

## Technical guide to simpler annual statement

### Important Note:

This simpler annual statement has been developed alongside Government and regulators to ensure that it meets legal requirements. DWP and the Pensions Regulator are content that the simpler statement represents an example of a good practice and that this version – when used in conjunction with this guide on associated additional information – will comply with the policy intent of the regulations.

This confirmation will no longer apply if users amend the simpler statement, other than as envisaged in this guide, or do not make any of the additional disclosures as required within the guide

Users of the simpler statement should obtain their own legal advice to ensure that they comply with their legal obligations in relation to disclosures to members and customers. This guide is intended to explain the information that is and is not included in the simpler statement. However, it is a summary only and should not be relied upon as providing legal advice.

Users should also be aware that the simpler statement is not appropriate for all benefit structures and was designed with a basic defined contribution structure in mind. Users with schemes that have more complex arrangements may need to amend the simpler statement to better reflect such arrangements.

This note and guidance are based on the law and regulatory guidance as at **1 October 2018**. Users should always check that no changes have been made to the requirements since this date.

This guide is for information only and is not statutory guidance. It explains how the simpler statement complies with the requirement to produce an annual statutory money purchase illustration (SMPI) set out in the [Occupational and Personal Pension Schemes \(Disclosure of Information\) Regulations 2013](#) (the Disclosure Regulations) and associated elements of the [AS TM1: Statutory Money Purchase Illustrations](#) standard.

We have assumed that individuals will receive a hard-copy simpler statement. If the simpler statement is being provided on a website, users will need to satisfy themselves that they comply with the Disclosure Regulations (Regulations 26–28). Users need to consider whether there are any members where the simpler statement should be provided in an alternative format.

The simpler statement provides weblinks to information on a website. Users will need to ensure this information is accessible and available at the time the simpler statement is provided. Users will also need to consider whether there are any members where this information should be provided in an alternative format and not via a weblink as this will not be suitable in all cases.

Further details about providing members with web-based information, including required safeguards, is set out in **Appendix 3**.

### 1. How the simpler statement complies with the SMPI requirements

- 1.1 The requirement for an annual statement to be sent to defined contribution (DC) members is in Regulation 17 of the Disclosure Regulations. Regulation 17 requires the information in Part 1 of Schedule 6 to be provided to all members (other than 'excluded persons' – see [Regulation 2](#)). This information is in Part 1 of the simpler statement.
- 1.2 The information in paragraphs 6-8 of Schedule 6 needs to be provided to the majority of members. There are some exemptions in certain circumstances (see Regulation 17(6)). The simpler statement has been developed to provide this information as good practice in all instances. This information is in Part 2 of the simpler statement.
- 1.3 The information in paragraphs 9-14 of Schedule 6 must be provided to members where the illustration referred to in paragraph 1.2 is given. The simpler statement has also been developed so that the majority of the information in paragraphs 15-17 is also provided in the simpler statement (**see further details contained in the important note to ensure all legal requirements are met**). This information is also in Part 2 of the simpler statement.

- 1.4 The simpler statement includes several ways of contacting a scheme to get more information, including, at the bottom of page 2, a postal address and an email address. This is included to comply with the requirements of Regulation 4(7).
- 1.5 Users will note that Part 2 includes a specific growth assumption. The requirement in paragraph 15 of Schedule 6 is to say that an assumption has been made about the likely performance of the investments. This growth assumption goes slightly beyond this requirement and was felt to be a fair and transparent way of providing members with the required investment information.
- 1.6 Users will need to update the simpler statement to include the relevant assumptions they adopt with regard to member contributions and average investment growth.
- 1.7 We would recommend that, where users feel further detailed information would be beneficial to members to fully explain the growth, or any other assumptions, further details are provided on their website. However, if this information is not provided via a website, users will need to remove the weblink from the simpler statement and consider how they will provide this information, for example in an Annex accompanying with the simpler statement.
- 1.8 A summary of the information generally required to be given in the SMPI is set out in Appendix 1. Users should be aware that there are additional requirements for some schemes set out in Section 2 below and regulatory guidance which they should be aware of in Section 3 below.

#### **IMPORTANT NOTES FOR USERS**

The simpler statement does not cover the requirement in paragraph 17(c) of Schedule 6 to state any changes to the assumptions used in relation to a lump sum, level of increases and the pension payable to a spouse or civil partner. The simpler statement assumes that no lump sum has been taken and that a single life, non-escalating annuity is provided. **If users have previously made other assumptions, they will need to state this clearly to members in a covering letter accompanying the simpler statement.** As good practice, users should also consider highlighting in the letter where other assumptions have also changed since the previous annual statement.

Users need to consider who the simpler statement needs to be provided to and whether there are any members to whom they do not need to provide the information referred to in paragraphs 1.2 and 1.3.

Users will also need to consider what period the simpler statement should cover.

Users who do not have "relevant schemes" (see Section 2 below) should be aware that there are provisions contained at the end of Part 1 of the simpler statement which the Disclosure Regulations only require "relevant schemes" to include but which is useful information for all members.

Users should note that additional information is signposted to on a website in several places in the simpler statement. Some of this information is necessary to comply with legal obligations as explained in this document and some is intended to be helpful to members. Users must ensure that where they signpost to additional information, they do actually provide that information.

## **2. Additional information to be provided by "relevant" occupational pension schemes**

- 2.1 The requirements in this section apply to "relevant schemes" which are broadly defined as "*occupational pension scheme[s] which provide... money purchase benefits*" (subject to some exceptions such as where the only money purchase benefits are AVCs). (See Regulation 1 of the [Occupational Pension Scheme \(Scheme Administration\) Regulations 1996](#)).
- 2.2 The Disclosure Regulations (paragraph 5B of schedule 6) require relevant schemes to signpost members in the SMPI to a website which contains prescribed information on charges and transaction costs (as per Regulation 29A(2)). The majority of this is included in Part 1 of the simpler statement where a description and the necessary weblinks are included **(to ensure all the associated legal requirements are met, see also further details contained in the important note).**

- 2.3 From **1 October 2019**, the Disclosure Regulations will require relevant schemes to signpost members to their statement of investment principles (SIP) in the SMPI. **The simpler statement does not currently contain wording to reflect these requirements. However, it will need to be amended in the future to do so.**
- 2.4 From **1 October 2020**, relevant schemes will need to signpost to a statement setting out how the trustees have complied with the principles in the SIP and whether it has been reviewed or amended. **The simpler statement does not currently contain wording to reflect these requirements. However, it will need to be amended in the future to do so.**
- 2.5 To comply with the requirements in paragraphs 2.2–2.4, users need to ensure that:
- 2.5.1 The website members are signposted to is publically available and free of charge. This means that the information cannot for example be available only on password protected pages of a website.
- 2.5.2 They have regard to DWP guidance on providing this information.
- 2.5.3 The DWP guidance says that “*The web address [in the annual Statement] should be appropriately titled so that members can readily re-type it into a web browser, and should clearly sign post the nature of the information to be found at the location.*” Users need to give thought as to how the web address they provide complies with this requirement.
- 2.6 From **6 April 2019**, relevant schemes must also provide members with details on the SMPI of how they can request certain information about pooled funds. This information is included in the simpler statement which takes the approach of signposting members to a website that includes the required information on pooled funds.

**If this information is not provided via a website, users will need to amend the simpler statement to replace the weblink with details of how members can request this information (see paragraph 5A of schedule 6).**

#### **IMPORTANT NOTES FOR USERS**

**In addition to paragraph 2.2, where trustees or managers have been unable to obtain transaction costs, the regulations require that users must also signpost members to information about this and an explanation of steps they are taking to obtain the information in the future. The simpler statement will need updating to include this where relevant.**

Under paragraph 2.2, members also need to be told when they will be able to request this information in hard copy. The simpler statement has been developed so that all information provided via the presented weblinks can be requested in hard copy format, including the charges and transaction cost information.

Users must identify whether the requirements of this section apply to their scheme.

Users should have regard to the fact that legislation in this area is changing and there are new requirements coming into force in 2019 and 2020.

Users should ensure that any information provided by a website is clear and accessible and complies with the requirements above.

In relation to paragraph 2.7, users should have regard to Appendix 3.

### **3. Other relevant guidance**

- 3.1 **Pensions Regulator:** The Pensions Regulator has issued guidance for DC trustees on [communicating with members](#). This guidance considers best practice in relation to SMPIs and suggests that trustees should include:
- 3.1.1 statements which highlight the relationship between member contributions and good member outcomes;
- 3.1.2 information about the member’s rights in respect of flexible benefits, including which benefits are available directly from the scheme; and

3.1.3 information about the charges a member has paid over the year, ideally expressed in pounds and pence, as well as a percentage. The simpler statement currently envisages that information on charges will be set out on a website as feedback has been received that some schemes are not able, because of their fee structure, to give a figure for annual charges in a meaningful way. **Users are however encouraged to do so if they are able.**

They should also consider including:

3.1.4 for members aged 50 or more, signposting to [Pension Wise](#); and

3.1.5 for members approaching retirement, additional information about the member's investments in the scheme.

The Pensions Regulator has indicated that the simpler statement complies with what it views as best practice, subject to the point about charges in paragraph 3.1.3.

3.2 **Financial Conduct Authority:** The basic requirements of the content of the SMPI are not within the remit of the FCA.

However the Conduct of Business Rules (COBS) provide (at [COBS 4](#)) that communications should be "fair clear and not-misleading". This means that communications must be "*appropriate and proportionate taking into account the means of communication, the information the communication is intended to convey and the nature of the client*". We have taken this into account when drafting the simpler statement.

3.3 **Financial Reporting Council:** Paragraph 7 of schedule 6 of the Disclosure Regulations requires the pension illustration in Part 2 of the simpler statement to be calculated in accordance with prescribed guidance. That guidance is set out in the Financial Reporting Council's [AS TM1: Statutory Money Purchase Illustrations](#) (AS TM1).

For the most part AS TM1 provides guidance about how the illustrations should be calculated rather than the content of the SMPI, however it does provide that: "*Where a provider assumes a lump sum will be paid at retirement date, that lump sum should be disclosed in today's (inflation adjusted) terms in the statutory illustration statement*". It is currently assumed that the illustration in Part 2 of the simpler statement is calculated on the basis that no lump sum is taken.

The Financial Reporting Council also published [TM1 – supplementary information](#). This does make provisions in relation to the content of the SMPI and contains additional suggested content. The simpler statement does not include the majority of this content but providers who wish to do so could consider including it on a website.

#### **IMPORTANT NOTES FOR USERS**

Users must consider the guidance above (in so far as it is relevant to their scheme).

Users should decide whether any additional information should be included in the simpler statement to comply with the requirements of the guidance.

Users should consider whether they are able to provide the charges and costs disclosures suggested by the Pensions Regulator.

#### 4. **Additional issues**

- 4.1 The provisions in Part 3 of the simpler statement do not reflect statutory requirements but are included in part to address some of the Pension Regulator's statements in relation to what constitutes best practice in relation to member communications and to assist individuals in planning for their retirement.
- 4.2 The content of this section may well vary depending on how close a member is to retirement and therefore there is more flexibility in relation to the content of this section.
- 4.3 To facilitate FCA regulated providers in adopting a unified approach to Part 3 of the simpler statement alongside occupational pension schemes, the FCA is considering a process to allow providers to use a single set of figures, based on SMPI assumptions, for an illustration showing how benefits might be improved, provided in the SMPI, whether it is required by legislation or not. The FCA is currently considering the best way to achieve this and more information will be given in due course.
- 4.4 Work is also ongoing to agree a set of unified assumptions to calculate the projections in the SMPI so members of multiple schemes will receive consistent information from each scheme. More information on this project will be provided in due course.

**October 2018**

## Appendix 1 – information included in the simpler statement

This information is set out in [Schedule 6](#) of the Disclosure Regulations and uses the same numbering.

**Note:** This Appendix is **not** a complete statement of the legislation. These provisions are a simplified summary version and do not replicate the precise wording. Readers should refer to the most up to date version of the Regulations to understand their full obligations.

### Part 1 – Information for all DC members

1. The amount of contributions (before any deductions are made) credited to the member under the scheme during:
  - a) in the case of an occupational pension scheme during the immediately preceding scheme year (or the first scheme year that the member has been in the scheme if contributions have been paid in respect of them and they have not already been given the information), and
  - b) in the case of a personal pension scheme, the 12 months immediately preceding a date specified by the managers of the scheme.
2. *Deleted*
3. *Deleted*
4. The value of the member's accrued rights under the scheme at a date specified by the trustees or managers of the scheme.
5. Any cash equivalent in respect of the transfer of the member's accrued rights that would be different from the value in paragraph 4 calculated in accordance with:
  - a) sections 97 and 101I of the 1993 Act on calculation of cash equivalents, or
  - b) the provisions in the Personal Pension Schemes (Transfer Values) Regulations 1987 on calculation, verification and increases of cash equivalents.

*See Appendix 2 for the information requirements in paragraphs 5A and 5B.*

### Part 2 – Pension illustration

6. For money purchase benefits, An illustration of the amount of the pension:
  - a) that is calculated in accordance with paragraphs 7 and 8 of Schedule 6,
  - b) an entitlement to which would be likely to accrue to the member, or be capable of being secured by the member, at the member's retirement date, and
  - c) in respect of rights to money purchase benefits that may arise under the scheme.
- 6A For cash balance benefits, an illustration of the amount of the pension calculated:
  - a) in accordance with paragraph 7(1)(a)(ii) and (2) of Schedule 6;
  - b) in accordance with the rules of the scheme; and
  - c) where appropriate, in a manner consistent with the relevant guidance,  
that is likely to be secured by the member at the member's normal pension age in respect of the member's rights to cash balance benefits that have arisen or may arise under the scheme.
7. *Calculation provisions*
8. *Calculation provisions*
9. A statement that the information given under this Part is given only for the purposes of illustration and that it does not represent any promise or guarantee as to the amount of benefit that may be receivable by the member or a beneficiary of the scheme under the scheme.
10. A statement of how the member may obtain further details about the information provided from the trustees or managers.
11. A statement that general assumptions have been made.
12. A statement that any amounts are expressed in today's prices.

13. The member's retirement date used.
14. The illustration date used.

**Part 3: Further information to be given on pension illustration**

15. A statement that:
  - a) assumptions have been made about the nature of the investments made for the purposes of the member's money purchase benefits and their likely performance, and
  - b) those assumptions may not correspond with the investments actually made or their actual performance.
16. A statement that the amount of any pension payable under the scheme to or in respect of the member will depend on considerations (including the performance of investments and the cost of buying an annuity at the time the pension becomes payable) which may be different from any assumptions made.
- 16A A statement that the amount of any pension payable under the scheme to or in respect of the member will depend on considerations (including the cost of buying an annuity at the time the pension becomes payable) which may be different from any assumptions made.
- 17 A statement of any:
  - a) assumptions made relating to future contributions to the scheme; and
  - b) assumptions made relating to the lump sum, the level of increases in the pension and the pension payable to the spouse or civil partner; and
  - c) **[Not included in the simpler statement – see note below]** *[changes to the assumptions mentioned in (b) above since the last statement]*

**Note:** As explained in the User Notes to Section 1, the simpler statement does not include the information to fulfil the requirement to provide a statement about any changes that have been made to assumptions made relating to the lump sum, the level of increases in the pension and the pension payable to the spouse or civil partner. If the assumptions made in the simpler statement (that no lump sum is taken and a single life, non-escalating annuity is provided) are different from assumptions made in previous communications, then we have assumed that this will be explained to members in a covering letter.

Users might also want to provide members with further detail about the assumptions which have been made on a website.

## Appendix 2 – Information that “relevant schemes” need to provide

A “**relevant scheme**” for these purposes is defined as an occupational pension scheme which provides money purchase benefits (subject to some exceptions, such as where the only money purchase benefits are additional voluntary contributions or where the scheme only has one member). More details of the exemptions are set out in Regulation 1 of the [Occupational Pension Schemes \(Scheme Administration\) Regulations 1996](#) in the definition of “relevant scheme”).

**Note:** The Disclosure Regulations have some requirements in relation to the SMPI which relate only to “relevant schemes”. In particular, the requirements set out below do not apply to personal pension schemes.

**Note:** The requirements in Part 2, referring to paragraph 5A of Schedule 6 do not come into force until **6 April 2019**.

**Note:** The requirements in Part 3 do not come into force until **1 October 2019** and **1 October 2020**.

**Note:** This Appendix is **not** a complete statement of the legislation. The provisions are a simplified, summary version and do not replicate the precise wording. Readers should refer to the most up to date version of the Regulations to understand their full obligations.

### 1. **Part 1 – information on transaction costs and charges**

1.1 Schedule 6, paragraph 5B requires members to be signposted to the following information on a publically available website (and told when they can request the information in hard-copy form):

1.1.1 in relation to the default arrangement, the latest statement of investment principles relating to it;

1.1.2 a description of any review of the default strategy and its performance undertaken during the scheme year or where no review was undertaken during the scheme year, the date of the last review;

1.1.3 an explanation of any changes resulting from such a review;

1.1.4 in relation to the charges and transaction costs which the trustees or managers are required to calculate, the level applicable to each default arrangement during the scheme year;

1.1.5 the levels of charges and transaction costs applicable to each fund which members are able to select and in which assets relating to members are invested during the scheme year;

1.1.6 an indication of any information about transaction costs which the trustees or managers have been unable to obtain and an explanation of what steps are being taken to obtain that information in the future;

1.1.7 an explanation of the trustees' or managers' assessment of the extent to which the charges and transaction costs represent good value for members; and

1.1.8 an illustrative example of the cumulative effect over time of the application of those charges and costs on the value of a member's accrued rights to money purchase benefits.

1.2 The information is detailed in Regulations 29A of the Disclosure Regulations which cross refers to requirements in the Scheme Administration Regulations and is information which is already required to be contained in the annual chair's statement.

### 2. **Part 2 - Information on pooled funds**

2.1 The information in this part only needs to be given from **6 April 2019**.

2.2 Schedule 6, paragraph 5A says that members will need be told how they can request certain information about pooled funds.

2.3 The information on pooled funds that members can request is set out in Regulation 35 of the Disclosure Regulations and includes:

2.3.1 the international securities identification number (“the ISIN”) allocated in accordance with ISO 6166 (1st edition) published by the International Organisation for Standardisation on 31st August 2013 in relation to each

collective investment scheme in which assets are directly invested on behalf of that member on the relevant date;

2.3.2 in the case of each unit-linked contract entered into by or on behalf of the trustees or managers which is in force on the relevant date in relation to that member, the ISIN (where present) relating to each collective investment scheme directly attributable to that contract; and

2.3.3 the name given by the manager of the collective investment scheme to the scheme to which an ISIN provided in accordance with the above provisions relates.

### 3. **Part 3 – Information in the statement of investment principles**

3.1 From 1 October 2019, members will need to be signposted to the latest statement of investment principles (SIP) on a publically available website (and told when they can request the information in hard-copy form).

3.2 From 1 October 2020, members will need to be signposted to a statement on a publically available website (and told when they can request the information in hard-copy form) that says:

3.2.1 how and the extent to which the SIP has been followed during the year;

3.2.2 a description of any review of the SIP during the year and any other review of how the SIP has been met;

3.2.3 an explanation of any change made to the SIP during the year and the reason for it; and

3.2.4 where no review was undertaken of the SIP during the year, the date of the last review.

## Appendix 3 - Requirements on giving members web-based information

### 1. Safeguards

1.1 The Disclosure Regulations set out certain safeguards that have to be met for users to be able to provide information on a website. This applies both to the simpler statement and also any information provided via the weblinks on the simpler statement (except where paragraph 29A of the Disclosure Regulations apply, specifically relating to information on charges and transaction cost and the statement of investment principles as set out in Section 2 above).

1.2 When using the internet, trustees or managers must ensure that the relevant webpages have been designed:

1.2.1 so that the person will be able to: (i) get access to, and (ii) store or print, the information, and

1.2.2 taking into account the requirements of disabled persons. (See Regulation 26(4)).

Users of the simpler statement will need to take this into account when designing the format of information on a website.

1.3 Where the simpler statement is provided in an alternative format (not on a website), we believe it can be used to satisfy the process in Regulation 27 to provide a notification each time information is put on the website, as this includes:

1.3.1 a statement that the information or document is available on the website,

1.3.2 the website address,

1.3.3 details of the place on the website where the information or document may be read, and

1.3.4 an explanation of how the recipient may read the information or document on the website.

1.4 Users will still need to consider how the information complies with the requirements in paragraphs 1.3.3 and 1.3.4. In particular, whether links given are to the specific webpage that information is on and whether, and if so what, password members will need to use to access the information and whether they need any other instructions on how to read the information.

**Where the simpler statement is itself provided on a website, action will still need to be taken in accordance with Regulation 27 to notify members the simpler statement is available unless users are satisfied Regulation 28 is met. This is outside of the scope of this guidance.**

### 2. Alternative formats

2.1 Regulation 26(2) provides that a member has the right to opt-out of web-based communications and where this applies, they will need to be given the relevant information in hard copy form. The simpler statement provides for members to be given contact information to request hard copy information.

2.2 Where an individual was a member or beneficiary of a scheme on 1 December 2010 and the scheme did not already use web-based communications, information can only be given to them on the internet where members receive a written communication that the trustees or managers intend to use the internet and which allows members to opt-out. **The simpler statement assumes this requirement is met.**

2.3 Note that, the simpler statement allows all members to request hard copy information, even where this is not required (see paragraph 1.1. of this Appendix in relation to information required in Regulation 29A). If users do not want to do this, they will need to consider carefully who needs to be provided with hard copy information and in what circumstances.