Please cite this paper as:

IOPS (2011), "Pension Supervisory Authorities and Financial Education: Lessons Learnt",
IOPS Information paper 1

IOPS Information Paper No. 1

Pension Supervisory Authorities and Financial Education: Lessons Learnt

INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS

PENSION SUPERVISORY AUTHORITIES AND FINANCIAL EDUCATION: LESSONS LEARNT

I. Introduction

1. The OECD's publication '*Improving Financial Education and Awareness on Insurance and Private Pensions'*(2008) recognises that financial education is particularly important in relation to pensions due to the fact that these are exceptionally long-term contracts with a wide social coverage and yet are also particularly complex products. Add this to the fact that although individuals are increasingly taking on the risks associated with funding their own retirement pensions are some of the least understood financial products, and the need for financial education campaigns relating to pensions becomes clear.

2. The OECD recognise that many stakeholders can play a part in providing such financial education, whilst the IOPS have previously stressed that pension supervisory authorities can play an important part in pension related campaigns. Indeed, the *IOPS Principles of Private Pension Supervision*[1] state that the pension supervisory authorities should: *"provide and publish clear and accurate information for the pension industry and the general public on a regular basis – such as the financial situation of the pension fund industry and observations on major developments in the pension sector."*

3. As the campaigns outlined in this paper show, the role pension supervisory authorities can play in providing financial education includes:

- *Explaining and building confidence in the pension system;*
- *Encouraging individuals to save more and for longer;*
- *Helping them to make better investment decisions;*
- *Improving relations between the pension supervisory authority and stakeholders.*

4. The present paper aims to update previous IOPS work by looking in more detail at campaigns run by pension supervisory authorities and attempts to draw some 'lessons learnt' from these. [2] The paper is structured as follows: **Section I** looks at the information campaigns which IOPS Members provided during the financial crisis, whilst **Section II** describes some innovative, on-going financial education programmes run pension supervisory authorities. **Section III** concludes with some lessons learnt from the previous and

[1] *'IOPS Principles of Private Pension Supervision'* http://www.iopsweb.org/dataoecd/59/7/40329249.pdf?contentId=40329250

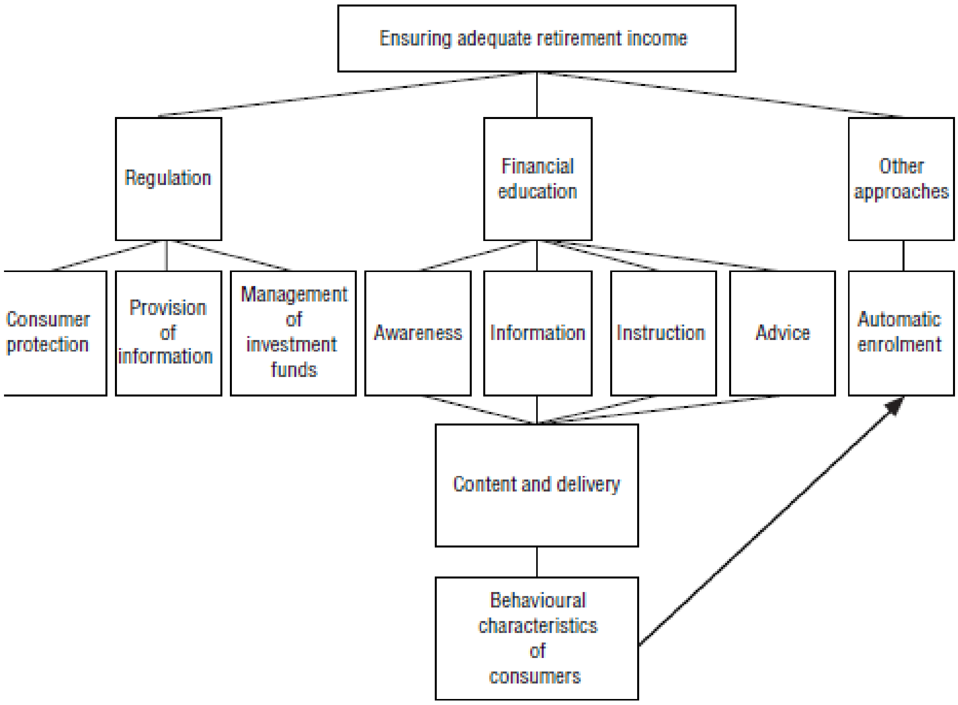
[2] Information contained in the paper has been drawn from a broad questionnaire on communication and financial education issues sent to Members in early 2011. Responses were received from 30 IOPS and OECD members: Australia, Austria, Brazil, Bulgaria, Canada, Chile, Columbia, Costa Rica, Czech Republic, Estonia, Greece, Hong Kong, Hungary, Israel, Japan, Kenya, Korea, Macedonia, Mexico, Netherlands, Norway, Pakistan, Poland, Romania, Slovak Republic, South Africa, Spain, Thailand, Turkey and the UK. Responses to this questionnaire have been combined with information formerly provided by members for previous projects.

The IOPS project has been undertaken in close collaboration with parallel projects being run by the OECD which look specifically at pension statements (what information should be included in these and how this information should be delivered to members – including how to communicate risk) and National Pension Communication Campaigns.

current work of the IOPS, as well as drawing on the on-going work on the OECD's project on financial education.[3]

5. It should be noted that the IOPS recognizes that along with the positive benefits that financial education campaigns can achieve, information provision and financial education have their limits (as the OECD's work on financial education and pensions points out).[4] As discussed in IOPS Working Paper No. 12,[5] the tools of transparency and education alone are rarely enough – even when used over the long-term - to ensure a well functioning pension market. Given individuals' lack of knowledge and understanding (including a great deal of apathy when it comes to making pension related choices), the complexity of pension products and market failure issues (such as asymmetry of information), competition within pension markets does not always operate successfully. These tools therefore need to be considered within the broader context of pension regulation as a whole, and pension supervisors will normally combine them with the other mechanisms, such as well structured default options – as outlined in Figure 1 below.

Figure 1: Tools for Achieving Adequate Retirement Income



Source: (OECD 2008)

[3] See www.financial-education.org

[4] See '*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

[5] See '*Managing and Supervising Risks in Defined Contribution Pension Systems*' http://www.iopsweb.org/dataoecd/48/1/46126017.pdf

II. Pension Supervisory Authorities and Financial Crisis Information Campaigns

Financial Education and the Crisis

6. The International Network on Financial Education (INFE), which was created by the OECD in 2008, in addition to their general work on financial education, looked at the effect of crisis on financial education in general[6] - pointing out that the crisis proved to be a 'teachable moment', with surveys in most countries showing that consumers are now seeking more financial information and are eager to understand better the implications of various financial matters on their daily lives (though research also finds that consumers also tend to forget fast and lessons need to be repeated in other forms to prove efficient. Their research points out that the crisis has also acted as a trigger to the development of a more long-term approach to financial literacy issues on the part of policy makers.

7. Though recognising the limitations of financial education in preventing and mitigating future crises and their effects, the INFE stress that enhanced individual financial skills could play a positive role in limiting the development and effects of possible future crises, with individual financial capability having become a vital component of national and global financial stability. Financially skilled and confident individuals would better grasp economic and financial developments, markets and regulation – and/or better understand the rationale for the introduction of particular reforms. In times of financial difficulties, they would be more likely to act with a rational stance, avoiding detrimental panic behaviours and the amplification of the crisis – which may prove critical in countries which implemented or will establish a pension reform involving a transfer of investment risk and management to individuals.

8. In this context, increased financial capability would help consumers appreciate the implication of the long-term nature of saving for pension and offer them the ability (possibly through appropriate advice) to best invest their assets. This in return would provide reassurance that, at the time of retirement, households will receive an income in accordance with their needs and expectations.

Crisis and Pension Campaigns

9. In 2009 the OECD and IOPS published a paper[7] looking at the impact of the financial and economic crisis on pension systems and supervisors' responses – including the communication campaigns launched to highlight the long-term nature of pension savings (see Annex 1).

10. The IOPS paper notes that the financial and economic crisis of recent years tested confidence in financial institutions in general. While pension funds were neither the source of nor a mechanism propagating the crisis, they did not escape the general decline in confidence in financial services. There is moreover some evidence of a decline in contributions to voluntary schemes. This highlights the importance of rebuilding confidence in pension systems – particularly when arrangements are voluntary – and the need to reduce and better communicate the risks and the exposure to "worst case" scenarios for those individuals financing retirement mainly through assets accumulated in DC pension plans. The IOPS paper goes on to observe that the role of rebuilding confidence in pension systems often falls to pension supervisory authorities.

---

[6] INFE (2009), '*Financial Education and the Crisis: Analytical Note and Recommendations'*

[7] IOPS Working Paper No.9: *'Private Pensions and Policy Responses to the Financial and Economic Crisis*' http://www.iopsweb.org/dataoecd/31/0/42618315.pdf

11. In this context, pension supervisory authorities in many countries[8] stepped up their communication strategies around the time of the financial crisis and volatility in financial markets (see Annex 1).

12. The pension supervisory authorities in different countries has different goals and objectives which they wanted their campaigns to achieve – highlighting the different roles which these supervisory authorities play in providing financial education. Some of the key goals were as follows:

Promote long-term savings

13. A key goal of many of the campaigns run by pension supervisory authorities in response to the crisis was to provide reassurance to investors and to remind members of pension funds that these investments are long-term and that reactive trading or switching between assets could have a detrimental effect (e.g. materializing losses by switching from higher to lower risk assets at the wrong time). [9]

Box 1: Promoting Long-term Savings

Chile: the pension funds in Chile conveyed a message for participants, public opinion and governmental authorities that retirement savings are for the long run but that it is possible to observe short term volatility. A campaign of TV adverts has been running through 2009, 2010 and 2011. These (humorously) provide a range of messages, starting with the fact that pension are long-term savings and people should not 'panic' over short-term losses, to explaining that returns have recovered, and moving on to stress that people should trust their pension providers (AFPs) and that they are supervised by the government.

Israel: in Israel a compendium of "questions and answers" regarding the effects of the financial crisis on long term savings was published in the press and on the supervisor's website (http://www.pensia.mof.gov.il /), in order to assist the public in making informed decisions. In this publication it was explained that pensions are a long term saving mechanism and it was emphasized that as such exceptional and temporary events should have limited influence on the way it is managed. In order to support this message, a circular was published which required pension providers to only publish yearly yields instead of monthly ones. In May 2009 the supervisor launched an extensive advertising campaign, in order to increase the public's involvement in long term savings. The campaign was advertised on television and a dedicated internet site was launched explaining the variety of long term savings products in the market. The authorities are planning to follow up on the campaign (the Central Bureau of Statistics will include questions on attitudes to long term savings in the financial education aspects of their social security survey).

Italy: in Italy, the negative impact of the crisis on pension funds prompted households and investors to get concerned about the recent reform of the pension system introducing automatic-enrolment. To address this issue, the COVIP - the pension funds' supervisor- took several actions in the regulatory and education areas to mitigate the effect of the crisis and restore confidence. As far as awareness and education are concerned, these measures encompassed a broad media campaign (including articles in newspapers and TV interviews), a less frequent dissemination of information on pension funds performance, better information on pension estimation (via a new dedicated note) and the review and update of the COVIP website aiming at introducing more financial education contents. To supplement these measures, on the long term, with a structural and nationally coordinated strategy, the COVIP is planning a financial and retirement education strategy at the national level, in co-operation with the Ministry of Education.

Macedonia: the pension supervisory authority in Macedonia (MAPAS) provided (via public media) an explanation about the situation and the effects on members of pension funds, informing them about the current effects of the crisis and the long-term perspective and nature of the pension system.

---

[8] 18 countries responded to the questionnaire.

[9]Videos of the TV campaigns in IOPS member countries with English translations (including Turkey, Chile, Italy, Israel and Mexico) are available on the IOPS website http://www.iopsweb.org/document/63/0,3746,en_35030657_35030460_47300351_1_1_1_1,00.html#Fin_ed_campaigns .

Turkey: Turkish pension funds have been running a joint information campaign on TV (initiated at the beginning of 2009), with the support of the regulator, to reemphasize the long-term benefits of pension savings

Mexico: in Mexico – although it is important to note that the financial crisis affected the pension system less than in other countries- the pension supervisory authority, CONSAR, led an intensive media campaign explaining the differences between a permanent loss and a mark-to-market drop. The previous growing trend of the retirement saving system's returns was the least affected country among the OECD. Moreover, since those workers in the private sector who have contributed previous to 1997, had the opportunity that once they fulfill the pension requirements they could choose between a Defined Benefit scheme or Defined Contribution and those in the public sector had the option to choose by November 2008 between the previous Defined Benefit and the new Defined Contribution scheme. If they retired during those years under the previous scheme then they were not affected.

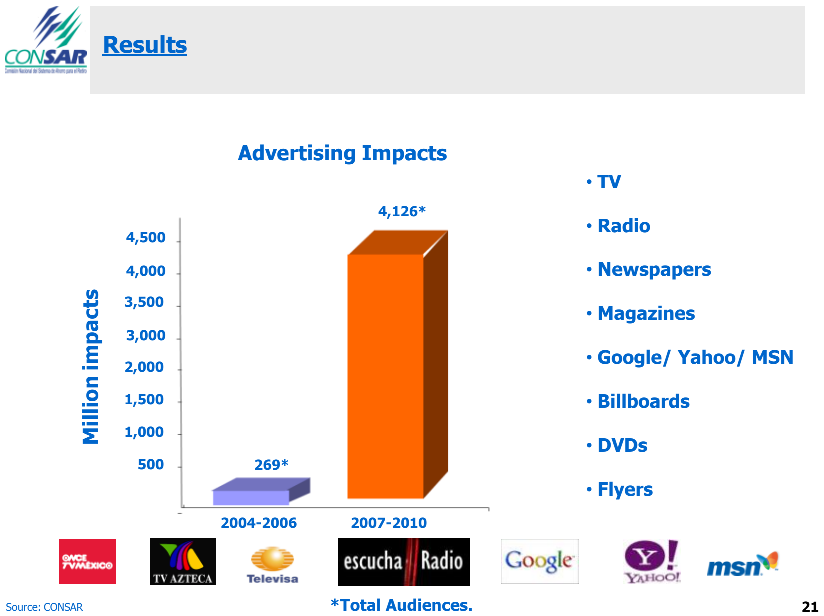
During 2007 and 2008 CONSAR carried out several actions to provide information to account holders. These actions include:

- 1,000,000 comic books were printed containing a simple and clear-cut explanation on the issue;

- 1,071 direct requests for information made by workers on this topic were solved by sending them a document entitled "Long-term investment in your AFORE". This document emphasized the relevance of the long-term in evaluating the pension fund administrators' performance. Also 200,000 information requests on this issue were solved through an array of channels like telephone, e-mail, mail and others.

- Training and information was given to all the entities that have direct contact with workers: AFOREs' Customer Service Offices; Financial Consumer Rights Comptroller (CONDUSEF); Trade-Unions and SARTEL (System's Call Centre). An informative document on this issue received 121,304 visits on CONSAR's web page along with 185 interviews, with the multiplication effect they had. CONSAR have also been in contact with legislators in order to explain that the main concerns raised by politicians are of a transitory nature and that it may not be advisable to overact with stiff policy measures.

Figure 2: CONSAR Advertising Campaign + Impact



Source: CONSAR

Reshaping Information Provision

14. In addition to launching or building on campaigns to stress the long-term nature of pension savings, some authorities encouraged or required pension providers to send additional information to plan members. Meanwhile, some authorities used the crisis to reshape the way information is communicated to plan members.[10]

Box 2: Reshaping Information Provision

Chile: in Chile the names of the different investment options were changed. The Chilean pension system has five different Fund Types; A, B, C, D and E; which differ in the maximum exposure to equity they can have; 80%, 60%, 40%, 20% and 5%, respectively. In order to convey a clearer message when referring to each Fund, the Superintendence has regulated that apart from their name, they have to be labelled and informed according to their risk as: riskiest, risky, intermediate, conservative and most conservative, respectively. In addition, new information was created by the supervisory authority to follow up the short term effects of the crisis and the movements of the pension funds portfolios. More and improved information has been designed for members. In particular, members are informed five years in advance of default switching in pension fund types (previously they were informed one year in advance), members who made an active choice of pension fund type are reminded of their choice and informed about the default option for their age every year through a personalized letter sent with the annual statement, the pension claiming form highlights the importance of choosing Pension Fund Types in this stage of the life cycle and when switching Pension Fund Type, the member must declare he/she understands the characteristics of the chosen Fund. The supervisory authority in Chile notes that assessments of the current research related to the level of knowledge of members have about the pension system in Chile (conducted via focus groups) gives some evidence that the changes in the provision of information given to pension fund members has had a positive effect on the level of understanding of members.

Estonia: although additional information regarding the volatility of the market crisis was not required to be sent to the unit-holders (it should be noted that it is not currently within the authority of the EFSA to mandatorily require additional information to be published or communicated without specific provisions in fund law), it was strongly encouraged. This encouragement was followed by monthly info-letters published on the web-site of the fund managers – though the information was never unit-holder specific, but rather general. The EFSA also published advisory guidelines regarding risk management for all fund managers (incl. pension fund managers) which focused on investment risk and organisational requirements to competently manage investment risks. In addition, advisory guidelines were published and enforced which focused on the description of risks in prospectuses. No renaming of funds was deemed appropriate, however the prospectus guidelines required funds to emphasise risks that were most appropriate for a specific fund in order to be more visible to the current and future unit-holders (see www.fi.ee).

Israel: in July 2009 a circular was published by the Israeli supervisor which requires pension providers to publish on their websites their investment policy and expected returns. This was intended to allow fund members to better choose the right investment options for their needs. In addition, this is expected to help members asses the quality of management by the funds and the way they meet their stated goals. Moreover, in 2008 a circular was published which required the pension providers to present a list of their assets at the individual asset level on their website and in this way let each member know how their savings are being managed. Finally, in 2009 a circular was published requiring pension managers to reduce the amount of funds available (so that only one fund of each type is active) and to rename funds in a manner representing their risk and investment policies.

Pakistan: Although the financial market in Pakistan was not affected by the Global Financial Crisis, some changes were made, including the change in names of the investment options (the "Allocation Schemes"), which have been re-named to reflect the volatility of these schemes.

[10] 10 countries which responded to this and earlier questionnaires either required additional information to be sent to members or changed the nature of the information required to be provided.

Other Goals

15. Some authorities focused on ensuring that their own staff was prepared to provide information.

- ***Spain***: guidelines were given inside the General Directorate of Insurance and Pension Fund informing staff how to respond to individuals phoning in with concerns about the crisis.

16. Other authorities worked with pension fund trustees or fiduciaries rather than directly with fund members (or the general public at large).

- ***UK:*** the Pensions Regulator (TPR) in the UK held pensions information workshops where trustees, advisors and employers were able to attend and engage directly with the regulator. TPR reminded schemes about existing communication channels, but did not aim to communicate with members directly. TPR also issued a public statement encouraging schemes to monitor closely the impacts on individual schemes and inform the industry of their responsibilities in light of the crisis. Finally, TPR issued a statement to members outlining that they may elect to have a more active role in reviewing their pension fund in light of the circumstances and decide whether they need to make changes to the fund in which they invest, their level of contributions or their target retirement date or that they may wish to defer the conversion of their individual accounts into benefits when they retire.

17. In addition, some pension supervisory authorities used the crisis as a catalyst to build on existing communication and education programmes.

- ***Hong Kong:*** in addition to the information already required to be disclosed to scheme members under the current disclosure regime, the Hong Kong supervisor, the MPFA, undertook initiatives in investor education to enhance scheme member understanding of investment decision in the context of the Mandatory Provident Fund (MPF) system, and the features and the risk and return profiles of the types of investment funds available in the MPF system. The long term nature of mandatory provident fund savings is also emphasised.

- ***Netherlands:*** the Dutch regulator, DNB, published a fact sheet on pensions + credit crisis.[11]

- ***Canada:*** various information notes were produced including: implications of market conditions on DB plans; notes on stress-testing; and notes on the market downturn.[12]

- ***Australia:*** ASIC's (the securities supervisory authority with responsibility for consumer protection in Australia) Consumers and Retail Investors (CARI) stakeholder team, generated superannuation and pension related communications concerning the impact of the financial crisis, in the form of consumer alerts on the ASIC public consumer information website. A launch of 'financial survival guides' were also developed to assist people in various situations who had been affected by the crisis including specific guides for those close to retirement, or those worried about retirement income. These communications were developed to assist people in various situations that had been affected by the global financial crisis, and also to help people understand superannuation is a lifetime investment as they receive their benefit statements.

[11] See http://www.dnb.nl/openboek/extern/id/nl/pf/40-194698.html

[12] See http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/pension/mc_dbpp_e.pdf
http://www.osfi-bsif.gc.ca/osfi/index_e.aspx?ArticleID=2434#6
http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/notices/pbsa/infopensions1_e.pdf

Figures 3 & 4: Examples of Communications materials provided by ASIC

FINANCIAL SURVIVAL GUIDE

I'm worried about my super and I'm close to retirement

If you're close to retirement, you may be worried about the effect global financial conditions have had on your super.

What steps can you take to get back on track if your super savings have gone down?

STEP 1: Revisit your retirement plans

Before you change anything, the first step is to revisit your financial plan. Are your goals still relevant? Will the investment strategies you've chosen to reach those goals still work, based on the timeframe you have until retirement age?

'Don't panic' is very good advice. A thorough and methodical approach will put you in a much better position than any knee-jerk reaction.

You are not alone

Many super fund members have seen the value of their retirement savings fall in the last couple of years.

According to research from Chant West balanced super funds had an average loss of 8.4% for the financial year to June 2009. This compounds the average fall of 6.9% for the 2007–08 financial year.

There are a number of good reasons to stay calm about your current super account balance:

- Super fund returns have performed relatively better than the share market itself.
- Australia's superannuation system is robust and well regulated.
- Markets are cyclical and, as with every other market downturn, there will be a recovery.
- According to Chant West, the probability of having two consecutive years of negative returns is about once in every 25 years.

Such arguments are comforting if you have time to wait for the recovery and rebuild your super. But what can you do if you only have a few months or a couple of years until you are due to retire?

Get back to basics

Watching the value of your super fall feels like a crisis but getting yourself into a state of panic and reacting too quickly can make things worse.

Before you take significant steps like switching investment options or even changing funds, it's worth revisiting the basic rules of investing. Start with your objectives, or reasons for making investment decisions in the first place. ASIC's **key tips for investing** is a good starting point.

Revisit your attitude to risk

It's easy to justify being in a high-growth investment option when the market is on its way up and you consistently see your super balance growing. It is when markets are falling that you might wonder whether your investment has too much risk.

www.fido.gov.au Page 1 of 6

FINANCIAL SURVIVAL GUIDE

I'm worried about my retirement income

Most retirees have seen the value of their investments fall since the onset of the global financial crisis.

If you're a retiree who is worried about your financial future, what is the best course of action to take? Should you change your financial plan, cut back on spending or return to work? What are the traps to avoid?

STEP 1: Look after yourself

A big financial loss can be extremely traumatic. It can have an impact on all facets of your life—your physical and emotional health, family relationships and your outlook for the future. It can often lead to feelings similar to grief.

It is very important to look after you and your family before worrying about anything else. You'll be in a much better position to stay on top of your financial situation and deal with the practical consequences if you can stay calm and well.

Try to look forward rather than beating yourself up about the past. Thinking like 'if only I hadn't…' or 'since the peak of the market in 2008, I have lost $x' won't get you anywhere.

Watch your health

If your investments have fallen in value, it's possible that you're feeling a sense of anxiety or depression. It's good to know that there is help out there for you.

In response to the current economic downturn Beyond Blue has produced a comprehensive free booklet, Taking care of yourself after retrenchment or financial loss, to give you practical help. Visit their website to order or download a copy of the booklet or call their information and referral line on 1300 224 636 to order it or talk to someone about your situation.

Get professional help if you're not coping

It's important to stay active, exercise (walking is good), eat well and ensure you're getting enough sleep. Signs you may not be coping with the stress include:

- having difficulty sleeping
- feeling overwhelmed, anxious or fearful or
- drinking alcohol, smoking or taking drugs more than usual.

These symptoms usually decline or disappear with time but if they are concerning you, it's worth finding extra emotional support. Family members and friends can be an excellent starting point or consider speaking with your family GP.

There are many free sources of personal support and counselling available to ensure your health and relationships don't suffer. It is essential to get professional help if things are getting on top of you. Ignoring the signs may only compound the problem. If you ever consider self-harm or suicide contact the Lifeline 24-hour support service on 131114.

Time to rebuild

Once you're feeling confident and your health and emotional issues are under control, it's time to tackle your finances.

Source: ASIC

III. Pension Supervisory Authorities and On-going Financial Education Campaigns

18. In 2007 the IOPS published a paper covering the role of pension supervisory authorities in providing supervisory education, outreach and communication, including the training of trustees.[13] The paper outlines how and why such programs are carried out by pension supervisory authorities, analysing their impact and effectiveness in examples from Kenya, Ireland, South Africa and the UK.

19. The paper concluded that there is not only a great need for supervisory education, but also that the provision of this education impacts positively on the pension industry. The study argued that the provision of supervisory education has not only led to increased pension scheme compliance with legislation, regulation and other requirements, but it has also led to:

- *Better understanding, by stakeholders, of what is expected of them;*
- *Improved interaction between supervisors and stakeholders;*
- *Better managed schemes;*
- *Better returns for members;*
- *Increased confidence from members; and,*
- *Greater take-up of pension savings by all groups of individuals.*

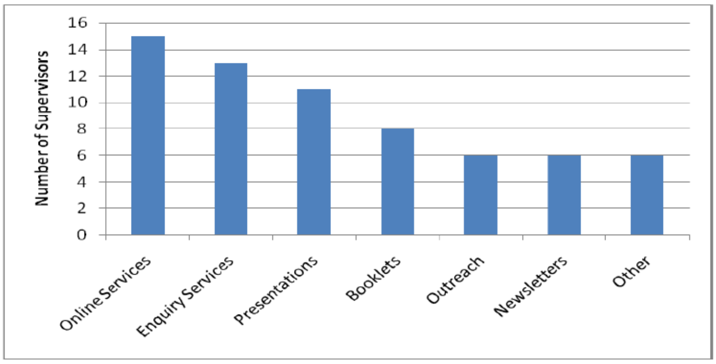
20. It was also found that the provision of supervisory education can be used to address the challenges of compliance and coverage, and is therefore an efficient way of promoting the development of the pensions industry.

21. The survey of IOPS members conducted in relation to the paper found that 16 out of 19 supervisors responding provide some sort of education (mostly on a voluntary basis rather than having to fulfill a legislative requirement). The survey did not find any evidence that the particular retirement income system of a country, the size of the pension sector, or the structure of the supervisory authority (specialized vs. integrated with other financial services) predisposes the supervisor in that country to provide education services. Those pension supervisory authorities which did not provide education tended to be young and operating in newly formed pension systems (and often intended to take up this role in future) or financial education was the remit of other bodies.

22. The survey found that most pension supervisors use online services, enquiry services and information presentations to disseminate information, while information booklets, outreach programmes and newsletters are not as highly used. All agencies noted that the information they provide is geared at enlightening all their target audiences and clarifying regulatory requirements and issues that are not adequately comprehended.

[13] IOPS WP No.2: '*Supervisory Education, Outreach and Communication, including Training of Trustees*' http://www.iopsweb.org/dataoecd/5/14/39126171.pdf

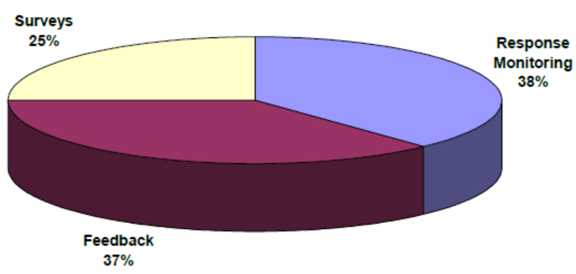
Figure 5: Supervisors Offering Infromation through Various Channels



Source: IOPS Working Paper No.2

23. Some of the supervisors also assess the effectiveness of the different channels used to provide this information. Feedback from the target audiences and the assessment of the market's response to the information provided are the preferred measures for most agencies.

Figure 6: Channels of Assessment of Effectiveness of Information Services



Source: IOPS Working Paper No.2

24. By way of update to this previous IOPS work, the following section outlines the education programmes covered by a selected number of pension supervisory authorities. In addition to the one-off campaigns, described in the previous section, which were run in response to the financial and economic crisis, many pension supervisory authorities have also been developing on-going programmes to provide information and education to pension fund members.[14] The programmes highlighted are those where the pension supervisory authority interacts directly with members of pension funds (rather than providing generic information to the population as a whole).[15]

[14] It should be noted that this role to extent depends on the nature of the supervisory structure. For example, within a 'twin peaks' model, this role may be taken out of the pension supervisory authority's hands and dealt with by the conduct of business agency as a consumer protection issue.

[15] For information on more general campaigns please see the complimentary OECD paper '*Lessons from National Pension Communication Campaigns'* (forthcoming).

Chile

25. Several initiatives relating to financial education and pensions have been recently launched in Chile. These include the *Fund for Pension Education* and the *Public Squares* initiative.

Fund for Pension Education

26. In 2006, when assessing the Chilean pension system for the design of the Pension Reform finally carried out in 2008, one important issue arouse about the lack of knowledge regarding the individual account pension system. Even though, at that time, the pension system had been already in place for 25 years, workers still had several gaps for understanding the main elements of the system.

27. For instance, according to the Social Protection Survey 2009, 80% of members state that they do not know how pensions are calculated by the Pension Fund Administrators, and half of those who do answer (about 8.4% of total) wrongly state that they are calculated on the bases of the wage of the finals years. At the same time, 94% of members state that they don't know anything about the pension options that exist and about 64% that they do not know the type of fund in which their pension savings are kept.

28. It is important to note that in a pension system such as the Chilean one, based on individual saving accounts, the members must take important and informed decisions that will have a direct effect on their final pension. Thus, the knowledge of some variables of the system is crucial for making the correct choices and for the system to reach a good performance. For instance, affiliates must decide on the AFP and the type of fund in which to invest their savings. Therefore, members of the system must be informed.

29. The Chilean Government, through the Law N°20.255 related to Pension System Reform, created the *Fund for Pension Education ("Fondo de Educación Previsional – FEP").* The objective of this fund is to finance projects, programs, or activities aimed to promote, educate and generate knowledge about the pension system.

30. The system is administrated by the Undersecretary of Social Security (Ministry of Labor and Social Security), and the resources are granted throughout a public call where potential participants present their projects. A Committee evaluates the applicant, proposing to the Undersecretary the projects to be financed, subject to the resources available for that year in the Fund's budget.

31. The Committee members are the president of the Pension System Committee Users and one representative from each of the following institutions: Pension Supervisor, Social Security Institute and Undersecretary of Social Security.

32. The Fund is financed by: (i) the annual budget law financed by general taxes; (ii) donations; (iii) international cooperation; and (iv) other resources designated to the Fund.

33. The law, aiming not to benefit only people from the Metropolitan Region (where the National Capital City is located and more than 35% of the Chilean population live), established that at least 60% of the released resources may be allocated to project covering geographical areas outside the Metropolitan Region. The previous requisite may not be fulfilled if there are not enough projects gathering the minimum technical requirements.

34. In order to guarantee proper use of the granted funds, The Undersecretary of Social Security follows up the development of the project throughout the year, requiring a detailed statement regarding the spending and activities compromised in the presented application. For instance, the granted institutions are required to present, among others, periodical performance indicators, implementation plans, stage of

implementation, etc. Besides, the Undersecretary releases annually a public report about the expenditure of the fund.

35. From 2009 there have been two calls, one each year. The total grant for 2009 and 2010 were US$2,940,642 and US$3,121,809 respectively. The number of projects granted was 34 and 65 each year. For 2011, the total fund to be granted is US$3,237,350. At the current date the applications are being evaluated by the Committee, the results are expected to be released during the second week of May.

36. One of the issues encouraged to be included into the selected educational projects is the topic of membership for self-employed workers, especially due to the low level of enrollment of this group and the gradual incorporation of them as mandatory contributors of the pension system. In this context in 2009 around 26% of the projects are identified as targeted to self-employed workers. For 2011 this percentage is expected to increase.

Public Squares

37. On March 10th 2011 the Committee of Superintendences, which is formed by the Superintendences of Pensions; Banks and Financial Institutions; and Insurance and Securities, announced a common initiative called *Public Squares (Plazas Ciudadanas*). This activity is aimed to achieve three objectives, which form part of a Common Financial Education Project:

- Contributing to enhance the knowledge of the Superintendences' functions and the existence of service centers at the Superintendences of Pensions; Banks and Financial Institutions; and Insurance and Securities.
- Promoting a better understanding and good use of financial products and/or services.
- Helping consumers to identify trustworthy and impartial sources of information and facilitating access to those sources through adequate channels.

38. Moreover, other specific objectives are:

- Bringing the financial sector Superintendences closer to consumers.
- Creating and consolidating a new diffusion and education channel.
- Increasing empathy with consumers.

39. The Public Squares are held at main squares or public spaces in different counties of the Metropolitan region. These meetings contemplate the use of consumer service cubicles where the public can make inquiries and is also given useful information. These cubicles are supplied with adequate materials and professionals from the Superintendences, who can give assistance and advice to consumers and answer their questions.

40. In order to develop this activity, the Superintendences act in coordination with local authorities (Municipalities).

41. The first Public Square was held during March 10th and 11th in the Central Square (Plaza de Armas) of Santiago. Professionals from the Superintendence of Pensions gave two talks: "Choosing the right type of pension" and "How to request a pension". These speeches were aimed at a total of 80 entrepreneurs and individuals close to retirement.

42. Additionally, there were consumer service cubicles where 39 individuals were assisted in topics such as: unemployment insurance; benefits from the old PAYG system; and benefits from the solidarity pillar, among others.

43. A second Public Square is scheduled to be held on June 14th in the Municipality of Peñalolén, in the Metropolitan Region. This Square will be aimed at entrepreneurs. Moreover, two other Squares will be held during 2011, one in August, to take place in the Metropolitan Region, aimed at female entrepreneurs and the last one, which is programmed to take place outside the Metropolitan Region.

Kenya

44. The financial education programmes carried out by the Retirement Benefits Authority in Kenya were outlined in IOPS WP No.2. The RBA continues to be highly active in this role, adopting a multi-faceted communications approach, incorporating a public education campaign, training and seminars, Open Day Forums, on-line communication, event sponsorship, participation at trade shows and other exhibitions. [16]

45. One way in which the RBA has continued to undertake Public Education campaigns to educate Kenyans on the importance of saving for retirement is through retirement planning seminars targeting members of Retirement Benefit Schemes. The seminars' key objective is to equip scheme members with investment and social skills to help them cope with life in retirement.

46. Up till 2008, the Authority's seminars were known as Pre-Retirement seminars. The Authority used to conduct four seminars per year. These were increased to 10 sessions annually in 2009 and it resulted in the Authority exceeding its performance contract targets by 50% and attaining an Excellent performance in the performance ranking.

47. Endeavouring to be responsive to the needs of scheme members, the Authority decided to re-name the seminar "Retirement Planning Seminar" in 2009. This was informed by the fact retirement in Kenya is stigmatized and retired people looked down upon by society. Feedback received from members also indicated that members felt they were being sensitized about retirement planning rather late in life as the programme targeted employees who had attained the age of 50 years and above and were about to exit employment. Many of these people had never heard of such terms as "Asset and Liability" throughout their working life and were shocked to learn that they did not own any assets by the time they were due to retire. This always threw them into a panic, compounding the dread of retirement. In response to this challenge, the Authority reduced the age limit of attendees to below 30 years. This action also eliminated the stigma that was always associated with retirement and positioned pension saving as trendy as any other investment option. As a result, more young people are attending the seminars and are very appreciative of the Authority's effort to help them plan for retirement. So far, 1,425 scheme members have been trained. The Authority is now considering training couples instead of individuals so as to effectively change attitudes on retirement planning.

48. On the programme, the Seminars start with a Testimony from a Retiree to set the mood. This has been found to be useful because members easily connect with a message relayed by a retirement personality telling his/her own story.

[16] http://www.rba.go.ke/pdf/Speech%20_by_RBA%20_Chairman.pdf

Figure 7: Example of Personal Testimony at RBA Seminar

Source:RBA

Mexico

49. The supervisory authority in Mexico, CONSAR, has been undertaking a comprehensive programme of financial education. There are two ways in which the CONSAR provides information about the system: Face to Face and Mass Communication.

Face to Face

50. *Service Window:* Account holders and the population in general attend CONSAR facilities asking for general information or to solve any specific issues related to their own accounts. Workers and people in general can also use the SARTEL system, a call centre where they can be assisted by CONSAR employees.

51. *Informative Fairs:* These events occur in County and City Halls or auditoriums and bring together all the institutions related with the Pension System. People in general can solve operational problems, account balance clarification, personal data amendment, state of account problems and others.

52. *Seminars:* The Commission provides information to account holders and the general population in their own work places, union centres, universities and other. At the end of every seminar CONSAR employees help event attendees to solve any questions about the retirement saving system.

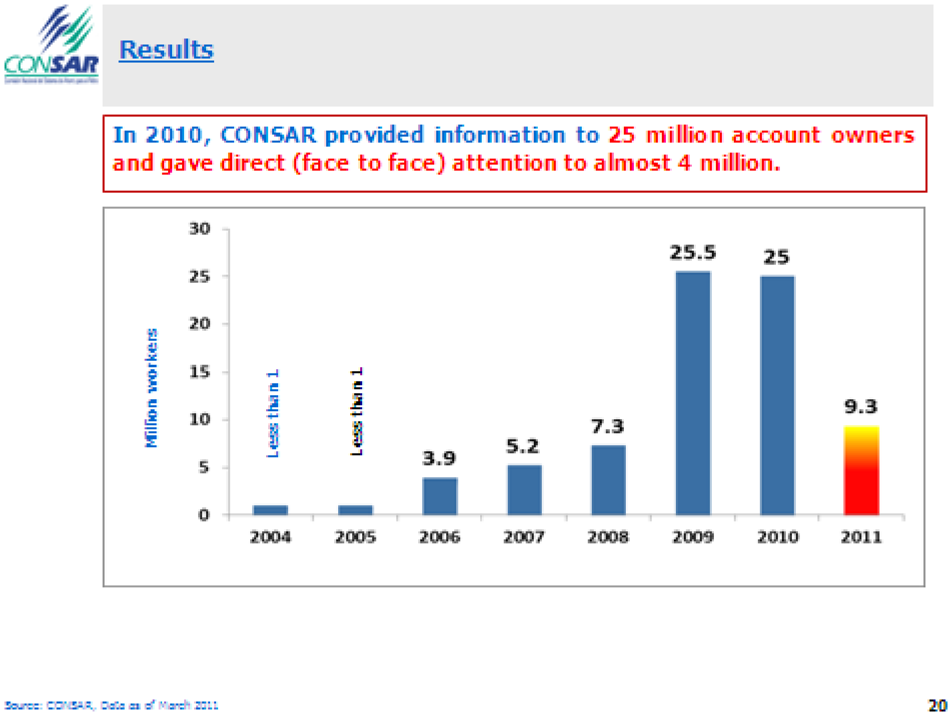
Mass communication

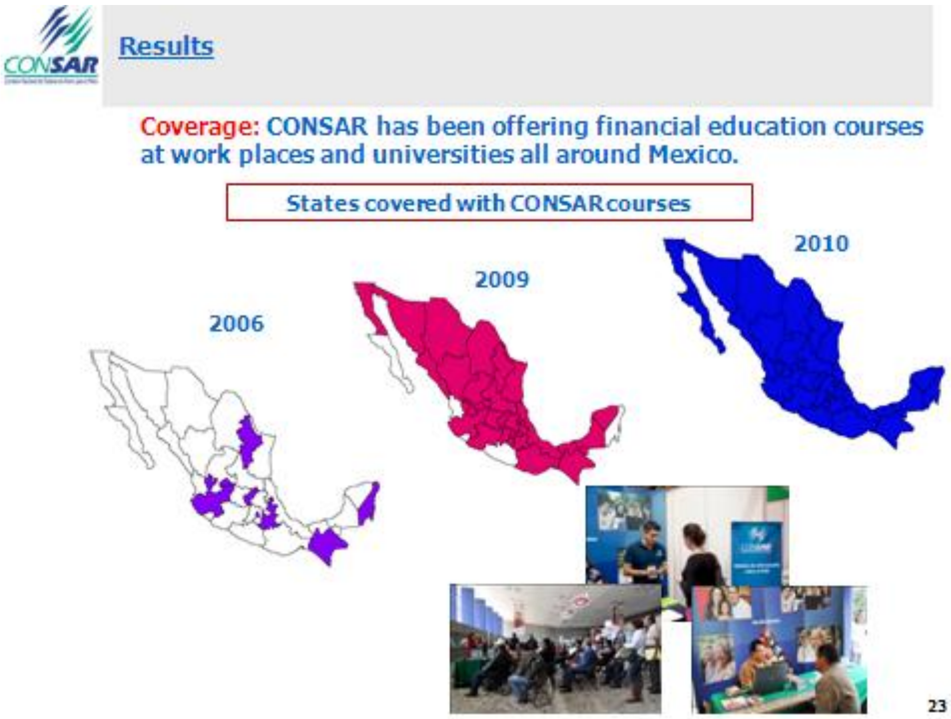
53. Through an annual communication campaign the Commission reaches the largest possible number of people. The campaign includes:

- Web Page
- Radio and TV Advertisements
- DVDs
- Comics
- Billboards

54. In 2010 the number of visits to CONSAR's web site was more than 15 million. In the same year the annual campaign had an impact on 2,185 million workers. The Commission has also produced two different DVDs directed at the young and the general population and distributed comic books for children from 6 to 12 years old providing basic information about the importance of saving throughout the life cycle.

Figures 8 & 9: CONSAR Outreach Events Results





Source CONSAR

Singapore

55. The Central Provident Fund Board (CPFB) is the administrator of Singapore's national social security savings scheme (and also has a supervisory role), which provides for the retirement, healthcare and housing needs of the majority of Singaporeans. The CPFB has won awards for its financial education programmes.

56. The CPFB's mission is to 'enable Singaporeans to save for a secure retirement.' Given the ageing of the population, the CPFB stepped up its member education efforts with the launch of the 'my cpf' programme in 2004 – encompassing a suite of information, interactive on-line tools and games and financial calculators. For example, the 'my cpf Voyage of Life (VOL) [17] is an online board game designed to educate Singaporeans on the importance of planning early for retirement. The CPFB uses VOL in its outreach programmes to schools.

Figure 10: 'My CPF Voyage for Life' Board Game

Source: CPFB (see footnote 44)

[17] See http://mycpf.cpf.gov.sg/Members/Retire-Plan-Games/Overview-VoyageofLife.htm

57. Another on-line tool used by the CPFB is 'Retirement Ready',[18] which was launched in 2007. This retirement planning portal is laid out using the concept of a resort (which is intended to simulate an idyllic retirement), with personalized pensions calculators and other tools for encouraging further savings incorporated into the site.

58. Prior to the implementation of Retirement Ready in August 2007, the CPFB had various educational resources for members including:[19] online calculators;[20] *my cpf* life events;[21] and the Investor Education Site and Housing Site.[22]

59. The above resources for financial or retirement planning were useful to members; however, for members who were less financially savvy, it was decided that it would be beneficial to provide an educational simple-to-read and easy-to-access website.

60. From the findings of a 2005 national financial literacy survey,[23] CPFB were aware that the financial literacy of Singaporeans could be improved. Whilst personal financial-related books and online resources were available in Singapore, the CPFB knew that there was no freely-available site that could educate people on the various aspects of financial planning in a comprehensive manner.

61. The contents for the Retirement Ready website were researched by CPFB staff from books, magazines and websites. CPFB also wrote the contents for the Retirement Ready website.

62. *Retirement Ready @ my cpf* portal (www.retirementready.sg) therefore serves as a one-stop resource for Singaporeans to jumpstart their retirement planning. *Retirement Ready* is developed using an inter-active Flash software to make the subject of retirement planning appealing and attractive to the younger generation and newcomers to the workforce. Users are able to learn about the various aspects of retirement planning in a systematic manner. A PDF version is also available for those who want to keep a handy copy of the contents.

63. The CPFB used an external website vendor to develop the site. This was mainly because in-house IT professional expertise was not in flash-programming, and partly because a mixture of internal and external ideas on how to achieve a user-friendly look and feel for the site were desired in order to make the website less intimidating for the average person to learn about financial planning.

[18] https://www.cpf.gov.sg/cpf_trans/ssl/rnr/index.htm

[19] These were in addition to the information handbooks on the various CPF schemes; there was one handbook for each CPF scheme – the handbooks are today termed as "Frequently Asked Questions" at the CPF website http://ask-us.cpf.gov.sg/explorefaq.asp

[20] These are a mix of CPF-specific calculators (e.g. CPF Contribution Calculator" and financial calculators (e.g. CPF Retirement Calculator) http://mycpf.cpf.gov.sg/Members/Calculators/mbr-Calculators.htm

[21] Where information that is relevant for specific life events is provided, so that members are able to make more informed decisions regarding their CPF monies http://bit.ly/k0Jrsh

[22] These were 2 microsites that contained educational information for members to learn the basics of investing, and what they should know about before they made a financial commitment towards buying a property. The sites were launched in 2004; they were closed when Retirement Ready came on-stream in Aug 2007 as the latter was designed to cover a wider range of retirement-related subject areas in addition to investing and housing.

[23] http://www.mas.gov.sg/news_room/press_releases/2005/First_National_Financial_Literacy_Survey_2005.html

64. The development cost was about S$50,000 (about US$40,600 at current exchange rate).

65. Besides serving as an educational site, *Retirement Ready* also empowers users to take personal charge of their financial future. *Retirement Ready* features a mix of text information, interactive worksheets and online calculators. After learning the subject, users can immediately start to develop their personal plans.

66. The portal makes it easy for users to track their progress through *Retirement Ready*, even if they take a few sessions over a few days or weeks to complete reading the materials. By using the "My Journal" feature, users can track what materials they have read thus far, and track the result of their financial plan. "My Journal" also allows users to store the retirement goals that they have set using the CPF Retirement Calculator. All users have to do is log in with their SingPass to store such data, and each time they visit *Retirement Ready*, they will be able to see and track the goals that they have set for themselves earlier.

67. The CPFB has evaluated the education and programmes and tools of the 'my cpf' programme. They have been well received by the public and one of the most used sites provided by the Singapore government.

68. The Retirement Ready website has an average of 10,500 hits per month, as tracked from inception August 2007 to December 2010. This count is based on the number of accesses at the home page[24]. It does not include the navigations within the site.

69. Though the hit rate is not high, CPFB views Retirement Ready as a complementary site to the personal financial education site *IM$avvy*, which was launched in October 2008. Retirement Ready is meant to educate readers on the theoretical basics of financial planning while *IM$avvy* keeps readers up-to-date on the latest readings, videos and events relating to personal finances. In 2010, *IM$avvy* received 18 million page hits.

70. CPFB's experience in respect of educating users on financial literacy is that it is useful to have a mix of educational materials to introduce the basics (Retirement Ready in this case), and provide readers with frequently-updated materials (IM$avvy) and easy-to-use online tools (online calculators). CPFB are currently developing an iPhone/iPad financial game which is expected to be ready to roll-out in late Q3 or early Q4 of 2011.

71. Whilst CPFB does run its own public education efforts, the authority is also part of MoneySENSE, the national financial literacy programme in Singapore spearheaded by the Monetary Authority of Singapore (the defacto central bank). MoneySENSE runs public education programmes with the help of various financial associations.[25]

---

[24] https://www.cpf.gov.sg/cpf_trans/ssl/rnr/index.htm

[25] More information on MoneySENSE can be found at http://www.moneysense.gov.sg/news_events/Consumer_Portal_Latest_News.html and the factsheet is at http://www.moneysense.gov.sg/about/Factsheet.html.

Figures 11 & 12: Retirement Ready

Source: CPFB (see footnote 45)

Turkey

72. The example of the pension supervisory authority in Turkey is interesting, showing how direct contact with fund members via surveys can be used to build, direct and improve financial education programmes.

73. The Pension Monitoring Center (PMC) [26] provides a range of financial education programmes (including wide ranging media campaigns). They also work with private sector partners (via the Communications Committee) with the aim of increasing public awareness, provoking people to think about their retirement and emphasizing the importance of long-term pension planning.

74. In terms of education provided to members of pension plans, as well as providing information and calculators on their website; the Pension Monitoring Center also conducts surveys (via telephone) with the following aims:

- *to assess participants' knowledge about the pension system (including reasons behind early withdrawals, knowledge and utilization rate of tax incentives etc.);*
- *to evaluate the quality and quantity of information conveyed to participants by pension companies;*
- *to inform participants;*
- *to analyse and report the results to the Undersecretariat of the Treasury (the main supervisory authority in the country) regarding the needs and gaps with regard to disclosure*.

75. Outbound calls made by the Center can be classified under three categories: *inspection calls, instructive calls* about a general or a specific issue and those attempting to *collect information* regarding opinions/behavior patterns of the participants. Usually, depending on the aim of the survey, a combination of these three categories is employed.

76. The topics of telephone surveys are determined by the PMC in coordination with the Undersecretariat of Treasury, by taking into consideration the comparative importance and possible effects of the issue on the development of the market and confidence of the public to the system as a whole. The complaints and information requests received, the trend analysis performed with the data sent by pension companies, the press, the economic and social conjuncture all affect the selection of the issue to be surveyed. The opinions of the private sector representatives are also taken into consideration to hear different points of views and also to utilize their expertise.

77. After having decided on the topic, the period and frequency of the survey, the target population is determined by the PMC using the daily data sent by pension companies. The questionnaire for each survey is designed by the PMC and submitted to the Undersecretariat of Treasury for approval. After test calls, the questionnaire is given its final form.

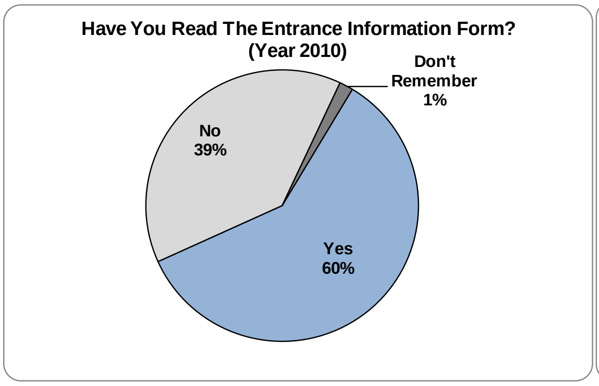
78. The results of the surveys are evaluated by the PMC, and shared with the Treasury and the pension companies in order to provide them with the general picture of the perception of the system by the public. Some examples of surveys follow.

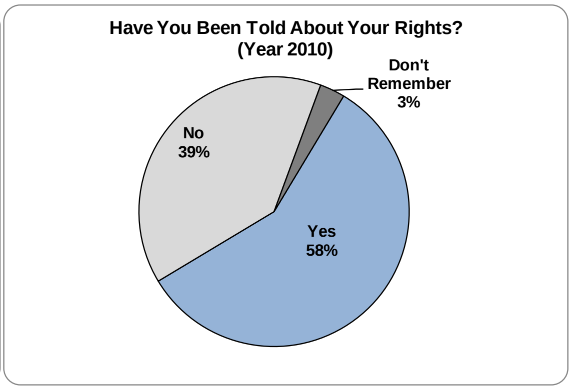
[26] The Pension Monitoring Centre works with the Turkish Treasury to provide data and assist with pension supervisory oversight.

Survey on Newcomers

79. This survey is conducted monthly, with the sample population chosen from participants who had just signed the pension contract in that month. It is also important to note that the surveyed participants are also in the grace period in which they can use the right to opt out from the system without bearing any consequences of early withdrawal. In 2010, around 17,500 new participants were called, (the sample was distributed among companies in-line with the market share of the pension companies.)

Figures 13 & 14: Results from PMC Newcomers Survey





Source: PMC

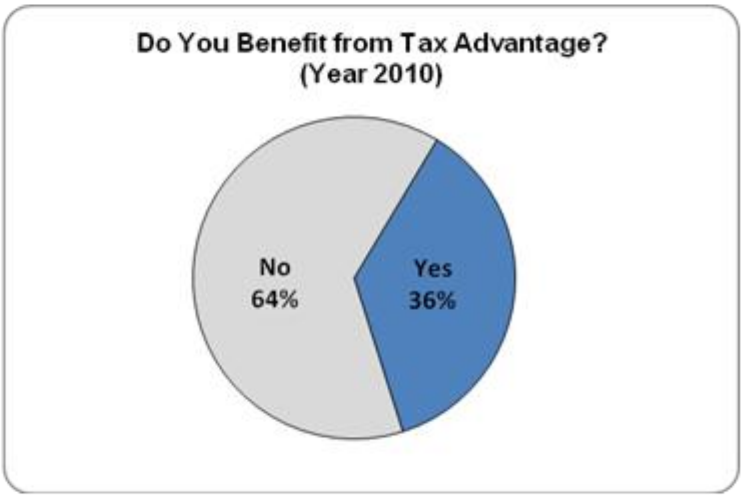
80. In these calls, the aim was to assess the level of information given to the new participants and the level of understanding of the information. Operators also give general information to participants when necessary about the functioning of the system, fees and charges, and guide the participants to contact their companies and intermediaries for other details regarding their pension contract.

81. Every month, company specific results and the market in general are presented to the general managers of the pension companies. They are also reported to the Treasury regularly.

Survey on the Use of Tax Incentives

82. The other survey that is carried out regularly is the one which aims to measure the use of the tax incentive (i.e. the possibility to deduct the contributions from the income tax base) among participants which is deemed as one of the main advantages of the system. In 2010, around 3,400 participants from different pension companies were called.

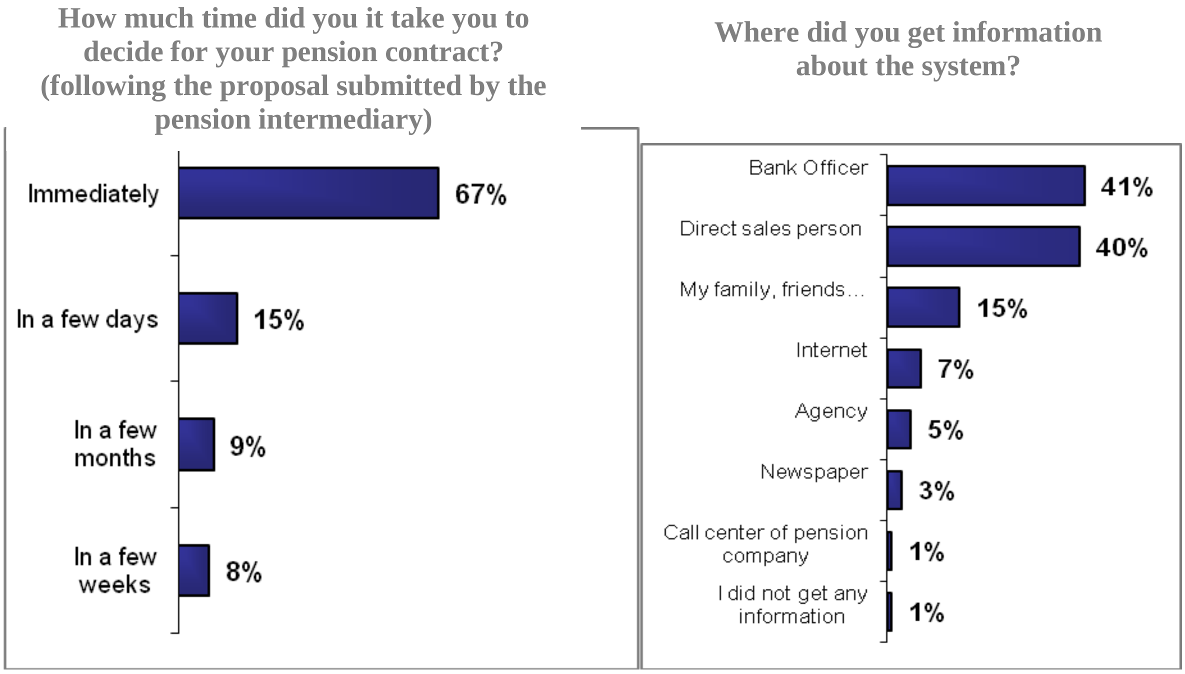
Figure 15: Results from PMC Tax Incentives Survey



Source: PMC

83. The results of this survey are reported twice a year to the public authorities and also shared with the pension companies. Lately, the low level of utilization for this incentive has brought up discussions regarding changes in the tax incentive.

Figures 16 & 17: Results from Other PMC Surveys (Survey on the Conception of the System)

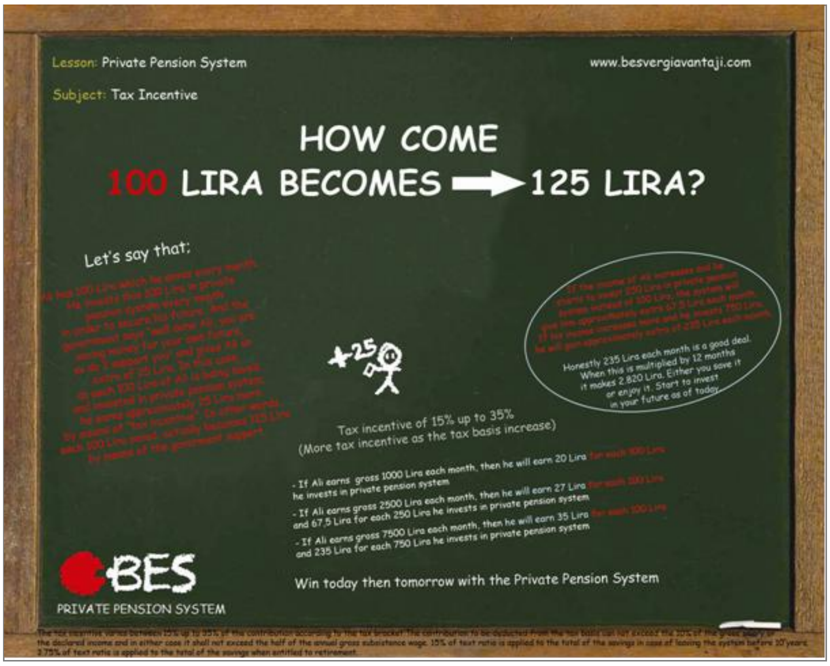


Source: PMC

Media Campaigns

84. Mass media is also used to increase the awareness of the public, to explain the system as a whole or to emphasize some advantages of the system. For example, after evaluation of the results of the surveys on the use of tax incentive, the Committee, (which is comprised of the members from the pension companies and the public), felt the need to draw the attention of the public to the tax incentive. Being aware of the complex calculations involved, a media campaign has been prepared, the calculation of the potential advantage has been simplified, and the comprehension of the amount of the advantage has been made easier.

Figure 18: Media Campaign on Tax Incentives

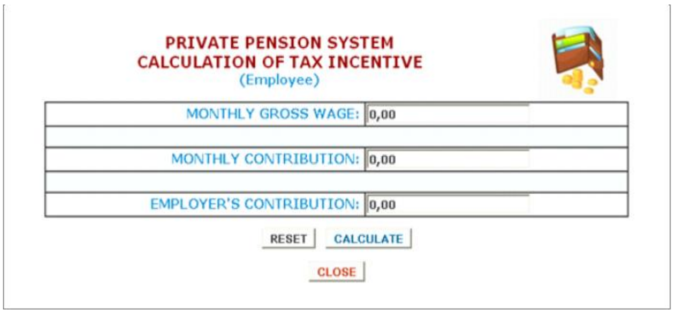


Source: PMC

Facilities Provided Through PMC Controlled Websites

85. Summarized and simplified information about the rules, regulations (fees, rights, obligation etc.), and retirement options are supplied on websites. To increase the understanding of the importance of the tax incentive, and to help the participants to decide how much to contribute, special calculation tools on the tax incentive and projected pension benefits have been formed. Also, a special booklet has been designed to explain the tax incentive in a very simple way. These special websites are promoted on standard information forms given to the participants.

Figure 19: Tax Incentive Calculator

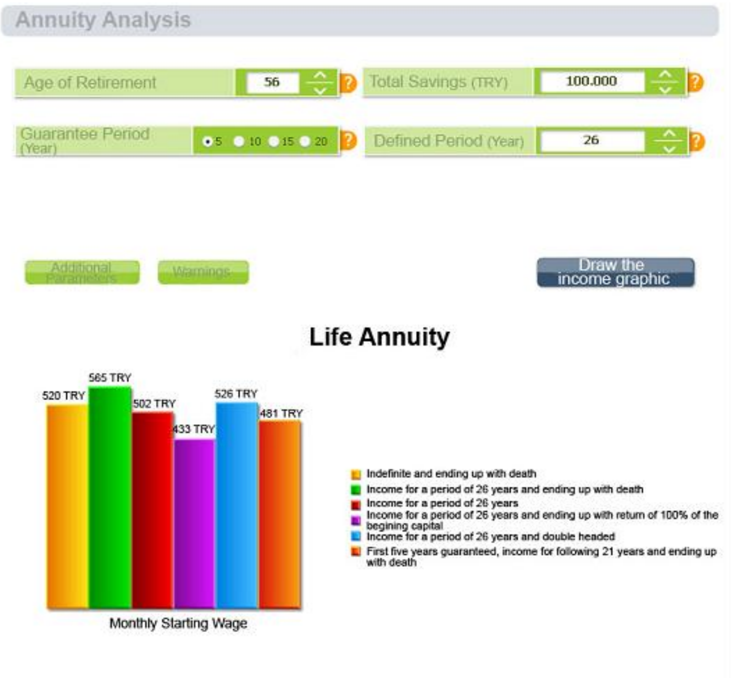


Source:PMC

Figure 20: Calculation Tools (Accumulation Phase)

Source:PMC

Figure 21: Calculation Tools (Decumulation Phase)



Source:PMC

IV. Lessons Learnt

IOPS Lessons Learnt

86. IOPS Working Paper No. 2 paper looked specifically at the role of pension supervisory authorities in providing financial education, finding that the costs to supervisory agencies of supplying education can be reduced in several ways – such as using their website to provide detailed instruction. The paper also put forward the following recommendations that pension supervisory authorities should, where appropriate, be encouraged to:

- ***Provide basic information through such channels as brochures and other promotional material;***

- ***Provide relevant information through their websites, which have been identified as cost-effective tools in terms of time and numbers of individuals reached;***

- ***Approve training material offered by other institutions that would seek to complement their work;***

- ***Regularly carry out research to gauge the needs of their target audiences so that they can tailor their educational material to cater for these needs; and,***

- ***Educate stakeholders on any regulatory changes affecting the industry, whenever these changes arise.***

87. What lessons can be drawn from the experiences described in this paper from campaigns launched by specifically by pension supervisory authorities in relation to the financial crisis? These will

have to be fairly high level and generic as specific results from evaluations of the campaigns discussed are not available. However, the following messages can be drawn:

- ***Pension supervisory authorities have an important role to play to maintain and build trust in the pension systems which they oversee;***

- ***Pension supervisory authorities should also coordinate with other relevant pension stakeholders, such as regulators, government agencies and to some extent pension funds, sponsors and providers, in order to maximize the use of scare budget and to ensure that coordinated messages are extended;***

- ***Given they are viewed as impartial sources of information, they can have a powerful voice in stressing the long-term nature of pension savings;***

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

- ***Campaigns need to be continuous and regularly updated in order to provide robust messages;***

- ***Messages should be kept simple/ entertaining / rooted in everyday experience - with as many electronic and media channels as possible used and should be adapted to the audience preferences and level of financial literacy. Where websites are used, these should be advertised (possibly with incentives to encourage their usage);***

- ***Pension supervisory authorities should make sure that supervisory staff / help desks etc. are prepared to respond to members questions, and particularly to cope with crisis-related questions and to provide suitable reassurance to members seeking advice. Preparation will be needed in advance to ensure that authority's staff can respond in a timely and efficient manner;***

- ***In times of crisis, messages should also be directed towards political opinion and policy formers (to try to prevent short-term, knee-jerk policy reactions which could be damaging to the pension system over the longer term).***

88. In addition to these lessons drawn from financial education campaigns provided by pension supervisory authorities, an analysis of the on-going programmes suggest the following recommendations:

- ***Pension supervisory authorities may wish to consider directing their campaigns to pension fund members earlier in life - not just before retirement;***

- ***Care should be taken over the type of language used so as not to enforce stereotypes and to stigmatize retired people;***

- ***Innovative, fun mechanisms for communicating with younger people – such as games and online sites – could be used;***

- ***Use individuals' own experiences to get messages across;***

- ***Use surveys to help direct and tailor outreach and financial education programmes effectively.***

Lessons from OECD work on Financial Education

89. In addition to the lessons drawn specifically from this paper, it is worth noting other recommendations and good practices which the OECD has drawn from their more general financial education work which can also be applied to campaigns run by pension supervisory authorities.[27]

90. The OECD's *Recommendations on Principles and Good Practices for Financial Education and Awareness*[28] notes the following:

- ***Financial education should be provided in a fair and unbiased manner. Programmes should be co-ordinated and developed with efficiency.***

- ***Programmes should focus on high priority issues. Depending on national circumstances this might include essential aspects of financial life planning, such as basic savings, private debt management, and insurance. In addition it might include prerequisites for financial awareness, such as elementary financial mathematics and economics. It should encourage future retirees to assess the financial adequacy of their current public and private pension schemes and to take appropriate action where necessary.***

- ***National campaigns should be encouraged to raise individual awareness of the need to improve understanding of financial risks and the ways in which it is possible to protect against these risks through adequate savings, insurance and financial education***

- ***Financial education should start at school. People should be educated about financial matters as early as possible in their lives.***

91. In relation to pensions in particular, the OECD '*Recommendations on Good Practices for Financial Education Relating to Private Pensions*'[29] make specific recommendations about the role of governments, noting that they:

- ***Have a significant role to play in financial education programmes on pensions via public awareness campaigns and should provide a strong lead, coordinating projects with a range of other partners.***

- ***Should 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 transparency and confidence in the pension system and thereby encourage individual saving for retirement. However, care should be taken with public campaigns to distinguish between financial education and political advocacy for a particularly form of pension or retirement income system.***

- ***Should direct public awareness campaigns as broadly as possible, due to a widespread lack of understanding of pension issues. In addition specific programmes targeted at the most vulnerable groups, such as migrants and those with the lowest income and savings levels, can also have a significant impact.***

---

[27] See www.financial-education.org

[28] http://www.oecd.org/dataoecd/7/17/35108560.pdf

[29] http://www.oecd.org/dataoecd/4/21/40537843.pdf

- ***Should work towards making individuals aware of their limited knowledge about financial matters, and about pension products in particular, stressing the risks of not having an adequate income in retirement?***

- ***Should provide information about sources of further information and advice on how to mitigate this risk.***

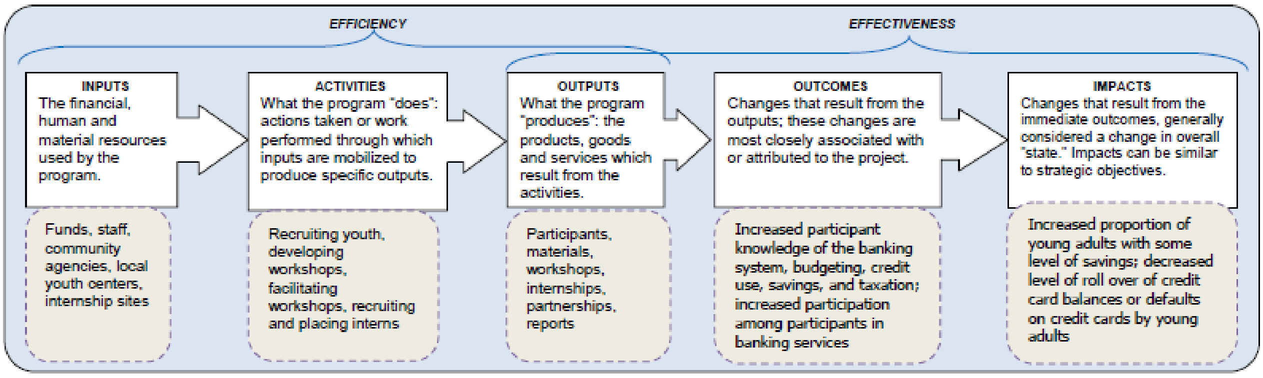
92. In terms of lessons learnt from pension related campaigns, the OECD's paper (*forthcoming*) on '*Lessons from National Pension Communication Campaigns'* (NPCC) specifically notes that '***financial crises require increased communications about DC investment'***. In addition, other messages drawn from the analysis of these campaigns which are relevant whether they are run by pension supervisory authorities or other public institutions include the following:

- ***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.

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

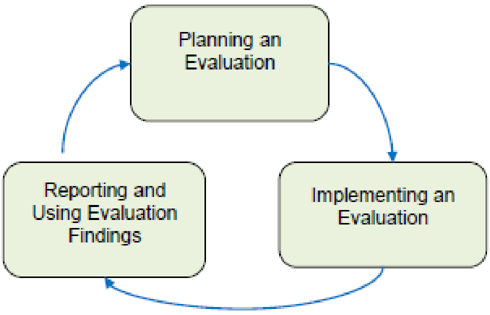
Box 3: OECD Recommendations on Evaluating Financial Education Programmes

The OECD's extensive project on Financial Education has created guides and developed high level principles to help assess the extent to which financial education programmes make a difference to recipients. The right evaluation can gauge both the efficiency and effectiveness of a financial education programme. For the best results, the OECD recommends planning the evaluation at the same time as the programme is developed. The design of the evaluation should consider each of the elements discussed in the white boxes of the logic map below:



Source: Detailed Guide to Evaluating Financial Education Programmes (INFE)

Evaluation is systematic and evidence-based, drawing on various methods including focus groups, key informant interviews, tests, surveys, administrative information and diaries. It helps to provide the information necessary to allocate resources and improve provision. The evaluation cycle has three key steps as outlined below:



The International Network for Financial Education (INFE) *High Level Principles for the Evaluation of Financial Education Programmes* stress that evaluation is an essential element of financial education programmes. They encourage programme providers to:

- ***Plan and budget for evaluation***
- ***Use external evaluators where possible***
- ***Chose the right evaluation method, taking into account the programme objectives, the size of the programme and the target audience***
- ***Report both positive and negative findings in an unbiased way.***

For further information see the *'Methods and Evaluation'* section of the International Gateway for Financial Education (www.financial-education.org) INFE Evaluation Principles http://www.oecd.org/dataoecd/16/44/48492283.pdf

- ***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.

- ***Targeted communication delivers clearer messages***: several NPCCs demonstrate a keen awareness of the communication requirements of different sections of the population, which is divided according to demographic and attitudinal profiles. Population classifications might relate to age, ethnicity, gender, education or occupation. 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.

- ***Harness the power of the press***: in many countries individuals value the press, as an independent source of personal financial information and advice. While promoting 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 and in some countries there will be a need to educate the press in order for them to assist in communicating messages on pensions.

- ***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 (e.g. social media, mobile phone campaigns, cinemas to target a younger audience). When it comes to using websites, it should be noted that these need to be advertised in order for them to be used. Providing incentives to increase website traffic could also be considered (e.g. chance to win prize on using the site).

- ***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.

- ***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. Clearly it is essential where budgets are limited to ensure objectives are realistic and that channels used are cost-effective.

- ***Establish broader financial literacy campaign to enhance impact***: the complexity of pension products, 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.[30]

- ***Developing coordination between NPCCs and broader financial literacy campaigns***: there is a clear interrelationship developing between the NPCC and the broader financial literacy agenda for the population as a whole, as well as financial knowledge courses in schools and other education establishments. Such coordination is essential, especially in a crisis, where ensuring consistency of messages being communicated by different government agencies is key. The introduction of class-based learning modules for financial education in schools and colleges are also essential in order to educate and prepare future generations of workers about their pension choices, rights and responsibilities.

[30] See OECD (2011), ' *Draft Guidelines for Financial Education in Schools'* http://www.oecd.org/dataoecd/15/57/48493142.pdf

Box 4: National Strategy for Financial Education

The financial education work of the OECD and The International Network on Financial Education (INFE) continues to highlight that action in this field by individual players – such as pension supervisory authorities - should not be considered in silo but should be considered taking a broader perspective which may include for the pension area coordination with pension regulators, pension fund providers, sponsor, etc. This is important in particular for financial education where the accumulation of diverse -and sometimes conflicting- programmes is becoming an issue (especially when programmes are not evaluated).

The INFE will shortly publish a '*Report on National Strategies for Financial Education'*. The INFE note that, especially since the financial crisis, awareness of the importance of financial education has gained momentum among policymakers. This has led to the development of an increasing number of tailored strategies in recent years, which have often been combined with a greater national emphasis on financial consumer protection and inclusion measures.

The report analyses how countries which have already set up these national strategies overcame a series of challenges – from the lack of resources, the difficultly in identifying a strategy leader and gathering all stakeholders around common objectives, to maintaining their long-term commitment and moving efficiently to the operational phase.

The INFE report is complimented by draft '*High-Level Principles on National Strategy for Financial Education'* – which include the following recommendations:

- ***Preparation of National Strategy:*** this should preferably be led by the government, a public or regulatory authority or national consultative/ steering body.

- ***Mapping and evaluation of existing initiatives:*** the preparatory phase should encompass the mapping and review of existing financial education initiatives promoted by public, private and civil stakeholders.

- ***Assessment of the needs of the population and main policy issues:*** an assessment of the levels of financial literacy of the population and of the main related policy issues should also be conducted to better define the NS main targets and short and long-term objectives.

- ***Consultation:*** the identification of a mechanism or mechanisms to ensure consultation and co-ordination between the various stakeholders (possibly including the general public), should also be considered during this preparatory phase.

- ***National Awareness and Communication:*** the reporting and adequate communication of the results of this preparatory phase and the official announcement of the development of a NS to relevant stakeholders and the public should be intensively promoted in order to further raise awareness on the importance of this endeavour and reinforce buy-in from key stakeholders.

- ***Governance and role of stakeholders***: the NS framework should be tailored to national and/or jurisdiction circumstances. At the same time, it should rely on a transparent governance mechanism with an identified leader or governing body, and shared but clear stakeholders' roles and responsibilities.

- ***Setting a road map:*** the NS framework should encompass the design of a tailored roadmap including realistic, measurable and time bound objectives, identified and appropriate evaluation tools and ideally earmarked resources.

- ***Content, delivery mechanisms and tools:*** the NS framework and its roadmap can also provide directions on the content of the strategy and its implementation, identify targeted groups, policy priorities and display guidance on preferred delivery methods and tools. Such directions should be sufficiently flexible and take account of the dynamic context of the NS (including political environment) and involve ongoing research and analysis to ensure the relevance of its content.

ANNEX 1: SUPERVISORY RESPONSES TO THE CRISIS- INCREASED COMMUNICATION AND DISCLOSURE

Australia	ASIC did meet with industry to remind them of their disclosure obligations during the GFC (including significant event disclosure). However, these disclosures were part of existing legal requirements and not additional disclosure requirements. ASIC did ask trustees to distribute to their members information about illegal early access to super schemes. ASIC had concerns about the superannuation industry's approach to risk disclosure. Inconsistencies in the labelling of investment options and the way in which funds assessed risk made it difficult for investors to make well-informed decisions about which investment option is best for them. ASIC believe that in times of market volatility, it is more important than ever for consumers to have clear, consistent and meaningful information about risk issues which relate to superannuation investments. ASIC is therefore working with the superannuation industry to raise the standard and consistency of superannuation risk disclosure practices, in particular, truth in labelling investment options in superannuation.
Brazil	This supervisory body, in December 2006, published a legislation (Resolution CGPC nº 23, of 6 of December of 2006) to address the issues regarding the disclosure of information to the pension funds' members. This Resolution includes all the information that the pension funds should sent to their members. After the crises, we haven't undertaken any initiatives on that, but we're developing a financial education program that will increase the knowledge of the members.
Bulgaria	In this field the FSC works in a close relationship with the media and in cooperation with it prepares publications. The Deputy Chairman of the FSC in charge of Social insurance supervision division gives interviews on the topic to the press and electronic media. Information brochures are published on the FSC websites. The aim is to explain the current effects of the crisis to pension funds investment performance, but also emphasize the long-term nature of pension savings. According to the requirements, the advertising and written information materials of the pension funds adopted by the FSC, any publication of the achieved investment results of a pension fund must be accompanied by the information that the fund does not guarantee positive return and that the value of units might drop. Generally, in Bulgaria each pension insurance company is obliged every year till 31 March to disclose information about the achieved annual investment results of the management of a pension fund (return and investment risk only together). Such information must contain the following:[31] • the rate of return of the pension fund for each year of the preceding five-year period; • the average return calculated as the geometric mean of the yearly rates of return of the preceding five-year period; • the level of the investment risk (standard deviation of the return) for each year of the preceding five-year period; • Sharpe ratio, calculated in accordance with a given formula when the achieved return is higher than the risk-free rate for the respective year; • graph of the value of one unit as at the last working day of each month during the preceding five-year period.

[31] Informational materials on return and volatility (in Bulgarian) can be found via the following links:

http://www.fsc.bg/media_center/files/Broshura-DPO-Dohodnost.pdf

http://www.fsc.bg/media_center/files/Dohodnost_risk_info_.doc

Chile	Other initiatives of the Superintendencia included the following: *Supervision and information from AFPs to the supervisory authority:* Monitoring has been stepped up with more contact with investment managers to oversight their actions and solve possible problems in the flexible management of the funds. Also the demand for reports from Pension Fund Managers was increased. Oversight was increased for the proper and due payment of returns to investment abroad. Pension Fund Managers were required to report periodically on this matter. Special emphasis was given to oversight the investment process in each Fund, the transaction of AFPs directors and related individuals and the compliance of the maximum share in equities. There was a constant measurement of the direct and indirect investment in foreign institutions under solvency risk both by the AFPs and the Superintendence. http://www.fi.ee/index.php?id=12258&year=2004 AFPs had to report daily (with no lags) on their transactions. They also had to report on their evaluation of the risk of the Funds. Coordinated supervision with other Superintendences was increased. Also, there were coordination meetings with the Capital Markets Committee and special sessions of the Investment Technical Committee. Finally, there were meetings and permanent contact with custodian banks of the Chilean pension funds invested abroad. *Regulatory responses:* The Chilean pension system has five different Fund Types; A, B, C, D and E; which differ in the maximum exposure to equity they can have; 80%, 60%, 40%, 20% and 5%, respectively. In order to convey a clearer message when referring to each Fund, the Superintendence has regulated that apart from their name, they have to be labelled and informed according to their risk as: riskiest, risky, intermediate, conservative and most conservative, respectively. Members of the pension system can allocate new contributions in a Fund different from the one in which the balance currently is. Introduction of a new norm that allows members to commit in advance to a life cycle profile of Pension Funds allocation according to age (with allocation on equities decreasing with age). There were a few changes regarding members who start their pension claiming process: they are now allowed to switch Funds while in the claiming process (they were not allowed before), they now have to explicitly declare they want to either stay in their current Fund or switch to another one and the AFP must not wait until the end of the claiming process to switch the Funds but must do it immediately. The Investment Regime of the Pension Funds was changed to allow a longer period to adjust the exchange rate coverage. Coordination with other financial supervisors was strengthened during the crisis and information requests to supervised entities increased.
Costa Rica	The Supervisory Board approved a regulation on corporate governance. Superintendency explained to participants that pensions are long term products, so it is important to analyze the performance in the long run instead of the short run. There is an analysis to change the regulation to display in the pension´s statement the long term instead of the monthly performance.

Estonia	Although no campaigns or press communications were made specifically due to the crisis, the EFSA has a web-site based environment through which we are always stressing the possible impacts of volatility, market risk and the long-term nature of pension savings. In addition to this the EFSA was always responsive to public queries and questioning.
Hong Kong	Continue the investment education initiatives including developing investment education publications, namely, leaflets on Annual Benefit Statement, Fund Fact Sheet, and Fee Comparative Platform etc. Scheme members have always been brought to the attention of the relationship between risk and return in the publication. The long term nature of mandatory provident fund savings is also emphasized. In progress of review of disclosure to scheme members with the purpose of assessing the need to enhance disclosures to scheme members including review of current risk disclosures regime, adequacy of content requirements in the offering document, contribution checking mechanism etc. In Hong Kong, as part of current disclosure requirement, fund risks are generally disclosed in the offering document. Scheme members are provided with a fund risk indicator which measures the volatility of the funds over a 3 year time frame in the fund fact sheet (the fund fact sheets can be found at http://cplatform.mpfa.org.hk on the website of the MPFA), a bi-annual statement providing details on each investment fund in a MPF scheme. Scheme members can also make comparisons of those risk indicators on the Fee Comparative Platform which is a web-based facility provided by the MPFA to help scheme members understand the risk involved and make better investment decisions in respect of their retirement savings (see following section).
Hungary[32]	HFSA is emphasizes the importance of the right communication flow towards pension fund members in establishing an appropriate risk tolerance philosophy and in improving their understanding of the impact of key investment and solvency related decisions upon the financial condition and performance of the funds. One of the main focuses of the HFSA in regard to communicating with the funds and the fund members is ensuring the disclosure, thus the availability of all adequate information. Keeping in mind the emergency created by the global financial crisis, HFSA introduced a new communication strategy emphasizing the importance of the disclosure of the past 10 years' investment performance respectively the explanation of weak returns when disclosing them. This need is also generated by the poor communication flow between funds and members including inadequate information from the funds for the members about their choices to ease the losses, as well as the weak financial literacy among members.
Italy	COVIP asked all funds to remind retiring members that the current legislation already allows them to keep their capital invested in the pension fund after retirement, making it possible to wait for an improvement of market conditions before buying an annuity.
Korea	FSS, the supervisory authority, monitored closely and deeply about the changes of the asset value and the return on the pension fund. FSS was reported about the important changes on the daily basis during the crisis and disclosed them to public. In Korea, FSS can require the additional and irregular information depending on the market conditions. Moreover, FSS can require third party contractor (financial company) sending that information to fund members. In the past financial crisis, pension funds in Korea are seldom affected by the global recession, so we did not take specific actions.

[32] http://www.pszaf.hu/data/cms1534774/down.pdf

Mexico	In Mexico, the pension supervisory authority, CONSAR, carried out a massive information campaign on junctural losses and the need to view this specific type of savings in the long term (nowadays in Mexico the vast majority of pensioners still choose the previous DB System and thus, losses in the DC System did not impact current pensions). The campaign spread information through the Internet, brochures and leaflets, via email and direct (face to face) contact with pension funds members. Information on volatility was disclosed on a permanent basis to the general public as well as to the Congress.
Netherlands	Late 2008 the Authority on Financial Markets (AFM) sent a letter to pension insurers informing them that mechanically implementing life cycle principles after the recent decline of the stock market may conflict with their duty of care. In the following years the AFM stressed the importance of communication. The AFM provided guidance to pension funds and insurance companies by publishing regular newsletters and organising seminars.
Pakistan	As private pensions are a relatively new concept in Pakistan, the Securities and Exchange Commission of Pakistan (SECP) is promoting it by launching a Guide for Voluntary Pension System. SECP also issues a 6-monthly comparative position of the performance and costs of all the pension funds. SECP has started an Investor Education program, and in this regard has made a Guide for the Voluntary Pension System. It provides an insight into the basics of the pension funds, how they work, who can become a member etc.[33]
Poland	As a result of the crisis, the danger of closing down some occupational pension plans emerged. PFSA communicated to plan sponsor and to general public the long term nature of pension savings and discouraged plan sponsors from undertaking too radical actions.
Spain	The supervisor has published in his website information about commissions charged by each pension fund and the rate of return obtained in the last 1,3,5,10 and 15 years. With this publicity members will be able to analyze the product in a long-term period and compare with other funds of the same investment policy category.
Thailand[34]	Educate fund members in order to help them understand investment concepts such as risk-return tradeoffs, diversification, and long-term investment to reduce panic due to underestimated investment return. In addition, SEC promote that employees should make their own investment choice that suit with their risk tolerance In practice, pension providers may issue any necessary statement to the fund committee regarding market conditions that might affect portfolio asset allocation.
UK	TPR have advised members of DC schemes that they may elect for a more active role in reviewing their pension fund in the light of their current circumstances to decide whether they need to make any changes to the fund in which they invest, their level of contributions or their target retirement date. Ad hoc surveys were carried out for some of the largest schemes exposure of investment portfolios to “toxic assets” and in all cases this has not been reported as material.

[33] The guide is available of the website of SECP at the following link: http://www.secp.gov.pk/Guides/Nov2010/VpsForFilm.pdf

[34] Example – please refer to article on website http://www.thaipvd.com/content_th.php?content_id=00236