

Simpler annual statements - consultation on draft regulations

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Introduction

On 17 May 2021, the DWP published a [consultation](#) on [draft regulations](#) (“the Regulations”) and accompanying draft statutory [guidance](#) which will introduce new standard requirements for the length and format of annual workplace pension benefit statements for members (except pensioners) of DC workplace pension schemes used for automatic enrolment (“Qualifying Schemes”).

Key points

- The DWP is proposing to revise the length and format of the annual benefit statement for members (excluding pensioners) of DC auto-enrolment workplace pension schemes.
- Subject to trustees’ / managers’ duties under the Equality Act 2010, the new style statement must not exceed one double-sided sheet of A4 paper.
- The new requirements will apply to annual benefit statements issued on or after 6 April 2022.

Background

A 2017 review of automatic enrolment examined how engagement with workplace pension saving could be improved so that savers have a stronger sense of personal ownership of their workplace pension. One way to enable members to engage more easily with and understand the level of their savings is for key information to be presented using language that is clear and easily understood.

In November 2019, the DWP consulted on how annual workplace pension benefit statements could be reformed and made simpler, shorter and more consistent. The options presented included use of a two-page [template](#) developed by an industry group.

Following positive feedback to its proposals, in October 2020 the Government set out its intention to mandate an approach to simpler statements for DC auto-enrolment schemes.

Proposals

The DWP is proposing to amend the format of the annual benefit statements which must be sent to members (excluding pensioners) of Qualifying Schemes within 12 months of the end of each scheme year. With effect from 6 April 2022, the relevant information, for example the amount of contributions credited to the member during the scheme year, must be provided in a statement not exceeding one double-sided sheet of A4 paper (hard or soft copy).

This is intended to enable a member to see:

- how much money they have in their pension plan and what has been saved in the statement year
- how much money they could have when they retire
- what they could do to give themselves more money at retirement.

Statutory guidance

When producing the new style statement, trustees / managers will be required to have regard to statutory guidance.

This guidance includes a template which sets out how the required information may be structured and presented. This is intended to ensure there is consistency between schemes, while recognising the need to allow for some flexibility of approach.

The template is divided into 5 sections:

- **Member and Pension Scheme details** (including, among other things, the member's anticipated retirement date)
- **How much money you already have in your Pension Plan** – this information should enable the member to see and understand at a glance the year end results of the pension savings activity for their current plan. It should also include a line informing the member that the details on charges and transaction costs, along with certain information contained in the chair's statement which must be published, is made publicly available with clear signposting to a web link showing where and how it can be accessed
- **How much money you could have when you retire** – this section should provide an illustration of how much the member's pension could be worth at retirement and what this may mean for estimated retirement income (including information on the use of assumptions)
- **What you could do to give yourself more money** – the aim of this section is to prompt the member to think about their retirement income and retirement lifestyle as a whole. For example, trustees / managers could illustrate how saving more may generate an increased pension pot and / or the effect of the member changing their retirement date
- **Find out more about your Pension Plan and how you can use your money** – trustees / managers should include contact details for the scheme, and remind members to check and update their contact details.

Trustees / managers may use their own branding, but this should not "obscure the flow of information" or increase the statement's length beyond the permitted limits. In addition, trustees / managers may provide

supplementary information where they believe it will be helpful to members and / or is personalised for them. However, while this can be sent at the same time, it must be provided in a separate document(s) to the statement itself (either in hard copy or through signposting to a website). The statement must be the first substantive document in any pack of material provided to a member.

The DWP encourages voluntary adoption of the principles of the guidance (ie statements that are a maximum of one double-sided sheet of size A4 paper with simple, jargon-free language) and considers that schemes not within the scope of the new requirements may find it helpful for any redesign of their annual benefit statements.

Alternative formats and accessibility

Trustees / managers should satisfy themselves that they have adequately taken account of the needs of disabled people when giving information to a member and when signposting further information. Examples of factors trustees / managers should take into account include, but are not limited to:

- whether screen reading software used by visually-impaired and blind people can read the content and in a logical sequence
- whether the text can be enlarged and the contrast is adequate so it can be read by visually impaired people
- whether the text is simply and clearly written for the benefit of cognitively impaired users.

Next steps

The consultation closes on 29 June 2021, with the Regulations due to come into effect on 6 April 2022.