



MAKING RETIREMENT CHOICES CLEAR – A CONSULTATION ON SIMPLIFYING LANGUAGE ON RETIREMENT OPTIONS: ABI RESPONSE TO THE CALL FOR EVIDENCE

1. BACKGROUND

On 19 April, the ABI published a consultation document seeking stakeholders' views on a draft Guide to simplifying language on retirement choices – *Making Retirement Choices Clear* ("the Guide"). The Guide is designed to ensure that the retirement choices introduced on 6 April 2015 are explained and communicated to customers across the whole long-term savings sector in clear, consistent language, avoiding technical terms where possible. The consultation closed on 19 June 2016.

The ABI invited views on five questions and we received over 25 responses from a range of stakeholders within the financial services industry, consumer groups and language experts – in addition to the feedback already provided by the Pension Language Steering Group and our members. A list of respondents can be found in Annex 1. This document summarises the responses to the call for evidence and sets out the agreed implementation timeline.

2. SUMMARY OF RESPONSES

2.1 Do you agree with the supporting principles of the Guide?

All respondents were very supportive of both the principles of the Guide and the aims of the initiative in general. Low consumer engagement – caused in part by technical language and jargon – was acknowledged as one of the industry's real challenges. Whilst pension language is only one strand, the Guide should provide a first step to improving customer engagement levels and customer understanding of both the retirement choices and the associated features/risks of each option.

Encouragingly, many of the organisations who responded have already put into motion processes and actions to update their customer communications to tackle complexity in language. In addition, many of the organisations who responded already comply with the principles of the Guide and would see no issue in complying with them.

2.2 Does the Guide provide an appropriate explanation of the retirement options introduced on 6 April 2015?

Respondents agreed that the Guide provides an appropriate level of explanation of the retirement options. There were some minor technical amendments which we have implemented into the final version of the Guide. There was also a general consensus that the Guide should be reviewed on a regular basis to ensure that any significant developments or changes in the market are reflected in the Guide. We intend to do this on an annual basis, through consultation with supporters and the Pension Language Steering Group.

There were some concerns that in trying to reduce complexity and remove jargon, there could be a danger of 'oversimplifying' what is in essence a challenging topic for many. We have noted these concerns and hope that the intended use of the Guide, i.e. to provide a framework for the best language to use, based on the results of the consumer testing, should help to mitigate this risk – as well as the suggestions of how to explain the wider consumer risks set out in Appendix 2 of the Guide. In addition, as stated the Guide is not intended to address any legal, regulatory or other responsibilities and therefore firms should continue to explain the retirement risk warnings to their customers.

2.3 Are there any other essential terms or phrases not already included in the Guide that should be?

Some responses suggested that further information could be included to demonstrate and highlight the benefits of shopping around, as well as further information or guidance on scams. Respondents also suggested that it should be made clearer that customers may have to switch to another pension provider in order to achieve their desired retirement outcome. We have added further information on these issues in the final Guide.

In terms of specific phrases that could be also included in the guide, respondents suggested the following:

- Guaranteed minimum pension (GMP)
- Pension pot/Pension savings/Retirement savings (although others called for the Guide to settle on one of the three to ensure consistency)
- Uncrystallised fund pension lump sum (UFPLS)
- Transfer at retirement
- Trivial commutation
- With-profits
- Workplace pension
- DB/DC Transfer
- Longevity risk
- Crystallisation, crystallised, uncrystallised and benefit crystallisation event
- Explanation of the Small Pots Rule

We consulted the Pension Language Steering Group and agreed that some of these terms would be included in the glossary section of the Guide (Appendix 2).

2.4 Should this Guide set out words or phrases that should not be used when communicating with customers?

Responses to this question were split roughly 50/50. On the one hand, respondents argued that the Guide should not be prescriptive as that would deter from the flexibility of the Guide's principles. On the other hand, some argued that the only way to fully eliminate jargon would be to 'blacklist' terms that we know, from testing, customers do not understand.

Alternatively, some responses suggested setting out good and bad examples of language to use, rather than simply 'blacklisting' terms to be avoided.

Given the intended spirit of the Guide is to encourage flexibility in its use – i.e. to allow organisations to add their own tone of voice to their communications – we are keen to avoid a ‘blacklist’. Compliance with the Guide and use of the terms set out in the Guide alone should ensure that jargon is slowly removed from customer communications.

2.5 Do you envisage any challenges with the adoption and implementation of the Guide? If so, how could these be overcome?

Respondents raised two key concerns relating to the adoption and implementation of the Guide – both of which are key to the success of the initiative.

On adoption, the key concern centred on how to ensure the final guide is used by the entire sector. Whilst most indicated that the guide is a positive initiative and one that is central to improving consumer engagement, it is voluntary and there is no way to police both implementation and use.

It will therefore be important for the steering group and the organisations they represent to encourage sign-up and demonstrate compliance with the Guide.

The second issue focused on implementation challenges. Compliance with the Guide will require a significant override in order to update communications across all channels, which will impact supporting organisations on a resource, time and cost basis. The ABI is keen to mitigate this impact on organisations who may have already undertaken similar exercises recently. These concerns have been considered and we have clarified our timeline for implementation – details of which are below.

3. IMPLEMENTATION TIMELINE

The final Guide is now published on our website and the following timeline for implementation has been agreed by the ABI’s Long Term Savings Committee and the Pension Language Steering Group:

- **By 6 April 2017:** Willing supporters agree to sign up to the seven principles of the Guide. This should trigger internal reviews within supporting organisations to ensure compliance with the principles and that organisations are in a position to prepare for full implementation as below.
- **6 April 2017 onwards:** Organisations begin to review and amend customer communications across all channels in line with the wording of the Guide. If supporters are willing and able to do this before April 2017, they are encouraged to do so. To minimise the cost and impact on organisations, supporters are encouraged to synchronise amendments with any necessary regulatory changes as and when they occur.
- **4 September 2017:** Six month review of implementation progress. Supporters demonstrate to the ABI that they have either started or have fully enacted implementation of the Guide into their customer communications.
- **6 April 2018:** Full implementation deadline.

ANNEX 1 – LIST OF RESPONDENTS

Age UK

Aviva

Association of Member-Directed Pension Schemes (AMPS)

AXA Wealth

B&CE

Chesnara

Equitable Life

Fidelity

Financial Ombudsman Service (FOS)

Financial Services Consumer Panel (FSCP)

HSBC

Hargreaves Lansdown

Institute and Faculty of Actuaries (IFoA)

James Hay Partnership

JRP Group

Low Incomes Tax Reform Group (LITRG)

Old Mutual Wealth

MetLife

The Phoenix Group

Pinsent Masons LLP

Prudential

The Open University Business School's True Potential Centre for the Public Understanding of Finance (PUFin)

Quietroom

Reliance Mutual

Rothesay Life

Royal London

Society of Pension Professionals (SPP)

Standard Life

Superannuation Arrangements of the University of London (SAUL)

Sun Life Financial of Canada

The Wisdom Council

Zurich