (who need educating about pensions before they start their first job), workers in hospitality, farming and the rural Community (sectors historically associated with low pensions coverage), and international workers (at the time a growing section of the labour market due to inward migration). In the United States, the government’s on-going general financial education NPCC has developed culturally and linguistically modified versions of printed materials for diverse groups and it plans to expand this initiative.

The United Kingdom’s NPCC, which accompanies the introduction of auto-enrolment from 2012, is designed to communicate to the more difficult segments of the population, including lower earners. A web-based customer journey has been designed for individuals, which spans the period of the reform. It takes individuals through four key stages: engagement, understanding, awareness of solution, and action. Communications targeted by behaviour and levels of financial knowledge as follows: Daunted, Unprepared, Competing priorities, Maybe Sorted, and Really Sorted.

2.2 The evaluation toolkit

As stated in the High Level Principles for the Evaluation of Financial Education Programmes⁷, ‘evaluation is an essential element of financial education programmes’; the same is also true of pension communication campaigns. In order to provide evidence that the campaign has been successful, the evaluation process should be able to differentiate between changes that have occurred as a result of the campaign and changes that would have occurred even in the absence of the campaign. This is particularly difficult to achieve with campaigns that occur on a national level where the audience is not divided into target groups, as it is not possible to create a control group and a treatment group, or to identify a suitable comparison group. However a mixture of quantitative and qualitative data collected before and after the campaign will help providers to identify the extent to which their campaign has been influential and the external factors that have had an impact on outcomes, as indicated in the OECD INFE guides to evaluation⁸. To improve the extent to which evaluation can show the additional benefit of the NPCC it is worth undertaking surveys of other providers of related information and guidance to consider whether the campaign has replaced existing provision of communications or complemented it. However, this distinction might be difficult to determine where private providers are directly involved in the NPCC.

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Evaluation can draw on two types of data and analysis, quantitative and qualitative:

- **Quantitative** data can be collected for inputs, outcomes and impacts that can be counted or measured. When data is collected over a period of time, or at various intervals, it can provide information about the size of change. Providing the additional information is available it can also be analysed to provide more detail, such as describing the demographic and/or behavioural profile of those who did or did not engage with the campaign, which groups of people exhibited the largest change, or which region made the most progress.

Examples of quantitative measurement:

- Response rates to the website and call centres
- Number of new voluntary schemes
- Membership levels
- Contribution levels
- Number of members who make active choices in relation to the funds and / or providers
- Number of members who move to a new system voluntarily
- Number of members who delay retirement

- **Qualitative data** usually involves direct contact with individuals, although it can also incorporate observation of artefacts such as diaries, or behaviours, such as the way in which people read a leaflet or navigate a website. It provides insight into the factors that triggered change and it helps to identify the reasons *why* certain sections of the population engaged actively with the campaign messages, while others took no action. For example, studies where consumers use diaries, or respond to text messages to report their recent actions can help to explore the *process* of change.

- The results of qualitative studies can also help to identify potentially confounding issues that have not been captured in quantitative measures. Mystery shoppers can be used to test whether campaigns that include one-to-one guidance (such as telephone helplines) are providing appropriate guidance, whilst in depth interviews may provide clues to issues such as misinterpretation of the information given, or conflicting priorities in peoples’ lives.

Examples of qualitative data collection:

- Consumer focus groups
- Face-to-face interviews
- Follow-up interviews to assess whether member actions were in the members’ best interests
- Mystery shopping exercises
Criteria for evaluation

The first stage is to establish the campaign’s objectives and desired outcomes, which should be specific, measurable, achievable, reasonable, and time-specific. Where the campaign has several objectives it will be necessary to pre-test, monitor and evaluate each component part, or to prioritise certain objectives that should be evaluated first.

Evaluation is evidence-based and involves several key stages before, during and after the campaign:

Pre-campaign:

- Research to establish baseline measures, for example levels of awareness, knowledge and current patterns of engagement, membership, and contributions
- Consumer testing to determine:
  - The population categories for communications, for example in relation to demographics (age, gender, ethnicity), the labour market (identification of industry sectors where pension coverage is particularly low, for example), and/or by behavioural finance categories (attitudinal and anticipated level of engagement or resistance)
  - Suitability of materials, using cognitive and field trials, and pilot tests to compare the reactions of different trial groups, for example by region, demographic categories and/or behavioural characteristics
  - Suitability of communication channels by using the same methods as above in relation to population categories
- The implementation of monitoring processes before the campaign starts
- During the campaign: measurement and monitoring of activities (which also provides the data and evidence for the evaluation process – see below).
- Post-campaign: While there are different types of data, ultimately these are collected and combined to give an overall picture that aims to identify and explain the impact of the programme. This will combine elements such as:
  - Analysis of the quantitative results, including a cost-benefit analysis of the most effective channels
  - Consumer response. Analysis of consumer actions to establish whether they were appropriate and genuinely informed (for example the decision to join a new system)
  - Published reports on the campaign’s effectiveness (impact) and efficiency (cost-effectiveness), including lessons learned for future use
Observations on evaluation processes used by NPCC organisers

The survey on which this report is based asked organisers for details about pre-campaign research, monitoring processes used during the campaign, on-going analysis, and post-campaign evaluation. Organisers were also asked whether they had used independent consultants to evaluate the campaign. A summary of the results is shown in Table 2.

Pre-campaign research: Several countries, including Ireland, Israel, New Zealand, Singapore and the UK, conducted pre-campaign analysis in order to establish baselines for post-campaign evaluation. The UK used focus groups to test and refine language, messages, and campaign materials and information. Hungary adopted a behavioural approach to population categories, for example “opinion leaders”, “early adopters”, and “laggards”, among others, with the complexity of the message adjusted for each group’s ability.

Evaluation developed during the campaign: In other countries the evaluation processes were implemented during the course of the campaign (for example Indonesia, Italy, Spain and USA) or after the programme was completed (for example Estonia). Organisers in several countries, including Italy, said that with hindsight they would have established clearer goals and evaluation methods at an earlier stage.

Types of campaign monitoring: Typical examples include:

- Website hits
- Contact with call centres (by phone and email)
- In the USA, for example, statistics were monitored following an outreach event or advertisement campaign to assess the impact, which was measured in relation to additional enquiries to help lines and through additional web use.
- Memory recall surveys to assess the impact of different communications channels, for example television and radio promotions, and brochure distribution, among others. In some cases (Italy and Mexico, for example) the organisers used this information to identify the most cost-effective communications channels.
- Outreach attendance (road shows in Estonia, seminars in Indonesia).
- Press monitoring (for example New Zealand assessed the positive and negative content of media reports).
- Cash-flow analysis of pension plans (Israel) to monitor changes in contributions and withdrawals.
- Take-up rates and changes to plan details (New Zealand, Singapore, Sweden).

Evaluation of consumer responses to communication:

- Face-to-face interviews (Denmark, to improve the design and functionality of the website; Sweden, to examine the ways in which participants used the information and how well they understood the pension system; Estonia, Ireland, and Singapore, to assess impact).
• Focus groups (Mexico; Singapore – early and later in the campaign to assess progress).

• Follow-up surveys to assess whether employees had made appropriate and informed decisions (New Zealand).

• Regular tracking surveys (UK, to measure changes in awareness, attitudes and intended behaviour).

3. Organisation and implementation challenges of the campaigns

The actual implementation of NPCCs varies depending on its specific objectives, the type of campaign that has been designed and other aspects such as the role of different stakeholders. This section reviews and analyses country-specific examples from the NPCCs surveyed for the research, focusing primarily on problems that emerged during the organisation and implementation of the campaigns and the solutions proposed by the more successful cases. The details on which these points are based can be found in the Summary Table in Annex 2, while a selection of case studies are provided in Annex 3. The analysis is based mainly on responses to an OECD/INFE questionnaire by the country respondents from the government or other public bodies.

3.1 Insufficient resources restricted the scope of some campaigns

Campaign budgets from central sources vary considerably and in some cases were judged by the organisers to be insufficient to achieve the NPCC’s objectives. Examples of this problem include Indonesia, which lacked human resource capacity among other factors; Mexico, where the campaign suffered due to lack of regional representation; and the United States, where lack of resources made it difficult to reach diverse and underserved sections of the population.

3.2 Confusion between government information and provider marketing in some campaigns

The involvement of private providers can be very beneficial to achieve the communication goal of NPCCs. For example, in Croatia, pension funds and pension insurance companies helped to disseminate information about the new system and also organised seminars, conferences, workshops and press events. However, there have also been some unfortunate experiences.

The early DC experience of Hungary and Poland demonstrates that providers’ advertising and marketing campaigns can overshadow the government’s information NPCC and, in certain cases, give rise to a situation where consumers over-estimate the benefits and under-estimate the cost and risks of the DC system. The NPCC organiser in Hungary reported that the government campaign was subsumed by the high level of advertising conducted by private pension operators, whose marketing costs led to complaints that the new system was too expensive. In Poland the organiser realised that an important aspect of the NPCC was to help people interpret the high level of advertising on the part of providers keen to develop their share of the new market. It stressed the need for the government to maintain strict controls over the marketing campaigns of private operators, which in this case appear to have painted too rosy a picture of the new pension system.

To avoid potential conflict Estonia took the decision to avoid giving fund-specific details on performance during the NPCC phase. It secured the support of private providers, which agreed to postpone their brand advertising until the NPCC was completed. More recently, in 2010, Italy established a programme of coordinated activity between the government and private providers to promote financial
education and pension initiatives for its new quasi-compulsory system. This included the creation of a common website devoted to financial and retirement education. The results of this state-private collaboration will be of interest.

3.3 Some campaigns were organised in different stages to avoid multiple messages

The research indicated that the more focused the NPCC, the more likely it is to achieve its goals. For example, the Estonia NPCC, which introduced systemic reform, was divided into two clear stages. The first explained the need for reform and why the new system was selected; the second explained the individual’s responsibilities and options in relation to different age groups and provided information on how to join.

In Poland the NPCC used to introduce systemic reform was complicated by the fact that it aimed to communicate different messages to three distinct age groups. The new system was compulsory for those under age 30; people aged 30-50 had to decide whether to join the new system or remain in the old one, while the over-50s were not affected by the reform and had no option but to remain in the old system. Notably, the NPCC proved to be more successful than anticipated, or desired, in promoting the benefits of the new system to the 30-50-year olds. The expectation was that 25-45% of this age range would make the switch to the new system, whereas 60% actually did so. This gave rise to the concern that some employees unwittingly gave up early retirement rights under the old scheme that are unlikely to be matched by the new DC system.

The problem identified by the Polish NPCC is that it is very difficult to describe simultaneously the merits of both the new and old systems. This suggests that organisers should divide NPCCs into clearer stages and use separate communications where messages for different groups are potentially confusing or contradictory.

The Singapore NPCC was the most focused communications exercise in the survey and reflects the fact that the change to be communicated was a refinement to a well-established system rather than a systemic reform. The NPCC explained the transition from programmed withdrawals to a lifetime annuity. The target group was members born between 1949 and 1954. The aim was to encourage voluntary switching before the new arrangement becomes mandatory in 2013. A second phase of the campaign was launched in 2012 focusing on the new cohorts for whom annuities are mandatory.

3.4 Some campaigns developed innovative communications channels

The table in Annex 2 and the case studies in Annex 3 provide a summary of the communications channels used by NPCC organisers. In addition to the common use of a dedicated website and advertising on television, radio, and in the press, several organisers demonstrated an innovative approach in relation to specific target audiences. A good example of this is the NPCC in Ireland, which used cinema to reach young people, whom the organiser regarded as ‘light’ TV viewers. Ireland’s NPCC also made extensive use of radio because the population has the highest level of radio audience in Europe. In addition it used ‘ambient’ advertising, included posters on buses and in washrooms and this aspect of the campaign ran in tandem with internet banners, as a way to target young consumers in the course of their daily routines.

3.5 Most campaigns sought to harness the power of the press

In some countries, the campaigns used the press as a key vehicle to channel messages to the general public. For example, Ireland used the press as an information medium through the supply of articles about increasing the awareness of the importance of starting a pension. Singapore placed advertorials in
newspapers that were written by in-house journalists. **New Zealand** monitors press coverage of KiwiSaver to assess positive and negative impact, although it is not clear how this research is used.

Organisers should be aware, however, that the press is likely to look for bad news as well as good news stories. With hindsight the organisers of the first NPCC in **Hungary** realised that it did not clearly explain the reform and the member’s choices. The media was highly critical and therefore served to undermine rather than support the new system.

### 3.6 Outreach programmes were used effectively in some campaigns

Outreach communications exercises are distinguished from passive channels, such as poster, radio and television, because they engage directly with the public and facilitate a two-way dialogue. The recent **Singapore** NPCC included 90 outreach events (road shows, public talks, and ‘meet the people’ sessions) staffed by representatives trained to answer member queries. The **Estonia** NPCC included a call centre, investment fairs, and road shows. The 2007-8 NPCC in **Hungary** launched an internet debate about the reform (using civic platforms), which aims to ensure communications exercises avoid misunderstandings. In **Mexico** the NPCC organiser’s agents visited employers, universities, trade unions, and associations; while at ‘fairs’ the pension authorities, Afores (providers) and other pension-related institutions gave information to employees on the pension system.

In **Indonesia**, where the DC system is voluntary, the NPCC includes seminars and workshops, which are evaluated to assess participants’ perceptions and are also followed through by monitoring the number of participants that joined a pension plan after the seminar. The NPCC has been deemed highly effective in raising awareness about pensions, but its scope and budget has been rather limited.

### 3.7 Limits of stand-alone and short-term NPCCs to tackle low levels of financial literacy

The complexity of pension NPCCs, particularly in relation to funded DC systems, reveals serious shortcomings in national financial literacy levels. This was the most consistent message that emerged from the research and case studies. Pension communication campaigns, especially, temporary ones, were felt to be insufficient to bring about lasting improvements in financial literacy. Some countries therefore, integrated their NPCC into a broader on-going programme of financial education beginning at school (see OECD INFE Guidelines for Financial Education in Schools, OECD/INFE, 2013).

In **Mexico** the organiser’s agents give presentations on the pension system to students. **Poland** has a separate NPCC that is linked to financial education, where the pension component (for 2010-12) focuses on upper-secondary schools and targets students about to enter the workforce. Through teacher resources and training it explains the pension system and the individual’s obligations in terms of contributions, and also the DC investment choices. **Ireland** also targets schools, through a resource pack for economics and business studies teachers, while in **Germany** pension specialists offer an independent training course through about 500 adult education centres.

The merits of school-based programmes appear to be extensive. Apart from informing future generations of workers about the pension system, the organiser of the programme in **Poland** pointed out that where different members of a household are targeted this can have an overall beneficial effect, as it stimulates family discussion. The idea that children’s questions can prompt adult interest is interesting from a behavioural finance perspective.
3.8 Communication response to financial crises

Certain problems beyond the government’s control, such as a global financial crisis, will adversely affect members of funded DC systems and the impact can be very sudden, taking members by surprise. In response to the financial crisis that began in 2008, *Ireland*, *Israel* and *Mexico* were among the countries that increased their communications to reassure DC members about the long-term nature of their investments.\(^9\) Mexico, for example, printed crisis-related pamphlets, which it distributed to the 100,000 members that contacted the pension regulator seeking advice. In *New Zealand* the NPCC organiser reported that the financial crisis has had a positive impact because reluctant employers of the auto-enrolment system recognised the value of providing information about finance and pensions in the workplace.

4. Policy recommendations

This section considers the main policy recommendations that emerge from the analysis of the NPCCs carried out in the previous sections. The recommendations cover all aspects of NPCCs, from design to implementation and evaluation.

4.1 Major events, such as pension reforms and crisis, call for specific national pension communication campaigns

While communication campaigns should in general accompany pension systems, major pension reforms, especially those that involve the introduction of mandatory DC pension plans require the support of effective and efficient NPCCs. Financial crises call for swift public communication action by governments and regulators. NPCC organisers need to act swiftly to allay concerns associated with a global crisis and be in a position to demonstrate that the government has taken effective action, where relevant.

4.2 Clear and measurable objectives drive successful campaigns

The most important aspect of any NPCC is its goals. Clear and measurable goals drive successful planning, implementation and evaluation processes. Such goals may include the following: to build consensus for the reform; to raise public awareness about changes in pension systems; to explain the individual’s choices and the potential implications these choices have for their financial well-being in retirement; to strengthen public trust and confidence in the institutions in charge of retirement income provision, especially at times of pension reform and during financial crises; to facilitate the employer and individual’s active and informed decisions; and to encourage specific behaviour, such as voluntarily joining a new system, increasing contributions or postponing retirement.

4.3 The need for robust evaluation processes

Evaluation should form an essential element of the campaign budget, even where resources are limited. The incorporation of evaluation in campaign planning will enable the organisers to analyse the effectiveness (impact) of the campaign and its efficiency (cost-benefit analysis, value for money) in order to ensure appropriate allocation of future resources. It will also enable organisers to test their objectives at an early planning stage to ensure that these are practical and can be measured in a meaningful way.

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The evaluation process should include pre-campaign research and regular monitoring and evaluation of the campaign via both quantitative and qualitative tools.

4.4 Target communications on less accessible groups

In order to be efficient and effective, communication campaigns need to be targeted to specific groups. For instance, campaigns seeking to raise the coverage of voluntary pension systems may pay particular attention to young, unskilled and rural workers, groups often regarded as under-pensioned. A different approach uses behavioural categories, whereby the population is divided according to perceived levels of awareness, interest and willingness to engage and take action. Targeted communication is also critical where different messages apply to different sections of the population, for example when following a systemic pension reform, the new system is mandatory for one age group, voluntary for a second, and not applicable to older workers.

4.5 Use phased NPCCs to avoid multiple messages

The more focused the NPCC, the more likely it is to achieve its goals. Messages need to be short and simple, and complex reform details should be broken down into appropriate and thematic component parts, which can then be delivered in a series of communication phases. For example, in the case of a systemic reform, the first phase might be to announce the reform and its benefits in order to achieve public consensus, while the second phase - closer to the date of implementation - might explain the individual and employer’s responsibilities and choices under the new rules.

4.6 Avoid confusion between government NPCC and private provider campaigns

Working in partnership with private providers is considered important where these providers will deliver the products and services. Moreover, the involvement of private providers can be very beneficial to achieve the communication goal of NPCCs. NPCCs organisers should also evaluate the potential of free communications channels, for example including the NPCC banner and web-link on providers’ websites, taking into account any risk that the government’s independent messages might be compromised, as might occur where the “free” channel is interpreted by the public as an endorsement of a provider’s products. In the case of systemic pension reforms, it is preferable to delay providers’ sales campaigns while the government’s NPCC is in progress.

4.7 Harness the power of the press

In many countries individuals value the press, as an independent source of personal financial information and advice. While advertising in the national and regional press is a standard feature of NPCCs, more can be done to use this channel to reinforce the government’s message. It is highly desirable to cultivate a positive relationship with the press from the outset, bewaring also of the fact that the press is likely to look for bad news as well as good news stories.

4.8 Use innovative communication channels

In addition to the common use of a dedicated website and advertising on television, radio, and in the press, campaign organisers should consider innovative approaches in relation to specific target audiences. For instance, the younger section of the population may be best approached via social media, while mobile phones can be an effective and relatively low-cost way to reach a large number of individuals.
4.9 **Develop outreach programmes to increase engagement**

In more recent campaigns organisers have focused resources on outreach programmes, such as ‘meet the people’ sessions, road shows, seminars, and adult education workshops. Feedback generally is very positive, as outreach engages the public in ways that passive communications and advertising does not.

4.10 **Use the budget for the most effective and cost-efficient channels**

A formal analysis of the relative impact of different channels in relation to their cost will ensure that a limited budget is spent wisely and in a way that is accountable, thus enhancing transparency. If the budget is not sufficient to meet all desired communications objectives, then it is essential to consider the priorities at the outset. Ideally it will be possible to combine cost-effective channels that will reach the entire population and selected channels that are better suited for targeted communities.

4.11 **Establish broader financial literacy campaigns to enhance impact**

The complexity of pension NPCCs, particularly in relation to funded DC systems, reveals serious shortcomings in national financial literacy levels. Pension communication campaigns, especially, temporary ones, are generally insufficient to bring about lasting improvements in financial literacy. It is therefore desirable to integrate NPCCs into a broader on-going programme of financial education beginning at schools.  

5. **Conclusion**

In this report we explore the rich and varied experiences of NPCC organisers around the world, as they strive to understand disseminate the implications for individuals and employers of major pension policy decisions. The result is a series of lessons that explain the practical issues associated with communicating complex, emotive and frequently unpalatable messages to a population that typically is characterised by a low level of financial literacy.

The report identifies the diverse but powerful community of NPCC organisers that to date has been overshadowed by the policymakers who set the agenda. NPCC organisers are responsible for communicating one of the most crucial socio-economic issues for the twenty-first century and where they are tasked with this unenviable mission in relation to unprecedented reform, the challenge might appear daunting.

The success of NPCC organisers will depend on their ability to set realistic and measurable goals that can be delivered in a timely, cost-effective and innovative manner to achieve maximum impact. It will also depend on their ability and willingness to learn from the lessons of the past drawn from dedicated pension campaigns and – importantly – also from broader campaigns aimed to raise national standards of financial literacy. Whether it is explicit or implicit, there is no doubt that NPCCs represent an integral part of on-going financial literacy campaigns that begin in schools.

At present the community of NPCC organisers is informal and unstructured. This represents a waste of an invaluable global resource that can further government objectives in the field of pension reform.

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The next step, therefore, is to create a more formal network for organisers, so that they may continue the collaborative work established in this report.
REFERENCES


ANNEX 1. CHECKLIST TO DESIGN, IMPLEMENT AND EVALUATE NPCCS

Based on the analysis of NPCCs for this report in relation to funded DC systems, the following summary sets out the basic considerations organisers might consider at the outset to ensure they have clear objectives that can be measured and evaluated in a meaningful way. The actual design will depend on whether the new system is voluntary, quasi-compulsory or mandatory, among other factors. It will also depend on the specific stage of reform the NPCC aims to communicate.

1. **What is the primary purpose of the campaign?**
   - To explain the demographic and economic need for change?
   - To describe the new system and the individual’s responsibilities and choices?
   - To introduce further change, for example an increase in contributions and a restriction in decumulation options?
   - To build or rebuild confidence in the new system after a national or global financial crisis?

2. **What is the desired outcome?**
   - To gain political and social consensus for the new system?
   - To increase awareness and understanding?
   - To prompt individuals into taking action?
   - To make individuals aware of the default mechanisms if they do not make active decisions?

3. **What can be achieved within the budget?**
   - Is this a one-off, regular, or on-going campaign?
   - If the budget is not sufficient to meet all desired communications objectives, then what are the priorities?
     - Which channels will reach the entire population and which are better suited for targeted communities?
   - After dividing the campaign into its component parts, which are considered to be the most effective communications channels?
   - What is the positive potential of free communications channels, for example banners on providers’ websites and independent media coverage by the press?
− What are the potential negative results?

− Will this compromise the government’s independent messages, for example where the free channel might represent an endorsement of a provider’s products?

4. **What are the target groups and how might they be categorised?**

   • Can you define targets by demographic feature?
     − By age?
       − Pre-employment?
       − Younger workers?
       − Mid-career workers?
       − Workers approaching retirement?
     − By gender?
       − Do women have lower levels of pension provision?
       − Are the reasons for this fully understood?

   • Are there specific problems in reaching ethnic communities? What are the communication needs of:
     − Indigenous communities?
     − Immigrants?
     − International workers?

   • What is the impact of socio-economic status?
     − Are higher levels of general education associated with financial literacy?
     − Are there specific problems in reaching workers in industries associated with low pay?

   • Could you divide your audience in behavioural terms, for example as “reluctant”, “aware but uninformed”, and “engaged”?
     − Would this approach lend itself to the concept of a “consumer journey” from reluctant through engagement, understanding, awareness of solution, and action?
5. **How will you manage key collegiate relationships?**

- How can you draw on useful experience and resources from the following:
  - Related government departments?
  - Financial regulators / supervisors?
  - Employer and employee / consumer representatives?

- What are the potential problems associated with these relationships and how will you resolve them?
  - Conflicts between different stakeholders?
  - Will any one stakeholder seek to dominate the campaign?

6. **On what basis will you work with private providers?**

- What is your past experience of collaborating with the following groups?
  - Private providers?
  - Independent advisers/consultants to employers, unions and individuals

- What potential benefits do these parties bring to the campaign?
  - Funding and expertise for communications
  - Endorsement of the government’s messages

- How can you avoid the potential for providers’ campaigns to overshadow the NPCC or to create confusion between generic information and a sales pitch?

- Would the establishment of an early dialogue with private providers ensure these situations do not arise?

- Do you have the power, if necessary, to control the timing of providers’ campaigns to allow time for the dissemination of the NPCC’s messages?

- Will you establish clear regulatory guidelines to ensure that providers do not make inappropriate claims for their products and services, which might undermine the new system?
7. **Which communication channels will you use?**

- Which options from the following list do you consider essential and which are optional?
  - Internet (dedicated website, related sites, popular consumer sites)
  - Television
  - Radio
  - Newspapers (national and regional)
  - Social media and mobile phones
  - Leaflets (nationwide delivery / targeted group deliver / on request)
  - Posters on public transport and in public areas, for example libraries
  - Workplace notices

- How will you balance the desire for diversity with budgetary constraints?
- Have you conducted a cost-benefit analysis of these channels?

8. **Have you considered the benefits of outreach?**

- What are the costs and potential benefits of the following programmes?
  - Road shows and other public engagement events
  - Education establishments

9. **What can you do to harness the power of the media?**

- Which are the most effective media for your advertisements?

- Have you considered “advertorials” written by in-house journalists?

- Can you provide regular education and information sessions to journalists to encourage media coverage of the campaign?

- Can you provide short fact sheets and for independent personal finance articles?

- Will you establish a programme of regular press alerts to highlight key stages in the campaign?

- Which well-informed and trained press spokespeople do you have available?
  - Are there other good candidates who need press training?

- What is your damage-limitation strategy if problems emerge with the new DC system?
10. **Does your evaluation strategy include all relevant stages?**

- Pre-campaign research to establish baselines and audience categories?
  - Assessment of pension awareness prior to the campaign?
  - Targeting of the audience?
  - Consumer testing of the channels and materials?

- Quantitative and Qualitative campaign monitoring during the campaign?

- Post-campaign evaluation?
  - Is this planned so that it will be collected and combined to give an overall picture that aims to identify and explain the impact of the programme?
  - Analysis of the quantitative results, including a cost-benefit analysis of the most effective channels
# ANNEX 2: KEY FEATURES OF CAMPAIGN CASE STUDIES

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<tr>
<th>Country</th>
<th>Type of campaign and time frame</th>
<th>Motivating Event</th>
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<th>Objectives of Campaign</th>
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<tr>
<td>Armenia</td>
<td>To promote mandatory and voluntary system On-going</td>
<td>Recognition of the need to raise pensions awareness through financial education</td>
<td>Websites (under construction) for pensions and financial education. All media plus printed materials, billboard advertising, on-line advertising, mobile phones. Outreach: seminars, local public events, workplace. School programme</td>
<td>Schools, colleges and lyceums; higher-education institutions; paid workers, unemployed, self-employed, notaries, private entrepreneurs, foreign workers</td>
<td>To raise general pensions awareness and to inform target groups</td>
<td>2011-2015: annual budget varies from USD 25,000-171,000</td>
<td>Programme has yet to start; no evaluation as yet</td>
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<tr>
<td>Australia</td>
<td>To explain all pension systems: state, auto-enrolment and voluntary On-going</td>
<td>Various, e.g. 2005 ‘Super’ choice of fund legislation for auto-enrolment; 2009 implementation of new pension reforms</td>
<td>Websites, printed materials, billboard advertising, media, online advertising, social media. Outreach: trade &amp; industry associations, seminars, public events, workplace</td>
<td>General public, employees and employers, members approaching retirement, retirees, women, multicultural and indigenous audience</td>
<td>To raise public awareness</td>
<td>Not disclosed</td>
<td>Not disclosed</td>
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<tr>
<td>Denmark</td>
<td>To promote voluntary system On-going</td>
<td>To promote ‘PensionsInfo’, which supports the voluntary system introduced in 1999 and re-launched in 2007 with a new website design</td>
<td>Website</td>
<td>Working age population; workers approaching retirement</td>
<td>To increase website traffic by 25%. Specific focus on attracting target groups, including women and unskilled workers</td>
<td>Annual EUR 1.5m</td>
<td>Website hits. Most frequent users are male skilled employees (25% of men over age 60), followed by women (20%). Overall clear correlation between site use, education and earnings</td>
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<td>Estonia</td>
<td><a href="http://www.pensionikeskus.ee">http://www.pensionikeskus.ee</a></td>
<td>To introduce and promote mandatory system 2001-02</td>
<td>Mandatory pensions introduced in 2002 for younger workers, with an option to join for those born 1942-82</td>
<td>Website, call centre, printed materials, billboard advertising, media. Outreach: seminars, workplace</td>
<td>Stage 1: individuals aged 21-60 Stage 2: target groups</td>
<td>EEK 150,000</td>
<td>Voluntary membership measured: 45% of those entitled to join did so. Monitoring of call centre use and attendance at road shows. Face-to-face interviews by independent consultant. Results mixed, e.g. 43% knew about system in general; 14% knew a lot; 21% knew very little</td>
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<tr>
<td>Germany</td>
<td>To promote voluntary system 2001; 2007</td>
<td>The government is in the process of reforming the pension system, e.g. raising the retirement age and increasing the role of occupational and private pensions</td>
<td>2001: media advertising accompanied introduction of Riester pension. 2007: Pension Information Letter sent to c.27m people explaining current and future entitlements</td>
<td>General public</td>
<td>To communicate the major shift in old-age pension policy due to on-going government reforms</td>
<td>Not disclosed</td>
<td>No specific formal evaluation but organisers reported a notable change in attitudes</td>
</tr>
<tr>
<td>Hong Kong</td>
<td><a href="http://www.mpfa.org.hk">http://www.mpfa.org.hk</a></td>
<td>To promote mandatory pension system On-going</td>
<td>Part of general financial education programme</td>
<td>Website, printed materials, media, public transport, online advertising, social media. Outreach: seminars, public events, trade &amp; industry associations, workplace. Schools programme.</td>
<td>Working population, plus specific programmes for trade unions, employees participating in industry schemes, and youth and parenting groups</td>
<td>2009-10 HK$ 10.98m</td>
<td>Quantitative surveys and focus groups used to evaluate publicity and education programmes. Results not disclosed.</td>
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<td>Hungary</td>
<td>To introduce and promote mandatory system Late 1990s; 2008</td>
<td>First (1990s) to introduce mandatory system. Second (2008) to address concerns raised by earlier NPCC and increase awareness</td>
<td>Brochures</td>
<td>General public divided into target behavioural groups</td>
<td>To communicate continued need for pension reform; increase awareness; improve understanding of current and future pensioners</td>
<td>2008 campaign HF 28.5m</td>
<td>Survey of impact of brochure campaign. Measurement of website hits. 71% were aware of government campaign</td>
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<tr>
<td>Indonesia</td>
<td>To promote voluntary employer-sponsored schemes 2008 on-going</td>
<td>2007 legislation made the Pension Fund Bureau responsible for pension awareness and education</td>
<td>Printed materials, seminars</td>
<td>Key focus on larger employers and labour unions where there is no existing pension scheme. Also general population, including students and working-age population</td>
<td>To encourage employers to set up pension schemes; to make employees aware that this is possible under the legislation</td>
<td>Annual US$ 50,000</td>
<td>Postal survey and independent face-to-face interviews. Monitoring of new schemes and new members. No results disclosed. Measurement of attendance at seminars and feedback on participants’ perception. Response positive but reveals this is the first time people have been told about pensions</td>
</tr>
<tr>
<td>Ireland</td>
<td>To introduce and promote voluntary system 2003 on-going</td>
<td>Started 2003 to coincide with launch of Pension Retirement Savings Accounts</td>
<td>Pages on regulator’s website, printed materials, media, public transport, online advertising, social media, mobile phones. Outreach: workplace, public places, trade &amp; industry associations, seminars. Schools programme</td>
<td>Adult population, with a specific target of young people and low coverage groups such as women, immigrants, hospitality workers and farmers</td>
<td>To raise adult population’s awareness about pension; develop relationships with stakeholders, eg unions</td>
<td>EUR 5.5m over 7 years; current annual budget EUR 500,000</td>
<td>Website hits up 50-100% year-on-year. Independent annual market-research survey to check general awareness and trends. Since campaign began, awareness has increased from 60% to over 80%. 20% of those surveyed increased contributions; 60% did not</td>
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<td>Israel</td>
<td>Response to financial crisis and impact on auto-enrolment system On-going</td>
<td>Financial crisis; on-going financial literacy campaign</td>
<td>Website, printed materials, media, online advertising. Outreach: public events</td>
<td>General working population; younger employees; workers approaching retirement; women, low income workers</td>
<td>To maintain confidence at a time of global financial instability and market volatility</td>
<td>USD 1.7m</td>
<td>Analysis of contributions into and withdrawals from pension plans. Results not disclosed</td>
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<tr>
<td>Italy</td>
<td>To introduce auto-enrolment system Jan-June 2007</td>
<td>Auto-enrolment system announced 2007 and implemented 2008</td>
<td>Website, call centre, printed materials, media. Outreach: seminars, public events</td>
<td>All employees of private sector firms</td>
<td>To communicate new auto-enrolment system, to raise general pension awareness, to encourage individuals to take action</td>
<td>EUR 17m</td>
<td>Internal monitoring of website hits and call centre use. Face-to-face interviews. Results not disclosed. Media campaign and call centre considered particularly effective</td>
</tr>
<tr>
<td>Mexico</td>
<td>To introduce and promote mandatory system on-going Financial crisis campaign 2008-08</td>
<td>Mandatory system in the private sector (1997) and public sector (2007) Campaign intensified in response to the global financial crisis</td>
<td>Website, call centre, printed materials, billboard advertising, media, public transport, online advertising, social media. Outreach: trade &amp; industry associations, public events, workplace. Schools programme</td>
<td>General public; workers in private and public sectors</td>
<td>To raise awareness of employees about individual accounts and promote importance of retirement planning Additional focus in 2008-09 to reassure members about impact of financial crisis</td>
<td>Annual USD 2m</td>
<td>Website hits Jan-Mar 2011, 1.8m general; 2.6m specific account documents. Call centre use and seminar attendance monitored. Early feedback indicated general lack of information and knowledge. From 2008 campaign intensified</td>
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<tr>
<td>Netherlands</td>
<td>Financial literacy campaign to promote voluntary system and financial education On-going</td>
<td>2006 creation of CENTIQ by 40 partners, including the government, the financial sector, consumer organisations, and universities</td>
<td>CENTIQ Platform for Financial Awareness website</td>
<td>General public and especially young plan members</td>
<td>To increase awareness, especially of young people</td>
<td>Not disclosed</td>
<td>No formal evaluation but activities are considered to be positively received by target groups</td>
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<td>New Zealand</td>
<td>To introduce and promote auto-enrolment system 2006 on-going</td>
<td>Introduction of KiwiSaver 2007</td>
<td>Website, printed materials, billboard advertising, media, public transport, public places, online advertising, social media, mobile phones. Outreach: seminars, public events, trade &amp; industry associations, workplace</td>
<td>Employees 18-65. Focus for Jan 2007-09 was new members. From Feb 2009 focus includes existing members switching providers. Special focus on workers in low-financial literacy labour markets</td>
<td>To encourage employees to make an informed decision about KiwiSaver. To provide workers with the basic tools required to make simple financial decisions</td>
<td>Annual NZD 2m</td>
<td>As of May 2008 coverage was about 40% of the working population. 28% of 18-65-year-olds used ‘Sorted’ resources but figure dropped to 19% in 2010</td>
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<tr>
<td>Poland</td>
<td>To introduce and promote mandatory system 1997-99 on-going Schools 2010-12</td>
<td>Implementation of mandatory system 1997</td>
<td>Website, media, printed materials, call centre. Outreach: public events, trade &amp; industry associations. Schools programme</td>
<td>Working population, individuals affected by the new pension system. Upper-secondary schools and teachers</td>
<td>First, to build consensus about reform, explain options to target groups. Second, to educate the public and to help them make decisions, eg to increase contributions. Third, education in schools</td>
<td>Initial budget USD 6m, then part of broader financial education budget</td>
<td>Public awareness up from 40% to 60%. Voluntary switches to new system by 30-50-year-olds (60%) exceeded expectations (25-45%), raising concern that some employees might have been better off staying in the old system School impact positive; teachers request more materials</td>
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<tr>
<td>Singapore</td>
<td>To introduce and promote mandatory annuity system First phase: 2009-12 Second phase: 2012 onwards</td>
<td>2009 introduction of lifetime annuity (to replace 20-year drawdown)</td>
<td>Website, printed materials, billboard advertising, media, online advertising, social media, call centre. Outreach: seminars, public events, trade &amp; industry associations, workplace. Schools programme</td>
<td>First phase: General population but main focus is members born between 1949 and 1954. Second phase: General population, but the main focus is members turning 55 from 2013 onwards.</td>
<td>To encourage voluntary switching from the 20-year drawdown scheme to the lifetime annuity scheme (mandatory from 2013 for most over-55s)</td>
<td>Total budget for Phase 1 &amp; 2 SGD 2.8m. Annual budget SGD 990,000.</td>
<td>Advertisement recall rate 69%. Face-to-face interviews conducted. Calls to help centres (800 per day) and use of on-line calculator monitored. 90 outreach events considered successful. 40,000 switches to new system (more than expected)</td>
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<td>Spain</td>
<td><a href="http://www.dgsfp.meh.es/index_in.asp">http://www.dgsfp.meh.es/index_in.asp</a> <a href="http://www.bde.es/webbde/en/">http://www.bde.es/webbde/en/</a> National programme of financial education, including pensions and voluntary savings 2008-12</td>
<td>General, to raise financial literacy</td>
<td>Website, printed materials, media. Outreach: seminars for consumer association staff, consumer seminars. Schools programme</td>
<td>General population, workers approaching retirement, immigrants</td>
<td>To raise general pension awareness and to encourage early savings discipline</td>
<td>Part of broader financial education budget</td>
<td>Measurement of website hits and levels of financial knowledge before and after school courses</td>
</tr>
<tr>
<td>Sweden</td>
<td><a href="http://www.minpension.se">http://www.minpension.se</a> To introduce mandatory system 1999</td>
<td>Reform of public pension system, introduction of PPM mandatory DC system, and the issue of the first pension benefit statement</td>
<td>Website, media, annual pension statements</td>
<td>Workers aged 18-61</td>
<td>To build knowledge of and trust in the system; encourage individuals to read and to understand their pension statements</td>
<td>SEK 55m</td>
<td>Awareness increased initially but then fell back to pre-campaign levels. Active investment decisions made initially by 2/3rds of members; currently only 2% of new members. Usage of the website is high. Since launch (2004) it has attracted 1.15m registered users; 10,000 hits per day</td>
</tr>
<tr>
<td>UK</td>
<td><a href="http://www.direct.gov.uk/pensionsandretirementplanning">http://www.direct.gov.uk/pensionsandretirementplanning</a> <a href="http://betterfuture.direct.gov.uk">http://betterfuture.direct.gov.uk</a> <a href="http://www.nestpensions.org.uk">http://www.nestpensions.org.uk</a> To explain changes to state and employer pension system To introduce auto-enrolment in 2012 On-going</td>
<td>Pensions Act 2007 introduces changes to state pension; Pensions Act 2008 introduces auto-enrolment phased from 2012</td>
<td>Website, printed materials, media, online advertising, coordination with the Consumer Financial Education Body and The Pensions Advisory Service Outreach; trade &amp; industry associations, public events,</td>
<td>General population, all workers, women, carers</td>
<td>4 stages; engagement, understanding, awareness of solution, and action</td>
<td>Not disclosed</td>
<td>Comprehensive evaluation will include response rates, changes in attitude and behaviour. Early analysis indicates increased awareness of the state pension reform among the over-55s</td>
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<td>USA</td>
<td>To promote retirement savings</td>
<td>1997 SAVER Act</td>
<td>Website, printed materials, media, social media. Outreach: seminars, public events, trade &amp; industry associations,</td>
<td>Working age population, young workers, workers approaching retirement, women, minority groups, small businesses</td>
<td>To raise general pension awareness, inform target groups, change behaviour, and encourage individuals to take specific actions</td>
<td>Annual USD 375,000</td>
<td>Pop-up website survey, cards mailed with publications, follow-up to phone enquiries, post-event surveys. Results not disclosed but all media considered effective</td>
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</tbody>
</table>
The information in this section was supplied by the NPCC organisers. In many cases this was the supervisory authority (the government department for finance, pensions, or financial literacy), the regulator, and in certain cases the national bank.

1. Campaigns Linked to the Introduction of Mandatory Private Funded DC Pension Systems

**Estonia**

**System:** Mandatory with a voluntary section. The new system (2002) is mandatory for people born after 1982, therefore all new labour market entrants must join. People born between 1942 and 1982 could join the second pillar voluntarily in the years 2002-2010. From 2011 the system no longer accepts voluntary joiners.

**NPCC organiser:** Ministry of Finance of Estonia

**Website:** [http://www.pensionikeskus.ee](http://www.pensionikeskus.ee)

**NPCC objectives and time frame:** ‘What are you thinking about? About my pension.’ Two stages completed by 2002. The first explained the need for reform and why the new system was selected. The second explained the options for different age groups and provided information on how to join. (A new campaign began in 2009, when the pension system started to make its first pension payments. This is not covered here.)

**Target population:** Stage 1: 21-60 age groups (about 57% of the population). Stage 2: individuals born between 1942-56, who had limited opportunity (until 2002) to join the mandatory system.

**Budget and source:** c. EEK 150,000, funded by public authorities.

**Distribution channels:** A six-month independent PR campaign used TV (including a show featuring interviews with experts); radio and print media; posters; a pensions website. The campaign symbol was an oak tree, the crown of which was in the shape of Estonia, with the word *kogumispension* – ‘funded pension’ – at its base, and three branches representing the three pension systems. The NPCC excluded information on pension funds and advice on investment strategies.

**Outreach:** Call centres, investment fairs, and road shows.

**Monitoring and evaluation:** Calls to call centres were monitored, as were attendance levels at road shows. An independent consultant conducted face-to-face interviews to assess impact.

**Outcome:** Results of the impact evaluation were mixed: 43% of individuals said they knew about the system in general; 14% knew a lot; 21% did not know very much; the rest did not know or did not answer.
When asked about reliability, 26% thought the new system was reliable; 44% thought it was not very reliable; 13% thought it was not at all reliable.

In the first six months more than 200,000 people joined the system and a further 150,000 joined the following year. This represents about 45% of the total population that could join according to their age. Today there are 575,000 people in the mandatory funded pension scheme.

Organiser’s feedback: The campaign benefited from close cooperation with pension funds, which also used the oak tree logo. However, the private sector agreed not to launch their advertising until the NPCC was completed, in order to avoid confusion. There can never be too much information provided from a neutral source, such as the government, but this must be delivered in an accessible form; otherwise it will not get the attention of the intended audience. Cooperation with other authorities is critical, for example with the tax office, government departments, and private sector providers. It is essential not to over-estimate the individual’s ability to understand complex financial issues and the time they are willing to spend reading brochures and learning about pensions. The government should not overestimate its abilities to ‘go it alone’.

Hungary

System: Mandatory

NPCC organiser: Hungarian Financial Supervisory Authority

Website: http://www.tegyunkerte.hu

NPCC objectives and time frame: NPCC 1 (1990s) to introduce reform and explain why individuals should join new system. NPCC 2 (2008) to address negative image of first campaign and to raise awareness.

Target: NPCC 1, all workers. NPCC 2, all workers but divided into categories and communication adjusted accordingly.

Organiser’s feedback NPCC 1: The 1990s campaign was flawed in several important areas. First, it did not succeed in explaining the necessity of reform, which meant that individuals did not understand why they had to join the new system and the investment risks inherent in their choice of funds. Second, the government campaign was overshadowed by the high level of advertising conducted by private pension operators, whose marketing costs led to complaints that the new system was too expensive.

Ten years after the reform there was still no independent rating of pension funds (comparative tables on pension products are now available on the HFSA website). The lack of comparative data discouraged members from switching funds even though there were significant differences in performance. The media responded to these problems vociferously.

NPCC 2: The second campaign, launched in June 2008, aimed to rectify the negative public perceptions of the reform by reinforcing the message that reform is essential to the country’s future and also by raising awareness of pension issues.
**Target population:** Population divided into behavioural categories (for example, ‘opinion leaders’, ‘early adopters’ and ‘laggards’), each section of which was targeted with information and a style of delivery appropriate to its needs and the desired outcome.

**Budget:** 2008 campaign HF 28.5m

**Distribution channels:** 800,000 brochures were inserted into daily newspapers for a week. The cost of the communication campaign was 28.5m HF. A periodic free brochure was also produced - Új Magyarország Kiadvány - which reaches most households and informs people about current government decisions and changes. The brochure has been published three times since November 2007 with about 3m copies distributed on each occasion.

**Outreach:** An internet-based debate about the initiative has been launched, using civic platforms. One of its objectives is to ensure communications exercises avoid misunderstandings.

**Monitoring and evaluation:** The government website provides information on pension reform and received more than 1m visitors in the first half of 2008. A survey of the brochure campaign began at the end of 2007.

**Outcome:** The survey indicated that of those who received the brochures, 71% were able to recall the articles about the pension reform.

**Organiser’s feedback:** To plan for the future, the government has set up a Pension and Old Age Roundtable, consisting of a group of professional pension experts, who are developing a national plan based on maximum consensus.

**Mexico**

**System:** Mandatory with a voluntary section. Reform introduced in the private sector (1997) and public sector (2007).

**NPCC organiser:** The regulator, CONSAR, was in charge of the programme. Also involved were the IMSS (for private sector) and ISSSTE (for public sector).

**Website:** http://consar.gob.mx

**NPCC objectives and time frame:** The NPCC began in 1997 and is on-going (most recent data is for 2010). It aimed to raise awareness of reform, explain pension accounts, encourage workers to make relevant decisions, promote choice of Afore, based on net returns (return minus commissions). Slogans included: “Get involved today and not tomorrow when it’s too late,” and “The choice you make today will dictate the size of your pension tomorrow”. Campaign intensified in response to the financial crisis.

**Target population:** General population, working age population, and young workers (1997 private sector; 2007 public sector).

**Budget and source:** CONSAR’s annual budget for public education is approximately USD 2.8m per annum, funded by public authorities.

**Distribution channels:** Principal delivery methods include the internet and all media channels (TV, radio, newspapers, magazines, billboards). Specific printed material includes wall posters on information
stands nationwide, advertisements in newspapers and magazines, and online materials, such as banners on principal internet sites. CONSAR increased its communication efforts in response to the recent financial crisis. The spokesperson for CONSAR gave a series of radio and newspaper interviews and the regulator printed crisis-related pamphlets, which it distributed to the 100,000 members who made contact.

**Outreach:** CONSAR agents visit schools, universities, employers, employment fairs, regional consumer fairs, trade unions, associations and even shopping malls to give presentations on the pension system to employees and students. In the workplace it runs Q&A sessions, for example. An innovative scheme has been the organization of ‘Afores fairs’ in which the authorities, Afores and other pension-related institutions provide information to employees on the pension system. In these fairs CONSAR has assisted over 5,000 people on a daily basis. Overall CONSAR had face-to-face contact with 5.4m people in 2007 and as of September 2008 had assisted over 6m.

**Schools:** CONSAR has distributed 60,000 books to pupils in schools.

**Monitoring and evaluation:** Website hits during January-March 2011: 1.8m general; 2.6m to specific account documents. Calls to call centres were monitored. Media hours calculated and evaluated (measured by the number of relevant calls directed to the help-line and website). Outreach event attendance and use of programme in schools measured. Focus groups took place in Mexico City (based on a questionnaire) to assess the level of impact.

During the six-month annual campaign there were about 1,500 media hours recorded, with radio considered the most effective (measured by the number of calls directed to the help-line and website). Annual seminars attract about 260,000 workers, workplace events 13,600, and public events 498,000 individuals. The schools programme reaches 125,000 pupils during the six-month period.

**Outcome:** Early feedback on the private sector NPCC indicated a general lack of information and knowledge. Although the pension account is the most significant personal asset for 90% of the population, most do not know about it because contributions are deducted from salary before pay. This lack of awareness is shown by the fact that 85% of the questions asked by members of the public are along the lines of ‘Do I have a pension?’, ‘Where is it?’, and ‘Which pension fund administrator administers my account?’. The system relies heavily on default mechanisms, with 70% of new members channelled into the fund that gives the highest net return.

**Organiser’s feedback:** Key problems encountered during this NPCC include the budget, lack of regional representation, low levels of financial literacy, the lack of a savings culture, and the complexity of the information to be communicated. However, since 2008 the campaign has increased its intensity and regularity to try to overcome these issues.

**Poland**

**System:** Mandatory funded accounts for workers up to age 30; voluntary for 30-50 year olds. The reform was not applicable to older workers, who remained in the previous scheme.

**NPCC organiser:** When the new individual account based pension system was introduced in the 1990s, the government (Office of the Government’s Plenipotentiary for Social Security Reform) commissioned an information campaign. This lasted from March 1997 to December 1999, and had a budget of USD 6m (financed by USAID and the Polish State budget). In 1999 the Polish Financial
Supervision Authority took over responsibility for national campaigns, while in 2008 the National Bank of Poland launched an education programme specifically targeted at schools.

**Website:** Polish Financial Supervision Authority [http://www.knf.gov.pl](http://www.knf.gov.pl); National Bank of Poland [http://nbp.pl](http://nbp.pl)

**NPCC objectives and time frame:** NPCC 1, March 1997 to December 1999, aimed to explain the reasons for reform and the benefits of the new system. The messages were complex, as the NPCC had to explain the benefits of the new system to eligible workers for whom the new system was mandatory or voluntary, but also to reassure older workers, who remained in the old system, that this was secure. Voluntary savings were also emphasised, as these might be necessary in addition to the pension in order to achieve financial security in retirement.

A separate programme, 2010-12, organised by the National Bank of Poland, focuses on pension awareness and responsibilities, as part of the ‘My Finances’ programme (launched 2004), which is part of the NBP Strategy on Economic Education and targets schools and colleges.

**Target population:** For the NPCC there were three categories by age group. The new system, which required individuals to make a fund choice, was compulsory for those under age 30. People aged 30-50 had to decide whether to join the new system or remain in the old one. The over-50s were not affected by the reform.

The schools programme focused on upper-secondary schools and teachers.

**Budget:** 1997-99 campaign USD 6m, financed by USAID and the Polish State budget.

**NPCC 1:** This took place in 1997 when the reform legislation was passing through parliament to convert the state pension system to a mandatory funded private structure. The NPCC introduced the rationale for the systemic pension reform and targeted opinion leaders (for example, trade union leaders, employer groups, members of parliament) to help build political and social consensus for the reform.

**Distribution channels:** The campaign was generic and information-based, positioning the reform as a positive development required to replace the expensive – and now unaffordable – state pension system. It used opinion polls to demonstrate the widespread lack of confidence in the old system. Information brochures for employees were sent to companies and trade unions. The NPCC distributed 5m brochures via daily newspapers, including the most popular tabloid. In addition, a media advertising campaign was launched.

**Outreach NPCC 1:** Call centres were established and responded to more than 200,000 enquiries. A road show touring workplaces (aimed at unions), and information packages for MPs, political parties and Non Government Organisations (NGOs). An important feature of the campaign was to educate journalists, so that they could provide independent information. The result was a series of weekly sections in newspapers that explained the new system and helped to answer consumers’ questions. A national logo and slogan, ‘Security through Diversity’ gave the press campaign a recognisable identity.

**Schools (NPCC 2):** The second NPCC relates to financial education (‘My Finances’), which began in 2004. The pension component for 2010-12 focuses on upper-secondary schools and targets students about to enter the workforce. Through teacher resources and training it explains the pension system and the individual’s obligations in terms of contributions, and also the DC investment choices. Currently the
programme reaches about 153,000 students and 1,650 teachers each year and it includes voluntary after-school teacher-student meetings.

**Monitoring and evaluation:** Given that membership was mandatory for those under age 30 and that the over-50s could stay in the old scheme, the best way to judge the success of the campaign was to look at the voluntary membership level of the 30-50-year olds, who had a choice. Coverage levels achieved for this group were higher than expected. At the outset the NPCC expected 25-45% to join, whereas 60% made the decision the voluntary decision to switch from the old to the new system. For some of these employees the decision to switch was detrimental because they lost their entitlement to early retirement under the old system.

At the end of 1999 the Polish Financial Supervision Authority took over responsibility for NPCCs. Its activities focus on making the public aware of investment results achieved and charges levied under mandatory scheme. It also promotes voluntary savings.

Currently the PFSA is developing a national financial education strategy. It is also developing an extensive internet-based public information campaign, which will be followed by the distribution of free publications to young adults (up to 35 years old) to familiarise them with the new system. In addition the PFSA is developing an internet-based public awareness campaign. The schools programme is monitored by Junior Achievement Poland, an internal monitoring and project quality evaluation process.

**Outcome:** Before the main campaign in 1999 surveys indicated that fewer than 40% of respondents felt they were well informed about the pension reform. Ten months later, after the campaign, this figure rose to about 60%. Polls also showed that 63% felt information about the reform was easily accessible.

Feedback from schools, including face-to-face interviews, is excellent and teachers frequently ask for more materials.

**Organiser’s feedback:** In 1997 Poland had been a market economy for only a decade and therefore the general public and the media had a low level of financial experience. The main challenge of the campaign was to communicate different messages to different groups. The high level of switches from the old to the new system in the 30-50 age group highlights the risk that the NPCC can be ‘too successful’ in its representation of the benefits of the new system.

An important aspect of the NPCC was to help people make rational decisions and to interpret the high level of advertising on the part of pension funds eager to acquire these new investors as clients. It highlighted the need for the government to maintain strict controls over the marketing campaigns of private operators, which in this case appear to have painted too rosy a picture of the new pension system.

The more recent campaign in schools highlights the importance of reaching more than one household member, so that the experience can be discussed and shared in the domestic setting.

**Singapore**

**System:** The Central Provident Fund (CPF) covers lifetime income (the pension element), healthcare, home ownership, family protection, and ‘asset enhancement’. The lifetime income section has two components: the mandatory savings scheme and the annuity. There is also a voluntary contributions section.
**NPCC organiser:** CPF LIFE (CPF Lifelong Income for the Elderly) Campaign. This is one of the campaigns run by the CPF Board for the retirement needs of its members. Retirement planning is also a component of MoneySENSE, Singapore’s financial education programme.

**Website:** [http://www.cpf.gov.sg](http://www.cpf.gov.sg)

**NPCC objectives and time frame:** CPF LIFE (CPF Lifelong Income Scheme for the Elderly) started in 2009 and was designed specifically to explain the transition for many members from 20-year annuities to the lifetime income system. Under the existing Minimum Sum Scheme (MSS) the payout phase only lasts for 20 years. **Phase 1** (intensive) September-December 2009; **Phase 2** (moderate outreach) January 2010-June 2012; **Phase 3** (intensive outreach) July-December 2012.

CPF LIFE is voluntary until January 2013, when it becomes mandatory for all MSS aged 55, who have a minimum of SGD 40,000 in their Retirement Accounts. For members with less than this amount the decision to switch will remain voluntary, although this will be encouraged. The three-phase NPCC complements the MoneySENSE financial education programme.

**Target population:** The main target group is members aged 55-60 with at least SGD 20,000 in their Retirement Accounts. These 131,000 members are more likely to opt in to the new scheme, as their monthly income from CPF LIFE would be comparable to the income they would receive under the MSS. They might also qualify for the full LIFE-Bonus when they join.

**Budget and source:** The total budget for Phases 1 and 2 is SGD 2.8m. The annual budget is SGD 990,000, funded from internal sources.

**Distribution channels:** Phase 1 of the NPCC, at the end of 2009, involved the launch of CPF LIFE and an extensive publicity campaign through all the main media channels, including advertorials in newspapers written by in-house journalists. CPF LIFE has distributed 200,000 booklets. Phase 2, the current stage, focuses on outreach via printed publications, direct mail, call centres, and the website (which includes an online calculator, the ‘LIFE payout estimator’).

**Outreach:** Local seminars, global seminars (where the CFP Board’s chairman and chief executive officer gave speeches), conferences, road shows, talks, and meet-the-people sessions. Phase 3 (July-December 2012) will intensify outreach and focus on the mandatory cohort.

**Pre-campaign research, campaign monitoring and evaluation:** Prior research was conducted by the National Longevity Insurance Committee, which was set up in 2007 to design CPF LIFE. The NLIC consulted working adults, trade unions, community and social leaders, disabled persons associations, insurance companies, industry associations, academics, and the general public. The research found that individuals wanted a fair, flexible and affordable scheme that was run by a trusted administrator. They wanted simple information and explanations.

For the campaign independent consultants were hired to design, implement, monitor and evaluate the programme. Insurance companies were also part of the process, as were employers, trade unions, and academics. A face-to-face survey of 1,200 individuals was conducted. Focus group discussions were used in the early and later stages of the campaign to gather in-depth feedback on the campaign.

11 The report is at [http://mycpf.gov.sg/Members/Gen-Info/CPF_LIFE/NLIC.htm](http://mycpf.gov.sg/Members/Gen-Info/CPF_LIFE/NLIC.htm)
**Outcome:** A daily average of 800 customers contact CPF service centres (plus 25 via email), 100 contact call centres, and 230 attend events. CPF LIFE receives about 1,250 visits per day – the same number as for the online calculator. Advertisement recall rates indicate that 69% of those surveyed had heard about CPF LIFE via the media. About 90% of event participants say that they can apply what they have learnt.

At the time of the survey, 40,000 MSS members had switched to CPF LIFE. The number of CPF life policies (lifetime annuities) to date is 40 times the previous figure under MSS (the previous total lifetime annuity market was just 71,530).

**Organiser’s feedback:** Although making people aware of the events was a challenge the communication channel that was particularly effective was the series of 90 outreach events (road shows, public talks, and ‘meet the people’ sessions). A second challenge was to provide representatives with sufficient information so that they could answer member queries. Representatives said that the ‘frequently asked questions’ sheet helped. Designing graphics was one of the major challenges and in the end a cartoon-style was adopted. This was felt to work well, as it delivered information in a non-threatening manner. With hindsight the organiser would have used more outdoor advertising (trains, buses, and taxis).

**Sweden**

**System:** The main public pension was changed in 1999 to a cash-balance scheme, to which a small personal DC pension component called PPM was added. This case study refers to the PPM. (Separately, in 2008, the main occupational system for white-collar workers changed from DB to DC for members born in 1979 or later.)

**NPCC organiser:** Premium Pension Authority

**Website:** [http://www.minpension.se](http://www.minpension.se) (launched 2004 and provides combined pension projections)

**NPCC objectives and date:** The 1999 NPCC aimed to build knowledge about and trust in the new system, and to encourage individuals to read and to understand their pension statements.

**Target population:** 18-61 year olds

**Budget and source:** The cost of producing and distributing the first set of pension statements was approximately SEK 45m. The cost of the information campaign was approximately SEK 55m.

**Distribution channels:** The first set of pension statements was sent out in 1999 to 5.3 million individuals. The NPCC, targeted at 18-61 year olds, included newspaper advertisements, television and radio commercials.

**Outreach:** Public relations events, such as conferences.

**Monitoring and evaluation:** The information campaign initially was considered successful in terms of knowledge levels and active member engagement in the fund choice. However, later surveys indicated that knowledge about the public pension system had reverted back to original levels. Moreover, where initially about two-thirds of people made an active decision in the choice of, now only about 2% of new members of the system make an active choice; 98% opt for the default fund.
The decline in the number of people choosing to invest their money outside of the default fund could partially be explained by the discontinuation of the public information campaign after the introduction of the new system. The decision to leave investments in the default fund may reflect the fact that the fund performed well in years prior to 2008 but it might also be due to confusion over the extensive choice. The PPM has about 700 investment options.

The Swedish Social Insurance Agency conducts an annual face-to-face survey (since 1999) about the Orange Envelope to examine how participants use it and how well it communicates information about the pension system. The results show that knowledge of the envelope is high (and has held up) but usage is much lower. Though confidence in the pension system does appear to have improved following the introduction of the new communication methods (the share of participants that has no confidence in the system has decreased from 20 percent at the time the new system was introduced to about 13 percent in 2006), knowledge of the pension system as a whole still remains patchy.

In 2008, the Swedish National Audit Office evaluated the information in the Orange Envelope and the efforts by the Swedish Social Insurance Agency and Premium Pension Agency. They concluded that the Orange Envelope contained too much information and recommended the government review its contents. In particular, the Audit Office thought too much information was provided on details that are not directly associated with decisions on work and savings, such as administrative costs.

**Outcome:** Usage of the website is high. Since its launch in 2004 it has attracted 1.15 million registered users and the number of visits per day on average is around 10,000.

**Organiser’s feedback:** Currently, the government relies mainly on the annual pension statement, the so-called ‘Orange Envelope’, in order to explain to individuals the way the system operates, the choices they face and what benefits they may expect. The Orange Envelope is sent annually to everyone covered by the country’s national pension system, which contains information on how their DC account has changed over the year and also projections for their future pension income. In addition, there is a summary of how the new pension system works (highlighting to participants that benefits in the main scheme are determined by lifetime earnings). The government agency that administers the individual DC accounts – the Premium Pension Authority – provides information on fund choices, investment risk, and fees and has its own website where participants can review and manage their accounts.

2. **Campaigns Linked to the Introduction of Employee Auto-Enrolment Programmes (Quasi-Compulsion)**

**Israel**

**System:** All types of pension savings included in NPCC: the public system, mandatory individual private pensions and voluntary individual pensions.

**NPCC organiser:** Capital Markets, Insurance and Savings Division (CMISD)

**Website:** http://www.pensia.mof.gov.il

**NPCC objectives and time frame:** The campaign (‘Everything you should know about your long-term savings’) was launched in response to the global financial crisis formed part of a wider agenda on the part of CMISD to improve the public’s financial awareness and literacy, for example by improving the information that the institutions it regulates (for example pension funds, insurance companies and
provident funds) provide to their customers. The campaign aims to increase public awareness about pensions, communicate messages to target groups, to change savings behaviour (for example to start saving early and to increase contributions), and to encourage individuals to take specific actions. The main campaign (television and newspapers) took place between May and December 2009. The internet campaign is on-going.

**Target population:** General population, workers of all ages and incomes (including younger workers and those approaching retirement), and immigrants. **Budget:** NIS 6m (USD 1.7m), financed by public authorities.

**Budget and source:** NIS 6m (USD 1.7m), funded by public authorities.

**Distribution channels:** Dedicated website, television and national newspapers. This included a campaign on Israeli TV and in the Israeli newspapers, the aim of which was to encourage the Israeli public to access the designated web site set up by the CMISD. Speeches by the Commissioner of Insurance and by the management of the CMISD emphasized the importance of the financial education of the Israeli public. In addition, for the wider campaign, there were paper materials, public events and online advertising, search engines and targeted marketing.

**Outreach:** No specific NPCC events but a well-known newspaper, Yediot Acharonot (http://www.ynet.co.il), organized a telephone conference with representatives from the CMISD and the largest pension funds in Israel.

**Monitoring and evaluation:** The campaign was monitored internally by measuring the number of website hits. In addition cash flows are analysed to assess levels of contributions to pension plans and withdrawals.

**Organiser’s feedback:** CMISD designed the campaign in conjunction with the government Bureau for Advertising. Before the launch the organiser informed the pension funds and insurance companies, so that they could make their own preparations. Of the communications channels used, the most effective were the dedicated website, paper materials, the media, public events, and online advertising and search engines. The organiser said that it is important to establish an on-going campaign to maintain the impetus, as people do not give enough consideration to the importance of long-term savings. It also said that the limited budget was an issue but that this problem can be addressed by involving private institutions. Finally, with hindsight the organiser would have implemented the campaign earlier.

**Italy**

**System:** Private pension system, introduced 2007 and implemented 2008

**NPCC organiser:** The Presidency of Council of Ministries, Ministry of Labor

**Website:** [http://www.tfr.gov.it](http://www.tfr.gov.it)

**NPCC objectives and time frame:** The focus of the campaign was to communicate the new auto-enrolment system, to raise general pension awareness and to encourage individuals to take action. It took place January-June 2007.

**Target population:** All employees of private sector firms
**Budget and source:** Euro 17m, funded by the state

**Distribution channels:** The organiser used a public relations firm and a consulting firm to help with the campaign, which used a dedicated website, TV and radio, paper materials, the press and all media channels (several times per week), public events, and a call centre

**Monitoring and evaluation:** There was no prior research to this campaign. The campaign was monitored internally by measuring the number of web-site hits, calls to the call centre, numbers viewing television promotions and listening to radio programmes. Different communication channels were compared and evaluated in terms of general public and target audience levels of awareness and recall (TV and radio were found to be particularly effective). In addition face-to-face interviews were conducted.

**Outcome:** Between 60-70% of the population were aware of the campaign as a whole. Awareness levels increased by 10% during the course of the campaign.

**Organiser’s feedback:** With hindsight the organiser would recommend better design of the campaign with clear identification of the goals and targets; better definition at the outset of the method of evaluation to be used; launching the campaign several months before the reform; considering how to manage the programme with a long-term horizon; and better coordination among the institutions involved.

Separately, in 2010, a coordinated activated was launched that involved supervisory authorities (Bank of Italy, COVIP, CONSOB, ISVAP, and Antitrust) to promote initiatives to improve financial and pension literacy and to create a common website devoted to financial and retirement education. COVIP is working on the redesign of its institutional website to include more documents and guides on the pension system and to improve awareness of current and potential members. A new national financial and pension communications campaign is under discussion in parliament.

**New Zealand**

**System:** KiwiSaver is targeted at all individuals below age 65 (3.6m) and in particular at employees (2.1m). It is also open to the self-employed.

**NPCC organiser:** The Retirement Commission


**NPCC objectives and time frame:** The KiwiSaver communication and financial education campaign 2007-09 focused on new members. From February 2009 it includes existing members and their choices on changing jobs. The aim is to improve the level of financial literacy among employees.

**Target population:** The primary target is every employee, but there is a special focus on sections of the labour market associated with low levels of financial literacy, including manufacturing, construction, retail, wholesale, and healthcare.

**Budget and source:** NZD 2m, funded by public authorities
**Distribution channels:** Initially the Retirement Commission provided workers with information to help them decide if the KiwiSaver was appropriate, if it would help them achieve their savings goals, and if they could afford to participate. The Sorted programme, in addition to the website, includes booklets and seminar modules that cover all aspects of the financial planning process. The media is used three-to-four times per annum. Also used are online advertising and search-engines, social media, and mobile phones (during holiday periods).

**Outreach:** Regular seminars and meetings. Speakers at public events.

**Pre-campaign research, campaign monitoring and evaluation:** The Commission conducted a survey in 2008 and 2009 to assess awareness of financial knowledge before the NPCC that explained KiwiSaver, and again afterwards to assess impact. On-line questionnaire, face-to-face interviews and phone interviews were carried out. Monitoring of website hits. After the campaign the objective was to maintain the 2007 level of interest, in which 28% of 18-65-year-olds surveyed had used sorted.org.nz (and 34% of the total population). However the figure dropped to 19% in 2010. As of May 2008, uptake of the scheme was estimated to have reached 673,000, which represents 40% of the working population.

**Outcome:** National statistics on the impact of the campaign include the following:

- 37% switch to different provider
- 37% stop contributing
- 37% contact a financial adviser about KiwiSaver
- 34% join
- 34% change contribution rate
- 33% talk to work colleagues or employer about scheme
- 32% talk to family and friends about the scheme
- 30% contact a provider
- 32% decide not to join

A follow-up survey was conducted to check if employees had made appropriate decisions. Overall 81% of the population associates the website and KiwiSaver brand with ‘helping me with my money matters’. Press monitoring is carried out to assess the positive and negative media reports.

**Organiser’s feedback:** The main resistance to auto-enrolment was from employers concerned about the costs, in terms of contributions, and compliance costs of upgrading payroll software. The financial crisis had a positive impact in this respect because reluctant employers recognised the value of providing information about finance and pensions in the workplace.
**UK**

**System:** Reform of state pension system (now under further review). Auto-enrolment, which will be phased in from 2012 (the main focus for this case study).

**NPCC organiser:** Department for Work and Pensions

**Website:**
DWP: [http://www.direct.gov.uk/Pensionsandretirementplanning](http://www.direct.gov.uk/Pensionsandretirementplanning), [http://betterfuture.direct.gov.uk](http://betterfuture.direct.gov.uk);

NEST: [http://www.nestpensions.org.uk](http://www.nestpensions.org.uk)

**NPCC objectives and time frame:** To explain auto-enrolment to employers and employees and to announce the launch of the National Employment Savings Trust (NEST), which is designed to be used as the auto-enrolment scheme for employers that do not currently provide schemes and/or prefer to use the national scheme. NEST’s initial target market is the low to moderate earner. Other objectives include encouraging people to work longer, to increase confidence in financial decision making, and to encourage action such as making choices in relation to the reforms. The campaign is on-going.

**Target population:** Working age population in general (age 22 to the state pension age) and workers approaching retirement, who will be affected by changes in the state pension (age and levels of benefit), women, low-income workers.

**Budget:** Dedicated budget but not disclosed

**Distribution channels:** A web-based customer journey has been designed for individuals, which spans the period of the reform. It takes individuals through four key stages: engagement, understanding, awareness of solution, and action. Communications targeted by behaviour and levels of financial knowledge as follows: Daunted, Unprepared, Competing priorities, Maybe Sorted, and Really Sorted. Communications channels include websites, printed materials, media, seminars, public events, trade and industry associations, online advertising, and partnerships activity with the Consumer Financial Education Body and The Pensions Advisory Service.

**Pre-campaign research, campaign monitoring and evaluation:** Prior research to determine segmentation of the population ([http://research.dwp.gov.uk/asd/asd5/WP72.pdf](http://research.dwp.gov.uk/asd/asd5/WP72.pdf)). Success criteria were identified by the organiser at an early stage of the campaign planning in conjunction with policy colleagues. The campaign is still in its early stages. After 2012, when the reform begins to take effect, the evaluation programme will measure success in terms of:

- Inputs: investment in the campaign (people and budget)
- Out-takes: effectiveness of message delivery via advertising, PR, stakeholders, among others
- Intermediate outcomes: response rates, changes in attitudes and intended behaviour
- Final outcomes: behavioural change

Methods to include:

- Website hits and detailed monitoring of sessions.
• User feedback on leaflets, including telephone response

• Audience reach and frequency of message measured for advertising and PR (including relative impact of different channels)

• A regular tracking survey to measure changes in awareness, attitudes and intended behaviour in relation to pensions and retirement planning among the working age population

• Focus groups have been used where appropriate to test and refine language, messages, and campaign materials and information

• Policy and communications teams draw on industry data to monitor employer and consumer behaviour

Outcome: The programme for auto-enrolment is in its early stages. Separately, early findings indicate that awareness of the state pension reform has increased among the over-55s.

Organiser’s feedback: Segmenting the audience by attitude, rather than a demographic formula, has proved to be invaluable in delivering targeted information tailored to the barriers that characterise different groups. Communications activity and channel selection, therefore, has been designed to focus on the target sections of the population that are most difficult to reach and most in need of help, plus those likely to be most affected by the changes (older workers in relation to state pension reform). Communicating with the target audience in their own environments (paid-for editorial content in magazines, on radio stations and websites) is very effective. Communication plans need to take account of inertia and the fact that people do not behave rationally in relation to retirement planning. Messages need to be delivered gradually and in logical, manageable chunks.

3. Campaigns with On-Going Objectives

Denmark

System: The system is government-endorsed but managed and financed by the entire pensions industry, consisting of about 200 pension funds, including all the insurance companies, banks, multi-employer schemes and ATP (the Danish Labour Market Pension Scheme). Together these pension providers service the accounts of 40,000 members.

NPCC organiser: PensionInfo is managed and financed by the pensions industry. The government endorses the programme and has two seats on PensionInfo’s board.

Website: http://pensionsinfo.dk

NPCC objectives and time frame: ‘PensionsInfo’ supports the private pension system introduced in 1999 and re-launched in 2007 with a new website design.

Target population: To raise general pension awareness and to inform target groups. The primary aim is to increase traffic on the dedicated website by 25% but there is a specific focus on attracting more representation from certain groups, including women and unskilled workers.
**Budget:** The budget for PensionsInfo was EUR 5m to develop the technical platform and user interface. Pension providers dedicated an estimated EUR 10m to develop data provision applications. The annual budget, financed by the industry, is EUR 1.5m. Marketing is carried out by the industry and two-thirds of web traffic is generated by internet banks, which provide users with direct access.

**Distribution channels:** PensionsInfo is a web-based service that collects the individual’s pension information in real time. The overview consolidates information provided online by the individual’s pension provider and presents the expected pension entitlements at retirement (in real terms, inflation-adjusted), plus disability coverage and survivors’ benefits. The website does not aim to prompt specific user actions but to provide individuals with a personalised overview of their pension entitlements from the three pension systems.

**Monitoring and evaluation:** The aim is to increase annual traffic on the website by 25%. Web traffic is monitored and published monthly. In 2010 the institution expected its 500,000 users to log on 2m times in total – up 30% from 2009. Annual user tests are used to help improve the design and functionality of the website. Direct links with Internet bank sites have increased awareness and use of the site. Annual on-line surveys are conducted and there are independent user satisfaction tests. Pension providers conduct their own surveys.

**Organiser’s feedback:** The most frequent users of the site are male skilled employees (25% of all males over age 60), followed by women (20%). In future the institution hopes to attract more women and more individuals from the unskilled labour market. Overall there is a clear correlation between site use, education and earnings.

**Hong Kong**

**System:** The Mandatory Provident Fund (MPF) is mandatory with the option to make voluntary additional contributions.

**NPCC organiser:** MPF Schemes Authority (MPFA)

**Website:** [http://www.mpfa.org.hk](http://www.mpfa.org.hk)

**NPCC objectives and time frame:** The public campaign to promote the mandatory and voluntary employer-sponsored pension system, and the mandatory and voluntary individual pension system.

**Target population:** Working population but also specific groups (see outreach).

**Budget and source:** Total public education and publicity expenses budget 2009-10 HKD 10.98m, funded internally.

**Distribution channels:** Website, radio and television programmes, and videos. The NPCC operates a two-pronged approach: mass media to general public; segmented programmes to specific audiences.

**Outreach:** Seminars and exhibitions, specific programmes for trade unions, employees participating in industry schemes, and youth and parenting groups. Specific targeted communications included radio dramas, financial talk shows, videos, and ‘roving’ exhibitions.
**Monitoring and evaluation**: Quantitative surveys and focus groups are used to evaluate publicity and education programmes where appropriate.

**Organiser’s feedback**: An important aspect of the campaign was to educate scheme members on MPF investment choices, including the relative risk-reward profile of the five major types of funds. The website includes online tools, such as the MPF calculator. It is important to present messages in a clear punchy format and to be aware of the diversity of the public in terms of education and financial literacy.

**Indonesia**

- **System**: Voluntary employer-sponsored pension schemes

- **NPCC organiser**: Pension Fund Bureau, Capital Market and Financial Institutions Agency, Ministry of Finance

- **Website**: www.bapepam.go.id/dana_pensiun

- **NPCC objectives and time frame**: The Pension Fund Socialization and Education NPCC started in 2008 and is an ongoing campaign to educate and encourage employers and unions to establish a pension scheme on a voluntary basis, and to encourage employees to join.

- **Target population**: Employers and unions, especially in the medium and large company market, although smaller employers and individual employees are also targeted.

- **Budget and source**: Annual budget c. USD 50,000, funded by public authorities.

- **Distribution channels**: The NPCC uses leaflets on why people need pensions. These make aware the availability of outreach programmes (see below).

- **Outreach**: Public seminars (seven in 2009-10) and workshops, which usually attract up to 150 people.

- **Monitoring and evaluation**: The objective is to increase participation rates at public seminars by 5% per annum. Specific problems include a generally low awareness of private pensions among employers and employees. Participation at seminars is measured and participants are asked for feedback, which usually indicates that this is the first time they have been told about private pensions. Consultants conduct face-to-face interviews. Post-event monitoring of participant actions checks to see if they have now joined a scheme. Evaluation is conducted by the Pension Fund Bureau; further evaluation is conducted by PFB in conjunction with an independent consultant from the World Bank.

- **Outcome**: The seminars are considered very effective but they also highlight how little people know about pensions. The consensus of evaluation reports is that more information should be made available to raise public awareness. The organiser also notes that employees and employers are deterred from taking action due to other mandatory schemes, such as severance pay and social security. In addition it is noted that there is confusion on the part of employees between the relative merits of lump-sum payments and pensions.
Organiser’s feedback: The limited budget and lack of human resources restrict the choice of communications media. It is evident that young people in particular need constant information in order to encourage them to prepare for retirement.

Ireland

System: Pension Retirement Savings Accounts (PRSAs) are voluntary individual DC accounts. The system will change to auto-enrolment in 2014.

NPCC organiser: The Pensions Board, on behalf of the Department of Social Protection

Website: http://www.pensionsboard.ie/en

NPCC objectives and date: To coincide with the introduction of PRSAs in 2003, the National Pension Awareness Campaign launched a rolling programme of NPCCs (2003-08), which aimed to increase awareness and coverage, to ensure that provision is adequate, and to give the general public a solid educational foundation for retirement planning for the future.

Target population: Several specific targets including young people aged 25 – 39; women, who historically have had lower pension coverage than men; graduates, before they started their first job; hospitality, farming and the rural community, sectors historically with low pensions coverage; international workers – a growing section of the labour market due to inward migration; and schools, through a resource pack for economics and business studies teachers.

Budget and source: EUR 500,000 per annum from 2003-2005, rising to EUR 1m per annum for 2006-2008, funded by the government department.

Distribution channels: The integrated advertising and public relations programme aimed to make the subject matter as interesting and as consumer friendly as possible for each target group. It used television, radio, cinema, the press, posters, and internet banners.

Outreach: Specific outreach included articles in the press and the schools campaign.

Schools: school and tertiary education programme

Pre-campaign research, campaign monitoring and evaluation: Pre-campaign awareness survey. Monitoring of website hits (dedicated site and adverts on other sites), calls and emails to call centres, social media click-through rates, use of website calculator, distribution of materials. Annual independent consumer market research tracks pension awareness and tests knowledge. Quality of calls to call centres assessed, including technical level of the queries. Correlation assessed between increased use of website and increased level of technical detail in phone calls. Stakeholder events include feedback. Teachers involved in school programme surveyed. Employee feedback monitored for pension take-up levels. Quarterly surveys (by national statistics office) to monitor national pensions coverage. Additional survey in response to the financial crisis to assess the impact on member confidence, perceptions of the importance of maintaining contributions during economic downturn, perceptions of pension brand, and awareness of the provision of information. Changes to contribution levels monitored.

The broad scope of the campaign was complemented by the Pensions Board’s coordination with organisations, including trade union and employers groups, the National Library Network, women’s
groups, and industry associations, such as those covering hotels. Wide range of media and PR tools often specifically targeted towards younger consumers, women, and certain sections of the workforce such as international migrant workers and rural workers.

**Outcome:** The initiative was considered successful in meeting its primary objective of substantially increasing pension awareness in Ireland, which increased from about 60% in 2003 to 87% in 2007. The pension coverage rates in Ireland also increased over the period of the campaign (from 57.8% of 35-65-year olds in 2002 to 61% at present), but coverage rates have not yet reached the targets initially set by the government.

In response to the financial crisis and the downturn in markets, The Pensions Board conducted a survey in 2009 to assess the impact on member confidence. It found that members value the consistency of brand image and the provision of information. Of those surveyed 60% made no change to contributions, while 20% had increased contributions. Of particular interest is the fact that 76% of those surveyed agreed that it is important to maintain pension contributions during periods of market uncertainty.

**Organiser’s feedback:** The following media were particularly useful in reaching the general public and more vulnerable groups. Television was the strongest medium to communicate the message, as it delivers high levels of coverage and ensures that all age groups and socio-demographic groups are reached. TV ads were aired at critical times of the campaign, such as National Pensions Action Week and the annual tax filing deadline periods. Radio was used as a cost effective way of increasing the frequency of message and ensuring increased coverage of infrequent television viewers. Ireland has the highest level of radio audience in Europe, so this was considered a key medium. Cinema was used to ensure increased coverage of younger adults, who tend to be "light" TV viewers. The press was used as an informational medium through the supply of articles about increasing the awareness of the importance of starting a pension. Ambient advertising included posters on buses and in washrooms and was used in tandem with Internet banners, as a way to target young consumers in the course of their daily routines.

The recession has made communications problematic, particularly given the widespread cut in jobs and pay.

**Spain**

**System:** Voluntary individual private pension plans. The Pension Awareness Programme is not a NPCC as such but supports the national programme, “Plan de Educación Financiera”

**NPCC organiser:** Bank of Spain and the National Commission on Securities Markets, which work with the Directorate General for Insurance and Pension Funds.


**NPCC objectives and time frame:** This is a one-off programme from 2008-2012 designed to raise awareness about pensions and to encourage people to start saving early. It is divided into four phases. Phase 1 (2008): define the plan objectives and publication of Finance Education Plan. Phase 2 (2009-10): develop the plan, which includes the creation of a financial education website, the introduction of
financial education in schools, seminars, television programmes, and the distribution of leaflets. Phase 3 (2011): consolidation and expansion, including review and improvement of training content and schools programme. Phase 4 (2011-12): evaluation and adaptation, including the assessment, adaption and, where appropriate, proposals for new initiatives.

**Target population:** General population, working-age population, workers approaching retirement, immigrants, schools

**Budget and source:** Part of a broader financial education budget, funded by public authorities

**Distribution channels:** Dedicated website (developed by a private technology provider), leaflets (aimed at the immigrant population), including financial calculators; TV commercials and interviews

**Outreach:** Consumer seminars. Seminars four times per annum on financial education aimed at people who work for consumer associations.

**Schools:** Pilot programme for financial education in 30 schools

**Monitoring and evaluation:** Website hits. There are no specific quantifiable goals for the NPCC but there will be an evaluation process during the course of the 4-year programme. The school programme will be evaluated by testing students’ financial knowledge at the beginning and at the end of the course.

**Organiser’s feedback:** After evaluation the programme will be extended if necessary.

**USA**

**System:** Voluntary employer-sponsored retirement savings (defined contribution and defined benefit plans)

**NPCC organiser:** Department of Labor, Employee Benefits Security Administration


**NPCC objectives and time frame:**
The Saving Matters Retirement Savings Education Campaign was launched in 1995 by the Department of Labor, Employee Benefits Security Administration. The Savings are Vital to Everyone’s Retirement Act of 1997 directed the Department of Labor to continue its retirement savings education and outreach program. This programme coordinates with the Financial Literacy Education Commission, which is comprised of over 20 federal government agencies. The aim is to raise general retirement savings awareness, inform target groups, and change behaviour by encouraging individuals to save for retirement. The campaign also works to educate small businesses with no pension plan about the available retirement savings options and to assist those with a plan to comply with the law.

**Target population:** Working-age population, young workers, workers approaching retirement, women, minority groups, and small businesses.

**Budget and source:** USD 375,000 per annum, funded by public authorities.

**Distribution channels:** Dedicated website with publications, interactive tools and calculators, printed publications, press releases, videos, webcasts, and PSAs. Toll free number for distribution of materials.
EBSA has worked with over 70 partners, including nonprofits, trade and industry associations for distribution and outreach. **Outreach:** Seminars, workshops, and computerised kiosks. Benefits advisers across the country are available to respond to questions from employers and employees.

**Pre-campaign research, monitoring and evaluation:** Research and monitoring of the market to determine appropriate role for EBSA. EBSA monitors web activity, phone and electronic enquiries, number of publications distributed, and customer feedback (post-event surveys) from sponsored outreach events and conducts online and focus group surveys. Statistics are monitored following an event or advertising, as this is likely to lead to additional enquiries and web use.

**Organiser’s feedback:** Particularly effective are the dedicated website and on-line tools, print materials, seminars and meetings, and social media. Good practices emerging from the programme include the use of partnerships and evaluation. The challenges for this programme include lack of resources and reaching diverse and underserved sections of the population. The difficulties were countered through partnerships and developing culturally and linguistically relevant versions of materials.
Chapter 2

ANNUAL DC PENSION STATEMENTS AND THE COMMUNICATIONS CHALLENGE

by

Pablo Antolín and Debbie Harrison *

This chapter examines and evaluates the content and design of the annual pension statement sent to members of funded defined contribution (DC) pension schemes in a selection of OECD and non-OECD countries. The aims of the research are to identify the potential shortcomings in statement planning and design processes, to consider potential barriers in communications to members, and to highlight trends and models of good practice in these critical areas. The overarching objective is to develop recommended guidelines for organisers, so that the statement can be developed as an effective (impact) and efficient (cost-benefit analysis, value for money) medium to deliver essential member information and to encourage appropriate member actions.

1. DC Pension Statements in Context

The increased importance of the pension statement reflects a major global trend towards funded DC systems. The rationale for the introduction of these systems varies considerably but in many cases this is a political and socio-economic response to the challenge of ageing populations, characterised by improvements in mortality and life expectancy. As a result of these demographic trends governments make the case that they cannot afford adequate and sustainable state (public) retirement incomes based on pay-as-you-go (PAYG) systems financed from taxation and social security contributions. At the same time many private sector employers argue that they cannot afford to bear the risks of defined benefit (DB) schemes for future cohorts of workers. The overall result is that for an increasing number of countries the success of the funded DC system will be the determining factor in the adequacy and sustainability of old-age incomes for future retirees.

‘Providers’ is a broad term used in this report to describe the pension organisations in different markets that deliver the plans and schemes. This might include a national scheme established and run by the government, plus the schemes and plans for employees, employers and the self-employed run by private financial institutions, such as asset managers, banks, insurance companies, and pension fund entities. The annual DC pension statement is the document used by governments (in the case of national centralised schemes) and by providers (in the case of private individual and employer-sponsored plans), to set out members’ benefits, as required by regulatory disclosure rules. To a greater or lesser extent providers also use the document to improve the member’s understanding of the DC plan in general and in particular to set out member rights, options and obligations. The statement is likely to be the most frequent form of written communication members receive about their private (and in some cases state/public) DC pension fund.

Pension statements reflect the national system, as prescribed in legislation and regulation. The OECD identifies three basic structures for national funded DC systems: voluntary, quasi-compulsory (auto-enrolment of employees), and fully mandatory. Within this tripartite model there are significant variations in the accumulation and decumulation rules. Moreover, once established, these systems continue to be refined. Notable trends include the transition from voluntary to quasi-compulsory systems, the increase of mandatory employee and employer contributions, a rise in the legal age at which benefits can be drawn, and restrictions in the way that benefits can be taken.

There are significant communications barriers that prevent members from making optimal use of their statements. Most providers – including the government in the case of certain national systems – assume that the average member has a low level of financial literacy and does not have access to expert advice. They acknowledge that the statement should be brief, clear and simple. However, beyond the basic accounting information (the current fund value and value of contributions paid in the statement

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1 The sharp increase of birth rates in the 1950s and 1960s, followed by the return of birth rates to previous levels, created the “baby boom” generation. The retirement of this generation represents a significant social and economic challenge for all pension systems but in particular for PAYG-financed systems, as there is an imbalance between the cohorts joining the labour market and the baby boom cohorts entering retirement. However, while the baby boom impact is temporary, the impact of improvements in mortality and life expectancy (longevity) appears to be a permanent feature (wars and pandemics excepting), which creates problems for PAYG-funded and funded pension systems alike.

period, for example), there is little consensus as to what other information should be provided, how this should be presented, and how supervisors, regulators and providers might evaluate its effectiveness in achieving the desired objectives.

Unlike pension systems that provide a defined benefit at retirement, the DC outcome is uncertain. Under mandatory and quasi-compulsory systems, among other features supervisors tend to prescribe the minimum enrolment age, the minimum age at which benefits can be taken, and the minimum level of employer and employee contribution (but less frequently the contributions of the self-employed). Unknown or less predictable factors include the member’s future employment prospects, the investment returns net of plan charges, the impact of inflation, and the impact of longevity trends (which affects the annuity conversion rate, for example). The challenge for the pension statement is to explain these uncertain factors in a way that improves the member’s level of knowledge and understanding and, where appropriate, enables members to take positive action to improve the outcome.

Most notably there is disagreement over the ‘forward looking’ (pension projection) information, whether this should be included and, if so, how this should be calculated and presented. While in theory projections can act as a powerful call to action – to encourage members to increase contributions or to postpone retirement, for example – they are also the most complex feature of the statement and therefore the most likely aspect to give rise to member confusion. Given the length of the accumulation and decumulation periods, for young members the uncertainty surrounding projections is a particular concern.

2. Definition of Pension Information

The complexity and extent of the risks members bear under a DC system present challenges in relation to the content and design of pension statements. This section examines the types of generic information that might be provided in the statement, while the following sections provide examples of projection calculations and of focused consumer research on their reception and impact.

The information in a typical statement can be divided into two categories. The first sets out factual accounting details, while the second provides forward-looking information.

Basic Accounting Information

Accounting information, required under regulatory disclosure guidelines, sets out the current facts about the member’s DC plan. Typically this section includes:

- The name and reference number of the pension plan
- The provider’s contact details
- The current and previous account balance

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3 The OECD paper on “Human capital and protecting DC retirement income,” provides a discussion of how labour market, financial market and demographic risk may affect the retirement income from DC pension plans. It provides a range of possible retirement income outcomes with their probabilities.

4 In some countries, including Belgium, Denmark, Germany and Switzerland, DC plans offer a minimum rate of return, although the rate can change in response to market conditions.


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The current asset allocation (or name of funds)

It also sets out information about the changes in the account since the last statement date, including:

- Total contributions paid
- Total withdrawals made (where applicable)
- Total fees deducted
- Total investment gains or losses

This type of basic disclosure is necessary to keep the pension system accountable and transparent. It also enables members to verify details such as pensionable salary and contribution payments received by their account. In addition, the disclosure of accounting information is thought to help educate members about their pension and to increase employee appreciation of government tax benefits and the employer’s contributions, where relevant.

Ideally, the accounting information provided in the annual pension statement would be comprehensive, covering the member’s pension accruals from all private sources and the state pension. However, this type of combined statement is unusual. The reason given for this is the difficulty of coordinating data between different plans and providers, among other factors.

**Forward-looking Information**

Pension projections are a potentially useful tool that helps members understand what their plan might produce at retirement and the choice and risk variables that might affect the outcome, such as investment returns, inflation, maintaining or increasing contributions, future employment prospects, the date at which benefits are drawn, and life expectancy. This information can help members plan for retirement by giving them a better understanding of what to expect over the long-term.

**Choice variables**

In theory, the pension statement can be much more than a means of disclosing facts: it can help members to make important decisions, such as an increase in contributions or a change in the asset allocation (or fund choice). It can also encourage members to postpone the date at which benefits are drawn and to consider the form in which they take the benefits, for example, they might be encouraged to appreciate the advantages of buying a lifetime annuity, as opposed to taking a lump sum, where this choice of offered.\(^6\)

**Information on uncertainty (risk)**

Pension projections can be calculated and presented on a deterministic or stochastic basis, or even as a combination of the two. The pension projections examined for this survey are deterministic and show the prospective benefits in a simple format, for example, the potential income under a single

\(^6\) Previous documents to the Working Party (OECD Pension Outlook, 2012, chapter 6) stress the importance of contributing and contributing for long periods, as well as the beneficial impact of postponing retirement to increase the adequacy of retirement income.
scenario, as a point figure (cash value) and/or as a percentage of earnings. Usually there is a caveat that explains that the results are uncertain and not guaranteed. In some cases uncertainty is conveyed through the provision of more than one scenario, so that members can see the potential impact of continuing contributions (where this is a choice), different rates of investment return associated with varying the asset mix, and different earnings patterns, for example.

While the deterministic model has the advantage of simplicity, there is a concern that it does not convey adequately the probability distribution range; nor does it measure and quantify uncertainty. However, current examples of stochastic modelling that depict a more sophisticated probability range are generally considered to be far too complicated to be of any practical use to members, although this might change in future if suitable models can be presented in a user-friendly way.

Example of deterministic projections

Deterministic projections are based on specific growth rates, among other factors, and typically show pension outcomes under one or two scenarios. For example:

“If you continue to make the same monthly contributions that you are making now for the next X years, and economic conditions vary in a typical fashion, you should expect a monthly income at retirement of 36% of your final salary or X (where X is a point figure in the relevant currency).”

Uncertainty might be conveyed through a general caveat:

“However, this amount is not guaranteed.”

The caveat might be further qualified with a worse-case scenario, such as:

“If you suffer unemployment or achieve lower returns on investment, you should expect a monthly income at retirement of only 20% of your final salary or X (where X is a point figure in the relevant currency).”

Example of stochastic projections

Using a stochastic approach the pension statement can more readily quantify and approximate uncertainty, but at the potential cost of added complexity and member confusion. A pension statement communicating the same uncertainty as above, but using stochastic modelling, might state:

“If you continue to make the same monthly contributions that you are making now for the next X years, and economic conditions vary in a typical fashion, your should expect a monthly income at retirement of at least 36% of your final salary or X (where X is a point figure in the relevant currency) in 5 out of 10 times.”

This type of statement provides a more accurate description of probability and might encourage some members to increase contributions or postpone retirement in order to improve their chances of achieving their retirement income goals. However, the pros and cons of such information must be considered carefully, as the inclusion of more sophisticated projections might undermine the

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7 The OECD is currently working on how to better communicate projected pension benefits and risks in DC pension plans.
fundamental objective, which is that written statements should be brief, clear and simple in order to facilitate engagement and positive actions to improve the outcome.

Alternatively, pension statements could combine both the deterministic and the stochastic approaches, whereby the deterministic model is used to communicate a more straightforward projection, while the stochastic model is used to quantify probability and risk. For example:

“If you continue to make the same monthly contributions that you are making now for the next X years, and economic conditions vary in a typical fashion, you should expect a monthly income at retirement of 36% of your final salary. However, there is a significant degree of uncertainty ... (followed by stochastic modelling and its probability range).”

As with the previous example, it is not clear how this type of information would help members take positive actions. Indeed it might be counter-productive in that it could undermine confidence in the DC system and cause members to reduce or stop contributions, where possible, or to switch their fund into bond-like assets in order to avoid the risk of capital loss.

Another option would be to provide a range rather than a single estimate:

“If you continue to make the same monthly contributions that you are making now for the next X years, and economic conditions vary in a typical fashion, you should expect a monthly income at retirement between 25-45% of your final salary.”

However, as the stated range aims to provide an outcome range that has a high probability of occurring, in practical terms it might be too wide to be meaningful to the member, To put this point another way, in behavioural terms individuals might not understand mathematical probability and interpret it as ‘blind chance’ or a lottery system. Moreover, it can be argued that a point figure (cash income value) is more immediate and therefore has greater impact than wide percentage ranges.

Future Developments in Projections

Projections, by definition, do not offer any certainty. Nevertheless, if members are expected to plan ahead, they need at least an approximate idea of what their plan might deliver in terms of a retirement income expressed as a monetary value in ‘today’s prices’ (that is, taking account of inflation). These parameters – the provider’s need to explain the scope of the uncertainty and the member’s need for a reasonable approximation of income expressed in simple language – frame the current debate over projections.

Deterministic projections might only have a 50% likelihood of proving accurate and therefore they are accompanied by a caveat that states that figures are estimates and are not guaranteed. This deterministic projection (with the accompanying caveat) is thought to have the advantage of clarity and simplicity.

The provision of different deterministic scenarios might be used effectively to illustrate the impact of different rates of returns on investment (high, medium and low) but it is unclear how the member might respond to these risk variables if they do not understand investment risk in the first place. The same point is true of variables based on life expectancy, which the member will not be in a position to predict, with the possible exception of those who suffer from a life-shortening health condition.
When considering this subject it is important to bear in mind that one of the goals of the pension statement could be to communicate uncertainty in a way that enables the member to take appropriate action. Of more practical use, therefore, are the scenarios that invite member engagement, such as projections that show the impact of an increase in contributions and the deferment of the date at which benefits are drawn. In some cases members in secure employment might also be able to make use of projections that take account of future salary growth.

In the research for this report there were no examples of countries that currently use stochastic projections in the written statement. Stochastic projections of future pension benefits depict probability distributions and therefore provide a wider range of possible outcomes and probabilities. In theory this model enables uncertainty to be quantified and priced but inevitably these projections are more complex to prepare, difficult to illustrate, and can be very difficult (if not impossible) for members to interpret in a way that prompts active engagement. The question, therefore, is whether there is a way to design and deliver more sophisticated projections that are also consumer-friendly?

The Chilean regulator is in the process of developing a stochastic model, in conjunction with a web programmer, using focus groups to test the design and the web tool that implements the facility. The Swedish pension authority is also considering the introduction of stochastic modelling but again only as an online tool because it is concerned that such information might obscure the other important messages in the document. The results of these projects will be of considerable interest.

3. Examples of Projection Calculations in Statements and on Website Calculators

The rules governing the assumptions providers can make in their pension projections in relation to the statement and to website calculators vary from country to country. In most cases the regulator or supervisor sets the assumption or range of assumptions but in some countries there are no specific rules as yet (Slovak Republic) or projections are not permitted due to concerns about the potential for member misunderstanding (Pakistan). Assumptions used in statements are more limited than those that can be used for website calculators, where the member has the facility to change one or more features in the calculation.

Where supervisors or regulators set the assumptions, the rules might require providers to use a single figure for the investment return (Netherlands) or they might be prescriptive across all choice and risk variables (Mexico). Particularly noteworthy in the examples studies for this report is the variation in the maximum investment return assumption, which ranges from 3.74% in Israel (for all asset classes) to growth fund assumptions of 7% in the UK (9% can be used for the illustration provided at joining) and 8% in Australia and Columbia. Best practice indicates that the interest rates or return assumptions implicit in projections should be in line with current market trends and historical experience.
### Table 1: Examples of Projection Assumptions for Statements and Calculators

<table>
<thead>
<tr>
<th>Country</th>
<th>Range and Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Projections range from 5% (cash) to 8% (growth), with an inflation assumption of 2.5% + 1% rise in living standards. The projected income is based on a payment period to age 90.</td>
</tr>
<tr>
<td>Austria</td>
<td>Parameters reflect Pensionkasse annual investment income, technical surplus and assumed interest rate, among other factors.</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Projections are based on fees, the interest rate, the year of retirement, and the number of years during which the member will be receiving pension.</td>
</tr>
<tr>
<td>Chile</td>
<td>Projections are member-specific in relation to age, gender and accumulated balance, and are based on the fund’s future expected yield, the level of future contributions, and the age of retirement, among other factors. For members with a minimum of 10 years to go to the legal retirement age, the calculation assumes a real annual return of 5% under two contribution scenarios.</td>
</tr>
<tr>
<td>Colombia</td>
<td>Projection assumptions range from 4% (conservative) to 8% (higher risk).</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>Projections are based on gender and assumptions about the contribution density.</td>
</tr>
<tr>
<td>Denmark</td>
<td>Projections (web calculator) are based on the member’s choice of assumptions.</td>
</tr>
<tr>
<td>Estonia</td>
<td>The calculator on the supervisor’s website is generic and allows the user to input the expected rates of return, contributions, and investment period, based on a pre-set range.</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>Projections are based on assumptions about monthly income, investment periods and investment returns, among other factors. The MPFA is reviewing the scope for improving the current methodology.</td>
</tr>
<tr>
<td>Hungary</td>
<td>The Supervisory Authority’s pension calculator is under construction.</td>
</tr>
<tr>
<td>Israel</td>
<td>Projections are based on the accumulated current value, the expected retirement age, the interest rate (currently 3.74%) and the assumption that 60% of the pension on the member’s death will be paid to the widow.</td>
</tr>
<tr>
<td>Macedonia</td>
<td>Projections are based on the contribution level, the contribution period, the return, and the fees.</td>
</tr>
<tr>
<td>Mexico</td>
<td>The model assumes an annual compounding process, a real annual net return of 5% and that contributions are made at mid-year. The calculation projects the accumulated balance in the individual’s account at retirement (age 65) and is based on the member’s salary, current age and the current balance in the pension fund.</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Funds are required to use an interest rate of 4%. They are free to choose their own mortality table.</td>
</tr>
<tr>
<td>Pakistan</td>
<td>Due to the recent nature of pension reform, at present the Securities and Exchange Commission does not allow pension fund managers to provide growth assumptions or projections, as it is feared that inaccurate projections would adversely affect the confidence of investors.</td>
</tr>
<tr>
<td>Poland</td>
<td>A web-based pension calculator is available on an affiliated financial education website <a href="http://www.manymany.info">http://www.manymany.info</a>. This enables members to estimate future pension and replacement rates from private pension funds and the social security pension, based on different assumption about wages, the rate of return and the labour market.</td>
</tr>
<tr>
<td>Slovak Republic</td>
<td>There are no specific rules on the calculation method.</td>
</tr>
<tr>
<td>Sweden</td>
<td>Projections assume two wage growth scenarios: 0% and 2%. The rate of return on the funded individual account is assumed to be 3.5% higher than earnings growth.</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Projections are based on a maximum assumed growth rate (7% on annual statements, 9% on illustrations on joining). The rate should be reasonable in relation to the underlying assets, for example a lower rate should be used for cash than for equities. The scheme’s charges should be taken into account, with an allowance for anticipated increases.</td>
</tr>
</tbody>
</table>
**Analysis of current projection models**

Table 1 shows the wide variety in the bases for projection assumptions in a range of countries, particularly in relation to the investment return (also described as the interest rate). Several countries specify that the return assumption must take account of inflation. Bulgaria, Macedonia and the UK, for example, state that projections must make an allowance for both inflation and charges.

In Australia details about underlying assumptions are included with the calculator (on [http://www.fido.gov.au](http://www.fido.gov.au)). The investment assumptions reflect the investment strategy of the member's fund: 5% (cash), 6.5% (conservative), 7.5% (balanced), and 8% (growth). Inflation assumptions include 2.5% for cost of living and 1% for the rise in living standards. The projected income is based on a payment period to age 90. A similar system is used in Colombia, where the technical interest rate (investment assumption) varies according to the fund risk-rating: 4% (conservative), 6% (moderate risk) and 8% (higher risk).

The Danish Insurance Association uses a range of assumptions for the pension projection tool on its website, which produces deterministic projections based on the member’s choice of assumptions. The perceived advantage of this tool is that it is easy to use and the results are shown with the aid of simple graphics. The projections are made using one set of default assumptions. The user can vary the assumptions by selecting from pre-set ranges.\(^8\)

In Chile, the Personalized Pension Projection (PPP) sent to members from age 30 is member-specific in relation to age, gender and the accumulated balance. The PPP is based on the fund’s future expected yield, the level of future contributions, the age of retirement, and the pensioner’s dependants at the date of retirement. For members with a minimum of 10 years to go to the legal retirement age, the calculation assumes a real annual return of 5% under two contribution scenarios: one in which contributions are paid every month until the legal retirement age, and one in which contributions cease at the date the projection is made. This is designed to help members understand the importance of maintaining contributions and of the necessary actions they might take (paying voluntary contributions, for example), if they consider that the projected pension will be inadequate. The Chilean regulator (Pension Superintendent) requires pension funds to show in their pension statement projections how benefits vary with retirement age. For older members the projection includes an estimate of benefits at the legal retirement age and of benefits where the member postpones retirement for three years beyond this date.

In Mexico there is a single growth projection, which is a net annual return of 5%. The calculation projects the accumulated balance in the individual’s account at retirement (age 65) and is based on the member’s salary, current age and the current balance in the pension fund. There is a separate calculator to estimate the final balance of self-employed workers, which bases projections on the level and frequency of voluntary contributions, earnings, current age, and the current balance in the fund (Afore).

Sweden requires projections to be net of inflation. In addition projections assume two wage growth scenarios: 0% and 2%. The rate of return on the funded individual account is assumed to be 3.5% higher than earnings growth. By providing different scenarios, the aim is to indicate that benefits will vary with economic growth. Moreover, the “Orange Envelope” (annual statement) presents projections that show how benefits vary with retirement age. Pension benefits for participants under age 60 are shown at the earliest age they can be withdrawn (age 61), at age 65, and at age 70. The purpose is to show that

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\(^8\) See [http://www.forsikringogpension.dk/Pension/Dit_behov/pensionsmaaler/Sider/Pensionsmaaler.aspx](http://www.forsikringogpension.dk/Pension/Dit_behov/pensionsmaaler/Sider/Pensionsmaaler.aspx)
working longer will result in higher benefits. The statement for members aged 60 or older shows benefits for additional ages between 61 and 70. Benefits are automatically adjusted for life expectancy, so the system demonstrates that younger cohorts have to work longer to receive the same replacement rates as older cohorts. The Swedish Pension Agency has considered using cohort-specific retirement ages in the projections in the Orange Envelope. This will probably be introduced in 2012. Similar information is available in pension statements in the United States and anecdotal evidence indicates an impact on retirement behavior.

In 2004 the supervisor launched the official Swedish on-line pension calculator (http://www.minpension.se). This presents individual projections of the public pension and occupational pension benefits and the total projected pension as well as its components. Since its inception in December 2004, the website has attracted 1.15 million registered users and the number of visits per day on average is around 10,000.

It is interesting to note that Sweden operates a very different approach for the SAF-LO pension plan, which is the occupational DC arrangement that covers most blue-collar workers in the private sector and which currently has approximately 1.6m active employees. No pension projections are provided on the pension statement for the SAF-LO, as they are considered to be unreliable and could give members a false sense of security.

4. Focused consumer research on projections

Consumer research on the response to pension statements is limited and represents an important aspect of evaluation that requires much more focused attention. In the research for this report the pension supervisory authorities in the following countries stated that they had evaluated the usefulness and effectiveness of pension statements or other communications sent to pension fund members: Austria, Chile, Colombia, Costa Rica, Hong Kong, Kenya, Mexico, Netherlands, Sweden, and UK. However, in several cases very little detail was provided about the nature of this evaluation. In this section we provide details from selected countries that provided specific information and evidence of consumer testing.

Chile

The Research Division of the supervisory authority has conducted two studies to evaluate the effectiveness of the Personalized Pension Projection (PPP) statement on savings and retirement decisions. Fajnzylber, E., Plaza, G. y Reyes, G. (2009) analysed the impact of this information on saving decisions and found that information increased the likelihood of voluntary contributions to the plan. Miranda, J. (2010) analysed the impact of projections on the decision to retire and found that participants who received the information are more likely to postpone retirement.

There is a separate focus-group evaluation process that assesses the usefulness and effectiveness of the statement. A recent evaluation of the member’s knowledge and understanding in relation to the four-monthly personal statement found:

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9 The OECD’s platform for work on financial education and evaluation is at www.financial-education.org. For general principles, see OECD, 2008, Improving Financial Education and Awareness on Insurance and Private Pensions, http://www.oecd.org/document/8/0,3746,en_2649_15251491_41210376_1_1_1_1,00.html;
• The language is too technical and it does not consider the normal language people use to discuss these topics.

• The format and design of the information presented in the statement through text and tables are not considered user-friendly.

• There is too much information and the priorities are poorly identified. Overall there is more information than the member wants and can understand.

Members suggested the following improvements:

• A simple summary of the most important items on the front page of the statement. (Members cited utility bills as a good example of this format.) This might be supported by an annex that provides a more detailed breakdown of the benefits.

• The use of simple language and well-designed illustrations that relate easily to the content.

The summary, members said, should present the initial and final value of savings within the period and the net gain or loss. This information should be presented in the simplest way possible, without breakdowns, for example: “You started the period with initials savings of X and closed the period with total savings equal to Y”. The summary should also include a simple contribution statement so members can check irregularities and / or gaps in their contribution history.

Members said they valued the projections of benefits. They felt that the PPP should continue to present projections in the simple style currently used but asked for improvements in the way assumptions are explained to make them easier to understand.

In response to the research reports and to the evaluation from consumer focus groups the supervisory authority proposes to amend the statement as follows:

• To provide a summary on the first page that includes the information most frequently requested by members.

• To simplify the information on pension fund returns and administration fees. The comparative information on returns will relate to the last 12 months and five years.

• To highlight contribution payment irregularities by beginning the relevant section with “IMPORTANT,” followed the amount of the unpaid contributions and the periods to which they relate.

At the time of writing the supervisory authority was evaluating the revised personal statement through a second round of focus groups. The new statement is expected to be introduced in mid-2011.
Costa Rica

Member-focused research revealed that members found the pension statement difficult to understand. The reasons members gave included:

- There were too many figures
- Comparative items, for example on fees and performances, were confusing
- The asset allocation of funds was presented in a confusing manner
- There were too many variables (indicators) about fees, returns and the portfolio structure.

The supervisory authority has changed the statement format to make it more effective. It is in the process of discussing these changes with pension administrators.

Denmark

In 2007, the Danish parliament launched the Money and Pensions Panel as a part of the Financial Supervisory Authority. The purpose of the panel is “to further a more comprehensive knowledge of and interest in financial matters among consumers”. In 2009, the Money and Pensions Panel commissioned a study to evaluate how best to communicate pension information. The study used consumer focus groups that were presented with three sample statements from three different (anonymous) Danish pension providers. The participants of the focus groups ranked pension projections as one of the most important items to be included in the pension statements and they made the following observations:

- The most important aspect of the pension projections is that they are easy to understand. Members preferred projections that did not include too much text.
- The key information was what the individual would receive at age 62, 65 or 67.
- Showing projections results in both nominal and real terms was considered confusing.
- Use of the word “projection” was considered confusing. The phrase “expectations of pension payments” was preferred.
- Most members said that disclosure of assumptions used for the projections was important and that it was appropriate to express this point as a caveat.

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12 The actual preferred phrase was “Forventninger til pensionsudbetaling”.

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Mexico

In Mexico a focus group judged the appearance and content of the pension statement before and after it was redesigned. The group found that the older model was:

- Confusing
- Complicated
- Too long
- Included too much information

By contrast, the revised version, which adopts a unified format, was considered to be:

- User friendly
- Modern
- Clear
- Short

Figure 1: Mexico’s Redesign of the Pension Statement
Netherlands

The supervisor (AFM) has conducted three relevant studies, which revealed shortcomings in the pension statement:

- In 2009 the AFM reported that the cost transparency of DC plans was unsatisfactory.
- In 2010 the supervisor examined the extent to which members understood their pension statement. It found that while in generally people appreciated the statement, members felt that they needed more support to understand it. Comprehension of DB schemes was considerably higher than that of DC plans.
- Also in 2010 the supervisor presented a report on the replacement rate people expected, which it found to be unrealistically high.

Sweden

Sweden’s pension authority has conducted annual surveys of member attitudes and responses to the “Orange Envelope” for the past 12 years.13 The Orange Envelope – so-called because of its colour – is the name of the annual pension statement sent out for the state (public) pension, which includes a cash-balance component (the Income Pension) and a mandatory DC component (the Premium Pension). The Premium Pension requires annual employee contributions of 2.5% (out of a total contribution of 18.5%).

The 2010 results and comparative information for past years are published in the report “Evaluation of the Annual Statement 2010: The Orange Envelope to Pension Savers 2010”.14 For the 2010 survey, 1,016 members were surveyed. The key findings were as follows:

- 93% of members said they had received the statement
- 80% said they opened the envelope. Of these:
  - 75% read or looked at the pension projection.
  - 7% said they read the entire contents
  - 16% said they had read most of it
  - 35% said they read some sections
  - About 40% said that they understand that lifetime earnings determine benefits, one of the most important characteristics of the pension system.

Given the clear identity of the statement, the results indicate the very basic barriers to written communications. Of the various findings perhaps the most significant is the fact that one-in-five members

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13 In France, the envelope is blue and in Germany it is yellow. Finland was concerned that a brightly colored envelope would be mistaken for advertising and chose white, as this has an official connotation.

14 The report “Utvärdering av ÅB 2010: Det orange kuvertet till pensionssparare 2010” is available on the pension authority’s website at [http://www.pensionsmyndigheten.se/Matningar.html](http://www.pensionsmyndigheten.se/Matningar.html).
surveyed do not even open the envelope, let alone read its contents. Of those who do open the envelope, fewer than one-in-ten read the full contents.

Most members who read at least some of the content said they looked at the first two pages. Pension projections are shown on the first page of the document, while account values and fund performance are shown on page two.

Figure 2: Swedish Survey on Member Response to Orange Envelope

United Kingdom

The UK’s Department for Work and Pensions (DWP) has carried out a series of studies on the design and use of pension projections. This is to prepare for pension reform, including the forthcoming auto-enrolment regime, which will be phased in for all employers in the private sector from 2012. Most private sector employer schemes are DC, as is the new national scheme, the National Employment Savings Trust (NEST). NEST is undergoing pilot testing in 2011 and will be open to employees from 2012 primarily to accommodate those whose employer does not have a scheme.

In 2008, a report presented the results of 80 in-depth interviews with DC members. It focused on their response to various aspects of pension projections. The study found:

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• Member understanding is poor. This is due to lack of knowledge, difficult language and the perception that pensions are dull. The report stressed that the information presented in the pension statement cannot make up for low levels of financial literacy.

• Point estimates are preferred over ranges. Respondents were shown a range of options for presenting the projections: a specific sum, a rounded figure, or a range. Most respondents preferred a specific number rather than a range because this seemed more “real” and personal. The preference for point estimates over ranges might imply that this group would favour a deterministic rather than stochastic scenario.

• Members prefer a narrative focus and simple language. The survey found that pension statements should be “presented as a clear story from the recipient’s point-of-view” and that projection information should be presented before any assumptions or calls to invest more.

• Important explanations about the forecast (for example assumptions) need to be directly and visibly integrated with the forecast itself. The members were confused by the term “today’s value” and the explanation of how inflation could erode their savings.

• Pension statements, therefore should use “Plain English” or simple to understand language.

• Age is a key factor that affects responses to projections. Statements do not seem to tackle the sense of indifference of young people; therefore new approaches to communication may be needed. The survey also notes that projections are less reliable for young members than for older members due to the longer period before retirement. Paradoxically older members have shorter periods of time to correct any forecasted shortfalls in retirement income. The survey suggests that the increased use of online pension projection tools as well as other “youth-friendly” mediums of communication should be considered as a complement to the annual statement.

• Statements should be active not passive documents. The survey conclusion was that “people need to be helped to see the forecast as a management tool and not as routine and essentially passive reports.”

Cross-country research conclusions

These studies demonstrate the critical value of consumer focus groups as a means to understand, evaluate and amend the content and format of the pension statement. The consistent message that emerges is that consumers want a clear and simple statement that avoids “pension-speak” and that provides visual images that relate directly to the narrative content. Importantly, it is evident from these consumer surveys that while DC members do appreciate the pension projections, they prefer a snapshot view of their likely retirement income and not a detailed analysis.

The last point in the UK section above is crucial: “statements should be active not passive documents”. The challenge, therefore, is to convert passive information into an active retirement-planning tool.
5. **Guidelines for Pension Statement Evaluation**

The first stage of the pension statement evaluation process is to establish the objectives and desired outcomes, which should be specific, measurable, achievable, reasonable, and time-specific. Where the statement has several objectives – for example to raise awareness of the importance of saving for retirement, to encourage members to use the website calculator, and to prompt member actions, such as increasing contribution and/or postponing retirement – it will be necessary to pre-test, monitor and evaluate each component part.

Evaluation is evidence-based and involves several key stages before, during and after the campaign:16

- Research to establish baseline measures, for example levels of awareness, knowledge and current patterns of active engagement. This should help to identify demographic and/or behavioural profiles of consumer groups.
- Consumer testing to determine the suitability of the statement format and content (text and visuals)
- Cost-benefit analysis of the potential communication channels, for example by establishing the number of members that might prefer a very brief statement supported by more detail and further facilities on the website
- The implementation of monitoring processes, for example phone surveys to determine whether members have:
  - Received the statement
  - Read its content
  - Understood the content
  - Taken action
- Measurement of website hits and contact with call centres prompted by the statement
- Post-campaign analysis of the quantitative results, such as the number of people who increased contributions and/or postponed retirement
- Analysis of the qualitative impact through focus groups, interviews and surveys. This might include:
  - Analysis of consumer actions to establish whether they were appropriate and informed (for example the decision to change asset allocation or funds)
  - Published reports on the campaign’s effectiveness (impact) and efficiency (cost-effectiveness), including lessons learned for future use

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6. Conclusions and Recommendations

The issues raised in this report highlight the pressing need for further research at a national and international level that clarifies the purpose of the pension statement and the role this performs in the broader context of financial literacy. To further this research, supervisors, regulators, and pension providers should work together to help governments achieve their overarching socio-economic objective, which is to ensure people have adequate and sustainable retirement incomes. The pension statement should be treated as an integral element of the broader financial literacy programme.

Statement organisers should set clear and measurable objectives and introduce thorough evaluation processes. In the absence of robust evaluation, pension statements are unlikely to perform an optimal role in the communication of key information; they will not encourage members to take appropriate actions; nor will they support broader national DC communication programmes, for example in relation to pension reform and national financial literacy campaigns.

The statement should be much more than a passive document that delivers information. Rather, it should 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.

For maximum impact the statement should present a clear and simple summary of key facts on the first page of the statement. Information provided for the purpose of regulatory ‘accountability’ and ‘transparency,’ does not readily translate into member empowerment. Supervisors and regulators should consider, therefore, if the statutory information pension providers are required to disclose might be sent in a separate document from the main annual statement.

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:

- **Projected fund values** at retirement should be included but the most important figure for the consumer is likely to be the projected *monthly income*, which should be highlighted.

- Assumptions should be net of actual charges and take account of future inflation, so that the member sees the projected monthly income in ‘today’s prices’

- Overall, the debate about projections should focus more clearly on behavioural issues and the language that consumers use and understand. In particular consumers are unlikely to understand the mathematical concept of probability and might confuse this with ‘blind chance’ or a lottery system. Even the term “projection” might be misunderstood and a suitable user-friendly synonym should be adopted, such as “forecast” or “indication”. Mathematical and technical accuracy should give way to user-friendly language.

- More sophisticated online projection tools might enable some members to make appropriate and meaningful connections between the management of the accumulation and decumulation stages of the DC plan – that is, between assets and liabilities. However, it is unlikely that this type of tool would be suitable for the majority, so it should be restricted to the website and offered as a click-through from the main deterministic projection calculator page.
Some of the concerns about the uncertainty associated with deterministic projections might be addressed through the use of more cautious investment and inflation assumptions and the use of actual plan charges in projections. Further research might indicate that one of the greatest risks to members’ potential retirement funds are due to the use in statements of unrealistic assumptions and also to the imposition of excessive plan charges, the impact of which is not made evident in the providers’ projections.

Pension supervisors and regulators should collaborate at an international level to achieve greater consistency in the prescribed assumptions to be used by private providers. At present it is not clear that the wide range of investment assumptions used across different countries can be attributed solely to the local rules on permitted DC plan assets and access to capital markets.

Where providers have a significant degree of discretion in their choice of assumptions, this can lead to inconsistencies and member confusion. This point applies to web calculators as well as pension statements. The required use of a single government calculator might be appropriate, with some discretion for providers to make adaptations where these are demonstrated to be beneficial to members.

Future research should consider the statements sent to the self-employed, who comprise a significant proportion of the labour market in most countries. In particular the impact on projected benefits of variations in the level and consistency of contributions should be taken into account.

The written statement, as the sole means of communicating benefits, is inflexible and limited. It remains essential, however, because many people do not have easy access to, or are familiar with the internet. Nevertheless it is likely that a simplified paper statement could be supported by a message sent to mobile phones, for example, and through the provision of further information on the relevant website. Overall, the internet offers a more flexible delivery format that avoids information overload, as it allows the member to access information in accordance with their needs and to develop awareness and understanding through the use of the web calculator, which is an active pension-planning tool.

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. Moreover the inclusion of all private plans would also draw attention to ‘forgotten’ accounts from previous employment, for example, and would prompt individuals to consolidate plans where appropriate. Supervisors and providers should work together to achieve this essential longer-term objective.
The Russia Financial Literacy and Education Trust Fund was established in 2008 at the World Bank with funding provided by the Ministry of Finance of the Russian Federation. The work supported by the Trust Fund is jointly managed by the World Bank and the Organisation for Economic Co-operation and Development (OECD) and is directed toward improving public policies and programs to enhance financial knowledge and capabilities in low- and middle-income countries. This effort has focused on the review of national strategies for financial education, the development of methods for the measurement of financial knowledge and capabilities, methods for evaluating the impact and outcome of programs, and research applying these methods to programs in developing countries. The products of this program of work can be found at the Trust Fund website at: 

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