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**Pension funds and behavioural finance:
analysis of pension communication
strategies in relation to the role of biases
in retirement decisions**

Supervisor

Ch. Prof. Diana Barro

Assistant supervisor

Ch. Prof. Stefania Funari

Graduand

Elena Bizzotto

Matriculation Number 843295

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INTRODUCTION

One of the most current issues in Italy and abroad is the importance of encouraging workers to enrol into a private pension scheme. The steady increase in life expectancy and the problems in the sustainability of state pension systems are factors that can no longer be ignored. As consequence, many countries have reformed their private pension systems introducing completely different mechanisms and achieving different results.

There are several deterrents to the enrolment of individuals discouraging their active participation in the choices related to the contribution, investment and decumulation phase: behavioural finance findings suggest that people are unable to make a decision rationally and their choices are affected by the influence of some “biases” that lead them to make errors even in the field of pension decisions.

It's increasingly evident that the financial education of workers is essential to address biases; however, this is not enough: an important role is played by a pension communication coherent with the private pension system in place and able to convince workers to think in time about their future.

The Italian automatic enrolment system, the national pension communication campaign and particular communication initiatives of some Italian pension providers are going to be analysed focusing the attention to the messages, who transmits them and the tools used. The strategies are also examined in relation to pension funds trends and performances.

Moreover, the Italian arrangement and its results will be compared to foreign private pension systems, in particular with the automatic enrolment arrangements introduced in New Zealand, in the United Kingdom and in the United States, in order to understand which communication initiatives are more able to overcome, or also exploit, biases in retirement decisions.

In the last part, the results of the survey on pension communication strategies and the role of behavioural finance, submitted to Italian pension providers, in addition to the analysis of some case studies on foreign private pension providers, are presented and analysed. The aim of the survey and of the analysis is to examine which communication channels are used and which monitoring activities are carried out by private pension providers in order to keep

under control the effectiveness of their strategy. The analysis has been developed in order to understand if pension funds are able to recognize the existence of retirement communication problems and if they are aware that these problems may be caused by the biases suggested by the behavioural finance theory. Finally, we are going to understand what pension providers concretely put in practice in order to tackle them.

1. SOCIAL SECURITY SYSTEMS AND COMMUNICATION: THE ROLE OF BEHAVIOURAL FINANCE

1.1 THE ORIGINS OF PENSION FUNDS

The first welfare systems in Europe were born at the end of the 19th century. In 1883, Otto von Bismarck introduced in Prussia a social security system that guaranteed pensions for workers who had passed the age of 70. The purpose of the “Welfare State” model introduced by Bismarck was insurance, because benefits were financed through the payment of contributions from workers and employers. This model can be considered typical of continental European countries (Proto, 2014). In other countries, for example in the US, there were social security systems funded for specific categories of workers, typically in the public sector (in the US, the primary beneficiaries were the New Jersey Teachers, policemen and firemen of New York).

Between 1880 and the end of the Second World War, modern welfare systems were set up, or largely reformed, in almost all countries in the Organization for Economic Cooperation and Development (OECD). In Italy, a funded pension system was set up for workers in the private sector in 1919.¹ In 1935, as part of the New Deal, Roosevelt with the Social Security Act introduced a social security system for all US workers; and between 1945 and 1949, the United Kingdom established the “Welfare State”, translating into law the proposals of Beveridge Report, which guaranteed a minimum subsistence level for disadvantaged classes, leaving to the workers the initiative of creation of their own social security system (Proto, 2014). The introduction of these welfare systems was a response to the new demands that the process of industrialization revealed.

While in an agrarian society young people took care of elderly parents, the process of urbanization and the nuclearization of families created the need to find new forms of insurance against the risk of poverty in old age outside the family sphere. In some cases, the introduction of these welfare programs represented an immediate measure of economic policy, inspired by principles of fairness, to ensure a minimum living standard, due to the

¹ www.treccani.it, Atlante Geopolitico, I sistemi di welfare in Europa e nel mondo

dramatic economic crisis, as in the case of the Great depression of 1929 in the United States, which was followed by the introduction of the New Deal of Roosevelt.²

Nowadays the social security systems have naturally evolved and have assumed an increasingly important role.

1.2 THE IMPORTANCE OF SOCIAL SECURITY SYSTEMS TODAY

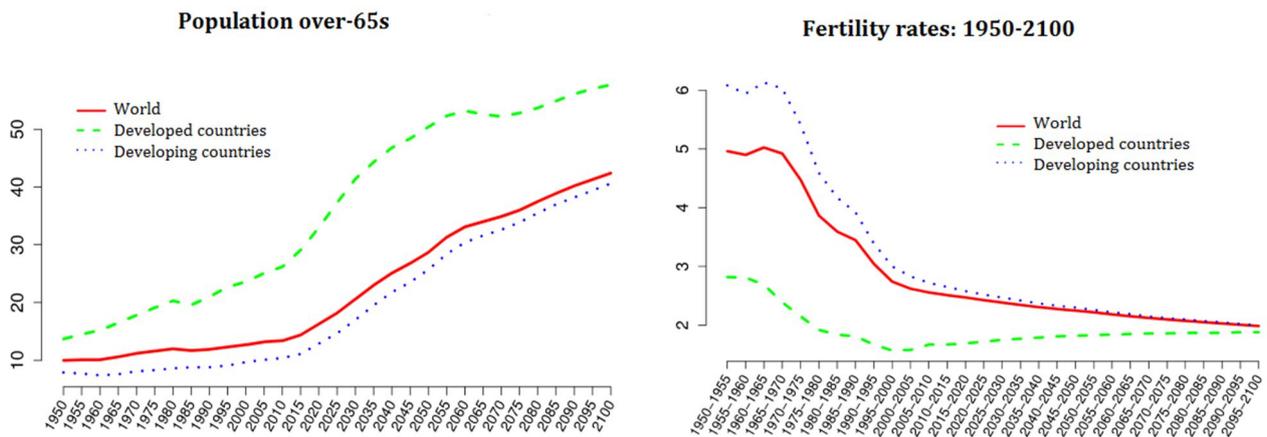
The decision to adhere to a form of supplementary pension scheme means, substantially, getting a suitable instrument to ensure the integration of the ordinary pension.

Many observers today are actively discussing the problem of the scarce adhesion: the number of workers who adhere to a supplementary pension scheme is increased but it's not yet sufficient. Another topical issue is the so-called "Post-retirement crisis": people don't save enough for a comfortable retirement. This happens when people outlive their assets. The so-called "longevity risk" is a global issue which threat the already weakened public finances, compromising the financial stability; because of the continued increase of population aging, the resulting need for retirement financial security is one of the most important social and economic challenge of our time for policy makers (Pascuzzo,2015).

Today life expectancy for the age of 60 in developed countries is expected to pass from 21% of 2000s to 27% in 2050, up to 31% in 2100; the same steady increase is expected for the age of 80 passing from a rate of 6% in 1950 to the expected rate of 14% in 2100 (Padula, 2016). Life expectancy rates in developing countries follow the same increasing trend, remaining on average at 2 percentage points lower. This situation has to be completed with the opposite trend in fertility rates, which are expected to steadily decline (Fig. 1).

² www.treccani.it, Atlante Geopolitico, I sistemi di welfare in Europa e nel mondo

Figure 1: Population over-65s in relation to fertility rates

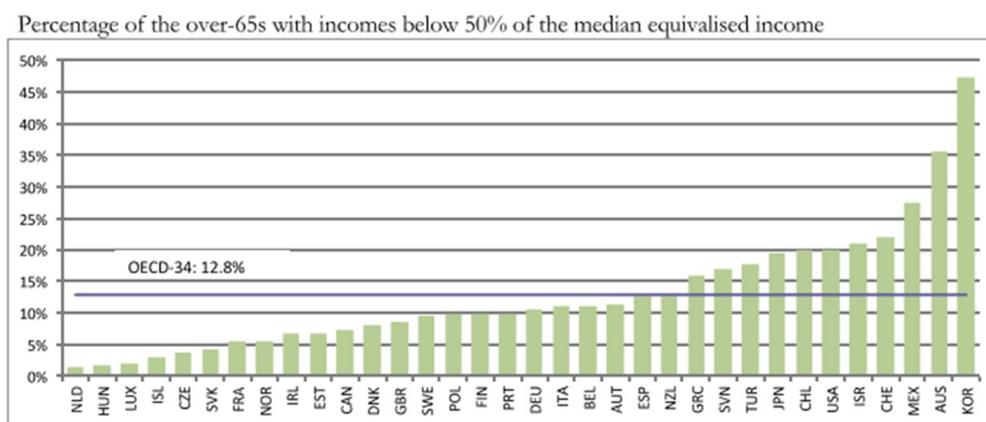


Source: United Nations, Department of Economic and Social Affairs, Population Division, 2015

According to Pascuzzo (2015), nowadays scarce retirement savings are the cause of lower living standards in retirement, increasing the problem of poverty among the retirees: the goal has to be the provision of adequate income in retirement and, at the same time, ensuring the financial sustainability of the arrangements.

Fig. 2 shows the proportion of the elderly population (over-65s) considered at risk of poverty. The most common threshold is 50% of median equivalised income (indicator for the economic resources available to a standardised household, net of tax and other deduction, calculated as the median of all household income divided by the number of household members converted, using the “modified OECD equivalence scale”, into equivalised adults): the percentage of people below this line are considered to be at risk; the risk in the late 2000s in OECD countries was less than 12.8% on average, however, countries, like Australia, show rates higher than 30%, placing in second place after Korea (Fig. 2).

Figure 2: Poverty rates among the over-65s



Source: OECD, 2013

In the last years many countries have widely reformed their pension systems obtaining actually different pension schemes but they all try to face the same challenges related to how to ensure financial sustainability of pension arrangements and, at the same time, to provide an adequate income in retirement. In Italy a path of reforms was launched in the nineties. Typically, pension reforms have marked an increase in the age of retirement and the gradual transition from structures based on the remuneration systems to schemes with the contribution method. In some cases the reforms have not achieved the expected results. For example, the pension system introduced in Australia, both public both compulsory, has not achieved the right trade-off between adequacy and sustainability: if Australia ranks at the second position among its peer group for fiscal sustainability, however, shows a significant percentage (35%) of aged population considered “at risk of poverty”.

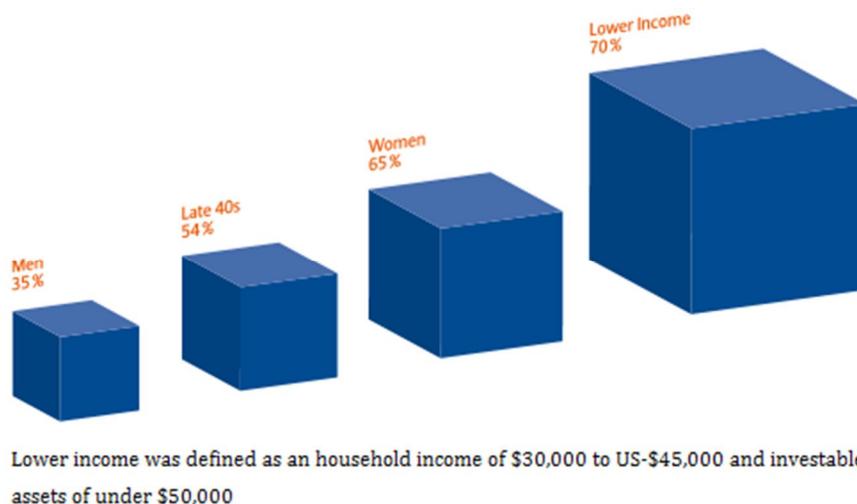
1.3 THE ROLE OF FINANCIAL EDUCATION

The insufficient results obtained from pension reforms depend also on the level of information on pension issues: reforms have moved even more on the individual the responsibility of pension decisions. The issue is, then, to understand if individuals are provided with the necessary basic financial knowledge.

In 2010, a survey by Allianz Life Insurance Company of North America shows that the confidence in retirement preparation among US citizens is low and they analysed which were the groups, among the interviewed people, who agree with the statement “Financially speaking I feel totally unprepared for retirement” (Fig. 3). The category that feel more

unprepared for retirement is that of people with lower income, followed by women and elderly people.

Figure 3: Confidence and comfort about financial preparedness for retirement among US citizens



Source: Allianz Life Insurance Company of North America, 2010

The increasingly complex financial decision and the low level of financial education cause an urgent need for a coordinated and effective training: one of the main problems of financial initiatives is that they are effectively rarely assessed and they are often piecemeal.³

A survey on financial education initiatives in Italy between 2012 and 2014 conducted by the COVIP in conjunction with the Ministry of Finance and the Ministry of Education has shown that the main channel used to promote financial education initiatives is the web, with the risk of exclusion of some segments of population; moreover, all the largest initiatives were in line with the best international practices, addressing the message both to students and to adults but there is an evident need of targeting the more vulnerable segments of population (the elderly, women and small businesses) in order to make the initiatives more effective.

In Fig. 4 we present some of the main reasons used by Italian workers to justify their non-adhesion to a supplementary pension scheme as resulting from a survey of Censis conducted in 2012.

³ Survey of financial education initiatives in Italy from 2012-2014, 2017

Figure 4: Reasons for the non-adhesion to social security systems and by age

Why didn't you adhere to a pension fund?	Less than 34 years old	Over-34s	Total
I can't afford it, it's too expensive	32,6	44,7	41,4
I don't trust in social security instruments	20,3	31,9	28,4
I'm too young, it's premature	47,4	8,3	19,1
I prefer keeping my TFR because it guarantees a safer return than pension funds	9,0	9,4	8,8
I don't want make irreversible choice for my future	8,1	8,5	8,4
I think that the public pension will be sufficient to cover my future needs	1,9	4,5	4,0
I don't receive the contribution of my employer	1,5	1,1	1,3

The total is not equal to 100 because more replies were possible

Source: Censis, 2012

The evidence suggest that the choice of individuals are affected by different factors: “background factors” causing the most common reply “I can’t afford this” and some “subjective factors” which induce people to answer “I don’t trust” or “I don’t know”. The result was that 16 million of Italians have too little knowledge about social security systems and supplementary pension funds (Censis, 2012).

The objective of this work is to verify if and in which extent these kinds of answers can be justified and explained through the help of Behavioural finance.

1.4 FUNDAMENTALS OF BEHAVIOURAL FINANCE

“Investors do not always process information or make decisions rationally”: this is the fundamental assumption of behavioural finance, an extension of behavioural economics.⁴

Emotions can have a strong effect on financial decisions, leading to errors that could cause losses of money or missed opportunities. According to Goldstein (2015), in fact, people are always influenced by emotions and rely on their own intuition to make their choice because they just “know it’s a good decision”.

Behavioural finance can be defined as “the study of the influence of psychology on the behaviour of financial practitioners and the subsequent effect on markets”⁵; it represents a combination between psychology and economics. Behavioural finance and its studies have

⁴ Goldstein J., Using behavioural finance to shape financial planning, Bronfman E.L. Rothschild, 2015, Page 1

⁵ Sewell M., Behavioural finance, University of Cambridge, 2010, Page 1

been growing over last twenty years because investors have always shown a completely different behaviour compared to that suggested by traditional finance and economics (Byrne, 2013).

The classical economic theory affirms that investors are not biased by how the information is presented or by emotions; according to its principles, individuals make decision on their self-interests: they are rational and self-controlled.

Behavioural finance found that reality does not match with these assumptions: a rational and logical decision-making process is not “human”.

Following Goldstein (2015), the purpose of behavioural finance is to help people avoiding cognitive illusions, biases caused also by their intuition and to recognize the factors which can influence their investment choices, avoiding errors caused, for example, from the impulse buying. This would be also the challenge for advisors.

According to Alemanni et al. (2013), the main fundamentals of behavioural finance is that individuals have “bounded rationality, self-interest and willpower”. The theorists over time have shown that individuals are distorted by what are called “*cognitive*” or “*emotional biases*”, depending on whether the distortion is produced by a mental level process or by a mechanism of emotions. They represent a predisposition to commit an error: more specifically, the cognitive biases affect the way people manage information, emotional biases describe the way in which individuals feel when they mentally record the information. The cognitive and emotional aspects have a combined impact on the choices of individuals but act in a different way and may therefore lead individuals to behave differently.

Fig. 5 shows the principal cognitive and emotional biases and the hypothesis for their correction.

Figure 5: Cognitive and emotional biases in decision-making

COGNITIVE BIASES		
Name	Description	What to do
Overconfidence	To be too much self-confident, to be too much confident on own capabilities and knowledge	Take note when risk has been undervalued or the capabilities and knowledge have been overestimated
Unrealistic optimism	To overestimate the probability of positive events and overestimate the probability of negative events	List all the investments with bad results
Confirmation bias	To overweight evidences that confirm own point of view and underweight those that contradict it	Research data and news that could contradict own point of view and confront them with those that confirm it.
Attribution bias	To attribute to themselves the merit of the good choices and blame on others for bad ones	Keep an updated list with the good investment and bad ones with reported the name of who took the decision
Hindsight bias	To think that the outcome of a certain event was obvious and predictable at the moment of the decision but, actually, it was understandable only later	Keep track of own previsions and periodically re-examine them. Compare in a later moment the results to what has been written
Home bias	To prefer geographically close investments or which are considered to know better or which have an emotional bond	Keep in mind that to obtain a portfolio diversification, it's more convenient investing in more countries
Illusion of control	To believe to control uncontrollable phenomena such as stock market trend	Remember that you cannot control market trend and the easy use of trading online could lead to make too much transactions, lowering the performance
Status quo bias	To be reluctant in changing own current situation	Asking yourself what you would do if you hadn't already a current investment but you had the similar value in cash
EMOTIONAL BIASES		
Name	Description	What to do
Regret	To regret for having taken a wrong choice	Remember that the choices taken in the past don't have to condition your present. Don't look at the past but to the future
Affection	Emotions which are classified in positive or negative	Don't base decision only on intuition. It's better valuing alternatives using scientific methods before taking decision

Source: Mefop, 2013

Cognitive and emotional biases are connected with the use of heuristic rules by individuals in decision-making. They are logical concatenations causing a predisposition of the individual to

commit an error, because he uses an heuristic rule in order to simplify the decision problem ending up making a mistake (*Heuristic-driven bias*).

The most famous heuristics in the literature are the Representativeness, the Anchoring, the Availability bias and the Affect heuristic (Fig. 6).

Figure 6: Heuristics in decision-making

HEURISTICS		
Name	Description	What to do
Affect heuristic	To judge basing only on intuition or to take an affection choice	Analyse investments in a formal and technical manner. Don't base only on intuition that is misleading
Anchoring and Adjustment	Anchoring to a value without adjusting sufficiently own estimations	Adjust own reference point forcing yourself to be not anchored to past values
Availability Bias	Basing decisions on the available information even if not the most relevant	Understand that the most relevant information is not the more available. Research more in deep and then valuing the level of importance of the information you have found

Source: Mefop, 2013

Following the analysis of Alemanni et al. (2013), individuals are also influenced by the “*framing effect*” which is related to the way in which the information is presented. While one of the fundamentals of traditional finance is the expected utility theory, behavioural finance is based on the so-called “*prospect theory*”. It’s based on three features: the “*certainty effect*” (giving too much weight to the probability of events), the “*reflection effect*” (how individuals behave when they need to make decisions that can lead to a gain or loss) and the “*isolation effect*” (a tendency to neglect the elements common to several options of choice focusing only on those that are different).

Another pillar of behavioural finance is represented by the “*motivation theory*” affirming that emotions play a fundamental role in decision making. In fact, decisions are influenced by the individual perception of the risk and by the targets the individual intends to achieve. A key role is played by the desire for security that leads to attribute more weight to losses. These are called framing effects; the most common examples are the loss aversion and the aversion to a sure loss, described in the following table (Fig. 7).

Figure 7: Framing effects in decision-making

FRAMING EFFECTS		
Name	Description	What to do
Loss aversion	To have more pain for a loss than pleasure for a gain of the same amount	Don't choose risky investments: you would accept a loss only if you undervalued its level of risk.
Aversion to a sure los	To risk more for an old loss	Don't remain anchored to the past: the hope to cover an old loss lead to risk more, with the risk of new losses

Source: Mefop, 2013

Behavioural finance is important also in retirement decision field: individuals often make errors in their savings decision, because they decide that saving it's not necessary or they save not enough for retirement. We need to understand how workers or retirees might deviate from a rational and all-knowing economic behaviour in their retirement plan design: behavioural finance help in identifying better ways to design and manage retirement investments and how to maximize long term outcomes.

1.5 LESSONS FROM BEHAVIOURAL FINANCE FOR RETIREMENT PLAN DESIGN: THE ADHESION DECISION

“Do employees have the necessary skills to plan for retirement?- For many people, being asked to solve their own retirement savings problem is like being asked to build their own cars.” (Thaler, 2007).

Behavioural finance is useful to understand the ways in which people decide to consume, invest and save. For what concern saving decision, workers and retirees may deviate from the rationality that underpin retirement plan design also because they have not the discipline and skills to implement a plan but they have to understand that the accumulation of retirement savings is only under their responsibility (Mitchell et al., 2003). Paradoxically, a recent study (Shiv et al. 2005) demonstrated that “individuals with brain lesions that impaired emotional decision-making were more likely to behave as rational investors than individuals with normal brains”.

We can identify four principal phases in retirement plan design which need to be challenged by behavioural finance findings: the adhesion phase, related to whether to participate or not to a supplementary pension plan, the contribution phase related to the decision of how much

to save, the investment decision and, lastly, the decumulation decision, related to the choice of how to use retirement savings. In these different phases we can understand how the different biases, mentioned in the previous paragraph, affect individual decisions, leading to mistakes that will impact on retirement life.

For what concern the adhesion decision, the first consideration is that we can identify three population segments:

- 1- "I'll do myself";
- 2- "Help me do it";
- 3- "Do it for me".⁶

In fact, people, have different needs and, as consequence, a different behaviour in front of the decision to save. Following the analysis of Mitchell et al. (2003), we can also identify differences in individual behaviours according to the different stage of life: while young people have the tendency to be "dissavers" getting into debt in order to face current consumption, middle-aged individuals tend to accumulate their own savings for the retired phase of their life. According to the life-cycle theory, this happens because, in general, savings rise with income and age with a positive relation with level of education and wealth but, if this theory was true, some individuals, should have demonstrated skills at calculating for retirement, but what many empirical researches and survey suggest is that people are not good at the retirement savings problem and they are not fully prepared to retire, because they don't save for retirement or don't save enough. For this reason, the challenge to solve problems related to the decision to save is to achieve the trade-off between current and future consumption.

The problem of self-control

Many theorists suggest the idea of the so-called "lack of willpower": "the individual is limited in his capacity to execute his intentions creating a divergence between his desires and his actual behaviour".⁷ The evidence is that the individual understands the benefits of a particular behaviour such as the adhesion to a pension plan, but he has difficulties in implementing his intentions. This happens because the individual neglects his long-term goals in order to satisfy

⁶ Clark G., Clacher I., Hurd M., Vernon S., Decision biases and heuristics implications of behavioural finance for pension funds, their members and advisors, Institute and Faculty of Actuaries, 2014, Page 5

⁷ Mitchell O., Utkus S., Lesson from behavioural finance for retirement plan design, Wharton Financial Institutions Center, Pension research Council, The Wharton school, University of Pennsylvania, 2003, Page 4

his current needs. This effect is also called “*Hyperbolic discount*”, related to the fact that individuals have less patience in the closest choices than that with deferred options (Alemanni et al., 2013). This factor is certainly a deterrent for starting to save. One mechanism that could encourage desired behaviours are called commitment devices: ways of imposing rules of discipline such as slogans.

Framing and default choice

Continuing with the analysis of Mitchell et al. (2003), an individual is often influenced by the so-called “*decision framing*”: he could change his answer depending on how the question is asked. This effect has been faced with the successful introduction in many countries of the “*default option*” or “*automatic enrolment*”: the employee is signed up by the employer who also decides the percentage contribution rate; if the employee doesn’t want to adhere, he has to actively choose the opt-out. It’s important to consider that automatic enrolment has produced this effect: a worker, who would have voluntarily enrolled in the plan, accepts the given contribution rate decided by the employer, even if he would have chosen a higher rate; the result is that there has been an increase in the number of individuals who have adhered in retirement plans but not an increase in the amount of savings.

Inertia and Procrastination

A behavioural problem related to the self-control issue and to the “decision-making” is the tendency of individuals to procrastinate because of their “*myopia*”: if, from a certain point of view, the automatic enrolment has solved the problem for which individuals prefer immediate payoff, forcing them to accept the enrolment in a supplementary pension scheme, at the same time, once enrolled, individuals have never shown an active behaviour in order to participate in the choice of the contribution rate or the investment. This effect is called also “*anchoring*”: in fact people are short-sighted and they remain anchored to some arbitrary reference points (doing anything is the simplest choice) because also of the “*status quo*” bias, i.e. people don’t want to change their current situation because they want to keep the wealth own at the moment of the decision: in individual opinion, starting to save means reducing the wealth and this is not acceptable. The potential intervention could be to require an active participation in

the choice from the employee also in the mechanism of the automatic enrolment (Previtero, 2010).

Complexity

One of the slogans of contemporary economics is: “more choice is better”. This may not be always true: offering to individuals many options for retirement plans produces an effect called “*choice overload*”, which means that participants can feel confuse and they may simplify the problem deciding not to adhere (Mitchell et al., 2003). Here the need of a simplification of the structure of supplementary social system, offering to workers a limited number of supplementary pension plans and simplifying the procedures of enrolment (Previtero, 2010).

Peer effect

Mitchell et al. (2003) suggest that another behavioural bias is the “*peer effect*”. Homogenisation and conformism is a frequent problem: individuals often tend to ask for an advice to their peers (friends, colleagues or relatives) and not to specialized advisors; the inevitable consequence is that their decisions are strongly affected; in many case it happens that an individual adheres to a supplementary pension plan depending on whether his “non-specialized advisors” are enrolled or not.

As we will see in the following chapters, proper designed mechanisms may help to contrast biases in saving behaviour: a program called “Save More Tomorrow” has been developed. In this plan members can decide to increase their saving rates on a scheduled basis in the future. With this system several behavioural biases in saving decisions have been challenged because it exploits biases such as: the hyperbolic discounting, with the possibility of saving more in the future, the inertia because the program is automatically implemented in the future and, finally, it recognizes self-control problems and it benefits from a pre-commitment device.

1.6 THE CONTRIBUTION DECISION

If the adhesion decision is certainly the first variable which influences the accumulation of retirement savings, once enrolled in a supplementary pension plan, the choice of the desired

contribution rate is the most important phase which determines the effective amount accrued (Alemanni et al., 2013). This decision is a complicated process requiring specific assumptions related to rates of return, future income flows, health status and other factors (Previtiero, 2010).

Also in this case the “bounded rationality” of individuals’ behaviour and a limited knowledge of capitalization rules may lead workers enrolled in supplementary pension schemes not to choose their optimal contribution rate. One of the most important causes of errors in the choice of how much to save is precisely the mechanism suggested for creating incentives for adhesion (the first phase).

Status quo bias and low savings in automatic enrolment

The automatic enrolment is suggested to be the solution for the problem of the scarce adhesion in supplementary pension schemes. According to Alemanni et al. (2013), the *status quo bias* can explain the success of this scheme but also the main reason of its disadvantage that is the low level of contribution. The tendency of individuals to maintain their current wealth and the high level of inertia lead them to maintain the parameters provided with the default option.

An empirical study of Choi et al (2001) revealed that the mechanism of automatic enrolment increases the level of retirement savings for individuals who wouldn’t have chosen to adhere to a supplementary pension scheme, typically workers with low income and low education level but, at the same time, decreases the saving rate of workers who would have enrolled anyway, maybe with an higher contribution rate, because they passively accept the default option with any saving rate. In fact, enrolment in default option might produce the misleading impression to workers that they are contributing enough for a financially secure retirement.

Moreover, the way of construction of the contribution plans influences the rate as demonstrate the success of the plan called “Save More Tomorrow” proposed by Benartzi and Thaler (2004): participants start to contribute with a low rate but they engage themselves to enhance periodically their rates, in connection with a synchronisation with the increase of salaries; in this way workers don’t perceive the increase of the rates as a loss of wealth.

A mechanism which provides for an automatic increase of saving rates would solve the problems that automatic enrolment schemes may cause.

Lack of planning

A survey of Benartzi and Thaler in 1999, found that employees spend very little time planning for retirement income and determining both their contribution rate and investment elections (less than an hour): the power of inertia led to the fact that these elections remained unchanged for many years, with the result that people spend more time wondering which laptop, television or clothes to buy than planning for retirement.

Following the analysis of Previtro (2010), in order to enhance individuals' awareness of the importance to spend time in their decision-making process for contribution rates, it's important to increase the level of financial education in the population, making the overall process for retirement planning more accessible and understandable.

Low tangibility of future benefits

Another effect that causes low contribution rates is the tangibility of the immediate costs due to contributing more to a supplementary pension plan: this makes us immediately thinking to the negative consequences of a reduction in current consumption, such as having less expensive dinners, a lower budget for holidays and so on and so forth.

On the other hand, the tangibility of future benefits of increasing retirement plan contribution such as, for example, the improved standard of living in retired age, is much more difficult to grasp; members need to understand that avoiding immediate gratification by contributing on a supplementary pension scheme today is fundamental for achieving their own financial goals in retirement. A mechanism that could help people understanding this aspect is to make people imaging the future negative consequences of current saving levels, for example, the possibility that in older age they will have to ask their children for financial support because their pensions will be not enough to face with their future needs.

1.7 THE INVESTMENT DECISION

Risks and responsibilities of social security choices, transferred towards workers with the aim of guarantying the stability of financial system, are not limited to the adhesion and the contribution choice but each worker is responsible of how investing his money during the

accumulation phase; these decisions, with same labour income and contributions, can lead to obtain different results in retirement income (Alemanni et al., 2013).

Resuming the study of Mitchell et al. (2003), the transfer of resources is based on the assumptions of the Modern Portfolio Theory, in which investors are assumed to be able to build their own optimal investment portfolio, classifying and determining the optimal combination of risky investments using mean and standard deviation (mean-variance investments). Individuals in their utility preferences are presumed to be risk-averse and, as consequence, they should penalize riskier investments or, at least, asking for higher compensation; another important assumption is that investors will be not adequately compensated for assuming risks of investing in an individual security but for the aggregate market risk they sustain and, for this reason, rational investors will maximize portfolio diversification eliminating stock-specific risk; lastly, it's important also considering time diversification: the closer are the investment target (the beginning of the retirement), the less risky will be the investment portfolio.

If investors were rational, they would build their mean-variance efficient portfolios but, actually, the evidence shows different results: in the following paragraphs will be discussed the most important biases which affect mean-variance behaviour among investors.

Lack of firm preferences

The effects produced by automatic enrolment, mentioned in previous paragraphs, show that individuals lack of firm preferences for saving also in the investment decision phase: individuals have no well-defined preference and they often do not arrive at a choice with a clear preference in mind; individuals' preferences seem to be not hard-wired and tend to be situational, in fact, decision are based on the information and conditions surrounding the choice. This is what causes the so-called "*preference reversal*", i.e. people who weren't planning to save find themselves saving and workers who would have saved at higher contribution rates find themselves saving at the default rate set by the employer. Another evidence of the lack of preferences is the tendency of individuals to allocate their contributions equally among the funds chosen.⁸

⁸ Lampros R., Behavioral finance and pension decision, University of Rotterdam and Transamerica center for retirement Studies, Page 13

Framing effect, inertia and procrastination

As for adhesion and contribution decisions, framing effects affect also investment decisions: the design of the “menu” has a powerful influence on individual decision-making process dominating the underlying risk and return characteristics of the investments; the evidence suggests that even a small change in the way the information is presented might condition asset allocation decision.

Moreover, in addition to these framing effects, also inertia and procrastination influence all the phases of saving decision: the consequence is, in fact, that investors remain “anchored” to their initial allocation decision and the subsequent portfolio changes are often made with reference to the initial value.

A mechanism which can help the problem caused by the lack of preferences and by the “menu effect” (the number of options offered and how they are presented) could be pre-mixed funds such as lifecycle funds which simplify portfolio allocation decisions: individuals select a portfolio based only on an expected year of retirement, then fund managers build the initial portfolio allocations and rebalance until the target, or maturity, date (Previtero, 2010). There are many advantages: the simplification of asset allocation, the rebalancing solutions and the attempt to avoid the “temptation” of participants of chasing stock returns based on recent trends, which is a classical behaviour in this decisional phase which will be discussed in the following paragraph.

The conundrum of employer stock and the reliance on past performance

The research of Mitchell et al. (2003) demonstrated a strong relevance of participant investments in company stock in U.S.; this happens because employers and stockholders try to promote employee productivity through stock ownership, however, if employers were rational in their investment decision, they would be aware of the risks assumed and they would demand higher compensation for. This is due to the “*familiarity*” bias, which lead participants to evaluate employer’s stock as safer than a diversified equity fund and to the so-called “*endorsement effect*”, in which participants allocations are affected by whether the employer provides a match in company stock.

Other researches have also argued that one of the main drivers of individual portfolio decision is the past performance of their company or, more in general, of all companies in which

people want to invest. There are two behavioural phenomena which can explain this effect. The first one is called "*representativeness heuristic*" in decision-making, in which individuals often try to impose some order or structure on the information that they have to manage: for example they try to examine past results of a company and making some conclusions but what they obtain is only the attempt to give a logical sequence to what is actually a random outcome.

The second issue is related to the "*availability heuristic*", which explains why investors tend to rely on past performances: when individuals have to face with difficult decisions, they try to rely on readily available information; the past performance data are cheaply available and for this reason are indicators very used by investors.

Prospect theory

One of the explanations about why the individual investment decision doesn't correspond to a "mean-variance" behaviour is given by the so-called "*Prospect theory*". The first assumption of prospect theory is that individuals are presumed to be considered not how a decision affects their total wealth but rather incremental gains and losses; second, they used to treat gains and losses in a different way. This theory suggests that people in trying to lock a certain gain and avoiding certain losses, tend to be risk-averse for a known gain but risk-seeking when they want to avoid a certain loss; this happens because people are overconfident and have excessive optimism in the area of gains while, in the area of losses, investors become risk-averse. Another important behaviour related to this is the effect called "*house money*" in which people, generally risk-averse, if they feel they are risking someone else's money, they become risk-seeking.

Overconfidence

Continuing with Mitchell et al. (2003), psychology and behavioural economics have found that individuals make future forecasts using an excessive optimism and widespread overconfidence; this is a well-documented human trait in decision-making which lead investors to making errors: evidence suggest that overconfidence may partly be the result of the human inability in understanding random chance in determining their future. In fact, individuals are poor statisticians and they lack of objectivity; moreover, they significantly

underestimate the impact of random chance, overemphasizing their perceived sense of control: this can explain also why people often tend to perceived themselves as “better than others”.

Loss aversion and the disposition effect

While overconfidence explains investment decisions on the “upside” side of the prospect theory ledger, the “downside” is dominated by the aversion of people to loss realizations; sometimes, when individuals have a reasonable prospect of breaking even and avoiding the realization of a loss, they take the gamble risking losing even more money. This is called also “*disposition effect*”: people try to “lock” the gain they have realized and this happens for their fear of losing it; these effects in investment decision validate the bias of overconfidence, with the consequence that individuals, despite actual results, continue to hold and sell the wrong stock leading to lower returns.

Narrow framing

The effects of overconfidence and loss-aversions are intensified by what is called “*narrow framing*”: individuals are more willing to accept to take a gamble if there is the possibility to play it many times; in fact, when investors face a one-time gamble, they often tend to “think small” and they don’t take the gamble, but when they face sequences of gambles or many changes in total wealth, they start to “think large” deciding to take the gamble.

A mechanism to avoid the tendency to rely on past performance, overconfident behaviours, loss aversion biases and also the narrow framing is thought to be the provision of a defined contribution plan account statement with emphasis on the long terms and on cumulative results: each employee would receive a personalized retirement income analysis based on retirement goals; in this way he would benefit of a customized and comprehensive saving solutions which includes savings rates and asset allocation (Previtero, 2010).

1.8 THE DECUMULATION PHASE

The last phase in retirement decision-making process is the decumulation decision in which, usually during later middle-age, individuals spend down their accumulated retirement assets

in the way they have planned. In order to face with uncertainty, in this phase people have to care about many sources of risk during the retirement period which are, first of all, the longevity risk, related to life expectancy, secondly, it's important to consider the inflation risk, health risks and capital market risks: all or a combination of these risks can cause consumption shortfalls in retirement.

Longevity risk and the choice between annuity and lump sum

Individuals don't know precisely how long they will live and it's important for them to avoid the danger of exhausting all assets before dying; at the same time, if an individual decides to consume less per years in order to avoid this risk, he might die with "too much" wealth left over.

The most important choice in this phase is that individuals have to decide to receive their retirement savings in the form of annuities or in the form of lump sum. In the first case, the retiree continues to receive benefits as long as he lives, irrespective of whether he outlives the life tables while, in the second case, all the benefits are paid at the beginning of the retirement. The form of lump sum cashout has become very popular. In any case, the most important problem is that people generally underestimate their remaining life expectancy, and, because of the problem of their lack of "*self-control*", they run the risk of consuming all accumulated retirement savings received in the lump sum form before dying. According to Alemanni et al. (2013), this would be a serious problem also because life expectancy is increasing (today a woman aged 65 has 60% of probability to reach 85 years old and 30% to reach the age of 90, for a man the probability is respectively 50% and 30%).

Mitchel et al. (2003) suggested as explanation for the decline in the demand for annuities the fact that retirees have often bequest motives or they expect to have to pay for long-term care preferring to hold on to their funds; moreover, there is an interest rate factor related to the fact that the choice to annuitize is an irreversible decision to "lock-in" then-current yields; finally there is a cost factor: individuals often see insurance products as uncompetitive due to the loads, even if evidence indicates that loads have decreased significantly over time.

Behavioural finance can also explain the tendency of retirees of preferring lump sum cashouts with the bias of "*loss aversion*" or, similarly, with the mechanism of "*mental accounting*" already mentioned in the previous paragraphs: many retirees worry about the event of dying

“early” and the consequent potential losses, due also to the fact that the payout in form of annuities usually eliminates the possibility of bequeathing the funds.

Inflation and Capital market risk

The inflation risk and capital markets risks are factors not to underestimate also because workers are usually poor informed about inflation rates and volatility in asset returns.

In order to avoid the risk of inflation, retirees often prefer taking a lump sum from their pension. Actually, retirees seeking protection from the risk of inflation and its destructive impact would benefit from holding a part of their financial assets in inflation protected securities such as, for example, in the TIPS (Treasury Inflation-protected Securities).

Other factors which cause the increase in the choice of lump sums is, for example, “*overconfidence*”: individuals believe to be able to live with small asset pools in retirement but, an important consideration to do about lump sums is related to the fact that the amount withdrawn is subjected to regular income taxation.

1.9 POLICY AND PLAN DESIGN ALTERNATIVES

Behavioural economics and finance research of the last years has significantly challenged retirement plan design for the future. The main relevant issues are:

- 1- Central assumptions of decision-making paradigm like rationality, logic and self-interest have been questioned;
- 2- Plan design influences individual decisions, often in unanticipated ways, in particular, the setting of the default option plays a critical role;
- 3- The standard approach in many defined contribution plans might result counterproductive in encouraging savings for the retirement age, for example the discretionary left to people for the increase of savings over time;
- 4- Some education model plans put in practice in automatic-enrolment systems, like US 401(k), have reached their limits: the aim of changing savings habits among individuals collides with the inertia of people.

Imperfection in investors and savers decisions, the critical role of plan design and models for education are broad themes that suggest in particular four issues that deserve prominent attention in policy and plan design choices:

- 1- The default contribution arrangement in defined contribution plans able to ensure to the passive decision-maker a near-optimal retirement income: an “auto-pilot” system may be the right solution, even if it would raise administrative costs.
- 2- The usefulness of a simplified menu design in retirement plans: workers struggle also with the most basic financial decisions, ending with the procrastination of their choice. For example, they need clear and simple investment options.
- 3- The need to help workers and retirees to better manage company stock risks through new approaches: in order to reduce concentrated stock positions, a pre-commitment device working automatically over the working age (the idea of “Sell more tomorrow”, following the example of SMarT) could be effective.
- 4- The provision of default choices at retirement in sensible plan design, for example the default option for annuitization in order to preserve longevity risk.

In conclusion, the evidence suggests that the role of financial education is fundamental in order to help workers and retirees in avoiding errors in their retirement plans with benefits not only for savers but for the entire society and the economy in general: biases, in fact, can't be cured but their effects can be mitigated.⁹

Financial education will be not enough on its own: it's certainly a necessary measure for the collective wealth but to direct people's actions towards fully aware behaviours it will be necessary supporting individuals in establishing correct parameters based on tolerable risk and objectives also through “paternalistic forms” which limit individual freedom but are developed in the interest of the person himself: default options can be a solution whose approach needs implementations and adjustments (Alemanni et al., 2013)

Last but not the least, we must focus our attention on how pension funds communicate with workers and retirees: their communication strategy, using both logical and emotional

⁹ Byrne A., Utkus S., Behavioural finance, Understanding how the mind can help or hinder investment success, Vanguard Asset Management, 2013

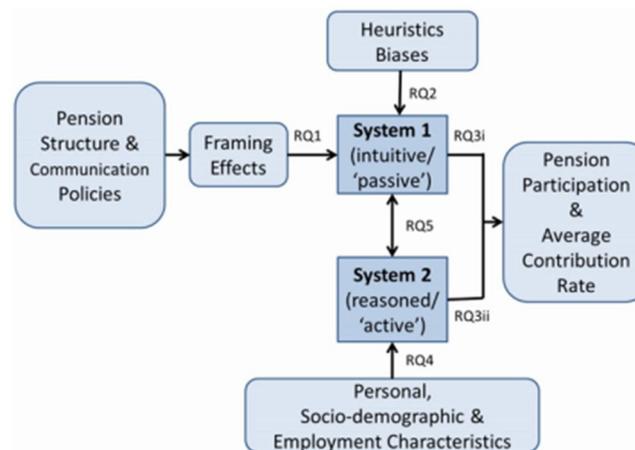
messaging, will increasingly play a key role in addressing individuals to overcome their biases and to make correct and appropriate choices.¹⁰

1.10 THE ROLE OF PENSION COMMUNICATION

Behavioural finance findings have showed how people make choices and which factors can influence them. For this reason we need initiatives on financial education and pension communication that have to consider the role of the biases in retirement decisions. To do this, we have to consider the role played by pension communication in addressing individuals to make correct choice.

First of all, in order to obtain an effective communication able to overcome individual biases it's necessary to start from considering how people make choices according to behavioural finance theory. We can summarize it with the model of Tversky and Kahneman (1974), that summarizes how all the types of biases act on bounded rationality human decision-making process (Fig. 8).

Figure 8: A bounded rationality model of pension decision-making



Source: Maloney and McCarthy, 2017

According to Maloney and McCarthy (2017), this model is based on the fact that all decisions are generated by the interaction between an “intuitive/passive” system and a “reasoned/active” one: according to this, communication could exploit framing effects to

¹⁰ Clark G., Clacher I., Hurd M., Vernon S., Decision, biases and heuristics: implications of behavioural finance for pension funds, their members and advisors, Institute and Faculty of Actuaries, 2014

address the more intuitive part of our decision-making process obtaining greater participation and higher contribution rates.

According to Kahneman (2003) “an intuitive judgment will be modified if the reasoned system identifies it as biased”.¹¹ The communication policies, used in conjunction with structural policies, can frame information promoting better outcomes for workers. We can identify three classifications of communications addressed to the “reasoned” system (Fig. 9):

Figure 9: Definitions and examples of communication classifications

Classification	Definition	Examples
Individualized	Communication that refers to the employee by name and their specific personal circumstances	<ul style="list-style-type: none"> • Individual benefit statements • On-site access to financial advisors, pension providers with one-to-one consultations
Segmented	Communication developed for categories of employees identified by characteristics such as age, gender, income, education	<ul style="list-style-type: none"> • ‘Layered’ communication with increasing detail • E-mail shots appropriate to particular groups • Pre-retirement seminars
Targeted	Communication directing the pension plan member to a numerical goal	<ul style="list-style-type: none"> • Specified savings rate to achieve pension adequacy

Source: Maloney and McCarthy, 2017

According to Larsson et al. (2008) there are three kinds of contents necessary to provide to the employees the comprehensive information to be able to draw a full picture of their benefits in retirement:

- 1- Accounting information: the basic information related the adherence to a pension plan, the contribution, rates of return on investment, pension management costs;
- 2- Action/course of event information, focused on informing about the impact of various action and events on future pension benefits;
- 3- Uncertainty (risk) information, providing to workers the knowledge about financial markets and how to balance return and risk; this has to underline how future benefits will vary depending on the risk of investment fund choices.

Academic research about pension communication is limited but it’s clear that the design of effective communication policies, able to meet the different needs of workers, need to take into account how heuristics and biases works, as well as the personal, socio-demographic and employment characteristics of workforce.

¹¹ Maloney M., McCarthy A., Understanding pension communication at the organizational level: insights from bounded rationality theory & applications for HRM, *Human resources management review* 27, 2017, pp. 346

1.11 MESSAGES AND TOOLS FOR PENSION COMMUNICATION

An effective pension communication has to address its messages according to the different targets of population: in fact, it's important to use different languages, channels and contents with the appropriate incentives.

According to the survey of Censis in 2012, people showed different tendencies when requested to inform themselves about supplementary pension schemes (Fig. 10):

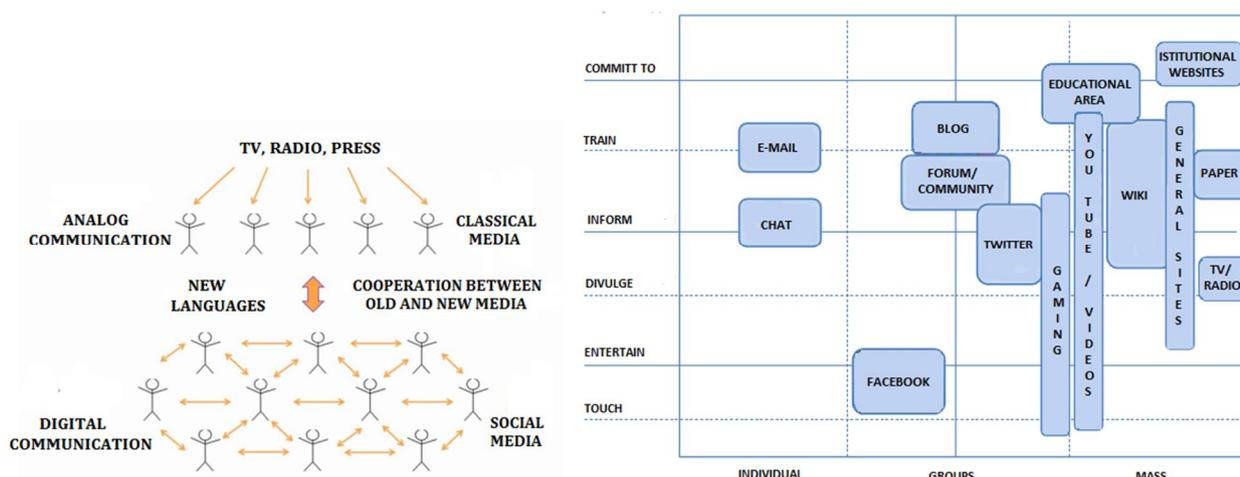
Figure 10: The influencers and the web (%)

Who would turn to/did you turn to for supplementary pension information?	Members	Not-members	Total
Trade union	26	36,2	33,8
Insurance company	23,4	13,2	15,6
Internet	7,6	16,5	14,4
Bank	16,9	11,8	13
Colleagues	8,7	11,2	10,6
Employer	13,9	7,9	9,3
Friends/relatives	6,4	9,8	9
Investment management company	8	6,4	6,8
TV, newspapers, magazines...	2,9	2,8	2,8

Source: Censis, 2012

As the Fig. 10 shows, the use of the web has become even more important also in the field of social security systems. For this reason, an effective communication strategy has to involve the cooperation and the competition between traditional and digital means in order to reach the largest number of people in the most effective way. Moreover, as the Fig. 11 shows, the aim of the communication could be different (inform, touch, commit to etc.) and also the targets (the individual, groups or the mass) and, consequently, some means of communication are more suitable than others. With respect to the targets, an important distinction to do is also between young and adults, who probably have different expectations and plans for the future, or between workers and unemployed: the latter category, in fact, may perceive the idea of contribution as something unaffordable. Thus, to build communication initiative is important to take into account at the same time all these factors, exploiting the power of the cooperation between classical and digital media, able to enlarge the public and create new relations.

Figure 11: The cooperation between different communication tools



Source: Contaldo, Paci and Vallaqua, 2013

1.12 EIOPA'S GOOD PRACTICES

The role of pension communication has assumed a great importance in the many different attempts of all countries in addressing people to adhere to a supplementary pension scheme and to convince them to save enough for retirement.

Also EIOPA (European Insurance and Occupational Pensions Authority) has analysed in 2015 the different communication tools and channels used to communicate to new and current member of occupational pension schemes. EIOPA analysed different practices of different members states having particular merit improving the role of communication; in particular EIOPA looked issues like the welcome pack transmitted to new members, the regularity of information, retirement planning tools available to members, ad hoc information, information on pension transfer and the information on options available once the point of retirement.

The aim of the research of EIOPA was not the promotion of one specific communication tool but the suggestion of transparency and of the use of a multi-channel communication strategy combining all the different means of communication. EIOPA has also developed some "Good Practices" which member states can follow obtaining some benefits:

1. Good practices considered generally valid when communicating to all types of scheme members and on all occasions:
 - Coherent communication strategy,
 - Storing of all communication in one on line space,
 - Advanced tracking services;

2. Good practices suitable in the use of specific types of communication or specific occasions:

- Employer online platform to combine information about related Human Resources matters on pensions,
- Pension calculators,
- Evaluation of communication strategy effectiveness.

In order to develop these guidelines, EIOPA has considered as criteria also the level of scheme member engagement, the cost efficiency and the accessibility; it's important to constantly use both traditional and digital channels, even if evidence shows that the latter are the most interactive ones. Furthermore, it's fundamental to provide to members all the possible tools that can help them monitoring and evaluating their choice: to guarantee that, they will feel more engaged.

2. PENSION FUNDS IN ITALY

2.1 ITALIAN REGULATORY FRAMEWORK FOR PENSION FUNDS

The regulatory framework for supplementary pension is currently outlined in the Legislative Decree no. 252/2005 which replaced the D.L. no. 124/1993. The purpose of the decree is to establish pension schemes for the provision of additional pension benefits to the mandatory system, in order to ensure higher levels of coverage (Art. 1); this objective concerns the whole world of work: employees, public servants, self-employed, freelance professionals, members of cooperatives (Art. 2). The legislator recognizes the power to establish supplementary pension schemes to a broad list of subjects: workers and signatories of collective labour agreements, trade unions signatories of national collective agreements, companies whose workers are not covered by the national labour contract, Regions and financial intermediaries (Art. 3).

The pension schemes can take different forms according to the type of subject (Art. 4).

The bodies of private pension schemes are: The Assembly, the Board of Directors, the Board of Auditors, the manager of the fund for contractual funds; the governance structure of the founder, the fund manager and the supervisory body for open funds; the governance structure of the insurance company and the manager for individual retirement plans (Art. 5).

The decree also contains principles for the management of pension funds (Art. 6). The legislator intervenes directly on setting pension fund portfolios in two ways: first, it prescribes mandatory investment limits, second, it leaves to the secondary legislation (Ministry of the Treasury, together with the Ministry of Labour and Social security and COVIP) the task of identifying the “asset class” investment criteria and rules for conflicts of interest in management (Proto, 2014).

The decree will be remembered as “TFR Reform”: the worker today can contribute to the private pension scheme with the entire matured flow. Private workers had six months of time to decide the destination of their TFR. In The legislator has established, in fact, compensatory measures for businesses that have to give up TFR flows of workers who were already active before the entry into force of the Decree. (Art. 10).

In fact, it's established that the financing of the pension fund can be through the payment of contributions from the worker and the employer and/or through the expected TFR (Art. 8).

2.2 THE DIFFERENT SCHEMES OF SUPPLEMENTARY PENSION FUNDS

In Italy supplementary pension schemes are entrusted to a system of pension schemes dedicated to raise retirement savings which, at the end of working life, become worker's supplementary pension. The supplementary pension is based on the so-called contribution-based system; therefore, the amount set aside for retirement (the "Individual Position") depends on:

- the amount of contributions paid to the supplementary pension scheme;
- the duration of the payment period (more years correspond to higher contributions);
- The net return achieved with the investment in the financial markets of the contributions paid.¹²

At retirement the individual position is converted into a lump sum or in an annuity form.

Participation in the supplementary pension is a free and voluntary choice and is intended in particular to the world of work. It's possible to adhere to the supplementary pension schemes if the worker is: an employee, a self-employed, a professional or a worker with another type of contract. It's possible to join even without an occupational activity or being a person who depends on a family member who has already adhered to a supplementary pension.

We can identify four types of pension funds, authorized and submitted to the public authority supervisory of COVIP (Supervisory Commission on Pension Funds):

- Contractual pension funds;
- Open pension funds;
- PIPs (Individual pension plans);
- Pre-existing pension funds, established before November 1992.

According to the institutive mode, supplementary pension schemes are also distinguished in groups, where membership is contracted collectively and concerns groups of workers who are members of a particular company, groups of companies or sectors, and individual membership, in which the adhesion takes place on an individual basis, independently of the type of job activity or if the individual is working or not (Fig. 12).¹³

¹² www.covip.it, Area Divulgativa, Guida introduttiva alla previdenza complementare, 2016

¹³ www.agenziaentrate.gov.it, L'agenzia informa, I vantaggi fiscali della previdenza complementare, 2008, Page 7

Figure 12: The schemes of supplementary pension funds

Collective forms			Individual forms	
Contractual pension funds	Open pension funds which receive collective adhesions	Pre-existing pension funds before November 1992	Open pension funds	Individual pension plans (PIP)

Source: Agenzia delle Entrate, 2008

Contractual pension funds

Contractual pension funds are “supplementary pension schemes set up by the representatives of workers and employers in the context of national, industry or business bargaining. In this type also belong to the so-called territorial pension funds; these are created on the basis of agreements between employers and workers belonging to a particular territory or geographic area”.¹⁴ They are intended for specific categories of workers:

- Private employees who belong to the same contractual category, same company or group of companies, same region;
- Public employees of specific bargaining sectors (regulated by D.L. no 124/1993)
- Members of cooperatives;
- Self-employed and freelance professionals;

The activities of the pension fund are governed by the Statute. The pension fund is an independent legal entity with its own bodies:

- 1- The house of Representatives: composed equally by the representatives of workers and enterprises; the ordinary meeting deals with general policy of the fund, approval of the budget, the amount of membership fee and the election of the Board Of Directors and the Board of Auditors; in extraordinary meeting, it shall appoint liquidators and determine their powers(Proto, 2014);
- 2- The Board of Directors manages the pension fund and decide the investment policy; it elects the manager, the custodian bank, the insurance company for the payment of

¹⁴ www.covip.it, Area Divulgativa, Guida introduttiva alla previdenza complementare, 2016, Per saperne di più, I fondi pensione negoziali, Page 45

annuities; it elects the president, who has the legal representative function, and the general manager who has to guide towards the objectives; appoints the manager of the fund, which verifies that the management of the pension scheme is carried out in the exclusive interest of members;

- 3- The Board of Auditors, which is the controlling body and has the obligation to inform the Supervisory Committee about any irregularities in the management of the fund; its composition is determined by the certificate of incorporation and can vary from a minimum to a maximum, as in the case of the directors; during the Board of Auditors, they choose the regular auditors and two alternates, in order to ensure the proper functioning of that body (Proto, 2014);

The adhesion to the fund is voluntary; however, the employee can also join in a tacit way: if he does not express any choice about his TFR as required by law, it flows automatically into the collective pension plan adopted by the national collective labour agreement or company agreement.

Open pension funds

Open pension funds are “supplementary pension funds set up by banks, insurance companies, asset management companies (SGR) and brokerage companies (SIM)”.¹⁵

The term "open" indicates the possibility of adhesion for all those who, independently of employment status (employee, self-employed, freelance professional) intend to build up a supplementary pension in addition to the state basic pension.

According to COVIP, Open pension funds are set up as a separate and independent assets compared to that of companies which have set them and they are intended exclusively for the payment of benefits to members; they cannot be used to satisfy the rights claimed by creditors of the company in case of failure of the latter. The fund is governed by the Rulebook, a document that defines all the characteristics of the fund, its organization, and its relations with the members.

Membership is not necessarily linked to employment status; individuals can join even if they do not currently carry out any work activities. The private employee can adhere to the open fund on an individual or on a collective basis if identified by the company; public servants,

¹⁵ www.covip.it, Area Divulgativa, Guida introduttiva alla previdenza complementare, 2016, Per saperne di più, I fondi pensione aperti, Page 50

self-employed and freelance professionals can join only on an individual basis. The internal organization of an open pension fund is made up of:

- 1- The manager of the Fund, appointed by the company, he shall check that the management of the pension scheme is carried out in the exclusive interest of members, monitors compliance with the investment limits, conflicts of interest, and adoption of operational practices to better protect members. The manager reports directly to the administrative body of the Company with respect to the results of the activity; it reports data and information on the activities of the fund required by COVIP;
- 2- The supervisory body, as provided in the case of collective membership involving the enrolment of at least 500 workers in a single company or a single group; it is composed of representatives of the employer and employees and two independent members. The body must adequately represent the interests of members and ensure that the administration and the management of the fund take place in their exclusive interest.

Individual pension plans (PIP)

According to COVIP, individual pension plans (PIP) are “individual supplementary pension schemes established by insurance companies. As well as open pension funds, PIPs are made in the form of separate and independent assets compared to that of companies which have set them”. They are founded through:

- Insurance contracts (insurance life) - where the revaluation of the individual position is connected to one or more separate forms of internal management;
- Insurance contracts (unit linked) - policies where the revaluation of the individual position is linked to the value of the shares of one or more internal fund held by the insurance company or to the value of OICR (collective investment schemes savings);
- There can be also mixed forms.

The activities of the PIP are governed by the Rulebook which, together with the General Terms, defines the significant elements of PIP. The so-called “old PIPs” are supplementary pension schemes existing before the entry into force of the Legislative Decree 252 / 2005 and who have failed to carry out the planned adjustments. They are not registered as the pension funds and they are not supervised by COVIP but by IVASS (Institute for the Insurance Supervisory Authority).

The internal organization of a PIP consists of the PIP manager appointed by the insurance company; he shall check that the management of the pension scheme is performed in exclusive interest of members. He operates autonomously and independently directly to the administrative body of the company; he reports data and information on the activity of PIP required by COVIP.

Pre-existing pension funds

Pre-existing pension funds are “pension funds already established before the Legislative Decree 124/1993 which regulates the supplementary pension for the first time” (COVIP). The subsequent law - the Legislative Decree 252/2005 (replacement of L.D. 124/1993) - has set new rules for the system of supplementary pension schemes while also providing for a gradual adaptation to the new Rulebook for the pre-existing pension funds to be realized with a special ministerial decree.

They are divided into:

- Pre-existing pension funds with legal autonomy (non-recognized associations, recognized associations, foundations or charities);
- Pre-existing internal pension funds - founded within a company (banks, insurance companies) as separate assets (former Art. 2117 c.c.) i.e. only as accounting item liability, for workers employed in the same company.¹⁶

Adhering to a pre-existing fund is voluntary and takes place through collective membership; even tacitly if the employee does not express its choice on the destination of their TFR. Autonomous pre-existing funds have their management body and control, the composition of which must ensure the equal participation of the representatives of workers and employers. They also appoint the fund manager. In funds established in the form of association, the internal organization is completed by the assembly.

The internal pre-existing pension funds have representative bodies of members, these bodies may not be present in pension funds directed only to retirees.

¹⁶ www.covip.it, Area Divulgativa, Guida introduttiva alla previdenza complementare, 2016, Per saperne di più, I fondi pensione preesistenti, Page 60

The possibilities of adhesion

The possibility of adhesion to a supplementary fund is not complicated because the system is organized in relation to the employment status (Fig. 13).

Following the guide of COVIP (2016), an employee can join with collective adhesion if his contract of employment makes possible his membership in a pension fund (contractual, open or pre-existing) referred to industry, business or region. He can also join with individual adhesion to an open pension fund or a PIP if the employment contract does not provide for the possibility of subscribing to a reference pension fund, or if the worker decides to join a supplementary pension scheme different from that provided by labour contract. If an employee can sign up through collective adhesion by paying the contribution required by the contract, the employer is obliged to pay contributes to the supplementary pension plan subscribed. This allows worker to increase payments and, other things being equal, to obtain a higher supplementary pension.

A self-employed or a freelance professional can join with individual membership to an open pension fund or in a PIP. If the labour association or the professional order includes a reference retirement fund (contractual, open or pre-existing), the worker can also join with collective adhesion (Fig. 13).

Figure 13: The possibilities of participation

Type of fund	Subjects	Source
Contractual	Private and public employees	Intercompany and company agreements between workers and firms
	Self-employed	Collective labour agreements
	Freelance professionals	Company regulations
Open	Private and public employees	Banks and insurance companies
	Self-employed and Freelance professionals	Brokerage companies (SIM)
	People with no labour income	Asset management companies (SGR)

Source: Agenzia delle Entrate, 2008

2.3 THE CONTRIBUTION

If a worker chooses a supplementary pension scheme with collective participation, his contribution is made up of:

- His contribution, the amount of which shall be established by collective agreements. However, he can also pay a higher amount; in the presence of collective labour agreements can be determined the minimum amount of the contribution paid by the employee (in fixed amount or a percentage of the salary or income). If self-employed, the minimum contribution to be paid is freely given, unless the chosen pension plan does not provide for a minimum funding threshold; it is recalled that, in any case, the deductibility of contributions from individual taxable income is limited to 5.164,57 Euros per year.¹⁷ Within this limit also includes any contributions made in respect of persons fiscally dependent.
- The future TFR share: what is matured from the moment of the adhesion to the pension plan.
- The contribution of the employer. The employer may decide to recognize an additional contribution at his own expense to those who want to join the supplementary pension. Usually, this contribution is expected in the presence of a company agreement, but the employer may decide to pay contributions even in the absence of collective agreements and even if the employee chooses a different pension plan. In the case of participation in a contractual fund, when the planned contribution of the worker is suspended, the institutive sources (collective bargaining) can also provide for the suspension of the contribution obligation paid by the employer. Similarly if the worker, after at least two years of membership identified by the collective agreement, decides to transfer its position to another supplementary form, may lose the right to the contribution of the employer: therefore, it's important to know the limits and procedures laid down by collective agreements or company.¹⁸

If an employee chooses a supplementary pension scheme with individual adhesion, the contribution is made up of:

- His contribution;
- The future TFR share, matured from the moment of adhesion to pension scheme.

¹⁷ www.assogestioni.it, Financial education, Previdenza Complementare, La riforma, Le fonti di finanziamento

¹⁸ www.assogestioni.it, Financial education, Previdenza Complementare, La riforma, Le fonti di finanziamento

For a self-employed, the payment is exclusively made up of his contribution.

The TFR

An employee in the private sector entering for the first time in the labour market is called to decide what to do with his TFR within six months after.

He can choose to:

- Allocate definitively the TFR accrued to a supplementary pension;
- Keep his TFR with the employer.

He can also decide at a later time to allocate to a supplementary pension his future TFR; the TFR accrued up to that point remains to the employer and it will be paid at the end of the employment relationship;

- If he does not express any choice explicitly, his TFR flows automatically into the pension fund (contractual, open or pre-existing) required by his contract or, if the contract specifies more funds, in that where is registered the greatest number of employees of his company; if there isn't a reference fund, his TFR is paid BY FONDINPS, the supplementary pension scheme set up specifically at INPS.¹⁹

Even if an employee of the private sector has kept his TFR in the company for many years, he can decide to allocate at any time to supplementary pension schemes the TFR contributions matured after the choice.

A public servant can choose to allocate TFR to supplementary pension schemes only if there is a reference category. The Stability Law for 2015 introduced a further possibility:

- An employee in the private sector, with a seniority of at least six months in the same company, can get settled in monthly pay packet amounts of TFR maturing. The option is temporary and is valid for the period March 2015 - June 2018; in this period he can make the choice at any time, but once implemented it is binding and valid until 30th June 2018.²⁰

The worker can make this choice even if he has already decided to allocate TFR to supplementary pension schemes. However, the payment TFR in payroll reduces accruable resources for retirement and causes the loss of tax benefits of the supplementary pension, going to flow into the income subjected to personal income tax.

¹⁹ www.covip.it, Area Divulgativa, Guida introduttiva alla previdenza complementare

²⁰ www.covip.it, Area Divulgativa, Guida introduttiva alla previdenza complementare

2.4 MANDATORY COMMUNICATION FOR NEW MEMBERS

To choose the form of funds, the worker must be able to analyse the information made available by the different private pension schemes on the basis of communication standards defined by the Supervisory (and the best practices according to the reference the industry). From this perspective emerges a pension communication problem due to the complexity of the information, and manifests the need for independent consultants for workers who are not able to define its own retirement choice.

Before the adhesion, the supplementary pension plans must provide the following documents:

1. The Informative Note, which explains the main features contained in the supplementary pension scheme (for example, arrangements for the contribution, investment proposals, costs, yields obtained in the past) and the conditions of participation. It consists of four parts:

- The summary sheet, containing all relevant information on the operation of the private pension scheme. It contains a statement of historical returns of the funds and the list of related costs of obtaining results. The index of performance is absorbed by the costs of the ISC (synthetic indicator of the cost), obtained as the difference between the return on which affect the costs of the pension fund, on which hypothetically not affect costs, and the yield affected by costs. I.e. it expresses in a single figure all the costs incurred annually by adhering to a supplementary pension scheme as a percentage of the individual position (one-time costs upon accession, administrative and financial management costs) according to some theories, including the amount of payments, returns and the permanence in the supplementary pension scheme. It also allows to easily compare the costs of the various supplementary pension schemes (Proto, 2014).
- The characteristics of the supplementary pension scheme, containing detailed information about the process of accumulation and disbursement.
- Information on operations, concerning the structure of the portfolio of each fund and its performance; it also contains a summary measure of the costs actually incurred (Total expense ratio, TER): it measures the impact of the financial and administrative burdens on assets under management.
- Persons involved in the supplementary pension scheme (the governance of the pension providers).

According to Proto (2014), the most important aspects for the worker are:

- 1- The investment strategy: it must be found between the various proposals; the strategy chosen by worker must be consistent with his risk-return profile, the business horizon, the current wealth and perspective and, finally, the amount of earned income flows;
- 2- The purpose of management, expressed by the number of years until retirement. As for the investment policy, special attention should be placed on the risk and return on the fund compared with the benchmark.

2. Standardized sample project, represents the estimation of the supplementary pension received by the member at the time of retirement. The pension is calculated according to some hypotheses relating to the amount of contributions paid, the length of participation in the form of pension and yields. The purpose is to provide an ex-ante estimate of the pension coverage rate, i.e. a measure of the replacement rate. The worker has available two types of sample project:

- A standardized form, established by the supervisory authority, whose calculation assumptions relating to the performance of the equity component (4%) and bond components (2%), at the expected rate of inflation (2%) and the expected rate of growth of the contribution (1%).
- A custom shape

3. The Statute, for contractual pension fund or an existing pension fund; the Rulebook, whether it is an open pension fund and the Rulebook and the General conditions of the contract if it is an individual plan tic pension insurance-(PIP). These documents define the characteristics of the pension scheme supplementary and conditions that govern participation (Proto, 2014).

In the case of open pension funds or PIPs provided by insurance companies, the new member receives also a questionnaire to compile about the adequacy of the contract offered.

2.5 THE INVESTMENT

The supplementary pension plans offer different alternatives to invest contributions, called investment options (or sub-funds). The investment options differ according to the financial instruments that are bought; COVIP divides them in the following categories:

- Equity, which invest only or primarily in shares;
- Bond, which invest only or primarily in bonds;
- Balanced, which in principle invest in equities and bonds in the same proportion;
- Guaranteed that offer a guaranteed minimum return or refund of capital paid as certain events occur.²¹

The funds provide also a section suitable to collect TFR flows of those who have joined tacitly.

It is important to know the category of the investment option because this corresponds to a specific risk and return profile. The investment policy followed by each segment is summarized in the "benchmark portfolio" that defines which percentage of assets used in various forms of investment; it's an objective parameter for the verification of the results in managing investments.

For example, choosing a share investment option, expected yields are higher compared to a bond investment, although with more risks related to possible adverse developments in the financial markets. If a worker is distant from retirement, choosing riskier investment options means having more opportunities for long-term returns. If, instead, he's near to retirement, choosing a low-risk investment option can help him to protect better his investment from possible negative financial market developments.

The choice of investment option made upon adhesion is not binding: it's possible to change the path chosen by passing from a line to another one.

How investments are managed

According to the guide of COVIP (2016), investing contributions, supplementary pension schemes must comply with prudential rules, defined by law, which take account of retirement and not speculative investment purposes; for example, investments must be adequately

²¹ www.covip.it, Area Divulgativa, Guida introduttiva alla previdenza complementare, 2016, Page 21

diversified and there are quantitative limits for acquisition of certain financial instruments considered riskier.

In contractual pension funds, investment management is entrusted to professional operators (bank, SGR, SIM, insurance company) on the basis of a convention in which are defined the criteria to which these operators must keep at.

In open pension funds and insurance individual retirement plans - (PIP), the investments are managed directly by the company (bank, SGR, SIM, an insurance company) which founded the Fund or PIP. The resources of the open pension funds and PIPs are autonomous and separated assets compared to that of the company. This means that, in case of crisis of the company, retirement savings are not affected, being intended exclusively for payment of pension.

The pre-existing pension funds entrust the management of their financial resources to professional operators or they can manage them directly.

The resources entrusted under management are deposited in a bank licensed by the Bank of Italy to carry out this activity, the so-called Custodian Bank, which has the task of verifying that the operations carried out by the operator comply with the law and with the Statute or the Rulebook of the supplementary pension scheme.

2.6 HOW TO CONTROL THE PENSION PLAN: THE PERIODIC COMMUNICATION

COVIP has always worked to improve communication and transparency of pension funds. In fact, restrictions in periodic disclosure of pension funds have been instituted with the Resolution of 2010 "Provisions on communication to subscribers", amended recently, in February 2017.

According to the guide of COVIP, once the employee has chosen to adhere to a private pension fund form, should successively carry out a monitoring activity on the results of the chosen form; the supplementary pension plan is required to send, on annual basis, also by e-mail, the periodic communication with the most important information about the performance of retirement investment, such as the amount of individual situation, the contributions paid during the year, the returns achieved and the costs actually incurred.

The information received allow the worker member of a pension fund, to check, time to time, the regularity of the payments made and the adequacy of the chosen retirement path. Here emerges a problem with financial and pension literacy of workers and the role of independent consultants. In the case where the consistency examination delivers a negative result, it will be appropriate to carry out a switch to other compartments or increase contributions. For this purpose the pension fund send to worker's home a bank statement with the updated insurance status (Proto, 2014).

Moreover, pension funds are required to draw up the annual report operating according to particular parameters, arranged by COVIP, following the directions of international accounting standards, in Resolution 1998, "The balance sheet of pension funds and other accounting provisions ". There are accounting differences even among the different forms of pension funds.

2.7 RETIREMENT OPTIONS

The workers who decide to adhere to a pension fund, in addition to the choice of the product and the line of investment best suited to them, will be required, at the end of their working life, to choose the type of performance provided by the chosen form of supplementary pension fund.²²

The member has the right to choose whether to receive the pension benefit:

- Entirely in annuity form;
- In part as a periodic annuity and partly in lump sum form (up to a maximum of 50% of the matured position).

If the amount of the supplementary pension, converting periodic annuity at least 70% of the accrued individual position, is less than half the monthly social INPS allowance (now equal to 381.72 €), the individual can request the delivery of the entire benefit as a lump sum.²³

For the purposes of taxation, benefits paid by pension funds (whether in the form of capital and income) are considered income similar to that of employee and subject to the same tax regime.

²² www.assogestioni.it, Financial education, Previdenza Complementare, Le prestazioni

²³ www.assogestioni.it, Financial education, Previdenza Complementare, Le prestazioni, Le prestazioni pensionistiche

The supplementary pensions are taxed for their total amount, excluding the portion attributable to the income already taxed, and the capital gains arising from the returns of the amount of accrued individual position, which gives rise to the supplementary pension being paid (Art. 44, par. 1, letter g-d of TUIR), if determinable. As provided for the pension paid in the form of lump sum, a tax rate of 15% is applied. This rate is reduced by 0.30 % for each year exceeding the fifteenth year of participation in supplementary pension schemes, with a maximum limit of reduction of 6 percentage points.²⁴

During the period of adhesion to the fund, in addition, workers can choose to request to transfer the accumulated capital and accrued TFR to another form of supplementary pension or, in some cases, the ransom of the matured position; workers can also get the advance payment of a part of the position invested in the fund, for the purchase of the first house, for exceptional medical costs or to deal with unexpected expenses.

2.8 ADVANTAGES OF PRIVATE PENSION SCHEMES

With the passage of the forms of security forms from the wage-based system (which calculated the retirement amount from last salary earned) to the contribution-based system (under which a pension is determined on the basis of amount of contributions actually paid during work), replacement rates from mandatory pensions (the ratio between the final salary and the first pension) have been significantly reduced, reaching approximately 55% for some categories of workers.²⁵

The reform has provided for those who adhered to a form of supplementary pension an extensive protection for the entire period of participation: through adhesion, the TFR becomes part of the autonomous and separate assets of the chosen supplementary pension scheme and it's managed according to precise rules of transparency.

From the point of view of investment, the biggest advantage lies in the fact that adherence to a pension fund (rather than a PIP) allows workers to get higher yields than those guaranteed by the simple revaluation of the TFR (1.5% + 75% of the annual inflation rate). To this we must add that only by adhering to the supplementary pension the worker may take advantage of the possible contribution of the employer, provided as a percentage of gross annual salary.

²⁴ www.agenziaentrate.gov.it, L'agenzia informa, I vantaggi fiscali della previdenza complementare, 2008

²⁵ www.assogestioni.it, Financial education, Previdenza Complementare, La riforma, I vantaggi dell'adesione

One of the main advantages of adhesion to a supplementary pension is the possibility of accessing to tax benefits recognized to members. The tax treatment is articulated differently according to the contributions paid, the returns achieved, the advances and benefits provided. The contributions paid by the worker and the employer, except in TFR, are fully deductible from the total personal income tax, up to a maximum of EUR 5,164.57 per year. Within this threshold should also fall any contributions in favour of charged family members.

There are tax benefits also on the returns of the financial management of resources: the supplementary pension schemes are, in fact subject, to a substitute tax of 20% tax on income, cheaper than the taxation of other forms of financial investment equals to 26% (as of 2015 Stability Law). The taxation of income of some securities held by supplementary pension schemes, such as government bonds, it is fixed at 12.5%.

In addition, the tax deduction in the lump-sum or in the annuity form will only be exercised on the part not yet subjected to taxation during the accumulation phase.

It's important to note that the tax regime for pension funds and individual retirement plans is particularly favourable especially when compared with that which is subject to the TFR remained in the company: in this case, the minimum tax (based on personal income tax rates) is equal to 23% (but can also be higher).

2.9 THE SUPERVISION AND THE INSPECTION ACTIVITY OF COVIP

The system of the supplementary pension is based on a set of finalized rules for the protection of retirement savings.

To ensure reliable operation, the government has established a specific Supervisory Authority named COVIP (Supervisory Commission on Pension Funds) which oversees, including through inspections, on supplementary pension schemes in order to ensure sound and prudent management, the proper functioning of the system and the protection of members and beneficiaries. COVIP may also make proposals for legislative changes relating to supplementary pensions; also takes care of the collection and dissemination of information useful to the knowledge of the private pension problems and the industry. COVIP is included in international bodies (EU and OECD) in which operate the authorities of the member countries on the issues of the supplementary pension. ²⁶

²⁶ www.covip.it, Area Divulgativa, Guida introduttiva alla previdenza complementare, 2016

The Report of Covip on its Inspection activities (2010) explains inspections are conducted by inspectors from the supplementary pension schemes in the course of which they require the production of documents and acts deemed necessary for verifying the technical, financial, asset and accounting aspects as stated under Art. 19, par 2, letter i of D.L. no. 252/2005.

The inspection is designed to verify if activities of supplementary pension funds are carried out in compliance with the provisions on supplementary pensions and with the conditions necessary to ensure the correct operations, such as conscious and coherent strategies, ability to governance of risk, appropriate organizational structures, and suitable internal control mechanisms. Through inspection COVIP updates the information and acquires additional elements, quantitative and qualitative, not otherwise detectable. The inspection activity is particularly useful for promoting policies aimed to improve the efficiency of supplementary pension schemes. The results of audits can in fact also suggest the adoption of actions aimed at preventing unwanted phenomena or to correct distortions, with useful effects on the development of Rulebook and of the securities analysis methods.

3. PENSION COMMUNICATION STRATEGIES IN ITALY AND THEIR EFFECTS

3.1 THE ITALIAN “SOFT” AUTOMATIC ENROLMENT AND THE NATIONAL COMMUNICATION CAMPAIGN

In Italy, the automatic enrolment of workers in a supplementary pension scheme was set by law in 2005 and introduced in 2007 (a year earlier than planned). Following the results achieved abroad, it was clear that an automatic system was able to exploit the inertia of individuals and to overcome their tendency to procrastinate. However, Italian automatic enrolment has been considered a “soft” version compared to the systems introduced in other countries in the same years: each workers can adhere to the complementary pension scheme through the contribution of the TFR but is not required to contribute with his salary; moreover, only in the case of contractual pension funds the employer has to give a small contribution to the fund (Moreolo, 2016). The Italian automatic enrolment through the TFR represents a middle course between voluntary systems, in which people often do not take the most appropriate choices, and the compulsory arrangements, where preferences of individuals could be distorted and might result politically unfeasible.²⁷

All workers of the private sector aged 18-64 had the possibility to decide whether to refuse the proposed arrangements, keeping the TFR as in the past; afterwards, the program continues to apply to the new cohorts of private sector employees (Paklina, 2014).

According to the analysis of Rinaldi (2010), the decision to introduce these arrangements a year earlier was taken in the late 2006, only few days before the beginning of the “semester” in which workers had to decide what to do with their TFR; for this reason, COVIP had little time availability to re-draft all secondary regulation and to grant the approvals and the new license for funds; the same happened for the pension providers, which had to re-organize their offer complying with the new rules in time. The employers, meanwhile, were request to inform their workers about the changes in the systems, asking to each employee hired before the 31st December 2006 to fill out a form (called “TFR 1”) reporting his decision. A different form (called “TFR 2”) for workers hired after the 31st December 2006 was developed by the Ministry of Labour and it’s currently in use by employers for new recruits.

²⁷ Rinaldi A., Pension awareness and nation-wide auto-enrolment: the Italian experience, CERP, Roma, 2010

In addition to the formal requirements, the actors involved started to communicate the content and the implications of the reform: the Ministry of Labour ran a pension communication campaign of 17 million euros addressed to all workers with the following objects: the communication of the new automatic enrolment system, the increase of awareness about pension and the encouragement of people to take action.²⁸

All the possible communication channels were exploited, especially the TV and the radio using the slogan “The importance to choose now” (respectively, more than 7.000 and more than 30.000 advertisements); moreover, a dedicated web site (www.tfr.gov.it) jointly with COVIP, a specific call centre (800.196.196) and printed materials were provided; lastly, some seminars and special events were organized (the two “TFR days” of the 5th and the 26th of February).

In 2007, there was an important activity of monitoring conducted by the Ministry of Labour and by the Information and Publishing department EURISKO in order to evaluate the effectiveness of the pension campaign. As regards the methodology, data were collected between March and June 2007 through domestic interviews with PC (CAPI method); for the evaluation of the TV campaign, the communication were “fixed” in a story board of fundamentals frames; 500 cases per week had been surveyed for 16 weeks, with a total of 8000 cases; the sample was built with people with more than 14 years old, distinguishing them according to their gender, age, geographical area, education level, job.

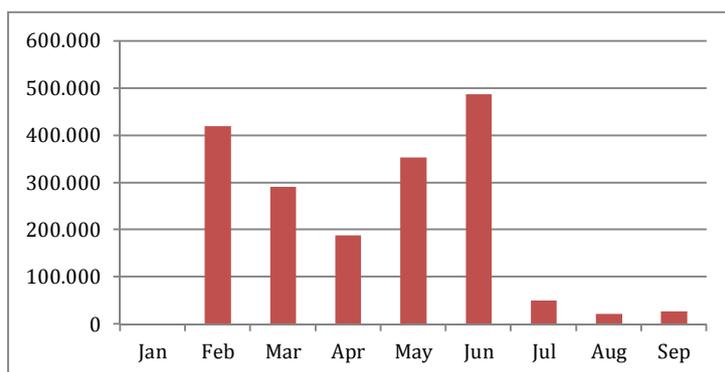
At the end of June 2007 the results of face-to-face interviews were:

- 8 citizens out of 10 had seen the advertisements on TV;
- 6 out of 10 had listened the advertisements on the radio;
- It was registered an average acceptance of the 65%, up to 75% among workers of the private sector.

An internal monitoring of websites hits was developed (Fig. 14): the greatest number of hits was registered at the beginning and at the end of the “semester”.

²⁸ Russia Trust Fund, Improving pension information and communication, OECD Survey and Lessons learnt, 2013

Figure 14: The monitoring on website hits



Source: Personal elaboration based on Ministero del Lavoro e della Previdenza Sociale, 2007

Also the use of the call centre has been monitored (Fig. 15): the most frequent users were men from North Italy, working in private sector, with an age comprised between 35 and 44 years old.

Figure 15: The monitoring on call centers

Calls		Users	
Incoming calls	142.392	Private sector workers	77,19%
Abandoned calls	26.834	Citizens	5,51%
Answered calls	115.560	Public sector workers	1,15%
		Private sector employers	0,86%
Age		Geographical area	
25-34	7,89%	North Italy	31,04%
35-44	41,23%	Central Italy	25,28%
45-54	36,71%	South Italy	16,32%
55-64	7,66%	Island Italy	6,95%
Gender			
Men	62,35%		
Women	37,65%		

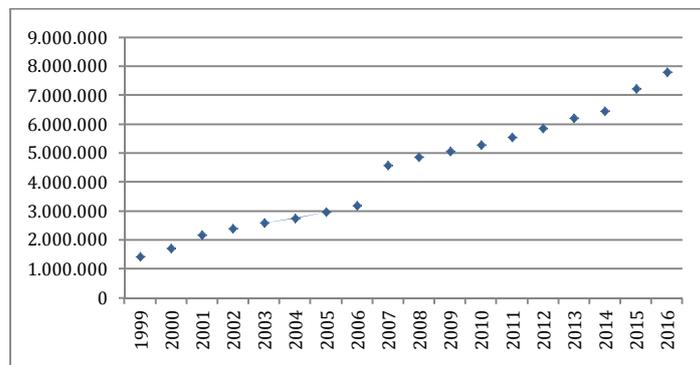
Source: Personal elaboration based on Ministero del Lavoro e della Previdenza Sociale, 2007

The result of the pension campaign was that the increase in the specific knowledge on pension issues was valued overall at 10% (up to 25-30% for workers of private sector). For what concerns the primary target of the campaign (workers of private sector), the evidence suggested that the campaign reached a great number of workers (90% of the respondents): the 50% of them gave a positive judgment on the exhibit/memory and the 60-70% said that the comprehensibility of the communication was good. The communication in the TV and in the radio turned up to be the most memorized.

Ultimately, according to the monitoring of the Ministry of Labour, the campaign seemed to be useful to make people interested in the problem and to make them feeling “engaged” but, at the same time, it appeared not to be able in orienting people in a certain direction, with the result that many people, in contrast to predictions, decided not to adhere.

The number of total adhesions in fact, passed from a number of 3.184.224 to 4.560.164 members: a significant increase of 43% but not satisfactory if compared to the results in other countries. Furthermore, the graph below (Fig. 16) shows that it was only a “short-effect”.

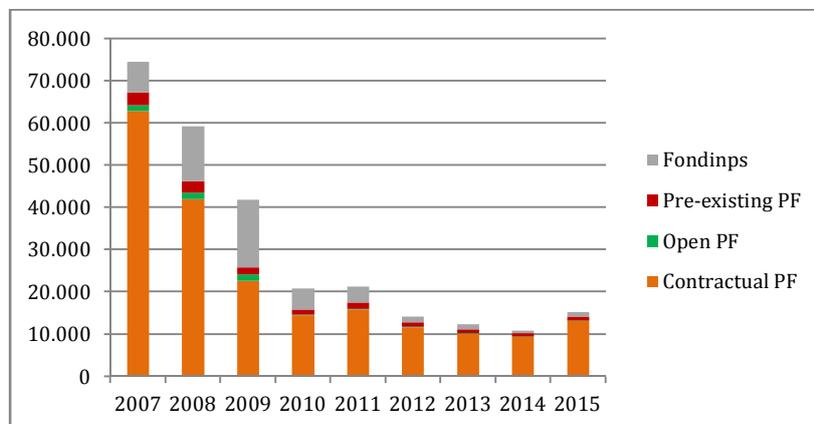
Figure 16: The number of members from 1999 to 2016



Source: Personal elaboration based on COVIP, 2015

In addition, many new entrants came out from their voluntary choice and not from the new automatic system (Fig. 17): only 74.700 workers out of the total increase of 1.375.940 units in 2007 were estimated to be auto-enrolled (5% of new members among workers of private sector).

Figure 17: The number of automatic enrolments from 2007 to 2015



Source: Personal elaboration based on COVIP, 2015

In 2007, all pension providers were working in order to fulfil the new requirements. In this period, many contractual funds counted on their great number of potential new entrants: pension funds like Cometa, the nation-wide fund for steel industry reached more than 475.000 enrolments on a number of 1.000.000 potential new members (the 48% of adhesions); others, like Fonchim, the nation-wide fund for chemical industry, benefited of its own consolidated tradition with an adhesion rate of 82% (more than 165.000 members). These funds were respectively at the first and at the second position for number of members in 2007(Fig. 18).

Figure 18: The first ten contractual pension funds by number of members in 2007

Pension fund	Foundation	Members in 2007	Members in 2006	Potential new members	Adhesion rate in 2007
COMETA	11/11/1998	476.084	314.159	1.000.000	47,6%
FONCHIM	10/12/1997	166.438	122.684	202.000	82,4%
FONTE	23/10/2001	130.811	25.579	2.000.000	6,5%
LABORFONDS	19/04/2000	110.980	82.832	245.000	45,3%
FONDOPOSTE	21/07/2003	82.545	36.009	158.000	52,2%
PREVIMODA	26/04/2001	72.318	40.078	400.000	18,1%
TELEMACO	27/10/2000	65.559	55.508	120.000	54,6%
COOPERLAVORO	28/06/2000	60.290	16.421	300.000	20,1%
PRIAMO	17/01/2003	60.287	42.547	130.000	54,8%
GOMMAPLASTICA	16/01/2002	57.159	31.394	100.000	57,8%

Source: COVIP

3.2 NATIONAL PENSION COMMUNICATION AFTER 2007

At the end of the “semester”, the following step in the pension communication campaign would have been the continuity of the national campaign in order to remember people the possibility to join in any moment, to underline the advantages of the adhesion and to engage young people to take an important decision for their future. According to Rinaldi (2010), in this context, specific individual forms of communication containing information about the amount of annuity that an individual could reasonably expect to receive, such as the Swedish “orange envelope”, would have been the most suitable instruments but the promised “buste arancioni” were distributed only in 2016.

After few years later the Reform, the web site www.tfr.gov.it has been cancelled. In 2010, the supervisory authorities (COVIP, Bank of Italy, ISVAP, CONSOB and Antitrust) launched an initiative of promoting financial and pension education; in this context, COVIP worked in order to redesign its website including more documents and guides.²⁹ Nowadays, in the

²⁹ Russia Trust Fund, Improving pension information and communication, OECD Survey and Lessons learnt, 2013

website (www.covip.it) every worker can find all the necessary information about costs and returns, the register of pension funds, updated news on pension issues, the detailed regulation, information on the activities of COVIP. The supervisory authority has continuously monitored the complete fulfilment of the requirements by pension providers especially in the side of “formal” communication to current and new members, related to the informative note, the standardize sample project and the periodic communication.

Only recently, some digital and innovative forms of communication have been introduced in the homepage of COVIP (an explanatory video and a fast survey on pension knowledge), shown in Fig. 19. There is also the possibility to use a pension calculator provided by INPS, but only through a specific code delivered by the organization itself. However, it’s evident that anyone who tries to search information on the website perceives an high level of formalism and authority, due to the presents of many updates on regulation and the total lack of slogans aimed to incentivize the engagement of the surfers. The same tendency could be found in the website of INPS, another important source of pension information for Italian workers.

Figure 19: The homepage of COVIP



Source: COVIP

The national pension communication remained silent up to the initiative, carried out by INPS, to distribute, after years of debates and postponements, the “orange envelope”. This document contained personalized information about the future pension that each individual could expect, according to several factors that could affect its value. A dedicated website, (ww.bustaarancione.it) launched by the “Associazione Italiana Educatori Finanziari” in collaboration with INPS, explains, using slogans and some innovative and digital tools like

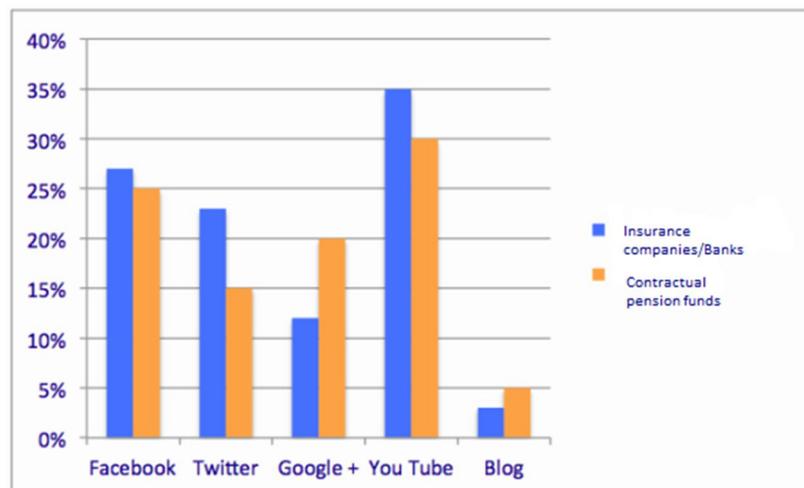
videos and tweets, the purpose of the letter and the importance of the initiative. This letter, addressed to 7 million of Italians, seemed to have renovated the interests of individuals on pension issues: at the end of 2016, the decision to postpone the decision passed from 38% to 11% and the will to do a “pension check-up” passed from 62% to 90%.³⁰ The number of adhesions in 2016, however, has increased but too slowly (7%); moreover, it’s not possible to assess how much this increase depends on the distribution of the “orange envelope” because in 2016 there were still present the effects of a new initiative of the fund Prevedi, discussed in the following sections.

3.3 INNOVATIVE COMMUNICATION: THE CASE OF SOME ITALIAN PENSION FUNDS

While some pension providers have limited themselves to fulfil the new requirements, others have been investing in their communication strategies, promoting their new offer with advertising and marketing initiatives, exploiting both traditional both digital communication tools. In fact, in some pension provider’s websites we can find many different slogans developed to incentivize people to ask questions or to meet their consultants. Many insurance companies developed specific slogans when the Italian “orange envelopes” have been distributed in 2016 such as “Open with us the orange envelope” of Alleanza Assicurazioni. Moreover it’s even more frequent to find icons of social channels and many pension calculators easy to use. In a research conducted by Carefin in 2012 (Fig. 20) among 77 insurance and banks and 20 contractual funds the use of the social communication was prevalent in the first sector.

³⁰ www.agenzia.cattolica.it, comunicazioni, Le buste arancioni risvegliano l’interesse per la previdenza complementare, 2017

Figure 20: Analysis on the use of social networks among insurances companies/banks and contractual pension funds



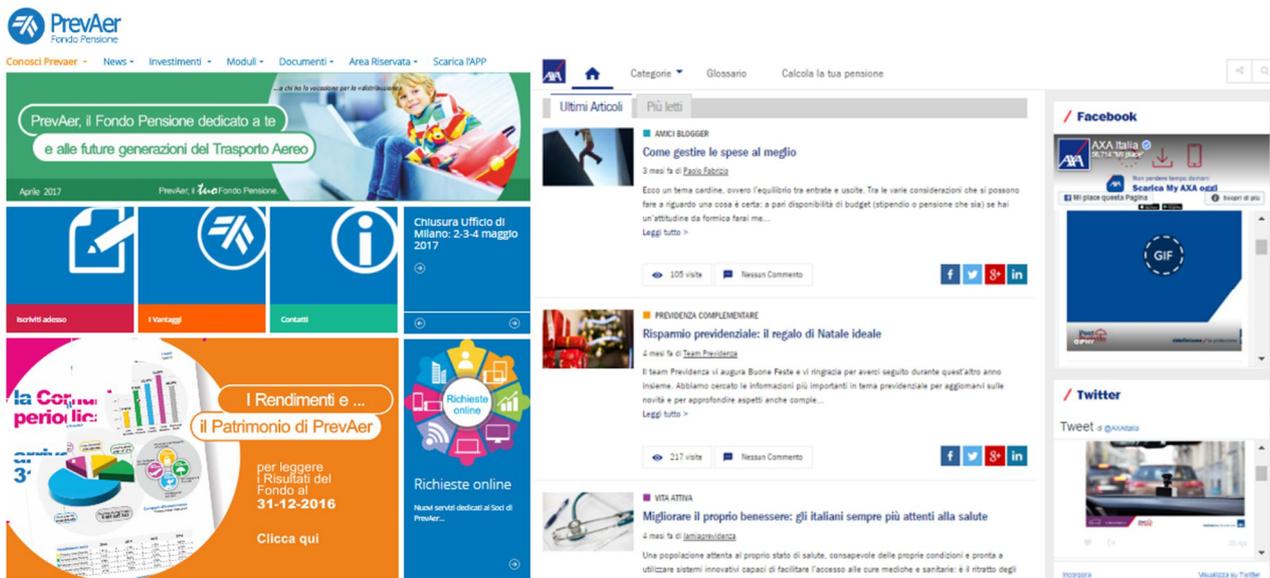
Source: CAREFIN, 2013

Following the analysis of Contaldo et al. (2013), websites of pension funds providers show an increase in the efforts for the development of social channels and, as evidence, we can find updated websites, articles about social security issues, incentives to interaction through quizzes, simulations and fast surveys. However, the social communication, especially in contractual pension funds, is often unfocused: there is the evident absence of active social icons and community for sharing news and opinions, social channels have low number of followers: the social communication is intended as surrogate of the website.

The effectiveness and the innovation of the pension communication strategies are also rewarded: from 2015 occurs the Pension & Welfare Italian Awards, an event organised by the financial magazine “European Pension” that rewards the excellences in welfare and pension sectors. In 2016 the fund Prevaer, the contractual pension fund for the employees in airline and catering sectors, was rewarded for “the best communication strategy among Italian pension funds”: the communication strategy of Prevaer is focused on the corporate identity and it takes advantage of all the possible information tools. Moreover Prevaer has been working for the development of its network and of the fidelity through meetings with employees, newsletter, a dedicated email address and an updated website where we can find slogans like “join now”, advertisement of events, online services and also the possibility to download a mobile app.

The year before, the winner was Axa Italia, an insurance company which has invested in digital projects aimed to innovate the customer experience: Axa proposes in its website a blog called “Previsionari” and many social links able to capture the attention of young people. As for Prevaer, there is also the possibility to leave a fast feedback on the website, useful to understand user’s satisfaction.

Figure 21: The homepage of Prevaer and the blog and social links proposed by Axa Italia



Source: Prevaer’s and Axa’s websites

In 2016, Prevaer registered a slight increase in membership from 36,9% to 39,3% with 12.174 members in a total number of potential participants equal to 31.000 units. The value of the assets passed from a 362 to 401 million euros and the greatest proportion of members invests in the “Growth” sub-fund with a medium average risk.

With respect to Axa, the group manages 3 funds for an amount of 86.906 members in 2016 with 859,65 million euros of ANDP (Fig. 22).

Figure 22: Prevaer and Axa in 2016

	Members in 2016	% Members by sub-fund	Adhesion rate in 2015	Adhesion rate in 2016	ANDP in 2016 (million €)	% ANDP by sub-fund
PREVAER	12.174		36,93%	39,27%	401,04	
Guaranteed	3.481	28,59%			55,50	13,84%
dent	2.440	20,04%			66,12	16,49%
rowth	6.431	52,83%			239,02	59,60%
Dynamic	1.070	8,79%			40,39	10,07%

	Number of managed funds	Members in 2016	ANDP in 2016 (million €)
AXA GROUP	3	86.906	859,65
AXA Mps Assicurazioni Vita S.p.A.	2	85.114	834,02
AXA Assicurazioni S.p.A.	1	1.792	25,62

Source: MEFOP, 2016

3.4 A NEW FORM OF ITALIAN AUTOMATIC ENROLMENT: PREVEDI

As already mentioned in the previous sections, the process of “soft” automatic enrolment produced only a boost in the number of adhesions with a short-term effect and contributions often increased only for the minimal level equal to TFR; then, supplementary pension schemes were left “reeling” from the institutions.

Moreolo (2013) analysed the results obtained in 2015 by Prevedi, the fund for workers in the construction sector, one of the most hit by the crisis which introduced its own version of auto-enrolment with a successful framework: thanks to an agreement with trade unions which foresees a “contractual contribution”, employers are required, according to the collective labour contract, to contribute part of the employee’s salary to Prevedi and who were not yet member of the fund was automatically enrolled in. This was possible through the special permission, given by COVIP, of scrapping the obligation for workers to transfer the TFR when they adhered to the supplementary pension scheme; in this way, the auto-enrolled workers receive only the contractual contribution as form of contribution until they decide to integrate voluntarily the adhesion with many advantages: through the integration of the 1% contribution on his own charge, the worker will immediately be entitled to a contribution of equal measure by his employer.³¹ Prevedi at the end of 2015 became the largest fund in terms of membership, passing from less than 40.000 members to more than half a million, surpassing also the fund Cometa. In 2016 Prevedi registered an adhesion rate of 112,87% (Fig. 23). However, with respect to the analysis of contribution carried out of COVIP at the end of 2015, more than 92% of members contributed only through the “contractual contribution”,

³¹ www.prevedi.it, il fondo, il contributo contrattuale

which, from a behavioural point of view, corresponded to the minimal efforts for workers. Only the 7% of members effectuated a complete contribution, comprehensive of the TFR.

The same implementation in the automatic enrolment system has been developed by Cooperlavoro, the pension scheme per workers of cooperatives and Fondapi, the pension fund for workers of small and medium-size enterprises. Both have registered a great increase in membership.

It seems that the new mechanism has incentivized the level of engagements in pension issues among workers. We can affirm that the mechanism introduced by these funds has solved the problem of their low adhesion rates and improved, but not solved, the problem of the minimal contribution level caused by the “TFR reform”.

Figure 23: Prevedi in 2016

	Members in 2016	% Members by sub-fund	Adhesion rate in 2015	Adhesion rate in 2016	ANDP in 2016 (million €)	% ANDP by sub- fund
PREVEDI	643.335		98,97%	112,87%	573,42	
Safety	92.923	14,44%			60,09	10,48%
Balanced	550.432	85,56%			513,33	89,52%

Source: MEFOP, 2016

3.5 EFFECTS OF PENSION COMMUNICATION ON ADHESION AND CONTRIBUTION TRENDS IN ITALY

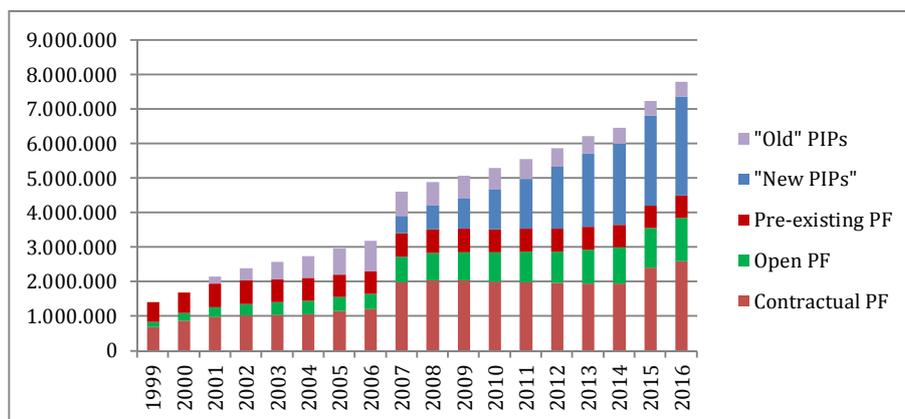
In a more general analysis, it's possible to analyse supplementary pension funds through adhesion and contribution trends. The Fig. 24 shows the trend of adhesions from 1999 to 2016: there is a steady increase, even if too much slight. As at 31st December 2016 the adhesions to supplementary pension funds in Italy amounted to 7.784.055 members, with 2.596.847 members of contractual funds, 1.258.980 in open funds, 644.000 in pre-existing pension funds, 2.867.328 in “new” PIPs and 431.000 in “old” PIPs. As regards contractual pension funds, we can notice that after the “boost” of 2007, the participation rate in the following years remained constant and even slightly declined in 2013-2014. Then, in 2015 and 2016 the rate started to increase again mainly because of the introduction of the new form of automatic enrolment by Prevedi. “New” PIPs” registered only a slightly increase after the Reform, but then the participation rate started to improve more rapidly.

In general, the two-year period of 2008 and 2009 seemed to be critical for the adhesion to all forms of pension funds: some experts suggest there were later effects of the economic crisis, started with the bankruptcy of Lehman Brothers.

However, the impact of financial crisis of 2008 and 2011 (the sovereign debt crisis) in savings decisions in private pension schemes, has been analysed in a survey conducted by MEFOP (the company for pension funds development), which takes care of studying, interpreting and communicating the social security culture. For the survey, MEFOP collaborated with Tuscia University and CAGE Warwick University. The data were collected in 2008 and 2012 with CATI method (computer-assisted telephone interviewing) among a sample of 900 interviews to workers randomly drawn from Italian workforce selected on the base of membership, age, gender, type of employment and geographical area. The interviewed had to give a degree of agreement on a set of statements about the confidence towards pension funds and whether financial crisis affects the probability to join. The results of the survey show that neither financial crises in 2008 and 2011 nor the Pension reform in 2011 seem that did not affect levels of membership.

Even if the problem of financial crisis seems not to have directly discouraged membership, we have to consider the problems existing in job market and the consequences due to the lack of a continue national communication campaign: it's difficult to understand how much each different factor affected respectively the adhesion rate.

Figure 24: Members of pension funds from 1999 to 2016



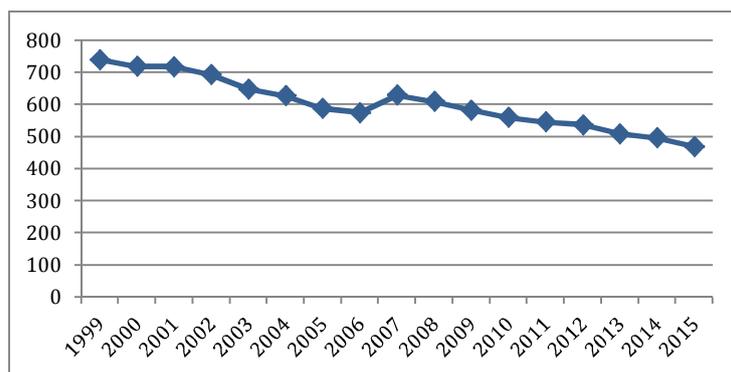
Source: Personal elaboration based on COVIP, 2015

As regards the number of pension funds (Fig. 25) in the period 1999-2015, the evidence shows a clear reduction in all the categories; many small funds were incorporated with others

with greater dimensions or were closed. Only in 2007 there was a temporary increase, especially in the case of contractual and pre-existing pension funds: some of them were addressed to the same categories of workers and for this reason they had been subjected to a revision (aimed to the rationalisation and to the exploitation of economies of scale), in fact, from 2008 the total number has continued to decline. Considering comparable countries like Netherlands or Portugal, the total number of Italian funds is to consider in line with them. On the whole, the number of pre-existing pension funds prevails on the others.

The reduction of the number of funds is an useful process of simplification helping individuals in their choice, reducing the effects of the complexity bias in the adhesion decision (the risk that people feel confused and unprepared in front of an excessive number of options which requires time and the appropriate knowledge to analyse).

Figure 25: The number of pension funds from 1999 to 2015 (Fondinps is included)



Source: Personal elaboration based on COVIP, 2015

Analysing the distribution of participants by size classes, in 2015 more than an half of the funds (248 out of 469) had less than 1.000 members. Contractual pension funds were not present in this class.

Figure 26: Distribution of pension funds by members as at 31.12.15.

Size classes	Contractual Pension Funds		Open Pension Funds		"New" PIP		Pre-existing Pension Funds		Total*	
	N°	Members	N°	Members	N°	Members	N°	Members	N°	Members
> 100,000	5	1.369.910	2	393.830	5	1.739.923	-	-	12	3.503.663
50,001 to 100,000	6	444.092	4	235.101	5	369.588	1	78.685	16	1.127.466
20,001 to 50,000	13	504.662	9	308.557	8	209.060	9	249.062	40	1.308.050
10,001 to 20,000	3	37.257	10	142.124	9	137.894	3	43.210	25	360.485
1.001 to 10,000	9	63.182	19	66.614	33	132.717	67	240.106	128	502.619
100 to 1,000	-	-	6	3.870	16	6.494	74	31.793	96	42.157
< 100	-	-	-	-	2	128	150	1.941	152	2.069
Total	36	2.419.103	50	1.150.096	78	2.595.804	304	644.797	469	6.846.509

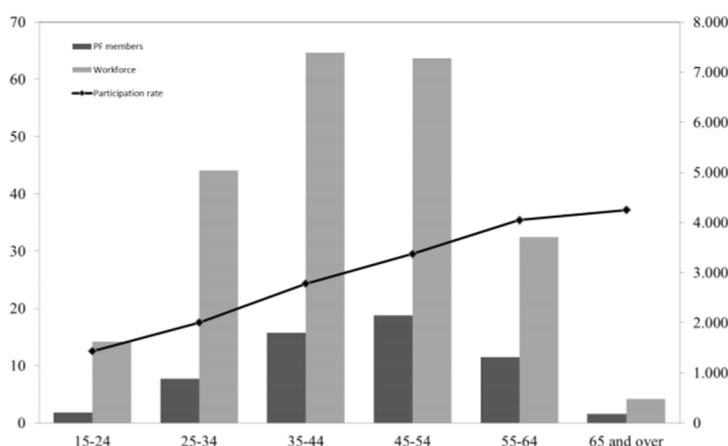
* Fondinps is included.

Source: COVIP, 2015

Considering the distribution of adhesions by age, we can notice that only 16% of the labour force under 25 years old is enrolled in a supplementary pension fund. This is the effect of procrastination of the retirement decision and of the “mental accounting” bias: young people think that “it’s too early” to decide and that the procrastination of their retirement decision will not affect the value of their future pension.

The highest rate is 61,1% among workers aged 35-44. We can find an high rate also among individuals aged 45-55 (Fig. 27).

Figure 27: Members, workforce (data provided by ISTAT) and participation rate by age groups (As at 31.12.2015)



Source: COVIP, 2015

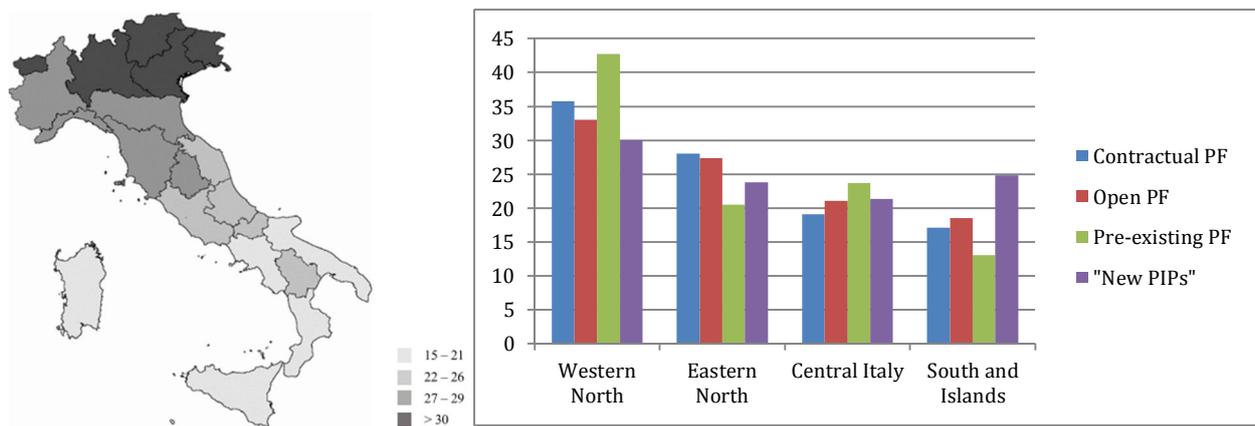
In general, most of young people under 35 years old are enrolled in opens pension funds and “new” PIPs while elderly people are mainly enrolled in contractual and pre-existing pension funds.

With respect to the residence of members, the participation rate in the North is around 30%. The highest levels (40-45%) are present in the Western North, in particular in Valle d'Aosta and Trentino Alto Adige, while Calabria and Sardinia registered only a rate of 16%. This seems related to the different levels of literacy and of financial education.

The distribution of the different forms of funds is not homogenous: contractual and pre-existing funds are stronger in the North while in the South the adhesion to "new" PIPs is prevalent.

According to the Annual Report of COVIP (2015), this happens probably because cultural resistances against pension funds in southern Italy are higher and also because there are less local initiatives.

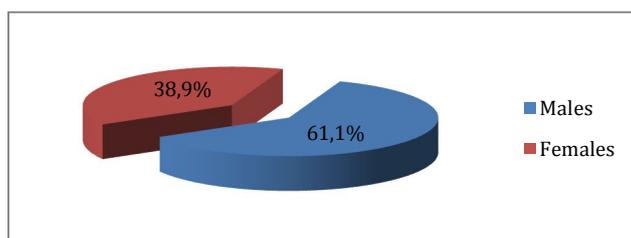
Figure 28: Members by region as at 31.12.2014(%)



Source: COVIP, 2015

Considering the gender, the rate of participation among males is 27,2% and 23,5% among females. Male members represent the 61,1% of the total with high rates among individuals older than 45 years old (Fig. 29). The presence of female members is stronger among younger people.

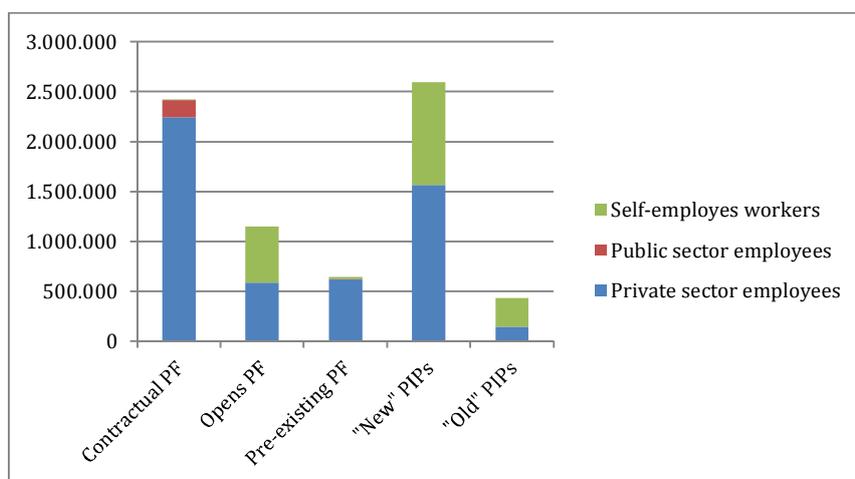
Figure 29: Members by gender as at 31.12.2014



Source: Personal elaboration based on COVIP, 2015

As regards the professional condition (Fig. 30) we can notice that workers of private sector are present in the biggest proportion, naturally, in the contractual pension funds but, a consistent part is enrolled in a “new” PIP, meaning that they can’t benefit of the employer’s contribution. The greatest proportion of self-employed workers adheres to a “new” PIP but there are many adhesions also in open pension funds. Also public sector workers adhere to contractual pension funds (school, healthcare system and regional categories).

Figure 30: Members by professional category as at 31.12.2015



Source: Personal elaboration based on COVIP, 2015

In a total number of 25,5 million of units of labour force (comprehending not only employed individuals but also people looking for a job) the rate of adhesion is around 28,3%. With respect to employed individuals the rate is about 32,2% (37,9% in private sector workers).

In 2015, about 1,785 million members did not pay contributions, 60.000 more than 2014; this tendency was prominent among self-employed workers and, in general, among the participants of “new” PIPs (Fig. 31). This happened probably because for individual adhesions

the option of redemption was not provided; the right has been recently extended in L.D no. 22/2015 (COVIP, 2015).

Figure 31: Participation rate as at 31.12.2015

Eligible members	Members	Actively contributing members	Employment	Participation rate (%)	
				Gross	Net*
Private employees	sector 5.173.830	4.225.582	13.663.000	37,9	30,9
Public employees	sector 174.457	171.462	3.325.000	5,2	5,2
Self-employed workers	1.878.620	1.044.824	5.477.000	34,3	19,1
Total	7.226.907	5.441.868	22.465.000	32,2	24,2

* Members who did not actively contributed to a pension plan in 2015 are not included.

Source: COVIP, 2015

Considering the contribution communication, we can notice that many pension funds underline the fact that each member can choose to contribute partly with his salary (for the desired amount) or not. In particular, contractual pension funds emphasize the possibility to receive the employer's contribution. There is not an evident emphasis on the fact that different levels of contribution produce different results: almost all pension funds rely on the provision of pension calculators in their websites, in which individuals can realize how different could be the estimations. Increasing contribution schemes, linked to the level of member's salary, could be a good solution in order to assure an adequate level of contribution, without the perception of a big "cut" in the salary. However, in general, it's not simple to find information on how contribution levels are set: people have to read all the formal documents or ask to a meet one of their consultants.

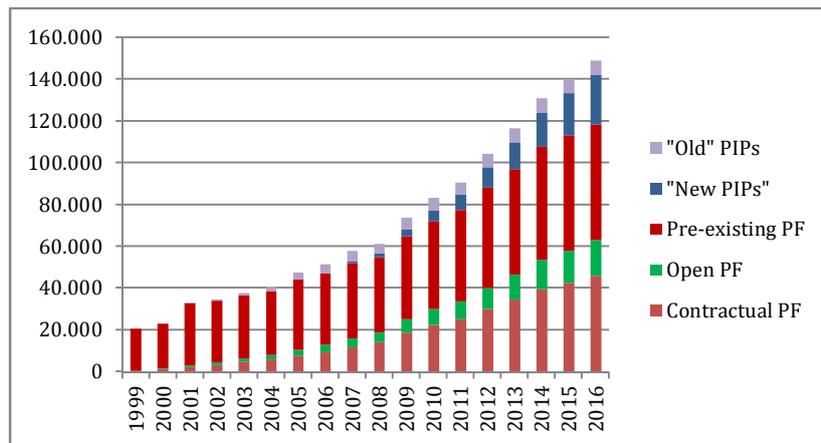
Assets and contributions trends had been constantly but slightly increased without achieving the expected results. This is the probably consequence of the "status quo" bias which induces individuals to contribute only at the minimal level because they are not able to perceive the tangibility of the future benefits generated by current contributions.

Assets comprehend the net assets destined to performance (ANDP) for contractual, opens and pre-existing pension funds with legal personality that manage directly the assets while for pre-existing pension funds without legal personality and PIPs assets correspond to the

mathematical reserves (the amount which the insurance company has to accrue in order to face future obligations towards insured individuals).³²

At the end of 2016 the value of assets amounted for 149 million euros with an annual increase of 9 million euros. The majority of assets are present in contractual and pre-existing pension funds; open pension funds and “new” PIPs show a constant increase in contribution but they remain below standards (Fig. 32).

Figure 32: Distribution of assets (billions of euros) from 1999 to 2016



Source: Personal elaboration based on COVIP, 2015

Following the analysis of COVIP, at the end of 2015, the number of pension funds with more than 1 billion euros of assets was 32 (Fig. 33). The dimension of the forms of supplementary pension funds by assets is an important variable for determining their potentialities for achieving more efficient levels and for improving their organizational structures.

³² www.covip.it, Glossario

Figure 33: Distribution of pension funds by assets as at 31.12.2015

Sizes classes	Contractual Pension Funds		Open Pension Funds		"New" PIP		Pre-existing Pension Funds		Total*	
	N°	Assets	N°	Assets	N°	Assets	N°	Assets	N°	Assets
> 5,000	2	14.781	-	-	-	-	1	9.235	3	24.016
2,501 to 5,000	1	3.028	1	2.938	2	6.327	1	2.945	5	15.237
1,001 to 2,500	8	12.649	1	1.537	4	7.828	11	19.246	24	41.259
501 to 1,000	13	9.854	9	6.357	1	822	9	6.452	32	23.485
101 to 500	9	2.047	17	3.775	19	3.641	57	12.889	102	22.352
25 to 100	3	187	13	722	18	1.084	65	3.424	100	5.487
1 to 24	-	-	9	102	32	353	116	1.098	157	1.553
< 1	-	-	-	-	2	1	44	10	46	12
Total	36	42.546	50	15.430	78	20.056	304	52.299	469	133.401

*Fondinps included.

Source: COVIP, 2015

During 2015, the collected assets increased of 9,2 billion euros and the gross contributions amounted to 13,5 billion (500 million more than 2014). The 60% of total increase is referred to contractual pension funds (equal to 4,5 billion euros): this is an indicator that the new mechanism introduced by Prevedi for construction sector workers has significantly increased the number of adhesions but the same trend has not been followed by the assets.

However, in the 13,5 billion of gross contribution, the 40% (5,5 billion euros) is generated by the flow of the TFR that remained stable compared to 2014, despite the new law provision that allows workers of private sector to choose to have the payment of their TFR in their payslips.

Figure 34: Assets and contributions

	Assets		Δ 2015/2014	%	Contributions	
	2014	2015			2015	of which: TFR
Contractual Pension Funds	39.644	42.546	7,3		4.469	2.824
Open Pension Funds	13.980	15.430	10,4		1.599	512
Pre-existing Pension Funds	54.033	55.299	2,3		3.702	1.616
"New" PIPs	16.369	20.056	22,5		3.333	521
Total*	124.091	133.401	7,5		13.111	5.481
"Old" PIPs	6.850	6.779	-1		436	-
Total	130.941	140.180	7,1		13.547	5.481

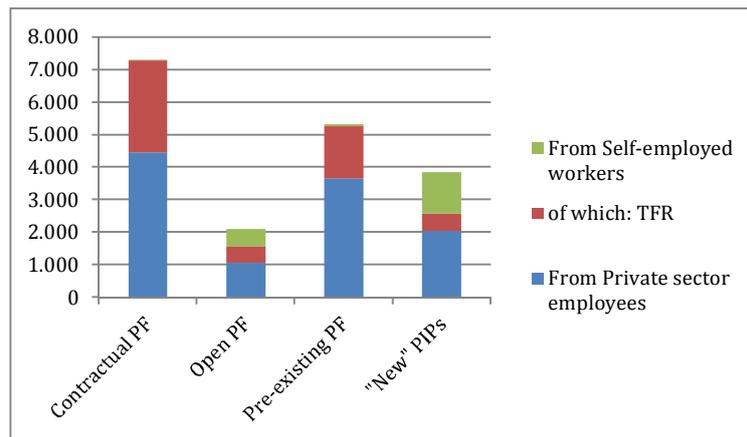
*Fondinps is included

Source: COVIP, 2015

With respect to the contributions by professional condition, private sector employee contributed for 11,4 billion euros with an average contribution of 2.600 euros in contractual pension funds, 2.540 in open pension funds and 1.740 in PIPs (Fig. 35).

Self-employed works contributed for 2,1 billion euros with an average contribution rate of 2.070 euros in PIPs.

Figure 35: Contribution flows



Source: Personal elaboration based on COVIP, 2015

3.6 EFFECTS OF PENSION COMMUNICATION ON INVESTMENT TRENDS IN ITALY

For what concerns the investment phase, the communication in pension provider's websites is often limited only to provide information about the regulation and the functioning of the different investment lines.

The classification of sub-funds, according to Covip, is based on the percentage of equity investment in the portfolio. Using this parameter we distinguish the sub-funds in the following categories:

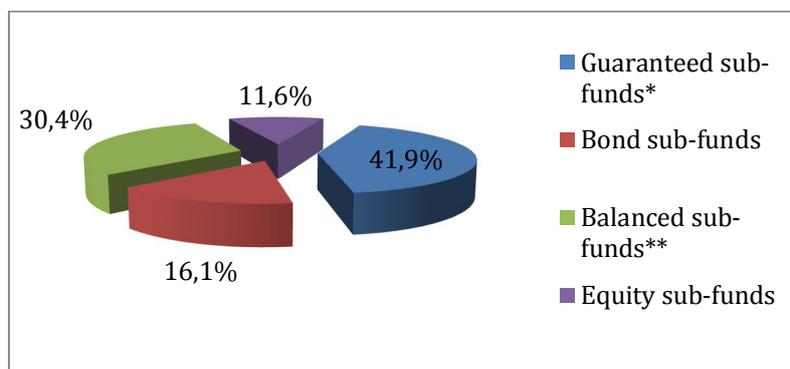
- Bond, with no equity investment;
- Balanced, with a maximal equity investment equal to 50%;
- Equity, with an equity investment at least of 50%.
- Guaranteed, comprehend investments providing a guaranteed result, independently from the classification of COVIP (the restitution of the of the assets within a certain period and/or when certain events occurs or ensuring returns equal or higher than the revaluation of the TFR).

Subjects who adhere to a supplementary pension funds without choosing the sub-funds are automatically enrolled in a default sub-fund, identified by the single fund.

Each pension fund, generally, disclose through their information tools (from the brochures to the web sites) which sub-funds proposes informing on the level of the risk and describing for whom each sub-fund could better fit on the base of time horizons. We can easily find all the past performances and the series of returns for each sub-fund, helping people to have a global picture of their offer.

In Italy, pension fund portfolios are substantially risk-averse: the majority of members, in fact, adhered to a guaranteed sub-fund (41,9%), then we find balance sub-funds with 30,4%, bond sub-funds with 16,1% and only 11,6% for equity (Fig. 36-37).

Figure 36: Members by type of investment sub-funds (%)



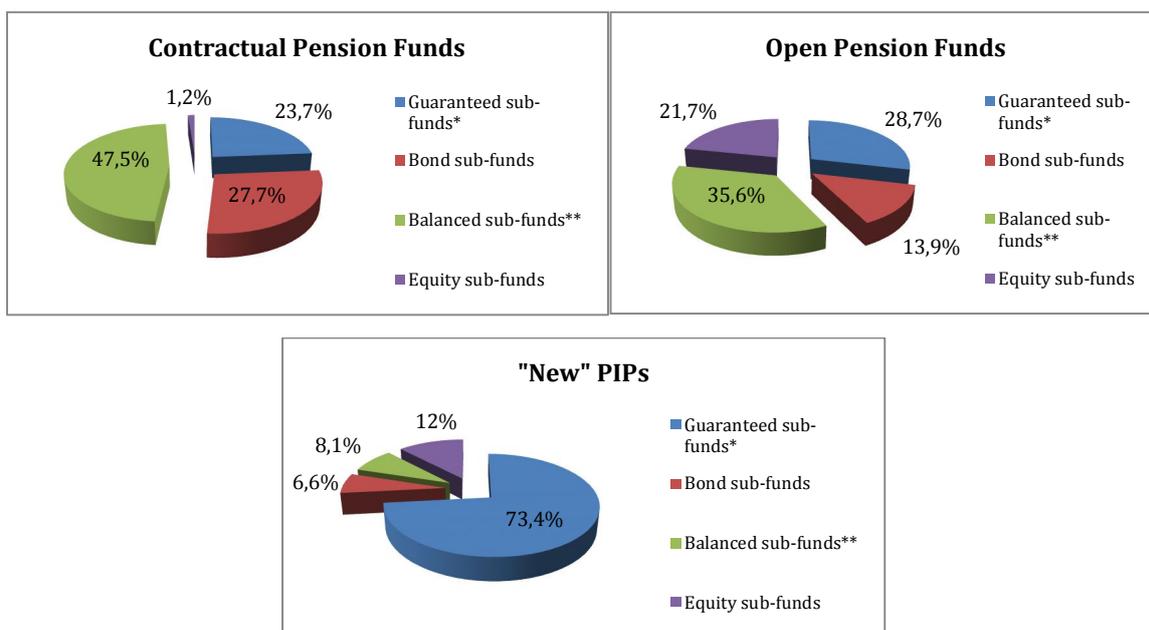
* For "new" PIPs regards the Traditional Life Policies.

** Comprehends the so-called "flexible" investment lines

Source: Personal elaboration based on COVIP, 2015

More specifically, in contractual pension funds there is an evident equal distribution between guaranteed, balanced and bond sub-funds with a very limited use of equity. This not happens in open pension funds, where there is more homogenization. In both cases there is a slight prevalence of balanced sub-funds (respectively 47,5% and 35,6%). A totally different situation has been revealed in "new" PIPs: there is a marked predominance of guaranteed sub-fund, equal to 73,4%. This could be a probably effect of the loss aversion bias, for which individuals tend to avoid risky investments.

Figure 37: Members by type of investment sub-funds (%)



* For "new" PIPs regards the Traditional Life Policies.

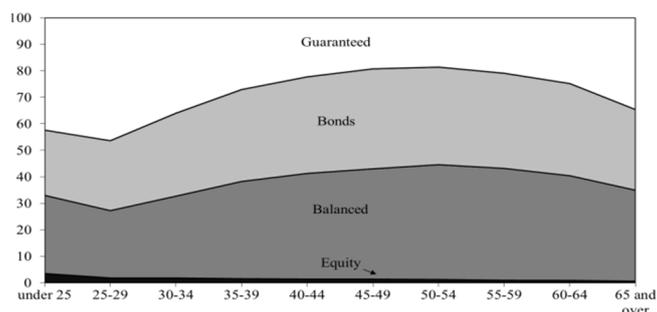
** Comprehends the so-called "flexible" investment lines

Source: Personal elaboration based on COVIP, 2015

In most of pension communication we can find recommendations for the use of guaranteed lines to workers near to the retirement age and with high risk-aversion and for more dynamic lines to young people and people with lower risk-aversion. However there is evidence of low emphasis in underlining that choosing a more prudent line affect considerably the future results.

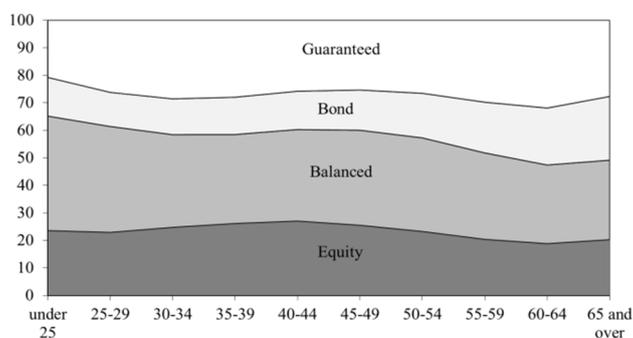
In fact, in the tables below (Fig. 38-39) we can see that in contractual and open pension funds there is large use of guaranteed and bond sub-funds also among young people: maybe, this might not be the best solution for them because it will inevitably affect their future results. Moreover, especially in open pension funds, the level of equity had been continuously decreasing.

Figure 38: Members by investment sub-funds and age group in contractual pension funds (2015)



Source: COVIP, 2015

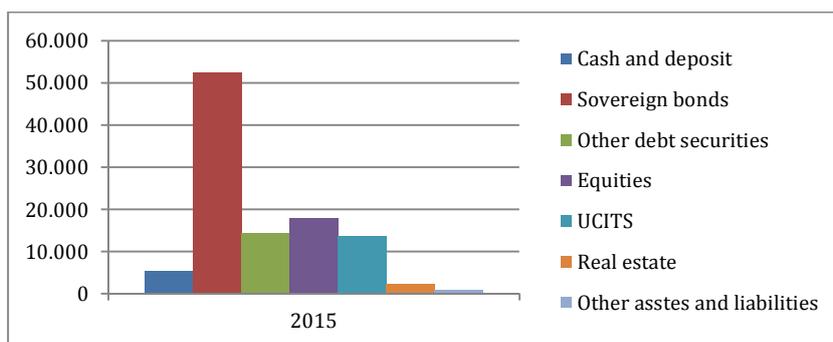
Figure 39: Members by investment sub-funds and age group in open pension funds in 2015



Source: COVIP, 2015

According to the Annual Report of COVIP (2015), the prudence of individuals is reflected on portfolio allocations: there is an evident prevalence, in all pension funds, of sovereign bonds with 52,6 billion euros (62,6% of the total). However, even if equity levels show only 17,9 billion euros (in the last survey of OECD there is evidence that other countries present higher values), they had increased of 1,4 billion compared to 2014 (Fig. 40).

Figure 40: Portfolio allocation and domestic assets



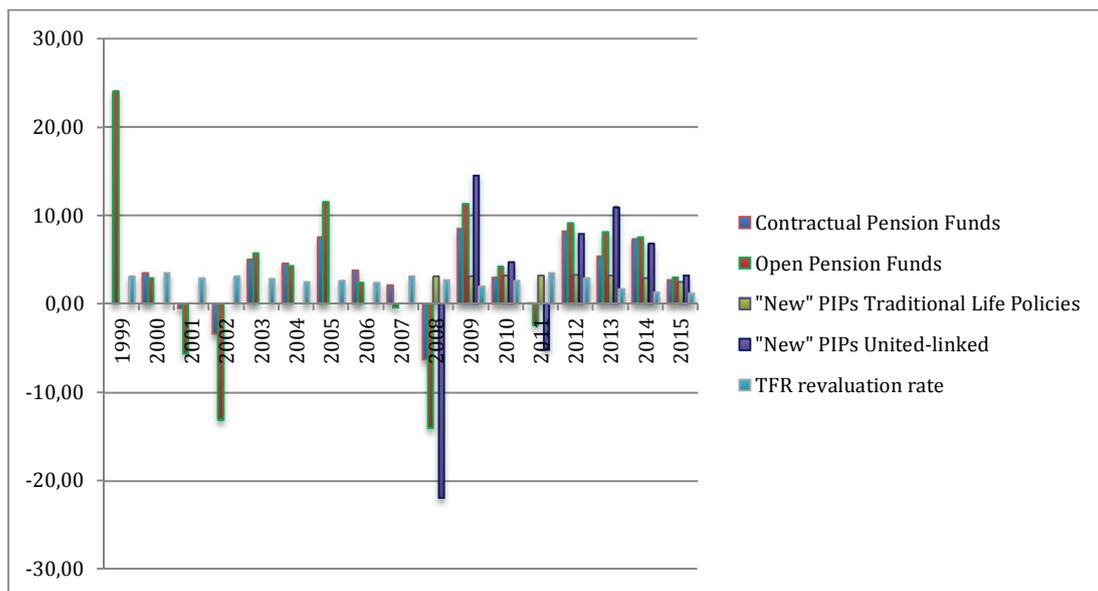
Source: Personal elaboration based on COVIP, 2015

In Fig. 41 we can observe that returns had been fluctuating, achieving also negative results in 2001-2002, 2008 and 2011. These negative trends are always related to financial crisis and conjunctures of events, as the stock market downturn in 2002 (in addition to the effects of the Twin Towers attack in 2001), the bankruptcy of Lehman Brothers in 2008 and the sovereign debt crisis in 2011.

All these factors, especially the drastic financial crisis in 2008 seemed to have increased the “fear” of the risk among individuals: people are even less confident on financial markets.

In fact, in the survey conducted by MEFOP, mentioned in previous sections, has demonstrated that, even if the membership in pension funds seems not to be affected by financial crisis, the confidence on private pension schemes, conversely, has been swayed and for this reason people might prefer more secure investments in order to avoid the risk of “lose their money”.³³

Figure 41: Rates of return*(%)



*Rates of return are net of costs and taxes. Net return of PIP are calculated according to the standardized methodology defined by COVIP

Source: Personal elaboration based on COVIP, 2015

From 2012 there has been a great increase in returns until 2015, in which the results were positive but lower; in 2016 they remained constant for all pension funds. The returns have

³³ Di Galleonardo L., Marè M., Motroni A., Porcelli F., The impact of the financial crisis on saving decisions: evidences from Italian PFs, MEFOP, Tuscia University, CAGE Warwick University, CERP Workshop, Moncalieri, 9 September 2016

been higher than the TFR revaluation rate, meaning that the choice of adhering to a pension funds has repaid.

In 2016, pension funds with higher exposure to equities performed better than those with higher exposure in fixed securities, returns were significantly higher than the revaluation of the TFR (it grew 1,5% net of tax in 2016).

Figure 42: Net rates of return (%)

	2008	2009	2010	2011	2012	2013	2014	2015	2016
Contractual Pension Funds	-6,3	8,5	3,0	0,1	8,2	5,4	7,3	2,7	2,7
<i>Guaranteed sub-funds*</i>	3,1	4,6	0,2	-0,5	7,7	3,1	4,6	1,9	0,8
<i>Bond sub-funds</i>	1,6	2,9	0,4	1,7	3,0	1,2	1,2	0,5	0,2
<i>Mixed Bond sub-funds</i>	-3,9	8,1	3,6	1,1	8,1	5,0	8,1	2,4	2,9
<i>Balanced sub-funds</i>	-9,4	10,4	3,6	-0,6	9,2	6,6	8,5	3,3	3,4
<i>Equity sub-funds</i>	-24,5	16,1	6,2	-3	11,4	12,8	9,8	5	4,1
Open Pension Funds	-14	11,3	4,2	-2,4	9,1	8,1	7,5	3,0	2,2
<i>Guaranteed sub-funds*</i>	1,9	4,8	0,7	-0,3	6,6	2	4,3	0,9	0,7
<i>Bond sub-funds</i>	4,9	4,0	1,0	1,0	6,4	0,8	6,9	1,0	1,6
<i>Mixed Bond sub-funds</i>	-2,2	6,7	2,6	0,4	8	3,6	8	2,2	2,3
<i>Balanced sub-funds</i>	-14,1	12,5	4,7	-2,3	10	8,3	8,7	3,8	2,6
<i>Equity sub-funds</i>	-27,6	17,7	7,2	-5,3	10,8	16	8,7	4,3	3,7
"New" PIPs									
Traditional life policies**	3,1	3,1	3,2	3,2	3,3	3,2	2,9	2,5	...
Unit linked	-21,9	14,5	4,7	-5,2	7,9	10,9	6,8	3,2	3,6
<i>Bond sub-funds</i>	2,4	3,7	0,6	0,8	4,9	-0,3	3,3	0,6	0,4
<i>Balanced sub-funds</i>	-8,3	7,8	2,5	-3,5	6,4	5,8	8,2	1,8	1,6
<i>Equity sub-funds</i>	-32,4	20,6	6,7	-7,9	9,6	17,2	7,2	4,4	5,7
TFR Revaluation Rate	2,7	2,0	2,6	3,5	2,9	1,7	1,3	1,2	1,5

*Rates of return are net of costs and taxes. Net return of PIP are calculated according to the standardized methodology defined by COVIP

**Data on traditional life policies are not available during the year

Source: COVIP, 2015

In the last years, however, when the Law 166 of 2014 entered into force, some contractual pension schemes started to incentivize the diversification: the recent tendency is, in fact, to look for new asset classes, new ways for implementation, new ways to manage risk and a changing approach to alternatives.

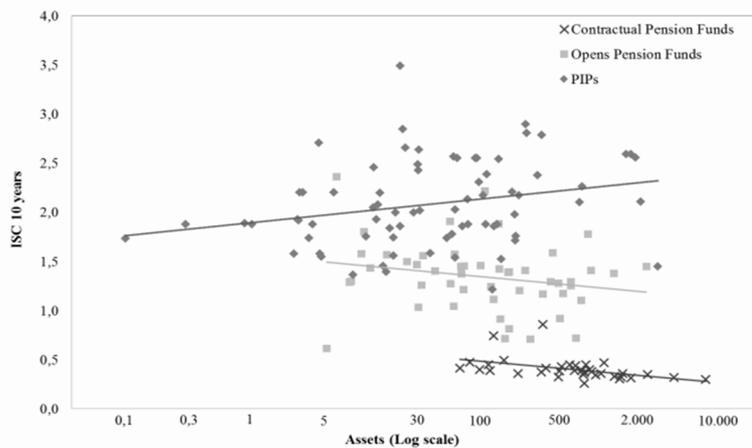
Eurofer, the contractual pension fund for the workers in the railway sector, ANAS and N.T.V., has developed in the last three years a strategic asset allocation with a strong innovation, giving also importance to alternative investments. For these reasons, he fund has been rewarded both in 2015 both in 2016 as "Contractual pension fund of the year".

With respect to costs, COVIP requests all pension funds to show the ISC (indicator for the incidence of the costs beard by members each year of participation) in order to help individuals to do benchmark and make their choice. Comparing 2015 ISC values with those of

2007, there are not significant variances; however, even if PIPs are the most expensive, they registered the highest number of new adhesions from 2007 to 2015. For contractual and open pension funds, there is an evident inverse relation between costs and assets probably as result of the process of rationalisation; this not happens for PIPs (Fig. 43).

Moreover, the greater costs of PIPs don't correspond to higher returns: for this reason COVIP, with its recent regulations, wants to help individuals in managing the trade-off between quantity/complexity and clarity/facility of pension information that could be a first step from institutions towards the recognition of behavioural biases in retirement decisions.

Figure 43: Synthetic Cost Indicator (10 years)



Source: COVIP, 2015

3.7 EFFECTS OF PENSION COMMUNICATION ON PERFORMANCE TRENDS IN ITALY

According to Regulations, the member of a supplementary pension fund has the right to choose whether to receive the pension entirely in annuity form or in lump sum cash out (up to a maximum of 50% of the matured position, except particular cases). The law seems to prevent the so-called “longevity risk” (the risk to consume all the lump sum cash out before dying). The member can also obtain the redemption, an advance payment or a transfer during the accumulation phase, issues which, according to COVIP, are often subject of complaints.

The communication related to these aspects seems not to be well developed: almost all pension funds provide only legal information in their brochures and often in their websites, but only few of them provide additional information about, for example, the different types of

annuities offered as Eurofer does in its website where we can find a description of different forms of annuities able to satisfy different needs such as bequest motives.

What is undervalued is the fact that choosing the performance of pension fund is a gamble: the member doesn't know if he will live enough to exploit what he invested during his working life and for this reason, he may be afraid of making errors and the more secure option for them might seem to be the lump sum. Moreover the non-clarity about bequest issues reduce people's propensity to adhere to a pension fund.

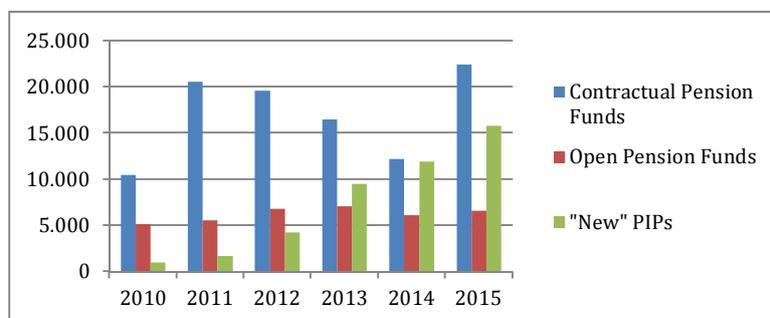
This tendency may be due to the fact that probably pension providers are more interested in the engagement of individuals in the phase of adhesion: the choice of the performance, in fact, could be seen the latest issue in order of importance, and for this reason, additional information about these aspects are left to the reading of formal documents or to meetings with their consultants and agents.

However, from the behavioural finance point of view, in the communication of different Italian pension funds, there is nothing able to emphasize the different effects of choosing a lump sum form instead of an annuity or vice versa and there are not explanations about the risk to consume all the lump sum cash outs before dying.

In 2015 the exits from the system amounted for 159.000 units, 15.000 units more compared to 2014. The number of requests for total redemptions represented the greatest number (98.000, the half in contractual pension funds).

With respect to the number of requests form lump-sum cash-outs (Fig. 44), they amounted for 58.000 units (38% in contractual pension funds which nearly doubled with a registered increase of 84% passing from 12.165 requests in 2014 to 22.400 in 2015).

Figure 44: Number of request for lump-sum cash-outs



Source: Personal elaboration based on COVIP, 2015

The number of requests for annuities amounted for 3.300 units, almost all in pre-existing pension funds.

The transfers among different supplementary pension schemes were 2,2% of the total and, with the exclusion of the movements due to operations for the rationalisation of the supplementary pension offer, the transfers amounted for only 1% of the total.

3.8 BEHAVIOURAL FINANCE AND THE ITALIAN PENSION COMMUNICATION APPROACH

In the following section, we analyse the pension communication paradigm in Italy and the trends in the different phases of the retirement decision using the framework of the behavioural finance and the knowledge of biases and their effects on people.

In the adhesion phase, it's evident how the peer effect has worked during these years: the evidence suggests that specific categories show high levels of adhesion, while others show the opposite trend. This effect is due also to the information flow among employees (a sort of "cafeteria effect"): a survey ran among members of Fonchim, the chemical industry national fund, and among participants of Cometa, the steel industry national fund (the first two funds by number of members at the end of 2007) demonstrated that where the communication between employees was good, the number of adhesions was high while, where communication was poor and sometimes distorted, the membership levels were low (Rinaldi,2010). This aspect is even more amplified by the fact that an increasing number of individuals prefer to search for information using the web and this could lead to biased decisions, given that they start from a low level of knowledge and they are not able to recognize misleading or approximate information.

This demonstrated how individuals rely primarily on their peers and on the web and, only in a second moment, to experts. A good way to contrast this tendency could be the attempts, for example, of many insurance companies, of incentivize meetings with their consultants using slogans i.e. "discover pension funds with us", "find the agency nearest to you" etc.

We can also observe that the participation rate among young people is low: the tendency to procrastinate the retirement choice is evident and there is an urgent need for the development of interactive communication forms.

An optimal tools for taking advantage the peer effect, the massive use of the web and, at the same time, to engage younger people through innovative tools, is the creation of communities

and blogs, as Axa Italia has done, in which individuals can share information their own experiences with other people in an informal and simply way. Unfortunately these tools are still not provided in the most of the websites of Italian pension funds.

Analysing the number of adhesion, we can affirm that after the initial boost during the “semester” the number of adhesion continued to increase but too slowly and, in most of the cases, the increase was not due to the automatic enrolment. One of the most important problems was the little time availability between the moment of the decision to anticipate the introduction of the new system and when the automatic enrolment took place: all the actors from the pension providers to the supervisory authorities had few time to adapt themselves to the new changes. Following the analysis of Rinaldi (2010), the national campaign was set up only at the beginning of the semester, with the result that people felt unprepared for the changes and, at the same time, they were not helped by the communication: the slogan with its emphasis on the “ importance to choose now” was inappropriate for the introduction of automatic enrolment: workers had to assess carefully and rapidly the available options; somehow it looked more consistent for a voluntary framework requiring the active adhesion of individuals instead of the “paternalistic” form of automatic enrolment, requiring to encourage individuals to take it for good. The framing effect has exhibited with all its consequences.

The message, in fact, lacked of a clear identification of the goals and targets with a resulting form of neutrality of public bodies with respect to the options offered and, together with the perception of individuals of rigid arrangements causing the irreversibility of the choice of contributing to the fund through the TFR, probably might have created uncertainty and anxiety between workers who judged the system too complex and they decided to procrastinate, demonstrating the actual problem of self-control of individuals.

The bias of complexity has never been solved in Italy also because there has been an evident lack of informative channels after the reform, except for the orange envelop of last year; the system might appear fragmented and overregulated, with too many changes in regulations due to the continue negotiation between the Government and the social parts. However, the problem of complexity had been lightened thanks to the decreasing trend in the number of pension funds which can simplify the decision of individuals, trying to avoid the effect of “choice overload”.

A great mechanism that seems to be very successful for the adhesion (but only in part for contribution aspects) is the new automatic enrolment introduced by Prevedi and other few contractual pension funds: the abandon of the compulsory contribution of TFR and the introduction of the so-called “contractual contribution”, which can be integrated obtaining a favourable contribution treatment.

The “soft” automatic enrolment wasn’t so successful also in the contribution side because of the “status quo bias”: the TFR represented the minimum contribution level and individuals felt to have contributed enough without affecting too much their wealth because they didn’t perceive a direct “cut” in their salaries. If in every automatic enrolment the “status quo” is the most important cause of the low contribution level, in Italy this aspect hasn’t been taken into account, with the consequent amplification of the problems already presents in other countries. The middle road related to the use of TFR has been the crucial factor also because there wasn’t anything in the communication campaign that incentivized people to increase contribution with their salaries and, consequently, they did as little they could to ease the process.³⁴ The national communication strategies lacked of tools aimed to show the future advantages of the contribution, which is one of the most important bias in this decisional phase together with the problem of the lack of planning: the communication was aimed only to achieve a great number of people immediately and it didn’t consider a program with a long-term horizon; in fact pension communication was left “reeling” after the semester of the Reform.

Moreover, the difficulty to find information on contribution does not incentivize to save more: the provision of pension calculators online is fundamental but the aim of these tools needs to be more emphasized.

Continuing with the analysis of Rinaldi (2010), another important factor, related to the adhesion, the contribution and also to the investment decision, is the structural context: even if the financial and economic crisis in 2008 seemed not have affected the number of adhesion in 2007, the crisis, tightened liquidity constraints: as consequence, in net wages, there was no room for resources to be allocated to supplementary pensions and the risk aversion of individuals has been increased, lowering the level of confidence in investing in financial markets through the pension scheme. Despite the expectations, a recent survey of MEFOP

³⁴ Moreolo C., Auto-enrolment in Italy: an unlikely champion, IPE, Investment Pension Europe, 2016

have demonstrated that the crises (2008 and 2011) and the pension reform in 2011 did not affect the membership but, the problems in job market are factors not to be ignore and that might have partly affect the trends.

As regards the investment decision, almost all pension funds provide information on the sub-funds they offer including series of their returns; the risk, here, is that people might rely too much on past performance without considering other factors like risk or the time horizon of investment.

Moreover, the conservative default option set up by law, the so-called guaranteed investment line, offering a yield comparable to that of the TFR, limits the possibilities to perform better than keeping the TFR in the balance sheet of the employer. In addition, the financial crisis might have increased the problem of the loss aversion leading people to choose secure line of investments without recognition of different time horizons available to workers of different age and, especially for young people, who might not choose their most suitable solution. The emphasis on this information is scarce and there is an evident lack in the communication about the possibility to achieve, through investments in financial markets, a superior performance than the simple revaluation of TFR.

With respect to the performance, the risk of consuming all the amount received as lump sum is kept under control by the Regulation, that does not allows, except in particular cases, to obtain more than 50% in lump sum form.

While all Italian pension funds provide information about the adhesion, for what concerns the information about performances, they limit themselves provide legal information: in very few cases, they disclose additional information about, for example, bequest aspects, which are critical factors that can affect significantly the will of individuals to adhere to pension funds.

The choice to join a pension fund is perceived as a gamble: this reduce the confidence of individuals especially if they are not helped through the disclosure of information by pension providers. Pension funds probably have to abandon their tendency to focus the communication only in adhesion aspects, in order to “sell” their product, assuming even more an educational role disclosing information including all the important aspects in the saving decision.

Lastly, we can affirm that the campaign ran by Italian institutions about automatic enrolment has been seen, in the first time, only as a substitute of educational initiatives and not as a

complement; an important starting point has to be the stabilization of the framework of public pensions in order to raise people awareness of its evolution in short and long term and giving the opportunity to all pension providers to continue to invest in their communication strategies.

The initiatives of single pension providers, for example the new auto-enrolment of Prevedi, are the right ways to improve pension systems and are essential for its development. Moreover, the development of individual forms of communication, not only through “orange envelops” but exploiting also other forms of periodic communication, it’s urgent. “It’s important that individuals are not left alone facing many difficult choices regarding their pension”: it’s necessary the development of an appropriate mix of instruments able to guarantee a consistent policy strategy also in the long-term, including not only informative but also educational objectives.³⁵

³⁵ Rinaldi A., Pension awareness and nation-wide auto-enrolment: the Italian experience, CERP, Roma, 2010, Page 16

4. PENSION SYSTEMS AND COMMUNICATION STRATEGIES ABROAD: SOME CASE STUDIES

In this chapter, we are going to analyse the general context of private pension systems around the world. In the first section, the aim of the analysis is to find some common trends and to make comparisons related to coverage rates, number of pension funds, pension fund investments and allocation. In the following sections we will analyse the different private pension systems focusing on the introduction of automatic enrolment in New Zealand, the United Kingdom and the United States. At the end of the chapter an analysis of the role of financial advisors and employers in pension communication is presented.

4.1 TRENDS IN PENSION MARKET SYSTEM

According to the latest available OECD data (2015), in 2013, seventeen of the thirty-four OECD countries had a mandatory or quasi-mandatory system in place, obtaining high levels of coverage among working-age population. The coverage is more than 70% in countries like Finland and Norway, while Iceland is the country with the highest rate (87,9%); the Netherlands, Sweden and Denmark, through their quasi-mandatory systems, achieve 60% of coverage rate, close to the rates achieved in countries with mandatory systems.³⁶

For what concerns voluntary pension schemes, the coverage rates varies across countries. In fact, we can find coverage rates around 50% in Germany but, also, very low rates in countries as Greece or Portugal, probably because of the generosity of public pensions.

The same mixed results have been achieved through the introduction of automatic-enrolment: in the following sections, we will see that the design of the system definitely affects the impact on coverage.

There are several ways to measure private pension coverage rate. In fact, distinguishing between occupational or personal pension plan, the rates cannot be always summed up together in order to obtain the total rate: this is the case, for example, of the United States, where individuals can enrol in more than one private pension scheme, in fact, the 41,6% is enrolled in an occupational pension scheme while 22% has a personal pension plan but, the overall coverage is 47,1%, meaning that 40% of US individuals who have an occupational scheme has also a personal plan (Fig. 45).

³⁶ OECD, Pensions at a Glance 2015: OECD and G20 indicators, OECD Publishing, Paris, 2015

Figure 45: Coverage of private pension scheme by type of plan in 2013

	Mandatory/quasi- mandatory	Voluntary		Total Vol.
		Occupational	Personal	
Australia	68,5	x	19,9	19,9
Finland	74,3	9,2	20,9	29,1
France	x	20,2	5,3	x
Germany	x	56,4	35,2	71,3
Iceland	87,9	x	52,2	52,2
Italy	x	7,4	8,9	15,7
Netherlands	88,0	x	28,3	28,3
New Zealand	x	7,2	72,9	-
Spain	x	3,3	15,7	18,6
Sweden	PPS: 100 QMO: 93	x	36,0	36,0
United Kingdom	x	30,0	11,1	43,3
United States	x	41,6	22,0	47,1

QMO= Quasi-mandatory occupational, PPS= Premium Pension System, X= Not applicable, -= Not available

Source: OECD, 2015

Evidence shows that it's possible to reach high levels of coverage with any type of pension system but only if pension reforms take into account the reference context, avoiding soft systems like, for example, the Italian Automatic enrolment that has demonstrated its limits. Moreover, changes in pension systems are effective only if they are supported by on-going communication campaigns, able to capture the attention of individuals through a process of identification and able to offer them all the relevant information avoiding complex details that would cause only the procrastination in retirement decisions.

Analysing the number of pension funds across countries, we can observe two opposite tendencies: countries where the total number is has generally declined if compared with 2005 date and countries like US, Australia, Canada, Spain Turkey which, instead, have seen a significant increase (Fig. 46). According to OECD data (2016), in 2015 the total number has decreased in 10 OECD and 10 non-OECD countries, in particular in Denmark and the Netherlands with -60% and the United Kingdom, -52,3%. The reduction is probably the result of mergers, acquisitions or closures in order to enhance economies of scale. The consolidation of pension fund sector might be beneficial for members when fees become lower or real net investment rates of return increase. From the opposite point of view, a lower number of funds might cause a situation of oligopoly with lower levels of competition.

The analysis conducted in 2016 by OECD, with the aim of discovering if there was a link between the number of pension funds and the overall investment performance, shows that there is not a linear relation between the net rates of return and the number of funds in 2015

but it suggests that over the period 2005-2015 sample countries with a number of fund between 30 to 149, were likely to experience higher net returns compared to countries with an higher number of pension funds.

We can conclude that the number of pension fund offered has to be balanced, avoiding the risk of oligopoly which would be counterproductive for members, but also avoiding the “overload” effect: when people have too many options to consider, they tend to feel confused and prefer not to decide or to passively choose the default option as we will see in the analysis of the Swedish case.

Figure 46: Number of pension funds in 2015 in OECD countries, compared to 2005

Evolution of the number of funds since 2005 (or first year available)	Country	Number of funds in 2015 (or latest year available)	Change compared to 2005 (or first year available)	
			% change	Absolute difference
Increase	United States (1,2)	685,203	0.9	6,108
	Australia	559,547	82.5	252,994
	Canada (2)	8,876	100.5	4,450
	Spain	1,688	34.5	433
	Turkey (3)	223	145.1	132
	Mexico (3)	55	71.9	23
	Poland (4)	25	25.0	5
	Estonia (5)	20	33.3	5
	Luxembourg	17	6.3	1
	Latvia (6)	15	15.4	2
	Greece (2,7)	11	266.7	8
	Slovenia (8)	9	28.6	2
	Stable	Chile (9)	30	0.0
Decrease	Ireland (10)	67,840	-19.4	-16,306
	United Kingdom (11)	43,690	-52.3	-47,984
	Switzerland (2)	1,866	-32.6	-904
	Netherlands (12)	320	-60.1	-482
	Italy	283	-37.7	-171
	Portugal	217	-2.7	-6
	Belgium (4)	196	-24.0	-62
	Germany	171	-3.9	-7
	Norway	87	-26.9	-32
	Hungary	48	-46.7	-42
	Slovak Republic (4)	37	-5.1	-2
	Israel	29	-3.3	-1
	Iceland	26	-43.5	-20
	Denmark	20	-60.0	-30
	Austria	13	-35.0	-7

Source: OECD, 2016

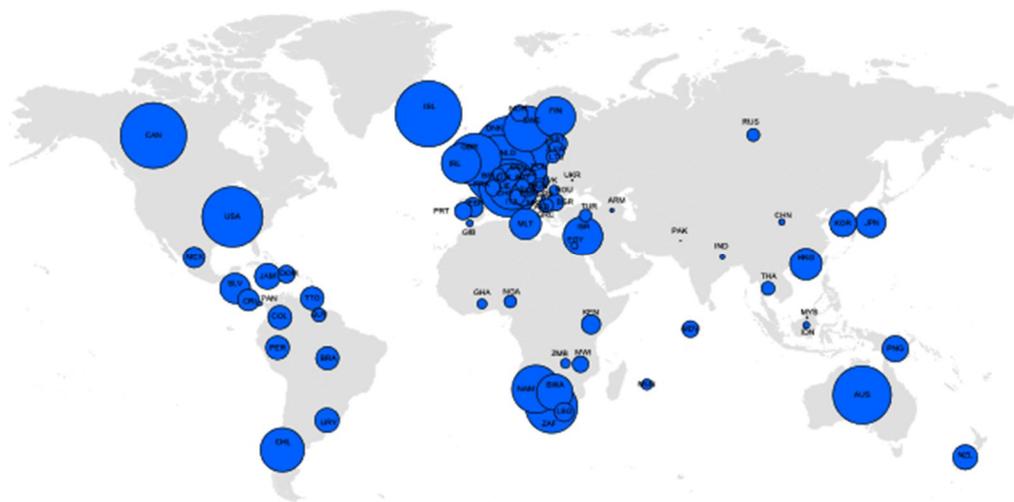
With respect to contributions, some countries have mandatory pension contribution rates for private pensions. According to Tapia and Yermo (2007), mandatory rates may have a negative

impact in the levels of acceptance of the system and, in fact, there are many discussions about the extent of freedom that an individual may have in these types of pension choices.

The tendency of people to save the lower possible amount is evident because they tend to focus on their present needs without planning their future. In the following sections, we will see how the system of “Save more tomorrow” takes into consideration these factors demonstrating that people are more willing to save more in the future.

According to the OECD report “Pension market in focus” (2016), the size of pension providers’ investments varies across countries: investments are larger in USD terms in North America (United States and Canada) and Western Europe (UK, the Netherlands and Switzerland). Comparing the amount of private pension assets to the GDP, measuring the size of the economy, we can obtain a better picture of the relative importance of funded pension systems and we can notice that private pension investments are high relative to GDP especially in the United States, Canada, Denmark, Iceland, Sweden, Australia and South Africa (Fig. 47). In the opposite side we can find countries as Italy, meaning that private pension sector has a limited presence in the domestic economy.

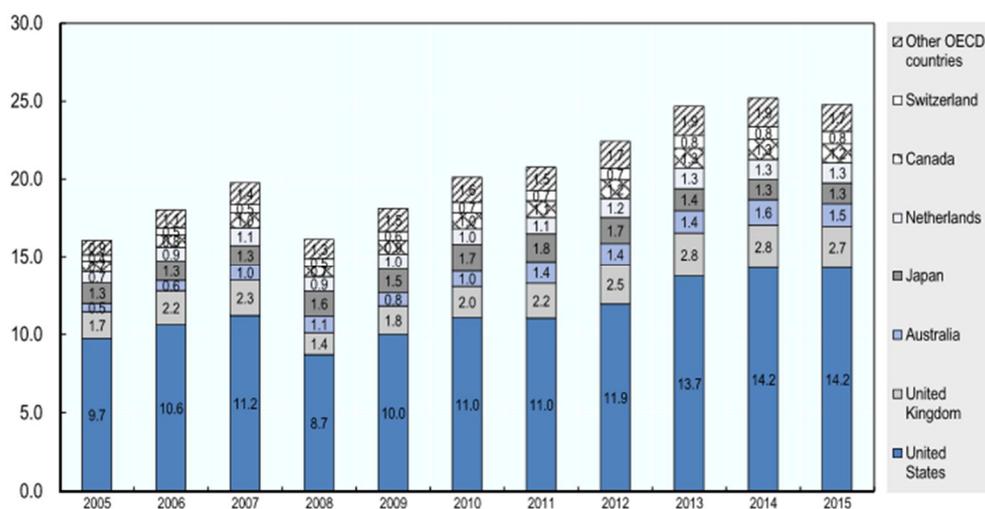
Figure 47: Size of private pension investments worldwide in 2015 as a percentage of GDP



Source: OECD, 2016

In Fig. 48, the United States, Australia, United Kingdom, the Netherlands and Japan represented most of pension fund total investments in USD terms in the OECD in 2015, accounting for 85% of OECD pension fund investments. After the fall in 2008 because of the financial crisis, from 2009 OECD pension fund investments have generally increased.

Figure 48: Pension fund investments in the OECD area, broken down by country, 2005-2015 (USD trillion)

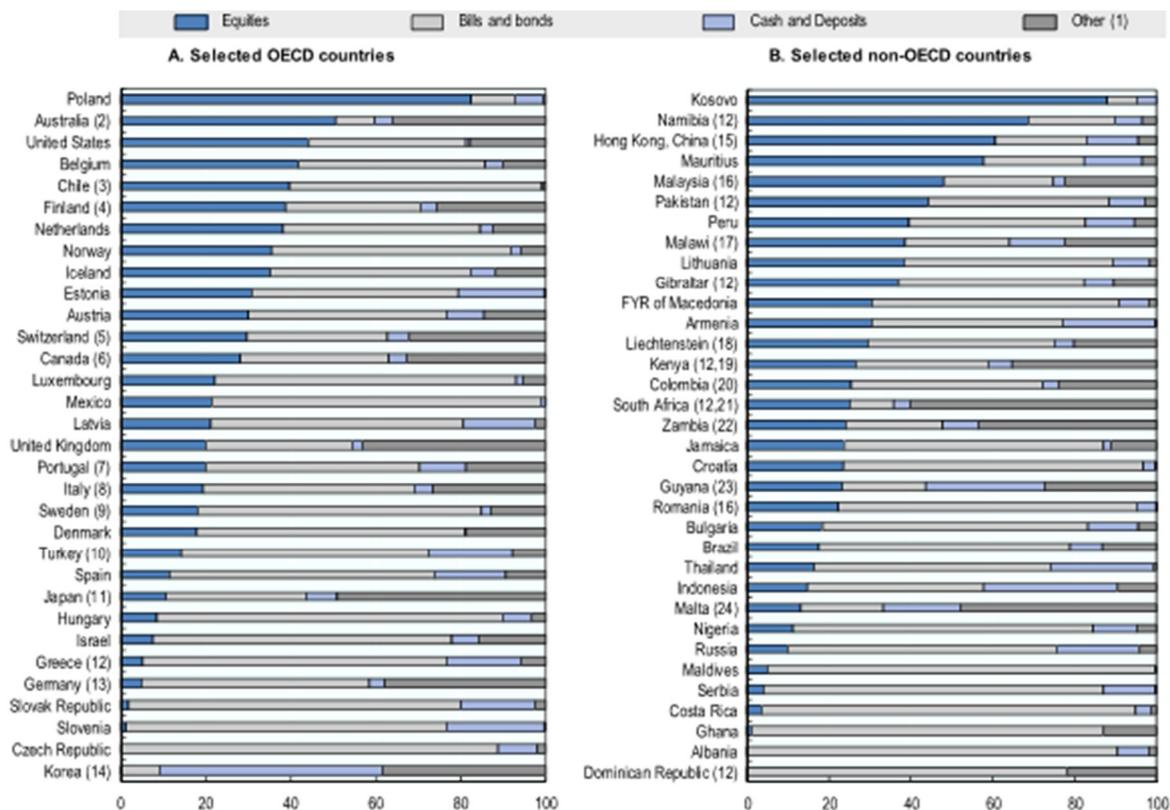


Source: OECD, 2016

Moreover, real net investment rates of return are positive, on average, in the majority of countries in 2015. The investment performance of pension funds was probably driven by the improvements in equity and bond markets; according to OECD “Pension market in focus”, these two asset classes accounted for more than 75% of pension fund portfolios in 2015 (in 20 OECD and 24 non-OECD countries).

Investments on equity dominate pension fund portfolios, especially in Australia, in the United States and in Belgium (Fig. 49).

Figure 49: Pension fund asset allocation for selected investment categories in 2015 (As a percentage of total investments)



Source: OECD, 2016

4.2 EXAMPLES OF VOLUNTARY AND MANDATORY PENSION SYSTEMS

During the first decade of the 2000s, many countries have reformed their private pension systems introducing completely different mechanisms and achieving different results. Germany, example, has a voluntary pension scheme in place, while countries like the Netherlands and Sweden have introduced a mandatory system. Moreover, some countries like Italy, the United States, the United Kingdom and New Zealand have introduced an automatic enrolment program, where people are automatically enrolled in a private pension scheme but they can choose to opt-out in a certain timeframe.

Germany and the voluntary private pension scheme

There are some cases in which supplementary pension schemes are still voluntary: employers, jointly with employees, are free to set up an occupational plan. This is the case, for example, of the voluntary private pension system in force in Germany. There are, in fact, the

so-called “Betrieblich Altersvorsorge”, occupational pension schemes, granted by employers, which cover more than half of all German workers.³⁷ For what concerns the third-pillar, individuals can join individual retirement plans (“Riester”). These plans are provided by banks, insurance companies or investment funds; they are tax-promoted and subsidised by the government. Thanks to the incentives, these schemes have recently received more attention.

The German government ran two communication campaigns in order to communicate the changes due to the reforms, enhancing the retirement age. The first was ran in 2001, in conjunction with the introduction of “Riester” pension, with media advertising; the second campaign was ran in 2007 through a pension information letter sent to 27 million of individuals explaining current and future entitlements.³⁸

Mandatory private pension systems: the Netherlands

Other countries, however, in order to face future state pension problems, have introduced mandatory or quasi-mandatory systems obtaining much higher coverage rates, around 70% of the working age population. This was the case, for example, in Sweden, Denmark, Estonia, Iceland, Switzerland, Poland, Hungary and Finland in Europe; Australia and Mexico.

In mandatory systems, a basic policy question is how much power of choice workers should have over key pension decisions (the provider, the investment portfolio, the income stream at retirement). However, as behavioural finance suggests, plan members make systematic errors in retirement saving decision especially when there is a lack of adequate disclosure and financial education.

The Netherlands, for example, have a quasi-mandatory pension system: through nation-wide or industry-wide collective bargaining agreements, employers set up a scheme that employee must join; not all sector are covered and this is why the system is classified as “quasi-mandatory”. In order to promote financial education, in 2006, a multi-sector platform for financial awareness, called CENTIQ, has been created by 45 partners, including the government and regulators, consumer organisations, financial services providers and also

³⁷ www.oecd.org, Directorate for Employment, Labour and Social Affairs, Pension systems, Pensions at a Glance 2015 - OECD and G20 indicators, Country-specific findings, Germany

³⁸ Russia Trust Fund, Improving pension information and communication, OECD Survey and Lessons learnt, 2013

universities.³⁹ The programme included also special events, the launch of a dedicated website (www.wijzeringeldzaken.nl), with 70.000 monthly visitors, containing researches, calculators and projections; moreover, the plan included also particular seminars in the schools and the introduction in university studies (financial management) of a course in pension systems. The platform was developed following also psychological and motivational models, focusing in achieving results in the long-term, exploiting high level of innovation, the potential of high impact and the high visibility.

Mandatory private pension systems: Sweden and the orange envelope

The arrangements in Swedish quasi-mandatory system (the so-called “Premium Pension System, PPS), have been introduced in 1999: there is a wide variety of funds offered with different investment alternatives. A member can choose a maximum of 5 different funds, without limitations for changes. Consequently, the number of funds has constantly increased during the early 2000s (Fig. 50).

Figure 50: Number of funds in the Premium Pension System

	2004		2005		2006	
	Number	% of total funds	Number	% of total funds	Number	% of total funds
Equity funds	471	71%	513	72%	571	73%
Mixed / Balanced funds	52	8%	51	7%	53	7%
Interest funds	114	17%	117	17%	122	16%
Life cycle funds	26	4%	30	4%	30	4%
Total	663		711		776	

Source: Tapia and Yermo, 2007

Following the analysis of Tapia et al. (2007), in Sweden, a particular attention has been given to the design of the default option for investment strategy, which was structured in order to reflect the asset allocation of an average investor in the system.

However, in the Swedish first round of choices in 2000, the Premium Pension System counted a large number of individuals who made an active choice. This can be explained by the effectiveness of Swedish government in providing comprehensive information targeting workers aged between 18-61; by marketing efforts of fund companies and by the attention given by the media to the new pension system. These activities have reduced the complexity

³⁹ Van den Heijkant M., Ministry of Finance, the Netherlands, CentiQ the Money-Wise Guide, a multi-sector platform for financial literacy, Annual Meeting of the Danish Insurance Association, May 6th 2010

and the costs for individuals to obtain information. In the same years, there has been also the introduction of a quasi-mandatory occupational system, known as ITP, which has also achieved great results in coverage (actually ITP is the name of the scheme for white-collar workers while, for blue-collar workers is SAF-LO).

In particular, the so-called “orange envelope”, born with the aim of creating consensus in the new pension system, has revealed to be a very effective tool. In 1999, a letter containing the annual pension statement was sent to 5,3 million of individuals. The statement contained projections on the basis of the age of the individual and on two scenarios of economic growth (0% and 2%). The orange envelope obtained great success: it has become the principal source of information for Swedish thanks to the reliability of its information.

The aim of the national pension campaign was to build knowledge and trust in the system, encouraging individuals to inform themselves. There has been a relevant increase in the number of first time choosers which can be explained by a high level of awareness. However this level has progressively reduced in the following years to the initially awareness increased but then fell back to the levels before the campaign; moreover, in conjunction with the reduction of governmental advertisement expenditure, a reduction in active choices has been registered among new members (Fig. 51).⁴⁰

Figure 51: Share of first-time chooser that made an active choice in Sweden

	2000	2001	2002	2003	2004	2005	2006
Total number of first time choosers	4,420,003	492,934	195,851	150,151	128,991	116,800	113,450
% of first time choosers who made an active choice	67%	18%	14%	8.4%	9.4%	8%	7.5%

Source: Tapia and Yermo, 2007

According to OECD data (2013), the reduction in active decision was probably not only caused by the discontinuation of public information, but the choice to leave investments in the default option might reflect the good performances of the funds before the crises in 2008 and it may be also due to the confusion generated by the extensive choice (700 investment options).

Since 1999, the Swedish Social Insurance Agency conducts face-to-face surveys on a yearly basis, examining the effects of the Orange Envelope and discovering that the knowledge of the

⁴⁰ Russia Trust Fund, Improving pension information and communication, OECD Survey and Lessons learnt, 2013

statement is high but its usage is not. In 2008, the Swedish National Audit Office, in evaluating the information contained in the Orange Envelope, concluded that the statement contained too much information with too many irrelevant details, recommending the Swedish government to review the content of the letter (OECD, 2013).

In 2004, however, the Swedish government launched the official dedicated website (www.minpension.se) in conjunction with the new on-line pension calculator. In Sweden, the use of the Internet is high and the website has attracted 1, 15 million registered users with an average number of visits per day around 10.000.

Nowadays, the Swedish government relies mainly on the annual Orange Envelope, in order to keep high the levels of knowledge and to inform on the pension system. The idea of the Orange Envelope has been imitated by many other countries: Finland, for example, sends an annual “White envelope” with similar contents. In France, each individual older than 34 years old receives, every 5 year, the annual Statement from the CNAV (Caisse national assurance vieillesse). In Italy, in 2016, 7 millions of “orange envelopes” have been sent in order to increase the number of adhesion and the awareness on the uncertainty of pensions. The assumptions used in the projections vary from country to country and sometime risk to be misleading: in the Italian orange envelope, for example, projections assume 1,5% of growth but it is necessary to clarify to the recipients of the letters that the projections are based on a hypothetical scenario and, as consequence, the results on future pensions may vary.

In the next section, we will analyse the effects of the introduction of automatic enrolment in New Zealand, the United Kingdom and the United States. However, they are not the only countries which have adopted an automatic enrolment programme in addition to Italy. For example Chile, in the Pension Reform of 2008, introduced this scheme in 2012 for self-employed workers while Canada, in the same year, started this arrangement targeting both employees and self-employed. Automatic enrolment generally had a positive impact on coverage but with significant differences among the various experiences, meaning that the success of auto-enrolment in increasing coverage is not guaranteed, because it depends on the design of the scheme, as the unsatisfactory results in Italy have demonstrated.

4.3 KIWISAVER AUTOMATIC ENROLMENT PROGRAMME IN NEW ZEALAND

During 2007, not only Italy introduced an auto-enrolment programme: on the 1st July 2007 New Zealand introduced the so-called “KiwiSaver”, a national voluntary work-based saving scheme, administrated by the IRD (Inland Revenue Department). The purposes of the government were to improve retirement opportunities to encourage savings and to moderate the fiscal pressure.

The target for this programme consists only in new employers aged from 18 to 64 years risking to reduce the potential positive impact on coverage rates: current employees, in fact, are excluded from mandatory enrolment, as for, new employers younger than 18 or above 65. However, exiting employees, people younger than 18 but, also, self-employed or not working individuals can voluntary adhere to KiwiSaver scheme.⁴¹

People have the faculty to choose their KiwiSaver provider, supervised by the main financial authority of Financial Markets Authority (FMA).

The KiwiSaver is a complement of the public universal pension programme and comprehends two types of schemes:

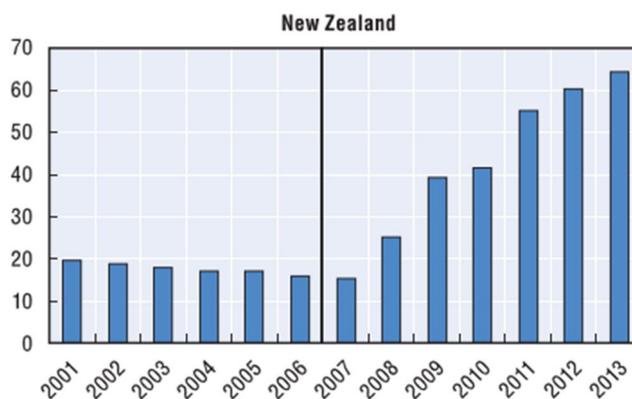
- “Retail schemes”: freely chosen by members;
- Reserved schemes: for specific individuals, established at company or industrial level.⁴²

The automatic enrolment programme introduced in New Zealand has achieved positive results in pension coverage rates, reversing the previous negative trend. In 2013, after seven years from the introduction of the KiwiSaver, coverage rates increased from 15,8% to 64,4% (Fig. 52).

⁴¹ OECD, OECD Pensions Outlook 2014, OECD Publishing, 2014

⁴² Paklina N., Role of Pension Supervisory authorities in Automatic enrolment, IOPS Working paper on Effective Pension Supervision, No. 22, 2014

Figure 52: Adhesions to private pension plans before and after the introduction of KiwiSaver

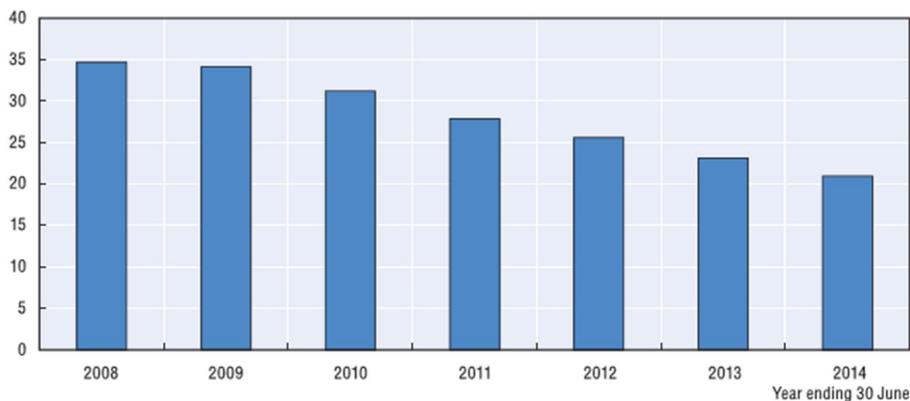


Source: OECD, 2014

The possibility to opt-out is preserved on individual's responsibility. The opting-out window is between 2 and 8 weeks and the contributions already made can be refunded. The number of people who has opted out has continuously declined (Fig. 53). The majority comprehends younger workers or individuals with a low income.

Figure 53: KiwiSaver opt-out rates

Figure 4.2. Cumulative KiwiSaver opt-out rates
As a % of all automatically enrolled individuals

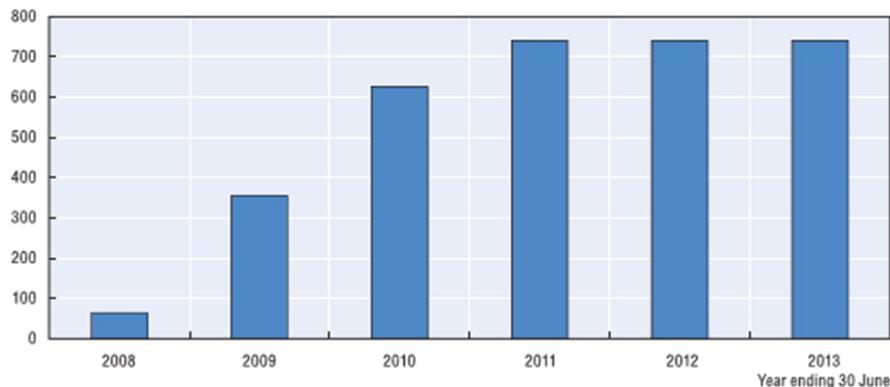


Source: OECD, 2014

The payment of contributions is mandatory both for the employee and the employer for a minimum rate corresponding to the 3% of wages (the same corresponding to the default rates if participants do not actively choose). The employee can enhance the rate up to 4% or 8%. In order to minimise opting-outs, contributions can be set below the rate desired initially and raised in a second moment (OECD, 2014).

There has been also a particular attention in minimising compliance requirements for employers: in fact, the new automatic enrolment system did not prompt employers to make changes in their remuneration. However, as shown in the figure below, at the end of June 2013, the 81% of employers contributed the minimum 3% of the wages (OECD, 2014).

Figure 54: Employers' contribution to KiwiSaver accounts (millions of NZD)

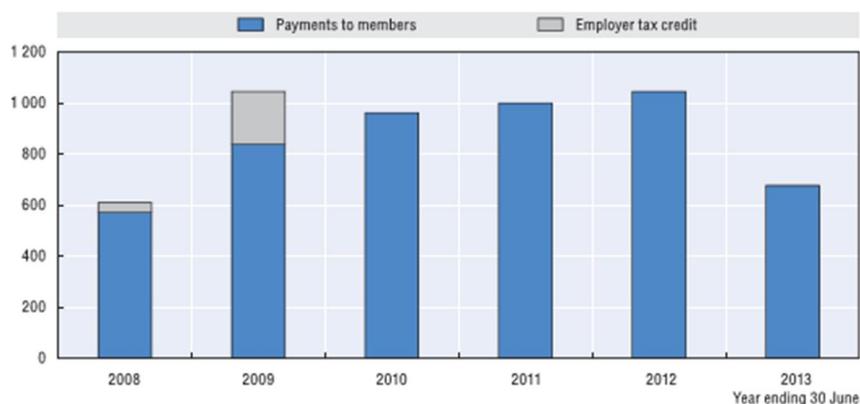


Source: OECD, 2014

Following “OECD Pension Outlook” (2014), after a minimising period 12 months of participation, members are allowed to ask for a “contribution holiday” of 3-5 weeks for any reasons; without limitations in the number of possible requests for “holidays”.

An interesting aspect of the KiwiSaver system is the contribution of the state: this takes the form of tax credit (50 cents for every dollar of participant contribution up to an annual limit of NZD 521.43); moreover, the State provides a “Kick-start” contribution of NZD 1.000. These financial incentives play the major role in the positive perception of the automatic enrolment program. However this implies costs to the state and, in fact, from 2011 some incentives has been removed or lowered.

Figure 55: KiwiSaver costs to the state



Source: OECD, 2014

Withdrawals are allowed, after 3 years of membership, for expenses associated with the buying of the first home, for emigrates or for people suffering financial hardships or serious illnesses.

The impact of the national campaign for KiwiSaver was positive. The campaign undertaken by Inland Revenue consisted in advertising on television, radio, in print and on-line between May and November 2007. Moreover, there was the development of KiwiSaver's website (www.kiwisaver.govt.nz) with the slogan "Retirement saving made easy", Inland Revenue's website, guides for employer, information packs for workers and seminars.⁴³ Also billboard advertising, public transport, social media and mobile phones (during holiday period) were used as communication tools.⁴⁴

A dedicate website for pension calculations ad simulations called "Sorted" (www.sorted.org.nz) has been launched: each individual can use this tool and make simulations for retirement but also for mortgages and debts. There are also many guides for workers (OECD, 2013).

The campaign was aimed not only at increasing pension knowledge, but was part of a wider financial education strategy trying to raise the general level of financial literacy in order to provide workers the basic tools necessary to make financial decisions. The campaign was also organised for discouraging the opt-out choice and building trust in the new system.

According to the Survey conducted in New Zealand between September and October 2007 reported by OECD (2014), the general level of awareness of the new automatic enrolment

⁴³ OECD, OECD Pensions Outlook 2014, OECD Publishing, 2014

⁴⁴ Russia Trust Fund, Improving pension information and communication, OECD Survey and Lessons learnt, 2013

system was high (96% of individuals had heard about it). Awareness was slightly lower among not employed individuals or with low income.

In addition, in New Zealand, the national pension communication campaign reported that financial crisis hasn't had a negative effect: reluctant workers recognised the importance of providing information about pension and finance also in workplaces.

A follow-up survey (OECD, 2013) was conducted in order to check if workers had made the most appropriate decisions. The 81% of individuals had associated KiwiSaver websites and brand with the statement "helping me with money matters", this confirming the success of the campaign.

The national pension communication campaign was not left "abandoned" after the introduction of KiwiSaver. From February 2009, the campaign continued changing its target: no more only new members but also the existing members and their choices on changing jobs, in order to continue the improving of financial literacy.

Lastly, there is a particular attention in the levels of disclosure: retirement saving scheme are required to post quarterly in their websites the information about their performance, returns and fees (Paklina, 2014).

4.4 THE AUTOMATIC ENROLMENT IN THE UNITED KINGDOM AND THE INTRODUCTION OF NEST

In October 2012, the United Kingdom introduced the automatic enrolment programme, in order to enrol into occupational pension plans up to 11 million workers. The programme applies on the basis of the size of employers: first, requires large employers to follow the new duties, then medium and small size employers are required to comply by February 2018.

Following the analysis of Paklina (2014), eligible workers for the programs are who is not yet enrolled in a qualifying pension scheme, aged between 22 and state pension age, earning more than GBP 10.000 a year (this figure reviewed by the government every year).

On the basis of age and earnings, workers who are not required to be automatically enrolled can voluntarily decide to join an automatic enrolment scheme or a workplace pension scheme.

Each eligible worker should be enrolled into:

- An automatic enrolment scheme or;

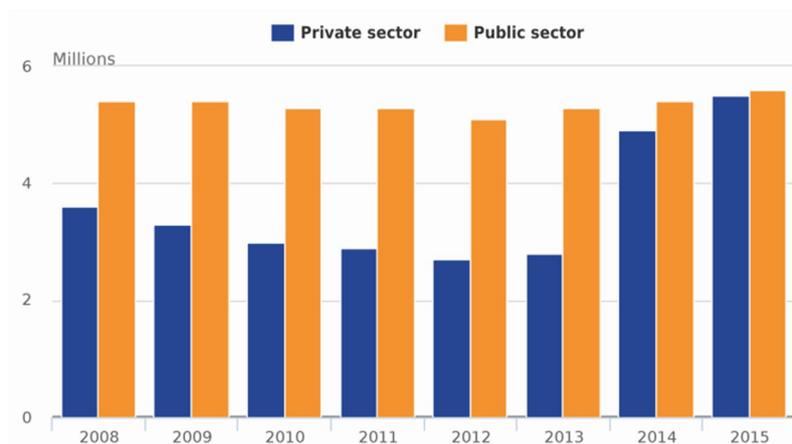
- An existing (qualifying) workplace pension plan or;
- The National Employment Saving Trust (NEST): the default qualifying workplace scheme.

NEST is an “automatic enrolment trust-based low-cost DC pension scheme” established by the UK government in order to hold the introduction of the automatic scheme. NEST offers several investment funds and a default one, it is responsible for the management and investment of retirement savings. Each participant has his own retirement account, where contribution payments are registered as well as any change in his working.

In the majority of countries that have introduced an automatic enrolment programme, all workers are automatically enrolled in a defined contribution plan. In UK, employers have to choose between a defined benefit plan, a defined contribution plan, a hybrid or to offer their employee a defined contribution scheme managed by a third-party such as an insurance company or the NEST. As at March 2014, 82% of workers were automatically enrolled in a defined contribution scheme (OECD, 2014).

In UK, the coverage of private pension plans increased to 50% in 2013 the first increase since 7 years and the trend has continued to be positive (Fig. 56).

Figure 56: Adhesions to private pension plans before and after the introduction of auto-enrolment scheme



Source: Office for National Statistics, 2015

With respect to the opt-out window, the individual automatically enrolled has one month to decide to opt-out. The contributions already made are refunded and after the opt-out window period has expired, a member who wants to leave the pension scheme has to follow the rules of the scheme; in additions, employers must automatically re-enrol every three years their

eligible workers who choose to opt-out. In 2013 the average opt-out rate in UK was around 9-10%, lower than that expected (OECD, 2014).

Following the analysis of “OECD Pension Outlook” (2014), for what concerns contributions, from 2012 to 2017 employers’ minimum contributions is set equal to 1%, then between October 2017 and September 2018 it will be enhanced up to 2% and from October 2018 is going to be 3%. With the same deadlines, the contributions of employees are set equal to 2%, then 5% and 8% from October 2018. As for New Zealand, contribution rates can be lower than the defined level, initially and can be raised afterwards.

Also in the United Kingdom the state contributes in the automatic enrolment programme. A tax relief is provided, which corresponds to 0,2% of the qualifying earnings from 2012 to September 2017, until October 2018 it will be equal to 0,6% and, then raised to, 1%.

The introduction of the automatic enrolment scheme in United Kingdom represented an extra expense for employers, who had to meet the new requirements, in particular, they had to face the complexity of categorising workers adapting payroll systems and of communicating the changes to their employees.

In UK, there are two organisations responsible for the pension communication campaign: the first is the central government with the Department for Work and Pension (DWP), for the general public and, the second, the Pension Regulator (TPR), for pension providers and employers.

In order to support the first stages of the reform, DWP ran a pension communication campaign in order to explain automatic enrolment scheme to employees and employers and to inform about NEST. The campaign was aimed also to increase trust in financial decision making and to encourage people to work longer.⁴⁵ The pension campaign has been run exploiting multiple channels: TV and video on-demand, radio, online advertising, radio, outdoor advertising, also in public transports. The information from the Department of Work and Pension are available on the site www.gov.uk. However, the website provides many sources of information but it doesn’t show particular slogans or tools able to capture the attention.

⁴⁵ Russia Trust Fund, Improving pension information and communication, OECD Survey and Lessons learnt, 2013

A survey conducted between October and November 2013 revealed that the level of recognition of the pension campaign was around 80%.

As for New Zealand, the British pension campaign was aimed to discourage the opting-out choices and to create trust in the new programme.

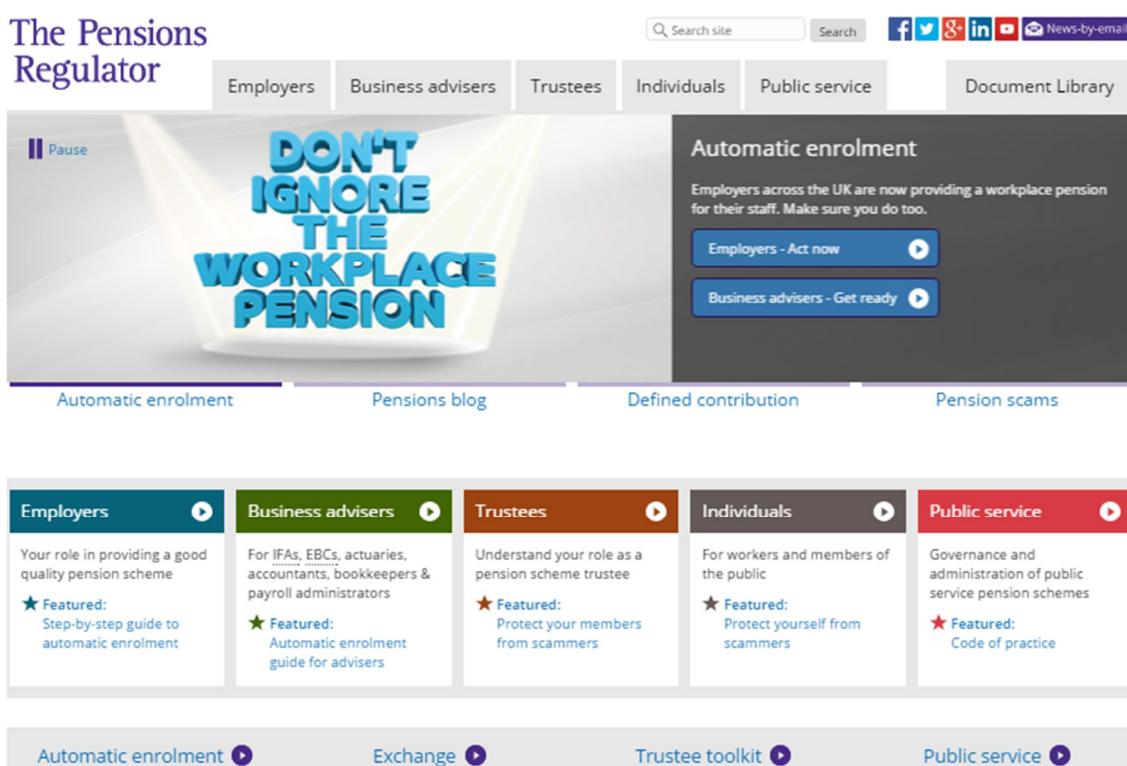
The Pension Regulator supports employers in the compliance and in raising awareness of their responsibilities towards their workers. An awareness tracker between August 2013 and July 2014 showed that there were high levels of awareness (99%) and understanding (around 90%).

The primary communication channel used by TPR is the website (www.thepensionregulator.gov.uk), whose public has increased of 1 million users with the introduction of the auto-enrolment system. It contains guides and dedicated areas for employers, individuals, pension professionals and intermediaries.

One of the most used tools in providing pension information is the pension calculator, which can provide a simulation of the future pension. The British projections are based on a maximum assumed growth rate (equal to 7% on annual statements, 9% on illustrations on joining) and the rate should be reasonable in relation to the underlying assets (OECD, 2014).

The website, full of multimedia tools, contains many social icons and slogans such as “Don’t ignore the workplace pension” or “Pension scams destroy lives”, evidently aimed to increase financial education and to reduce the tendency of individuals to procrastinate pension decisions (Fig. 57).

Figure 57: The homepage of The Pension Regulator



Source: The Pension Regulator

Further, also a dedicated website for NEST has been developed, full of information and guides. One of the first slogans used by Nest was “Tomorrow is worth saving for”, in order to encourage people to plan their retirement. In addition, NEST’s strategy has been developed with strong efforts also in social networks, for example Facebook, Twitter and You Tube, especially in 2012, the year of the introduction of the pension scheme.

FPR’s overall strategy is focused on communication, helping employers in understanding their duties. Employers, in fact, are requested to inform their workers and, for this reason, they are determinant for the increase of pension awareness among workers. We can find specific guides dedicated to British employers focused on the communication approaches to inform their workers on pension schemes. The employers can find many answers to frequently asked questions, information to give to workers, information on rules and other sources of help and information both for employers and for employees.

Another important objective of TPR is the prevention of the risk of non-compliance, with the design of a mandatory declaration of compliance (registration). TPR supervises non-compliance through investigations and risk management.

According to Paklina (2014), the challenges which TPR has identifies are:

- The simplification of the process of identification of “eligible jobholders”;

- Sufficient lead-in time for worker in order to comply;
- The support to employees for identifying the most appropriate scheme for them.

An interesting feedback from the campaign is that the choice of segmenting the audience by attitude rather than following a demographic formula, has proved to be effective in overcoming the barriers characterising different groups. The activity of communities has been developed focusing on the segment of population more difficult to reach and on individuals who need more help.

For this reason, the communication plans take into account the inertia and the fact that people do not take rational retirement decisions; another important feedback is that messages have to be delivered gradually and in logical chunks (OECD 2013).

Many pension providers in the United Kingdom are active in the field of communication, going beyond the regulator's requirements.

In 2015, the winner of the "European pension awards" for the category "Best pensions communication" was The Kingfisher Pension Scheme. In fact, the occupational pension provider has worked hard in helping individuals in understanding retiring issues and has put efforts in trying to "give the right message, to the right people and at the right time". To do this, the fund has design a "gamification" solution through a smartphone app in order to boost its pension saving message. The particular project is more than a "brand awareness" campaign: it consists in the creation of the "Bolt" family of cartoon nuts and bolts with different characters in order to represent the different targets of population; during the game, people can collect money and they have the possibility to see in a funny way how different contribution levels may create different results in pension savings.⁴⁶ The project was integrated with the launch of "Saving your future", a communication plan containing specific retirement topics developed and posted in the website in order to increase even more the level of financial education.

Another pension provider involved in these innovative communication projects that is worth mentioning is Aviva UK, engaged in increasing levels of information through social networks, games and quizzes.

⁴⁶ www.pension-insight.co.uk, Kingfisher communicates through gamification solution, by Crush P., 2016

4.5 UNITED STATES AND 401(K) PENSION PLANS

The automatic enrolment in 401(k) pension scheme was introduced in the United States in 1998 for newly hired workers. Since 2000, the auto-enrolment plan was extended to existing workers not yet enrolled in a pension plan.

In 2006, the adoption of the Pension Act encouraged auto-enrolment by giving employers incentives for automatically enrolling their workers into a retirement saving plan.

Not eligible workers are individuals younger than 21 years old, already covered by a collective bargaining agreement or who has not completed a year of service.

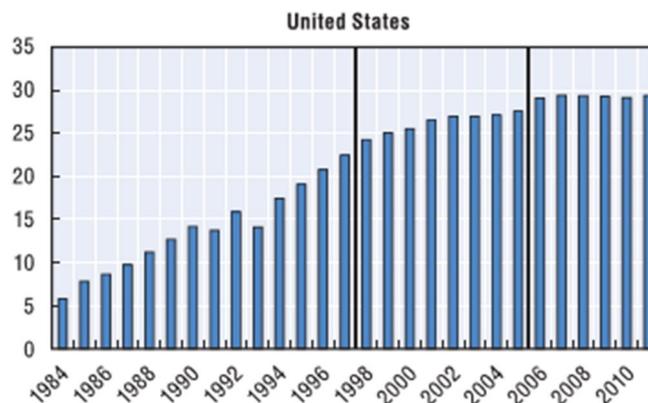
Following “OECD Pension Outlook” (2014), automatic enrolment features can be used in 401(k), 403(b) and 457(b). For the automatic enrolment in 401(k) scheme, the plan can be founded by an employer or a financial institution such as a bank, an insurance company, etc.

There are several types of automatic enrolment in 401(k) plans:

- A basic automatic enrolment 401(k) plan, where the worker has the right to decide to be or not to be enrolled and he can choose the percentage of deduction from his salary;
- An eligible automatic contribution arrangement (EACA), similar to the previous plan but, in this case, the member can withdraw his contribution within 30 to 90 days from the first contribution;
- A qualified automatic contribution arrangement (QACA), a plan that has some special features (a fixed schedule for contributions or special vesting schedule or specific notice requirements).

Following the Pension protection Act in 2006, membership in 401(k) has remained constant in United States. Even if the aggregate national level coverage could seem small, the US Government Accountability Office (GAO) showed that automatic enrolment had a positive effect also in the participation rates at the company level.

Figure 58: Adhesions to private pension plans before and after the introduction of automatic enrolment



Source: OECD, 2014

With respect to the opting-out window, members have 90 days to leave the pension scheme, after having complying with certain requirements and contributions are refunded.

Also in the United States there are defined minimum levels of contribution both for the employee and for the worker, which can be lower initially and enhanced afterwards, in order to reduce the opt-out choices.

Employers' contributions depend on the plan: in basic and EACA schemes contributions are voluntary while, in QACA, is set a minimum matching contribution of 100% of the 1st percent of worker contributions plus 50% of contributions beyond 1% and up to 6% or a minimum 3% to members (OECD, 2014).

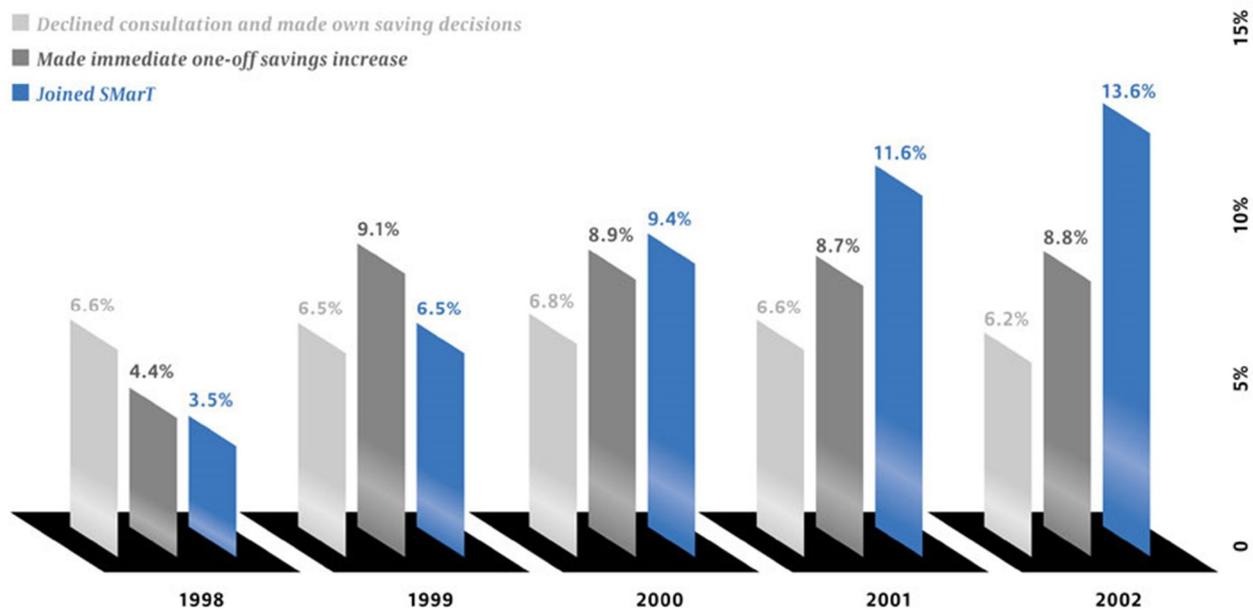
Also employees' contributions depend from the scheme: in basic schemes they are chosen by the employer, in EACA schemes there is a uniform automatic rate for all workers and, in QACA schemes, minimum level of contributions are equal to 3% of wages with an annual automatic escalation up to a maximum of 10%.

In the United States, there are not contributions from the State which, instead, strongly encourages employers to voluntarily contribute for a plan in order to qualify for a preferential tax treatment.

A particular contribution program which has obtained great results in terms of contribution attitudes is the so-called "Save more tomorrow" programme (SMarT), developed by Thaler and Benartzi (2004): a scheme where contribution can be automatically raised every time the

individual obtains a pay raise.⁴⁷ In fact, behavioural studies have demonstrated that, usually individuals accept passively the proposed default rate but, if they had been forced to make a decision on their own, they would choose a higher rate. Moreover, the idea of delaying the increase of contribution for few months is easier to accept in terms of loss aversion. As evidence, in the first case study of Thaler and Benartzi, average saving rates for SMarT program participants increased from 3,5% to 13,6% from 1998 to 2002 (Fig. 59).

Figure 59: Average saving rates with and without Save more tomorrow (SMarT)



Source: Thaler and Benartzi, 2004

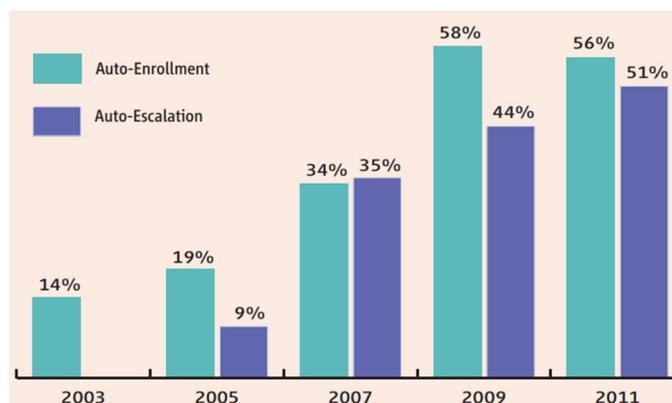
Also among employers the awareness of the importance to save has become popular: from 2003 to 2011 even more employers have started to offer this programme.

Nowadays the programme is offered by more than half of the US large employers and a variant of the scheme was incorporate into the Pension Protection Act of 2006.⁴⁸

⁴⁷ www.projectm-online.com, Behavioural finance 2.0 by Shlomo Benartzi

⁴⁸ Benartzi S., Behavioural finance and the post-retirement crisis, Allianz Global Investors, Munich, 2010

Figure 60: The percentage employers in the US who offer 401(k) plans that automatically enrol employees and escalate savings rates



Source: Thaler and Benartzi, 2013

In 1995, the “Saving Matters Retirement Savings Education Campaign”, with on-going objectives and promoting saving habits, has been developed in the United States by the Department of Labor, Employee Benefit Security Administration. The campaign was supported by a US federal government program for the national pension education (The Savings are Vital to Everyone’s Retirement Act in 1997), coordinated with a financial literacy programme implemented by the Financial Literacy Education Commission which comprehends over 20 federal government agencies.⁴⁹ For this objective, a dedicated website (www.savingmatters.dol.gov) has been launched by the Department of Labor, Employee Benefit security Administration; it contains publications, interactive tools and pension calculators. The campaign exploits also printed materials, videos, webcasts, press, releases and PSAs, seminars and computerised kiosks. There are also advisers available to respond to questions from employees and employers. The US government has worked with more than 70 partners including non-profits organisations.

The aim is to inform, raising retirement savings awareness and encouraging people to save; at the same time, the program informs small business without pension plans, about retirement saving options.

In 2009, the US government, through the Department of Labor, Employee Benefits Security Administration and the Internal Revenue Services, developed and launched a publication entitled “Automatic Enrolment 401(k) Plans for Small Business”. The aim of this publication was to help small employers in understanding the scheme of automatic enrolment for 401(k).

⁴⁹ Russia Trust Fund, Improving pension information and communication, OECD Survey and Lessons learnt, 2013

The publication contained an overview of the functioning of auto-enrolment 401(k) plans, how to set up and manage it, describing also all the advantages of starting and operating this arrangement and providing a checklist in order to help employers in the compliance with the law.

The Department of Labor, Employee Benefits Security Administration monitored the results of the communication campaign analysing web activities, phone enquiries. The dedicated websites and its on-line tools resulted particularly effective.

The challenge for pension communication in the United States is to reach different and underserved segments of people, despite of the lack of resources and exploiting the development of partnerships with non-profits organisations, trade and industry associations. The US government also continues to focus on improving levels of disclosure and reporting requirements.

An interesting commitment slogan, used by US financial planners in order to encourage individuals saving and budgeting, is the so-called “Pay yourself first”: it’s the principle underlying the automatic deductions from payrolls in 401(k) plans. This strategic slogan is, evidently, aimed to raise the awareness of individuals about future benefits that adequate levels of contributions can ensure.

One of the top 401(k) providers is “Fidelity investments”. This pension provider has a developed website containing many relevant information and attractive slogans oriented also toward the “millennials” with graphs illustrating the effects of saving early.

Lastly, many US professional communication firms in these last years have been focusing on improving employers’ communication about 401(k) providing them suggestions and many useful tools according to the different stages of the communication.

4.6 OTHER ACTORS INVOLVED IN PENSION COMMUNICATION: CONSULTANTS AND EMPLOYERS

Financial advisors and consultants

In addition to the design of pension system, for the effectiveness of national communication campaigns and the communication strategies of pension providers, another important aspect

to consider in pension communication is the role played by financial advisors and consultants. They, in fact, are fundamental to explain the complicated retirement instruments to individuals and to ensure them the most appropriate advice. They are usually trained through courses to gain a complete knowledge of pension regulations and retirement products. However, even if they are probably prepared also in how to approach individuals and to make proposals to them, it could be interesting to understand if and how much they have a basic knowledge of biases.

Moreover, because of the importance of financial advice in retirement planning, regulators have recently implemented measures in order to ensure the appropriateness of financial advice focusing on the mitigation of conflicts of interest (OCSE, 2016). Conflicts of interest could be a dangerous bias, which could damage the interest of individuals. These are often related to the compensation for the services. The risk is, in fact, that advisors may recommend to their clients particular products only in order to receive higher commissions. To avoid this practice, regulations have provided specific consequences and remuneration limits to advisors and, at the same time, have incentivized measures ensuring that advisors have the necessary knowledge and skills. Lastly, they have enforced high quality standards of information and levels of disclosure in order to increase transparency. This is the case, for example, of European Union with the revised Markets in Financial Instruments Directive (MiFID II) and many other countries.

In fact, it's important that financial advice remains affordable and accessible. According to OCSE Pension Outlook (2016), regulators are also increasingly fostering the power of technology and digitalization, seen as potential tools to improve even more the affordability and accessibility of retirement information.

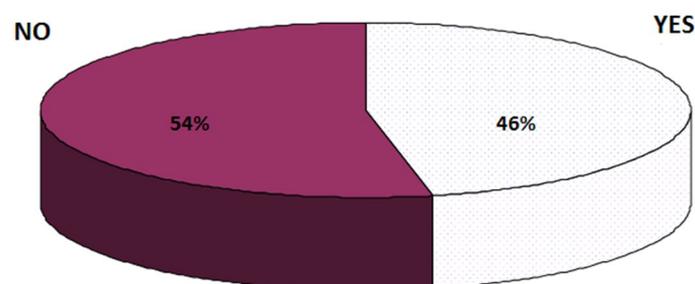
Employers

When reforms involving changes in the structure of pension systems are introduced, all the actors involved are considered: pension providers, supervisors, employees and employers. The latter category has been considered of particular importance in countries like the United Kingdom or the United States where, in conjunction with the reforms, a campaign specifically addressed to employers in order to help them in the communication with their workers has been introduced. Employers have, in fact, the important role of explaining, for the first time,

the changes in regulations to their employees and need support. As a consequence, there has been the proliferation of guides, forms and other tools exclusively addressed to employers. Also in Italy employers had been designated by the government to provide to their workers the so-called form "TFR 1" where employees had to decide what to do with their TFR within six month, from January to June 2007.

However, in a survey conducted by Eurisko in 2007 in Italy, workers have been asked if they received the documentation of TFR from their employers: more than 50% answered negatively (Fig. 61).⁵⁰

Figure 61: Percentage of workers affirming they have received the documentation on TFR from their employers (Survey Eurisko 2007)



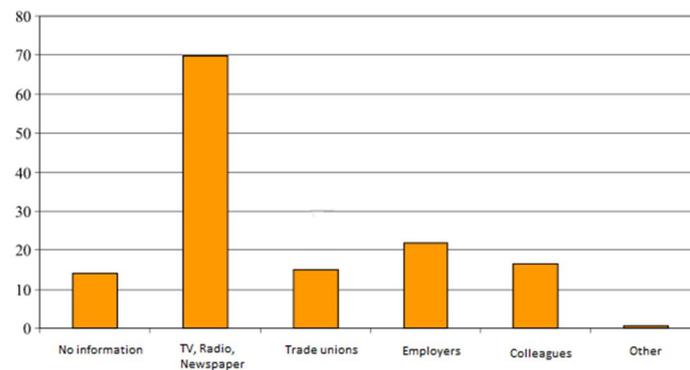
Source: Boeri and Zingales, 2007

In that situation, it was difficult to understand the boundaries between the reticence of Italian employers and their need to be supported. The evidence however, has demonstrated that this gap has produced, in a later moment, more significant consequences on levels of membership. However, Italian employers are not obliged to provide additional information to the workers and, for this reason, they only provide the mandatory forms to their new employees.

This happens because employers have been not considered as important intermediaries by Italian institutions. In fact, according to the survey conducted in 2007, the result has been that the 70% of Italians received information on the changes in the regulation of TFR in 2007 by television, radio and newspapers, only the 21% from employers, similar to the percentage of people who asked to their colleagues for pension information. (Fig. 62).⁵¹

⁵⁰ Boeri T., Zingales L., Chi ha paura dei fondi pensione?, Anima FinLab, 6th November 2007

Figure 62: Sources of pension information for Italian employee (Survey Eurisko 2007)



Source: Boeri and Zingales, 2007

4.7 BEHAVIOURAL CONSIDERATIONS ON THE ANALYSED PENSION COMMUNICATION STRATEGIES

Many countries have carried out reforms and changes in pension systems because of the increasing life-expectancy and the risk in the sustainability of state pension systems. Some of them have introduced a voluntary arrangement like Germany, others in the opposite side, mandatory systems as in Sweden and in the Netherlands. Mandatory systems have obtained higher coverage rates forcing people to take decisions to take decisions for retirement, however, on the other side, there is a basic policy question about the extent of power that a worker should have over his key pension decisions.

Analysing the experiences in the introduction of automatic enrolment schemes in countries as Italy, New Zealand, the United Kingdom and the United States, the evidence definitely shows that these schemes has had a positive impact on coverage, even if obtaining lower rates with respect to those obtained in mandatory systems.

The success of automatic enrolment in achieving high levels of coverage rates depends in particular on its design: the setting of the default options plays the key role.

An effective automatic enrolment scheme needs:

- A well-defined target population, identifying which subgroups would need higher pension coverage;
- Well-defined barriers but, at the same time, avoiding the risk of limiting too much pension coverage;
- Slogans and other forms of communication able to convince people to voluntarily join the schemes in order to raise the coverage;

- Short irrevocable opting-out windows, helping in not decreasing coverage.

Moreover, the provision of incentives, such as the tax incentives given in New Zealand and in the United Kingdom or the so-called “contribution holidays”, are strategic key factors that can convince individuals to adhere to private pension funds.

Another fundamental point is the setting of the default choices, regarding contribution rates and investment options. They may lead to significant consequences able to affect considerably the future value of pensions if the default contribution rate is too low or the default investment option is too prudent without considering the age of individuals. For this reason, it is important that the setting of default options in automatic enrolment consider the key factor able to determine the effectiveness of the system. In fact, evidence suggests that too low contribution rates have a dramatic impact in saving levels and might lead to saving inadequacy problems in a second moment. From the opposite point of view, mandatory contribution levels may lead people to accept default mandatory rates even if they would have chosen higher rates. The possibility to start contributing less (in New Zealand and UK) and, then, increase the rate in the future acts as incentive to save more money.

However, the so-called programme “Save more tomorrow”, implemented for the first time in the United States, has revealed how individuals’ biases can affect this decisional phase: the idea of postponing the choice leads to lower initial contribution rates but to higher levels, in a second moment compared also with some mandatory rates set in other countries.

The success of every pension scheme, not only of automatic enrolment plans, depends on the communication and the education campaigns accompanying the reforms and their implementations. Different national pension campaigns have been run in conjunction with new pension reforms: some of them have been effective and others obtained less significant results.

Financial advisors and employers have strategic importance in informing workers and in complying with the requirements: the first category has to be monitored in order to avoid conflicts of interests while, the latter needs to be supported, following as examples UK or US in providing many guides, advices but also incentives.

In addition, national pension campaigns need an overall national strategy for improving financial education in order to reduce the complexity perceived by individuals. As in the case of reforms, people need time in order to understand all the changes and the future consequences and, if they perceive to have too little time to decide, they may feel confused

and unprepared, ending with the procrastination of their choice. Also events as the financial crisis call for communication efforts from governments and regulators but, through good levels of disclosure, able to enhance the overall trust on financial markets, it's possible to reduce negative effect as happened, for example, in New Zealand. In Italy, this didn't happen and the significant preference of investing in bonds, rather than equity, is probably an important clue.

National pension communication campaigns need clear and measurable objectives in their planning, implementation and in their evaluation. In fact, OCSE Pension Outlook (2014) has highlighted the fact that the evaluation and feedbacks are strategic factors in order to assess the effectiveness of the campaign and should include pre-campaign researches and regular monitoring exploiting both qualitative and quantitative tools.

One of the most important drivers is the message of the campaign. Slogans should be developed focusing in the goal and in the target of people: not multiple messages but short and simple as the American "Pay yourself first" or the British "Tomorrow is worth saving for". Furthermore, governments may obtain benefits in achieving the communication goal if they work in partnership with all pension providers, which are source of innovative and interesting strategies, as for the case of the British "Kingfisher Pension Scheme". In addition, evidence suggests that the use of innovative communication channels, as a dedicated website, has obtained more positive effects. The use of innovative and digital tools, in fact, might be the best way to approach younger people. National communication organisers should also take into consideration the possibility to exploit the "free" channels of communication as banners and web-link on provider's websites (OECD, 2014).

However, communication campaigns cost and this is the principal reason for which governments do not run continuative campaigns with on-going objectives. Italy interrupted its campaign few months after the reform of 2007 and resumed it only after 9 years with the distribution of the orange envelopes: too much time of gap. To reduce the incidence that a communication campaign has on the state budget, if resources are not sufficient, it's important to consider the priorities combining cost-effective channels.

In order to ensure high levels of information to current and potential new members of private pension, all governments have introduced many requirements for pension providers involving the provision of mandatory informative communications. Mandatory forms of communication, at the moment of membership or periodic, are fundamental for transparency but, at the same time, may result complex and over-detailed. This represents another

important reason for which it's necessary that governments work in partnerships with pension providers which have to improve even more communication levels through innovative tools and slogans.

Another important aspect, which has been confirmed in all the cases analysed in the previous sections, is the importance of the continuity of the communication. Workers and, more in general, all individuals, should not be left alone in facing pension decisions, in order to avoid procrastination problems. In fact, evidence suggests that, when governments had reduced the efforts in advertising and communication campaigns, levels of awareness among individuals decreased, with the consequent negative impact in coverage rates or in active pension decisions.

5. AN EMPIRICAL ANALYSIS ON COMMUNICATION ATTITUDES OF PRIVATE PENSION PROVIDERS IN ITALY AND ABROAD

5.1 METHOD, STRUCTURE AND OBJECTIVES OF THE SURVEY

Aim of the survey

After having discussed how pension systems have evolved during these last years and analysed how the pension communication has developed in different countries affecting the success of the schemes, in the following section the discussion will be focused on how pension funds behave and what are doing to improve their communication strategy.

The first goals of the survey is to analyse the role of communication for pension providers, to examine which communication channels are used and what monitoring activities are carried out in order to keep under control the effectiveness of their strategy.

The primary aim of the analysis is to understand if pension funds are aware and are able to recognize the existence of retirement communication problems. In particular, we want to understand if pension providers are aware that these problems may be caused by the biases suggested by behavioural finance theory. We are going to compare their ability of recognizing biases with what they concretely put in practice in order to tackle them.

Second, important objective is the study of the pension providers' approach towards innovative and digital tools, even more relevant in communication.

In addition, we want to discover what they want to do better in the field of pension communication, and, lastly, we want to understand how much behavioural finance is considered useful by pension providers.

Target and respondents of the survey

During the month of May 2017, an extended survey has been conducted on 70 Italian pension providers and 32 foreign pension funds. It consisted of an on-line survey sent by email to a selection of Italian pension providers belonging to different categories and to a selection of foreign pension providers of three different states.

In details, the on-line survey addressed to Italian pension providers was sent to:

- 30 contractual pension funds;

- 20 open pension fund providers, 12 of which provide also PIPs;
- 20 pre-existing pension funds.

With respect to foreign pension providers, the on-line survey was addressed to pension providers belonging to the three countries, New Zealand, the United States and the United Kingdom, analysed in the previous sections in which the automatic enrolment system has been introduced:

- 12 KiwiSaver providers in New Zealand;
- 9 US 401(k) providers;
- 11 occupational pension scheme providers in the United Kingdom.

As at the date of closure of this thesis, the Italian respondents of the survey amounted to 16 Italian pension providers, while no foreign pension provider has responded.

Therefore, the sample of Italian respondents includes:

- 9 contractual pension funds,
- 3 pre-existing pension funds
- 4 open pension funds, 2 of which provide also PIPs.

The survey was anonymous but it provided the faculty to pension providers of inserting the name of the funds. Pension funds like Cooperlavoro, Fopadiva, Apulia fondo di previdenza, Fondenergia, Bim Vita, Laborfonds, Fopen, Fondapi, Solidarietà Veneto and the pension fund for the employees of AXA Group have participated disclosing their identity. Others preferred to take part to the survey anonymously.

The scarcity of the responses may be attributable to different orders of causes. The first issue is related to the difficulty of identifying the right figure to address the survey to, inside each pension provider. Indeed, the target is a figure that may be at the crossing between the marketing and the management functions. The specificity of the role may depend on the particular structure of each pension provider and, partly, can be associated with different types of providers. In particular, a relevant difference can arise in the cases in which the subject is directly in charge of the management of the pension fund and thus produces also all the relevant documentation for informational purposes with respect to the cases in which the subject only sells products managed by a third part and thus does not directly produces

informational material. To effectively address the right target, in many cases, the submission of the survey has been preceded by a direct contact either by mail or by phone.

The sending of the survey has been carried out partially in conjunction with the fact of Ransomware attack which has significantly increased the diffidence of pension providers towards the request of compiling the survey; this has been spotted in number of verifications received of my personal identity, consisting in direct calls, mails and views on my social networks.

The contractual pension funds are in general less structured and the attempts to contact the right manager are more easily compared to the cases of insurance companies and banks providing open pension funds and PIPs but also other financial products.

Probably for this reason, the majority of the respondents are contractual pension funds. However, the scarcity of responses may be also an important symptom of the scarce relevance of communication issues among pension providers.

Structure of the survey

The survey, reported in Appendix 1, consists of 16 questions related, in the first part, to different themes of communication and, at the end of the survey, to the biases in retirement decisions and the behavioural finance.

We can divide them in:

- Part 1: Goals, messages and the importance of communication. Pension funds have been asked to identify the primary goal of their communication strategies, to rate the importance of communication activities and to identify which statements represent better their message.
- Part 2: Communication channels and monitoring activities. We have asked to pension providers to indicate which communication tools they use and how much important they are for their communication. We have asked, in particular, in which digital tools they are willing to invest and what are the monitoring activities they carry out in order to keep under control customers' satisfaction and the continuity of the relation with their members.
- Part 3: Pension providers' policies related to incentives for membership and investment strategies. Pension providers have been asked if they provide incentives to their members and what incentives could be useful in order to increase the level of

participation. We have asked also if they incentivize particular sub-funds and which criteria they use.

- Part 4: Awareness of retirement decision biases. A list of problems caused by retirement decision biases has been prepared and submitted to the sample in order to verify if pension providers have faced them and are able to recognize them concretely.
- Part 5: How pension funds tackle these problems and their future intentions. In this part, a list of successful strategies suggested by behavioural finance theories and effective tools put in practice by some cases analysed in the previous sections have been submitted to the funds, asking them which they exploit and what they are going to do in the future.
- Part 6: Pension providers' considerations on the usefulness of behavioural finance. At the end of the survey, we have asked if they consider behavioural finance useful to their communication strategies and if they provide courses on this subject to their consultant or agents.

In the following section, the results will be analysed according to the different parts that compose the survey.

5.2 ANALYSIS OF THE RESULTS

Goals, messages and importance of communication

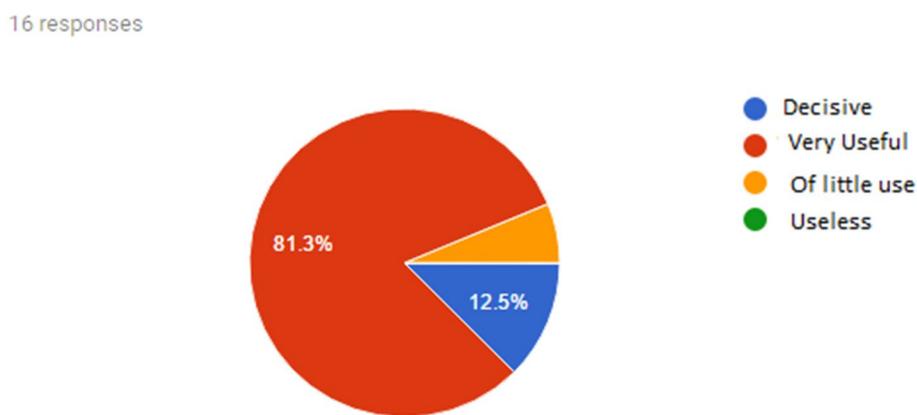
When asked to identify the primary goal of their pension communication, pension providers answered as follow:

- 7 pension providers out of 16 affirm that their primary goal is to increase customer's loyalty;
- 6 participants (all contractual pension funds) affirm that their primary goal is to enhance the number of members;
- 3 pension funds (one contractual, one open and one pre-existing pension fund) have given an interesting answer: they affirm, in fact, that their primary objective for their pension communication is to inform, explaining the regulations and highlighting the transparency on their activities.

As we can expect, we found that a relevant aspect is to target fidelity and increasing number of participants. However, it seems that there is also awareness of the relevant role of pension providers in intermediating in the diffusion of information of regulations.

Then, pension providers have been asked also to judge the role of communication with respect to their primary goal: 14 pension funds out of 16 consider communication “decisive” or “very useful” (Fig. 63). Only a fund affirms that communication is of little use.

Figure 63: Importance of communication according to the sample



Source: Personal elaboration based on survey data

When asked to rate some statements that could represent their message, the evidence shows the willingness of all pension funds to highlight the usefulness of private pension schemes.

In order of importance we can identify:

1. “Convince potential members of the goodness of pension funds”, rated as extremely important by the half of the sample. The other half consider it very important;
2. “Offer a solution to the need of protection against risks in the retirement field” rated as extremely important by 6 providers;
3. “The share of values”: this message has been rated important by the majority of contractual funds;
4. “Eliminate the mistrust against pension funds”.

Communication channels and monitoring activities

The participants to the survey have been asked to specify which communication channels they use and how important they are (Fig. 64).

All pension funds have and consider extremely important their website, which nowadays is the principal communication tool and, for this reason, it is considered essential. At the same time, they reserve lot of relevance also on the meetings with their consultants.

However, the website and meeting with consultants are not enough in order to realize a good communication with current and potential new members: it's important to be available to help individuals with any kind of questions or doubts, providing the possibility to easily contact the pension fund through dedicated e-mails or call-centres, rated in the survey between "of average importance" and "very important". All pension funds have at least one of these two tools; the majority have both, giving them also a lot of relevance and space inside their websites.

For what concerns traditional informative channels like brochures or informative kits, they are generally used and considered very important by half of participants.

With respect to pension calculators, they are used only by less than half of the participants of the survey but the funds which exploit the benefits of these tools consider them very useful. Some of them, fox example Cooperlavoro or Fopen, provide a link to the pension calculator of Inps called "La mia pensione" which, however, in order to be used, needs the code provided by Inps. Others like Fondenergia, Fondapi and Fopen provide their own pension calculator and this option is more effective since it could be used immediately without codes provides by third parts.

Moreover, digital tools have become even more necessary to enlarge public and capture the attention of potential members: social networks, for example, are essential also in order to reach younger people, but only a third of the sample affirms to use these important tools and rate them as extremely important. We can find social network icons of Facebook, Twitter or YouTube, for example, on Laborfonds website, fund that shows high levels of membership.

In a more general analysis, we can find social icons in contractual pension funds, like the winner of IPE awards as best Italian pension funds 2016, Solidarietà Veneto, (which provides links also to Google+, LinkedIn, Telegram and has a dedicate section for multimedia) or Fondapi: these funds have lower coverage rates but are large in terms of total membership. In

the homepage of Fondapi we can find also a short video explaining the advantages of membership to private pension schemes.

Fondapi, could be considered a good example also for the use of another important tool: the newsletter. In fact, this pension fund gives the possibility to receive news not only to current members of the fund but also to whom is not yet enrolled in a scheme or is enrolled in another pension fund. The fund doesn't provide information exclusively about the fund itself but also informative mails on wider retirement issues. Unfortunately, only half of funds affirm that they use this tool and they evaluate them as “of average importance”.

A similar percentage of usage and similar level of importance has been given to training meetings, especially by contractual pension funds which are facilitated by the fact that they could address their efforts towards specific categories organizing meetings with the employers of specific firms. Remote forms of training are, instead, less developed.

Innovative and digital tools like live chats and blogs, which are slightly widespread in foreign pension funds communication strategies, are totally unused among the analysed sample. Advert games, which are not very used also abroad because of its novelty in private pension field, in Italy are completely unknown. Also more traditional tools like advertisements on TV, radio, newspapers or billboards are not much used by the sample.

The mobile app has begun to be popular only recently. For example, in 2015 Cooperlavoro launched its mobile app, where each member can find the updated balance, information on fees, returns and forms. However, in this case the risk is to replicate only the website without providing any additional service to members and making the tool useless.

With respect to the respondents of the survey, mobile apps have been launched also by Solidarietà Veneto obtaining good results and, for this reason, considered very important by the pension provider; in a more general analysis we can find mobile apps of Prevaer, Fondaereo and Previambiente.

Figure 64: Communication channels ordered according to usage and importance attributed by the sample

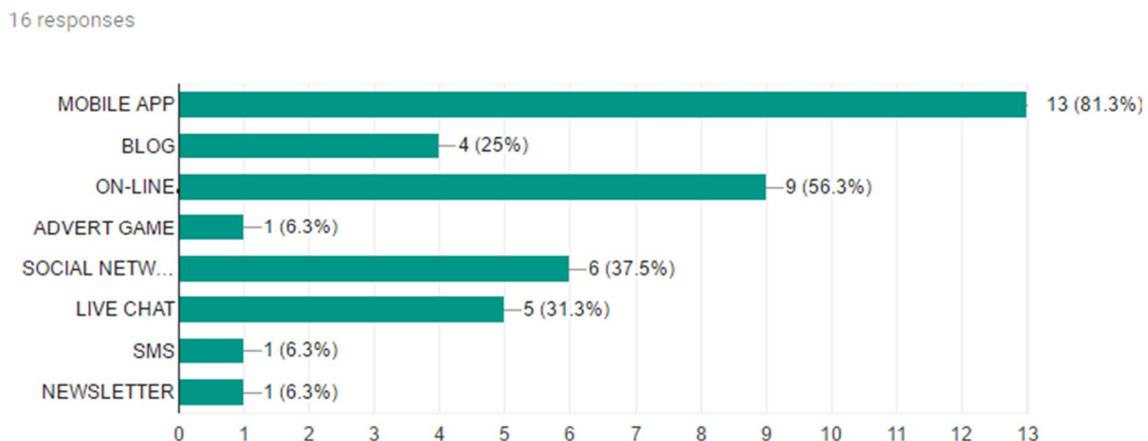
1.WEBSITE	9.TRAINING MEETINGS
2.MEETINGS WITH AGENTS	10.NEWSLETTERS
3.DEDICATED E-MAILS	11.MOBILE APPS
4.CALL CENTRES	12.REMOTE TRAININGS
5.BROCHURES	13.ADVERTISING
6.INFORMATIVE KITS	14.LIVE CHATS
7.PENSION CALCULATORS	15.FORUM/BLOGS
8.SOCIAL NETWORKS	16. ADVERT GAMES

Source: Personal elaboration based on survey data

Since Italian pension funds have to significantly improve their efforts towards digital communication channels, the sample has been requested to indicate in which tools they would like to invest in the future: the mobile app has been indicated in 13 cases out of 16. In the second position we can find the purpose to invest in online services and in the third position there are social networks, followed by blogs and live chats. Advert games, which are starting to be popular abroad, seem not to be one of their primary objectives.

Finally, there are two contractual funds which have indicated other intentions: investments on newsletters (Laborfondi) but, also, the interesting intention to start a new system of communication through SMSs by the contractual pension fund Fondapi (Fig. 65).

Figure 65: Digital investment intentions of pension providers in the sample



Source: Personal elaboration based on survey data

Most of the pension funds usually monitor customers' satisfaction in order to receive important feedbacks on their activities. There is only a case in the sample that does not carry out monitoring activities because the fund has a limited number of members.

One of the tools used, which is considered "extremely" or "very important" by more than two-thirds of the sample, is the monitoring of the number of claims.

Then, the monitoring of incoming calls or emails is considered very important by 13 funds out of 16 and, one third of the funds consider very important monitoring activities on number of memberships, number of transfers from other funds or the number of redemptions.

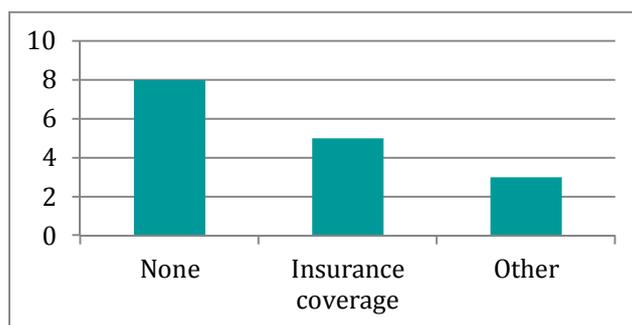
In addition, the monitoring of the number of interruptions of contribution flows results to be an activity carried out by the majority of funds but its importance seems to not to be perceived by the sample. There are also funds affirming that an important feedback is given by the representatives of workers.

However, activities like surveys to members, feedbacks on websites on the monitoring of the number of hits on the website are practically missing tools. There are pension funds with developed social networks like Laborfonds, which however, affirm to monitor also posts and comments on social networks.

Pension providers' policies related to incentives for membership and investment strategies

The survey included also questions related to the policies of the funds regarding incentives provided to members in order to increase memberships. Half of the sample (the majority of contractual pension funds) does not provide incentives, except some particular cases in which they offer extra-services provided by sector agreements. As regards of open, PIPs or pre-existing funds, most of them provide individual or collective insurance coverage to members (Fig. 66).

Figure 66: Incentives provided by pension providers in the sample

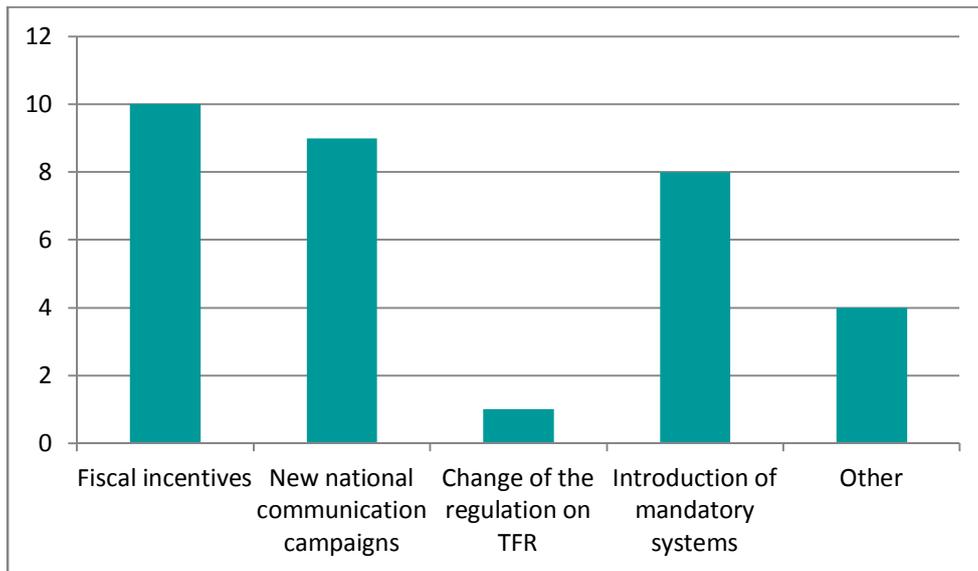


Source: Personal elaboration based on survey data

Two thirds of the interviewed pension providers affirm that motivating factors to encourage membership could be fiscal incentives. A high percentage (9 out of 16) has selected the usefulness of new national pension communication campaigns; this option has been chosen by the majority of contractual funds. The high percentage achieved is probably affected by the fact that the majority of sample was composed by a large number of contractual pension funds. Anyway, this confirms the general dissatisfaction related to the adopted national policies on pension communication strategies. In addition, 8 funds out of 16 believe that the introduction of a mandatory pension system in Italy may act as incentive. Only a fund believes that a possible change in the regulation on TFR could be beneficial.

Some contractual pension funds suggests that the development of pension culture and financial knowledge could be a driver and, others, indicate as incentive a more flexible retirement age. An open pension fund suggests as incentives, for example, mandatory employer's contribution and exemptions on bank expenses (Fig. 67).

Figure 67: Incentives considered necessary according to the sample

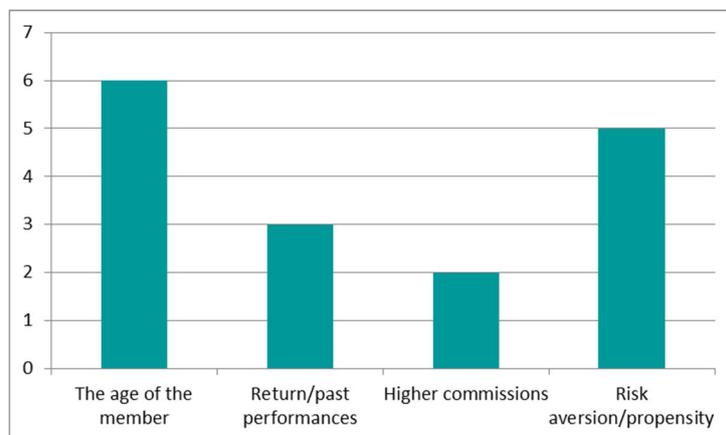


Source: Personal elaboration based on survey data

With respect to risen practice of the investments, the funds have been also requested if, according to their investment strategies, they incentivize particular sub-funds. 11 funds out of 16 answer positively, affirming that their primary criterion is the age of the participant and his propensity/aversion to risk.

Only few funds use as criteria past performances or returns and there are also some funds which affirm that they incentivize choices of sub-funds according to their higher commissions (Fig. 68).

Figure 68: Criteria used to incentivize particular sub-funds by pension providers in the sample



Source: Personal elaboration based on survey data

Awareness of retirement decision biases

We have asked to pension funds to rate how some problems and biases, suggested by behavioural finance theory, may affect pension communication.

We have submitted to the sample a list of problems caused by the retirement decision biases, individuated in the previous chapters.

Fig. 69 contains the list of issues ordered according to the importance attributed by the providers.

Figure 69: List of issues for order of importance according to the sample

1.	The complexity of retirement issues
2.	The myopia and the lack of financial planning among individuals
3.	The inertia and the procrastination of individuals in retirement decisions
4.	The tendency of individuals to inform themselves with colleagues/friends/relatives and not with consultant
5.	The scarce perception of tangible future benefits
6.	The perception of rigid liquidity limits from people who want to obtain a lump-sum and not an annuity
7.	The perception of an unaffordable economic contribution with respect to wage levels
8.	The scarce identification in the messages/slogans proposed by pension funds
9.	The negative perception towards pension funds after particular events (financial crises, reforms)
10.	The scare of individuals of losing their own money
11.	The offer of pension funds by financial providers which offer also other financial products

Source: Personal elaboration based on survey data

The most important issues has revealed to be the complexity of retirement information, recognized by 14 funds out of 16 as “very or extremely important”.

Then, the myopia and the lack of financial planning among individuals with the inertia and the procrastination of retirement decision have been rated as “very important” respectively by 13 and 12 providers.

The tendency of people to inform themselves with colleagues/friends/relatives instead of consultants, which takes form from the so-called “peer effect”, has been valued ad important by 9 funds out of 6. Other issues such as the scarce perception of tangible future benefits, the perception of rigid liquidity limits by people who want to obtain a lump-sum instead of an annuity (due to the problem of self-control and mental accounting, leading people to prefer

money immediately instead of being prudent for the future) have been recognised as important problems for pension communication respectively by 9 funds out of 16.

Other issues have been rated only as “of medium importance”:

- The perception of unaffordable economic contributions with respect to wage levels caused by the so-called “status quo bias”;
- The scarce identification in the messages/slogans proposed by pension funds which may be attributed to the problem of “framing effect”;
- The negative perception towards pension funds after particular events (financial crisis, reforms);
- The scare of individuals of losing their money, caused by the loss of confidence from individuals.

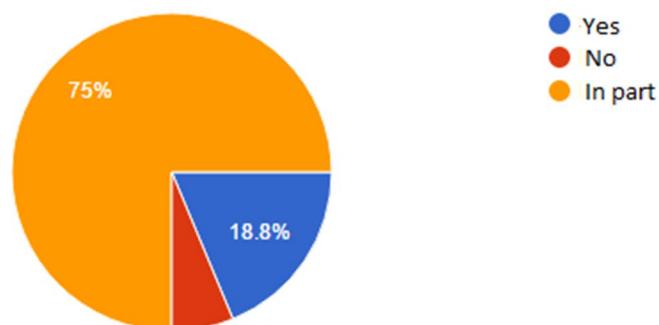
The issue related to the offer of pension funds by financial providers which offer also other financial products which may be linked to the problems of conflicts of interests, has been generally rated as “not important”.

There is evidence of a general and homogeneous recognition of relevance of the same sets of problems and we cannot identify significant differences among the different 4 categories of the surveyed funds;

When asked if there is awareness of these problems, 12 pension funds answered “in part”, while 3 answered positively and only one fund negatively (Fig. 70).

Figure 70: Awareness of retirement communication problems according to the sample

16 responses



Source: Personal elaboration based on survey data

How pension funds tackle these problems and their future intentions

At this point, after having asked to pension funds to recognize the problems in pension communication, we have asked how they tackle them. We submitted a list of possible effective methods able to overcome these problems. However, the recognition and the awareness of communication problems do not always correspond to the launch of more suitable strategies and activities.

Coherently to the most recognized communication problem related to complexity, the majority of funds answer that they put efforts in order to simplify the information and they consider this objective very important. However, simplification should not be synonymous of scarcity of information: some funds, affirming that are engaged in this issue, actually post all the regulatory documents, with very few explanations and results to be not easily understandable by people without or with low levels of financial knowledge. With respect to this theme, among the respondents of the survey we can identify as good example the contractual pension fund Fondenergia, which provides, phase by phase, a brief and clear explanation of the functioning of the scheme.

More than half of the surveyed funds affirm that for them it is important to encourage an informed and aware retirement decision, to inform on the factors impacting on the future pension and to convince that pension funds are a safe tool. The easiest way to effectively reach these goals is to put emphasis on the advantages of membership. However, most of the pension funds which disclose their name in the survey are focused only on the fiscal benefits. This is important because it's a good strategy able to capture the attention of people but the advantages are more widespread. In this sense, the contractual pension funds Laborfonds and Fondapi are actually able to provide a general picture: in their websites, they provide practical examples of the advantages of adhering to a private pension scheme compared to the effects caused by the decision of non-participation. We can highlight the slogan used by Fondenergia probably launched for increasing the relevance of this aspect: "Private pension schemes are actually convenient".

Less relevance, both in terms of usage and importance, has been given to other possible solutions to tackle behavioural biases, such as encouraging the use of pension calculators, increasing the qualification of consultants or using on individual communications in addition than those provided by law.

For what concerns pension funds using calculators, we notice a major emphasis for encouraging their use when the simulator is provided by the fund itself, while, funds posting only the Inps calculator, often just add the link without other forms of sustain to the tool.

Lastly, for what concerns possible objects like the use of slogans focusing on the urgency of decision, the offer of schemes with increasing contribution levels or the incentives to meet their consultants, only few pension funds have affirmed to put in practice these activities, and attribute to them less relevance. In particular, with respect to slogans, among the non-anonymous respondents we are not able, in fact, to find slogans putting emphasis on the urgency. Other kind of relevant slogans will be discussed on the following section.

The few pension funds involved in social networks activities, for example Laborfonds, affirm that they post specific information on their social pages and some contractual funds judge very useful to organize meetings with their workers and social parts.

Analysing the objectives considered relevant for their communication strategies in the future, 12 pension funds out of 16 affirm that their primary goal in the future is to tackle the myopia and the lack of planning of individuals. More than half of the sample affirms that in the future they will tackle the problem of the inertia, the complexity and the scarce perception of tangible future benefits.

We can conclude that there is coherence between the recognition of the problem of the complexity of information and the current efforts or future purposes of the funds to improve the simplification of information, however, this is not true for other important issues: the problem of myopia and inertia, which have been recognised as important problems by the majority of funds, and also indicated as future objectives to take into account in order to improve the pension communication, but they are not tackled exploiting all the possible opportunities. In fact, we can appreciate the commitment of the funds of the sample in encouraging an informed and aware decision, informing on the future and on the risks of state pension and on the reliability of pension funds, however, even if the provision of information and financial education are the right things to do, they are not enough: what is missing is a “marketing” approach, not only among small funds but in the overall pension context.

Pension funds might exploit the power and the functioning of our mind using also a more modern approach, through slogans able to capture the attention. The survey, in fact, shows that only few pension funds, usually the biggest, use slogans which, however, are considered

only of “medium importance”. The power that these tools can have on the individuals’ mind is probably undervalued. Moreover could be exploited also for incentivizing people to meet consultants, since funds consider very important this part of communication (even if they don’t consider “very important” the increase in specialization among their consultants).

We can identify, as examples, the slogans focused on the future like “We build together your future” and “More for your future”, respectively of Fondapi and Laborfondi. Another interesting slogan used is the one launched by Solidarietà Veneto “Take care of your loved ones”, developed in order to emphasize some specific policies of the fund.

Continuing with the problems recognized by the sample, even if funds affirm that an important problem is the difficulty to perceive tangible future benefits, not all of them exploit pension calculators that, in an easy and fast way, are able to make individuals aware of their future pensions. The same reasoning is worth for what concerns personalised forms of communication, in addition to those that are mandatory, and for the offer of schemes with increasing contribution levels.

The Italian underdevelopment on the digitalisation of communications, when compared to the situation in other countries, significantly affect the results but, if funds will really invest also in few digital tools in the future, they may be able to better tackle the mentioned problems.

Pension providers’ consideration on the usefulness of behavioural finance

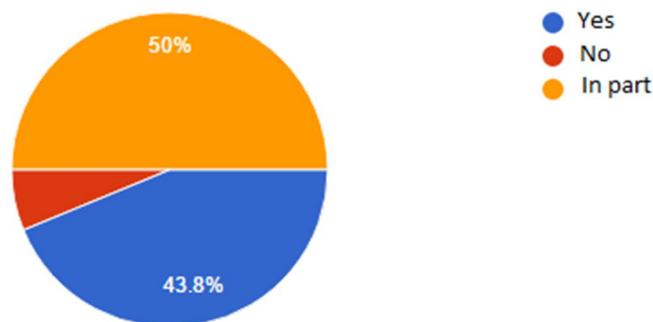
The survey contains also questions on how the theory of behavioural finance is seen by pension funds and if they recognise that the problems analysed are tackled by this theory.

The majority, 12 pension providers, don’t provide any specific behavioural finance courses but 7 providers out of 12 affirm that they are willing to start these courses in the future.

Finally, funds have been asked if the knowledge of behavioural finance is essential for consultants. The participants of the survey split between respondents who answered positively and respondents who answered “in part”. Only one fund affirms that behavioural finance is not essential (Fig. 71).

Figure 71: Essentiality of behavioural financial according to the sample

16 responses



Source: Personal elaboration based on survey data

Relevant issues emerging from the survey

We conclude with a general overview about the behaviour of pension providers in the development of their communication strategy.

Even if the role of communication seems to be important for the Italian pension funds included in the sample, the evidence shows that some improvements are necessary and increasingly urgent. Messages and goals of pension communication strategies have to be coherent and it's important to properly define the target and to reach people with the most suitable tools.

We can identify a "minimum" and "standard" level of communication among the majority of the sample, usually overcome only by the providers of larger pension funds which probably have the need to reach a greater number of people but, at the same time, have the structure and the resources to invest on these aspects. What is clearly evident is the general scarce development of digital tools depending, however, on the different size of funds.

Moreover, we can make some considerations on what behavioural finance represents for pension funds. Generally, all the funds are able to recognize the major problems in pension communication, rating them also as important, but they probably don't completely associate them, or are aware that, these are important issues analysed from behavioural finance. In fact, there is not a correlation between the problems considered more important in retirement and the use of more suitable solutions.

The intention of pension providers to start courses on behavioural finance in the future is a good starting point; however, we don't know if this is really the truth and the risk of procrastination of their good intentions is perceivable. Courses on behavioural finance are not

fundamental if their usefulness is not understood: courses on this subject could help advisors and consultants, who are already and surely well-prepared, but it could give them the trump card to recognize in advance the irrational behaviours of individuals, providing them even more suitable solutions in each phase or retirement decisions.

What has to be understood by the management of pension funds is, probably, the fact that behavioural finance theories are not only able to highlight and recognize biases but, on the contrary, they are able to suggest solutions or, at least, to give important inputs for an incessant improvement.

5.3 ANALYSIS OF SOME CASE STUDIES OF FOREIGN PENSION FUNDS

In order to obtain an overall view on the behaviour of pension funds, in the following sections some case studies of foreign pension providers will be presented and analysed. Coherently with the choice made in the survey for foreign pension providers, that did not received any responses, the case studies include the analysis of a private pension scheme in UK, one in US and one in New Zealand. They represent the most particular examples of pension communication strategies and initiatives abroad.

Kingfisher pension scheme

Kingfisher pension scheme is one of the most proactive pension funds in the UK in the field of pension communication, with more than 36.000 members.

In 2015, the fund was among the winners of the “European pension awards” in London. In particular, the pension provider won the award for the category “The best pension communication strategy”. The award was assigned to the provider which has worked hardest to help members and employers in understanding the complexity of retirement issues through initiatives as seminars, articles, videos etc.

The fund, in fact, has worked in the development of high level customer services in order to increase brand awareness and enhance levels of customer’s loyalty.

To achieve these goals, the pension provider uses many communication channels focusing on the development of an innovative and digital approach, able to increase the engagement of individuals. The website, for example, is able to capture the attention thanks to colours and simple language. We can find a reserved email, a call-centre number and also newsletter,

incentivized by the slogan “We’d like your e-mail address”. It’s possible also to easily find brochures and guides.

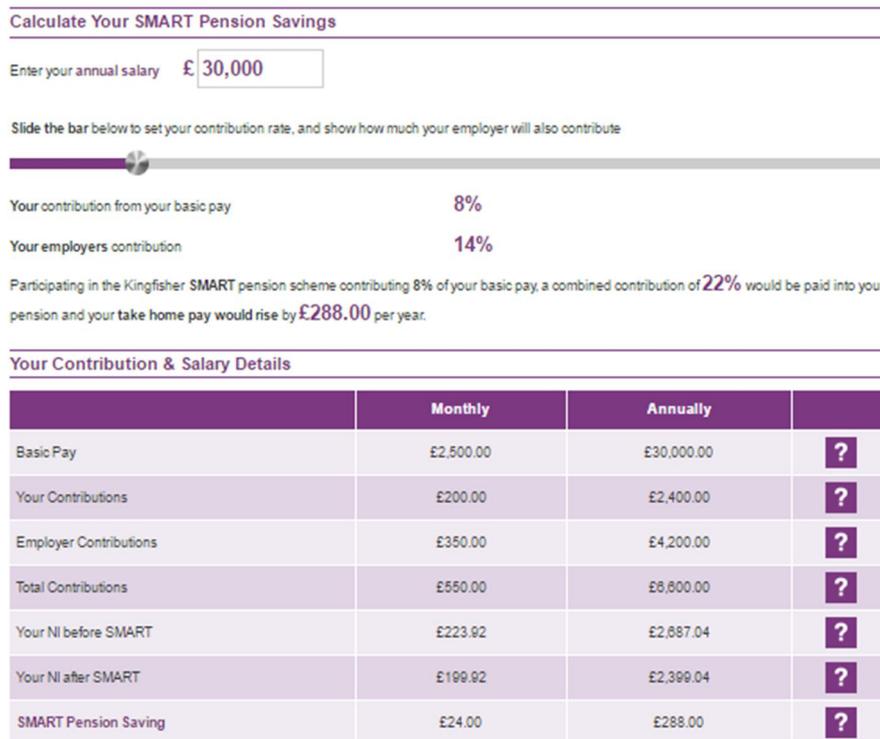
We can notice that there are no many slogans or incentives related to establish a direct relation between members and agents of the pension fund but this is probably a consequence of the efforts done in order to develop a communication able to cover all the retirement issues and doubts.

The fund provides many online services: not only the pension calculator “Pension planner” but other tools very useful to make people aware of the importance of planning for retirement. In fact, we can find the promotion of a “Budget planner”, available also by mobile app, developed to help people in keeping track of their expenses.

Kingfisher pension scheme offers to individuals schemes with increasing contribution levels following the so-called “SMART” programme. It consists in an alternative and cost effective way of paying contribution, aimed to save also in Company National Insurance (NI)

Most active participants of SMART Pension, reduce the amount of NI they would otherwise pay and, consequently, they enhance their take-home pay. Related to this, another very important tool used by the pension provider is the “SMART pension calculator”, shown in the Fig. 72, in which there is the possibility to simulate the effects on pension savings of even small increases in contribution rates.

Figure 72: The SMART pension calculator of Kingfisher pension scheme

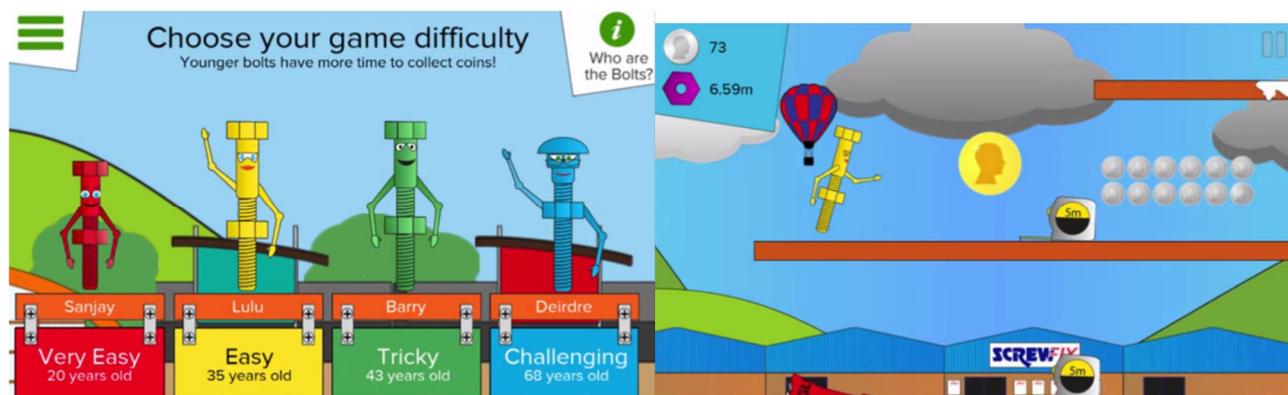


Source: Kingfisher website

With respect to other digital tools, the pension scheme, differently from others, has not developed social network communication, live chats or blogs but it has originally developed an “educational game” in conjunction with the launch of a communication plan called “Saving your future”.

The game includes some characters (cartoon nuts and bolts) representing different segments of population. The aim of the game is to collect money in a certain period of time: the bolt has to run and jump across many platforms, positioned at different levels of height. Higher platforms represent higher contribution levels and, consequently, offer to the bolt the possibility to collect more money. Younger bolts have more time during the game to collect money compared to the elderly characters (Fig. 73).

Figure 73: Bolt to the finish



Source: Teamspirit website

As part of the “Saving your future” program, exploiting the same characters developed for the game, the pension fund provide a dedicated section for educational videos, brief and in plain English, each of them explaining a different retirement issue (automatic enrolment, annuities, etc.)

With respect to monitoring activities on customer’s satisfaction, the pension provider, in conjunction with the launch of the new version of website, the advert game and the educational videos, asked to their customers to give a feedback, in order to understand further improvements.

From a behavioural finance point of you, all these tools are able to simplify retirement information, avoiding the risk of the complexity bias. Moreover the fund encourages an informed decision promoting an independent personal advice service.

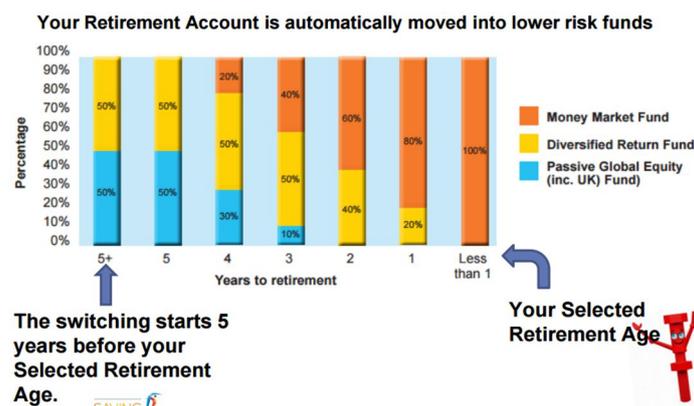
The fund, through the help of the slogan “Saving your future”, incentives people to start thinking about pension with a long-term perspective. Also at the end of the game, a slogan saying “Remember, to score highly in retirement, start saving now” appears on the screen in order to constantly remember the urgency of the retirement issues. The game and the educational videos are able to increase levels of engagement among potential new entrants, exploiting the framing effect. Moreover, the videos, developed according to the most important issues, try to create an overall view on retirement and private pension functioning and this may be crucial in reducing the so-called “peer effect”.

The provision of calculators and tools for budgeting is the right way to overcome the problem of lack of planning among individuals. In addition, in this way people are given the possibility to perceive the tangibility of benefits that a private pension fund can offer.

As mentioned previously, the fund offers the SMART program, in which, most active members receive incentives. The fund provides many explanations about the functioning of the scheme in its website: in this way, the fund tries to challenge the power of inertia, that lead people to remain “anchored” to default or less challenging options.

For what concern investments, the fund offers an interesting default investment option, the so-called “Lifestyle Cash Target Investment option” in which the retirement account is automatically moved into lower risk funds in the run-up to retirement (Fig. 74).

Figure 74: The Lifestyle Cash Target Investment option proposed by Kingfisher



Source: Kingfisher website

In this way, the fund prevents the risks of overconfidence or loss aversion, biases that often affect the investment decision, and ensures that the investments are done taking into account the age of individuals.

With respect to the retirement performance, the fund offers many options with different levels of flexibility. Also in this case, the fund provides guides, videos and tools explaining the differences among the options and the importance of annuities.

Statistics show that “Saving your future” plan has been effective: according to the interview of Kingfisher communication manager to “Pension Insight” in 2016, it has create an increase of visits in the website of 35%, only 4% of opt-out decisions and an increase of average

contribution levels of more than 1% with more than 20% of members who has jumped from a contribution level to the next.

Fidelity Workplace Investing (Fidelity Investment)

Fidelity Institutional is a large multinational financial services corporation based in the United States and is the US No. 1 record-keeper of 401(k) retirement savings plans. The company is particularly engaged in improving user experience in order to exploit the ability of the digital innovation for meeting customer preferences.

Fidelity has the primary goal to engage people, also in retirement issues in order to increase levels of participation.

The website, for example, is full of contents dedicated to convince people to enrol immediately, incentivizing the enrolment also through slogans by phone. It provides a dedicated mail, a call-centre, brochures and also the possibility of on-line customer services through live chats.

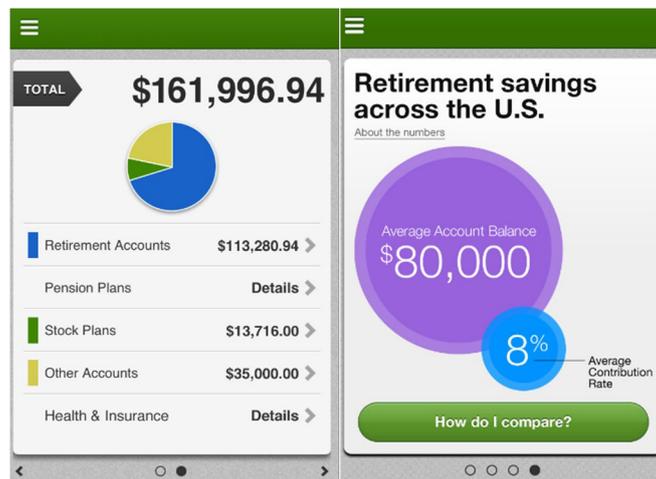
The fund has not developed blogs or advert games, however the website is developed in order to convince the user in following a pre-determined path, as in a game: for example there are many sections entitled “Next step”. In fact, the fund has developed in the website the so-called “Retirement roadmap”, consisting in a sort of guide, step by step, aimed to assist individuals in their retirement decisions, solving their doubts about the private pension scheme and incentivizing an aware behaviour.

The fund has achieved a wide presence in social networks: Facebook, Twitter, YouTube, LinkedIn and Goole+ are all social networks used by the company also for providing retirement information. They are also incentivized by the slogan “Stay connected”.

Moreover, the fund provides various pension calculators, distinguishing their usefulness according to the different phase of retirement decision. For example, there are calculators addressed to discover the maximum amount that an individual can contribute in a private pension scheme or calculators aimed to help people in planning their estate with confidence in order to retire well.

The pension fund of Fidelity investments has not an exclusively dedicated mobile app; however the company has developed the app “NetBenefits”, available to individuals who have one or more workplace benefits provided by Fidelity Investments. In the app, there is the possibility to check the retirement account, update contribution amounts or even change investments (Fig. 75). There is also an educational part, called “library”, in which there are articles and videos, aimed to help people in making retirement choices. In addition, there are interactive tools allowing users to compare their retirement savings with peers, in order to discover if they are spenders or savers. These recent updates have been launched in response to customer feedbacks indicating that they would like to use the app also as a discovery platform.

Figure 75: The mobile app of Fidelity Investments

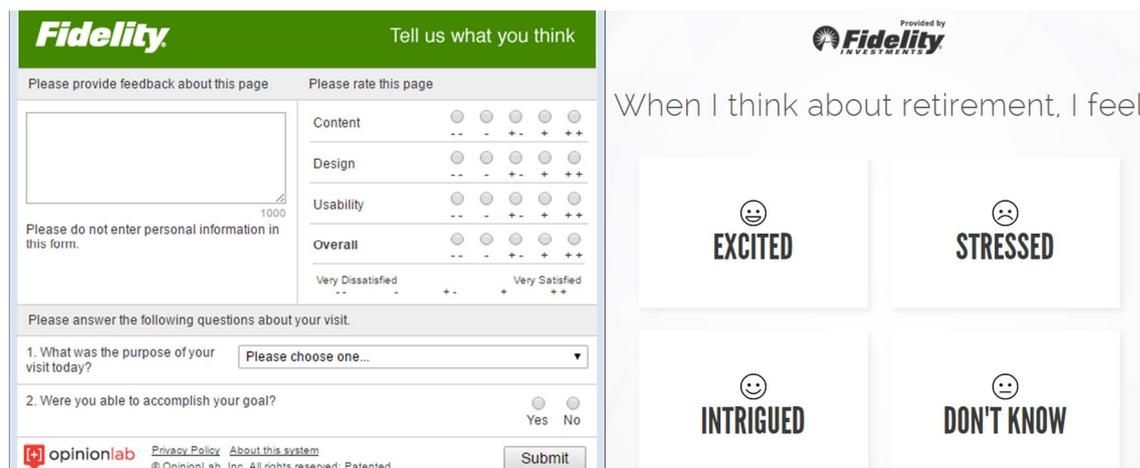


Source: Fidelity website

Feedbacks given by customers are important and, for this reason, in the website there is the possibility to leave a comment (“Tell us what you think”).

In addition, in the website it is possible to find also a fast survey about the preparedness to retirement entitled “Will I be ready to retire?”. It consists of an interesting set of questions not only related to financial and saving aspects but also to emotion, the concept of family, career and lifestyle (Fig. 76).

Figure 76: The section for feedbacks and the questionnaire about retirement preparedness of Fidelity



Source: Fidelity website

One of the most effective communication tools exploited by Fidelity consists in slogans. Fidelity significantly exploits the power that this tool has on the minds of people and, at the same time, achieves a simple and fast communicative strategy overcoming the complexity bias and exploiting the framing effect. The slogans are of different types but many of them are focused on the urgency of the decision like:

- “Start today”;
- “Be prepared”;
- “Challenge yourself”;
- “Try this”.

All of these slogans have been developed in order to motivate people to fight their tendency towards inertia and myopia: in the website there is also a graph illustrating the different effects of saving earlier or later. In some case, the communication is addressed even to “millennials”, very young people who will be significantly affected by the unsustainability of state pension systems around the world and, for this reason, have to think about pension immediately when they start working.

In addition, the fund seems to be aware of the strong consequence of the “peer effect”. First, through the possibility, given in the mobile app, of comparing the own savings with a peer group, people are pushed to feel like in a competition among who is more capable to save.

Furthermore, in a section of the website, the fund asks to users to refer a friend or a parent, exploiting the power that the word of mouth has among individuals of all segments, ages and conditions.

The fund takes care of customers also in assisting them in the contribution decision with many explanation and emphasis towards the increase of levels of contribution showing for example, how a 1% increase in saving rates can make a significant difference in the future pension.

The great number of calculators provided encourage people to exploit the “status quo” bias; the emphasis put on the importance of budgeting is thought to make people aware of benefits obtained in the future through specific activity of planning. There are also specific videos explaining how to use the calculators, their importance and how to analyse retirement plans.

With respect to the investment decision, the funds provides data about past performance but the communication is actually focused in the fact that the provider knows that people feel uncomfortable when they have to think about investments and have to spend time searching and monitoring them: for this reason, for who do not want to build their own diversified portfolio, the fund offers two default options, adjusted according to the personal situation of the member.

In addition, there are also dedicated sections in the website for old retirement accounts, in order to renovate to members the spirit of active participation through a “refresh” of the old decisions. It provides also an online questionnaire aimed to discover the own investment approach.

We can conclude that Fidelity has developed a pension communication aimed to took care of the needs of individuals, taking into account many biases suggested by behavioural finance analysis which are overcome or exploited also through the powerful help of a marketing approach made up using a great variety of slogans.

ANZ

ANZ is the largest bank in New Zealand by market capitalisation. The company offers a KiwiSaver Scheme and has recently invested in the improvement of the retirement

communication and education strategy in order to increase the number of participants in the private pension scheme.

According to an interview of “Financial IT Innovations in Technology” in 2014 to the ANZ General Manager, communication is considered particularly important, especially considering that members who have joined the ANZ scheme through the default option were allocated to conservative funds without considering their age or their different risk profiles. Moreover, communication could help in remaining highly competitive, especially in a marketplace where competition has become even harder.

In addition, the company reserves a lot of confidence towards retirement communication and education: when members will better understand the benefits around retirement planning, goal setting and budgeting for the future needs, building a long-term strategy, the company expects a cascade effect consisting in the increase of the number of participants.

In order to achieve these goals, the company provides a lot of tools in its website: the call-centre for any kind of questions, a specific number to join the scheme by phone, e-mails and brochures.

In addition, the company, in the section “Connect with us”, incentivizes the use of social networks as Facebook, Twitter, Google+ and YouTube. Twitter is also suggested as possible communication channel for asking any kind of doubt in the section of customer service of the website where is possible to communicate also through live chats.

The company has developed also a unique mobile app for all the financial services provided, including the KiwiSaver scheme account. The company is confident that, if individuals can check their balance easier and they see it growing, they will become engaged in these themes.

The company has worked also in the development of an effective approach able to explain concretely factors affecting savings. For this reason, in the website we can find some case studies illustrating the functioning and the importance of a private pension scheme (Fig. 77).

Figure 77: Case studies published by ANZ

Regular contributions can make a big difference

A smart way to invest more for your future

George and Karen are both aged 52 and own a business. They've worked hard over the past 25 years and managed to save a nest egg of \$250,000. They want to continue building on that sum while they're still working.

They're considering investing a further \$1,000 each month - on top of their lump sum - until they're ready to retire, probably when they both turn 65. So they're looking for an investment that offers both flexibility and moderate risk. They decide to invest in the Balanced Fund.

By the time they reach 65, their investment could have grown to \$432,000 (or \$334,000 when adjusted for inflation). However, if they chose to make regular contributions of \$1,000 each month on top of their lump sum, their total savings could have grown to \$639,000 (or \$494,000 when adjusted for inflation).

Depending on their circumstances at retirement, George and Karen could continue to invest in the Balanced Fund or switch to a lower-risk fund, review their regular payment amount, perhaps start a regular withdrawal, or even think about a large withdrawal for a dream holiday.

Source: ANZ website

Furthermore, in the website we find a pension calculator and also an interesting questionnaire aimed to help people to individuate their risk-profile. This tool has been probably launched in order to encourage a “lifetime approach” in investments decision: the most suitable investment solution for individuals has to take into account their age and propensity to risk, in order to meet their own needs (Fig. 78).

Figure 78: The questionnaire about risk profile of ANZ

Risk Profile Questionnaire

Question 2 of 5: What is your attitude towards your investment balance?

- I do not want to see my investment balance fall at any time
- I do not like seeing my investment balance fall, but accept there will be small ups and downs
- I am ok with my investment balance falling for a short period, provided my balance is at least equal to the amount I have invested over the longer term
- I am ok with my investment balance falling, provided it's likely my investment balance will be higher than the amount I invested, over the longer term
- I expect to see my investment balance rise and fall frequently. My expectation is for a superior investment balance above the amount I invested, over the longer term

Next Question

Source: ANZ website

The efforts carried out in order to improve retirement communication by ANZ are evident and we have to recognize also the originality of some of its tools like the questionnaire about the risk profile. However, even if there are some attempts to simplify information, the use of slogans could be exploited more in order to increase engagement among users which could be

an important psychological factor able to overcome inertia and myopia of people facing retirement decisions.

Through case studies the fund explains also the importance of constant contributions and the potentialities of a small increase but it is clear that the focus of the pension communication of ANZ is reserved on investment decision, as the interesting and original questionnaire developed reveals.

The premises on the pension communication strategy seem good: if the company will continue following this strategy, we can expect general improvements which will provide many benefits, both for the fund in terms of number of participants and engagement and for current members and potential new members for their knowledge and preparedness.

5.4 RESULTS OF THE SURVEY AND OF THE ANALYSIS OF FOREIGN CASE STUDIES IN RELATION TO THE OVERALL PENSION COMMUNICATION CONTEXT AND TO THE DIFFERENT PHASES OF RETIREMENT DECISION

From the analysis of Italian and foreign pension communication strategies, the survey on a small sample of Italian pension provides and from the analysis of some case studies of foreign funds, we make an attempt to provide some conclusions on how and how much biases are considered and what has been done or what will be done to overcome them.

In the following sections the different biases affecting retirement decisions are divided according to the different phases of retirement decision-making process they influence.

The decision to save

One of the most important biases in the phase of membership is the so-called “framing effect”, meaning that people could express different opinions according to how the question is asked. The automatic enrolment system introduced in many countries around the world in the last decade seems to represent the best solution, if well-designed and incentivized by a dedicated and coherent communication campaign. In fact, in automatic enrolment people are asked to decide to opt-out within a certain period of time. They are not obliged to join and at the same time they are not “totally free”: they are addressed and encouraged towards certain choices, allowing them the power of choice, even if with a limited extent.

The evidence suggests that these systems have always increased coverage rates and in countries like New Zealand, coverage rates are not much lower compared with rates in countries with mandatory systems. At the same time, it's important the encouragement from governments towards a certain choice without remaining "neutral".

Other important biases to consider are the inertia and the tendency of individuals towards the procrastination of choice. Workers, especially young people, usually think that pension issues are not urgent because they are myopic and lack of a long-term vision. The survey suggests that these biases are faced by pension providers with the provision of information about factors that may influence the future value of the pensions. This represents a good starting point but some improvements are required.

Part of the interviewed pension funds have affirmed that their primary goal is to inform: in this way, they become essential for the process of increasing financial education levels, necessary to make people aware of the urgency and relevance of the issues.

Another good strategy to overcome these biases is the provision of incentives like extra-services or insurance coverage.

With respect to self-control problems, the challenge for pension funds is to overcome them exploiting the power that slogans may have in the minds of individuals. The use of communication tools of this type addresses people in taking appropriate decisions. In the previous sections, some significant slogans used in foreign countries have been highlighted: the correct use of these tools has corresponded to the major success of auto-enrolment schemes in terms of memberships. A significant example of correct use of slogans in retirement communication is, for example, Fidelity Investments in the US.

In the analysis of Italian national communication campaign, we have seen that the slogan "the importance to choose now" represented a big error of communication because the slogan was not coherent with the system introduced and with what workers were required to do. Also in the survey, this problem has been not well perceived by the funds. This is probably due also to the fact that they are not probably supported in this sense by institutions and they have few examples to follow.

In addition, retirement information are usually perceived as "too complicated" and full of details, creating confusion in the mind of workers and requiring times to be read and understood. Foreign pension funds, have better understood this problem and this may be the

reason for which they are a step ahead compared to Italian pension funds. In Italy, we can perceive some good “marketing approaches” but there is a lot to do yet. In fact, we can find funds that provide only mandatory communications or, in the opposite side, post extremely long documents. This is not the correct approach: people need to find brief and clear explanations on the subject, in order to start to understand serenely the most important information and, in the second moment, they may read all the details or may request a meeting with a consultant. This aspect has an extreme importance considering also the fact that people use as primary source of information the internet and, consequently, they expect to find there all the information they need in an easy way.

In addition, the provision of a dedicated mail or call-centres enables people to solve their doubts quickly. The majority of funds seem to have these tools; there are sporadic cases in which they miss.

However, the problem of complexity has been recognised and rated as very important by the majority of the sample in the survey and for this reason, the expectations for the future are positive for this aspect.

Finally, the bias called “peer effect” has been considered important by many funds in the sample and it finds evidence in all past surveys addressed to Italian employees, who affirmed to have asked for pension information to their colleagues, friends or relatives. This phenomenon is probably more widespread in Italy as a consequence of errors made in communication strategies by both institutions and pension providers.

To overcome this problem, some funds, in Italy and abroad, use slogans aimed to convince people to meet one of their consultants or agents. It’s probably a good method to reduce also misinformation. From foreign countries we can learn the use in pension communication of other important tools such as blogs and forums or, in addition, social networks, where people could exchange opinions. However, social networks have been developed only by the biggest funds in Italy while blogs and forums are nearly absent in most of the case. Foreign pension funds usually use live chats and some of them have launched advert games, like the Kingfisher pension scheme with “Bolt to the finish”: in Italy these tools are totally unknown yet in private pension context.

Contribution decision

The principal biases at the moment in which people have to decide how much to save in their private pension plans are the lack of planning, the low tangibility of future benefits and the “status quo”. In order to make people aware that what is planned and saved now, with few efforts, will provide significant benefits in the future, allowing them to approach retirement more serenely, pension calculators or simulators are the most suitable tools. Pension calculators are very widespread abroad while in Italy they are provided only by funds of bigger sizes.

Considering, in particular, the status quo bias, the fact that individuals consider their contributions as a loss, could be overcome with the successful “Save more tomorrow” plan, as its introduction in the United States has demonstrated. People are more willing to increase their efforts in the future and, in this way, they don’t remain anchored to the initial, often minimum, contribution level. However, these schemes are not well widespread and in Italy, there are not many pension funds which offer them and the small sample confirms this tendency.

Investment decision

In the investment decision, the choice of the option should be suitable according to the propensity to risk and to the age of individuals. In fact, riskier investment options may not achieve good results in the short term but allow increasing considerably the future amount in the long one and, for this reason, are options more suitable to younger people. Vice versa, options with low rate of risk are the right solution for older people who do not want to risk losing money in the last years of working-age.

Many funds in the sample have confirmed to use these factors as parameters at the moment of the offer of the investment options, meaning that they put at the first place the needs of the individual. However, there are only few cases in which pension funds highlight these important criteria in their investment communication in their websites or in their brochures, letting this information probably to the meetings with their consultants or agents. This is probably an aspect that pension funds, in their communication, have to put more on evidence in order to increase also the general level of financial education. There are many tools useful

to help individuals in this kind of decision: ANZ, for example, has developed an interesting questionnaire about risk profile.

Following the example of Save more Tomorrow for what concerns contribution, we could imagine, as effective system in investment biases, the possibility to automatically “switch” sub-funds according to the growing age of the individual, starting with a riskier option in the youth and ending with more prudent lines at the end of the working-age. This option is already offered by the Kingfisher pension scheme.

In the investment communication, pension funds usually disclose past performances and returns as information about investments, in order to give individuals the opportunity to consider real data and facts but, at the same time, this information have to be carefully weighted. An excessive reliance to past performance, in fact, is considered a bias which may significantly influence future results. Past returns do not ensure the same results in the future. Indeed, in the sample, only few pension funds have affirmed to incentivize particular sub-funds according to returns and past performances.

In the survey, few pension funds have affirmed also to incentivize particular investment options according to higher commissions; this confirms the risk of conflicts of interests damaging workers.

One of the consequences that the financial crisis has produced has been the loss of confidence towards pension funds. According to the survey, pension funds don't think that people are so sceptical at the point that are scared to lose their money but, however, their primary object in communication strategy confirm their intentions of demonstrating the effectiveness of private pension schemes in order to overcome any doubts of individuals.

Decumulation phase

Italian regulation limits the possibility to receive, at the beginning of retirement age, more than a certain amount in the form of a lump-sum, in order to limit the risk that individuals consume all their money before they are dying. People, in fact, because of self-control bias and their lack of planning, are exposed to this risk that may frustrate all the efforts made during the working-age. For this reason, the choice for annuities is incentivized by regulators but, in the communication of many funds, in Italy and abroad, this kind of information is moved to the background.

This doesn't help individuals in their gamble: the choice between saving higher amounts risking dying early or consuming more and living longer than expectations potentially facing economic difficulties. And this could be an important factor which can affect also the membership if people feel unprepared or if they have bequest motives.

In the survey, funds recognized that an important factor which could discourage people is the perception of rigid limits on liquidity, but they may tackle this aspect explaining better why regulations impose these limits.

We can conclude that the importance given to pension communication decreases according to the different objects in the subsequent decisional phases: communication is generally focused on membership issues and advantages. Then arguments about contribution levels and investment options have less space in messages, websites and other communication channels and, finally issues regarding performances are even rarer. It's right to put emphasis on the first step of retirement decision but, at the same time, pension funds and also institutional campaigns should take care to support individuals in all the different phases of the decision-making process.

CONCLUSION

At the end of this analysis, we can make some final considerations about the design of pension system and the role of technology, which can help pension funds to overcome biases in communication.

Often people do not take decision rationally and the existence of many biases in individual behaviours, confirmed also from the analysis of pension funds trends, may lead to significant errors. Thus, mechanisms able to address decisions may be of help. Automatic enrolment is a may be a good choice between mandatory mechanisms and fully voluntary arrangements. However this “soft paternalistic” form needs to be well-designed (especially in the setting of default choices) and implemented through an effective and consistent national communication strategy with on-going objects. In fact, automatic enrolment should not to be considered as a substitute of financial education efforts but a complement. In this field, also single initiatives are fundamental for improving private pension systems and may achieve good results, as in the case of the Italian pension funds Prevedi and its new form of automatic enrolment.

In this context, communication plays a double function: first, it fosters the growth of financial and pension knowledge among citizens, secondly, it ensures correct and clear information to current and potential members of pension funds.

Innovation and digitalization could act as important drivers: nowadays, all individuals, companies, banks, insurance companies use technological communication channels like social networks and mobile apps and pension funds should do the same. Some of them, especially abroad, have been using these tools for many years, introducing also live chats in order to speed things up, or advert games, in order to educate in an amazing way. In Italy these kinds of tools are rarely used but, according to the sample, pension funds show the purpose to invest especially in the development of their mobile apps. In this way, it will become more easier to reach and to attract interests of younger people and, at the same time, these tools could help also the development of communication related not only to the membership phase, which is the central object now, but also to other phases of pension decision like contribution levels, investment options and performances, which are actually less emphasized. Moreover, technology may be also a crucial factor in terms of competition in the plurality of retirement instruments in private pension market.

In the field of pension communication, not only governments and institution or pension providers are involved. It's important to monitor but also support consultants and employers in their relation with workers. Employers, in fact, have become the primary source of information for workers abroad, especially in the United Kingdom and the United States, where they have been continually supported. In Italy this has not happened and the results in membership have been completely different.

Lastly, the small sample of the survey has revealed that pension funds are able to recognize part of the problems affecting pension communication, some of them are able to recognize them as biases suggested by behavioural finance theory but there is an evident gap between the identification of problems and how they are faced. What is often done concretely by pension funds, does not take in consideration biases and only a part, usually bigger pension funds, shows a proactive approach on these themes.

Behavioural finance may be a useful tool to analyse pension decision issues and can provide fruitful suggestions to better communication strategy, taking into account how complicated and how irrational the mind of individuals may be.

APPENDIX 1: SURVEY FOR ITALIAN PENSION FUNDS

1- Which category of pension funds do you belong to? (If you offer more than one pension fund, please select more answers)

- Contractual pension funds
- Open pension funds
- PIPs
- Pre-existing pension funds

(Optional) Name of the pension fund:.....

2- The primary goal of your communication strategy is:

- To increase the number of members
- To increase customers' loyalty
- Other:.....

3- With respect to your primary goal, do you think the communication strategy for your pension fund is:

- Decisive
- Very useful
- Of little use
- Useless

4- How important are the following statements in the message of your communication strategy, in a scale from 1 to 5? (Please rate each option, with "1" meaning "not important at all" and "5" meaning "Extremely important")

	Not important at all (1)	2	3	4	Extremely important (5)
Convince potential members of the goodness of pension funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Share values	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Offer a solution to the need of protection against the risks in the retirement field	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Eliminate the mistrust against pension funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

5- What communication channels do you use now and how important are they in a scale from 1 to 5? (Please rate only the tools you used, with “1” meaning “not important at all” and “5” meaning “Extremely important”)

	Not important at all (1)	2	3	4	Extremely important (5)		Not important at all (1)	2	3	4	Extremely important (5)
Website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Newsletter	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dedicated e-mail (info@...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Social networks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mobile app	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Advert games	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brochure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Advertisements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Training meetings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Meetings with agents	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Remote trainings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Informative kits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Live chat	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Call centres	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Forums/Blogs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Other:.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Online pension calculators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>						

6- Which tools do you use to monitor the customer satisfaction and the continuity of the relationship with customers? How important are they in a scale from 1 to 5? (Please rate only the tools you used, with “1” meaning “not important at all” and “5” meaning “Extremely important”)

	Not at all important (1)	2	3	4	Extremely important (5)		Not at all important (1)	2	3	4	Extremely important (5)
Survey	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Monitoring the number of adhesions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Feedbacks on website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Monitoring the number of transfers from others funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Monitoring on website hits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Monitoring the rate of interruptions of contribution payments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Monitoring on incoming e-mails	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Monitoring the number of redemptions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Monitoring on incoming calls	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Other:.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Monitoring the number of complains	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>						

7- In the era of digital communication, in what communication channels are you going to invest? (You can select more than one answer)

- Mobile app
- Blog
- Online services
- Advert games
- Social networks
- Live chat
- Other:.....

8- Do you offer any additional benefits as incentive for the adhesion?

- None
- Individual insurance coverage
- Other:.....

9- Which incentives could be necessary in order to encourage adhesions? (You can select more than one answer)

- Fiscal incentives
- New national communication campaigns
- Change of the regulation on TFR
- Introduction of mandatory systems
- Other:.....

10- With respect to your investment strategy, do you incentivize any sub-funds in particular?

- Yes
- No

If yes, according to which criteria? (You can select more than one answer)

- The age of the member
- Returns/ past performances
- Higher brokerage fees
- Other:.....

11- In your opinion, how much do the following issues affect the pension communication and the participation of individuals in a scale from 1 to 5? (Please rate each option, with “1” meaning “not important at all” and “5” meaning “Extremely important”)

	Not at all important (1)	2	3	4	Extremely important (5)		Not at all important (1)	2	3	4	Extremely important (5)
The complexity of retirement issues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The scarce perception of tangible future benefits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The scarce identification in the messages/slogans proposed by pension funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The perception of rigid liquidity limits from people who want to obtain a lump-sum and not an annuity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The negative perception towards pension funds after particular events (financial crises, reforms)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The perception of an unaffordable economic contribution with respect to wage levels	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The myopia and the lack of financial planning among individuals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The scare of individuals of losing their own money	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The inertia and the procrastination of individuals in retirement decisions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The offer of pension funds by financial providers which offer also other financial products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The tendency of individuals to inform themselves with colleagues/friends/relatives and not with consultant	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>						

12- Do you think there is awareness of these issues among pension providers?

- Yes
- No
- In part

13-How do you face these problems and how important are they in a scale from 1 to 5?

(Please rate only the tools you used, with "1" meaning "not important at all" and "5" meaning "Extremely important")

	Not at all important (1)	2	3	4	Extremely important (5)		Not at all important (1)	2	3	4	Extremely important (5)
Simplifying the information provided	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Incentivizing to meet consultants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Offering schemes with increasing contribution levels	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Informing on the factors impacting on the future pension value	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incentivizing the use of pension calculators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Increasing the qualification of consultants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Through slogans focusing on the urgency of the decision	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Encouraging an informed decision	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Through individual communication in addition than those mandatory	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Other:.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Convincing that pension funds are a safe tool	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>						

14- With respect to the previous issues, which communication problems do you want to tackle in the future? (You can select more than one answer)

<input type="radio"/> The complexity of retirement issues	<input type="radio"/> The scarce perception of tangible future benefits
<input type="radio"/> The scarce identification in the messages/slogans proposed by pension funds	<input type="radio"/> The perception of rigid liquidity limits from people who want to obtain a lump-sum and not an annuity
<input type="radio"/> The negative perception towards pension funds after particular events (financial crises, reforms)	<input type="radio"/> The perception of an unaffordable economic contribution with respect to wage levels
<input type="radio"/> The myopia and the lack of financial planning among individuals	<input type="radio"/> The scare of individuals of losing their own money
<input type="radio"/> The inertia and the procrastination of individuals in retirement decisions	<input type="radio"/> The offer of pension funds by financial providers which offer also other financial products
<input type="radio"/> The tendency of individuals to inform themselves with colleagues/friends/relatives and not with consultant	

15- Do you provide any specific behavioural finance trainings for your consultants?

- Yes
- No

If not, are you going to start courses on these topics in the future?

- Yes
- No

16-Do you think that the knowledge of behavioural finance is essential for consultants?

- Yes
- No
- In part

APPENDIX 2: SURVEY FOR FOREIGN PENSION FUNDS

1- Which category of pension funds do you belong to?

.....

(Optional) Name of the pension fund:.....

2- The primary goal of your communication strategy is:

- To increase the number of members
- To increase customers' loyalty
- Other:.....

3- With respect to your primary goal, do you think the communication strategy for your pension fund is:

- Decisive
- Very useful
- Of little use
- Useless

4- How important are the following statements in the message of your communication strategy, in a scale from 1 to 5? (Please rate each option, with "1" meaning "not important at all" and "5" meaning "Extremely important")

	Not important at all (1)	2	3	4	Extremely important (5)
Convince potential members of the goodness of pension funds	○	○	○	○	○
Share values	○	○	○	○	○
Offer a solution to the need of protection against the risks in the retirement field	○	○	○	○	○
Eliminate the mistrust against pension funds	○	○	○	○	○

5- What communication channels do you use now and how important are they in a scale from 1 to 5? (Please rate only the tools you used, with “1” meaning “not important at all” and “5” meaning “Extremely important”)

	Not important at all (1)	2	3	4	Extremely important (5)		Not important at all (1)	2	3	4	Extremely important (5)
Website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Newsletter	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Dedicated e-mail (info@...)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Social networks	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Mobile app	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Advert games	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Brochure	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Advertisements	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Training meetings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Meetings with agents	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Remote trainings	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Informative kits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Live chat	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Call centres	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Forums/Blogs	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Other:.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Online pension calculators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>						

6- Which tools do you use to monitor the customer satisfaction and the continuity of the relationship with customers? How important are they in a scale from 1 to 5? (Please rate only the tools you used, with “1” meaning “not important at all” and “5” meaning “Extremely important”)

	Not at all important (1)	2	3	4	Extremely important (5)		Not at all important (1)	2	3	4	Extremely important (5)
Surveys	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Monitoring the number of adhesions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Feedbacks on website	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Monitoring the number of transfers from others funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Monitoring on website hits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Monitoring the rate of interruptions of contribution payments	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Monitoring on incoming e-mails	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Monitoring the number of redemptions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Monitoring on incoming calls	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Other:.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Monitoring the number of complains	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>						

7- In the era of digital communication, in what communication channels are you investing?

(You can select more than one answer)

- Mobile app
- Blog
- Online services
- Advert games
- Social networks
- Live chat
- Other:.....

8- Do you offer any additional benefits as incentive for the adhesion?

- None
- Individual insurance coverage
- Other:.....

9- Which incentives could be necessary in order to encourage adhesions? (You can select more than one answer)

- Fiscal incentives
- New national communication campaigns
- Introduction of mandatory systems
- Other:.....

10- With respect to your investment strategy, do you incentivize any sub-funds in particular?

- Yes
- No

If yes, according to which criteria? (You can select more than one answer)

- The age of the member
- Returns/ past performances
- Higher brokerage fees
- Other:.....

11- In your opinion, how much do the following issues affect the pension communication and the adhesion of individuals in a scale from 1 to 5? (Please rate each option, with “1” meaning “not important at all” and “5” meaning “Extremely important”)

	Not at all important (1)	2	3	4	Extremely important (5)		Not at all important (1)	2	3	4	Extremely important (5)
The complexity of retirement issues	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The scarce perception of tangible future benefits	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The scarce identification in the messages/slogans proposed by pension funds	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The perception of rigid liquidity limits from people who want to obtain a lump-sum and not an annuity	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The negative perception towards pension funds after particular events (financial crises, reforms)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The perception of an unaffordable economic contribution with respect to wage levels	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The myopia and the lack of financial planning among individuals	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The scare of individuals of losing their own money	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The inertia and the procrastination of individuals in retirement decisions	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	The offer of pension funds by financial providers which offer also other financial products	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
The tendency of individuals to inform themselves with colleagues/friends/relatives and not with consultant	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>						

12- Do you think there is awareness of these issues among pension providers?

- Yes
- No
- In part

13-How do you face these problems and how important are they in a scale from 1 to 5?

(Please rate only the tools you used, with "1" meaning "not important at all" and "5" meaning "Extremely important")

	Not at all important (1)	2	3	4	Extremely important (5)		Not at all important (1)	2	3	4	Extremely important (5)
Simplifying the information provided	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Incentivizing to meet consultants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Offering schemes with increasing contribution levels	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Informing on the factors impacting on the future pension value	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Incentivizing the use of pension calculators	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Increasing the qualification of consultants	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Through slogans focusing on the urgency of the decision	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Encouraging an informed decision	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Through individual communication in addition than those mandatory	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Other:.....	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Convincing that pension funds are a safe tool	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>						

14- With respect to the previous issues, which communication problems do you want to tackle in the future? (You can select more than one answer)

<input type="radio"/> The complexity of retirement issues	<input type="radio"/> The scarce perception of tangible future benefits
<input type="radio"/> The scarce identification in the messages/slogans proposed by pension funds	<input type="radio"/> The perception of rigid liquidity limits from people who want to obtain a lump-sum and not an annuity
<input type="radio"/> The negative perception towards pension funds after particular events (financial crises, reforms)	<input type="radio"/> The perception of an unaffordable economic contribution with respect to wage levels
<input type="radio"/> The myopia and the lack of financial planning among individuals	<input type="radio"/> The scare of individuals of losing their own money
<input type="radio"/> The inertia and the procrastination of individuals in retirement decisions	<input type="radio"/> The offer of pension funds by financial providers which offer also other financial products
<input type="radio"/> The tendency of individuals to inform themselves with colleagues/friends/relatives and not with consultant	

15- Do you provide any specific behavioural finance trainings for your consultants?

- Yes
- No

If not, are you going to start courses on these topics in the future?

- Yes
- No

16-Do you think that the knowledge of behavioural finance is essential for consultants?

- Yes
- No
- In part

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