

Simpler Annual Benefit Statements

Lead department	Department for Work and Pensions
Summary of proposal	A proposal to regulate for use of consistent, short, simpler statements for members in certain defined contribution schemes used for automatic enrolment. This will be accompanied by statutory guidance and an illustrative statement template to support trustees and managers of schemes to meet the requirements.
Submission type	Impact assessment (IA) – 23/07/2021
Legislation type	Secondary legislation
Implementation date	April 2022
Policy stage	Final
RPC reference	RPC-DWP-5097(1)
Opinion type	Formal
Date of issue	7 October 2021

RPC opinion

Rating¹	RPC opinion
Fit for purpose	The IA is now fit for purpose after being revised in response to the RPC's initial review notice. The IA now provides further justification for the approach used and recognises where data is limited. However, it could be improved by providing a breakdown of what is included in the overall estimates of costs and savings provided by stakeholders. The RPC commends the Department for its use of the Pension Passport trials.

Business impact target assessment

	Department assessment	RPC validated
Classification		Non qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£3.4 million	£3.4 million
Business impact target (BIT) score	N/A	N/A (<i>de minimis</i>)
Business net present value	-£28.9 million	
Overall net present value	-£28.9 million	

¹ The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). The RPC rating is fit for purpose or not fit for purpose.

RPC summary

Category	Quality	RPC comments
EANDCB	Green	The RPC now considers the evidence underpinning the EANDCB to be fit for purpose on the grounds of proportionality. The costs are all transitional (around £46 million over the first two years of the policy) and are based on a range of estimates from a number, albeit limited, of scheme providers and stakeholders. The ongoing impacts are expected to be savings (benefits of around £2 million per year) to providers arising from issuing simpler and shorter statements. However, the IA still states that the Department has taken a mid-point where providers have given a range of costs. The IA would benefit from supporting the survey responses with other sources of evidence and provide a clear account of how the cost was estimated.
Small and micro business assessment (SaMBA)	Not required	A SaMBA is not required for <i>de minimis</i> IAs. However, the IA could be strengthened for the purpose of decision-making by exploring whether there will be disproportionate burdens on small and micro businesses (SMBs).
Rationale and options	Satisfactory	The rationale is clear, and a range of options have been considered. To strengthen the rationale the benefits of the preferred option could have been demonstrated more clearly. The IA could also make it clearer whether a longer list of options was considered, including for example the use of non paper-based communication or the use of national insurance numbers to simplify the process of communication.
Cost-benefit analysis	Satisfactory	The analysis is based on a number of assumptions that are based on limited evidence. However, the IA makes use of sensitivity and break-even analysis.
Wider impacts	Satisfactory	The IA considers the impact on innovation. To improve the IA, it could state whether there are any other wider impacts relevant to the policy.
Monitoring and evaluation plan	Weak	The IA commits to reviewing the policy after three years but does not provide any details on how the policy will be monitored. The IA should explain what information will be gathered and how this will be used to inform the evaluation.

Response to initial review

As originally submitted, the IA was not fit for purpose because there was a lack of detail and evidence supporting the transition cost estimates and the ongoing benefits estimates. The IA estimated that the average transition cost for large providers is £674,208 based on consultation responses. However, it was not clear from the original IA how this cost arises or what it includes. The revised IA now explains that no analogous cases could be identified to further support the transition cost estimate and that “*variation that was reported tended to reflect providers’ different contractual arrangements with IT sub-contractors*”. The IA now explains that the Department has made multiple requests for evidence to support the £25,000 figure used for transition costs to smaller providers. The IA now also provides a sense-check for the 75% reduction applied to the ongoing benefits estimates.

Summary

Summary of proposal

The proposal is to regulate for use of consistent, short, simpler statements for members in certain defined contribution schemes used for automatic enrolment by amending the Occupational and Personal Pension Schemes (Disclosure of Information) Regulations 2013. The proposed regulations will be accompanied by statutory guidance and an illustrative statement template, which the Department states will support the trustees and managers of schemes in scope to meet the requirements of the proposed new measures.

Summary of impacts

This is a low-impact proposal with an estimated EANDCB of £3.4 million. The costs are all transitional (around £46 million over the first two years of the policy) and are based on a range of estimates from stakeholders. The ongoing impacts are expected to be savings (benefits of around £2 million per year) to providers arising from issuing simpler and shorter statements.

EANDCB

The RPC now considers the evidence underpinning the EANDCB to be fit for purpose on the grounds of proportionality. However, the IA still states that the Department has taken a mid-point where providers have given a range of costs. The IA would benefit from supporting the survey responses with other sources of evidence and provide a clear account of how the cost was estimated. For example, the IA could make use of standard methodology such as that set out in the RPC’s implementation costs guidance².

² <https://www.gov.uk/government/publications/rpc-short-guidance-note-implementation-costs-august-2019>

SaMBA

As the assessment is *de minimis*, a SaMBA is not required. However, the IA would benefit from discussing whether SMBs can be exempt from the policy. If SMBs cannot be exempt from the policy, the SaMBA could explain why, explore any disproportionate impacts that fall to them and how these could be mitigated.

The IA includes an estimated transition costs for providers of schemes with 2-99 members. The RPC considers micro businesses to be those with up to 9 employees and small businesses to be those with 10-49 employees. If this data is not available, the IA should make that clear and explain why using 2-99 members is the next best approach.

The Department may wish to make use of the RPC's SaMBA guidance and checklist³.

Rationale and options

The RPC considers the rationale and options to be satisfactory. The rationale is clear, and a range of options have been considered. To strengthen the rationale, the benefits of the preferred option could have been demonstrated more clearly. The IA could also make it clearer whether a longer list of options was considered, for example, including the use of non paper based contact and/or the use of national insurance numbers to simplify the process of communication.

Monitoring and evaluation plan

The RPC considers the monitoring and evaluation plan to be weak. The IA commits to reviewing the policy after three years but does not provide any details on how the policy will be monitored. The IA should explain what information will be gathered to assess the impact and how this will be used to inform the evaluation.

Further, as the proposal focuses on paper statements, the evaluation could consider how this interacts with online communication to achieve the objectives, particularly with the current and future demographics of those covered by automatic enrolment.

Regulatory Policy Committee

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³ <https://www.gov.uk/government/publications/small-and-micro-business-assessment-samba-guidance>