



PRESS RELEASE

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IOPS advises pension supervisors on issues related to forecasting and communicating future retirement benefits

The International Organisation of Pension Supervisors (IOPS) has released a set of good practices relating to pension projections: *Good Practices for designing, presenting and supervising pension projections*¹. The Practices, which are summarised in the Attachment, are intended to aid pension supervisory authorities, and to highlight the importance of transparency in forecasting and clear and simple communication. Adequate projections can play a key role for supporting pension sustainability, especially for defined contribution pension schemes and plans.

Pension projections can indeed be a powerful tool to manage expectations of pension plan members and influence their retirement decisions (e.g. the chosen contribution rate, length of saving time, level of risk). Projections can educate members about likely values of their future retirement income and the effects of retirement decisions taken. However, pension projections may also pose several risks that relate to improper methodology and assumptions or improper communication.

Issues related to forecasting and communicating future retirement benefits are therefore most relevant to pension policymakers and supervisors, with various approaches depending on the national pension supervisory framework. In some jurisdictions, pension supervisors have an explicit mandate to supervise, and sometimes to specify, various aspects of benefit projections by pension plans, providers or funds. Such aspects include design (methodology, assumptions), delivery modes (traditional and electronic), supplementary

¹ These Good Practices were submitted for public consultation (March-April 2021), as well as consultation with the OECD Working Party on Private Pensions (September 2020) and the OECD International Network on Financial Education (May-June 2021).



information, as well as how the results are presented and explained to pension plan members.

Mrs Helen Rowell, the IOPS President said: “The steady development of pensions, and defined contribution pension provisions in particular, highlights the increasing role and importance of pension projection tools to communicate with, educate and help pension fund members in making their retirement decisions.”

“With the rapid development of digital technologies, pension projections can become more accessible and interactive tools for individuals. That is why IOPS has developed the Good Practices for projections’ design, communication and supervision. We have gathered the experience from our large and diverse membership and we hope that these Practices will be useful, not only for pension supervisors, but also for policy makers and other stakeholders, including financial educators.” Mrs Rowell concluded.

Mr Brendan Kennedy, the Chair of IOPS Technical Committee said: “The principle based nature of the Good Practices is such that they can be applied to a wide range of pension projection tools and in different national pension systems, thereby accommodating the ever-evolving development of pensions and the different situations in each jurisdiction. I am very grateful to IOPS members for their work on the topic of pension projections which includes not only these Practices but also a Working Paper² dealing with the technical aspects of pension projections.”

Mrs Flore-Anne Messy, the IOPS Secretary General observed that “while pension supervisors’ work in the area of pension projections is an important part of their overall responsibilities, projections should also be seen in the wider context of financial education and should be used as a tool for improving retirement decisions by pension fund members. The IOPS will continue to work with other stakeholders to improve member outcomes and to help fulfil the mandates of pension supervisory authorities in the area of consumer protection and financial education.”

² [IOPS \(2019\) Design and Supervision of Pension Projections in 26 Jurisdictions](#)



The IOPS plans to issue a report later this year that will discuss in detail the ways pension projections could be communicated to pension members and beneficiaries.

The Good Practices have been published on the IOPS website: www.iopsweb.org

Attachment

Key messages of the IOPS Good Practices for designing, presenting and supervising pension projections

1. The Good Practices suggest that, when supervising pension projection tools and communication with members, supervisory authorities should require pension plans or pension providers to ensure that:
 - methodology and assumptions are available to the users and standardised as far as possible;
 - pension projections are available on their websites and also delivered on request in paper form;
 - pension projections are personalised as much as possible and take into account all costs including of investment and, if possible, costs of chosen retirement products.

2. With regard to communication, the Good Practices suggest that providers of projections:
 - use plain and simple language appropriate for users with less sophisticated financial literacy and experience and apply findings from behavioural science to the design and presentation of projections;
 - group information and explanations in different layers, according to their importance and complexity;
 - illustrate the uncertainty of forecast results by using stochastic calculations, or deterministic projections with a range of results or scenarios, and warn users, via proper disclaimers, on the uncertain nature of the results;

- allow the users of pension projections to modify, within reasonable limits, the assumptions used in calculations;
 - include information on how close the user is to their desired level of pension income, as well as guidance about the contribution level that might be expected to achieve such a desired level of pension income;
 - provide information about decisions the user can take (e.g. increasing contributions or postponing retirement) and expected effects of such decisions;
 - test the ways they communicate with the users and the impact that projections have on the users' behaviour.
3. With regard to supervision, pension authorities should:
- have a mandate and capacity to oversee issues related to pension projections or mechanisms which allow relevant authorities to intervene;
 - regularly review and update the methodology and parameters adopted in their own projection tools and expect the same for projections made by the supervised institutions;
 - consider developing or encouraging industry associations to develop standardised methodology and assumptions for use by pension providers; as well as consider issuing guidelines on pension projections;
 - have a power to ban misleading market communication practices to enforce consumer protection; where such communication is not standardised, they should promote and expect some self-regulation of the market (in terms of good practices).

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NOTES FOR EDITORS:

1. The International Organisation of Pension Supervisors (IOPS) was established in Paris on 12 July 2004, at the instigation of the OECD's network of pensions supervisors and regulators.
2. The aims and purposes of IOPS can be summarised as:
 - serving as the standard-setting body on pension supervisory matters and regulating issues related to pension supervision, taking into account the variety of different private pension systems;
 - promoting international co-operation on pension supervision and facilitating contact between pension supervisors and other relevant parties, including policy makers, researchers and the private sector;
 - providing a worldwide forum for policy dialogue and exchange of information on pension supervision;
 - participating in the work of relevant international bodies in the area of pensions, including joint activities to improve statistical collection and analysis;
 - promoting, conducting and facilitating the distribution and communication of research, and collecting information in co-operation with relevant international bodies.
3. The governing membership of IOPS is open to all organisations responsible in whole or part for the supervision of pension funds, plans, schemes or arrangements in a country or sub-division of a country.
4. Associate membership is open to governmental and international authorities responsible for pension regulation or the establishment of pension policy or with a direct institutional interest in pension supervision.
5. Observer status membership is open to a wide range of other bodies.
6. The IOPS currently has 90 members and observers from 79 jurisdictions.



Para mayor información::

- Mrs Helen Rowell
President, IOPS
E-mail: Helen.Rowell@apra.gov.au
Contact: Ben McLean, APRA External Communications Manager, Phone: +61 29 210 3024, E-mail: Ben.McLean@apra.gov.au

- Mr Brendan Kennedy
Chairman, IOPS Technical Committee
E-mail: bkennedy@pensionsauthority.ie

- Mrs Flore-Anne Messy
Secretary General of IOPS
E-mail: flore-anne.messy@oecd.org
Phone: + 33 1 4524 9656