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PASA Benefit Statement Working Group

Statement Season considerations – supplementary paper

December 2021

Statement Season

Supplementary paper

Acknowledgements

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1. Introduction

PASA issued a paper in September 2021 detailing the initial administration considerations on the introduction of a ‘statement season’. Following the release of this paper, the PASA Benefit Statement Working Group has engaged in discussions with various industry bodies such as the SPP, PLSA and ABI, and considered recent comments made at the DWP’s Working Group meetings about the detail underpinning the introduction of a statement season. PASA is aware the statement season introduction is a high priority for the pensions minister.

This supplementary paper highlights the common themes from those discussions, identifies key issues which will be crucial to the success of the statement season project, and makes positive suggestions intended to help address those issues.

2. Key areas

There are five key areas requiring careful consideration.

1. Statement season duration

Recommendation: 3 month period

Comments and considerations of saver impact:
A statement season spanning a 3-month period would be more effective than a shorter period. This would provide a reasonable window to issue statements and respond to the resulting saver queries. It would also allow for time to be dedicated to saver engagement, reflecting the importance of this issue.

A wider window would ensure a better experience and allow the industry to provide savers with the support they need. This would ease the concentrated period of overload which would otherwise fall upon MaPS, trustees and administrators and impact their ability to provide support to all savers. Staggering the work involved in setting up, administering and responding to saver queries resulting from the statement season would enable this.

The introduction of any statement season is likely to require a shift of existing administrator resourcing and the re-prioritising of annual events across a scheme year. This will impact each pension scheme and its administrator differently, depending on their existing timetable.

The date of publication for benefit statements currently tends to be determined by:

- the date investment return data is obtained from service providers
- the date actuarial SMPI information is obtained from actuarial advisers
- the scale of the task of testing, assembling and issuing large numbers of saver communications

The larger the scheme, the greater the challenge can be. This will generally be easier if there's a longer window for the statement season as there'll be more opportunity for individual schemes to juggle their other deadlines to satisfy the new requirements and therefore better support savers.

2. Statement season window

Recommendation: September, October and November

Comments and considerations of saver impact:
There's no perfect time which would balance the importance of supporting the statement season against the ability of schemes to comply, but a window running from September to November is likely to be the most workable for the majority of schemes. This avoids:

- the start of the calendar year (covering the busy period leading up to the end of the tax year)
- the summer holiday period (July to September when savers aren't receptive to messaging about pensions)
- the end of the calendar year (which can be very busy in the lead up to Christmas)

September to November should suit most savers, between their summer and Christmas breaks. Additionally, there's usually a sharp spike in saver enquiries in the New Year. Having benefit statements to hand over the Christmas break will mean they'll be better informed when they make their enquiries and need to make decisions.

3. Paper vs Digital Statements

Recommendation: Digital Statements should be permitted and encouraged

Comments and considerations of saver impact:
The strongest feelings about the statement season have been generated by proposals requiring the issue of paper-based statements. Objections were made on the grounds this would:

- Undo recent progress encouraging savers to use digital means of communication. Data on website usage demonstrates these facilities enhance saver engagement and support the DWP's initiative
- Counter the current policy of managing climate risks and minimising environmental costs due to the increased use of paper products and transportation for handling paper-based statements
- Increase the data protection and pensions scam risks arising from intercepted or wrongly addressed mailings being fraudulently accessed and used for other purposes
- Be incompatible with the forthcoming pensions dashboards which is expected to focus on real-time digital communication
- Slow down the timetable for issuing communications to savers (as electronic disclosure can happen much more quickly than paper-based disclosure, maintaining speed and efficiency, particularly in schemes with large numbers of savers such as master trusts)

- Add significant cost to the issue of benefit statements (likely to fall on savers). The Working Group estimates a typical master trust with around 120,000 savers and £775m of assets under management would face a cost of £120,000 to provide paper-based statements compared to digital statements cost of £12,000 (i.e. a ten-fold increase)
- Disincentivise some savers from engaging with their pension savings
- Break the connection between digital communication and self-service web

ONS research suggests 96% of households in Great Britain had access to the internet in January – February 2020[1]. Given the global transition to online services across news, shopping, takeaways, taxi hire and banking, mandating paper statements would be a regressive measure.

4. Aligning the statement season requirements with the approach to the pensions dashboard

Recommendation: The 'as at' date used as a basis for the statement season information should align with the approach being suggested for pensions dashboards. This means focusing the information delivered to savers around a sufficiently recent date, so information will be consistent with what appears on the pensions dashboard.

Comments and considerations of saver impact:

This approach would avoid saver confusion which could arise if different 'as at' dates are used for different purposes, as well as giving flexibility to schemes and administrators.

Using a common 'as at' date would enhance saver understanding and engagement, particularly if the statement issued pointed savers to the relevant web page on pensions dashboards. Savers could check their details on the statement had been matched properly ensuring the dashboard project is more meaningful and helpful to saver decision-making.

We disagree with any proposal requiring administrators and trustees to change their current valuation dates used within annual benefit statements. This would result in:

- Unnecessary changes to a scheme's internal processes and timetables which have multiple inter-dependencies and deadlines already built into them. This is important because it drives the calculation of costs charged to savers
- Potential disruption to the effectiveness of administration services more widely, in having to deal with multiple saver queries across various initiatives – using the same approach for pensions dashboards and the statement season should be more readily understandable by savers, leading to fewer queries
- Unnecessary cost and complexity, which will impact on savers' understanding and add to the charges they pay because most DC schemes have no additional funds from which to pay these costs

[1] https://www.ons.gov.uk/peoplepopulationandcommunity/householdcharacteristics/homeinternetandsocialmediausage/bulletins/internetaccesshouseholdsandindividuals/2020

- No additional benefit for savers because the information within the benefit statement is always historic at the point of delivery to them

5. Implementation date

Recommendation: Any requirement for a statement season must consider other time-critical pension projects.

Comments and considerations of saver impact:

The project would benefit if the industry and Government advertise the statement season in advance of its arrival. Advertising would generate interest and increase saver understanding, resulting in savers being more likely to engage when they receive the information.

Ideally, the first statement season would launch in Autumn 2023. This would allow administrators (some of which are based in-house and have limited resources) to test their operations before it goes live and iron out any data issues and related technical problems in advance.

An early launch of a statement season could compromise the ability of administrators to effectively manage other recent and upcoming policy changes during 2022, including new rules on transfers out, production of simpler annual benefit statements, dashboards compliance and the upcoming nudge to guidance. If these projects aren't managed well, there could be a negative impact on savers' trust and willingness to engage with pensions.

Savers have an expectation in terms of when statements usually arrive, the format and content. These expectations need to be managed carefully, to ensure the saver experience is enhanced.

3. Summary

The PASA Benefit Statements Working Group recognises the importance of the Government's wish to increase saver engagement and is supportive of the general aims of drawing saver attention to their pension savings on a regular basis.

There are some crucial decisions around the placement of the statement season within the existing calendar year and the mode of delivery (paper versus digital) which could determine the overall success of the project. There is considerable concern in the industry around these issues, which must be taken into account when the final proposals are put forward for consultation.

The constructive suggestions in this paper will help the Government meet its objectives and increase saver engagement with, and levels of confidence in, pension savings.

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