Financial Conduct Authority



The Regulator's Perspective on Retirement and Pensions

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Agenda

- 1. Back to basics
- 2. The FCA's role- overview
- 3. The detail
- 4. Summary



Back to basics on pensions

Starting

Auto enrolment

Saving

9m more saving or saving more

Spending

- 'Freedom and Choice'
- Secondary annuity market



The FCA's role

Operational objectives

- Competition
- Consumer protection
- Market integrity

For pensions and retirement...

- Appropriate governance
- Value for money
- Information, guidance and advice



Looking back

Pensions road map



2012

Automatic enrolment begins



February 2014

Thematic review of annuities



March 2014

Pension freedoms announced



October 2014

Scamsmart launched



November 2014

Rules for firms to support implementation of reforms and standards for Pension Wise



December 2014

Non-advised annuities sales practices thematic review



February 2015 Retirement risk

warning rules



June 2015

Changes to our transfer rules



April 2015

Pension freedoms begin



March 2015

Retirement Income Market Study



March 2015

Secondary annuity market announced



March 2015

Charges in workplace pensions rules



February 2015

Independent Governance Committee rules



July 2015

Pension freedoms data request



July 2015

Pension Wise recommendation policy



July 2015

Behavioural testing of wake-up pack begins



August 2015

Behavioural testing of annuity quote comparator tool begins



September 2015

Pension freedoms data request report



October 2015

Rules review CP and retirement ourcomes consultation



November 2015

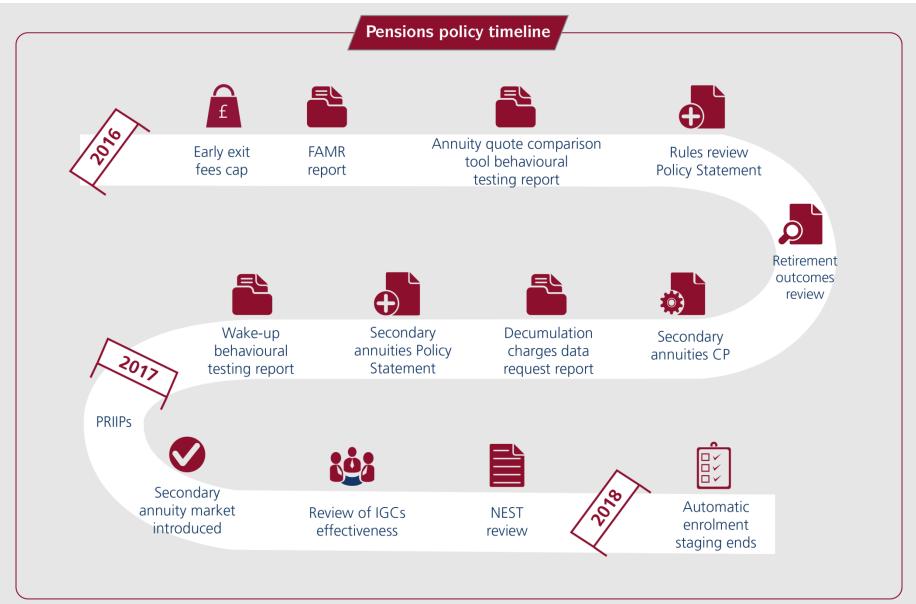
Decumulation charges data request



January 2016

Retirement income market data

Looking forward



Governance and value for money

Role of the IGC

- Charge caps
- Lifestyling and default funds
- Monitoring the market

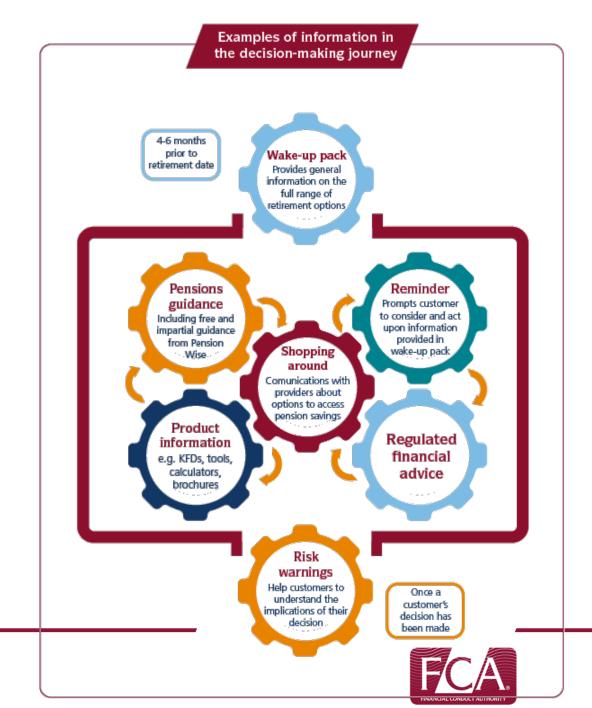


Information, guidance and advice

- Information from providers
- Guidance from Pension Wise
- Regulated financial advice



Guidance and advice



Consumer choices

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178,990

pensions have been accessed by consumers from July to September 2015 This is a 13% drop from the 204,581 reported in data the FCA collected for April to June 2015*



120,969

pensions were fully cashed out in the quarter

This includes customers who accessed their pension before this quarter and chose to fully withdraw in this quarter and customers accessing their pension for the first time in the quarter. In this quarter 88% of full withdrawals involved pots of less than £30,000



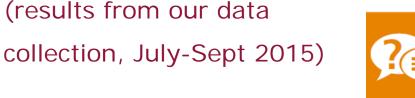
68%

of Guaranteed Annuity Rates (GARs) were not taken up Of the GARs that were not taken up, 79% were in pots of less than £30,000 and 90% were in pots of less than £10,000



71%

of customers making a partial withdrawal took less than 2% of their pot after tax free cash Consumers aged 55-59 made the highest level of withdrawals





58% of drawdown

and

 $37\% \ \ \, \text{of annuity customers} \\ \text{used a regulated adviser}$

Customers with larger pension pots were more likely to have taken regulated advice



58% of drawdown

anc

of annuity customers stayed with their existing pension provider Consumers going into drawdown may be using an option within their pension and so there is not necessarily a new purchase decision point when accessing their income or fully withdrawing

Secondary annuity market

- Effective April 2017
- A new market

- Consumer protection issues
 - valuing the annuity
 - frictional cost
 - vulnerable consumers



Exit charges

- July 2015: Government consulted
 - barriers to accessing freedoms

- Jan 2016: HM Treasury announcement
 - a new duty on FCA
- FCA to consult
- DWP will mirror for trust based



Summary

- Value for money
- Information, guidance and advice
- Supervising industry
- Monitoring the market
- ...against a background of significant policy change



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Questions?

