

FCA Retirement Outcomes Review

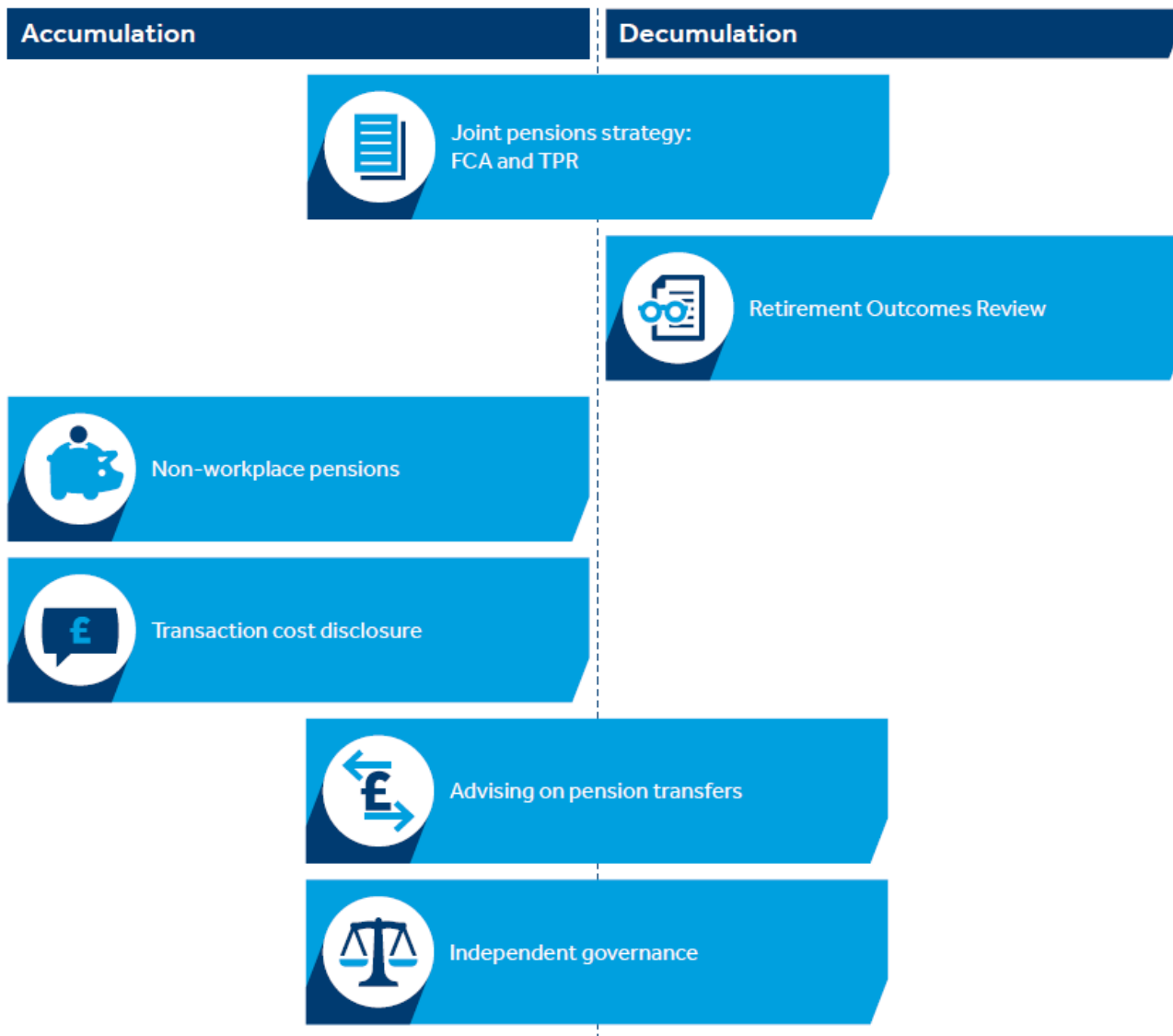
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International Organisation of Pensions Supervisors
Paris, 5th June 2018

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FCA pensions work

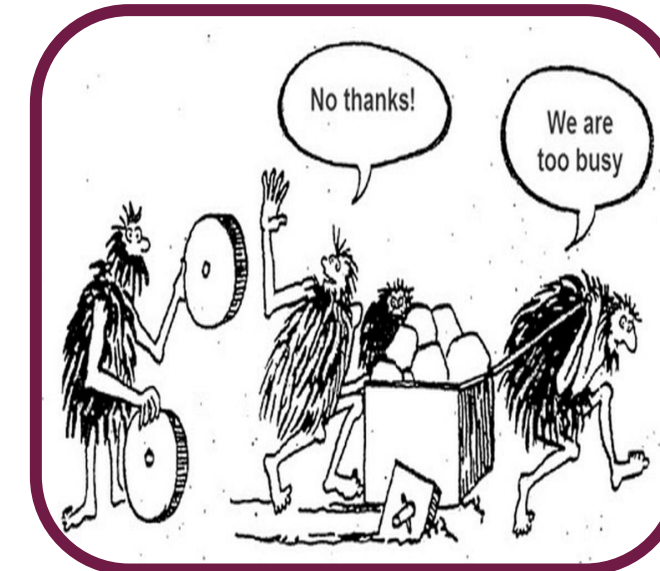


ROR Interim Report: findings

We published the Interim Report in July 2017 and found:

- **Consumers have welcomed pension freedoms** - £14 billion has been withdrawn from pension arrangements since April 2015.
- **Over half of pots accessed have been fully withdrawn** – 53% of all pots accessed since the freedoms were taken as full cash withdrawals.
- **Typically the pots withdrawn were fairly small** - consumers often had other sources of retirement income, such as a DB pension or property.

ROR Interim Report: emerging issues



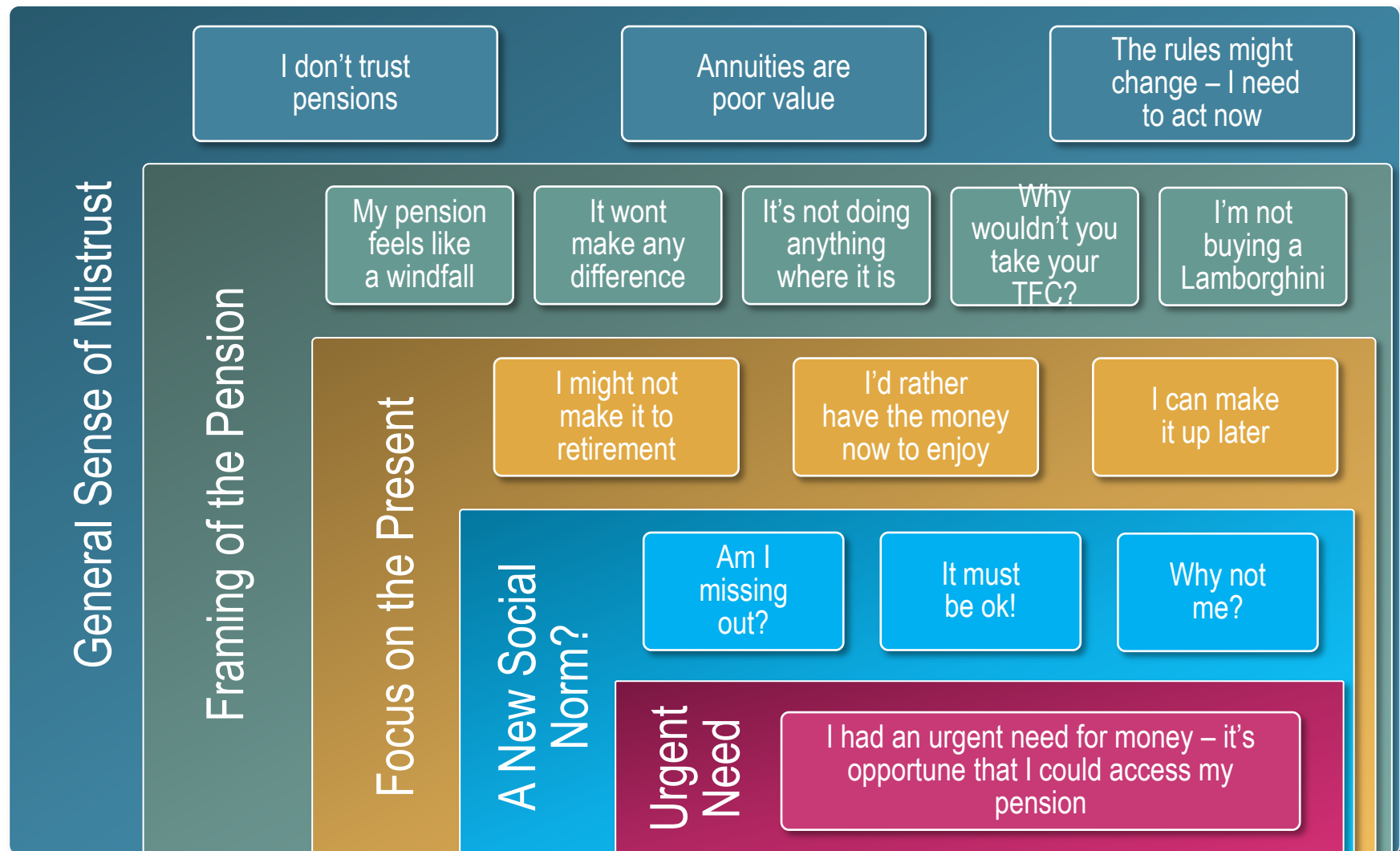
ROR - focus of work since the Interim Report

Since the Interim Report, we have focused our work to better understand:

- consumer investment choices in drawdown
- engagement of consumers who do not take advice with drawdown decisions
- the total cost of drawdown products, including both fund charges and administration charges

We have also been working on potential remedies to address the issues we have identified.

Consumer behaviour: motivations for early access of pension pots



Design of current drawdown pension offerings

- Drawdown has become much more popular than annuities.
- Non-advised drawdown offerings differ, including:
 - Single investment option designed for a generic 'average' customer
 - Guided decisions with easy default to cash
 - Guided decisions that require some active choice between forms of ready made investment solutions
 - Multiple investment options with limited assistance for customer investment decision and a natural default of cash.

Innovations in the design of drawdown pension offerings

- So far, providers have focused on meeting the basic requirements of pensions freedoms.
- However, some product innovations have emerged or are being discussed which:
 - Combine annuities with drawdown (e.g. the Retirement Account)
 - Combine drawdown with deferred annuities (e.g. NEST blueprint)
 - Collectively pool assets (e.g. CDCs).

Questions?

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