

Simpler annual statement



✓ **Having been integral to the creation of a simpler annual pensions statement template, Ruston Smith explores the government's intention to make simpler annual statements mandatory**

In October, the DWP issued their response to the 2019 consultation on simpler annual benefit statements – following recommendations from the *2017 Review of Automatic Enrolment* and the industry-led project that followed.

The government will consult on draft regulations and statutory guidance for the mandatory use of a two-page simpler annual statement to initially apply to defined contribution schemes used for automatic enrolment and may extend the requirement to other schemes when the impact has been fully considered.

Eversheds Sutherland partner, Francois Barker, says: “Members need to be able to compare apples with apples across their various DC pensions to get a consistent picture of their overall pension saving. The simpler annual statement makes this possible.”

Why

The government want annual pension benefit statements to be consistent, simpler, shorter and jargon free, with the belief that consistency is key to helping savers understand their pensions better. It should also help them consider and compare their savings from different providers and schemes, and make it easier to help them plan for retirement.

Hymans Robertson partner, Patrick Bloomfield, says: “Until now, our industry has failed to make pensions simple enough for normal people to understand.”

Everyday people have limited time, competing demands and receive an avalanche of daily information. In a 12-hour working day we typically listen to around 105,000 words and, with TV and the internet; equivalent to around 34GB of data.

A two-page simpler annual statement will provide a consistent layout, simple language and information – making it easier for members to understand – which will become increasingly familiar to them. Further personalised information and links can supplement the statement.

Whilst a number of schemes and providers have adopted the simpler annual statement, we can make a real difference to those saving for retirement if we take a totally consistent approach across the industry – and do the right thing for members.

Quietroom co-founder, Vincent Franklin, part of the simpler annual statement development team, says: “Our members probably have savings in other schemes too. To help them plan for their future, we have to make it easy for them to see all the information they need, presented in the same simple way.”

Charges and responsible investment

It's important that members see and can make sense of the costs and charges they pay. The government's response acknowledges that costs and charges are a key driver of good outcomes for members, but that this is a complex

area and getting the balance right is challenging. The government intends to include a line in the simpler annual statement on costs and charges with signposting to a more detailed assessment.

The member research by Ignition House in 2018 on the simpler annual statement clearly showed the need to see a breakdown of costs and charges, such as the cost of investing their retirement savings, the cost of buying and selling investments during the year and the cost of administering their retirement savings.

Rather than assuming what costs and charges information members should have, we should ask members what they would like to see, the level of detail that works best, how it should be presented and use their language to explain them.

To present costs and charges consistently, simply and clearly in all relevant pension statements, not just the simpler annual statement, will help members to understand and be familiar with them.

The consultation response supported the signposting of the pension scheme's investment strategy and ESG including climate change – which can be provided through a link.

Members are becoming increasingly interested and expect to see information on responsible investment and a scheme's approach to climate change. The need for clear, simple and relevant explanations of a scheme's approach is likely to increase.

The future

The simpler annual statement is a step in the right direction to respond to members' needs and, with the dashboard, members will be able to understand what they have, where it is and what it means – with a greater opportunity to make the right choices.

✎ **Written by former PLSA chair, and simpler annual statement template initiative lead, Ruston Smith**