



# Shaken and stirred

## Summary

- Pensions Minister, Guy Opperman, intends to legislate for an annual statement season, where pension savers receive all their annual benefit statements at the same period of time each year.
- The aim of the statement season is to encourage national conversations and engagement with pension savings.
- There are industry concerns of a capacity crunch in getting all statements out in a condensed timeframe, along with the expected increase in member queries to their call centres during that time.
- Concerns also exist around the potential opportunity for scammers and the environmental impact of focusing on sending out paper statements instead of promoting the increased take up of digital ones.

## ➤ Pensions Minister, Guy Opperman, wants to shake up pension engagement through his proposed statement season, but will it stir up problems for the industry?

**G**uy Opperman is used to dramatic career changes, having been a professional jockey in his previous incarnation, before turning to politics and settling down well as Pensions Minister. Could filling the James Bond actor vacancy be his next role? After all, he's already debonair, wears a suit, and, like Bond, could if he wanted get the job done through grand actions that generate significant collateral damage.

### On Her Majesty's Secret Service

One current job Opperman is tackling is member engagement. Take his proposed statement season, where instead of pension savers receiving their annual benefit statements as and when throughout the year, there would be a set period of time for all providers to send the statements out, generating a

'statement season' and as a consequence, an intense period of work for the industry.

This proposal came about from the *2017 Review of Automatic Enrolment*, which highlighted the challenge of getting people to open their pension statements, regardless of their design and the media used. In the government's 2019 simpler annual benefit statements consultation it therefore asked for views on whether a 'statement season' "might help support saver engagement and the normalisation of workplace pension saving".

Speaking virtually at the PLSA's March Investment Conference, Opperman highlighted organisations, such as Pension Geeks, that already conduct a pension statement season, going on the road and explaining pension matters to people. The government's

response to the simpler annual benefit statements consultation, published October 2020, also references other annual events that improve engagement; for instance, "HMRC has successfully run for decades an annual tax return date".

The consultation response also states that "we continue to believe that a statement season would be a massive help to consumers and enable greater understanding of pensions and their importance ... 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".

At the March PLSA conference, Opperman elaborated: "I believe the pension statement season, a short period each year where people are receiving their statements, will help reinforce the normalisation of workplace pension

saving, as achieved as a result of automatic enrolment.

“My ambition is genuinely to create a national conversation about the importance of pension saving, turning up the dial on engagement in a way that, frankly has not been done. And you may have heard me say that my holy grail from all this is that I want people to be walking into a pub, during the statement season, grasping their statement and saying, ‘well, I’ve got mine, what have you got?’, and actually having a conversation in a pub, in a way that we often do in respect of everything else in normal life, but we certainly don’t do in relation to pensions.”

Expanding on this further at the PLSA Annual Conference last month, Opperman confirmed his intention to legislate for a statement season, along with the formation a cross-sector working group to identify workable options for the introduction of a statement season.

### Dr No

It may still be in the research and development stage, but the proposed statement season has already succeeded in sparking intense conversation within the pensions industry itself.

Aviva head of savings and retirement, Alistair McQueen, describes a statement season as “an interesting idea”.

“The national conversation switches to education when A-Level results are delivered. Could the same focus benefit pensions? ‘What did you get?’ is asked of students on results day. Could the same be asked of pension savers on statements day?” McQueen asks.

“I think the benefit of a statement season is the opportunity to have a single national conversation about choices and saving for retirement when people have their numbers – with a campaign like we used for automatic enrolment – ultimately creating natural conversations on pensions in everyday language,” Tesco Pension Trustees chairman and simpler

annual statements template initiative lead, Ruston Smith, adds.

However, The People’s Pension director of policy, Phil Brown, states that “the recent push by the Department of Work and Pensions for a pensions statement season has been met with resistance from many within the industry”.

“This isn’t because we are against improved engagement and simpler communications – we are all for both,” he explains. “However, there is a potential risk that this could have an unintended consequence and negatively impact engagement with savers.”

A major concern is that of logistics, both with sending the statements out in time and the expected uptick in member queries to provider/admin call centres, and to advisory services, such as Pension Wise, it is expected to generate.

“There are a number of production and logistical challenges of introducing a pension statement season,” Aegon head of pensions, Kate Smith, says. “The obvious issue is it will mean a capacity crunch in terms of resources and member interaction.

“Currently the production of annual benefit statements is spread throughout the year based on legislative requirements. A pension season would compress the current production process into, say, a month, instead of 12 months and would have consequences on how providers use their resources,” she explains.

“The largest pension providers and administrators have millions of customers and squeezing the production and delivery of mainly paper-based statements into such a short time would be challenging at the very least. It would also lead to a spike in calls to contact centres, with the potential to overwhelm them. This in turn could lead to a poor customer experience, with a negative rather than positive impact.”

There will also be impacts on employers to supply updated information

quickly to meet any legislative timetable and a significant impact on third-party suppliers, such as those providing mail services, Kate Smith adds.

To put this into context, Brown highlights how The People’s Pension has 5.4 million members, “which would mean that if we were compelled to post statements to every member within a month, that would be 180,000 a day”.

Such a dramatic increase inevitably means that thousands more people would contact us each week, he adds. “It would be impractical for providers to recruit and train specialist call centre staff for such a short period of time, meaning that it’s almost inevitable that anybody contacting their provider during this period may face significant wait times – something any good customer services team seeks to avoid.”

This extra work will also come at a cost. For instance, the increase in quotations generated is another expense for trustees, Cartwright head of pensions administration, Julie Yates, says, as trustees often have to pay an additional fee for quotations to over 20 per cent of their membership, for example.

Her colleague, Cartwright scheme actuary and head of pensions strategy, Jonathan Seed, also highlights the potential rise in scams it may generate, as scammers will also be aware of the statement season, and of it being an opportune time to target people.

But the risk of scammers becoming more interested should not be a reason to prevent trying to increase saver engagement generally.

McQueen notes that the transformation of pension participation generated by auto-enrolment has not been matched by a transformation of pension engagement. So “given the mismatch between pension participation and pension engagement, more must be done to close the gap”.

However, Kate Smith says that “currently members have multiple opportunities to engage with their

pensions, if they have more than one pension, as they will potentially be receiving benefit statements at different times of the year”.

Moving to a single point for all statements could reduce this engagement potential, she warns.

And if successful in achieving its aim of increased engagement, “the impact could be to overwhelm providers contact centres, leading to a negative impact potentially eliminating any perceived benefit of a pension season”, Kate Smith adds.

Seed also notes that increased engagement may also increase the risk of people aged over 55 cashing in their pension fund early instead of leaving it invested to provide essential income during retirement.

The government, in its consultation, had proposed the annual statements arriving at the same time to be in their own distinguishable coloured envelope, like the orange pension envelopes successfully used in Sweden.

However, according to Brown, “the evidence from Sweden is, since the introduction of the ‘orange envelope’, which contains an aggregated statement, more people have engaged with their pensions, but it’s taken a very long time for there to be a measurable impact. It’s also worth remembering that the Swedish aggregated statement also includes details of the state pension entitlement, which would not be included in the proposed statement season here”.

The government has since dropped this proposal, stating the risk of fraudulent behaviour and scams mentioned in the consultation responses.

Another industry concern is the contrast between focusing on sending paper statements in a digital age, and the negative environmental impact this may have.

Pasa board director, Girish Menezes, states that “although there is nothing intrinsically wrong behind the concept of a statements season, it does need to

take into account the move to digital and a world where pension values should always be available and up to date”.

The industry also suggests that the world has already moved on from paper to digital, he adds. “Benefit statements are available via the web and even as videos. Members can log on and view the value of their pensions in real time and model their options.”

Brown agrees, stating: “We don’t see introducing a paper statement, which will cost providers, and ultimately members, £1 each, more than three times as much as a digital statement, as a 21st century solution to the problem of low pension engagement.”

Huge progress has been made towards the Pensions Minister’s vision of making pensions safer, better and greener over recent times, McQueen adds. “In the desire to take another step forward, by embracing a statements season, we must not risk taking three steps back – what could be a backward step for service; for digital technology; and for the environment,” he warns.

### **The World Is Not Enough**

One suggestion is that benefit statements can be available digitally and rather than sending them out during a ‘statement season’, pensions are promoted nationally during the month, much like an extended Pensions Awareness Day, Menezes adds.

Kate Smith also highlights the work of Pensions Awareness Day, stating that she is not convinced that a pension season is the best way to start pension conversations and increase member understanding and engagement with their pensions.

“We believe there are other more effective and efficient ways to start pension conversations, such as Pensions Awareness Day, the September Pensions Awareness Week run by the Pensions Geeks and innovative communication tactics such as video summaries. These are a much more fun and engaging way to get people to think and talk about

pensions,” Kate Smith explains.

Upcoming projects, such as the pensions dashboards and the simpler annual statements from October 2022 may also effectively do the statement season’s job of increasing saver engagement.

“The idea is that if members receive all their annual benefit statements around the same time, they will be easily able to see how much they’ve saved and think about any actions, such as increasing their pension contributions, or potentially consolidating. This is exactly what pensions dashboards will do, once they are up and running,” Kate Smith says.

“We’re a fan of pensions dashboards and believe these would be a far better way of connecting people with their pensions than a pension statement season. We are also supportive of simpler annual benefit statements and believe these have the potential to improve understanding and engagement,” she adds.

Brown agrees that there is now “really good progress being made on the pensions dashboard project, and we see this as the key to enabling savers to interact with their pensions in a truly meaningful way”.

Menezes notes that the industry really needs to get together to discuss the most appropriate solution for a member. “Given simpler annual benefit statements, pensions dashboards and GMP equalisation, is a statements season truly going to enhance member outcomes?” he asks.

ITS director, Akash Rooprai, adds that while the pensions dashboards will provide additional information to the simpler annual statements received during the statement season, such as DB and state benefits, a challenge of achieving this for the dashboard is still data quality “not being where it should be”. Therefore, he wonders if “we should try to solve wider industry issues, such as data quality, before bringing in a



statement season”.

Pensions dashboards, the simpler annual statements and the statement season should be “linked together and delivered in a structured way”, he says.

It should also be considered in context of the bigger picture, Rooprai states, noting that administrators’ current workloads are already very stretched, “so adding more to this team right now is probably not the best idea”.

“I like the idea of a statement season and the advantages it could bring, but at the moment timing is the biggest issue”, he adds.

### Tomorrow Never Dies

Yates would like to the timing of the statement season launch to occur after the pensions dashboards launch in

2023, “to avoid duplication of work” and provide the industry with a reasonable timeframe to implement the season.

Kate Smith notes that the simpler annual benefit statements will be introduced from October 2022.

“We don’t expect a pension season to be up and running until these are fully embedded. The pension season is still at conceptual stage, and changes to legislation will be needed to make this a reality. Legislation currently requires statements to be produced within certain time periods based on the end of the scheme year for trust-based schemes or within 12 months of first contribution paid for contract-based schemes. This will have to change,” she adds.

Ruston Smith also highlights the need to ensure there’s a sufficient

period of time “so the industry can send out statements and fully resource the helplines to support members with the questions they may have from the engagement that’s expected”.

As for the statement season itself, Menezes stresses that “it is important we do not have to create the benefit statements on a common valuation date as that will be extremely complex, and instead have a common publication date”.

Ruston Smith states that it should be at a time of the year “when the information included on statements is current, relevant and not too out of date”.

It also needs to be at a time, during the year, when members are more likely than not to make financial decisions, he adds.

For this, Seed recommends either April, as that is the renewal date for many schemes, or September, to align with the Annual Allowance date.

Even with the statement season at the most opportune time, “we’re not convinced that a pension season would lead to a change in behaviour unless there was a very visible joint campaign by the government and providers to announce that members were about to receive their annual benefit statements, and why these are so important”, Kate Smith says.

The government notes in its consultation response that a “key ask” of responders was that any season should be supported by a national government-led communications campaign.

Therefore, like Bond swooping in to save the damsel in distress, so too will the government take action, stating in its consultation response that it agrees the “statement season should be supported by government and industry, in a professional communications campaign”.

But will that be enough to save the day, or will the industry need more government support?

It may yet be a case of ‘I’ve been expecting you, Mr Opperman’.

**Written by Laura Blows**