The Pensions Regulator

FINANCIAL CONDUCT AUTHORITY

Regulating the pensions and retirement income sector: Our strategic approach

Joint call for input

March 2018

You can download this document from the FCA's website: www.fca.org.uk and TPR's website: www.tpr.gov.uk.

We are asking for comments by 19 June 2018.

You can send comments on the form on our website:
https://www.fca.org.uk/joint-pension-strategy-response-form

Or send your comments in writing to:

Donald Cranswick
Strategy & Competition Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London E14 5HS
Email:

Email: JointPensionStrategy@fca.org.uk

All responses to this Call for Input will be deemed to be jointly received by the FCA and The Pensions Regulator. They will be made available for public inspection unless the respondent requests otherwise. We will not take a standard confidentiality statement in an email message as a request for non-disclosure.

We may be asked to disclose a confidential response under the Freedom of Information Act 2000. We may consult you if we receive such a request. Any decision we make not to disclose the response can be reviewed by the Information Commissioner and the Information Rights Tribunal.

Contents

Abbreviations used in this paper

AE	Automatic Enrolment
DB	Defined Benefit
DC	Defined Contribution
DWP	Department for Work and Pensions
FCA	Financial Conduct Authority
FSCS	Financial Services Compensation Scheme
GAA	Governance Advisory Arrangement
HMRC	HM Revenue and Customs
IGC	Independent Governance Committee
PPF	Pension Protection Fund
TPO	The Pensions Ombudsman
SIPP	Self-Invested Personal Pension
TPR	The Pensions Regulator

1. Overview

Introduction

1.1 It is important for regulation in any sector to reflect the potential harms and risks in the current landscape. It must also consider future changes and developments that could lead to new risks. While our statutory remits as set by Parliament are different, the Financial Conduct Authority (FCA) and The Pensions Regulator (TPR) work in tandem[1] to address risks and harms in the pensions and retirement income sector. This is especially the case where we share concerns or our remits intersect.

1.2 The pensions and retirement income sector includes how people build up (accumulate) and use (decumulate) their retirement savings. There are two main ways that people accumulate retirement savings – workplace pensions and non-workplace pensions. There are also a range of different products and services to manage and spend savings in retirement. Our intention in this paper is to cover all aspects of the sector.

1.3 Over the past five years, we have each implemented major government policy reforms within our respective remits. The most notable have been for automatic enrolment (AE) and the pension freedoms.[2] In both cases scheme members and consumers need to be protected in this changing environment.

1.4 The FCA's focus has been on ensuring the appropriate levels of consumer protection and competition. For TPR, it has been on driving up standards of scheme governance. This includes ensuring schemes are actively managing funding risks, and making sure that employers are enrolling their staff into the pensions they are entitled to under AE.

1.5 We have been working jointly on our pensions strategies, which aim to clarify how we work together generally. We also outline how we will work over the next five to ten years to tackle the risks we see facing the pensions industry.

1.6 Our strategies need to recognise that there are a number of factors that fall outside of our respective remits. We must be alert to these factors as they can create risks, and affect how much money people have to live on in retirement, for example, the macro-economic environment and other factors affecting investment performance. Where possible, we will identify where we can work with others to mitigate these risks.

1.7 We are now consulting stakeholders and other interested parties to understand their views on the biggest current and potential risks, and how we should tackle them.

1 For example, our 2013 Memorandum of Understanding which sets out our respective regulatory responsibilities and arrangements for co-operation and the exchange of relevant information: http://www.thepensionsregulator.gov.uk/docs/mou-fca-regulator.pdf

2 The Government announced a series of pension freedoms in the 2014 and 2015 Budgets, which came into effect in April 2015.

The purpose of this document

1.8 We want to give everyone with an interest in this sector the opportunity to contribute to the development of our joint approach. This document is intended to aid that process by:

- articulating our collective view of what makes up the pensions and retirement income sector and clarifying our respective regulatory remits
- setting out the areas of focus we would like to explore with stakeholders, identifying future risks drivers, and opportunities in the sector

1.9 Our joint strategy work will be informed by the FCA's Mission[3] and TPR's ongoing 'TPR Future'[4] work. It will consider cases in the public domain, the increase in the incidence of pension scams, and the outcome of the Work and Pensions Select Committee's pension freedoms inquiry. We will also include the impact of the Department for Work and Pensions' (DWP) review of automatic enrolment and defined benefit (DB) White Paper.[5]

1.10 In this joint call for information, we look at the medium to long-term and set out some of the areas we think need our attention. At the same time, we recognise the need to be flexible to respond to changes and developments in the sector.

Next steps

1.11 Stakeholder feedback will be crucial for us to understand the risks in the pensions landscape and how we should tackle them. We have identified a number of issues where we are looking for particular contributions which are set out in the section headed Areas of Focus in Chapter 3, with accompanying specific questions.

1.12 To gather the widest possible range of comments we will be holding a series of stakeholder events. These will allow stakeholders to give us direct feedback on the questions posed in this document. More information is available on our websites.

1.13 You can send your comments on the questions listed in the document online using the form on our website. You can also send your comments to us at the address in the contacts box.

1.14 We will publish information on our final strategic approach later this year.

3 In October 2016, the FCA launched a consultation on a guiding set of principles around the strategic choices it makes and to inform its strategy and day-to-day work. It set out the results of its consultation on 18 April 2017: https://www.fca.org.uk/publication/corporate/our-mission-2017.pdf

4 In July 2017 TPR produced a summary of some of the key findings in the their TPR Future work: http://www.thepensionsregulator.gov.uk/docs/tpr-future-protecting-workplace-pensions.pdf

5 Department for Work and Pensions, *Defined benefit pension schemes: security and sustainability*, 20 February 2017

2.
The pensions and retirement income sector

Sector description

2.1 The pensions and retirement income sector includes:

- how consumers save for their retirement
- how consumers use these savings during retirement
- the products and services available to meet consumer and trustee needs
- the contributions and arrangements made by employers to ensure employees' pensions are appropriately funded.

2.2 Consumers build retirement savings in a range of different places, and in a variety of ways, throughout their lifetime. When it comes to accessing their savings in later life, consumers will do this in different ways. For example, some use pension savings solely to provide a day-to-day income in later life. Others use their pension savings to set up new businesses in later life, to settle debts, or achieve particular goals while still working.

The regulators in the pensions sector

2.3 The Government sets the overall framework for pensions. It does this through HM Treasury (HMT) and the Department for Work and Pensions (DWP).

2.4 Broadly, the FCA is responsible for regulating the areas of the pension savings and retirement income sector where individuals access pensions directly. TPR is responsible for regulating the areas where individuals access pensions via their employers. The FCA also has significant regulatory responsibilities for firms that provide products and services for pensions that are regulated by TPR, e.g. advice and asset management.

Financial Conduct Authority

2.5 The FCA, which regulates the providers of personal pensions, stakeholder personal pensions, self-invested personal pensions (SIPPs) and workplace (group) personal pensions. The FCA regulates advice in the pensions market, and sets the rules for contract-based pensions.

2.6 The FCA also has broad responsibilities for regulating asset managers and other investment services firms. This includes firms providing investment services to occupational pension schemes, except where they provide advice on asset allocation or investment strategy.

The Pensions Regulator

2.7 TPR regulates the trustees of occupational pension schemes – both defined benefit (DB) and defined contribution (DC) schemes. TPR oversees the governance and administration of public service schemes. It is also responsible for implementing AE and ensuring employers comply with their AE responsibilities. It achieves its objectives through exercising the functions as set out in pensions legislation, and setting standards via codes and guidance.

2.8 The Pension Schemes Act 2017 gave TPR new powers to authorise and supervise master trusts.

Where our remits intersect

2.9 There are a number of areas where FCA and TPR's remits intersect, such as in relation to winding up schemes, transfers from DB to DC schemes and where individuals exercise the pensions freedoms.

Summary

2.10 The roles of the FCA, TPR and other regulators are summarised in the following diagrams.

2.11 The first summarises our different responsibilities for regulating pensions providers. The second describes how responsibility for prudential regulation of the sector is allocated. (Prudential Regulation requires firms to hold adequate capital so that they can withstand financial shocks.)

Diagram 1: Regulating conduct in the pensions and retirement income sector[6]

	Regulated by Financial Conduct Authority	Regulated by The Pensions Regulator	Any standard setting and regulation by other bodies
How pensions are regulated			
Pension products	Including: Non-workplace pensions:[7] • Individual personal pensions • Stakeholder personal pensions • SIPPs • Legacy products Workplace: • Contract-based DC pensions Retirement income[8]: • Retirement annuities • Income drawdown	Including: Workplace pensions: • DB pensions • Trust-based DC pensions • Public service schemes (for governance and administration) • Direct payment arrangements to personal pensions • Drawdown arrangements from occupational pension schemes	

6 This diagram is for information only and firms should refer to the FCA's Handbook for further information.

7 Other types of non-workplace pensions are also regulated by the FCA, such as Free Standing Additional Voluntary Contributions (FSAVCs) and s32 buyouts – see Annex 2 of FCA *DP18/01 Effective competition in non-workplace pensions* for further information.

8 Information on the full range of retirement income options is set out in the Money Advice Service's leaflet '*Your pension: it's time to choose*'.

	Regulated by Financial Conduct Authority	Regulated by The Pensions Regulator	Any standard setting and regulation by other bodies
Advice and Distribution	Including: • Advice and guidance to individuals and small-to-medium enterprises (SMEs)		Including: • advice to employers on scheme choice • advice to trustees on asset allocation and investment strategy (and other pension investment services) • advice and guidance from accountants and lawyers[9]
Investment components	Including: • Authorised funds and other investment products • Unit-linked and with-profits investments		
Other products and services	Including: • Bulk annuities • Equity release		Including: • Pension administration services • Actuarial services
How providers of pensions and related services are regulated			
Pension product providers and distributors	Including: • Financial advisers and intermediaries • Banks & building societies • Credit institutions • Life insurers • Pension scheme operators • Fintech firms (in some cases)	Including: • Commercial and not-for-profit master trust providers • Trustees • Public service scheme managers • Employers	Including: • Investment consultants • Pension comparison websites[10] • Accountants and lawyers • Payroll bureaux

9 Accountants and lawyers are typically regulated by a professional body designated by the Treasury under section 326 of the Financial Services and Markets Act (Designation of professional bodies), instead of being regulated by the FCA.

10 In practice, price comparison websites may also be carrying out one or more regulated activities that do require FCA authorisation, such as arranging deals in investments or advising on investments.

	Regulated by Financial Conduct Authority	Regulated by The Pensions Regulator	Any standard setting and regulation by other bodies
Investment providers	Including: • Asset managers		
Service providers			Including: • Technology providers • Third party administrators[11]

Diagram 2: How the pensions sector is prudentially regulated

Bank of England Prudential Regulation Authority	Financial Conduct Authority	Not regulated or indirectly regulated
Including: • Banks & building societies • Life insurers	Including: • Other credit institutions • Pension scheme operators • Asset managers • Financial advisers and intermediaries • Fintech firms	Including: • Commercial and not-for-profit master trusts[12]

Working in partnership

2.12 We work in partnership and share information with other public bodies, as well as the pensions industry and those we regulate. We work with HM Revenue and Customs (HMRC) when schemes register with them for tax purposes. We also work with many public bodies and agencies, including HMRC as part of Project Bloom. This is a joint project to stop pension scams and advise members on where to get help if they fear they may have been scammed.

2.13 While we focus on those who provide pensions, we work closely with a number of consumer facing bodies.

2.14 We have close working relationships with the Pensions Ombudsman (TPO) and the Financial Ombudsman Service. TPO deals with complaints and disputes which concern the administration and/or management of both occupational and personal pension schemes, while the Financial Ombudsman Service investigates complaints about the advice received when taking out a pension.

2.15 Other partners are the Pensions Advisory Service, Money Advice Service and Pension Wise, who are available to give free guidance on all aspects of pensions. We will continue to work with them as they evolve.

2.16 TPR works very closely with the Pension Protection Fund (PPF). It collects the PPF's administration levy on its behalf and works with the PPF on DB cases where members' benefits

11 In practice, third party administrators may also be carrying out one or more regulated activities that do require FCA authorisation, such as arranging deals in investments or holding or controlling client money.

12 Master trusts are authorised by TPR and must have sufficient financial resources to meet the costs of winding up, in accordance with the Pension Schemes Act 2017.

are threatened by employer problems or insolvencies. FCA works with the Financial Services Compensation Scheme (FSCS), e.g. to protect savings.

2.17 Where issues fall outside our remits (e.g. particular matters of Government policy) we try to work with other regulators and the Government to produce good consumer outcomes.

Q1: **FCA and TPR's remits intersect in some areas. Do you see this working effectively, or are there areas where this could be improved?**

3.
A changing landscape

The pension landscape today

3.1 The UK pensions and retirement income sector serves over 34 million consumers and manages around £2.1 trillion assets and savings.

3.2 People are generally living longer and spending more of their life in retirement. Over the next five years, the Office for National Statistics forecasts that the number of people over 65 in the UK will increase by 1.1 million. The over 85s are the fastest growing segment of the UK population.

3.3 The majority of pension assets remain in DB schemes. However the closure of a number of these schemes and the impact of AE is increasing the number of people saving into DC schemes. As a result of the pension freedoms, some retirement savers have transferred from DB to DC pensions so they can access their savings earlier.

3.4 Over 9 million employees have been enrolled into a pension as a result of AE, and 1 million employers are complying with their AE duties.

3.5 AE has also driven a significant rise in the growth and size of master trusts (a form of trust-based pension). Over 10 million people are now members of master trusts. This includes 7 million in those primarily used for AE – with around £10 billion of assets invested.

3.6 There are a number of different ways to classify different pension schemes – workplace or individual schemes, DB or DC. These are illustrated in the diagram on the next page.

Diagram 3: The Pensions Policy Institute's[13] 'landscape of private pension provision in the UK'

TPR ⟷ **FCA**

Workplace pension schemes: A pension scheme accessed through an employer. The employee and/or employer make contributions to the pension

Individual pension schemes: A pension scheme contract taken out directly with a provider.

Trust-based pension schemes: A pension scheme governed by a board of trustees who have a fiduciary duty towards scheme beneficiaries. The board of trustees manage investments on the member's behalf. Traditionally these schemes were set up and run by employers.

Contract-based pension schemes: A pension scheme governed by a provider (and independent governance committees for workplace pension schemes) where a contract exists between the individual scheme member and the provider.

Defined benefit schemes: Trust-based pension schemes run by an employer which offer pension benefits based on salary during working life.

Defined contribution schemes: Trust- or contract-based pension schemes run by a third party in which pension contributions are invested individually and benefits depend on pot size at withdrawal and method of accessing savings (eg drawdown vs annuity).

Final salary or career average schemes: Trust-based pension schemes run by an employer which offer pension benefits based on salary during working life.

Master trust schemes: Trust-based defined contribution pension schemes run by a pension provider and open to multiple employers.

DC trust schemes: Trust-based defined contribution pension schemes run by a single employer.

Group personal pension schemes: Contract-based defined contribution pension schemes run by a pension provider, designed for a group of employees working for a single employer (includes stakeholder schemes).

Individual personal pension schemes: Contract-based defined contribution pension schemes run by a pension provider, designed for a single individual.

Source: The Future Book: Unravelling workplace pensions 2016 Edition.

13 The Pensions Policy Institute (PPI) is an educational charity set up to promote, on a non-political basis, the study of pensions and other retirement provisions.

Building retirement savings ('Accumulation')

3.7 The number of consumers in workplace pensions continues to grow. At the end of 2016, the master trust and contract-based markets contained a total of 14.8 million memberships. Master trust arrangements show the sharpest increases.

3.8 In asset terms, contract-based workplace pension assets grew by an estimated 20% in 2016 and master trust assets grew by an estimated 190%.

3.9 The assets in DC trust-based pensions amount to almost £200 billion. Over £1 trillion of assets is held in DB schemes.

3.10 The number of pension policies sold through advised channels increased by 8% in 2016.

Diagram 4: This table summarises the split in assets held between trust-based and contract-based pensions:[14]

TPR regulated Trust-based			FCA regulated Contract-based		
DB	*DC accumulation*	*DC accumulation*	*DC accumulation*	*DC retirement income*	
	Single-employer trust	*Master-trust*	*Workplace & non-workplace*	*Income drawdown*	*Annuities*
£1,541bn *(As at end March 2017)*	c. £170bn *(As at end 2017)*	c. £22bn *(As at end 2017)*	£609bn *(As at end March 2017)*	£95bn *(As at end March 2017)*	c. £300bn *(As at end 2016)*

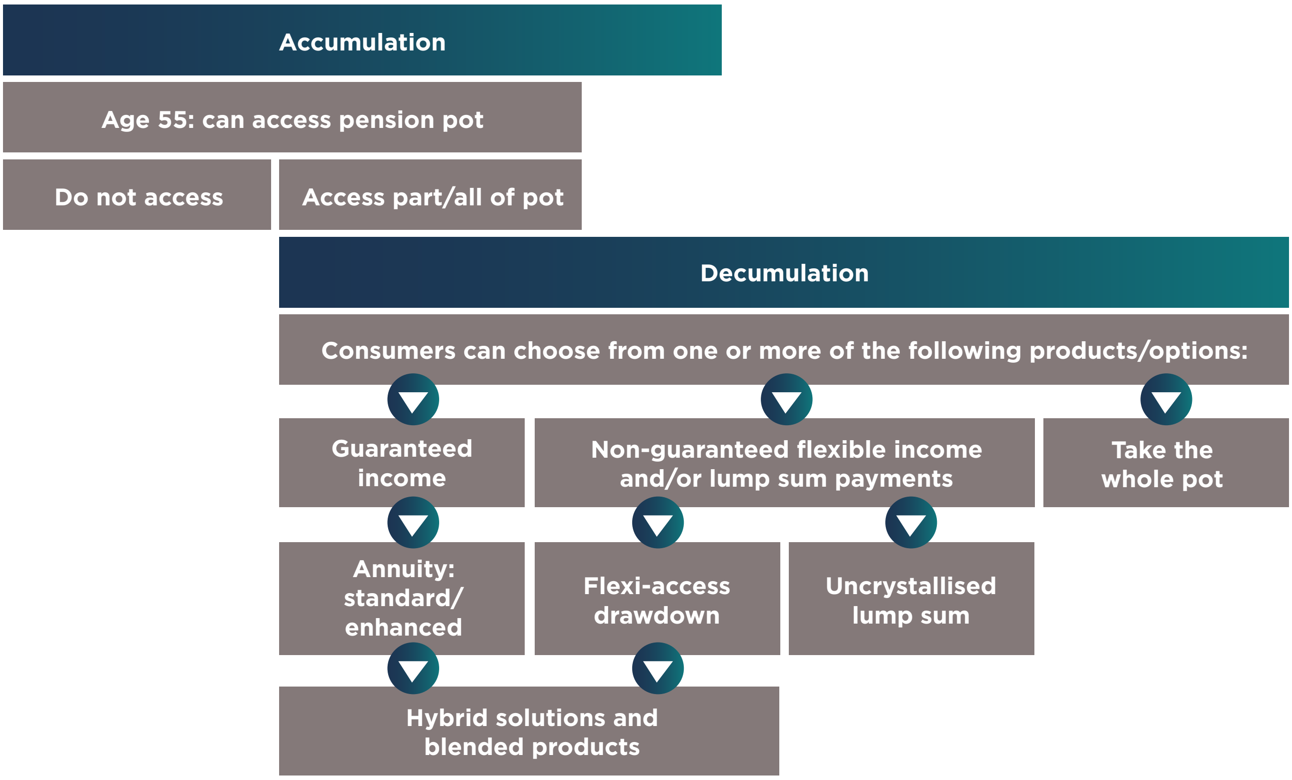
Income in retirement ('Decumulation')

3.11 AE is already having a significant positive impact. It is giving people the opportunity to save into a workplace pension and has led to around 10 million people starting to save, or saving more, generating around £17 billion a year more in workplace pension saving by 2019-20.

3.12 The pension freedoms introduced more flexibility around when and how consumers can access their pension savings. These freedoms have also affected the number of pension savers transferring from DB to DC schemes. The diagram on the next page illustrates the options consumers face when it comes to spending their retirement savings.

14 The estimates presented in this table were drawn from:
- FCA retirement income data;
- The Pension Protection Fund Purple Book 2017; and
- Broadridge UK Defined Contribution Market Intelligence 2017 report

Diagram 5: Retirement income consumer options (for DC pensions)[15]



3.13 The use of drawdown products continues to grow beyond traditional annuity solutions. In 2016 they attracted inflows of approximately £16.2 billion (versus £4.6 billion for annuities). The current average market withdrawal rate from drawdown products is 5.2% per annum. Smaller pots show higher withdrawal rates than larger ones.

3.14 The bulk annuity market has continued to grow in importance. There are now 1 million consumers and £70 billion liabilities covered by buy-out or buy-in arrangements.

Areas of focus

3.15 We have identified a number of issues where we are looking for particular contributions as follows.

3.16 The biggest potential harm in the sector is the prospect of people not having adequate income, or the level of income they expected, in retirement.

3.17 While there is a clear role for both the FCA and TPR, we also recognise that this harm is affected by several factors that we cannot tackle alone, for example, the level of consumer confidence in pensions, the level of real interest rates and levels of retirement saving. We must keep working with other regulators and the Government to protect customers.

15 For more information, see the FCA's *Retirement Outcomes Review: At a glance* (2017)

3.18 There are a number of factors outside the sector, which we have to be alert to but cannot change, such as the macro-economic environment.

3.19 To develop our strategic approach, we have identified some areas on which we should act jointly. We would like to ask stakeholders their views on our plan to tackle the overarching harm over the next five to ten years. The areas we propose are:

- getting saving off to a good start: access to pensions
- making sure pensions are well run and funded: effective governance and secure funding
- making sure pension savings are safe
- making sure pensions offer good value for money
- supporting good choices and outcomes for consumers and members

3.20 We expand on these areas below.

Q2: **Do you agree that the areas we have identified are the right ones? If not, which themes would you add or remove from our list? In which areas could the FCA and TPR singly or jointly have the most impact?**

Getting saving off to a good start: access to pensions

3.21 We both have roles to play in encouraging and facilitating the growth in consumer participation in pensions – whether work-based or personal.

3.22 The AE duties mean that employees today are entitled access to workplace pensions and the contributions required by their employer's chosen scheme. This means ensuring that employers must continue to enrol employees, and pay the correct contributions, remains a high priority for TPR.

3.23 The FCA's role in facilitating participation is more limited. We do contribute by having a robust regulatory framework for pensions that protects consumers and supports competition. We can also help increase consumer confidence in pensions. This is likely to encourage participation in pensions more generally.

3.24 Having effective authorisation, disclosure and supervision processes in place is important for both regulators. The FCA acts as a gatekeeper for firms providing a range of pension services, including financial advice and asset management. TPR will introduce a robust and effective master trust authorisation and supervision regime. As some large master trusts are run by FCA regulated entities, we will need to maintain a joined-up approach for these schemes.

Q3: **Given our regulatory remits, what more, if anything, should the FCA and TPR do to support people as they start to save in a pension?**

Making sure pensions are well run and funded: effective governance and secure funding

3.25 All types of pension savings vehicles should have effective governance processes to ensure that members' money is safe and well managed. This includes having effective leadership and ensuring that appropriate administrative processes and other controls are in place.

3.26 TPR continues to drive up standards in workplace pensions through its ongoing 21st century trusteeship campaign. It expects new approaches to come out of the TPR Future work. This will engage schemes of all types and sizes on capability, governance and administration requirements at an increasing scale.

3.27 For DC schemes, key governance activities for trustees are having appropriate defaults for members who are not yet engaging with or taking action on their pension choices.

3.28 For DB schemes, TPR seeks to ensure that funding is adequate to fulfil members' benefits, while recognising that schemes do not have to be fully funded immediately. Employers and trustees must agree a fair funding plan for schemes. In anticipation of DWP's upcoming white paper on DB funding, TPR will be developing a clear and robust framework to clarify what schemes need, expectations on employers and what action TPR will take where employers are putting members' benefits at risk. For all schemes, investment outcomes are key in ensuring good outcomes for members.

3.29 The FCA requires firms to have governance processes in place to fulfil their pension obligations in a transparent way, for example how they design their pension products. FCA's rules require workplace personal pension scheme providers to have either an Independent Governance Committee (IGC) or a Governance Advisory Arrangement (GAA)[16]. These rules came into force in April 2015.

3.30 In addition, FCA's Senior Managers and Certification Regime will increase the focus on individual responsibility. It requires senior managers to take reasonable steps to prevent regulatory breaches from occurring or addressing those that have occurred.

3.31 There are many products and services that sit outside FCA and TPR regulation, but that can affect schemes' ability to be well-run and funded, for example, highly speculative assets like art being held in SIPPs.

Q4: **Is there more scope for TPR/FCA working, either singly or jointly, in this area? To what extent should the emphasis be on collaboration with a wider group of bodies to improve the advice and services supplied to schemes (e.g. administrators, investment consultants)?**

16 A GAA is a proportionate alternative for providers of smaller and less complex schemes.

Making sure pension savings are safe

3.32 Retirement savings are usually subject to investment risk. We want those saving into pensions to know that their money is otherwise safe and in good hands. We therefore regulate the fund managers and work together to tackle issues like pension scams. These issues can affect savers' retirement pots and have a negative impact on confidence in pensions saving as a whole.

3.33 The FCA and TPR are both fully committed to prosecuting fraud in firms we regulate. We work together and with others to alert people to scams risks and to target scammers posing as regulated companies.

3.34 We think there are similar challenges facing firms regulated by the FCA and TPR, which may merit a joined-up approach.

3.35 We aim to ensure that pension schemes (and their supporting services) can protect the money they hold and comply with data protection laws.

> **Q5:** **How can pension providers and schemes, employers and other firms in the sector improve the security of the money and data they hold? What role is there for FCA and TPR in further driving up standards?**

Making sure pensions offer good value for money

3.36 FCA and TPR's work in this area includes ensuring that firms stick to existing controls on charges, for example, the charge caps on default funds and exit charges. We make sure that firms understand the value for money responsibilities of IGCs and chairs of trustees.

3.37 In December 2016, the FCA and the DWP published a joint review of industry progress in remedying poor value workplace pension schemes. The FCA found that IGCs had been generally effective in influencing, supporting and advancing reductions in costs and charges.

3.38 In December 2017, the FCA and the DWP published a statement with an update on progress. Actions taken by the FCA, the DWP and pension providers, and IGCs and trustees, have resulted in lower charges to consumers on about £24.9 billion in workplace pension schemes.

3.39 TPR aims to focus on using regulation to push trustees to fulfil their duties to assess value for members, investment governance and charges. Trustees will use FCA-related products to plan and execute their financial management and investment approaches. We anticipate there could be joint work to support this outcome.

3.40 In delivering on its competition objective FCA believes that it can have a positive impact on the value for money offered to consumers by the pension products it regulates. It also believes that the work being undertaken following its Asset Management Market Study will have a similarly positive impact across the joint landscape.

> **Q6:** **Are there any further opportunities for FCA and TPR to support the delivery of value for money, either singly or together?**

Supporting good choices and outcomes for consumers and members

3.41 Consumers and scheme members can end up receiving poor outcomes at retirement. This is often the result of poor decisions or, in some cases, a failure to make a decision. They need to be supported by appropriate, reliable advice or information, available at the right times.

3.42 Both FCA and TPR are focused on making sure the supply side of the market is supporting members as required, for example, as regards transparency. This includes pushing pension providers and intermediaries to understand consumers' needs and objectives and provide them with appropriate advice and information. We also make sure employers and schemes comply with requirements to provide and disclose information, and consult trustees and members where necessary.

3.43 We have concentrated on the advice and information given around pension freedoms. For example, we have looked at potential remedies for consumers who enter drawdown without advice[17], and pension transfers from DB to DC schemes. We believe there is scope for joint work in this area. Any information provided should aid understanding and decision-making and it must always be suitable.

3.44 In particular we see a case for improved joint focus (involving a wide range of partner organisations) in situations where individuals are especially vulnerable to making poor decisions, for example where the future of a DB scheme is uncertain.

> **Q7: How can FCA and TPR work, singly or together, to ensure that information and advice helps people make appropriate decisions? When are people most vulnerable to taking poor decisions?**

Drivers of emerging risks and opportunities

3.45 We believe that the following macro-trends are highly likely to drive change across the sector:

- feedback from the macro economy – e.g. low interest rates, increased volatility
- changing demographics, with a general shift towards an ageing population
- increasingly stretched household finances
- opportunities and threats from increased use of technology, e.g. robo-advice
- labour market changes, e.g. the growth in labour market flexibility with more self-employed people, more part-time jobs, zero hour contracts

3.46 These macro trends have a number of implications for the sector, including the following:

- they increase the importance of resilience and adaptation in the industry. It is increasingly important that the pension sector can manage volatility and risks

17 This has been part of the FCA's Retirement Outcomes Review.

- they increase the need for long-term planning by pension providers, and stress the importance of the sector's ability to manage through economic and business cycles
- constrained or uneven economic growth may have disproportionate impact on certain sectors of employers sponsoring pension schemes
- at a micro level, stretched household finances and changes in working patterns may have a negative impact on households' propensity to save. They may affect decisions on when and how to access savings
- greater market volatility and the potential for fluctuations in the value of assets may also dent confidence in pension saving

Q8: **Do you believe that the macro trends that we have identified are those most likely to drive change across the pensions and retirement sector? If not, what are the trends that matter? Which trends should be the highest priority for TPR and FCA? How will those trends (and any other drivers of future risks and opportunities) affect the areas we have identified?**

Annex 1
List of questions

Q1: **FCA and TPR's remits intersect in some areas. Do you see this working effectively, or are there areas where this could be improved?**

Q2: **Do you agree that the areas we have identified are the right ones? If not, which themes would you add or remove from our list? In which areas could the FCA and TPR singly or jointly have the most impact?**

Q3: **Given our regulatory remits, what more, if anything, should the FCA and TPR do to support people as they start to save in a pension?**

Q4: **Is there more scope for TPR/FCA working, either singly or jointly, in this area? To what extent should the emphasis be on collaboration with a wider group of bodies to improve the advice and services supplied to schemes (e.g. administrators, investment consultants)?**

Q5: **How can pension providers and schemes, employers and other firms in the sector improve the security of the money and data they hold? What role is there for FCA and TPR in further driving up standards?**

Q6: **Are there any further opportunities for FCA and TPR to support the delivery of value for money, either singly or together?**

Q7: **How can FCA and TPR work, singly or together, to ensure that information and advice helps people make appropriate decisions? When are people most vulnerable to taking poor decisions?**

Q8: **Do you believe that the macro trends that we have identified are those most likely to drive change across the pensions and retirement sector? If not, what are the trends that matter? Which trends should be the highest priority for TPR and FCA? How will those trends (and any other drivers of future risks and opportunities) affect the areas we have identified?**

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25 The North Colonnade Canary Wharf
London E14 5HS
Telephone: +44 (0)20 7066 1000
Website: www.fca.org.uk

The Pensions Regulator
Napier House
Trafalgar Place
Brighton BN1 4DW
Website: www.tpr.gov.uk