



SWEDISH

PENSIONS AGENCY

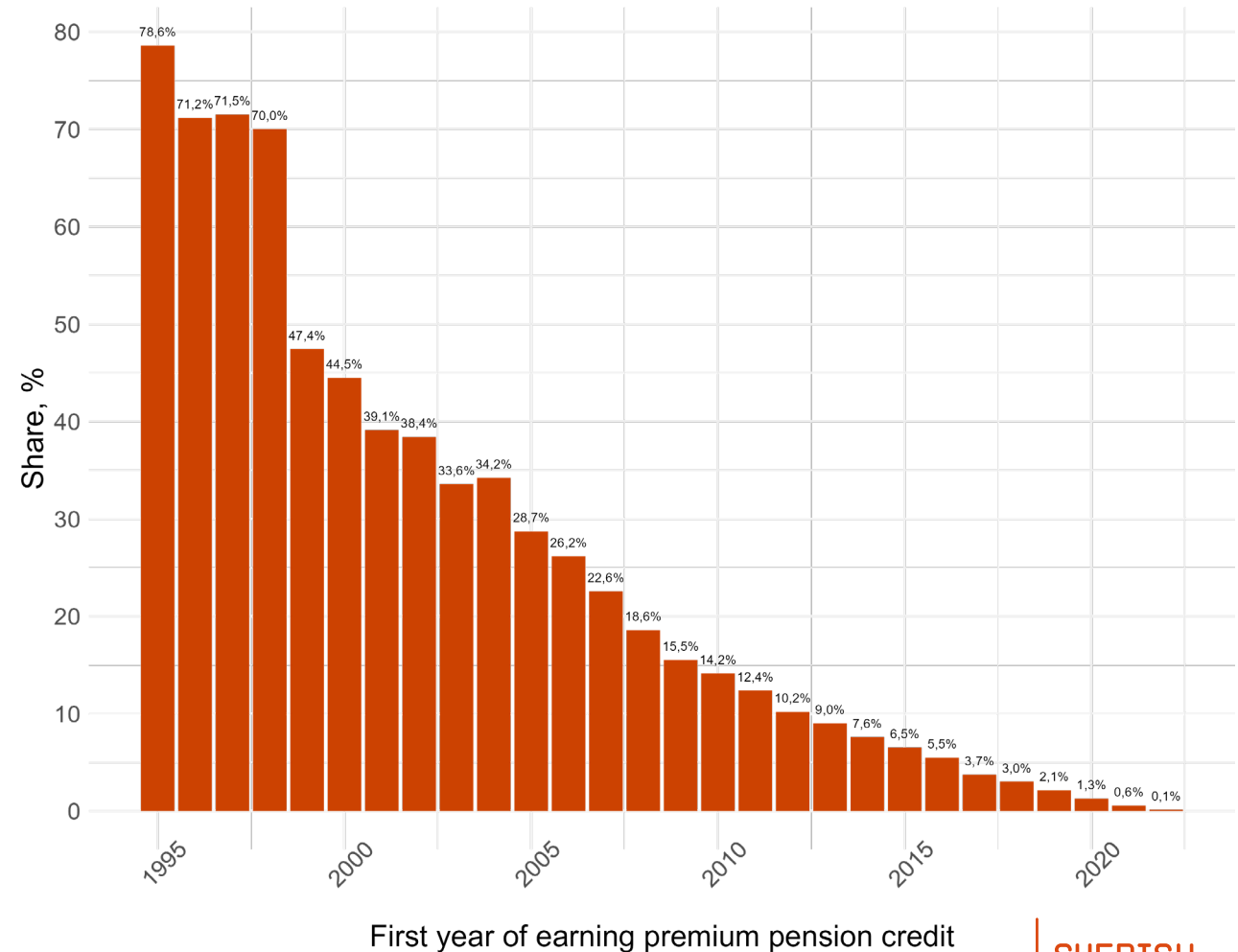
# How can we improve the way people make pension choices?

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# Basic problems – Premium Pension system

- Difficult to understand pensions at all
- Difficult to make investment decisions
- Premium Pension system:
  - Complex system
  - Detected fraud in 2016
  - Potentially: Increased income inequality

Share of pension savers who have made an active choice:



Mission:

Make pensions easier

# Increase knowledge about pensions – a government assignment

Annual Statement 2021 | PENSIONS MYNDIGHETEN

You have earned this much towards your National Public Pension

**Your Pension Accounts**

	Insured Pension	Premium Pension
Change during 2020 in SEK		
Value 2019-12-31	1 375 249	238 971
Pension entitlement for 2020	98 956	8 602
From Reversal and Rulings	848	140
Administrative and other	107	-1 631*
Change in value	46 244	8 611**
Value 2020-12-31	1 421 493	247 582

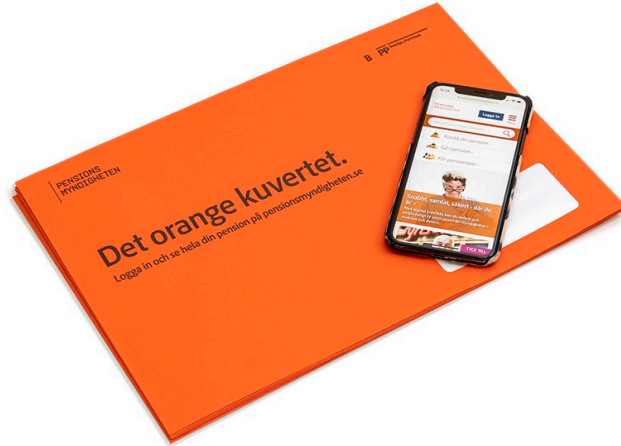
\* Including tax 1777. Amount on the function for 2020.  
\*\* Including 24 624 in retirement preparation entitlement for 2020.

**Your Premium Pension**

	Value	Change in value per cent	Rate per cent	Quota of total per cent	Current situation per cent
Private Pension account 2020-12-31	122 279	10	0,33	30	32
Earth Fund Global	129 542	2	0,39	25	39
International Fund Europe	23 000	0	0,32	25	7
Generation Fund	12 385	2	0,38	10	10
Pharmaceutical Fund	26 070	5	0,31	10	6
Total	203 276	3	0,36	100	94
The average pension cover		4	0,38		

**Fund fee.** Keep in mind that high fees will have a negative effect on the performance of your savings.

**Switching funds.** In order to increase security for you, all fund switches are to be made by logging in with your electronic identification on MyNp. BankID.

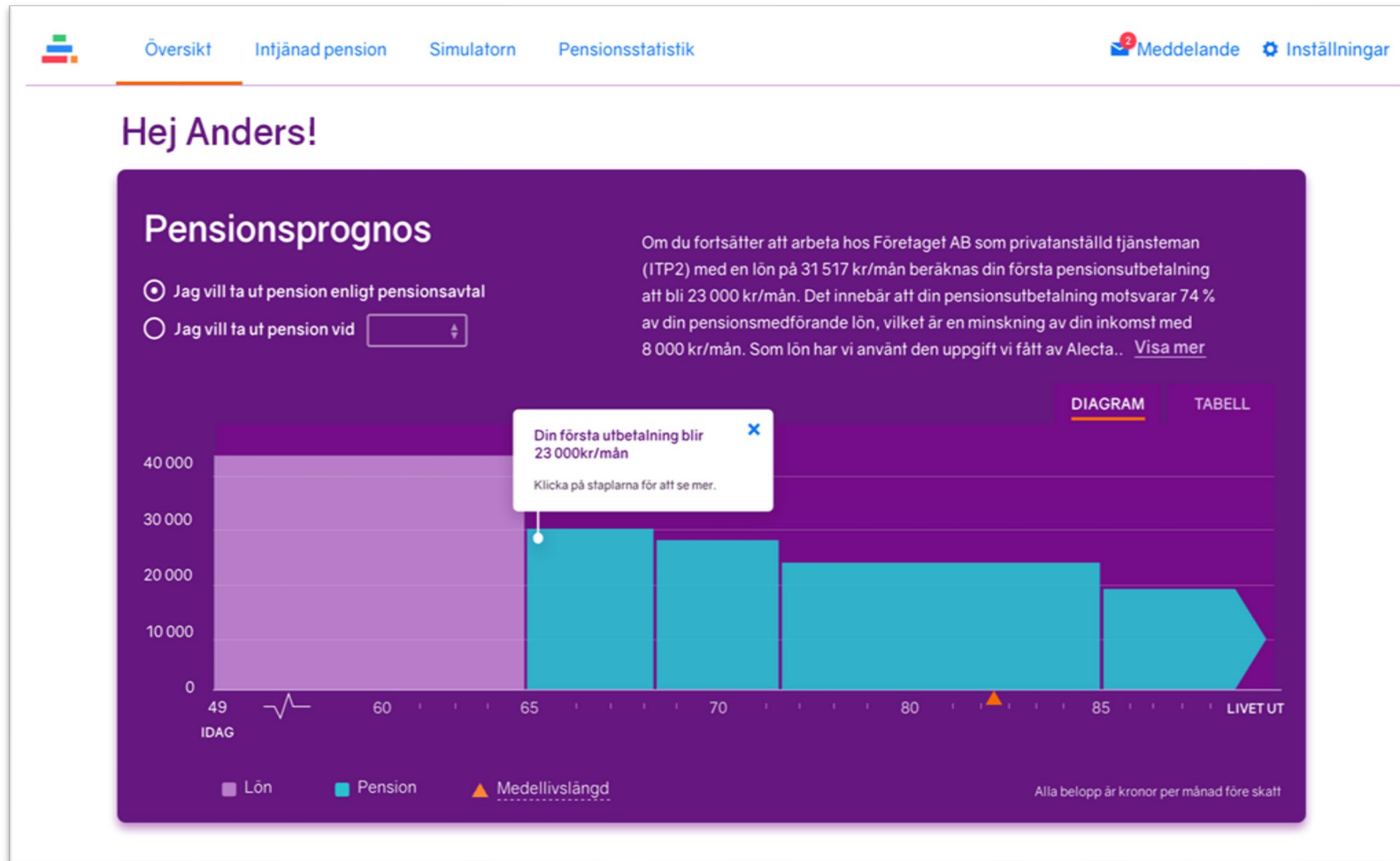


The Orange Envelope



- Information campaign:
  - 8.2 million Orange Envelopes (mostly digital)
  - Annual statement and pension forecast
  - Information campaign (visits to 25 cities during 5 weeks)
  - Mass media activities
- Every-day work at the Swedish Pensions Agency – various channels

# minPension – Pension forecast

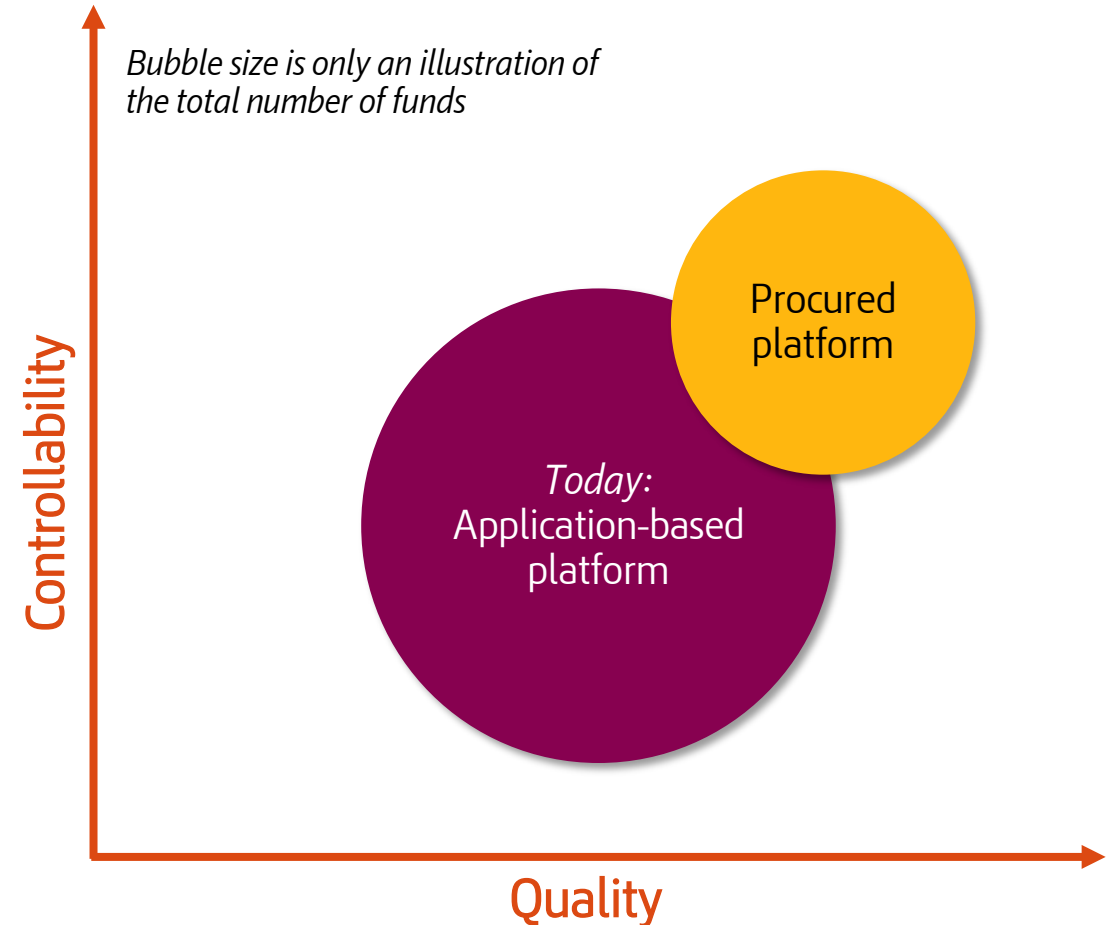


- minPension – a unique collaboration between the State and the pension companies (financing split 50/50)
- Nine out of ten pension savers are able to see their entire pension at minPension
- 98 percent of total pension capital covered

# Investment decision in the Premium Pension system

# Reforms to make investment decisions easier in the Premium Pension system

- From application-based platform to procured platform. Purpose:
  - Improve controllability and quality
  - Reducing risk for fraud
  - Reducing risk for large losses
  - While keeping the original objectives such as maintaining freedom of choice and diversification, and ensuring better returns
- Many adjustments since 2001. Five investigations, latest in 2019.





# Swedish Fund Selection Agency:

- The Swedish Fund Selection Agency is a government authority with a mandate to procure, monitor and quality-ensure the funds in the Swedish Premium Pension system
- Improve controllability and quality while ensuring cost-efficiency and raising sustainability requirements
- Communication towards the fund industry.

Mission:

Choice architecture in the Premium Pension

# Initiatives for increased financial security

- Social security legislation regulates the design of the choice architecture
- Swedish Pensions Agency is to:
  - Present options, provide information and support decision-making
  - Emphasize default fund (AP7 Såfa) as the starting point
  - Neither advocacy for selection of funds nor the default fund (AP7 Såfa)

## From social security legislation, chapter 64

### Valarkitekturen för premiepensionssystemet

**26 a §** Med valarkitekturen för premiepensionssystemet avses den presentation av olika val, det stöd och den information som lämnas av Pensionsmyndigheten när en sparare ska ange hur spararens premiepensionsmedel ska förvaltas. *Lag (2022:761).*

**26 b §** Valarkitekturen för premiepensionssystemet ska främja att en pensionssparare gör väl övervägda val om hur spararens premiepensionsmedel ska förvaltas. *Lag (2022:761).*

**26 c §** Utgångspunkten i valarkitekturen ska vara att pensionsspararens medel förvaltas av Sjunde AP-fonden med fördelning enligt 5 kap. 1 a § andra stycket lagen (2000:192) om allmänna pensionsfonder (AP-fonder).

En pensionssparare som vill bestämma hur spararens premiepensionsmedel ska placeras kan välja att medlen enligt 23 § första stycket förs över till förvaltning i fonder som omfattas av fondavtal eller i fonder som förvaltas av Sjunde AP-fonden enligt lagen om allmänna pensionsfonder (AP-fonder). *Lag (2022:1546).*



# Choice architecture in the Premium Pension

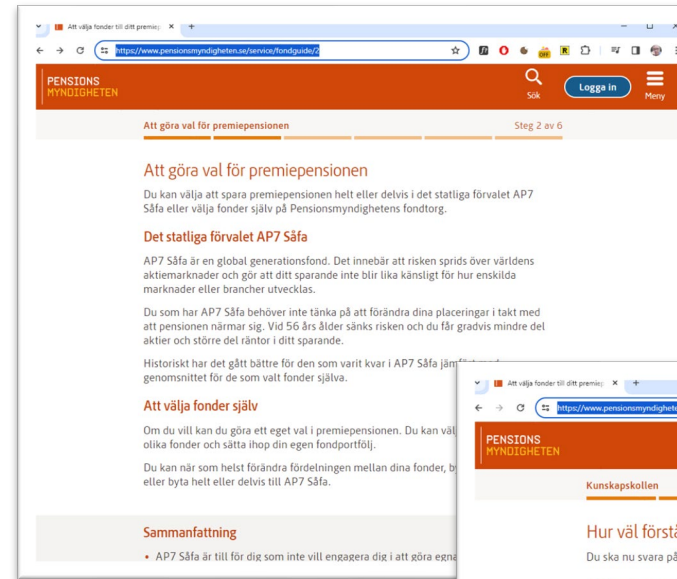
- Guide pension savers to make well-informed decisions
- Active fund selectors must confirm their understanding of the difference between the default fund and an active fund selection before proceeding with the change
- Incorporate general rules of thumb for long-term pension savings:
  - Fees play a significant role in long-term pension savings, having a detrimental impact on savings
  - Highlight the importance of diversification
  - High risk is required for (rationally) expecting good value development



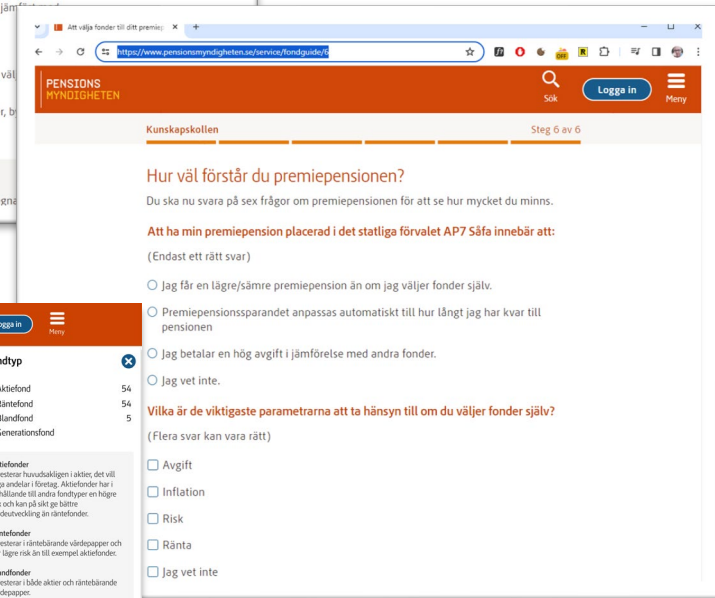


# Latest improvements to the choice architecture

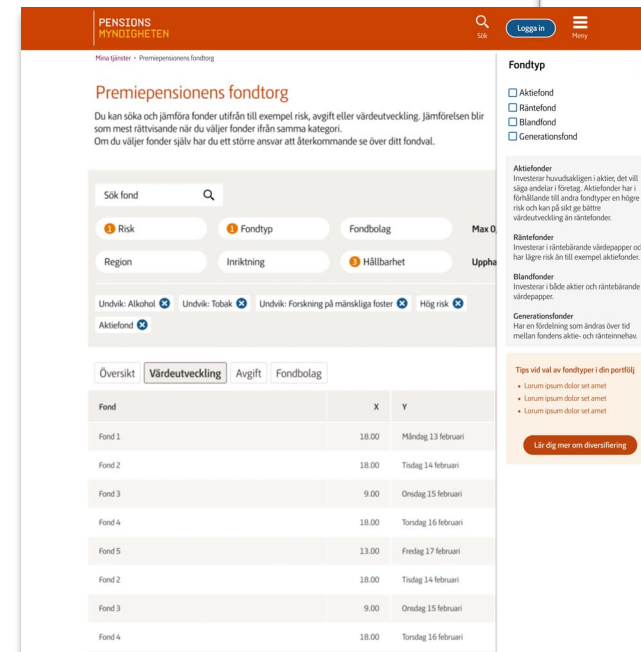
- An educational component:
  - A self-diagnostic test guiding users to choose between the default fund and an active fund selection
- Introducing stand-alone service:
  - Help pension savers optimize their fund portfolio construction
- New functionality:
  - Encourage individuals who made an active fund selection to revisit the fund portfolio



Educational component



Self-diagnostic test



New user interface & decision support



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