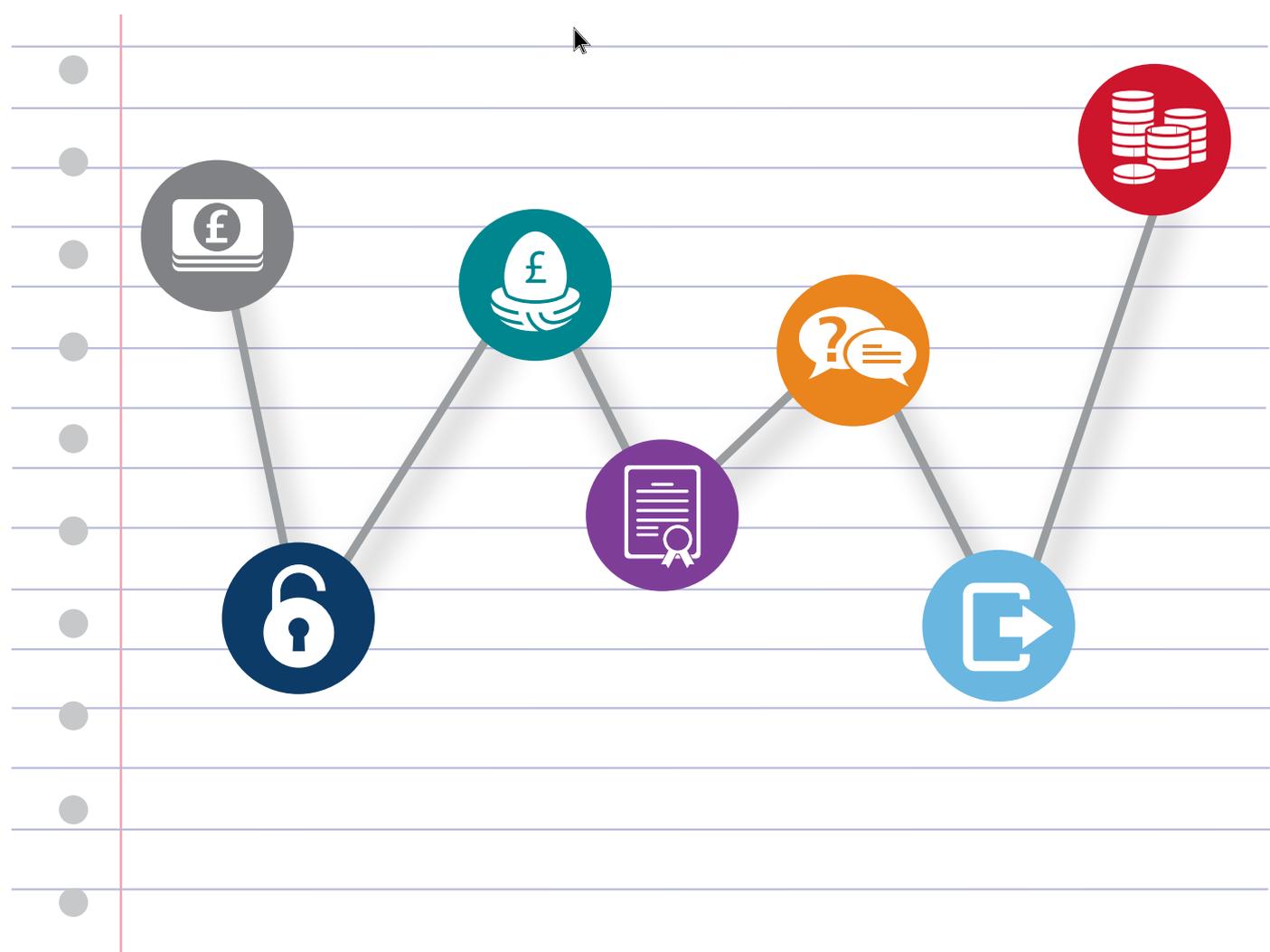


## Data Bulletin Supplement

# Retirement income market data

April 2016



# Introduction

The 2015 pension reforms have brought about significant changes in the way consumers can access their pensions. We are collecting data from a representative sample of pension and retirement income providers so we can track and monitor changes in the market.

In January 2016 we published our first report on retirement income market data, covering the period July to September 2015. This supplement provides market data from the period October to December 2015. We have included some updates to previously reported data from additional data collected.

The data we collect includes the following topics:

- choices made by consumers accessing their pensions
- guaranteed annuity rates – levels taken up and not taken up
- levels of pension withdrawals for customers making a regular withdrawal
- use of regulated advisers
- whether consumers change providers when accessing their pensions
- complaints about pension and retirement income products

In future, data will be published in our quarterly Data Bulletin. Full data can be found in the data tables published with this bulletin.

## Methodology

We surveyed 56 firm groups comprising 94 retirement and pensions providers, representative of all retirement and pensions providers. Our sample covers an estimated 95% of defined contribution (DC) contract-based pension schemes assets. The data collected refers to the period between 1 October and 31 December 2015.

## Notes

All data collected refers to the number of pots accessed and used, rather than the number of consumers, as some consumers may have multiple pensions pots.

Where relevant, we have provided comparisons with the previous quarter (July to September 2015). However, in some cases comparisons are not possible due to updates in the questions asked of firms between the two quarters.

Revisions made to the previously published July to September 2015 data have been explained within this supplement.

Less reliance should be placed on data which firms have provided on a best endeavours basis. The tables indicate where this is the case.

If you have any comments or questions about the retirement income market data, please do contact us, by emailing [fcadataandanalysis@fca.org.uk](mailto:fcadataandanalysis@fca.org.uk)

# Retirement income market data

## October - December 2015

### Key findings

#### Access to pension pots

Overall, we have seen a decline in consumers accessing their pension pots for the first time in the last quarter. In particular, there has been a fall in the number of pots which are being fully withdrawn as cash.



## 127,094

pensions have been accessed by consumers for the first time between October and December 2015, to either take an income or withdraw their money as cash

This represents a 36% decrease from the previous quarter's figures (197,443 pensions accessed for the first time between July and September 2015)



## 21,289

annuities purchased during October to December 2015

This is a decrease of 9% from the previous quarter (23,385)



## 65,610

full cash withdrawals by new customers between October and December 2015

This is a decrease of 42% from the previous quarter's revised figures (113,100 pension pots)

This quarter 37,150 new drawdown policies were entered into and not fully withdrawn. Over the same period, uncrystallised fund pension lump sum (UFPLS) payments were made from 3,045 pots for the first time, where the pot was not fully withdrawn.

#### Consumer behaviour

We have seen similar trends in consumer behaviour in the last quarter about taking advice and whether consumers take products from their existing providers or not.



**68%** of drawdown  
and  
**42%** of annuity purchases were recorded by providers as using a regulated adviser

23,062 drawdown purchases and 8,776 annuity purchases were recorded during October to December 2015 by providers as using a regulated adviser



## 14,955

pensions with Guaranteed Annuity Rates (GARs) were accessed during October to December 2015

Of those, 63% of GARs were not taken up during this period



**53%** of drawdown  
and  
**57%** of annuities purchases

Were made by firms' existing customers during October to December 2015, similar to last quarter

# Retirement income market data

## October - December 2015

### Consumer choices

During October to December 2015, consumers accessed 127,094 pension pots for the first time, to take an income or fully withdraw their money as cash. The table below summarises how consumers chose to do this.

	Oct - Dec 2015	Jul - Sept 2015
<b>Total number of pots accessed for the first time in the quarter to take an income or fully withdraw their money as cash</b>	<b>127,094</b>	<b>197,443<sup>1</sup></b>
Number (and % of pots) of annuities purchased	21,289 (17%)	23,385 (12%) <sup>2</sup>
Number (and % of pots) of new drawdown policies entered and not fully withdrawn	37,150 (29%)	n/a <sup>3</sup>
Number (and % of pots) of pots where first partial UFPLS payment taken and not fully withdrawn	3,045 (2%)	n/a <sup>3</sup>
Number (and % of pots) of full cash withdrawals by new customers - via UFPLS, flexi-access drawdown (FAD) or small pot lump sum	65,610 (52%)	113,100 <sup>4</sup> (58%)

Since pension freedoms came into effect in April 2015, we have seen a gradual decline in the total number of pension pots being accessed for the first time each quarter. In the first quarter (April – June 2015), almost 220,000<sup>5</sup> pots were accessed and this has fallen to just over 125,000 in October to December 2015. The greatest level of activity was in the period following the reforms.

The number of annuities purchased in the last quarter remains relatively unchanged since the previous quarter, but there has been a significant fall in the number of full cash withdrawals from pension pots.

#### Notes

1. We previously reported this figure as 178,990. Upon further analysis of the July-Sept figures it has become clear that one firm did not correctly report over 16,000 full withdrawals. These have now been added into the total number of pots accessed in the quarter. In addition another firm has now belatedly provided us data for July-Sept, which has also been added in. These revisions may have impacted other previously reported data. Where this is the case we have provided an update and an explanation.
2. We previously reported this figure as 13%. We have revised this percentage to reflect the change (noted above) to 197,443 total number of pots accessed for the first time in the quarter.
3. Figures for drawdown and UFPLS were not collected in the same format the previous quarter.
4. This figure was calculated incorrectly as 68% in the original report and was then withdrawn whilst further data was collected from firms. However, one firm has not provided us with figures that would enable us to establish how many of the pots that were accessed were full cash withdrawals so this figure does not directly compare to the 197,443 total figure which includes all firms. The 58% is a percentage of pots accessed excluding all data from that firm.
5. Upon further analysis of the data collected for April-June some numbers are now higher than those originally published in September 2015. Our sample of firms in this quarter was not exactly the same as in subsequent quarters.

# Retirement income market data October - December 2015

## Guaranteed Annuity Rates (GARs)

15 providers in our sample had pension policies with Guaranteed Annuity Rates (GARs).



\*This figure includes customers who are too young to exercise their GAR.

## Level of withdrawals

The table below summarises the quarterly rates of withdrawal from pots where regular payments are being made through drawdown or UFPLS. Rates of withdrawal are calculated after Pension Commencement Lump Sum (PCLS) for drawdown and including tax free portion of cash for UFPLS payments.

Customers aged 55 to 59 had the highest rate of withdrawals as a percentage of their pension pot. 11% of these customers took an income of 10% or more of their pot. Our data includes regular withdrawals for both drawdown and UFPLS customers where a regular payment is set up.

% of pension pot withdrawn in the quarter	Number of pots withdrawn at this rate	% of pots withdrawn at this rate
Less than 1	77,635	41%
1 - 1.99	50,795	26%
2 - 3.99	36,724	19%
4 - 5.99	8,314	4%
6 - 7.99	5,169	3%
8 - 9.99	2,970	2%
10% or more	10,098	5%

## Provider choice

57% (12,708) of annuity purchases made by customers were from their existing pension provider. This is a decrease from the previous quarter where 64% of annuity purchases made by customers were from their existing pension provider.

53% (19,507) of drawdown purchases by customers were from their existing pension provider.

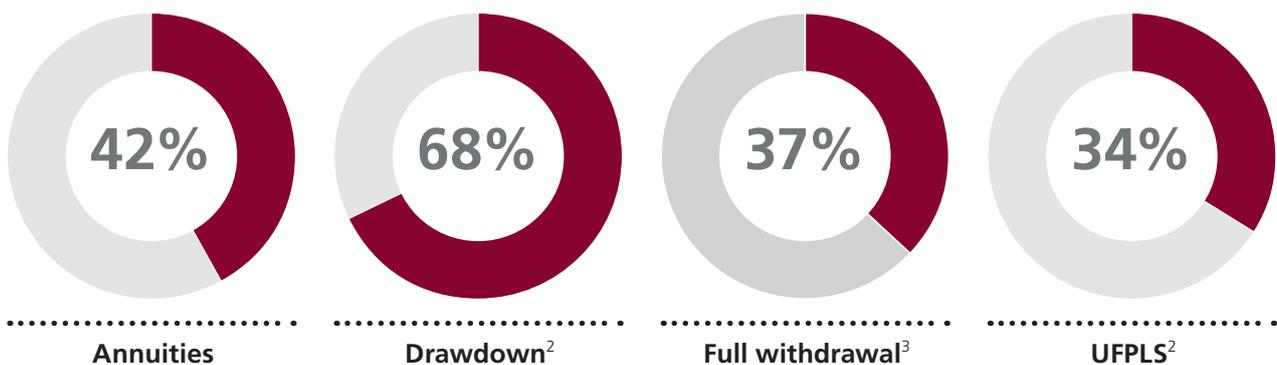
# Retirement income market data October - December 2015

## Use of regulated advisers

The firm survey also collected data on whether a provider has recorded use of a regulated adviser.<sup>1</sup>

Customers' use of regulated advisers differs across each product type and by pension pot size. The highest levels of adviser use were for customers going into drawdown (68%). Across all products and withdrawals, consumers with larger pots were more likely to have used a regulated adviser.

**Percentage of product purchases and withdrawals where provider has recorded use of a regulated adviser (October - December 2015):**



## Pension Wise

We collect some data from firms on customers' use of Pension Wise. Firms complete this on a 'best endeavours' basis, as our rules do not require firms to collect data by age or pot size. Many firms provide estimates based on samples of data.

We use this data at a firm level for our supervisory purposes, but at an aggregated level the data is less valuable due to the different approaches taken to provide estimates.

We have updated the Pension Wise statistics published for July to September 2015 in January 2016, due to revisions in the data and to provide clarity. The headline figure is that we estimate that 20% of customers told firms they used Pension Wise, revised from 17%.<sup>4</sup> This should be taken as indicative, not definitive, due to the estimations that firms need to make. We are considering how best to collect and publish this data in the future.

1. Some providers cannot determine whether customers used advice when accessing their pot and have instead provided data on whether the customer used advice when taking out the original pension.

2. Where pots were not fully withdrawn.

3. Full withdrawals have a different base and includes new and existing customers fully withdrawing in the quarter.

4. We asked about Pension Wise in two separate parts of the July-September data request. Therefore, the figures here do not directly correlate to the more detailed figures in the data tables, which were derived from question responses.