

World Social Security Forum

32nd ISSA General Assembly

Panama City, Panama, 14–18 November 2016

Pension communication: Summary report

Technical Commission on Old-age, Invalidity and Survivors' Insurance
International Social Security Association
Geneva

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The project on pension communication is one of the activities defined in the work plan of the Technical Commission on Old-age, Invalidity and Survivors Insurance (TC Pensions) for 2014–16. The project aimed at collating experiences from around the world in the field of pension communication, analysing effects of different approaches, and establishing what the current best practices are. Information for the project was collected through an inventory (aimed at compiling already existing knowledge) and a questionnaire sent to 41 International Social Security Association (ISSA) member institutions around the world.

The project group consisted of:

- *Swedish Pensions Agency (SPA) as leading member, supported by:*
- *German Federal Pension Insurance (Deutsche Rentenversicherung Bund – DRV), Germany*
- *National Old-Age Insurance Fund for Employees (Caisse nationale d'assurance vieillesse des travailleurs salariés – CNAV), France*
- *Derrama Magisterial, Peru*
- *Pension Fund of the Russian Federation (PFR), Russian Federation*
- *National Social Security Administering Body for Employment (BPJS Ketenagakerjaan), Indonesia*

The following summary is an abbreviated report for translation; the full report in English¹ contains more examples, and also all the questions asked in the information inventory and the questionnaire.

1. Conclusions and recommendations

The conclusions drawn from the material gathered for the report can be summarized as follows. Institutions need to focus more on:

¹ Pension communication.

1.1. Effects, follow-up and monitoring

In considering important impacts on their communication strategy, a majority of the responding institutions identified awareness on the part of beneficiaries of the essential factors determining the size of their future pensions. However, they currently have no or little information on such awareness. It is thus not surprising that following up and monitoring the effects of communication activities are mentioned as important areas for improvement. Measuring and evaluating beneficiary awareness as well as changes in behaviour and other desired effects can help institutions tailor their communication activities to become more effective and to better reach their goals.

1.2. Outcomes of behaviour

To increase beneficiary awareness, most institutions find it helpful to inform people about the actual consequences of their behaviour instead of explaining the (often complex) structures of the system. Even so, many institutions currently do not do this. Simple messaging has proved effective as a first step. Once this has been done, the target group may be interested in more elaborate guidance in a second step.

1.3. Customer orientation

Increased customer orientation could be the answer to many issues raised by the responding institutions. Customer orientation should not only be present in regular communication activities, but should also be a priority when, for example, designing decision letters, which are an important part of the institution's communication with its beneficiaries.

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1.4. Specific target groups

Relating communication to life situations (first job, having children, retiring, etc.) can be a successful way of making the information feel relevant to customers. Tolerance for more in-depth information is higher when perceived as relevant, for example the personalized information for teachers in public schools provided by Derrama Magisterial in Peru. The example of Derrama Magisterial also shows that it is more effective to work with smaller, well defined target groups, and easier to reach such groups.

All communication activities should also take into consideration legal and culture differences. This includes the message conveyed as well as the channels used, and will also have an impact on how information is perceived by beneficiaries.

1.5. All benefits

Institutions should take a holistic view of the customer's needs, and in the communication consider other benefits, incomes and savings that the individual may have. This is demonstrated in examples from Canada and the United States.

1.6. Forecasts of total pension

A more customer-oriented approach goes beyond the institution's own administration. It should create an increased awareness of all sources of pension, on a national as well as international level (e.g. through improved cooperation between responsible institutions). Among the

countries responding to the questionnaire, only the Swedish Pensions Agency provides a forecast covering all pillars of the pension system.

1.7. Focus on the pension saver and contributors

Pension savers and contributors – people not yet receiving benefits – seem to be the major challenge for pension communication, due to their relative lack of interest and lack of time.

2. Context matters

Patterns identified in the study of open sources and available research, as well as through the replies received through the questionnaires sent to members of ISSA, show that it is important to consider the type of pension system in place (defined benefit (DB), defined contribution (DC) or notional defined contribution (NDC), the degree of development (newly or well established pension system/organization) and the cultural and local context when deciding on suitable communication measures.

2.1. Degree of development (newly or well established pension system/organization)

It is natural and often necessary when implementing a new system/organization to prioritize making the basic functions of the administration work (paying benefits and collecting contributions). Secondly, focus is shifted to the perception of the services. Finally, attention can be directed towards more progressive communication strategies based on, for example, research on financial behaviour.

2.2. Cultural differences and local conditions

Legal and cultural differences should be taken into consideration when presenting information messages and choosing channels. They will also have an impact on how information is perceived by beneficiaries.

Certain differences reflecting local conditions can be detected in the choice of communication channels. For example, the National Social Insurance Fund in Cameroon uses local radio stations as one channel for their communication measures.

Cultural differences may have an impact on how administrations look at their customers and perceive the need for a customer-oriented approach. The balance between legally comprehensive information and more simplified targeted information that lacks legal value is often impacted by local traditions, as well as the legal environment of the administration and its beneficiaries. This is a challenge for several organizations. Communication measures do however risk becoming incomprehensible if the legal perspective is predominant.

Cultural differences also have an impact on whether and to what extent institutions find it appropriate to point people towards beneficial behaviour patterns.

2.3. Type of pension system in place (DB, DC or NDC)

The main difference between DB and DC systems in terms of communication can be found in the need for forecasts and calculation tools. The size of a future benefit is known in case of DB systems; therefore forecasts are not relevant. DC and NDC systems, on the other hand, depend

on a series of variables and are connected with a degree of uncertainty, which creates a need for more information and supporting calculation tools to help beneficiaries understand and predict their future pensions. The uncertainty also creates a need for conveying crisis information, which is seldom required for DB systems.

2.4. Strength of the private market

A market with strong private actors puts additional pressure on communication measures. With an increasing number of actors competing for the attention of customers, simplified and reliable information becomes more important. Competition also increases the costs and efforts required.

3. Focus on the customer

The project group identified a number of areas that are important from a customer point of view. First, there is need for a more customer-oriented approach that goes beyond the institution's own administration, creating an increased awareness of all sources of pension and perhaps other social benefits. Increased customer orientation could be the answer to many issues raised by the responding institutions.

Relating communication to life situations (first job, having children, retiring, etc.) can be a successful way to make the information feel relevant to customers, especially as tolerance for more in-depth information is higher when it is perceived as relevant.

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3.1. Aggregated data on customer needs and behaviour

Gathering and mapping relevant data on customer needs and behaviour leads to a better understanding of customers' needs for information services and preferred channels. This can be achieved by analysing, among others, web statistics, staff experience in customer service, and customer surveys (both qualitative and quantitative data). Good analysis makes it easier to identify, define and prioritize actions to meet customers' needs.

3.2. Incentives for the customer

Personal incentives for the customer (what's in it for me?) are important to the outcome of any communication campaign when attempting to influence the customer's knowledge or behaviour.

3.3. When customers are not interested

The *OECD Pensions Outlook 2014*² identifies common challenges regarding pension information. There are three main challenges for any communication initiative in the area of pensions: lack of interest in the topic on the part of a large share of the population (especially the young); the perceived or actual complexity of the topic; and low levels of financial awareness, knowledge, motivation, confidence, skills and responsibility on the part of consumers, especially among the more vulnerable groups.

² OECD. 2014. *OECD Pensions Outlook 2014*. Paris, Organisation for Economic Co-operation and Development. See in particular Chapter 5, "[Pension communication: Pensions statements and national campaigns](#)".

A majority of the responding institutions find it helpful to inform people more about the actual outcome of their behaviour rather than explaining the (often complex) structures of the system. Communicating favourable behaviour can be done in a first step through simple messaging, and in a second step through more elaborate guidance.

Research concerning financial behaviour shows that the complexity of the pension system makes people feel that the burden of gaining information is not balanced by the benefits of understanding the system.³ Information should therefore be simple, short and easy to understand, and should aim at explaining how different decisions in life affect the future pension. Helping customers to sort through the available information by pointing them in the right direction is also beneficial. This is often done by designing default alternatives that do not require people to make active choices.

Social security institutions can and should have an interest in influencing the choices of their customers through their communication measures. A majority of the responding institutions have also identified information on the most important factors determining the size of beneficiaries' future pensions as a key area for their communication strategy. However, most institutions have no or little information about the awareness of beneficiaries.

Only two responding institutions (the United States Social Security Administration and the Pension Fund of the Russian Federation) have measured the awareness of their beneficiaries or have carried out relevant research. For example in 2014 the Pension Fund of the Russian Federation carried out such a survey with the help of an independent research centre.

In Latin America, policy-makers are beginning to learn that the design of the default investment option is extremely important in mandatory individual systems, since a significant percentage of participants will probably fail to make an active choice. The default portfolio in Latin American countries was designed to select a more aggressive default option for younger participants and a less aggressive one for older participants. In Chile, for example, members who do not make an active choice are assigned to balanced funds based on a participant's gender and expected time horizon until retirement. The rule for assigning members to one of the five funds involves dividing them into three age groups, where younger members are assigned to a fund with more equities and older members to one with a higher allocation of fixed-income instruments. Members can choose funds in the two extremes of the spectrum (fund A and fund E), but the default funds only include those in between. In Chile, there is also a regulation to prevent pensioners and members close to retirement from taking high risks with their mandatory savings. The design of the default option in Mexico and Peru points in a similar direction.⁴

3.4. Life situations

Relating communication to life situations (first job, etc.) can be a successful means of making information feel relevant to customers, especially as tolerance for more in-depth information is higher when it is perceived as relevant. One example is the personalized information for teachers in public schools as provided by Derrama Magisterial in Peru. The example of Derrama Magisterial also shows that it is more effective to work with smaller, well defined target groups, and easier to reach such groups.

³ Mitchell, O. S.; Utkus, S. P. (eds). 2004. *Pension design and structure: New lessons from behavioral finance*. New York, NY, Oxford University Press.

⁴ For further information see: <www.oecd.org/finance/private-pensions/39368306.pdf>.

Target group orientation is a guiding principle of the German Federal Pension Insurance's communication strategy. This is reflected, for example, in the structure of the home page on its website. The prominently located button *Lebenslagen* (life situations) leads visitors to a page where they can choose a life situation similar to their own in order to obtain suitable further information. The Swedish Pensions Agency uses a similar approach on its website.

4. Reaching out and supporting customers

One of the most important conclusions in a 2013 report for the European Commission (EC) pointing out best practices in pension communication is the need to tailor such communication to target groups:

“Communication has to meet the information needs and characteristics of the receivers. Different target groups might need different types of information, as well as require it to be delivered through different mediums, in accordance with one's gender and/or economic, occupational and educational background.”⁵

The nature of the target group is decisive when it comes to communication – you must use a channel that reaches the target group, your message must be adapted to the target group, you must use a language and tone that is suitable to the target group, and you must know your target group to ascertain how many times you have to repeat your message to reach them. You also have to consider whether there are other actors communicating with the same target group who will perhaps disturb your communication with other and perhaps contradictory messages.

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4.1. Target groups

Targeting efforts should focus not only on the content of the information, but also the channel used and the presentation. It is also more effective to work with smaller, well defined target groups, and easier to reach them.

The answers from the questionnaire show that some institutions are more focused on customer needs, which help them to define their relevant target groups. Even so, the responding institutions could possibly benefit from focusing more on certain target groups, given the large number of target groups mentioned, instead of trying to reach everyone with equal efforts. Even institutions that consider all target groups as equally important single out certain groups for specific campaigns and information measures.

Targeting based on age seems to be the most common approach used by the responding institutions. However, the needs (both short term and long term) and size of the target groups have to be considered in relation to the administrative costs when planning and deciding on the use of targeted information measures.

Segmentation of the population into sub-groups can be fruitful in personalizing the communication. The BPJS Ketenagakerjaan in Indonesia maps beneficiaries based on the following characteristics: age, gender, education level, place of residence and the usual communication channel used, among others. Users who log on to the Swedish Pensions

⁵ Stevens, Y.; Van Assche, L. 2013. *The right to retirement pension information* (Peer Review in Social Protection and Social Inclusion) (Synthesis report, Madrid, 2–3 July, p. 22.). Luxembourg, European Commission, Directorate-General for Employment, Social Affairs and Inclusion.

Agency's website are automatically categorized based on age as well as interest in and knowledge of pension matters.

4.2. Channels and strategies

In the questionnaire, institutions were asked to provide examples of successful communication projects. The examples, together with all other replies to the questionnaire, can be found attached to this report. However, a few common communication strategies can be seen throughout most of the projects mentioned. The responding institutions:

- focus more on the channels used rather than the results and effects of the communication measures/projects;
- allocate a multichannel approach to reach their targets and set goals; and
- provide, in many cases, Internet-based personal accounts.

A majority of the responding institutions find the Internet to be the most efficient way to communicate with customers. Several institutions also use social media in various ways. The Internet is of course in most cases a cost-effective way to reach out. In organizations where cost control is more important than reaching beneficiaries, it can be tempting to consider a banner on their own website as good enough. But often it takes more to have a real effect in the target group, which is why a multichannel approach seems to be favoured by the responding institutions when reaching out to the public. However, most institutions prefer to be contacted through Internet services, while a few prefer phone, letters or personal meetings.

The use of financial incentives is generally very efficient, if the necessary resources are available to the administration. The successful implementation of the Russian Federation's Government Pension Co-Financing Programme through its Pension Fund illustrates the use of information on financial behaviour: each voluntary insurance contribution is matched by the Government. Almost 16 million people have joined the Programme, resulting in a six-fold increase in the amount of voluntary insurance contributions paid.

Cameroon's National Social Insurance Fund has conducted a very successful campaign encouraging pensioners to receive their pension through their local bank or through an electronic wallet. During the course of the campaign the use of banks by pensioners rose from 0.27 per cent at 1 January 2008 to 96.8 per cent at 31 December 2014 (including 9 per cent using electronic wallets).

Personalized meetings are preferred by some, such as Peru's Derrama Magisterial which has focused its information activities on individual meetings and personalized services due to the specific group of beneficiaries (teachers in public schools). The meetings are arranged in the office or home of the beneficiary, thus minimizing the effort requested from the beneficiary. Derrama Magisterial also uses individualized accounts and information material to further limit the effort required by the target group. Other institutions that see personalized meetings as important include Côte d'Ivoire's Social Insurance Institute – National Social Insurance Fund and the BPJS Ketenagakerjaan in Indonesia.

The need for Internet-based personal accounts is addressed by several institutions through various services. Good examples of how personalized Internet accounts can be used are found in Italy's National Social Insurance Institute and the Japan Pension Service.

4.3. Consumer support...

Raising awareness of savings is important to institutions where private pension savings are a key part of the pension system. Some institutions even stimulate savings in various ways. Good examples can be found in Canada's Quebec Pensions Board and the US Social Security Administration. The Quebec Pensions Board encourages its beneficiaries, through various information measures, to calculate their savings needs for when they retire. However, the emphasis is on people aged 35–49:

“The Board feels that at this age the citizen has access to a healthy income and can save a portion of it. It is also early enough for the savings to yield conclusive results. We also think that retirement starts to be a less abstract subject at this age.”⁶

It should be noted that information provided to this age group needs to be short and specific due to the time constraints and the level of interest of the group.

The US Social Security Administration

“emphasizes that Social Security is only one part of retirement, and encourage the importance of other incomes and savings”.⁷

This is reflected in all the information activities of the administration.

4.4. ...and in relation to the private market

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An overall conclusion given in the *OECD Pensions Outlook 2014* is that government pension communication campaigns should avoid confusion with private providers' campaigns. It is important to maintain an effective control of the campaign, avoid mixed messages and ensure the objectivity of the information provided.

A few examples of this are given. In Estonia, for example, private providers agreed to postpone their advertising until the Government's campaign was completed. In Poland, the Government went so far as to restrict the marketing campaigns used by pension providers during its own campaign.

The experiences of Hungary and Poland demonstrate that private providers' advertising and marketing campaigns can overshadow the Government's information campaign and, in certain cases, give rise to a situation where consumers overestimate the benefits and underestimate the costs and risks of the DC system.

Most responding institutions do not provide help to their beneficiaries in relation to the private market. Concrete examples of cooperation can however be found, for example in the replies of the German Federal Pension Insurance, Israel's National Insurance Institute and the Mexican Social Security Institute.

⁶ Quebec Pensions Board's answer, see main report, p.17.

⁷ Social Security Administration's answer, see main report p.17.

5. Forecasts and information relating to pension pillars

5.1. Information relating to all pension pillars

It is crucial for beneficiaries to get an overview of all pension pillars, in order to be able to make informed decisions about their pensions. Such information should preferably be provided on an individual level. However, individualized information on all pension pillars could potentially raise questions related to data integrity. Just over half the responding institutions inform about all pension pillars, and in most cases the information is provided on a general level. Some institutions, such as Australia's Department of Human Services provide more individualized information through its Financial Information Service (FIS), which offers comprehensive retirement planning.

One example referred to in the information inventory concerns the United Kingdom. In that country, a special body, the Pensions Advisory Service (TPAS), provides pension information concerning all pillars.⁸ TPAS is an executive non-departmental public body sponsored by the Department for Work and Pensions, which gives information, guidance and help relating to state, occupational and private pensions.

At the European level, the non-governmental organization (NGO) AGE Platform Europe⁹ works among other things for better pension information. It argues that information about pensions should cover all sources of pension (state, occupational and private schemes), that such information should be communicated at the same time, be dynamic and available from the very beginning of one's working career.

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5.2. Standards for presenting pension forecasts

The main focus of pension information is a projection of expected future benefits. This information can be provided in a number of ways. There should, however, only be one standard for how this amount is calculated and presented. This standard is based on many years of international experience in Denmark, Germany, Netherlands, Norway, Sweden¹⁰ and the United States. The standard pension projection answers the question: If the present legal and contractual arrangements that I am covered by and my present income persists unaltered until my retirement, what pension can I then expect?

The standard pension projection includes the following:

- It is a monthly amount (if benefit is paid monthly) or other interval if benefit is paid at other intervals.
- It is presented at the legal retirement age (other ages may be added, but are not standard).

⁸ See: <www.pensionsadvisoryservice.org.uk/>.

⁹ "AGE Platform Europe was set up in January 2001 following a process of discussion on how to improve and strengthen cooperation between older people's organizations at EU level. Membership is open to European, national and regional organizations, and to both organizations of older people and organizations for older people. Organizations of older people will have the majority of votes in our decision-making bodies. Membership is open only to non-profit-making organizations. The work is financed by grants of the European Union, membership fees and donations", [online article](#).

¹⁰ See Swedish Social Insurance Agency: [Orange Report: Annual Report of the Swedish Pension System 2007](#), Stockholm, Försäkringskassan.

- It is presented/calculated in today's prices and income level. That is, either zero inflation and income growth should be assumed in the projection, or if price and/or income growth are assumed in the calculation of the pension benefit, the benefit should be discounted by inflation and/or income growth (other assumptions may be added but are not standard).
- If return on capital has an implication for the pension benefit such pensions should also be presented in today's prices and income level (other assumptions may be added but are not standard).
- If mortality/life expectancy has an impact on benefits or standard retirement age, the projection of mortality used by the national statistical office or corresponding office should be used.
- If there are options in the legislation or contract, for example payment periods other than life, the default option should be used in the information.

The *OECD Pensions Outlook 2014* addresses the issue of providing pension projections to individuals. It discusses the possible implications and complexity of doing this, including projections being uncertain and difficult to present in a user-friendly way, and argues that pension projections are a possible way of empowering individuals to take active steps to improve their retirement income. It also addresses the need to provide information on an individual's total pension and the difficulty in doing so:

“Ideally, the accounting information provided in the annual pension statement would be comprehensive, covering the member's pension accruals from all private sources and the state pension. However, this type of combined statement is unusual. The reason given for this is the difficulty of coordinating data between different plans and providers, among other factors.”¹¹

The report concludes that the pension statement should ideally combine all pension information relevant to the individual, incorporating information from all pension sources (PAYG-financed pensions as well as private and funded pensions) given the overall structure of the pension system. The value of pension information to the individual is significantly diminished if information only relates to a single plan. Three examples of suggestions when designing statements with pension forecasts mentioned are:

- The most important figure for the consumer is likely to be the projected monthly income, which should be highlighted.
- Assumptions should be net of actual charges and take account of future inflation, so that the member sees the projected monthly income in “today's prices”.
- Even the term “projection” might be misunderstood and a suitable user-friendly synonym should be adopted, such as “forecast” or “indication”. Mathematical and technical accuracy should give way to user-friendly language.

5.3. Practical examples and experiences in providing forecasts

A majority of the responding institutions send to their beneficiaries an individualized forecast covering their part of the pension system. The forecast can normally also be accessed through the Internet. Reminders are sometimes sent to encourage beneficiaries to access their Internet

¹¹ OECD, op. cit., p. 182.

accounts; for example, the US Social Security Administration sends annual reminders through e-mail to their beneficiaries, with a registered online account, asking them to review their online statement.

The current age and the foreseen retirement age of the beneficiary are together with the size of the contributions and/or the income the most important variables to make up a good forecast, according to a majority of the responding institutions.

Providing forecasts about all pillars of the pension system is valuable from a customer point of view. It should however be noted that gathering and presenting such data requires substantial resources. The Swedish Pensions Agency provides a comprehensive forecast covering all pillars of the pension system <www.minpension.se>, a service that contains over 98 per cent of all pension capital in Sweden. The information inventory showed that similar forecasts can also be found in Denmark <www.pensionsinfo.dk> and Chile <www.spensiones.cl/apps/simuladorPensiones>. The Swedish and Danish forecasts are made available through websites that are collaborations between the State and the private sector and that collect information from all actors, and making it possible for individuals to access their own pension information and forecast their total pension payment.

Other examples referred to in the information inventory, concern the National Old-Age Insurance Scheme for Employees in France, the German Federal Pension Insurance and the Pension Fund of the Russian Federation.

Some institutions instead provide various other types of Internet-based calculation tools that can be used by beneficiaries for a better understanding of all parts of their future pension. Examples referred to in the information inventory, include the Netherlands, which provides an online tool <www.mijnpensioenoverzicht.nl> that gives beneficiaries information on how much pension capital they have accrued through their occupational pension. Belgium <www.mypension.be> and France <www.marel.fr/> provide calculation tools into which beneficiaries have to manually enter all their available data.

6. Methods for measuring and evaluating communication activities

Surveys are the most commonly used tool for measuring and evaluating communication activities, followed by customer statistics and web analytics.

The methods used for evaluation need to be carefully planned and adapted to the local situation. A good example can be found in Peru, where Derrama Magisterial applies a direct way of measuring communication activities based on customer statistics (the number of new members), because of the limited-size and well defined target group.

Most of the responding institutions measure the impact of their information activities based on how successful they are in reaching the intended target group(s). However, measuring the number of people reached does not always provide an adequate understanding of how well an information campaign has been received and understood. To better understand the impact of a campaign, reference to the size of the target group and the expected results (goals) is necessary. In addition, it is also useful to measure how a campaign is perceived and, if relevant, its effect on the recipients' awareness and behaviour.

Surveys are necessary to detect behaviour changes. However, the use of such surveys seems to be less common than expected, as only a few institutions are able to detect an influence on the behaviour of the customers.

7. Input for decision-making

Most institutions provide input to the responsible decision-makers, either in general or through specific work groups. Good examples can be found in the replies from Australia's Department of Human Services and the German Federal Pension Insurance.

The Australian Department of Human Services has developed a well-structured process for feedback through reference groups which represent various customer cohorts. Discussions in these forums, as well as feedback from member organizations, can inform policy development. The German Federal Pension Insurance uses experience from communication activities as input for decision-makers:

“For example, the form and design of the pension forecast of the statutory pension insurance system and the positive experience with this tool are a starting point and basis for a discussion concerning the development of such information tools for other old-age provision products or for the development of legal guidelines for such product information.”¹²

8. Understanding financial behaviour – crucial when communicating pension information

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In an annex to the report there is a chapter summarizing the relevant research concerning financial behaviour. It concludes that in understanding financial behaviour, the key points for communicators trying to reach out with information that most people think is complicated or boring – such as pensions – are in short these:

- There is no point in trying to educate common people in how the system works. Even if this knowledge can be useful for those who need or want to understand the whole system, most people are rational and think the cost of time invested in trying to understand complicated and sometimes boring things is too high, considering the reward on their day to day life.
- More important is how you design the system, communicating how different behaviours through life affect the total pension, and providing rules of thumb.
- Most people don't like to choose. If there are choices to be made, the majority will need a good default alternative.

¹² Australian Department of Human Services' answer. See main report, p. 25.