

Commons Committee Reports on State Pension Statements

The Work and Pensions Select Committee has published an interim report recommending that the Department for Work and Pensions (DWP) makes immediate changes to State pension statements.

www.publications.parliament.uk/pa/cm201516/cmselect/cmworpen/550/550.pdf

In October 2015, the Work and Pensions Select Committee launched an inquiry into the public's understanding of the new State pension that is to be introduced on 6 April 2016. The focus of the Committee's inquiry is on the communication of the changes, in particular the transition from the current system, how the concerns of specific groups have been addressed and, lastly, the adequacy, consistency and accuracy of the messages that have been transmitted. It also plans to address the lack of notice provided to some women about the increase in their State pension age.

The DWP communicates the impact of the reforms on individuals by issuing personalised State pension statements. The Committee has found *'evidence of widespread lack of awareness among individuals about what they receive and when'* and the statements—which are designed to address this—were found to be *'confusing and lacked necessary information'*. Given the current volume of statements being sent out—over 500,000 between September 2014 and October 2015—and that the Committee is *'concerned about misinterpretation attributable to confusing state pension statements'*, it has decided to publish an *'urgent'* interim report.

Submissions to the Committee assert that the current statements contain too much detail, which is poorly set out, with important information left to the end of the statement. In addition, since November 2015, statements have included a *'contracted-out pension equivalent'* (COPE), to give an indication of the additional State pension that would have been received under the current system had the person not been contracted-out.² The Committee heard concerns that people are finding the inclusion of the COPE confusing and that it could lead to unrealistic expectations from their contracted-out pension arrangement. The Committee concluded that State pension statements should be as simple as possible and recommended that the DWP makes the following changes *'immediately'*:

- Statements should be limited to one page in length;
- key messages should be highlighted in boxes;
- the priority figures are the current value of accrued State pension, State pension age and when it will be reached, with detail on how to accrue additional benefits;
- State pension age should be prominent, especially for those affected by the change;
- the term 'contracted-out pension equivalent' should be replaced with the previous, more accurate phrase, 'contracted-out deduction', with a clear explanation of what it means; and
- it should be made clear where people can get further information if necessary.