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FCA Retirement Outcomes Review

The FCA has published findings of the Retirement Outcomes Review they carried out to assess the impact of pension freedoms for consumers at retirement.

The FCA wants to ensure consumers can get the right support when they take important and difficult decisions about their pension savings. This could mean advisers having to evidence the support they provide especially for any vulnerable consumers.

The FCA is asking for industry views in writing and will hold events in the Autumn to gain suggestions. The final report is due for publication which looks at how the retirement income market is evolving since the pension freedoms were introduced in April 2015. The review has particularly focused on consumers who do not take advice

A link to the report and consultation is detailed below:

FCA seeks industry help on how to improve pension freedoms

The FCA has published interim findings following their review of their Retirement Outcomes Review. That review looked at how the retirement income market has developed following the introduction of pension freedoms since April 2015.

The review had particularly focus on consumers who don't take retirement advice.

Findings

More than 1 million defined contribution pension pots have been accessed since the reforms. The pension freedoms have changed how consumers access their pots:

- accessing pots early has become 'the new norm'
- over half (53%) of pots accessed have been fully withdrawn
- most consumers (94%) who fully withdrew their defined contribution savings had other sources of income in addition to the state pension
- drawdown has become much more popular

Emerging issues

The retirement market is still developing with firms and consumers adjusting to the reforms. However, the FCA identified 5 emerging issues:

1. consumers who fully withdrew their pots did so partly because they do not trust pensions
2. most consumers choose the 'path of least resistance', accepting drawdown from their current pension provider without shopping around
3. many consumers take drawdown without advice but may need further protection to manage their drawdown effectively
4. annuity providers are leaving the open annuity market
5. product innovation has been limited

Potential remedies under consideration

To support pension freedoms and get the market on a good footing for the future, the FCA says it's important that:

1. there are appropriate protections for those least able to engage
2. the market drives value and innovation
3. consumers can get the right support when they take important and difficult decisions about their pension savings

The FCA has suggested some potential remedies for the above three areas and wants industry views on both how urgent and appropriate they are: The remedies provide:

- additional protections for consumers who buy drawdown without advice
- measures to promote competition for consumers who buy drawdown without taking advice, including proposals to:
 - allow consumers to take some of their savings early without having to put the rest into a drawdown product.
 - make it easier for consumers to compare and shop around for drawdown products
- tools and services to help consumers make good choices.

Next steps

The FCA says getting this right will require the co-operation of government, regulators, consumer bodies and the industry.

Responses are sought to the questions in the RetirementOutcomes@fca.org.uk by 15 September 2017.

The FCA is holding events around the country in the autumn to gain your views.

Regulatory Intervention

The FCA is considering intervention and how that can be achieved effectively.

Final Report

A final report is due for publication in the first half of 2018.