In Conversation Series

Bringing together European policy makers and industry experts to help decision makers navigate the important issues affecting business

Aon Expert Talk: Introducing a Digital Pensions Dashboard in Germany

The German Federal Government recently presented the draft law for the introduction of a digital pension overview, which is to be discussed and adopted in the Bundestag later this year. The Digital Pensions Overview will be an important milestone in German pension policy. Whether it is a question of a statutory pension, a company pension or a private pension, citizens will be given an overview of their pension for old age within just a few clicks.

The conceptual basis for this ambitious project was developed by Aon in cooperation with the University of Ulm in a study for the Federal Government.

On 28 October, as part of its *In Conversation Series,* Aon hosted an expert talk on this topic, in order to inform the audience about the basics of the planned digital pension dashboard in Germany, the upcoming next steps and the implications for pension funds and employers. A fruitful discussion was held by the responsible representatives from the relevant federal ministries; from all 'three pillars' of the German pension system; from companies that offer occupational pension schemes; as well as from academia. The following experts participated in the discussion:

Dr. Rolf Schmachtenberg
State Secretary, Federal Ministry of Labour and Social Affairs

Konrad Haker
Federal Ministry of Labour and Social Affairs

Dr. Elmar Dönnebrink
Federal Ministry of Finance

Dr. Reinhold Thiede,
German State Pension Scheme

Dr. Georg Thurnes
aba - Working Group for Occupational Pensions

Dr. Peter Schwark
GDV - General Association of the German Insurance Industry

Pascal Kober, MDB
FDP Bundestag Group

Monika Hennersberger
BMW

Susanna Adelhardt
Evonik

Petra Credé
Siemens

Prof. Dr. Hans-Joachim Zwiesler
University of Ulm, Study Author

Gundula Dietrich
Managing Director Aon, Study author

Moderation:

Dr. André Geilenkothen
Partner, Aon, Study Author

The panelists struck a generally positive tone towards the planned digital pension dashboard and the corresponding draft legislation, which was debated in the Bundestag, the German parliament, one day after the event. However, the discussion made clear that several questions, especially around the specific implementation process, remain to be addressed. A summary of discussion can be found below:

Discussion summary

Dr. Rolf Schmachtenberg, State Secretary in the Federal Ministry of Labour and Social Affairs (BMAS), commenced the discussion by giving his opening remarks. He appreciated the commitment of Aon, highlighting the organization of the webinar as well as the development of the feasibility study on the digital pension dashboard, which had been conducted in cooperation with Prof. Dr. Hans-Joachim Zwiesler from the University of Ulm. Dr. Schmachtenberg described the digital pension dashboard as a challenging project, especially in light of the complex nature of the German retirement system. However, he was confident that the project will be successfully implemented with the active collaboration of all involved stakeholders. Finally, Dr. Schmachtenberg mentioned that the necessary funding has been allocated in the BMAS 2021 budget, which had been confirmed earlier this week in the budget committee of the Bundestag.

Konrad Haker, Head of Unit IVb2 in the BMAS, and **Dr. Elmar Dönnebrink**, Head of Unit I A 3 in the Federal Ministry of Finance (BMF), then presented the concept of the digital pension dashboard, as per the draft law. Haker particularly highlighted that citizens can use the digital platform on a voluntary basis. An important body will be the "Central Office for the Digital Pension Dashboard" ("Zentrale Stelle für die digitale Rentenübersicht", ZfDR), which will be located at the Federal German State Pension Scheme (DRV). It is set to develop, design and operate the digital pension dashboard. The ZfDR will cooperate with a steering committee which will be staffed with representatives from pension funds, consumer protection offices and government authorities. Dr. Dönnebrink explained that the integration of those pension schemes that are required by law to send annual status notifications will become mandatory after a 21-month test phase. In this context, appropriate transition periods are being considered. Other institutions may join voluntarily. Haker mentioned that the ministries have already held talks with pension companies, during which they gathered positive and promising feedback. For companies who will integrate their occupational pension scheme into the digital pension dashboard, the option of handling the process via an intermediary agent will be established. As the German tax ID is used to identify users of the digital pension dashboard, it must be recorded in the records of the pension funds. Haker was confident that the law will be passed in January 2021.

Dr. Reinhold Thiede, Head of Research and Development at the DRV Bund, welcomed the draft law on the digital pension dashboard as a useful addition to the regular pension status reports which are already sent out annually. He was pleased that the draft takes a first step towards an exact definition of relevant terms; and that the dashboard is intended to use those values already stated in the last available pension status report. However, Dr. Thiede warned that the envisaged timeline of 21 months is very tight – all

outstanding decisions would have to be made in a short period of time. For this purpose, the steering committee should be kept lean, at least at the beginning, in order to be capable of making decisions in a timely manner. Furthermore, the advisory boards that prepare the decisions of the steering committee should be assembled as quickly as possible. In addition, he expressed his concern that the data transmitted by the pension institutions could be permanently stored at the ZfDR in the form of a user account. This regulation could spawn discussions around data protection, which in turn could affect the development phase of the dashboard as political interventions are possible. He also made clear that any concerns of the Federal Data Protection Commissioner regarding the use of the tax ID for identification purposes must be dispelled.

Dr. Georg Thurnes, Chairman of the Executive Board of the German Association for Occupational Pensions ("Arbeitsgemeinschaft für betriebliche Altersversorgung e.V.", aba), welcomed the planned digital pension dashboard and, in this context, underlined the importance of financial literacy in the general public. He noted that companies that offer occupational pension schemes will pay special attention to the practical feasibility and costs occurring during implementation, as the administrative workload will increase. Dr. Thurnes considers the 'second pillar' of the German pensions system – occupational pension schemes – to be the most complex and therefore welcomed the concept of voluntary integration, as stated in the draft law. In his opinion, a voluntary approach is sufficient to build up pressure for action in the long term, which will ultimately advance the proliferation of the digital pension dashboard. Data protection will become particularly important in the context of the involvement of intermediary agencies – they should not be given any economic incentives to use user data beyond the intended purpose.

Dr. Peter Schwark, Deputy CEO of the German Insurance Association ("Gesamtverband der Deutschen Versicherungswirtschaft e.V.", GDV), also welcomed the draft law. As a representative of the 'third pillar' – private pension schemes – he explained that the allocation of the ZfDR at the DRV had not been in their primary interest; however, they agree with the proposed structure. Dr. Schwark stated that a clear definition of pension products should be developed, involving all pension providers. Furthermore, the output that citizens receive from the digital pension dashboard should not contradict or cause confusion when compared to the pensions status reports that are being sent out already. Regarding the use of the tax ID for identification purposes, legal certainty must be guaranteed. Furthermore, the steering committee which cooperates with the ZfDR should have a lean structure. Dr. Schwark emphasized that various pension providers from

the 'third pillar' have already shown interest to voluntarily participate in the first phase of the dashboard. In the interest of a pragmatic and timely process, the GDV is willing to be a partner in the implementation process.

Three representatives from companies that offer occupational pension schemes took part in the discussion.

Monika Hennersberger, Human Resources Manager at the BMW AG, mentioned that her company already operates a digital pension portal and is well-positioned in this regard. She made clear that a smooth technical implementation is important to enable a comparable presentation of pension status reports. BMW is considering a voluntary participation in the digital pension dashboard depending on the framework conditions which still need to be clarified. Susanna Adelhardt, Head of Benefits at Evonik, also welcomed the concept of the digital pension dashboard and stated that there are still some open questions to be cleared. Specifically, Evonik is concerned about IT processes, liability issues and the specific obligations on the part of companies. Petra Credé, Senior Expert for the occupational pension schemes at Siemens, explained that their organization already operates a portal which is very similar to the digital pension dashboard and whose future is now unclear. In addition, she mentioned that additional cost can be expected for pension funds with a closed group of stakeholders. In this respect she would wish for exemption clauses. Retroactive data inquiries for former employees will be a challenge as well. Siemens will also make their participation voluntary dependent on the specific framework conditions.

Pascal Kober, member of the German Bundestag for the FDP (Liberal Democrats), wondered to what extent the draft law would give more weight to the role of the DRV

and the 'first pillar'. Concerning the steering committee, he noted that participation from consumer protection and data protection advocates as well as the representation of the interests of freelance workers should be considered. In order for the digital pension dashboard to reach as many people as possible, user-friendliness and an engaging application should be guaranteed – for example by means of implementing an easy-to-use calculation mechanism. Kober also added that it might be useful to include other relevant pension products as well in the interest of a comprehensive overview. He stated that companies that offer occupational pension schemes might have reasonable reservations towards the dashboard.

Prof. Dr. Hans-Joachim Zwiesler, Head of the Institute for Finance and Actuarial Sciences at the University of Ulm, assessed the draft law as a very good basis for the realization of the digital pension dashboard. In the study on which the draft law is based, which he had conducted together with Aon, a liability on the part of the pension institutions is not foreseen. In addition, the use of the German tax ID for identification purposes is useful in his opinion. In order to achieve a timely implementation, Professor Zwiesler advocated for a pragmatic approach, lean structures and an appropriate limitation of the scope of the dashboard. Regarding direct pension commitments from occupational pension schemes, he made clear that these should be incorporated into the platform as well to provide a comprehensive overview.

Dr. Schmachtenberg concluded the expert talk by advocating for a manageable scope of the digital pension dashboard, at least at the beginning, to allow for a timely and feasible implementation process. Finally, he thanked all participants for the constructive exchange of ideas.

Aon are convinced that the Digital Pension Overview will promote the possibilities of pension provision as a whole and it can help companies to anchor pensions even more strongly in the workforce as an essential component of remuneration and as an instrument of employee retention.

If you would like to discuss this topic further, or receive a copy of the full audio recording of the discussion (German language only), then please contact Dr. André Geilenkothen (andre.geilenkothen@aon.com)