



Department
for Work &
Pensions

Simpler annual pension benefit statements

Government response to the
consultation



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Introduction

1. This consultation ran between 1st November and 20th December 2019¹ and sought views and evidence on options for the policy approach to the content and presentation of information provided to members through their annual workplace pension benefit statements, including information on costs and charges, and on a transfer of ownership of the assumptions underpinning annual benefit statements from the Financial Reporting Council to the Department for Work and Pensions (DWP).
2. The consultation also invited views on whether the use of high-visibility coloured envelopes would encourage people to open their pension statements and on whether a ‘statement season’ might support engagement through helping to generate a national conversation around pension saving.
3. **Annex A** lists the 66 respondents to this consultation. The Government is grateful to them for replying.
4. This document sets out the Government’s response to the views expressed and the next steps it will take.

¹ <https://www.gov.uk/government/consultations/simpler-annual-benefit-statements-for-workplace-pensions>

Executive Summary

5. In recent years, participation in pension saving has been transformed through the success of Automatic Enrolment and millions of workers have been enabled to save towards greater security in retirement. Automatic Enrolment has normalised the idea of workplace pension saving and attitudes towards pensions saving have been positive. The value of supporting people to engage with and understand their workplace pensions to help them plan for the retirement they want has come into sharper focus because of a combination of factors: the success of Automatic Enrolment; the trend away from Defined Benefit to Defined Contribution schemes; and the growing likelihood that people will have a number of different jobs during their working lives and therefore, a number of pension pots.
6. The 2017 Review of Automatic Enrolment² looked at this challenge and how engagement with pension saving can be improved so that savers have a stronger sense of personal ownership of their workplace pension.
7. The review, which was supported by an Independent Expert Advisory Group, was highly detailed and helped inform the consultation. Certain key sections bear repetition:

"Simple words, simple language. At the heart of effective engagement lies the need for individuals to be able to easily understand the messages and information about pension saving they receive. The responses to the Review have shown a widespread recognition that pension language and the layers of technical jargon that are used are often unnecessarily complicated and confusing. The complex language and lengthy communications that are used do not sufficiently reflect individual's standards of literacy and numeracy or the limited time that people have to think about pensions in their busy lives.

[...]

Much valuable work has been done by providers, Government and others to cut through jargon and complexity and help make pension conversations simpler. This has included language guides published by DWP in 2011 and 2014, the FCA's Smarter Communications initiative, NEST's 2016 phrasebook, and several major pieces of work around language led by the ABI: 'Making Retirement Choices Clear' and 'Reframing Pensions Savings' which set out three key recommendations:

Simplify the messages and language commonly used in the pension sector.

Review the rules to enable provider communication to be digital, simple, visual and personalised.

Use consistent language and communication styles that motivate people to save and improve understanding.

[...]

There is recognition that the language around pension saving presents a key barrier to engagement – it talks to industry but not to pension savers. Use of jargon and long communications fail to inform or engage. Despite the pockets of good work that have been done, and recognition of the issue,

² <https://www.gov.uk/government/publications/automatic-enrolment-review-2017-maintaining-the-momentum>

there remains no fully consistent approach to simplifying language across the industry and beyond. And there is no single language. Individuals face what have been described as a series of pension ‘dialects’ as providers and others try to simplify their communications and make them more compelling and accessible. Automatic Enrolment has created a huge new audience who need to be provided with information and guidance. The need for accessible and engaging language is greater than ever. We welcome the work of the ABI and others on pension language. We call upon providers and other stakeholders to continue to collaborate to achieve greater consistency and much greater simplicity in the language used to communicate to workplace pension savers at all stages of their saving journey.”

8. The Review further recognised that a single overall guidance body would help develop better engagement, and in 2018, the Government passed legislation to establish the Money and Pensions Service. The Government is also championing and bringing forward the development of pension dashboards and has consulted on how annual workplace pension benefit statements can more effectively inform and engage savers.
9. There has been extensive debate on the need for simpler benefit statements following the 2017 review. This has been led by the Minister for Pensions and Financial Inclusion and has taken the form of parliamentary debate, favourable discussions with opposition politicians, extensive stakeholder engagement by Ministers and the wider DWP team, representations by members of the public and other stakeholders at a host of engagement events between 2018-2020. A draft of a simpler statement template developed by a cross-industry team was unveiled and debated at length with regulators and stakeholders at the Pensions and Lifetime Savings Associations’ (PLSA) conference in 2018:
<https://www.pensionsage.com/pa/PLSA-Opperman-launches-Simpler-Annual-Statement.php>

The Consultation on simpler statements

10. The consultation attracted responses from a broad range of providers, trade and professional bodies, employers, commentators, unions and individuals. Views and evidence were provided on the development of annual workplace pension statements themselves as well as on the bigger picture of effective engagement with members and on personalised and innovative approaches which are harnessing technology to engage members in more dynamic ways, such as pension dashboards.
11. The consultation highlighted support for the Government’s ambition to promote engagement, and for pension benefit statements to be simpler and more consistent to enable savers to see more easily key information about their pension saving that can support retirement planning. However, some individual providers and organisations had differing views on how to deliver on the ambition. While there was much agreement, there was no overall consensus about the approach to be adopted in terms of the length, design and content of statements, nor whether a voluntary or mandatory approach should be adopted.

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12. The Coronavirus emergency presents a new challenge to workplace pension saving and to sustaining the achievements of recent years. The Government believes that this challenging economic environment places even greater importance on enabling people to engage more easily with their workplace pension savings and to have simple communication as to both the importance of their workplace pension as a long-term prospect and what their retirement package means.
13. Whilst the consultation has confirmed that the direction of travel amongst schemes is broadly towards providing shorter and simpler statements, and this has been shown by the changes some providers have made since the consultation ended, the Government believes that progress remains too slow and is not delivering consistent results. We welcome the valuable work that has been done by some providers, who have taken the strong nudge from DWP, in simplifying their workplace pension statements. But, the approach remains piecemeal and some of the revised statements are still too long. Moreover, the process is driven by the approach of individual providers, so overall statements remain inconsistent. Any perspective on engagement and pension statements must recognise that increasingly savers are members of more than one scheme and that variants in statement length, design, language and content may present unhelpful and unnecessary barriers to engagement.
14. Providers have not voluntarily adopted the freely available statement template developed during the course of the 2017 Review as had been hoped. The variation across consultation responses suggests that any approach to simplified statements that depends on voluntary adoption is unlikely to drive timely change. It is very clear that comparison between pension providers remains very difficult – even for the professionals in the market.
15. To drive progress forward we will therefore, consult later this year on a mandatory approach to simpler statement templates for Defined Contribution schemes used for Automatic Enrolment, taking the two-page statement template originally developed during the course of the 2017 Review and included in our consultation document as the starting point in considering the length, content and design. We will work with industry on the detailed design of the template.

Costs and charges

16. We asked for views on the presentation of information on costs and charges and ways to make it easier for savers to get member-level charge and transaction cost information, recognising the need to balance transparency and members' right to know; on the spread in the level of engagement and understanding amongst members; as well as the burden on schemes. Views were mixed as to their presentation.
17. We believe that costs and charges are a key driver of good outcomes for scheme members. We want to continue to support schemes in explaining the value they offer members in a simple and straightforward way. It is, however, not our intention to increase the length and complexity of the two-page simpler statement template by including detailed information that could be easily obtained elsewhere therefore, our proposal is to include a line in the simpler statement template on costs and charges and a signpost to where there

is a more detailed assessment of this information elsewhere, which schemes are already required to provide.

Assumptions

18. We asked for views on the future of the Financial Reporting Council assumptions that underpin the annual benefit statement. There was general consensus among respondents that the assumptions proposed in the consultation were broadly correct and respondents were supportive of DWP assuming responsibility for them. DWP will continue to work across government on this.

Encouraging people to open statements

19. The 2017 Review of Automatic Enrolment highlighted the challenge of getting people to open their pension statements regardless of their design and the media used. In the consultation we therefore asked for views on adoption of a standard high-visibility colour for envelopes and of a 'statement season' when all workplace pension statements would be sent to members. We sought views on these proposals to explore whether these approaches might help support saver engagement and the normalisation of workplace pension saving.
20. On envelope colour, it remains the Government's view that a version of the orange pension envelope, as successfully used in Sweden, would help a statement season and generate consumer understanding of pensions and an awareness of their importance. However, we accept that in this consultation there was no consensus of views in the responses received, and concerns were identified, including the risk of fraudulent behaviour and scams. We do not propose to take this idea forward at this time.
21. We continue to believe that a statement season would be a massive help to consumers and enable greater understanding of pensions and their importance. In the responses views on a short statement season each year during which all workplace pension statements would be sent to members were also mixed. Whilst some respondents were attracted to the idea others highlighted a number of issues including operational and transitional challenges, and whether this approach would clash with the trend to greater personalisation of communications. A key ask of responders was that any season should be supported by a national Government-led communications campaign. We agree. Just as the Get to Know Your State Pension, and the Automatic Enrolment campaigns have been vital to consumer understanding we believe that the statement season should be supported by Government and industry, in a professional communications campaign.
22. We welcome the level of interest shown in the statement season concept and there are plenty of examples of annual events driving engagement. We note that HM Revenue and Customs (HMRC) has successfully run for decades an annual tax return date, Government has an annual year end in April and that there are plenty of examples of other annual events to drive engagement in pensions and other sectors. We also note the success of

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industry led initiatives such as 'Pensions Awareness Day' and the Pensions Awareness national tour. Ministers and the DWP have seen the success of these events on multiple occasions.

23. We believe that a seasonal approach has the potential to support the normalisation of workplace pension saving, building on work done thus far by this, and previous Governments. An annual statement season has the potential to provoke debate amongst the public, raising awareness by allowing easier comparisons between statements and providers. Indeed, this process has the potential to assist the consumer with greater understanding of their options and potentially will drive down consumer costs. Government accepts that it will hold a joint responsibility with the pensions industry to prompt engagement with a statement season.

Simpler annual statements: helping members engage

What do we want to achieve?

24. Our overarching ambition, as set out in the consultation document, is to support individuals to engage with their workplace pension savings through statements that are shorter, simpler and more consistent. This ambition was supported by the majority of respondents although some reservations were expressed about the need to balance consistency across schemes with their ability to innovate and personalise statements.
25. The 2017 Review of Automatic Enrolment found that there is no single silver bullet to deliver better engagement. However, workplace pension statements represent a missed opportunity to help savers understand and engage with their workplace pension savings because they are too complex and inconsistent. We remain committed to unlocking their potential.
26. We believe that greater consistency in the key information that pension benefit statements contain and the way that it is presented will make them more accessible, particularly where members have more than one pension pot and receive multiple statements. Consistency will enable members to navigate their way through their statements. It will mean that they only need to learn the key language used around pension saving once rather than have to come to terms with the way that different providers may use different language, design and formats to provide the same information. This would not, however, preclude personalisation of supplementary material that is provided in addition to the core statement itself.
27. We suggested that simpler statements should be structured in such a way that draws members' attention to three key pieces of information. These are:
 - How much money do you have in your pension pot?
 - How much money could you have when you retire; and
 - What can you do to give yourself more money in retirement?
28. There was general support for these questions, although with some suggestions about their order when presented, for example, that the focus should be to enable a recipient to see immediately the income that their pension would provide in retirement, rather than focus on the size of the pension.
29. We recognise the need for a gradual approach to allow schemes to adapt, but have decided to drive progress forward. We will therefore consult later this year on draft regulations for simpler annual pension benefit statements. We believe that this can co-exist with ongoing digital work, engagement done by companies / schemes and the

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Government's own drive for an online Pensions Dashboard to assist consumers by enabling them to have easier and more immediate access to information. Government remains committed to driving engagement with pension saving.

Which pension schemes are in scope?

30. The consultation recognised that variation across pension schemes presented a challenge to designing simpler, more consistent, statements. Our proposition was therefore to focus in the first instance on support for the millions of individuals brought into workplace pension saving in Defined Contribution schemes through Automatic Enrolment. We noted that Defined Benefit schemes and public sector schemes were not in scope, but there will be opportunity to learn lessons about the potential applicability to them in the future.
31. There was no consensus on the proposition. While some respondents welcomed a focus on Automatic Enrolment as appropriate, potentially as a starting point, others called for a broader approach from the outset in order to achieve consistency across a wider range of schemes, including Defined Benefit schemes.

Our conclusion

32. On balance, we believe that an initial focus on Defined Contribution schemes used for Automatic Enrolment remains a pragmatic and sensible approach. This recognises the challenge that differing scheme requirements present for a standardised approach that can work for all. Extending the approach should be subject to further work, but the principles behind shorter, simpler statements can nonetheless be applied to other schemes. It remains the long term ambition of Government to improve consistency across all schemes. Following the implementation of secondary legislation required for Defined Contribution schemes used for Automatic Enrolment, we will evaluate the impact to inform a consultation on how a similar approach for all remaining schemes could be delivered. We accept that, in the interim, there is likely to be both greater consolidation and that the progression of this approach and the response to this consultation will make the direction of travel very clear to the industry. It is also right to try and let the industry come forward with an agreed universal, voluntary approach in the interim.

Relationship with wider communication materials and engagement approaches.

33. The 2017 Review of Automatic Enrolment identified the barrier that the use of jargon and complex language present to individuals' engagement with pension saving. We believe simpler, consistent, statements can be a catalyst to help drive change.
34. For many providers, annual statements are part of a wider suite of communication materials. We want and expect that to continue. Some providers have online engagement with customers and take differing approaches to suit different customers. We do not discourage this as a supplement to build on the foundation of a simple annual benefits statement.

35. We recognise that if redesign of statements is required this will have to take into account changes to wider communication strategies. However, we are satisfied that the findings of the 2017 Review, the work done since 2017, the Government's Dashboard intentions, and the results of this consultation mean that this can be done for the ultimate benefit of both the consumer and the schemes. Our hope is that it will help drive improvement in the way that pension information is presented more broadly, potentially drive down cost in the long term and drive greater payment into a pension.

How will we achieve simplicity and consistency?

36. To achieve greater simplicity and consistency we asked for views on four key questions on: the length of statements; three options to shape the design and presentation of information; whether voluntary adoption or a regulatory approach would best deliver results; and the costs of transition.
37. We set out five factors – the evidence base; future regulatory changes; innovations in communication tools and technology; cost implications; and personalisation – and we indicated that these would be used to guide our decision. This approach was welcomed by the majority of respondents that commented on them.

Short statements

38. The 2017 Review of Automatic Enrolment highlighted the challenge of engaging savers with pension information. There are significant behavioural challenges which may be compounded because pension information is often too long and complex for people who are juggling multiple priorities and who have limited time and appetite to think about pension saving. We used the consultation to test the proposition which had informed the development of the template that statements should be only two-pages long, so that they are readable in a couple of minutes and strike a balance in terms of the information provided and readability.
39. This was an element of the consultation which attracted particular interest. The majority of respondents welcomed the trend towards shorter statements. A tendency for schemes to be risk-averse in the presentation of information which results in statements being overly long and complicated was suggested – an issue which had also been raised during the 2017 Review.
40. The trend amongst schemes which have redesigned, or are redesigning their statements, is to reduce their length and several providers have adopted or are working towards a two-page approach. There was no consensus about whether the two-page proposition represents an optimal length, whether an alternative maximum length is preferable or necessary and, if there is, what it should be. Some providers highlighted their own investment in research and user-testing which has informed the development of shortened statements which are longer than two-pages. The evidence base for the two-page proposition was questioned by some respondents. Some comments suggested that a two-page format might impede personalisation and innovation.

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41. Some respondents thought short statements would intuitively be more engaging; however, it was also suggested that overall clarity could be lost due to the lack of space available in two pages. This could mean that useful information had to be cut out or that on the other hand statements could potentially become too dense, inaccessible and off-putting for some members.
42. It was recognised by some respondents that links to additional information available on-line could be provided in statements and that would allow the volume of material provided in the body of statements themselves to be reduced. However, a potential downside noted in a number of responses was that requiring members to undertake an additional action to source information online might reduce engagement by those who are less interested.
43. The consultation document included the idea of a ‘layered approach’ to statements, which a number of responses also suggested. This envisages that the two-page template would provide the member with key information and that additional material could be provided for those who want to know more and who are more inclined to engage with a longer document. The two-page statement template would be upfront and therefore, immediately attract attention and provide key information quickly, but schemes could choose to support it with additional information that is personalised to the needs/interests of the member and with signposts to further sources.

Our conclusion

44. Government welcomes the trend towards shorter statements amongst some providers, which has continued since the consultation ended last year, and values the work and investment of those which have sought to develop more engaging statements. However, we continue to be concerned that the result remains that members are receiving statement variants which providers have designed to be simple, but which remain inconsistent because each may interpret ‘simple’ in a different way.
45. The lack of any standard length or format gives discretion to providers to choose content and detail. The resulting lack of consistency is increasingly an issue as people have multiple pension pots, because it can make it difficult for members in receipt of more than one statement to identify and understand the totality of their pension savings. We believe that an approach which defines what simple means in terms of the length, format and detail of information to be provided will deliver greater consistency. The move to a two-page statement template reflects the overall trend towards shorter statements amongst many providers.
46. Our proposals for a two-page template statement providing easily accessible jargon free, key information up-front could, where appropriate, be supported by supplementary and personalised information.

Statement template, design principles or descriptors.

47. The consultation asked for views on three options to drive simplification:
 - **a two-page statement template;**

- **a set of high-level design principles to be applied to the length, structure and content of statements;**
- **a set of descriptors setting out requirements for the length, structure and content of statements with a greater degree of specificity.**

We also asked for views on whether a voluntary adoption or a regulated approach of any of these options would achieve change and consistency.

48. There was no consensus of views about the merits or disadvantages of any of the options presented, nor on whether there should be a voluntary or mandatory approach to any them.

Two-page statement template

49. The two-page statement template attracted support as being the approach which could deliver most consistency in length, design and content. A number of schemes suggested that they had adopted the statement template or were moving towards an approach that is in line with it. It was suggested that it could be particularly useful for smaller schemes which would understand clearly what was required and it could offer an approach for them which they will know is compliant with regulations.
50. Concerns expressed about the statement template fell into a number of themes. First, that a two-page template would not sufficiently allow for increasingly personalised communications and might impact on innovative approaches which providers have developed or are developing, such as video statements. This, we believe, is easily dealt with by making the point that video statements can still be provided separately – along with other digital tools.
51. The evidence base for the statement template approach was challenged in some responses, and a number of providers highlighted how their own research and user-testing had informed their approaches. It was suggested that evidence from providers that had voluntarily adopted the template could be used to inform future development or that further user-testing is needed to inform the template's final content and design.
52. It was noted that the statement template has been supported by detailed guidance on its interpretation and application which highlighted that it may require regular amendment if the regulations feeding into it evolve, which would be an ongoing burden both on Government and on schemes. Concerns were raised about a number of technical aspects of the statement template and whether it meets current regulatory requirements.
53. The content and design of the statement template also attracted comments suggesting on the one hand that additions could usefully be made to the information provided - such as a signpost to sources of guidance; PLSA's retirement living standards; and death benefits – but conversely that the template needed to be simplified further and is still too text heavy.

Design principles

54. As an alternative to a statement template we asked for views on a set of five high-level design principles to be applied to the length, structure and content of statements. The principles as framed were generally considered to be appropriate; reservations about the

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length are described in paragraphs 50 and 51. There was, however, a distinct contrast in views. A majority welcomed the principles as having the potential to frame statements in a more consistent way, but without them being too prescriptive and so leaving scope for personalisation and innovation. Others, however, considered that the discretion afforded to providers would prevent the improvement and consistency aimed for because of variants in how the principles would be applied.

Descriptors

55. The third option asked for views on a set of descriptors setting out requirements for the length, structure and content of statements with a greater degree of specificity than the design principles. The descriptors as presented were generally considered to be right. However, views were divided as to their likely impact. Some respondents recognised that because they are more detailed than design principles, descriptors could lead to a greater degree of consistency. However, as with principles, some respondents thought that the element of interpretation would compromise consistency. Conversely other respondents thought that descriptors would be too prescriptive and negatively impact on personalisation.
56. A number of respondents suggested hybrid approaches with a set of high-level principles fleshed out by the more detailed descriptors which, it was suggested might drive some consistency, but still allow flexibility to personalise and innovate.

Voluntary adoption or a regulatory approach

57. The lack of consensus on the options to drive simplification extended to the views expressed about whether a voluntary or regulatory approach to simpler statements should be adopted. Reliance on voluntary adoption of design principles, descriptors or the statement template was generally judged unlikely to deliver results – with some respondents citing the slow take-up of the simpler statement template which has been freely available since 2018 as evidence of industry inertia and a perceived resistance amongst schemes to undertaking change unless required by regulation. Those opposed to mandating an approach raised concerns about inflexibility leading to poorer engagement outcomes; a lack of future proofing against future regulatory change; the additional costs of changing existing statements and associated materials – which would vary depending on option adopted; and concern about the evidence base.

Our conclusion

58. We believe that the lack of consensus highlights a fragmentation of thinking which presents a barrier to the development of consistent and simpler benefit statements. It is therefore, unlikely that voluntary adoption of any approach will lead to sufficient progress across providers as a whole.

59. Whilst we welcome the work that some providers have done, and continue to do, the reality for many members who may have multiple pension pots is that they are receiving statements that may be lengthy, inaccessible and inconsistent in design and content.
60. The fact that increasingly, individuals are members of more than one scheme focuses attention on the need to achieve consistency. The consultation highlights that neither design principles nor descriptors are likely to achieve that ambition. We believe that a jargon free statement template is therefore the right way forward. We recognise the concern expressed that a template may affect the ability to personalise and innovate, however, a template need not prevent the provision of additional, personalised information. The template itself will provide the core of necessary information, in a standard structure and length. Providers may choose to supplement the template with additional information, through a layering of material, and as was already recognised in the existing statement template design, links to additional material can also be provided. There is a necessary trade-off between keeping the statement short and focused so that the information provided can be processed quickly by the majority of readers and meeting the desire for additional information by those who are more engaged.
61. We will explore the technical issues raised on the content of the statement template in our work to bring forward a consultation on draft regulations and guidance, and propose to work with industry on this.

Costs and charges

62. Opinion was split on the value of putting costs and charges information on the face of the simpler statement. Some, including a number of those who agreed in principle with inclusion emphasised the challenge of presenting this information sufficiently clearly to members in a two-page statement, and that to try to do so would lead to statements which are longer and more complex, defeating the objective. Some respondents highlighted that poorly presented information could confuse members, who may not engage with the detail but conclude that their pension does not represent value for money, and that there is a risk of members opting-out of saving when it is not in their long-term interest to do so.
63. There were related concerns about unrealistic assumptions of member understanding or interest and that only the most engaged members will access detailed information.
64. This is a complex area and we believe that it is important to strike the right balance between greater transparency and providing the information that members need to understand what is happening with their money; enabling those who are more engaged to easily access additional information; and the impact on schemes.
65. We continue to believe that costs and charges are an important driver of good outcomes for scheme members and we want to continue to support schemes in explaining the value they offer members in a simple and straightforward way. A pension should not be judged purely on cost, and other factors must be taken into account. However, we also believe that consumers must be able to compare on price as part of a well-functioning market. That is at the heart of a competitive, modern economy.
66. Our intention is not to increase the length and complexity of the simpler statement template by including detailed information that could be easily obtained elsewhere. Government legislated in 2018 to require ‘relevant schemes’ to publish information on charges and (as far as they are able) transaction costs on a publicly-available website, and schemes are required to inform members of the location of the published information via a published link included in the members’ annual benefit statement. We believe that this remains an appropriate response and our proposal is to include a line in the simpler annual statement template on costs and charges with a clear signpost to the more detailed assessment of this information elsewhere which schemes are already required to provide.
67. Further work on costs and charges is currently in train and the Government has committed to publishing a review of the default fund charge cap by the end of 2020. This will incorporate evidence and information gained through a call for evidence which ran over the summer and the 2020 Charges Survey.
68. Finally, we are of the opinion that the statement must signpost to the information on the pension scheme’s investment strategy, including whether the member’s pension is invested individually or on a pooled basis, and with due regard to Environmental Social Governance (ESG) and climate change.

Assumptions

69. We asked for views on the future of the Financial Reporting Council assumptions that underpin the annual benefit statement. There was general consensus among respondents that the assumptions proposed in the consultation were broadly the right ones:

- Inflation assumptions
- Salary growth rates
- Investment growth rates
- Annuity assumptions
- 25% tax free lump sums
- Number and basis of projections

70. Respondents were also supportive of DWP assuming responsibility for these assumptions and setting them in a mixture of regulations and statutory guidance, aligning them with the Financial Conduct Authority's (FCA) Key Features Illustration's (KFI) where appropriate.

71. DWP will continue to work across government to identify the most appropriate ownership of the assumptions going forward.

Costs of transition

72. We asked for views on the possible initial costs of moving to each of the three options for simpler benefit statements, including on associated materials and the costs of changing to each option. One-off upfront costs of redesigns and transition were highlighted as a concern by providers. There was a range of responses. Several providers have already done this work in house at relatively low cost based on the existing statement template. Others who have not done this work suggested different estimates – one respondent estimated costs might be £50 million for industry as a whole, others suggested possible costs in the low millions. Several highlighted that introducing this might involve undoing work in which they had already invested. We believe that whilst, as with any regulatory change, there may be initial costs, standardisation and stabilisation could result in long term cost savings for providers.

Our conclusion

73. We recognise that there will be one-off costs involved in changing the approach to existing pension benefit statements, particularly for those who have not already begun this process and we are mindful of the impact of these at this challenging time. However, we believe that by ensuring that statements are documents with which members are more easily able to engage and use because they are consistently simpler, greater value can be achieved for members, and the cost of providing future statements could deliver a cost saving once the standardised model is adopted, leading to a cost saving for schemes in the long term.
74. We recognise that statements are often part of a wider suite of communication materials and that these may have been informed by user-testing and research on how to improve engagement and saver understanding.
75. This was confirmed by some respondents, with examples of the development of statements and the broader suite of materials for members. For these, annual statements are unlikely to have been designed in isolation from other materials. If any redesign is required providers will need to consider the impact on their overall messaging and wider communication strategies, materials, the timing of delivery and overall costs. Statements may be used to provide additional information which would otherwise be presented in separate documents, which means they could become lengthier.

Impact on innovation and Pension dashboards

76. Some of the consultation responses suggested that a focus on the design and content requirements for annual statements would have a potentially negative impact on other innovative approaches to engagement such as video statements. A number queried the rationale for focusing efforts and resource on paper-based statements when increasingly schemes are moving to a digital-first approach with emails and other online communications.
77. We are not persuaded that ensuring that pension benefit statements are simpler and more engaging need prevent innovation in other forms of communication. They are not mutually exclusive. Paper-based statements are a well-established form of communication that will remain an important option for many members, including those who are digitally excluded. More innovative approaches, including pension dashboards, will be attractive to others and may allow information to be accessed, for example, on demand rather than on an annual basis. We believe, however, that pension statements will continue to have a key role in pension communications, and that it is important that the opportunity they offer is not lost due to complexity and lack of consistency.

Encouraging people to open statements

78. The 2017 Review of Automatic Enrolment highlighted the challenge of getting people to open their pension statements, irrespective of how well they are designed or how they are delivered. In the consultation we therefore asked for views on how a Swedish-style approach to consistency of envelope colour and a short 'statement season' might support engagement by raising awareness of the importance of workplace pension savings as part of normalising saving behaviours. We are persuaded that both approaches have merit.
79. The challenge of encouraging people to open and read their pension statements was recognised in many responses as part of the broader challenge of engaging people in thinking about pension saving.
80. There was no consensus of views on the issue of a consistent hi-visibility envelope colour which would make the contents clearly identifiable to the recipient and the majority of those who commented raised concerns. We do not propose to proceed with mandating an envelope colour at this time.
81. We will work further to understand the risks involved and the evidence for impact, drawing on international and all relevant experience, and the Behavioural Insights Team, but it is our intention to proceed in the longer term.

A statement season

82. The idea of a short 'statement season' attracted some support in principle, and some concerns.
83. It was suggested that a move to a statement season could present schemes with operational and technical challenges – with associated costs – both in terms of being able to move to the generation of statements during a short period each year and because of the additional support that would be needed. This included a knock-on effect on customer enquiry services and those other organisations which provide information, advice or guidance and which would need to hire additional, potentially inexperienced, staff during a peak period each year. It was suggested that this could result in negative engagement outcomes if the support service was considered inadequate. A single statement season was considered by some respondents to run counter to the trend for greater personalisation in communications, whereby members receive statements at a preferred point during the year, for example, on their birthday, and that it might therefore reduce engagement outcomes.
84. For a season to be most effective, it was suggested that an annual national communications campaign, perhaps following on from pension awareness week in

September, funded by Government would be necessary to help support the development of a national conversation around pension saving. DWP have a track record for this and agree.

Our conclusion

85. Government welcomes the views that were expressed and the level of interest shown in the season concept. We believe that a statement season has potential to stimulate greater awareness and debate amongst the public and to support the normalisation of workplace pension saving that has been successfully started by Automatic Enrolment.
86. We believe that a statement season offers a unique opportunity to prompt conversation and debate, supporting the normalisation of pension saving. We recognise the need for a gradual approach to the introduction of a season to allow schemes and the wider pension advisory community to adapt, but we have decided to drive progress forward. We want people to engage with their pension saving in a way that they have never done before.
87. We will therefore, consult later on a mandatory approach for the timing of provision of an annual written pension benefit statement. This will complement schemes' ongoing digital work as well as the Government's own drive for online pensions dashboards to assist the consumer. The 2017 Review of Automatic Enrolment recognised that ownership of engagement does not rest in one place and we recognise that Government will hold a joint responsibility with the pensions industry to prompt engagement with a statement season, and we will work with stakeholders on this.

Equality Act

88. Our ambition is to enable members to more easily understand and engage with their workplace pension savings through shorter, simpler, statements. We asked about the impact of the options presented for simplified annual benefit statements on protected groups. The need for statements to be accessible for all recipients was recognised in consultation responses, and we will continue to have regard to the Equality Act 2010 and the Equality Duty in the development of our regulatory proposals.

Annex A: List of organisations responding to the consultation

1	Aviva
2	Lloyds
3	PensionBee
4	Legal and General;
5	Low Income Tax Reform Group
6	Eversheds Sutherland
7	Railways Pension Trustees Company Ltd and RMPI Ltd
8	Equiniti Paymaster
9	M&G Plc
10	Ignition House
11	Henry Tapper / AgeWage
12	theinkgroup
13	NFU Mutual
14	Pensions Management Institute
15	Financial Services Consumer Panel - FCA
16	Kingfisher
17	Quiet Room
18	Usdaw
19	FSCS
20	B&CE (People's Pension)
21	Royal London
22	Ruston Smith
23	Hyman Robertson LLP
24	Willis Towers Watson
25	Sacker & Partners

26	Royal Mail Group
27	Smart Pension
28	PLSA
29	Cooperative (co-op)
30	Royal Mail Defined Contribution Plan
31	Hargreaves Lansdown
32	Tim O'Connor
33	Mercer
34	XPS Pension Group
35	CTC Software
36	Phoenix Group
37	AHC
38	NEST
39	St. James' Place
40	ITM
41	AJ Bell
42	NOW:Pensions
43	Fidelity International
44	Aegon
45	LCP
46	Institute and Faculty of Actuaries
47	Gowling WLG
48	Which
49	Association of British Insurers (ABI)
50	Buck
51	Bath Actuarial Consultancy
52	Tesco

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53	ACA
54	Aon
55	Prospect
56	Pensions Administration Standards Association (PASA)
57	Association of Pension Lawyers
58	The Society of Pension Professionals
59	Infosculpt
60	Scottish Widows
61	Standardised Assumptions Working Group*
62	MAPS

*Standardised Assumptions Working Group

Group members are:

Ruston Smith

The Pensions Regulator (TPR)

Financial Conduct Authority (FCA)

Financial Reporting Council (FRC)

Pensions and Lifetime Savings Association (PLSA)

Association of British Insurers (ABI)

Lane Clarke & Peacock

Hargreaves Lansdown

B&CE

Willis Towers Watson

Eversheds

In addition, responses were received from four individuals including Baroness Ros Altmann, CBE and Ruston Smith.

