

# Tackling the Savings Gap: Engagement and Empowerment.

Consumer research  
into integrated annual  
pension statements

September 2012



## Mind the Gap highlights

In September 2010, Aviva published a research report called "Mind the Gap." The purpose of the research was to explore the European pensions gap across 13 European markets.

The annual pensions gap is the difference between what people expect to retire on and what they might actually get. This was calculated using the OECD expectation that people need 70% of their pre-retirement income to live on, and a range of economic and financial forecasts to map future pension returns.

Across the European Union the annual pensions gap was €1.9 trillion, around 19% of 2010 GDP for the EU.

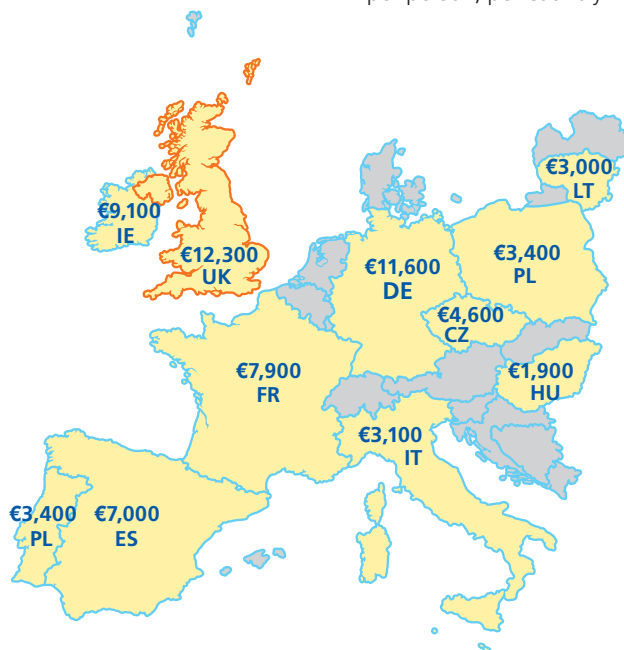
More details can be found here:

<http://www.aviva.com/europe-pensions-gap/>

As a result of the research Aviva concluded that there were a number of actions that needed to be taken at a European, but also individual level.

One of these was annual pension statements, across the EU.

Size of the annual pensions gap on average per person, per country - 2010



We have consistently argued that once a year, every year, people should be proactively sent a pensions statement that integrates the information from state, occupational and private pensions savings – all in one place.

**Tackling the Savings Gap: Engagement and Empowerment – Consumer research into integrated annual pension statements** is the latest instalment of published research and calls to actions on annual pension statements that Aviva has produced since 2010.

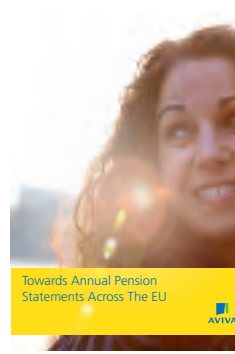
All of our research is available at: <http://www.aviva.com/research-and-discussion/>

Aviva publications featuring research and calls to action on annual pension statements:

Mind the Gap: 2010



Towards Annual Statements Across the EU: 2011



Corporate Responsibility Report: 2011





# Tackling the Savings Gap: comprehensive, regular pension statements for all.

1. **Engage people** by providing annual statements to all citizens showing a forecast of pension retirement income from all sources, in one place.
2. **Empower people** with an interactive tool (like a pension calculator) demonstrating how saving more earlier in life can improve their retirement income.

This would **help tackle the savings gap** – giving people a **greater understanding** of what they are likely to receive and **encouraging people to save** during their working lives for a better income in retirement.







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## Foreword

One of the great challenges facing Europe over the coming years is the ageing population and how to ensure people can live on a decent income in retirement.

Through integrated annual pensions statements, there is a huge opportunity to help millions of EU citizens to take control of their retirement provision and improve their future quality of life.

We know from our research that too many people today simply don't engage with pensions, and in some EU countries as many as 69% of citizens don't think they will have enough money to retire on.\* Almost a third haven't considered how they will provide for themselves in retirement.\* Without concentrated efforts to encourage EU citizens to take control of their pension arrangements, this is a situation which will only get worse.

I am convinced that providing clear and integrated pension information on an annual basis – bringing together state, occupational and private pension information in one place – would encourage many more EU citizens to think about their retirement needs earlier and plan for it better. Our research contained in this report suggests consumers would respond positively.

Encouraging a re-evaluation of pension statement provision across Europe represents an enormous economic and financial opportunity; both for consumers (increasing their retirement incomes) and for many EU governments (reducing future pressures on public spending, especially where there is a substantial means tested element.)

Indeed, in considering the cost of implementing such statements, governments need to weigh up the alternative on national budgets if people don't engage with their retirement needs early enough in their working lives.

This is one area where the EU, national governments and financial services firms can come together to help. Sweden already sends citizens annual pension statements showing information about their state pension and also, through a joint venture with industry, provides online information integrating occupational and private pension information. This has been followed by a marked improvement in recipients' understanding of their retirement provision. We should use Sweden as an example of success and look to build upon it, moving towards fully integrated paper and online statements.

Aviva is, therefore, calling on EU and national policymakers to encourage, help and drive EU Member states and business to take concrete steps towards providing integrated pensions information for citizens on an annual basis. This would empower EU citizens to take decisions today that will protect their financial futures in retirement tomorrow.



**Trevor Matthews**

Executive Director and Chairman, Developed Markets  
Aviva

\*Aviva Consumer Attitudes to Saving Survey 2012





# Executive summary

## Background

Pension provision across Europe is a massive challenge. Today, in the EU more than 10% of GDP on average is spent on public pensions, possibly rising to 12.5% in 2060.\* By 2060, the life expectancy at birth for males is projected to increase by 7.9 years and by 6.5 years for females compared with 2010.\*

- In September 2010, Aviva published its groundbreaking research report called "Mind the Gap." This highlighted the €1.9 trillion annual shortfall in pension provision across Europe.
- As part of that research, Aviva issued a 'Call to Action' to EU policymakers to support moves towards issuing regular, integrated pension statements to all adult citizens, showing state, occupational and private pensions in one single place.
- Aviva has now undertaken international research to understand the consumer appetite for annual pension statements in six EU countries.\*\*

## Research findings:

Regular, concise information coupled with empowerment is crucial.

Our focus groups want:

- Simple, short paper-based annual pension statement showing state, occupational and private pension in one place – with more information available online.
- The statement should link to a separate, interactive online calculator, where people can go and experiment with their contributions and projected retirement outcomes.
- The new dual-system needs to be administered independently, and be at arms-length from governments, employers and the pensions industry, so consumers have trust and confidence in it.

There is scope to reduce the inequality of pension information provision across Europe.

- The age at which citizens receive information from the government on their state pension and the level of that information varies significantly across the EU.
- In Ireland, citizens receive state pension information at the age of 60 years old, whereas in France it's at 35 years old and in Sweden it's from the age of 18 years onwards.

The Swedish model shows regular pension statements can improve awareness and financial literacy.

- Sweden has improved financial literacy and awareness of pensions through its Orange Envelope scheme, where state pension statements are sent annually to its citizens.
- In the period 1999 to 2011, general pension savers saw a strong increase in knowledge of the pensions system. There was a rise over the period from 32% to 49% of respondents saying they understand the system.\*\*\*
- From 2007 to 2011, new pension savers' confidence in the state pension system increased from 48% to 62%.\*\*\*

## Calls to action:

- Engage people by providing annual statements to all citizens showing a forecast of pension retirement income from all sources, in one place.
- Empower people with an interactive tool (like a pension calculator) demonstrating how saving more earlier in life can improve their retirement income.

## Practical next steps:


- The European Commission could initiate a scoreboard to monitor the quality and transparency of pension information in the Member states.
- The European Commission could conduct a cost/benefit analysis to quantify the economic benefits of positive savings behaviour change caused by the receipt of integrated, annual pension statements.
- Relevant policy-makers could conduct feasibility studies by the end of 2014 to look into the provision of integrated pension statements every year to their citizens – building on Sweden's model.

\*European Commission 2012 An Agenda for Adequate, Safe and Sustainable Pensions

\*\*Markets chosen due to significant Aviva presence

\*\*\*Swedish Pensions Agency Survey 2011



A person is sitting in a field of tall grass, looking towards a bright sunset. A rainbow is visible in the sky, and the sun is low on the horizon, creating a strong lens flare effect. The scene is peaceful and contemplative.

On the online calculator...

“It makes you think – and act.”

French focus group

On statement 1...

“Finally something that can explain to me how the pension system works.”

Italian focus group

On statement 2...

“It makes you feel a bit more secure that there’s no hidden agendas so to speak. They are breaking it down for you, simplifying.”

Irish focus group

On statement 3...

“The different sources of pension are clearer, more detailed and more concrete.”

French focus group





## Annual pension statements research

Independent global research company GFK conducted pension statement research on behalf of Aviva with focus groups in 6 different European markets: France, Ireland, Italy, Poland, Spain and the UK.

In each market we tested consolidated pension statements with two groups who have a higher potential to save more for retirement:

- 1) **'Mass market' individuals** (with personal annual income of approx. €31,000 - €62,000 (approx. 126,500 PLN – 253,000 PLN))
- 2) **'Affluent' individuals** (with personal annual income of approx. €62,000+ (approx. 253,000 PLN +))

### The statements and calculator:

These groups were each given 3 types of paper-based examples of integrated pension statements, plus an online pensions calculator to study, and were then given a week to reflect on them.

#### STATEMENT 1 (Traditional):

A traditional pension statement representing something similar to an existing statement provided by an employer. It uses traditional pensions language and contains detailed information (approximately 10 pages long).



#### STATEMENT 2 (Simple and short):

A short 2-sided statement with simple language, basic pension information and removal of pensions jargon, also with a link to a fictional online website, minimal information.



#### STATEMENT 3 (Mixed):

A statement half way between statements 1 and 2 in length with a moderate amount of pensions detail and using plain, simple language (approximately 4-5 pages).



Additionally, for illustration an [online pensions calculator](http://www.mindthepensiongap.ie/) developed by Aviva Ireland was used as a generic tool to demonstrate the possibilities that an online calculator/pensions prediction could provide: <http://www.mindthepensiongap.ie/>





## Research findings

Our research highlighted three key areas of focus and consistency on pension statements across all six EU Member states:

- i. Currently, our focus groups tend to pay little attention to existing pensions information.

In many markets, focus groups revealed a strong tendency to employ an “I’ll look at it later” approach when it comes to reading pension statements, regardless of degree of affluence.

Most people are used to seeing an occupational pension statement from their employer and base their conclusions upon this experience.

Our focus groups claim to quickly scan over an occupational statement, with some confessing to filing it away without even opening the correspondence.

It is clear that the first challenge for any statement is to provide a hook which captures the reader’s attention in the crucial first few seconds. Innovation and interaction must become core features of the statement in order to engage the recipient.

Any drive towards behaviour change must be built around consumer empowerment – consumers must be encouraged to recognise that they can (and should) engage with their pension and take action.

It is clear that the first challenge for any statement is to provide a hook which captures the reader’s attention in the crucial first few seconds.

- ii. Simple, integrated annual pension statements – with everything in one place – would be welcomed.

Initial reactions to an integrated statement are positive. People across all markets agreed that an integrated statement offers the recipient a more complete picture of their pension situation due to its fully inclusive nature.

The vast majority of people claim their focus of interest is on the “bottom line” i.e. the total sum that they’re likely to receive upon retirement.

Anything that makes engagement easier is important. Having an individual’s arrangements in one place greatly increases convenience, thus improving chances of consumers embracing the document.

**But there are challenges to be overcome:**

- **The most commonly mentioned challenge is the sharing of personal pension information.**
  - Concerns are stronger amongst people in Poland, Spain and France, who see a need for the independence of an authority handling personal pension information. Whilst focus groups in Ireland and the UK do not feel entirely comfortable with the concept of data sharing, it is not as major a barrier. In Italian groups, concerns around data sharing were minimal.
- **The second major area of concern is how such integrated statements would be funded.**
  - Focus group’s worries are that a statement scheme they would be funded by either the taxpayer or by increased occupational or private pension charges.

Having an individual’s arrangements in one place, greatly increases convenience, thus improving chances of consumers embracing the document.



### iii. An interactive online pensions calculator would make a big difference – citizen empowerment is key.

Our focus groups were given a demonstration of an online pensions calculator which is designed to interactively show them their annual pensions gap. It is an interactive tool which allows variables to be changed, from age of retirement, to level of pension contributions. Thus, focus groups could see what difference retiring later or increasing their contributions might make to the amount of money they could receive in retirement.

It is unlikely that upon receipt of an integrated paper-based statement alone, recipients would immediately start making changes to their pension provision. However, when combined with an online tool this has the potential to encourage consumers to become more interactively engaged with their pension planning.

The ability to see the impact that even a small contribution increase might have on the size of their overall pension pot prompted many focus group members to claim that they would consider increasing their contributions.

Indeed, the online calculator was universally well received across all markets, for a variety of reasons:

- **It gives a sense of control** – paper statements present a set of facts to a recipient who remains completely passive, however, the interactive nature of an online tool immediately empowers the consumer, giving them more control.
- **It provides a sense of optimism** – the online tool allows consumers to feel there is something they can do about their financial future; it allows them to see the significance of even small changes in their pension contributions.
- **It makes pensions feel real** – the visual representation of an individual's pension gap, while potentially alarming, makes the issue feel more real to the consumer.
- **It brings pensions into the 21st century** – while the tool itself is not ground breaking compared to many fields of modern life, it does represent a significant leap forward in the pensions arena, moving the traditional pension statement away from its traditional feel. Many group members already interact through mobile phone or bank statements in an online capacity.



The calculator we used in the research was used purely for illustrative purposes and is based on the Irish pensions system and can be found at: <http://www.mindthepensiongap.ie/>

Aviva has also produced country specific calculators in Spain

<http://www.instituto-aviva-de-ahorro-y-pensiones.es/corporativa/herramientas/calculadora-de-jubilacion/>

Poland <http://www.aviva.pl/emerytura/kalkulator-emerytalny-aviva.html>

Italy <https://fondipensione2-f.previnet.it/fondi-pensione/psimula/aviva-aviva/>

France: <http://www.aviva.fr/assurances/assurance/assurance-retraite/simulateur-Retraite>

And in the UK:

<http://www.aviva-pensioncalculator.co.uk/calculator/new>

Our UK business has also produced an i-phone app pensions calculator, search for Aviva time to Act in the Apple app store.



The ability to see the impact that even a small contribution increase might have on the size of their overall pension pot.



On the online calculator...

“ It's a wake-up call, it brings you back to reality - for example if you want 70% of your salary when you retire you need to save 800 Euros a month! ”

French focus group







## What does this research tell us 'the right solution' would be?

Our focus groups identified the following three key minimum requirements for integrated, annual pension statements:

### 1. Simple, short paper based annual pension statement showing state, occupational and private pension in one place – with more information available online.

- Language must be clear and jargon free but avoid being overly simplistic.
- Clear, easily identifiable contact details (telephone and online).
- The statement should focus on the key headlines, more information should be available online for those that need it.


### 2. The statement should link to a separate, interactive online calculator, where people can go and experiment with their contributions and projected retirement outcomes.

- This system will engage more EU citizens of a working age; they'll feel more of a sense of control, so would embrace it, with many saying they'd act to save more as a result.

### 3. The new dual-system needs to be administered independently, and be at arms-length from governments, employers and the pensions industry, so consumers have trust and confidence in it.

- Information fed into it should only be official information that is already calculated and held in separate places (e.g. national government, pension provider, employer).
- Data should not be shared between these parties, and should not be used for any other purposes other than aggregation.
- The system should not try and sell anything to EU citizens.





“ ..the success of retirement reforms in the Member states is a major determining factor for the smooth functioning of the Economic and Monetary Union...” ”

European Commission's White Paper:  
An Agenda for Adequate, Safe and Sustainable Pensions - 2012



## Government pension information across Europe

The age at which citizens receive information from the government on their state pension and the level of that information varies significantly across the EU.

In Ireland, citizens receive state pension information at the age of 60 years old, whereas in France it's at 35 years old and in Sweden it's from the age of 18 years onwards.

This creates a huge disparity in the ability of EU citizens in different Member states to see clearly what they potentially stand to get in retirement.

Sweden provides information on the state pension as well as access to an online website where its citizens can also get their available occupational and private pension information integrated into it. The Polish Government has also recently introduced an online platform for individuals to monitor pension contributions paid into their social

security system, this platform also includes a pension calculator for the state pension.

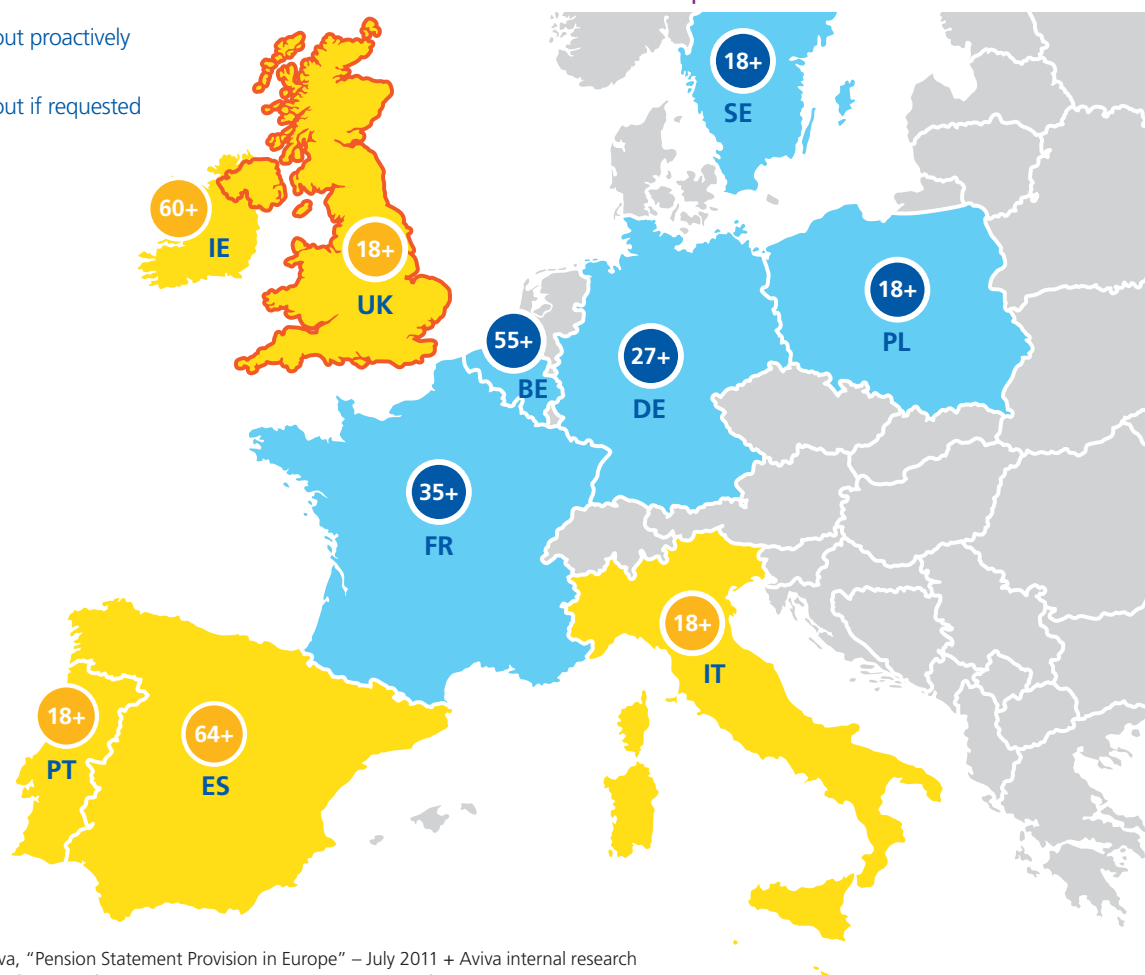
The European Commission published its White Paper, "An Agenda for Adequate, Safe and Sustainable Pensions" in February 2012. This notes:

**"...the success of retirement reforms in the Member states is a major determining factor for the smooth functioning of the Economic and Monetary Union..."**

There is scope to take further action to reduce the inequality and inconsistency that exists on pension communications across Europe. There is an inherent danger that citizens could become increasingly distanced from retirement provision without pro-active engagement. This could exacerbate existing demographic challenges and put further pressure on EU Member state governments.

### At what age do EU citizens receive information about their state pensions?

- Pension information sent out proactively
- Pension information sent out if requested



(Source – Datamonitor report for Aviva, "Pension Statement Provision in Europe" – July 2011 + Aviva internal research June 2012- Minimum age of 18+ used for ease of comparison, some citizens may receive information earlier. Most member states who proactively send pension information do so when a citizen begins social security contributions.)





## A case study - Sweden and the Orange Envelope

In 1999, Sweden decided to increase the provision of pension information to all citizens on an annual basis.

This consisted of two parts. The first was sending 'Orange Envelope' statements to every Swedish citizen eligible for a state pension. It consists of a short statement providing information on the state pensions system and what the citizen may receive as a state pension when they retire.

The second element is a link to an independent website which provides Swedish citizens with pension income information for all three sources – state, occupational and private – not just the state pension outlined in the written statement. The website is a 50-50 joint venture between the occupational pension industry and the government.

This is a very positive move and could be taken one step further by providing an integrated statement to all citizens with all this information in one place, pro-actively delivered into their hands.



### Results from the 2011 Swedish Pensions Agency survey show robust figures supporting the concept of regular pension information:

- From 1999 to 2011, there was an increase from 32% to 49% in general understanding of the state pension system.
- Seven out of ten citizens find the information in the Orange Envelope valuable and useful.
- From 2007 to 2011, new pension savers' confidence in the state pension system increased from 48% to 62%.
- 75% of people say that the forecasts are credible.
- Six out of ten savers are interested in getting all of the information in an online format.



94% of respondents say they received the envelope...



Of those, 83% say they opened the envelope...



59% of all savers say the information is read and understood...



Of those 71% read selected parts of the statement...



and a further 15% read all of it



with only 12% saying it is difficult to understand.

(source Swedish pensions agency survey 2011)



## Generic examples of the Swedish Orange Envelope to demonstrate the clarity of information

The Swedish pensions website, including a video in English explaining their online system, can be found here—  
[www.minpension.se](http://www.minpension.se)

Tryckbrev Pension Agency  
Gemensam Pension

# 2010

## Your national public pension – part of your total pension

The national public pension is one of the three parts of your total pension. It is added to the national public pension and the national public pension. It is added to the national public pension and the national public pension. It is added to the national public pension and the national public pension.

### Your savings for the national public pension

Contribution: SEK 57 411  
Savings: SEK 951 599  
Savings: SEK 31 411

The national public pension is one of the three parts of your total pension. It is added to the national public pension and the national public pension. It is added to the national public pension and the national public pension.

Tryckbrev Pension Agency  
Gemensam Pension

# 2010

## Your pension credits

The national public pension is one of the three parts of your total pension. It is added to the national public pension and the national public pension. It is added to the national public pension and the national public pension.

Contribution: SEK 57 411  
Savings: SEK 951 599  
Savings: SEK 31 411

The national public pension is one of the three parts of your total pension. It is added to the national public pension and the national public pension. It is added to the national public pension and the national public pension.

Tryckbrev Pension Agency  
Gemensam Pension

# 2010


## Your pension accounts

The national public pension is one of the three parts of your total pension. It is added to the national public pension and the national public pension. It is added to the national public pension and the national public pension.

Item	Amount	Amount
Contribution	SEK 57 411	SEK 57 411
Savings	SEK 951 599	SEK 951 599
Savings	SEK 31 411	SEK 31 411

The national public pension is one of the three parts of your total pension. It is added to the national public pension and the national public pension. It is added to the national public pension and the national public pension.





On the online calculator...

“ Brilliant. That would make people put more money in. ”

UK – mass market focus group

On statement 2...

“ It empowers you to be able to make a decision because the facts are there immediately and it's not littered with lots of definitions and terms. It's clear and concise and to the point. ”

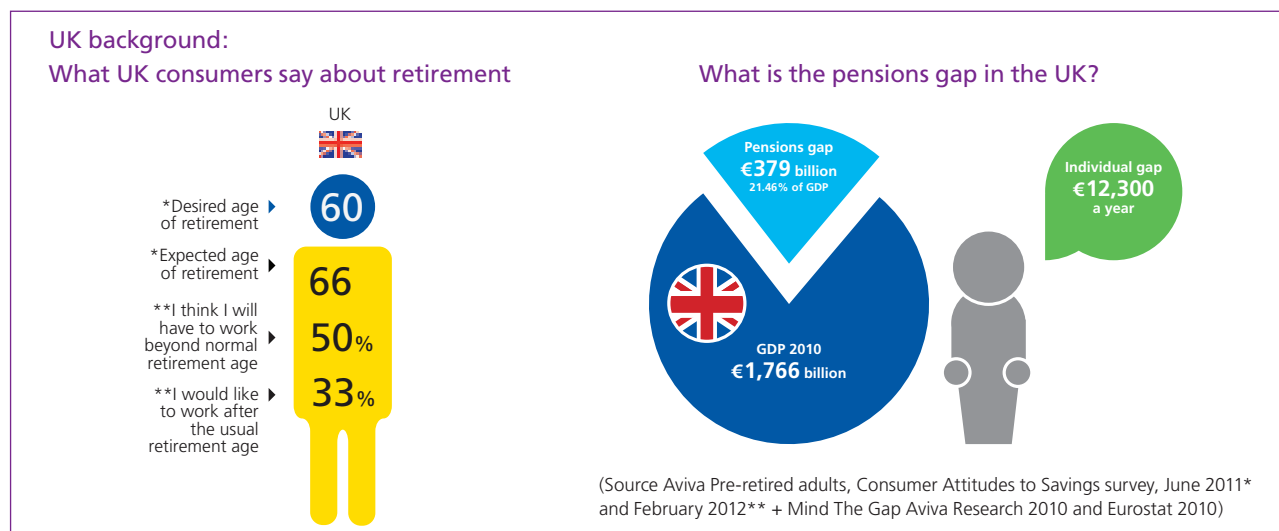
UK – mass market focus group





## Individual Market Analysis

In the following sections we have provided some country specific context on retirement from our previous research followed by a short overview of the research feedback given to us in each of the six countries in which we conducted research.



### The UK focus groups:

- Integrated statements are positively received by UK focus groups for their clarity and convenience.
- Providing the focus groups with simple tools such as the online calculator prompts serious consideration of increased contributions.

### Perception of pensions generally:

- The focus groups in the UK believe that the current arrangements they have in place will not be sufficient to provide them with the lifestyles they want.

### Perception of existing information provided:

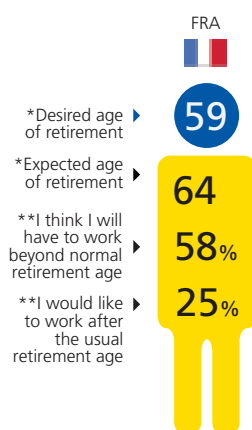
- More than anything, UK focus groups want to be informed about how to make better decisions around their pensions. There is a strong spontaneous call for information on a statement or some interactive mechanism to provide user-friendly personalised illustrations of the impact of increased contributions, no matter how small.
- Many in the UK focus groups claimed that pensions are overwhelmingly confusing, and use jargon and complex terminology.
- The wider issue is a perceived lack of control which means the majority of people we researched are not inclined to spend time analysing and deliberating over their pensions. As a result, pension statements are generally filed away without much consideration.

### Response to simpler statements and online calculator:

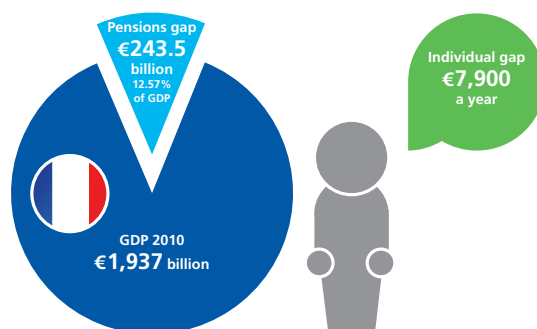
- Many people in our sample had multiple work-based pensions and appeared to have lost track of their value, and had historically seen little information around the value of the state provision. Therefore, the integrated statement is welcomed for providing a holistic picture.
- Reactions to the online calculator are overwhelmingly positive. The calculator shows the effect of making changes, and helps people realise they can take affordable action. In short, it is empowering, allows citizens to take ownership of their situation, and enables them to make informed decisions.



## France background: What French consumers say about retirement



## What is the pensions gap in France?



(Source Aviva Pre-retired adults, Consumer Attitudes to Savings survey, June 2011\* and February 2012\*\* + Mind The Gap Aviva Research 2010 and Eurostat 2010)

## France overview

- Integrated statements are welcomed for their convenience in navigating the complex pension system.
- Concerns exist around data sharing and motivations for offering integrated statements – there is a need for clarity and transparency around the concept.
- A lack of disposable income prevents immediate action; but the alarm call issued by a paper statement combined with the online calculator would prompt deliberation.

### Perception of pensions generally:

- French focus groups have concerns around how their pension may be affected by the social, economic and political climate, and have no clear vision of what their financial situation will be when they retire.

### Perception of existing information provided:

- Those surveyed described the pension system as complex, with a large number of variables impacting on the pension paid, making it difficult for consumers to keep track of their status, and so the concept of an integrated statement, with all information in one place, is met with enthusiasm.

### Response to simpler statements and online calculator:

- An integrated statement should look to engage French recipients and encourage behaviour change.
- Transparency and positioning are crucial – it must be clear that the aim of the statement is to empower consumers, and not to profit from them.
- There is a reserved response to the concept of 'public' and 'private' data in the same document.
- The integrated statement is likely to deliver an alarm call which would encourage the recipient to think about their pension situation, an important first step to behaviour change; although many claim that a lack of disposable income would prevent immediate action. A statement driving the recipient towards an online tool is likely to be most effective.
- The online calculator is extremely useful, and was unanimously popular – it allows people to make their own calculations, and helps them to understand the gap they face. The clear picture of an individual's pension gap the calculator provides stimulates a demand for further information and advice which could ultimately provoke some form of action.

### On statement 2...

“It might encourage me to invest in some sort of savings scheme in order to make up for my lack of pension.”

France – affluent focus group



On the online calculator...

“ It makes you want to go a step further. ”

France – mass market focus group

On the online calculator...

“ You can have a look and instantly see how much difference 100 Euros could make, or whatever. ”

Ireland – mass market focus group

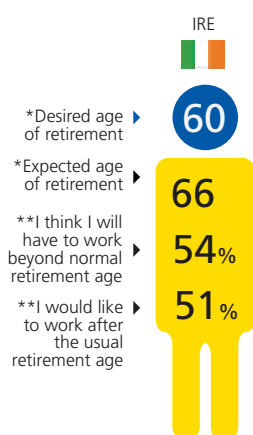
On the online calculator...

“ Interesting and useful – undoubtedly the best of all the things you’ve shown us. ”

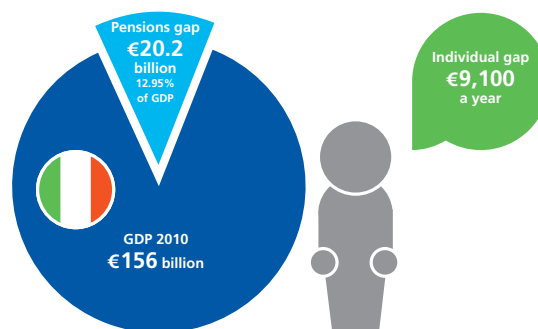
Italy – affluent focus group



## Ireland background: What Irish consumers say about retirement



## What is the pensions gap in Ireland?



(Source Aviva Pre-retired adults, Consumer Attitudes to Savings survey, June 2011\* and February 2012\*\* + Mind The Gap Aviva Research 2010 and Eurostat 2010)

## Ireland overview

- Integrated statements offer a good opportunity to encourage consumers to engage with their pensions.
- Pension statements will have to work hard to engage Irish consumers in the first instance, as they are frequently ignored; there is evidence of a perceived lack of control and empowerment.
- Promotion of the online calculator is likely to be effective.

## Perception of pensions generally:

- Our focus groups in Ireland feel fairly detached from their pension provision.
- There is a unanimous view across those surveyed that their current provision will not suffice; this is driven often by negative media reporting around pensions.

## Perception of existing information provided:

- There is a lack of knowledge for the focus groups around what the consumer can do to change or influence the outcome of their pension (for example switching funds or what they pay in).
- While others are aware that they can interact with their pensions, they do not know how to go about it, claiming it is confusing and complex, a world full of jargon.

## Response to simpler statements and online calculator:

- The concept of an integrated statement is positively received; particularly the inclusion of information about the state pension. To connect with people and encourage them to take action, presentation is key.
- The statement must be concise, visually appealing and friendly in order to initially engage the reader. There is also a call from the Irish for the statement to offer some element of help or guidance. This highlights consumers' desire to take more control of their pensions, so information about where advice and further information can be sought would be useful.
- Ultimately, a paper statement alone is unlikely to encourage the Irish focus groups to increase their contributions. Here the online calculator becomes a much more effective tool, as it enables people to see the positive impact of even small changes.

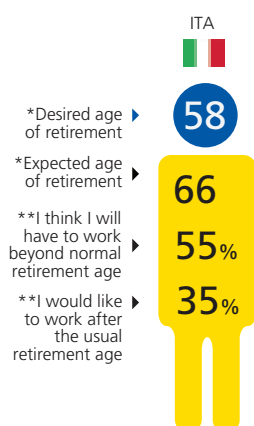
## On statement 2...

“I think it might need a bit more information for people who are a bit more inquisitive. There's just enough, but some people might want that little bit more.”

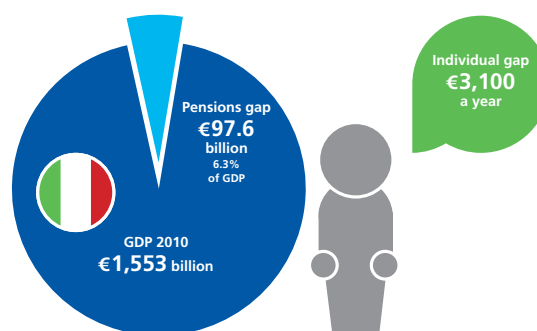
Ireland – affluent focus group



## Italy background: What Italian consumers say about retirement



## What is the pensions gap in Italy?



(Source Aviva Pre-retired adults, Consumer Attitudes to Savings survey, June 2011\* and February 2012\*\* + Mind The Gap Aviva Research 2010 and Eurostat 2010)

## Italy overview

- Lack of understanding around the calculation of state pension provision coupled with a growing interest in private arrangements amongst the mass market, offers an opportunity for integrated statements.
- The online tool is universally well received and likely to prompt research and consideration, particularly amongst the mass market.

## Perception of pensions generally:

- Due to current pension reforms and perceived ongoing changes in the law, our Italian focus groups say they have become concerned about pensions, and have no clear idea of when they will be able to retire.
- There is evidence that private pension solutions are gaining momentum amongst the mass market, because they are regarded as offering potential protection from future uncertainty.

## Perception of existing information provided:

- There is a lack of general understanding around how the state provision for pensions is calculated and therefore this creates an opportunity for clearer communications as a whole.

## Response to simpler statements and online calculator:

- Any proposition aimed at making things clearer (such as an integrated statement) is absolutely appealing and welcome.
- This increased clarity, combined with a growing interest in investing in private arrangements, means that the mass market group in particular is encouraged to take an interest in the subject, seek out further information and consider their options, which may ultimately lead to concrete behaviour change.
- To increase the usefulness of the statement, this group would expect to see detailed information around historic performance of the funds they are invested in as well as alternative fund options (and their current and past performance) for consideration.
- The web tool is positively received across the board. Our Italian mass market and affluent focus groups welcome the tool, as it offers a concrete and simple means of considering their options and helping them plan their pensions, thus potentially leading to behaviour change.

## On statement 1...

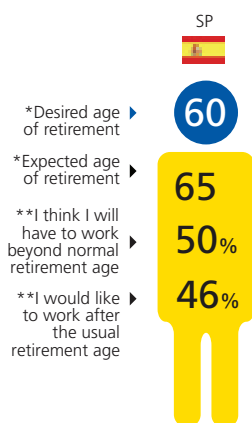
“Very interesting, finally someone who clarifies for me how much I’m likely to get when I retire.”

Italy – mass market focus group

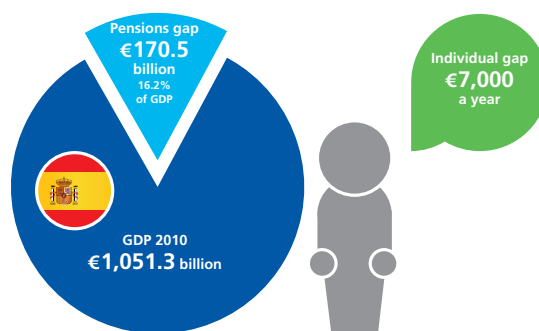




## Spain background: What Spanish consumers say about retirement



## What is the pensions gap in Spain?



(Source Aviva Pre-retired adults, Consumer Attitudes to Savings survey, June 2011\* and February 2012\*\* + Mind The Gap Aviva Research 2010 and Eurostat 2010)

## Spain overview

- A perceived lack of understanding around how the state pension is calculated and a desire for more information on private pensions leads to a good appetite for integrated statements.
- If concerns around data sharing can be overcome, integrated statements are likely to stimulate real consideration of increased contributions.

## Perception of pensions generally:

- There is evidence of a shifting mindset amongst Spanish consumers. Whereas in the past, during times of economic prosperity and when the state pension was guaranteed, there was no need for detailed retirement planning. Spanish focus groups now claim a new attitude is emerging – one that is proactive and focused on retirement planning, and this may present an opportunity for the integrated statement.

## Perception of existing information provided:

- Spanish focus groups are not fully engaged with their pensions, and their perception is that they could receive more information on pensions to aid their decision making processes.

## Response to simpler statements and online calculator:

- The information presented in the statements encourages reflection regarding consumers' long term financial futures. It would prompt greater focus on longer term planning, rather than short or medium term horizons that often dominate planning.
- There are some barriers: our research group have reservations around the data sharing inherent in an integrated statement. There are some questions as to how an integrated system could be funded and as such clarity and transparency around these issues are critical.
- For the Spanish research groups, the online calculator is an attractive tool due to its interactive character. This gives a sense of empowerment and control, and illustrates the reality of even small adjustments to their contributions. As such, the online calculator has the potential, when added to a paper statement, to encourage consumers to take action with regards to their pension arrangements.

## On statement 3...

“ It seems more intermediate, it gives more information, but it's not excessive, you can read it well ”

Spain – mass market focus group



A background image showing the rear of a dark-colored car, possibly a Volkswagen Beetle, parked on a street. The scene is bathed in the warm, golden light of a sunset or sunrise, with the sun low on the horizon, creating a strong lens flare and illuminating the car's rear window and roof. The overall mood is nostalgic and serene.

On the online calculator...

“ It looks easy, a simple tool. ”

Spain – affluent focus group

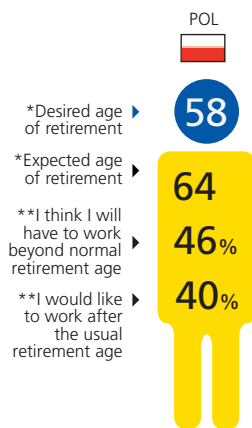
On statement 3...

“ I also liked the simulation on the second page. I guess it is the only thing that would motivate me to do anything. ”

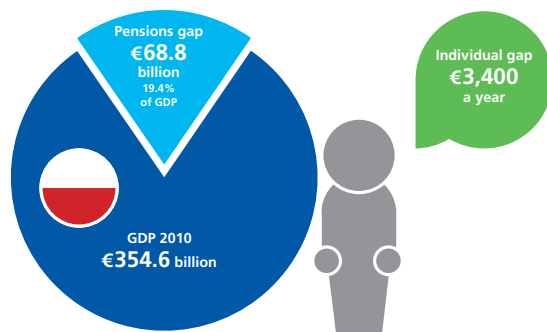
Poland – mass market focus group



## Poland background: What Polish consumers say about retirement



## What is the pensions gap in Poland?



(Source Aviva Pre-retired adults, Consumer Attitudes to Savings survey, June 2011\* and February 2012\*\* + Mind The Gap Aviva Research 2010 and Eurostat 2010)

## Poland overview

- There is a need for more information on retirement provision in Poland to empower Polish citizens to take more control of their retirement provision.
- While transparency and clarity of integrated statements are welcomed, there are concerns that need addressing over data privacy.

### Perception of pensions generally:

- Polish focus groups desire further confidence and information around the pensions system to enable them to make informed decisions on their retirement future.

### Perception of existing information provided:

- A lack of control over retirement planning underpins much of the concern around future retirement provision, and so the response to the integrated statement is positive; there is confusion around where certainty in retirement provision could come from, and further information is desired.

### Response to simpler statements and online calculator:

- Overall, the online calculator was positively received. The interactive nature increases control and empowerment, and allows consumers to experiment with different scenarios. For more affluent consumers, the online tool illustrates to them the effectiveness of even small contribution increases, which lead to differing outcomes. The transparency of the information was also welcomed by Polish citizens.
- There are concerns around data sharing that would need to be addressed by an independent body overseeing the project.

### On the online calculator...

“I was surprised positively when I opened it. Something concrete at last.”

Poland – affluent focus group





## Conclusions and calls to action

**Our research has highlighted that providing integrated pension information to focus groups, and enabling them to see online tools demonstrating variables that affect retirement provision, has the strong potential to create positive behaviour change.**

By allowing citizens as consumers to understand what they stand to get in retirement, where their pensions are held and what their options are they are receiving the information required to help them protect themselves from future financial shocks and hardships.

Sweden has been innovative in the provision of retirement information and now European and national policy-makers have the opportunity to take it to the next level. Developing these insights into fully-implementable policy and ensuring it is customised to the particular characteristics of each national situation will require further work.

**Our focus groups gave us the clear indication that annual pension statements would:**

- Encourage consumers to pay more attention to their retirement plans;
- Combat consumers' perceptions that they are not able to alter their circumstances;
- Increase the likelihood of consumers making changes to their contribution rates (if linked to an interactive online tool);
- Be trusted by consumers - if administered by an independent body.

### Calls to action:

- Engage people by providing annual statements to all citizens showing a forecast of pension retirement income from all sources, in one place.
- Empower people with an interactive tool (like a pension calculator) demonstrating how saving more earlier in life can improve their retirement income.

### Practical next steps:

- The European Commission could initiate a scoreboard to monitor the quality and transparency of pension information in the Member states.
- The European Commission could conduct a cost/benefit analysis to quantify the economic benefits of positive savings behaviour change caused by the receipt of integrated, annual pension statements.
- Relevant policy-makers could conduct feasibility studies by the end of 2014 to look into the provision of integrated pension statements every year to their citizens – building on Sweden's model.

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