Association of British Insurers

ABI Long term Savings

Interventions in the retirement market

A five point plan to engage customers with their pensions

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About the ABI

The Association of British Insurers (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.

Objective

This paper sets out a range of interventions at various stages of the customer journey which are designed to help customers navigate retirement decisions, by: improving communications to help customers to engage and understand their retirement options and their risks; encouraging more individuals to access guidance and advice; and encouraging customers to shop around.

Each intervention will require industry, regulators, policymakers and other relevant stakeholders – either individually or collectively – to take forward aspects of these proposals.

Background

The 6 April 2018 marked the three-year anniversary of the introduction of pension flexibility and the reforms have been popular. Yet with evidence so far suggesting that consumers are making measured decisions, some warning signs should not be ignored, particularly the behavioural bias to take a lump sum when it is available. Customers are accessing their pension savings at a rate much faster than the Government anticipated, demonstrated by the disparity between expected and actual exchequer revenue received.

There has naturally been ongoing regulatory and political focus on how the retirement market is working for consumers in practice. This is because of the radical changes the reforms brought about, the short timeframe in which they were planned for and implemented, and the complexity that the reforms present to customers - especially those who may be vulnerable (see Table 1). Last year's interim report of the Financial Conduct Authority's (FCA) Retirement Outcomes Review identified a number of emerging issues, including:

- Over half (52%) of fully withdrawn pots were not spent but were moved into other savings or investments, leading to concerns that consumers could be paying too much tax, missing out on investment growth or losing out on other benefits.
- Consumers who access their pots early without taking advice are typically following the 'path of least resistance', accepting drawdown from their current pension provider without shopping around.
- Consumers are increasingly accessing drawdown without taking advice. Before the freedoms, 5% of drawdown was bought without advice compared to 30% now.

With this in mind, and with the availability of almost three years' worth of data and insight into customer behaviour, now is the time to consider how best to address these challenges and improve the retirement landscape more widely. We believe that the five interventions we propose in this paper offer a balanced strategy, which promotes active consumer engagement to help customers understand and compare their retirement options, and to make investment and withdrawal decisions – whilst promoting the use of guidance and advice so that customers are not expected to reach a decision on their own.

As we highlighted in our *New Retirement Market: Challenges and Opportunities* report, any interventions in the retirement market need to be grounded in a long-term, stable and joined-up strategy for UK pensions policy – based on a consensus across Government and industry, and a common view of what a good retirement should be. The joint pensions strategy, to be produced by the FCA and the Pensions Regulator, provides an opportunity to develop the starting point for a broader consensus.

We look forward to working with policymakers, regulators, guidance providers, the advice community and consumer bodies to make these interventions a reality.

Table 1: Analysis of types of risk factors facing customers in the retirement market post April 2015.

Engagement Area	Decisions and understanding required	Potential negative outcomes
Choosing investments	• Types of investments • Interaction of investments and withdrawals • Attitude to market volatility • Risk appetite and overall goals	• High risk investments • Cautious investments • Fraud/abuse
Choosing withdrawals	• What are sustainable levels of withdrawals • Interaction with investments • Impact on means-tested benefits	• Short term drivers for cash • Fraud/abuse
Choosing products and providers	• Weigh pros and cons • Whether guarantees are required • Assess value of product and provider features	• Not getting the right product
Retirement communications	• Options available • What's right for personal circumstances • Knowing next steps and where to go for advice and guidance	• Doing nothing • Taking action unnecessarily

Summary of recommendations

Several interventions for the retirement market currently being debated – pension passport, Mid-life MOT, Mid-retirement MOT, pension dashboard, default guidance, simplified annual statements – all have a common aim: to provide customers with short, simple information about their pension, relevant to their age and circumstances, to encourage them to use guidance and help them make decisions.

Many of the steps needed to deliver them, and to make existing interventions like the Retirement Risk Warnings work better, are also common.

- The Government and regulators need make it easier for firms to communicate with customers, by simplifying rules on annual statements, and aligning the data that providers need to give their customers in all types of regulated communications.
- The industry needs to develop simpler communications that prompt people to use guidance, based on new principles for targeted, phased customer communications and for prompting more people to use guidance, including through participation in pilots.
- The Government, industry and guidance bodies need to work together to implement these steps, including by developing rules of thumb that are not personal recommendations.

	Recommendation	Owner
	Intervention 1: Tailored and phased customer communications throughout the lifecycle	
1.1	The rules around annual statements should be simplified	DWP, FCA & FRC
1.2	Data requirements should be aligned between the pensions dashboard and annual statements/revised communications	DWP, FCA & FRC
1.3	ABI, its members and wider industry to develop principles for targeted, tailored and phased customer communications	ABI & wider industry
1.4	ABI and its members to engage with wider industry work on simplified annual benefits statements and the PLSA's work on retirement targets	ABI & wider industry
1.5	ABI to consider how existing tools, policy proposals and research could be integrated into the development of the revised communications	ABI & wider industry
1.6	As the bodies responsible for setting the relevant rules and legislation on communications, FCA and DWP to provide oversight and input on revised communications	DWP, FCA & FRC
1.7	Develop rules of thumb that are not personal recommendations	ABI, FCA & SFGB
1.8	Review and potentially remove the term "wake up pack" from regulatory and industry use	DWP & FCA
1.9	FCA and new guidance body to review name of MAS guide: *Your pension: it's time to choose*	FCA & SFGB
	Intervention 2: Creating the mid-life MOT	
2.1	The DWP should involve the industry in design of the Mid-life MOT	DWP

Intervention 3: Prompting more people to use guidance		
3.1	Providers will participate in pilots to explore how to increase use of guidance in practice and its impact on customer outcomes	ABI
3.2	ABI and wider industry to develop principles for prompting more people to use guidance in conjunction with Government and regulators, to inform work on exploring what works in practice	ABI, FCA, HMG & SFGB
Intervention 4: Making the retirement risk warnings fit for purpose		
4.1	Explore alternatives to the risk warnings, including identifying where there could be carve-outs or where the warnings could be made more robust, depending on the issue or amount of money involved	ABI & FCA
4.2	Industry to share examples of scenarios of customer case studies where the risk warnings are not having the desired effect	ABI
4.3	Government and FCA to keep the advice boundary under review and to make it easier for providers to help customers make decisions	FCA, HMG & ABI
Intervention 5: Improvements to in-retirement communications		
5.1	ABI and members to develop principles for tailored, targeted and phased in-retirement communications based on the above suggestions	ABI & wider industry
5.2	ABI to consider how existing tools, policy proposals and research could be integrated into the development of the revised communications	ABI & wider industry
5.3	FCA and DWP should clarify the rules that apply to in-retirement communications	FCA & DWP
5.4	As part of the establishment of Mid-life MOTs, the Government should consider the value of introducing mid-retirement reviews	HMG
5.5	As the bodies responsible for setting the relevant rules and legislation on communications, FCA and DWP to provide oversight and input on revised communications	DWP, FCA & FRC

Policymaking principles

The interventions outlined in this paper aim to meet the criteria laid out in the policymaking principles of the ABI's *New Retirement Market: Challenges and Opportunities* report.

1. Pensions policy needs to have a joined-up strategy across Government, have a period of stability, and have clearly articulated goals.
    a. There should be a clear, long-term, sustainable and joined-up strategy articulated for UK pensions policy – based on a consensus driven approach across Government – which should be in collaboration with welfare, savings, housing and health policy.
    b. There should be a period of stability during which there are no fundamental changes to pensions policy. Any changes must be within the context of the overall long-term strategy and must be in the best interests of the consumer.
    c. There should be an articulation of what a good outcome looks like, based on both (a) consensus of what a pension is for and (b) a definition of what minimum standard of living is acceptable for the UK.
2. Pensions policy and regulation need to promote an effective market that is focused on engaging customers to deliver good outcomes.
    a. Policy interventions should focus on customer behaviour and promote engagement where it is needed – such as in making investment and withdrawal choices.
    b. Industry, regulators and consumer representatives should work together to promote engagement, including the development of a framework to compare flexible income products.
    c. Trust and contract-based schemes should be regulated consistently, including where they put in place solutions for those that do not engage with pensions.

Several other pieces of work have already been completed or are in train, which will complement these interventions – all of which are designed to improve the effectiveness of the retirement market. These include: improvements to annual statements; the creation and establishment of pensions dashboards; the ABI's flexible income comparison tool proposal; the ABI's *Addressing Customer Vulnerability* guide; and the ABI's *Making Retirement Choices Clear* guide.

Intervention 1: Tailored and phased customer communications throughout the lifecycle

The industry would like to work with Government and regulators to make improvements to retirement communications, so that they are tailored and targeted, depending on a customer's age and financial circumstance.

At present, providers have a statutory duty to issue communications at certain points in the customer lifecycle. For example, customers approaching retirement will receive a "wake-up" pack six months and six weeks in advance of their nominated retirement date. The "wake-up" pack will include information about the customer's pension amount, their options at retirement, relevant policy information and a copy of the Money Advice Service (MAS) Your Pension: It's Time to Choose guide. All customers will receive an annual statement which will outline how much that individual has saved and information on charges.

However, there is growing industry consensus that the approach to how providers communicate with customers needs to be fundamentally changed. Communications are too long and too complex. For those customers approaching their nominated retirement age, communications arrive at a point in the customer decision-making process which is too late to have any material effect on customer engagement or behaviour. Existing communications ahead of retirement (i.e. from age 55) often do not include a call to action, nor are they targeted depending on a customer's age or savings level.

Research by the Pensions Policy Institute (PPI) has shown that the deluge of information and the 'faux' call to action at age 55 can lead to customers making decisions that may not be in their best interests[1]. For example, while customers are perfectly within their own right to withdraw a cash lump sum from their pension, the research shows that a growing number are doing so simply because it is on offer, when they may have benefitted from pursuing a different option or doing nothing at all.

The same research from the PPI also illustrates the existence of "teachable moments" throughout the customer journey, where it may be possible to more effectively engage with an individual because of their age, needs, family or financial circumstances.

With customers' retirement choices being taken earlier and at different stages, the term "wake-up pack" works against our collective interest in engaging customers much earlier in preparation for retirement. We would therefore urge the review and potential removal of the term "wake-up pack" from regulatory and industry use. Similarly, whilst the industry supports the use of the MAS guide in pre-retirement communications, many feel that the name of the guide is misleading to customers, suggesting that they must act upon receiving it. We urge the new guidance body to work with the FCA to develop a new name for the guide.

Given our understanding of how consumers are behaving post-freedoms, we would like to explore the use of targeted, more personalised communications that are designed according to a customer's age or savings record, that include a specific call to action. For example:

- A customer in their twenties may receive regular communication that commends them for joining their pension scheme and explains the benefits of tax relief or the importance of employer contributions in growing their overall pension pot. It may also encourage them to increase their pension contributions when they receive a pay-rise or change job.
- A customer in their thirties or forties may receive regular communication that encourages them to maintain their contributions (and the benefits of doing so) in spite of competing financial pressures, such as starting a family or buying/moving to a new house etc.
- A customer aged between 45 - 54 may be signposted to the availability of guidance or a Mid-life MOT/review (see Intervention 2). It might encourage them to begin to consider their finances in later life.
- A customer aged 50 may receive a communication that highlights the availability of guidance but acts as a reminder that this is a good chance to take stock of their overall retirement savings and consider retirement options. It could also encourage them to take action (i.e. remain in work/increase contribution levels).
- A customer aged 55 or over may receive regular communication that urges them to take guidance and consider their retirement options and make explicit that the individual does not have to access their pension simply because the legislation allows it.

1 *http://www.pensionspolicyinstitute.org.uk/publications/reports/consumer-engagement-the-role-of-policy-through-the-lifecourse*

- A customer who reaches their selected retirement date or requests a quotation may receive communications, as now, that describe the retirement options in an easy-to-understand format and signposts to guidance.

Generally, the most appropriate communications will vary throughout the life course. Younger consumers will benefit more from digitally delivered communications that aim to educate and increase capability, while older cohorts might need more detailed information and interventions that accommodate declining financial capability and are likely to prefer face-to-face or telephone communications. The channel through which these communications are delivered is therefore important and should be utilised flexibly.

Ongoing industry work may help with the desire to create improved communications. Led by Ruston Smith, who chaired the engagement strand of the Automatic Enrolment Review, the industry is currently considering the development of simplified annual benefits statements; and the Pension and Lifetime Savings Association's work on retirement targets could offer a useful tool for customers to benchmark themselves against a norm. We will therefore continue to engage with both of these workstreams in the development of any revised communications. We would also welcome the input of the FCA and guidance bodies throughout the development process, particularly regarding any further work that is due on the FAMR workstream on the rules of thumb.

Recommendation		Owner
1.1	The rules around annual statements should be simplified	DWP, FCA & FRC
1.2	Data requirements should be aligned between the pensions dashboard and annual statements/revised communications	DWP, FCA & FRC
1.3	ABI, its members and wider industry to develop principles for targeted, tailored and phased customer communications	ABI & wider industry
1.4	ABI and its members to engage with wider industry work on simplified annual benefits statements and the PLSA's work on retirement targets	ABI & wider industry
1.5	ABI to consider how existing tools, policy proposals and research could be integrated into the development of the revised communications	ABI & wider industry
1.6	As the bodies responsible for setting the relevant rules and legislation on communications, FCA and DWP to provide oversight and input on revised communications	DWP, FCA & FRC
1.7	Develop rules of thumb that are not personal recommendations	ABI, FCA & SFGB
1.8	Review and potentially remove the term “wake up pack” from regulatory and industry use	DWP & FCA
1.9	FCA and new guidance body to review name of MAS guide: *Your pension: it's time to choose*	FCA & SFGB

Intervention 2: Creating the Mid-life MOT

In his Independent Review of the State Pension, John Cridland recommended the establishment of 'Mid-life MOTs', which could act as 'a useful trigger point to encourage people to take stock, and make realistic choices about work, health and retirement'[2]. The report rightly identifies that the notion of retirement is changing, with fewer people ceasing their working lives altogether and instead choosing to transition into their non-working lives more slowly, possibly through part-time work. This is partly due to increasing life expectancy and the subsequent need to finance longer lives.

Yet despite this, there is minimal support available to help people consider a whole host of lifestyle issues, particularly those that concern an individual's later life. Financial advice is available to those for whom it is appropriate and who can afford it, whilst guidance is available to all, but take-up is low despite high satisfaction and awareness. Therefore, the successful creation of an MOT could help to bridge the gap between the two and act as a staging post in getting more individuals to guidance.

The industry is supportive of the concept of a Mid-life review and welcomes John Cridland's consideration of the pensions dashboard project as a tool which could aid the provision of MOTs. However, there are a number of outstanding questions that will need consideration and further exploration. We are aware that there are already trials in train being led by guidance bodies, providers and voluntary organisations.

As the development and testing of Mid-life MOTs/reviews continues, we would suggest that policymakers take into account the following principles, which are relevant to both the content and delivery of the financial/retirement income aspect of a potential session:

- The MOT should be viewed as age-relevant guidance, rather than a one-off event.
- The MOT should encourage customers to consider whether they need to save more for the future, and to start thinking about their goals for retirement.
- The MOT should be provided by an impartial organisation but may be facilitated by providers or employers.
- The MOT should be integrated into the retirement customer journey so that customers can be seamlessly signposted or transferred to organisations or individuals who can provide additional support and expertise that cannot be provided as part of the MOT/review.
- The MOT should be available across all possible channels to suit the diverse needs and capabilities of individuals.
- Depending on who the MOT is delivered by, consideration should be given to how self-employed individuals and those employed by SMEs could be offered an appointment, and the trigger for this cohort in finding out about its availability.
- The scope of the guidance or information that is provided during the MOT on pension issues should depend on the individual's needs but should potentially be as broad as that which is currently offered by the Pensions Advisory Service (and later the new single financial guidance body (SFGB)) – or people should be simply signposted immediately to the new SFGB.
- Any guidance or information that is given during the MOT on pension issues should be integrated with pensions dashboards once they are operational, so that an individual can have an informed discussion about their options.
- Once operational, retirement communications should inform qualifying customers that they are now or soon to be eligible for a Mid-life MOT and should provide information on how they might access a session.
- The MOT should be used as a mechanism to signpost customers to and promote the availability and benefits of Pension Wise/the new SFGB.
- When considering the marketing of the proposal ahead of its launch, thought should be given to the appropriateness of the phrase "MOT" and negative connotations it could portray around passing or failing.

Recommendation		Owner
2.1	The DWP should involve the industry in design of the Mid-life MOT	DWP

2 *https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/611460/independent-review-of-the-state-pension-age-smoothing-the-transition.pdf*

Intervention 3: Prompting more people to use guidance

One of the many successes of the pension freedoms was the creation of Pension Wise and the subsequent availability of free, impartial guidance to all defined contribution (DC) savers age 55 and over. The service offered by Pension Wise and its delivery partners, Citizens Advice and the Pensions Advisory Service (TPAS) is rated very highly by those who have had guidance sessions, either face-to-face, on the telephone or online: 94% of customers who completed appointments were satisfied with Pension Wise and eight in ten (79%) were very satisfied. 94% were also satisfied that their options were clearly set out to them, but more importantly, 90% felt they were helped to make an informed choice about their next steps and were significantly more confident and knowledgeable than those who had not used the service[3].

Between launch [in early 2015] and September 2017, the Pension Wise website received over 5.6 million visits, and the service delivered more than 167,000 appointments, with around 70% of these delivered face-to-face and 30% over the telephone. Analysis based on numbers of customers who would benefit, undertaken by the ABI and KPMG prior to the freedoms on potential uptake of guidance, suggested that a medium planning scenario would see 200,000 customers receiving guidance per year (high = 375,000, low = 25,000)[4]. The actual number of appointments is significantly lower. We therefore believe more work should be done to improve the number of customers taking guidance given the high customer satisfaction rates and outcomes.

With increasing numbers of customers accessing their pension flexibly, particularly through non-advised routes, there are some concerns if people do not use guidance and advice. For example, many individuals may not have fully understood the impact of some of their investment or withdrawal decisions, or fully considered risks such as longevity or tax rates when withdrawing cash lump sums. Whilst we may not see the impact of these potentially poor decisions for years or even decades to come, action needs to be taken sooner rather than later to reduce the likelihood of poor consumer outcomes. The industry would like to work with policymakers and regulators to consider how more people could be driven towards guidance as a way of creating an additional safety net for consumers.

Policymakers and providers alike agree that high quality financial guidance is important in driving better outcomes for consumers facing a range of often difficult and complex financial challenges and choices. The establishment of the new SFGB later this year will see guidance delivered through one body, offering convenience and an opportunity to devise a strategic approach to supporting consumers where needs and financial understanding are often interlinked.

At present, providers are rightly required to signpost customers to Pension Wise in all at-retirement communications and during telephone conversations. Providers will always ask if a customer has received guidance and strongly recommend taking guidance if they have not.

But given the issues outlined above, a proposal to “default” individuals into a guidance appointment has been put forward by the Work and Pensions Select Committee, and is being debated as part of the Financial Guidance and Claims Bill currently in Parliament. Under the proposal, individuals would not be able to proceed unless they had expressly refused guidance. On the face of it, the proposal is not entirely dissimilar to what providers already do in signposting customers to Pension Wise, but it may add certain requirements for providers and additional steps for customers to pass through.

There are a number of outstanding issues which will require further exploration to ensure such a measure is effective. The point at which the ‘default’ occurs is one such issue. With Pension Wise now offering DC customers guidance appointments from age 50, there is a clear recognition among policymakers that the timing of when customers receive guidance is important: if received too early, customers may not remember the information given to them; too late and customers may have already made their decision. Similarly, having the guidance appointment away from the point of withdrawal may help ensure that customers are not rushed into making a decision and could encourage them to consider their wider options more thoroughly.

3 Pension Wise service evaluation: full year findings on customer experiences and outcomes of using the Pension Wise service, October 2017. *https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/653621/pension-wise-service-evaluation-full-year-findings.pdf*

4 *https://www.abi.org.uk/globalassets/sitecore/files/documents/publications/public/2014/pensions/guidance-guarantee-delivery-of-guidance-on-retirement-options-for-april-2015.pdf*

Other issues include working through how the process might work in practice; exploring how the new relationship between customers, providers and guidance bodies might work, including the scope for immediate transfers from providers to the guidance body, or online guidance integrated into the customer journey; and what the subsequent FCA rules governing the proposed process will look like.

In general terms, the ABI believes the intention of the proposal should be:

- ultimately, that more customers use guidance and it becomes the norm;
- to make it as easy as possible for customers to access guidance;
- that when the provider recommends guidance to customers, it is framed in a way that steers customers towards guidance but allows them to decline it.

What is most important is that the intervention works in practice, so we welcome the Government's response to the Work & Pensions Select Committee, which said that Pension Wise is planning pilots to test innovative ways of connecting customers to guidance. ABI members support these pilots and are keen to discuss participation. We further believe that online guidance can be effective and should not be ruled out.

Recommendation		Owner
3.1	Providers will participate in pilots to explore how to increase use of guidance in practice and its impact on customer outcomes	ABI
3.2	ABI and wider industry to develop principles for prompting more people to use guidance in conjunction with Government and regulators, to inform work on exploring what works in practice	ABI, FCA, HMG & SFGB

Intervention 4: Making the retirement risk warnings fit for purpose

The introduction of the freedoms also saw the implementation of the retirement risk warnings. These were designed to act as a second line of defence for non-advised customers and those not wishing to access guidance, to remind customers to consider the implications of their decision. The warnings were also intended to clarify that providers could discuss these various issues without straying into advice.

Whilst the intention is valued, there is anecdotal evidence that the risk warnings are not fit for purpose for certain customers. The risk warnings can take a long time to go through, some customers feel they are not relevant, and in some cases they are viewed as vexatious. For example, the risk warnings have little influence on customers wishing to take their tax-free cash, as they have already made their decision before speaking to their provider. This is supported by research from Citizens Advice, which found that many consumers say the risk warnings did not have an effect on their choices, even though some had unexpected income effects on tax and welfare payments[5].

There is also evidence of providers being unable to intervene or prevent a customer from making a decision which will clearly be to their detriment. We are aware of one provider who had a customer who wished to make a cash withdrawal that would have seen them receive a significant tax charge that went into the tens of thousands of pounds. But because of the rules around the risk warnings, the provider could not intervene.

There are some methods and tools that providers can use in these scenarios, such as introducing pauses in the customer journey and encouraging the customer to take more time to consider their decision. But in many cases, this will not be enough.

We welcome the FCA's recent Policy Statement on 'perimeter guidance' (PS18/3: Perimeter guidance on personal recommendations on retail investments) but believe there is more to do to make the risk warnings more effective, particularly for those customers seeking to access relatively small portions of their pension pot. Ahead of the next review due in 2019, we would like to work with the regulator to identify certain scenarios, using case studies, where the risk warnings have either had minimal impact or have failed customers, and to develop a more suitable approach.

This proposal can be viewed as complementary to the idea of integrating guidance into the process of accessing a pension (see Intervention 3), as the risk warnings have the same aim as the guidance.

Recommendation		Owner
4.1	Explore alternatives to the risk warnings, including identifying where there could be carve-outs or where the warnings could be made more robust, depending on the issue or amount of money involved	ABI & FCA
4.2	Industry to share examples of scenarios of customer case studies where the risk warnings are not having the desired effect	ABI
4.3	Government and FCA to keep the advice boundary under review and to make it easier for providers to help customers make decisions	FCA, HMG & ABI

5 *https://www.citizensadvice.org.uk/Global/CitizensAdvice/Families%20Publications/LifeafterpensionchoicesPDF.pdf*

Intervention 5: Improvements to in-retirement communications

As with pre-retirement communications, the industry would like to work with Government and the regulators to make the communications that customers receive during their retirement more effective. With an increasing number of customers accessing their pension flexibly and concern around potential customer vulnerability, the approach to how providers engage with customers throughout retirement should be re-examined to ensure it is fit for purpose for the new retirement landscape.

Current FCA rules and DWP regulations on in-retirement communications cover projections at the point of sale and annual statements, but the rules do not include anything descriptive about the type of communication that a customer could receive. As a result, providers undertake a range of communications activity which can differ from firm to firm.

Some providers go beyond the minimum requirements (but within the guidance perimeter), where they highlight to customers the issue of sustainability, for example: “based on your current withdrawal pattern, your pension will run out at age X or on this day”. Some providers will signpost customers to web content designed to encourage them to review their circumstances, choice of funds or withdrawal rates. Others issue alerts in certain circumstances, either due to customer behaviour or market conditions.

Given the above, there is not necessarily a need to standardise the industry approach to in-retirement communications. Instead, there are a number of proposals that could be explored in more detail which providers could implement where they see fit, depending on their business model or client base. These could include:

- Introducing six-monthly communications that contain engaging content with a clear call to action, in addition to annual statements that would include any information that is required by regulation;
- Introducing a mid-retirement MOT or guidance session, where the individual can assess their choices, withdrawal rates, inheritance/estate planning, income needs for “later-later” life or even their potential social care needs;
- Emailing customers informing them about market conditions or issues they should consider based on their age;
- Asking customers what they want out of their retirement and intervening if they stray from their initial intentions; and
- Encouraging customers to consider the status of their health and how this might impact their financial decisions.

Much of the information providers are required to include in annual statements is long-winded and unengaging. Therefore, we would ask the FCA to clarify and simplify the existing rules around in-retirement communications, but also to play a role in the development and potential testing of any revised approaches.

Recommendation		Owner
5.1	ABI and members to develop principles for tailored, targeted and phased in-retirement communications based on the above suggestions	ABI & wider industry
5.2	ABI to consider how existing tools, policy proposals and research could be integrated into the development of the revised communications	ABI & wider industry
5.3	FCA and DWP should clarify the rules that apply to in-retirement communications	FCA & DWP
5.4	As part of the establishment of Mid-life MOTs, the Government should consider the value of introducing mid-retirement reviews	HMG
5.5	As the bodies responsible for setting the relevant rules and legislation on communications, FCA and DWP to provide oversight and input on revised communications	DWP, FCA & FRC

Glossary

ABI	Association of British Insurers
DWP	Department for Work & Pensions
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
HMG	Her Majesty’s Government
MAS	Money Advice Service
PLSA	Pensions & Lifetime Savings Association
SFGB	Single Financial Guidance Body
TPAS	The Pensions Advisory Service

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