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Two-page annual benefit statements

A new [DWP consultation](#) published on 17 May proposes that an annual benefit statement for money purchase benefits must be a maximum of one double-sided sheet of A4 paper with information presented in a five-section format to ensure consistency across a member's pension schemes.

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Background

The idea of a two-page statement for all members within workplace pension schemes was first raised in 2019 when the government consulted on how benefit statements could be simpler, shorter and more consistent. A two-page template had already been developed by an industry group (as part of the [automatic enrolment review 2017](#)) and was made available in 2018.

In the October 2020 [response](#) to the 2019 consultation, the government set out its intention to mandate an approach to simpler statement templates for defined contribution (DC) schemes used for automatic enrolment. The aim is that members, many of whom will have multiple pension pots resulting from changes in employment and pension scheme, would receive a statement that would be consistent in its length, format and detail of information with any other statements they received.

New requirements

The consultation contains draft regulations and draft statutory guidance that would take effect from 6 April 2022.

The regulations would amend the existing 2013 disclosure regulations to require trustees and providers of DC schemes used for automatic enrolment to produce a statement in a format that "must not exceed a maximum of one double-sided sheet of A4-sized paper when printed". Exceptions apply where the member requests the information in an alternative format (e.g. a different language).

The statutory guidance is issued under a section in the Pension Schemes Act 1993 which requires trustees and providers to follow any guidance prepared by the government. For an occupational

pension scheme, The Pensions Regulator can take enforcement action (such as a financial penalty) where trustees fail to comply with requirements in regulations or fail to have regard to guidance.

Structure of the annual benefit statement

The proposed statutory guidance contains an illustrative template (based on the 2018 version) and divides the information into five sections (the first being member and scheme details and the last being contact details). The purpose of the three main middle sections is to enable a member to easily understand:

- how much money the member has in their pension plan and what has been saved in the statement year;
- how much money they could have when they retire; and
- what they could do to give themselves more money at retirement.

The regulations already provide for most of this information (with a statutory money purchase illustration (SMPI) being required for most members) with exemptions for those close to their anticipated or agreed retirement date.

The last new section is not contained in the regulations but has been part of the simpler template statement since 2018 and is now covered in the proposed statutory guidance. Trustees are encouraged to provide information around actions that may enable members to plan for their retirement. This would include an illustration showing how saving more may generate an increased income in retirement and how changing the age that they plan to retire could improve their retirement outcome.

What's next?

The consultation runs until 29 June 2021 with the proposed regulations and statutory guidance taking effect from 6 April 2022. As the government indicated in October 2020 that it would mandate for a two-page statement, this change will go ahead. Many providers and trustees are already using the simplified template and, therefore, the change to a two-page statement (with signposting to other information or additional information provided alongside the two-page statement) will not be too difficult or costly to introduce.

The DWP has also established a working group to look at a 'statement season' which may require schemes, in the future, to send statements during a certain time in the year.

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