



THE ABI RESPONSE TO THE DEPARTMENT FOR WORK AND PENSIONS CONSULTATION ON SIMPLER ANNUAL STATEMENTS

DECEMBER 2019

About the Association of British Insurers

The ABI is the voice of the UK's world leading insurance and long-term savings industry. A productive, inclusive and thriving sector, we are an industry that provides peace of mind to households and businesses across the UK and powers the growth of local and regional economies by enabling trade, risk taking, investment and innovation. The UK insurance industry is the largest in Europe and the fourth largest in the world. It is an essential part of the UK's economic strength, managing investments of over £1.8 trillion and paying nearly £12bn in taxes to the Government. It employs around 300,000 individuals, of which around a third are employed directly by providers with the remainder in auxiliary services such as broking.

Executive Summary

1. The ABI welcomes the opportunity to respond to the Department for Work and Pension's (DWP) consultation on simpler annual statements. We are supportive of the need to ensure that communications are designed in a straightforward and meaningful way, which enables customers to prepare and save for their retirement. However, we are strongly opposed to a fixed two-page template approach. We do not believe that this would be consistent with the direction of travel towards personal communications that change by age and characteristic, and where an individual is in their own personal retirement journey.
2. We do not think dedicating significant resources to a project based around paper-based statements is an efficient use of resource, given we know that more people are accessing their retirement information through digital channels. We believe the costs to industry of implementing a two-page template are likely to outweigh the consumer benefit. We believe there is merit in providing key information to customers upfront, though customers should not be considered as a single group with a single set of needs. The long-term savings industry needs flexibility to provide customers with a benefit statement that meets a broad range of needs, in a way that is accessible and meaningful. We do not believe the rigidity of the two-page template allows this.
3. Rather, the ABI supports mandating a design-based principles approach to annual statements. We believe this is the best way to ensure good outcomes for customers, while not unduly burdening industry with costs, and which complements, rather than inhibits, other ongoing communication initiatives. We are supportive of the need for customers to be able to understand and compare their retirement savings, though note that there is a lot of work already ongoing in this space such as retirement wake up packs, providers' own transformation programmes, and pensions dashboards. There is a trend for communications to be tailored to the needs of individual customers, and we consider that a one-size fits all approach does not support the needs of consumer groups who may have certain characteristics to consider, such as vulnerable customers and older cohorts.
4. We recognise the need for a consistent approach to Annual Benefit Statements (ABS) and believe that this could be achieved through having key information up front e.g. in the first two pages. We

suggest this would include the size of a customer's pot, individual costs and charges, a projection to help them understand how much they could have in retirement, and options to consider for how they can increase the size of their pension.

5. We urge the DWP to be clearer in their intention for this project. There are a range of DWP proposals bundled together, and it is not immediately clear what the DWP is trying to remedy. The proposal for a two-page template as stated, would not meet the aims of consistency or comparability, and there is very limited research to suggest it would help savers to engage with their pensions. The proposals to standardise assumptions have merit, though we believe further work on these is necessary. There is also a package of remedies on 'how to encourage people to open their statements' which includes considering a statement season and the colour of envelopes. Though we recognise there is low engagement by savers with their pensions, we think these proposals do not consider consequences such as scams, operational challenges, and less engaging customer experience. We believe there is a more fundamental question, which ABI members are already considering, on how to encourage savers to engage with their pensions in advance of retirement
6. Our members have highlighted concerns that the rigid two-page template does not accommodate regulation set by the Financial Conduct Authority (FCA), Financial Reporting Council (FRC), The Pensions Regulator (TPR) and HM Revenue & Customs (HMRC). There could also be inconsistency with this project and other communications work, such as wake-up packs, where our members want to align with annual statements, and other communications, to ensure a meaningful customer experience. The DWP needs to involve the regulators in this work to ensure that any proposal is compliant with regulation.
7. Many ABI member firms undertake rigorous consumer testing to ensure the design of their statements are based on the latest consumer trends, tested in a real-world environment with real customers. This can be complex and resource intensive but ensures that any changes to ABS produce tangible benefits to consumers. It also allows a dialogue between providers and their customers to ensure they understand and meet the needs of different groups. This consumer-led approach is done on an ongoing and iterative basis to allow providers to continually innovate and make changes that ensure their communications are trusted, informative, and understood by their customers. By contrast, though we are supportive of making communications more straightforward for customers, we question the robustness of the testing which went into the design of the two-page template.
8. Costs to long-term savings providers of carrying out changes to their ABS are significant. Costs for larger ABI members could be up to £6 million and for smaller members between £1-2 million. Inevitably, some of these costs would be passed on to the consumer. Further, moving to the suggested two-page statement would impact providers' ability to continue to test and implement new ways of engaging with consumers.
9. The complexity and costs of changing statements from an operational perspective, particularly for older closed books of business is significant. ABI member firms who have gone through these transformation programmes have indicated that they have been able to reduce their statement length from its previous format to around four to five pages in total. This allowed them to provide the information their customers have told them they want, in a format that is accessible and meaningful. Changes to ABS take between 18 and 36 months to complete, and members consider this to be part of an ongoing process of refinement.

10. There is limited to no evidence that a two-page template is a more effective means of communicating information than providers' own ABS. We believe that mandating a two-page template would lead to a poor outcome for customers and that the cost is wholly disproportionate. We believe that industry efforts would be better directed towards the rollout and implementation of pensions dashboards.
11. Once implemented, pensions dashboards will be an important tool for providers to communicate with consumers. Dashboards will provide the benefits of annual statements in a more convenient way, and in keeping with how more and more customers are accessing their information. Dashboards will also deliver additional benefits such as reuniting people with pension pots which they have lost. Therefore, we strongly believe as an industry that this is where we should focus our efforts, money and resources. With this in mind we urge the DWP to consider the risks of prescribing a fixed two-page template approach.
12. If the DWP were to legislate for prescribing the proposed two-page template, this would be very rigid, and we do not believe this would be able to adapt to the latest trends and consumer needs. We further believe this would be a suboptimal outcome for consumers, and it may also restrict and reduce innovation by providers who will be compelled to comply with an enforced regulated approach, rather than understanding and meeting the needs of their customers and giving them information in a format they want. This would not be the case for a principles-based approach.
13. The intended scope of this project, as we understand, is members of auto enrolled defined contribution workplace pension schemes, including qualifying schemes into which employees may not have been automatically enrolled. We suggest that a principles-based approach, which we support, could be applied more broadly. In particular, the existing SMPI requirements also apply to non-workplace individual personal pensions. The overarching principles give direction to how schemes design and roll out their ABS. If the DWP is truly seeking consistency and comparability, then it is not clear how this will be achieved if customers receive different ABS for different product types, and at different stages of their retirement journey. The two-page template which has been proposed does not account for that as customers move to retirement, they may move to a retail drawdown product, or start drawdown from within the scheme. In both of these cases customers should have a consistent experience from an ABS perspective. We think both the descriptors and the two-page template approach would not necessarily support a broader scope of pension schemes. We therefore conclude that a principles-based approach could be rolled out to all pensions types which would ensure greater consistency and a better customer experience.
14. As an industry we are supportive of the disclosure of costs and charges to give consumers the information they need to support their retirement making decisions, and to ensure trust and transparency between customers and providers. We support the inclusion of individual member pounds and pence costs and charges on the ABS, though consider there to be a range of implementation challenges in meeting this requirement. Providers should also be able to provide a percentage cost if they choose, although the ABI does not support making this a mandatory requirement.
15. ABI members are already taking progressive steps to ensure their communications are aligned to the needs of their customers though we recognise there is merit in driving industry towards a common set of shared principles. We believe that in order to ensure consistency of approach, and to ensure that providers are not required to make multiple rounds of changes to their benefits statements, that mandating a principles-based approach would be more appropriate. This would help ensure customers have a consistent and meaningful experience when interpreting information

given to them in their ABS by different pension providers and allow providers to retain the flexibility to help give customers the information they need in the format that works for them.

16. On standardising assumptions, the ABI agrees with DWP's proposals and we believe they will lead to better outcomes for consumers. Standardising and aligning the DWP's assumptions and FCA's rules will help consumers better understand their savings and what they will have in retirement. Crucially, this will also ensure consistency of projections, which will enable customers to plan. We encourage the DWP to involve the regulators in this project to ensure any final rules are aligned with regulatory requirements.
17. On the proposal for a statement season and coloured envelopes, we think there is a broader point to make on low consumer engagement. We strongly question whether the proposal around a statement season and coloured envelopes would go any way to encouraging people to engage with their pensions. We do not believe either suggestion to be cost-efficient or a practical solution to low consumer engagement. We believe that pensions dashboards will go a long way to transforming the interaction between consumers and their savings, and efforts and resources should be focused on dashboards accordingly.

Q1. We believe that short statements, with simpler, jargon-free, language and key figures that are presented in a consistent way, have the potential to enable members to understand both their individual pension pots more easily and the cumulative picture of their pension savings.

We believe that statements should be structured to enable a member to quickly see the answer to three questions, 'How much money do you have in your pension pot?', 'How much money could you have when you retire?' And a call to action to nudge a member to consider 'What can you do to give yourself more money in retirement?'

We would welcome your views on this twin ambition:

- a. **Is it one that you recognise as offering benefits in terms of an individual's understanding of - and better engagement with – their workplace pension saving? Yes/No?**
 - b. **In what ways could consistent workplace pension annual benefit statements offer an opportunity to improve engagement with and understanding of pension provision?**
18. The ABI supports the intention behind this project, to ensure that consumers receive ABS from providers which help give them the information they need to make decisions to support them in retirement. The consultation frames these ambitions around a premise that suggests statements should be short, jargon free, with key figures which are provided in a consistent way. We agree with the principles that language should be straightforward, and that figures should be consistent. We suggest however that there are numerous issues to consider ensuring that consumers have the right information for them, in a format they comprehend, which supports the overarching objectives already stated.
 19. In terms of offering an opportunity to improve engagement and understanding of pension provision, we consider that there are merits in consistency, though suggest a one-size fits all approach does not work for all consumers. Projected benefits at retirement should be based on consistent assumptions so that these figures are not only consistent between pension providers, but also consistent within pension providers. As such, we suggest that FCA and DWP rules and regulations on projections should be as consistent as possible.

Q2. We would welcome

1. **views on how annual statements are positioned within your broader member engagement strategy?**
 2. **views on the implications of requiring trustees and scheme providers to have regard to principles; descriptors or a simpler statement template on other communication materials, including the need for and cost of redesigning approaches.**
 3. **c. evidence/user testing about how to improve engagement/understanding which you have used to support your wider communications.**
20. Consumers' ABS are an important component of their broader engagement with providers. They represent an opportunity for consumers to consider whether their pension savings are on track to support them in retirement. They are also a consistent milestone throughout the retirement journey, which for many customers will span a long period, given that pensions and long-term savings are long-term products by design.
21. Many members have spent, and continue to spend, significant sums of money on improving their ABS as part of their overall communications packages with consumers. An important component of this ongoing improvement is considering how consumers with different characteristics engage with pensions communications in different ways, testing these assertions, and then deploying communications solutions based on their needs. Older customers may prefer a paper-based statement with more white space to help them digest information. More and more groups are used to accessing information through digital communications methods. There are also the needs of vulnerable customers to consider, which may require certain considerations on how information is presented to them, in order to support whatever needs they have.
22. We think it's important to note that providers are increasingly providing communications which are tailored to an individual, either based on their specific characteristics, or where they are in their retirement savings journey. An example of this is the ABI's "[Communications through the life course](#)" publication which sets out the key points of a retirement journey which providers use to differentiate how they communicate with customers. Towards the start of the savings journey, information will be focused on encouraging good savings habits, and encouraging people not to opt out. At the mid-point the communication focuses more on encouraging the customer to consider whether they are on track to get the sort of retirement they would like and what they could do to achieve it. This also provides an opportunity to get savers to think about the positive effect of contributing more to their retirement pot, noting that at this point they can still make positive changes to support their retirement needs. Towards the end of the journey the communications are more focused on making the most of what the consumer has, providing guidance on what sort of retirement products are available to them, and how to make the most of resources such as Pension Wise to support them in their retirement. This tailored approach is based on a series of reports by the PPI on teachable moments.
23. We support mandating a principles-based approach to ABS and recognise that providing key information up front would be useful in helping consumers to engage with their pension savings. If an approach is adopted which necessitates a fundamental redesign of ABS to meet a two-page template this would be an expensive undertaking for providers, which we do not believe would provide a better outcome for customers. We think that this money and resource would be better directed on the preparation and implementation of pensions dashboards, which have the potential to greatly improve the engagement of savers with their pensions.

24. In terms of the work already undertaken, many of our members have spent in the range of hundreds of thousands to millions of pounds in redesigning their ABS. It should also be noted that for members this is not a 'once and done' type approach, but instead is a rolling continuous programme of improvement that seeks to take advantage of the latest customer insights to ensure that ABS are focused on the needs of the consumer. The two-page template, and the descriptors that build on this are a static approach that do not consider whether consumers' needs are changing. They also do not consider the needs of different groups of consumers who may have different needs. Further, there is the lack of an evidence-based approach to the design of the two-page template, versus the significant levels of resources and testing that our members use in the ongoing iterative design and roll out of their ABS.

Which pension schemes are in scope?

Q3. Our intended scope – does this make sense or should the scope be broadened, or narrowed?

25. The intended scope of this project, as we understand, is for members of auto-enrolled defined contribution workplace pension schemes, including qualifying schemes into which employees may not have been automatically enrolled. We suggest that a principles-based approach, which we support, could be applied more broadly. In particular, the existing SMPI requirements also apply to non-workplace individual personal pensions. The overarching principles give direction to how schemes design and roll out their ABS. If the DWP is truly seeking consistency and comparability, then it is not clear how this will be achieved if customers receive different ABS for different product types. For example, the two-page statement that is proposed does not account for where a customer is in their retirement journey, as customers move to retirement, they may move to a retail drawdown product, or start drawdown from within the scheme. Customers should have a consistent experience from an ABS perspective. Both the descriptors and the two-page template would not necessarily lead to a broader scope of pension schemes. We therefore conclude that a principles-based approach could be rolled out to all types of pensions arrangements, which would ensure greater consistency and comparability.

How can we achieve simplicity and consistency?

Q4. We would welcome your views on the length of statements:

Short statements of two pages in length have been proposed. What evidence can you provide where the adoption of this approach has been beneficial? In what ways? For whom?

4. For trustees and scheme providers:

- i. Are your statements typically longer, or shorter, than two pages? How many pages are your statements in total?**
- ii. What strategies have informed the design and length of your annual statements? What feedback, if any, has been sought? What changes have been made to improve the usability of statements? What future changes are planned?**

26. The length of the ABS is a key consideration in this project, however we strongly suggest that DWP refrain from determining the success or failure of this initiative through the length of the statement itself, as measured in A4 pages. The length of the statement is an important consideration, though there are many other components which are critical in providing a successful outcome for customers of pension schemes. As more and more people access their long-term savings products via digital means, the concept of a two-page A4 statement is less relevant. Indeed, we suggest there should be greater consideration given to how consumers digest information in a digital format,

as there are differences between consumer interaction with a paper-based statement and a digital version.

27. There seems to be no available data to suggest that restricting a statement to only having two pages would be beneficial to consumers. Whilst ABI members agree in principle that shorter statement lengths may be preferable, there does not seem to be any qualitative data available to measure the impact of statement length against the engagement of customers with their statements. The two-page template did not undergo the rigorous consumer testing that we feel is necessary to inform the design and output of these sorts of communications. Many ABI member firms spend millions of pounds on consumer testing against a range of cohorts, with a range of characteristics and then use this information to drive the design of their ABS and communications more widely. We believe this to be a far more evidence-based approach than has been applied to the two-page template and think this is an important component for the DWP to consider when deciding on which approach to take. Further as already mentioned, for many firms this is not a 'once and done' type approach, and in fact they are continually refining and improving their ABS on an ongoing basis to ensure a good customer experience.
28. Many of our members have undertaken exercises through their own transformation programmes to reduce their statement length. There is a balance to be struck between reducing the length of the statement, ensuring the statement complies with all necessary regulation, and providing the information in a format which is accessible and meaningful for consumers to digest. Several ABI members have undertaken a transformation exercise to understand the viability of reducing their statement to two pages, as per the two-page template. This process has allowed their statements to be reduced to between four and six pages in total, which is the shortest length they have been able to achieve whilst remaining compliant with regulation and their own customers' requirements. While the two-page template relies on links to websites to reduce the length of the statement, our members have found in consumer testing that customers prefer signposting within a document pack, rather than links to digital sites. Customers state that they find links to be a barrier to getting information if they have received the ABS in paper format.
29. Due to the large and varied books of business which are accrued as a result of mergers, acquisitions and sales, many of our members have also accrued a vast and complex range of IT systems. The operational challenges of making changes to these systems is significant, and providers need to consider how and where best to deploy resources to ensure the best outcomes for customers. Providers have told the ABI that they may not be able to programme systems to produce ABS in a format which is commensurate with a two-page template. The ABI would caution that if the DWP were to arbitrarily direct that all ABS need to follow the two-page template, then it is likely to be operationally very challenging. We think a more sensible approach that would benefit consumers would be to have 'key information' upfront, potentially on the first two pages.

Principles to inform our approach

The DWP Suggested principles which are as follows.

- **The evidence base for improving engagement and understanding.**
- **Any future changes to regulation which may have an impact on disclosure requirements**
- **Innovations in communication tools and technology, including pensions dashboards**
- **The cost implications**
- **The extent to which the approach will allow personalised and accessible statements**

Q5. Do you agree with these principles, or are there other or additional principles that you think we should consider?

30. Though we agree that this is a useful range of principles to consider, we refer to the earlier point made around purpose. We urge the DWP to be clearer on the issue they are trying to remedy, as the wide range of proposals on which they are consulting goes beyond the design of ABS. We agree that these are a useful range of principles to include when considering the design of ABS, though believe that mandating a principles-based approach would be the best option to meet these principles. This would ensure that providers' main focus remains on the roll out of dashboards, allows providers to ensure their communications are fit for purpose and meet the needs of different groups of customers, and ensure a better experience for customers.

A simpler statement template

Q6. We would welcome views on what do you think are the advantages or disadvantages of this simpler statement?

From trustees and scheme providers, we would welcome views on:

Q7. If you are intending to adopt this simpler statement, what is your anticipated timescale and, if you are varying the statement, where will you make changes?

Q8. If you do not intend to adopt this simpler statement on a voluntary basis, what barriers or issues have informed your thinking? For example:

- **Not workable for your scheme? - Implications for your other communications/products for savers? - Additional information that customers have requested that is not included in the statement? Insight from user-testing and evaluation? - Considerations around the needs of different groups? - The costs of switching? Please specify. - Value for members? - Other?**

Q9. If you consider that the simpler statement is not workable for your scheme due to regulatory requirements, please explain how it would need to be varied or amended to meet those whilst still remaining within two pages.

Q10. Is there any information you think is currently not included, or signposted, in the statement attached at Annex A that would support the ambition to inform members and enable them to make retirement planning decisions? If so, what additional information do you think needs adding or signposting?

31. We strongly oppose a fixed two-page template approach. This approach is undesirable, and our members believe it potentially unworkable for a number of reasons. In terms of customers, we do not believe that a one-size-fits-all approach results in the best outcome. A rigid two-page template is not consistent with the direction of travel which is tending towards personal communications that change by age and characteristic, and where an individual is in their own personal retirement journey. Evidence points towards more consumers accessing their retirement information through digital channels, and though we agree there is still a need for a paper-based statement we question whether dedicating significant resources to this project is an efficient endeavour, and is in keeping with the trend of how more and more consumers are accessing their information.

32. As already stated, we think that mandating key information upfront could have merit. This should include the size of a customer's pot, individual costs and charges, a projection to help them understand how much they could have in retirement, and options to consider for how they can

increase the size of their pension. Though we agree each of these sections is useful to include, we do not support mandating these in the prescriptive two-page template format.

33. Members of the ABI undertake significant programmes of work to understand the customers that they represent, and how best to communicate information about their pension to them. A prescribed two-page template could mean that different cohorts of customers, with different needs and characteristics could not be catered for. For instance, through consumer testing, there is a clear indication that older customers need more 'white space' on their ABS to allow them to process the information in a format that is accessible and meaningful. The two-page template does not allow for this important consideration.
34. We urge consideration of the robustness of the customer testing that was used in the design of the two-page template. We do not believe that the template was designed using an evidence-based policy making approach and think that providers' own testing, and consumer insights work provides a far more robust evidence base upon which to design and deploy ABS which meets the needs of their customers.
35. In terms of costs and charges, our members agree that this is important information to include, and many members already provide this, in pounds and pence on their benefit statements. The two-page template signposts away to this information, though given that we accept customer engagement with their pensions is already low, it seems unlikely that requiring customers to seek information on costs and charges from an additional source would drive better engagement. This may have an adverse effect in reducing transparency, by potentially obscuring the fact that charges are being applied to a customer's pension product, rather than disclosing them in the benefit statement itself.
36. We know that many customers are still unaware about how their pensions are invested, and during consumer testing and feedback, some members have indicated that there is additional information on investment choices which is important to customers and which is not included in the two-page template. The rigidity of the template means there is no space to include this information or provide accompanying information on investment choices. This information would help customers to understand where their funds are invested and emphasise the impact that switching funds can have on the size of their overall pension pot. We are not advocating for this to be included as a requirement, though there is clearly a need for flexibility in terms of additional information that providers may want to include in their benefit statements, and the rigidity of the template approach does not allow for this.
37. Similarly, if a customer has diversified their pension funds, from the default fund into multiple funds, the rigidity of a two-page statement would not allow providers to display the requisite information about their holdings, nor costs and charges. If a customer holds multiple funds, each fund would require one line to display both current value as well as the costs and charges. Providers must be given the flexibility to display their customers information in accordance with the customers choices.
38. The same holds true if a customer holds with-profits or guaranteed investments in their pension scheme. If a customer holds these products, then providers require additional space to include information to help customers better understand their savings.
39. There are also significant operational and cost implications for the implementation of a fixed two-page template. Further work would need to be undertaken to ascertain the cost of making systems changes, and process changes though we have surveyed our members and know this would run

into millions of pounds for many providers. It seems difficult to identify any benefits from a two-page template, much less any that would outweigh the significant costs to industry. The two-page statement would likely interfere with and detract from the roll-out of other initiatives such as pensions dashboards, and could be detrimental to the ongoing work, already mentioned, that our members do in terms of improving their ABS on a continuous basis.

40. With regards to regulation, ABI members consider that the template, as it stands, would not allow them to cater for the various regulations set by the FCA, TPR and HMRC. We urge the DWP to consider for instance, the disclosure requirements in MiFID II as well as other requirements, such as those currently being proposed for workplace pensions in the FCA's consultation paper 19/10, to ensure a holistic approach to any intervention taken. The ABS, in any form, needs to be compliant with FCA, TPR and HMRC regulation and for this reason the DWP needs to involve regulators and other Government departments in this work. Below we have given examples of how it would be challenging for the two-page statement to accommodate the required regulation.

41. TPR's guidance on communication which states that¹:

"We consider it best practice to include in the annual benefit statement:

- *statements which highlight the relationship between member contributions and good member outcomes*
- *information about the member's rights in respect of flexible benefits, including which benefits are available directly from the scheme*
- *information about the charges a member has paid over the year, ideally expressed in pounds and pence, as well as a percentage."*

However, the two-page template does not:

- Include an explicit statement about the relationship between member contributions and good outcomes;
- Include anything on member's rights in respect of flexible benefits, including which benefits are available directly from the scheme;
- Does not include information on charges in either pounds and pence or in percentages.

42. TPR Code of Practice 5² states that:

"39. Trustees also have to provide members with an annual statement within 12 months of the end of the scheme year showing contributions credited (before deductions) to the member in the preceding scheme year¹³.

40. Trustees should present contributions information to members in an accessible, transparent form so that the member is able to check that they are receiving the contributions they are due. This may include information on:

- *contributions received by the scheme after tax relief*
- *the percentage of pensionable pay due for both employer and member contributions together with pensionable pay information, where held*
- *the dates contributions were due and the dates paid, and*
- *charges or commission taken before or after payment to the scheme.*

¹ <https://www.thepensionsregulator.gov.uk/en/trustees/managing-dc-benefits/6-communicating-and-reporting>

² <https://www.thepensionsregulator.gov.uk/en/document-library/codes-of-practice/code-5-reporting-late-payment-of-contributions-to-occupational-pension-schemes#4d9382d6453a4609a30c7e44baabd7ca>

41. Trustees may decide how best to provide this information. Our research shows that best practice amongst many trustees is to provide members with access to online contribution and payments information that is regularly updated and that this is effective in aiding the member to monitor scheme contributions.”

The two-page statement does not include much of this information; if it did it would take up several more lines which would extend the template over two pages. Furthermore, it does not include a link where the information should be displayed. As we stated in our answer to question 4, consumer testing by ABI members has shown that customers are hesitant to go online to view further information through links if they are looking at paper-based communication. In the ABI’s view, this makes implementing a two-page statement impractical from both a regulatory and a consumer engagement standpoint.

43. The following table sets out some other regulatory requirements for long-term savings providers, including FCA COBS rules, FRC rules, and the Occupational and Personal Pension Schemes rules, and how it would be challenging to fulfil these requirements within the constraints of the rigid two-page template.³

Rule	Impact of Regulatory Requirement	Two-Page Template
FRC Technical Memorandum 1 Rule B.3.2	Providers are expected to display the future expected regular contributions.	Assumes that the current % and salary remain the same
FRC TM1 rule B.6	Providers need to include information on death benefits	Template does not assume any death benefits.
FRC TM1 rule C.3.15	Providers need to include any guarantees that apply	The template does not take into account the requirements set out by the FRC and FCA in the rules detailed. Further it does not provide space for them to be included.
FCA COBS rule 4.2	Providers need to include a statement about pension debit or earmarking that may apply, if there has been a divorce.	
FCA COBS 13.5	If a customer is phasing the taking of drawdown benefits their ABS must contain both drawdown and savings elements simultaneously. FCA projection requirements for drawdown customers therefore apply.	
The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations	Providers need to disclose the amount of any investment gain or loss in the statement year for a stakeholder pension.	The template does not take into account the requirements of this regulation and does not provide space for them to be included.
The Occupational and Personal Pension Schemes (Disclosure of Information) Regulations	If a customer is invested in With-Profits then providers need to include wording about smoothing and guarantees as well as the impact of moving out of With-Profits.	

³ <https://www.frc.org.uk/getattachment/b92ab89a-1087-443c-95c3-2c9bc6d9b773/AS-TM1-v-4-2-FINAL-Oct-2016.pdf>
<https://www.handbook.fca.org.uk/handbook/COBS/13/5.html>
<https://www.handbook.fca.org.uk/handbook/COBS/4/2.html>
<http://www.legislation.gov.uk/uksi/2013/2734/contents/made>

44. There are HMRC requirements that providers often send out as a part of their ABS communication (although which does not need to be included in the statement) which the two-page template does not take into account. The HMRC Pensions Tax Manual states that a scheme administrator must provide the member with a BCE statement “at least once every year”.⁴ While it is not a requirement to include this in an ABS most providers tend to. The BCE statement is, as it stands, not included in the two-page statement. One of the overall themes of this consultation is to increase customer engagement with their pensions. Only sending one item for a customer to open instead of two appears to be a more logical way of achieving this.
45. We also note a point around keeping the statement up to date with regulatory requirements, especially when rules and regulation change. The two-page template would need to retain a level of flexibility to enable firms to keep up with regulatory change, and we encourage the DWP to consider this when determining which approach to take.

A design principles-based approach

Q11. We would welcome your views on a design principles-based approach:

- a. To what extent would such an approach deliver both simplicity and consistency?**
- b. Given what we say about the aim to drive simplicity and consistency, are the principles described above the right ones? If not, how could they be improved? Are there alternative or additional principles that would better achieve our aims?**
- c. What barriers exist to adoption of the principles, and to what extent can they be mitigated?**
- d. For example: design cost; member preferences; regulatory implications?**

For trustees and scheme providers:

- e. To what extent do your existing statements meet the principles set out above? What other principles, if any, inform your approach?**
- f. Would you adopt principles on a voluntary basis, and to what timescale? If not, what factors would preclude this?**

46. We believe that mandating a principles-based approach provides a balance between ensuring good customer outcomes, with the flexibility to provide information in a format that meets the needs of different groups of customers, without unduly burdening the industry and detracting from the wide range of communications initiatives which are ongoing.

47. In terms of the principles, it is important to be clear that although we support a principles-based approach, we do not agree with the wording in the first principle which states ‘Key information should be presented upfront in the two-page statement’ as this suggests that the statement should be limited to two pages. For the reasons already set out, we do not think this is the correct approach. We think the principles would allow providers to achieve consistency across pension schemes through an evidence-led approach to designing communications. There is an additional benefit that these principles could be rolled out to other pension types beyond those in the DC auto-enrolment space, which could further drive consistency and comparability across the market. Each of these principles has a clear purpose and we do not believe there are any obvious barriers to the implementation of these principles and think that by themselves they could help to raise the standards of ABS.

⁴ <https://www.gov.uk/hmrc-internal-manuals/pensions-tax-manual/ptm164400>

48. On length and structure, though we disagree with the notion that the benefit statement should be limited to two pages, we do think that key information could be placed upfront in the benefit statement to allow customers to easily locate, navigate, and understand critical components of their statement. This structure would allow providers to provide additional information that their customers have indicated is important, in the pages beyond the key information section.
49. With the format, we think the wording suggested is sensible and meaningful. However, brand awareness builds trust between providers and their customers and the principle should recognise this. It is important to allow providers the opportunity to design their statements using the stylistic and branding formats that appeal to their customer base, highlighting key information, and which are provided in a format which customers trust and recognise.
50. On content, as already mentioned, we think that key information could be presented upfront to help attune customers to the information which is most important to them. This allows a statement to meet the dual objective of showing how much money customers have in their pension pot, and how much they could have when they retire. We agree that the benefit statement is a useful opportunity to help an individual understand what steps they could take to give themselves more money in retirement, however this would need to be compliant with COBS 4.2 regulation, by ensuring that a 'capital at risk' warning or equivalent is presented.⁵
51. With language and numbers, there is already a lot of work that industry is doing to ensure that communications are accessible to their customers. We agree with the suggestions made, though also note that groups with certain characteristics, such as vulnerable customers, or older customers, may need additional considerations around how this information is communicated to them. On costs and charges, we agree that figures should be presented in pounds and pence format, though again highlight that signposting customers to seek this information from an outside source does not feel aligned to the intent to improve comparability and places an additional burden on customers. If signposted elsewhere, there might also need to be some guidance on how costs and charges are displayed in these places, to enable customers to understand and interpret them in a meaningful way.
52. There is clear need for statements to be customer-focused and based on evidence-led insight and consumer feedback. As already mentioned, many members have ongoing programmes of customer feedback which informs their communications in an evidence-led manner. A principles-based approach also allows members the opportunity to take advantage of the latest insights to adapt their approach accordingly and allows a robust evidence base to be built to inform any changes which are made. We would work with our members to ensure the roll out of these principles and think that mandating their implementation would be the best approach. We know that where members have undergone change programmes for their ABS, this has taken between 18 and 36 months to complete and recommend the same period for this work to ensure they complement existing communications initiatives and deliver good results for customers. We think that mandating these principles will ensure that the DWP achieves their consistency and comparability objectives for this work.

⁵ <https://www.handbook.fca.org.uk/handbook/COBS/4/2.html>

Descriptors

Q12. We would welcome your views on a descriptor-based approach:

- a. **To what extent do you think such an approach would deliver both simplicity and consistency?**
- b. **Given what we say about the aim to drive simplicity and consistency, are the descriptors described above the right ones? If not, how can they be improved? Are there alternative or additional descriptors that would better achieve our aims?**
- c. **What barriers exist to adoption of descriptors? For example: design cost; member preferences; regulatory implications?**

For scheme trustees and providers.

- a. **To what extent do your existing statements meet the descriptors set out above?**
- b. **Would you adopt descriptors on a voluntary basis, and to what timescale? If not, what factors would preclude this?**

53. We think there may be some merit to this approach, however we caution that a prescriptive section-based approach may not result in the best outcomes for customers. Many of the reasons that we do not think a template-based approach would work also apply here. On the overall statement and length, we agree that key information should be presented up front, and this could be on the first two pages, with supporting information following. The principles of language, figures, and format are broadly representative of the principles approach, which we support.

54. In the first section 'How much money do you have in your pension pot' we suggest that signposting customers to find out information on costs and charges may not be the best approach. The second section on 'how much money could you have when you retire' again suggests that customers are to be signposted to additional information on the underlying assumptions behind this figure. We do not think that customers, would follow this signposting. We agree that the third section around what savers could do to give themselves more money in retirement is important though, there needs to be clear guidance from Government and regulators on whether this would constitute marketing/financial promotion. If so, we believe a 'capital at risk' warning would be necessary (COBS 4.2), which would also increase the length of the statement.

55. There is no provision in this approach for additional information that customers have indicated they would find useful. There is also no provision for the inclusion of important information such as guarantees, or death benefits, which may be of more value to customers than the size of the pot itself.

Achieving change

Q13. We would welcome your views on:

- a. **the advantages/disadvantages of reliance on the voluntary adoption of a simpler statement template; design principles; or descriptors**
- b. **where responsibility for maintaining a template; design principles or descriptors for voluntary use should lie: with government or industry.**
- c. **The advantages/disadvantages of mandating an approach through statutory guidance.**

56. In terms of achieving change, we believe that mandating a principles-based approach would be best. This ensures that ABS deliver better outcomes for customers, and drives consistency and comparability across the industry. It also allows flexibility for providers to ensure that the needs of different groups of customers are met, does not unduly burden industry with a cost intensive initiative, and means providers can modify their ABS and overall communications approach in line with new and innovative communication channels and trends.

57. There should not be an overly complex governance structure for this work. We believe that the role for Government would be to deliver a mandatory principles-based approach through legislation or regulation. Members require clarity from disclosure requirements, and we do not think the DWP suggestion of statutory guidance provides the clarity or certainty that industry and customers need. We would suggest further discussions on this approach are had between DWP, the regulators and other interested stakeholders to ensure a consistent approach across the wider regulatory regime and to ensure that any intervention is not ambiguous or open to interpretation, which could lead to suboptimal results for consumers. We could survey our members and use our existing governance structures to review the take up of the principles at key points throughout the lifecycle of this initiative to ensure providers are making the changes necessary.

Presentation of costs and charges: helping members identify what they've paid

We propose to include individualised member pounds and pence costs and charges information on the annual benefit statement.

Q14. Do you agree with this proposal and its scope? If not, why?

Q15.

a) What preparation is necessary by schemes to display information in this way? Would a phased approach, starting with large schemes, be beneficial?

b) Do you think there are any risks to members by doing this? If so, do you have any evidence or suggestions of how these have been or could be mitigated?

Q16.

a) Do you agree with separate reporting of charges and transaction costs? Do you think other data, such as the percentage of funds under management these charges represent, should be presented alongside?

b) Do you think approximate or averaged charge and transaction cost figures should be permitted for charges as well as transaction costs. Could this impair saver confidence and decision-making, and if so, how would that risk be mitigated?

58. As an industry we are supportive of the need to disclose costs and charges to give consumers the information they need to support their retirement making decisions, and to ensure trust and transparency between customers and providers. We support the inclusion of individual member pounds and pence costs and charges on the ABS, though consider there to be a range of implementation challenges in meeting this requirement. Providers should also be able to provide a percentage cost if they choose, although we do not support making this mandatory.

59. As already set out, many providers have complex long-running books of business, which are retained on a series of legacy systems. The ability to extrapolate this information and supply it on a benefit statement is an operational challenge, which would require significant lead-in time, of at least 2 years, to deploy successfully. There would be a cost to this work, though members

understand that the disclosure of costs and charges is entirely necessary. There is a low starting point in terms of customer awareness of costs and charges, and indeed many customers are not even aware that their pensions are invested. To that end, we think it might be necessary to provide further supporting information explaining costs and charges, on the statement itself. Again, this information impacts on the length of the statement, though we believe it to be a necessary component.

60. The suggestion of a phased approach is sensible, and we are supportive of this idea. There can, however, be difficulties in obtaining the data necessary to disclose all charges and transaction costs. We are pleased that the DWP acknowledges that it is minded to permit an approximate pounds and pence value for transaction costs, due to their inherent variability, and are supportive of this approach. This easement could also be applied to the reporting of charges, though careful consideration would need to be made around ensuring this does not undermine consumer confidence in the robustness of the values given.
61. As already mentioned, some providers have schemes under administration whereby the customers have requested additional information on the types of fund they are invested in. We do not seek a prescriptive approach to what additional information could be included though note the idea around including information on the percentage of funds under management and believe this may be useful for firms. To that end we suggest it should be for firms to determine what, if any, additional information they provide, beyond the necessary costs and charges discussed already.
62. Further, the ABI urges the DWP to work with the FCA and TPR to ensure consistency in approach, consistency in methodology as well as on what value for money means for consumers, noting the joint work the regulators are doing in this area. A pure comparison of costs and charges, whether that be in pounds and pence or as a percentage, will not mean much to a consumer who may not be engaged with their pension. If the consumer has knowledge of how schemes and providers offer value for money, that may go a long way to increase trust in the sector. However, if consumers rely too heavily on the pounds and pence figure, they may start making decisions which are entirely based on that, which may not be in their long-term best interest.
63. Additionally, we suggest that charges are only one component of pensions which should be considered and the danger that consumers will make choices about their provider or product selection based on price alone, must be avoided. There are other components which have a far greater impact on the amount a customer will have in retirement, such as the level of contributions, the persistency of these contributions, the fund the customer is invested in and the duration for which the investment is held. We believe that this information would be more useful to help customers meaningfully understand the value received from their pension and enable them to engage more with their investment choices. Therefore, we think that if providers would like to include this information, which can also help to improve customer outcomes, they should be able to do so. We believe that the principles-based approach for which we are advocating supports this.

Assumptions: helping members identify if their savings are on track

Ownership and alignment

- **We propose DWP should take on ownership of the assumptions underpinning the annual benefit statement from the FRC.**
- **We propose to use a mixture of statutory guidance and regulation to set out assumptions**
- **We propose to align assumptions for the SMPI with those set by the FCA for KFI, except where we identify good reasons for taking a different approach.**

17. Do you agree with these proposals? If not, why not?

64. The ABI agrees with proposals for the DWP to take ownership of the assumptions underpinning the ABS from the FRC. We appreciate the need for consistency in the rules as far as possible. To this end, if the assumptions used in annual benefit statements are aligned with the assumptions in the FCA's rules to produce Key Features Illustrations this will lead consumers to be able to better understand how much they may have in retirement and what they could do to increase their savings, which will lead to better outcomes for consumers.

Assumptions

We've proposed the following assumptions for legislation and DWP statutory guidance on the annual benefit statement:

- **Inflation assumptions**
- **Salary growth rates**
- **Investment growth rates**
- **Annuity assumptions**
- **25% tax free lump sums**
- **Number and basis of projections**

18. Do you think these are the right assumptions for providing simple, comparable estimates? If not, why not?

65. The ABI sees the merit in aligning assumptions and agrees with the proposed assumptions. We have further expanded our thinking on assumptions below. Standardising assumptions will go a long way to helping the pensions dashboards to provide a unified projection on how much an individual will have in retirement, which will lead to better outcomes for consumers. As already noted, we believe that the focus of our providers' efforts and resources would be better directed towards the roll out of pensions dashboards.

66. On growth rates, the ABI agrees with the approach, although we would like the DWP to align their approach with the FCA so as not to lead to inconsistencies in projections. ABI members have suggested that there may need to be further guidance or rules written on how growth rates for a particular investment are calculated to ensure consistency across companies. There are currently discrepancies in how growth rates are calculated, for example determining how a fund fits into risk and investment categories and the growth rates associated with those categories. Differences in assumed growth rates for different investment categories include companies either using maximum growth rates or calculating growth based on their own set of assumptions per asset class, based on their own asset return investigation. Further guidance will deliver better and more consistent outcomes for consumers across the board.

67. Regarding the 25% tax free lump sum, ABI members have told us that almost all customers purchasing an annuity will take the full amount of the lump sum, ahead of purchasing an annuity, as it is the most tax-efficient to do so. Approximately 80% of the customers who go into drawdown will take the full amount they are entitled to, the other 20% of customers will take less at the initial move to drawdown. Many long-term savings providers still detail both figures (before and after withdrawal of the 25%) to give their customers a more informed choice.

68. Further, we would like the DWP to note that some customers of older pension schemes are entitled to protected tax free cash of more than 25%. The assumptions proposed would be incorrect for them.

**Costs of transition
Simpler annual statements**

19. We would welcome your views on:

- a. The possible initial costs of moving to each of the three options in terms of redesign and delivery of existing statements. Do you have plans to update your statement, and if so, when do you currently plan to do that? To what extent, could these changes be incorporated into existing or planned work?**
- b. For each of the options, is the ongoing cost of providing the information required anticipated to be lower, or greater, than with existing statements?**
- c. What do you anticipate will be the one-off and ongoing impact of redesigning your statements (and associated materials)? Where costs are incurred, would you expect them to be absorbed, passed on to employers, or passed on to individual members.**
- d. What are the cost implications for established and future research and evaluation approaches?**
- e. Where you have developed simpler statements on the basis of feedback from recipients, do you have any cost/benefits analysis or research which shows: - the impact on individuals in terms of the time spent/saved on reading the statement or through increased understanding of the content and/or of increased saving in response to any call for action to save more?**
- f. If you have adopted the simpler statements at Annex A do you have any cost/benefits analysis or research which shows the impact on individuals in terms of the time spent/saved on reading the statement, understanding of the content, and/or of increased saving in response to any call for action to save more?**

69. As already mentioned, the cost of making changes to a providers ABS are significant and making changes to an ABS is frequently part of an ongoing series of improvements to overall communications between a provider and their customers. The ABI surveyed our members on transition costs on this type of ABS transformation work. Larger providers stated that a template change would cost as much as £6 million in supplier and internal resource costs. Smaller providers estimated that costs would be between £1-2 million.

70. We therefore estimate that the cost for ABI members would be up towards £50 million if they had to adopt the two-page template. Inevitably some of these costs would be passed directly on to consumers.

71. The bulk of costs incurred would be related to making systems and communications changes, this includes internal changes as well as costs charged to outsourcers having to change their procedures. The costs incurred depend on the providers current processes and procedures as well as the number of legacy systems they operate and the number of closed books a provider has.

72. ABI membership is made up of insurance companies which includes mutual societies. A mutual society exists to provide common services to all members of the organisation. It is owned and run for the benefit of its members, there are no external shareholders. The substantial costs of moving to a two-page statement would therefore impact these customers directly as resources could have been either paid out as dividends or re-invested in the mutual for the benefit of the members.

73. Moving to a two-page template would negate the research long-term savings providers have already undertaken to understand how their customers want and like to be communicated to. In our survey of members, the ABI found that smaller long-term savings providers have already spent between £500,000 - £1 million in developing their current ABS. Many of the larger providers who are members of the ABI have spent over £5 million each in years of rigorous research to understand customer preferences. These research programmes are often active programmes with research

constantly ongoing to understand changing customer needs. This means that providers will continue to spend to innovate and produce ABS which meet their customer needs. A legislated approach would not be able to adapt as quickly to the latest research as long-term savings providers currently do. Further, providers would be less inclined to spend on communications innovation if they were restricted to a two-page template, which again is a poor result for customers. As already noted, we believe that the focus of our providers efforts and resources would be better directed towards the roll out of pensions dashboards.

Presentation of costs and charges

20. We would welcome your views on the initial and ongoing costs of incorporating information on costs and charges into annual statements.

74. We refer to the earlier response on costs and charges which also applies here. As an industry we are supportive of including costs and charges in ABS as we believe that this is important information that customers should know. We also know, however, that some ABI members do not include transaction costs on their current ABS. In a survey to our members they stated that changing internal processes and procedures to add functionality to calculate and disclose transaction costs on the individual pounds and pence level would cost providers up towards £1.5 million. We consider that further work needs to be undertaken to ensure that if transaction costs are included these are done so in a way that is meaningful, with a consistent methodology to allow customers to interpret and understand what they mean.

Assumptions

21. We would welcome your views on the initial and ongoing costs of adopting the standardised approach to assumptions set out in paragraphs 64-65 above.

75. Our members are supportive of a standardised approach to assumptions. We do not have any reliable data on how much this would cost to implement and would suggest further work needs to be undertaken with interested stakeholders to ensure this is carried out in a cost-efficient manner which ensures good results for customers. We further think that assumptions are a critical component of pensions dashboards and urge the DWP to work closely with relevant stakeholders to ensure a joined-up approach is taken.

Impact on innovation and Pension Dashboards

22. We would welcome your views on:

- a. **the relationship between each of the options presented in this document, and the flexibility to respond to or harness future innovations in the way that people receive and access information, whether in hard copy or in digital form.**
- b. **the relationship between each of the options presented in this document and the future development of Pension dashboards, including data standards. The implications for schemes on a need to amend/update their data for Pension dashboards alongside any future requirement to simplify their pension statements.**

76. We believe that pensions dashboards are a critical policy objective for industry and HMG to jointly roll out which will transform how consumers access their savings information. To that end we think that the resources which would be necessary for a two-page template would be far better directed towards the implementation of pensions dashboards. The trend is for consumers to access their financial information in a digital format and they increasingly view it as the norm. Pensions dashboards aim to bring savers closer to their savings with information that is updated in real time. It is anticipated that dashboards will contain projections of pension income.

77. As mentioned, the ABI believes the long-term savings industry needs to focus its energy and resources on the development and implementation of pensions dashboards. Dashboards will deliver all of the benefits of ABS in a more convenient and efficient way for consumers. An additional benefit of dashboards is the ability to reunite people with pension pots they have lost.
78. The proposal regarding standardising assumptions will enable pensions dashboards to provide a unified projection on how much an individual will have in retirement. We think it is crucial that any changes to methodology or the data that would need to be held is common across both statements and dashboards to avoid providers and schemes having to hold two different sets of data.

How can we encourage people to open statements?

23. We would welcome your views on:

- a. **what are the potential benefits or downsides of using a single, standardised, colour of envelope when sending statements to members in terms of driving engagement?**
- b. **what the benefits of a 'statement season' would be in terms of raising awareness of the importance of statements and pension saving for individuals, and as part of normalising pension saving?**
- b. **how a 'statement season' might operate, including in terms of length and scope?**
- c. **what might the opportunity and/or downsides, be for example, in terms of delivery and management of a 'statement season' for providers, the advisory community and others?**
- d. **how a seasonal approach to statements sit with communications that are personalised to the needs and preferences of individuals?**
- e. **other approaches that could be effective, based on user research and/or international experience related to pensions or other sectors?**

79. On the proposal for a statement season and coloured envelopes we think there is a broader point to make on low consumer engagement. There is low engagement by consumers with their pension savings, however, ABI members have observed that customers will spend considerably longer engaging with their finances online, through a portal or on a dashboard. We strongly question whether the proposal around a 'statement season' and coloured envelopes would go any way to encouraging people to engage with their pensions. We don't consider either suggestion to be cost efficient or a practical solution to low consumer engagement. Further we are not clear on the evidence-base for either proposal and suggest there is a wider consideration to be made around how to improve engagement more widely. To that end we believe that pensions dashboards will go a long way to transforming interaction between consumers and their savings and efforts and resources should be focused on dashboards accordingly.

80. There are a range of reasons for why the ABI does not agree with the proposals of a statement season nor distributing ABS in coloured envelope which are as follows:

- a. Changing customer service operations: The current system requires a large volume of information to be sent to customers of providers. Currently, providers tend to send customers their annual statements on the anniversary of their plan, which spreads workload across the year. If providers would be required to process and print annual statements in a 'statement season' this would change operational structure of their customer service centres. ABI members have told us that their call centres would not be able to respond to the increased number of queries during a statement seasons which would lead to frustration on behalf of the customer. To manage a spike in calls and process requests providers would need to hire seasonal/temporary staff. This would inevitably see customers interacting with the most inexperienced staff at the very time the DWP would like them to engage with their pension, presenting a genuine risk to customer outcomes. Further, we urge the DWP to consider if the

Money and Pensions Service also has the necessary capacity to support the public if a statement season was implemented.

- b. Possibility of fraud: Using an envelope in a specific colour could lead to increased pensions scams and identity theft. The envelopes, which would be easy to identify, could easily be stolen and opened by fraudsters to use for targeting consumers for scams or steal their identity. By contrast, the pensions dashboards, once developed will rely on technical and legal standards set determined by Government. Dashboards data will only be able to be accessed by consumers who are to a “Level of Assurance 2” standard providing long-term savings providers with assurance that the data does not fall into wrong hands. An easily identifiable envelope that falls into the wrong hands could lead to significant financial detriment to the consumer who the letter was meant for.

81. Some ABI members have started issuing ABS on the customer’s birthday rather than the policy anniversary. Testing carried out by these providers showed that while in the accumulation phase customers tended to engage with their pensions more around their birthdays. As customers approach retirement they tend to apply to take their benefits around their birthdays. If the DWP are minded to require all providers to issue annual statements with a standard period, which we do not support, then aligning it with the customer’s birthday provides a much stronger basis for informed and timely decision-making on the part of the customer.

82. If the DWP were to encourage or mandate a move to ABS being sent on a customer’s birthday they would have to take into account, the operational impact on long-term savings providers. Providers detail when the ABS is sent in the policy’s Terms & Conditions and they would need to change these for all customers in order to implement any move. Providers also maintain a strict annual mailing schedule which is supported by back office servicing functions. Changing the date when an ABS is produced and sent would require operational changes and should have a lead in time of 18 to 36 months.

83. We further note that implementing proposals on a statement seasons and an envelope in a specified colour would lead to increased costs for providers. Resources that could be used to improve services for customers elsewhere, will need to be redirected if these proposals become a requirement.

Further evidence, analysis and research

24. We would welcome any further evidence or analysis which you would like to share about the issues under discussion in this consultation and which can inform the development of simpler annual benefit statements.

Vulnerable Customers

84. We note the FCA’s consultation on proposed guidance for the treatment of vulnerable customers. This highlights that “firms must pay due regard to the information needs of its clients, including those who are vulnerable, and communicate to them in a way which is clear, fair and not misleading.” This may require firms to depart from their standard communications to meet the needs of vulnerable consumers. Therefore, any future legislation or regulation on annual statements must take this into account.⁶

85. Further, the FCA highlights that:⁷

- *“Firms should take into account vulnerable customers’ information needs:
e. Communications should be tailored where proportionate to do so, to meet the specific needs of vulnerable customers.*

⁶ Guidance for firms on the fair treatment of vulnerable customers, Financial Conduct Authority, July 2019 page 33

⁷ Guidance for firms on the fair treatment of vulnerable customers, Financial Conduct Authority, July 2019 page 51

f. Firms should use multiple channels to ensure, where appropriate, vulnerable customers have a choice.

g. Customers should be made aware what different communication channels are available.

- *Firms should ensure communications are clear and easy to understand throughout the life-cycle of a product or service, including marketing, point of sale, and post-contract. Where changes to the product occur, firms should ensure that vulnerable customers are clear what the changes are and how they affect them. This does not necessarily mean that firms need separate communications for vulnerable customers, but that they should consider how their communications work for vulnerable customers and adapt appropriately where necessary.”*

86. The ABI recommends a joined-up approach between the DWP, FCA and other interested stakeholders to ensure rules work together for the benefit of vulnerable customers.

Equality Act

25. As part of this consultation we would therefore welcome views on the impact of each of the options for simplified annual pension statements on protected groups, and how any negative effects may be mitigated, including the impact on disabled people and the provision of information in alternative formats.

87. We do not have any comment.