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FINNISH CENTRE FOR PENSIONS, STUDIES

## SUMMARY

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### The role of pension information

#### *Finnish people's opinions about the 2017 pension reform*

This experimental questionnaire study aimed to find out how knowledgeable people in Finland are about the 2017 pension reform and how providing information about pensions affects people's knowledge and opinions. Responses were received from 1,835 persons aged 25–62. In November 2015 over half of them received a mailed information brochure about the pension reform. The comparison group consisted of persons who did not receive the information brochure. The two groups with similar background characteristics (e.g. gender, education) were presented with identical questions about the pension reform.

#### **Large numbers studied the pension brochure**

The majority who received the brochure studied it in lesser or greater detail. About one in four said they had read the entire brochure, and less than half had read it in part. Persons over 50 had familiarised themselves with the brochure most often. In age groups under 50, about two in three read the brochure at least in part, while in older age groups almost four in five said they had familiarised themselves with the brochure. By far the most common reason for not studying the brochure was lack of time: this was quoted by almost two in three persons who did not read the brochure.

The majority of the respondents had received information about the pension reform, even though the questionnaire was conducted about one year before the reform took effect. Only one in six said they had received no information at all. The most common source of information was through traditional media (radio, television, newspapers and magazines).

## Brochure recipients were more knowledgeable about the pension reform

The brochure recipients both thought more often that they knew about the pension reform and were more knowledgeable about key reform principles. One in three brochure recipients thought they were very or rather knowledgeable about the pension reform, compared with just one in six among those who didn't get the brochure. Receipt of the information brochure increased the likelihood of a very or rather good knowledge of the pension reform more than threefold.

Among brochure recipients the proportion who had a good knowledge of the pension reform was higher in both genders, in all age groups, at all educational levels and in all income categories. The difference in perceived level of knowledge between brochure recipients and the comparison group was greatest among respondents with a lower annual income and those with a basic level and upper secondary education. The information brochure had the greatest effect in these groups. Among brochure recipients the proportion with a good knowledge of the reform was twice as high at all educational levels. Knowledge differences between income categories were significantly reduced: among brochure recipients there were no marked differences between income categories in levels of knowledge about the reform.

## Brochure provided additional information on factors affecting amount of pension

People were by and large quite knowledgeable about the general principles of the pension reform. About 70 per cent of the respondents were aware that increasing life expectancy had the effect of reducing pensions, and almost 90 per cent knew that the rise in life expectancy had pushed up retirement age. Most of the respondents (some 60%) also knew that postponing retirement had the effect of increasing one's pension. They were less knowledgeable about the effects of the reform on pension accrual. Just under half of the respondents thought that the reform would reduce pension accrual rates, and over one quarter believed that the rates would remain unchanged.

Brochure recipients were more often familiar with the principles of the pension reform. They believed less often than the comparison group that the pension accrual rate would be reduced after the 2017 reform. Likewise, they thought more often than the comparison group that postponing retirement increases pension accrual. The respondents had very similar views about the effects of increasing life expectancy on retirement age and on the amount of pension regardless of whether they had received the brochure.

## Flexible retirement widely welcomed and supported

The respondents thought the most suitable lower retirement age limit was about 63 years and the highest about 67 years. On average they were planning to retire at 65. Younger respondents' intended retirement age was higher than in older age groups. Intended retirement ages were closest to the lower limits defined for different age groups among respondents aged under 35, and furthest from those limits in the age group 35–49. In general the respondents'

assessments of their own retirement age were closer to the lower than to the upper age limits for old-age pension. Women planned to retire later than men. Higher education and better health also increased the likelihood of favouring a higher retirement age.

Flexible retirement ages were also supported based on job strain. Most respondents took the view that mental and physical job strain and occupation should be reflected in retirement age. About 90 per cent thought that high physical job strain and 75 per cent that high mental job strain should affect retirement age. Receipt of the information brochure was not associated with opinions about retirement age or year-of-service pension.

Four in five respondents said they might consider postponing or advancing retirement, and one in five that they might consider both. Postponement alone was considered more often than on average by those with a basic or tertiary education and less often by those with an upper secondary education. The option of advancing retirement, then, was above all considered by persons over 50 and those with a basic level and upper secondary education.

Receipt of the information brochure was not directly reflected in the consideration of flexible retirement options. Knowledge of the upward effect of postponing retirement on the amount of pension, on the other hand, had the effect of reducing intentions to retire earlier and increasing intentions to postpone retirement.

### Brochure recipients saw the reform as more just and fair

Tying retirement age to life expectancy and pension accrual harmonisation were generally considered just and fair. There were no group differences between those who had received the brochure and the comparison group. More general assessments of the justness and fairness of the reform, on the other hand, showed marked group differences. Brochure recipients regarded the pension reform as just and fair more often than non-recipients. The proportion of “don't know” responses was also considerably smaller among brochure recipients than in the comparison group. However, it seemed that the effect of the information brochure was mediated by increased knowledge. The brochure increased people's knowledge, which in turn tended to increase support for the pension system in general.

About half of the respondents were worried about the adequacy of their pension income and the rise in retirement age. Three in five said they were worried about the financial sustainability of the pension system. Young people, men, high income earners and those with more education were on average less concerned about pension issues. There were no differences between the brochure recipients and non-recipients in levels of concern about the adequacy of one's pension, the rise in retirement age or the financial sustainability of the pension system. The information brochure did, however, have an indirect effect on levels of concern via an increased knowledge level.

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