Beginning about a decade ago the OECD has undertaken a range of work related to financial literacy and education. Initially this was done largely within the framework of the private pensions work and a set of “Recommendations on Good Practices for Financial Education Relating to Private Pensions” were issues in 2008. This work has since expanded across a number of areas including linkages to “financial inclusion” initiatives in the G20 and the addition of financial knowledge elements in the widely used OECD survey assessing educational attainments (the PISA survey). A separate team bringing this work together has been established in the Financial Affairs Directorate (DAF) at the OECD which also houses the private pension work. The main forum for work in this area is the International Network for Financial Education (INFE) that the OECD established in 2008 and now includes more than 100 countries.

In 2014 INFE undertook a survey of financial education strategies and programs in an effort to collect some baseline information on issues, strategies and programs with the objective of updating the information on policies and initiatives in this area to support the formulation of additional principles and guidelines. The note presented summarizes the responses of 22 countries to the survey. The survey work will be supplemented by further research and the resulting analysis and suggested policy framework presented for discussion at the next INFE meeting in Paris on May 6, 2015. This will presumably also presented to the Working Party on Private Pensions for discussion and comment at the June meeting.

SUMMARY OF THE DOCUMENT

The paper initially provides a very basic overview of the pension system of respondent countries that indicates the major differences in the structure and the multi-part nature of the pension systems. This is interpreted to indicate the complexity of the
decisions and interactions required of participants. The related data on knowledge and decision making indicates relatively low levels of awareness of the requirements and the capacity for effective decision making and behavior related to retirement savings.

The second section of the draft report outlines the policy responses of respondents. These include the development of products directed to low income and low coverage groups, changes in the regulatory structure and decision architecture of system (e.g. auto enrollment) and efforts to develop and advance national strategies and programs for financial education that are specifically addressed to retirement savings. The report provides a very preliminary outline of a wide range of other programs and initiatives related to these objectives. It proposes that that the 2008 guidelines be “refined to reflect current circumstances” and “developed into a matrix and associated checklist of practical tools and delivery methods” over the course of the next two years.

PROPOSED COMMENTS

1) The material presented in the document provides some very initial information on the strategies and programs of a self-selected group of respondents. This is interesting but not yet of the scope to be sufficient to support any general policy conclusions or guidelines. It would be far more valuable if this effort were extended to include more countries and specifics on the programs and strategies currently in place prior to the development of recommendations and guidelines. The descriptive information would be a useful resource by itself.

2) There is as yet no effort to link that many different sources of information about baseline financial knowledge that the OECD has undertaken in relation to information about decision making and other inter-actions with the retirement savings systems. The OECD and INFE as well as several other institutions have undertaken a variety of financial knowledge measurement efforts in recent years. It would be very useful to assess any relationships that can be found between measured levels of knowledge and the other attributes of the pension system including structure, policies and behavior of participants. The central challenge in developing policies in this area is any verifiable linkages between knowledge and behavior and understanding what types of programs have had any effect. Any additional work in this area would be most useful.

3) The draft does not directly address the problem of legal impediments to the provision of financial education by key actors in the pension system. It would be very useful to have some explication of the potential regulatory constraints that may arise from liability or conflicts of interest in this area as a predicate to consideration of policy recommendations.
4) A key issue in the development of financial knowledge that has emerged from the research is the importance of the so-called “teachable moments”. It would be very helpful in the subsequent review of research in this area to provide any information regarding programs or strategies that focus on particular timing or events that are related to retirement savings.