

Summary

The national pension system – a review
of the review (RiR 2014:17)



The national pension system – a review of the review

Background of the review

That the national pension system is robust and functions over time is important both for pension savers, pensioners and the national economy at large. Many perceive the system as being complicated and demanding, which entails a risk of lower confidence and insight in the system. The national pension system entails large amounts. In 2013 the Swedish Pensions Agency paid approximately SEK 254 billion as income pension and supplementary pension. That the pension system is reviewed is particularly important as the individual has many options while the system is difficult to understand. Citizens do not either have any opportunity to initiate supervision initiatives through reports. Based on this, it is important that the State reviews the national pension system on a regular basis.

The Swedish Pensions Agency was established in 2010 to administer the national pension and to assign overall responsibility for pension information to one agency. The Swedish Social Insurance Inspectorate was established in 2009 to review the social insurance system, in which the pension system comprises a part, by conducting system supervision and efficiency reviews. The reason for establishing the Swedish Social Insurance Inspectorate was to reduce the risk of incorrect disbursements, increase legal security and satisfy the Government's need of information for being able to manage the social insurance and its application. Both agencies should together contribute to effective administration and legally secure disbursements to the country's pensioners.

Based on these circumstances, the Swedish National Audit Office has reviewed whether the Swedish Social Insurance Inspectorate's review of the national pension system has entailed that legal security and efficiency are maintained in the system.

The following review questions were answered:

- Has the Government ensured a functioning review of the national pension system?
- Has the Swedish Social Insurance Inspectorate conducted reviews in accordance with its commission?
- Have the results of the Swedish Social Insurance Inspectorate's reviews been used for improving operations of the Swedish Pensions Agency?



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Results of the review

The overall assessment of the Swedish National Audit Office is that the review of the national pension system is inadequate.

Inadequacies in the review operations

The review of the national pension system which is performed by the Swedish Social Insurance Inspectorate is not conducted based on any risk and materiality analyses. Instead the agency prioritises which projects they should manage through an internal selection process. The Swedish Social Insurance Inspectorate has neither been adequately active in terms of conducting reviews of the national pension system. For the review of the pension system to be efficient, it is also important that the recommendations which are provided are received and rectified. The Swedish Social Insurance Inspectorate has chosen to provide recommendations in three of nine review reports within the pension area. As a large share of the reviews are effect evaluations, it has been difficult for the agency to provide relevant recommendations.

The Government has an important role as the formal recipient of the Swedish Social Insurance Inspectorate's review reports. The Government has not clearly used the results of the reviews in its management of the Swedish Pensions Agency. The Government has neither provided feedback to the Swedish Social Insurance Inspectorate on how they have used the reviews. In turn the Swedish Pensions Agency has not used the results of the Swedish Social Insurance Inspectorate's reviews in its development work. On the whole the Swedish Pensions Agency has adopted a negative approach to the criticism which the Swedish Social Insurance Inspectorate has targeted against their operations.

The responsibility of the Government, Swedish Social Insurance Inspectorate and Swedish Pensions Agency

The government

The Swedish National Audit Office's assessment is that the Government has not ensured a functioning review of the pension area and has been unclear in its management of the operations. The Ministry of Health and Social Affairs is certainly satisfied with the knowledge base which is delivered and allows the agency to decide on the focus of its work to a large extent. However, the role of the Swedish Social Insurance Inspectorate has not been clarified in practice, which impacts the review of the pension area. As long as the Inspectorate states that it is exercising system supervision and efficiency reviews and is simultaneously investing approximately a third of its resources in research-related operations, there is an imminent risk that the pension area is not being adequately actively reviewed from a legal security and efficiency perspective.



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An important intention of formation of the Swedish Social Insurance Inspectorate was that the social insurance system should be reviewed so that the citizens can feel safe. The Government has not acted based on that part of the commission, neither by ensuring that the results of the review are used at the Swedish Pensions Agency or by ordering relevant system supervision and efficiency reviews. An exception is the Government's commission on reviewing the Swedish Pensions Agency's handling of housing allowance, which represents a small share of the pension area and comprises a small share of the total pension costs.

The Swedish social insurance inspectorate

The Swedish National Audit Office assesses that the Swedish Social Insurance Inspectorate can become more influential in its commission as inspector of the pension area. As the Inspectorate does not conduct any risk and materiality analyses of the pension area, there is no basis for describing which risks exist and where the review initiatives can be the most beneficial. This means that there are a number of areas where more reviews can be conducted. These areas are primarily efficiency in administration of the national pension system and IT security, data quality in registers and how the Swedish Pensions Agency manages its information commission for the citizens.

The Swedish pension agency

The Swedish Pensions Agency clearly expresses that the Agency does not view the Swedish National Audit Office's reviews as a contribution to its operational development. For several decisive points the Agency has made other assessments than the Swedish Social Insurance Inspectorate and made changes which have contradicted the recommendations made by the Swedish Social Insurance Inspectorate. Therefore the Swedish Pensions Agency has not used the results of the Swedish Social Insurance Inspectorate's reviews in its development work. The main arguments against the reviews entail that known problems are presented and that internal development work is ongoing at the Swedish Pensions Agency to rectify the problems. Furthermore, concrete recommendations are missing for the Swedish Pensions Agency to take a stance on and conduct measures from the outside.

As long as the knowledge which the Swedish Social Insurance Inspectorate develops is not utilised by the Swedish Pensions Agency, the contribution of the reviews will almost be ineffective. In this context the Government has an overall responsibility for review operations of the pension system to function.



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Recommendations

The Swedish National Audit Office offers the following recommendations to the Government:

- The Government should request clear feedback from the Swedish Social Insurance Inspectorate on where the large risks within the pension system are in order to be able to manage and assimilate knowledge on how the pension system functions.
- The Government should commission the Swedish Social Insurance Inspectorate to conduct risk and materiality analyses of the pension area which the Inspectorate can then monitor the operations against.
- The Government should monitor the Swedish Social Insurance Inspectorate's operations against the instruction. In the event that the instruction does not reflect what the Government wants from the Inspectorate, the instruction should be changed.
- The Government should monitor whether and how the Swedish Pensions Agency uses the recommendations provided by the Swedish Social Insurance Inspectorate.

The Swedish National Audit Office offers the following recommendations to the Swedish Pensions Agency:

- The Swedish Pensions Agency should enhance its dialogue with the Government on the results of the Swedish Social Insurance Inspectorate's reviews.
- The Swedish Pensions Agency should try to supervise the content of the Swedish Social Insurance Inspectorate's reviews in order to develop its operations.

The Swedish National Audit Office offers the following recommendations to the Swedish Social Insurance Inspectorate:

- The Swedish Social Insurance Inspectorate should conduct a risk and materiality analysis of the pension area and conduct regular reviews of significant areas.
- The Swedish Social Insurance Inspectorate should prepare a strategy for how the reviews should be made more useful for the operations of the Swedish Pensions Agency.

