



Regulatory Reform

Protecting policyholders into poverty?

23 November 2023



Introduction



Sarah O'Sullivan

Head of Strategy
and Regulatory
Change



Connar McBain

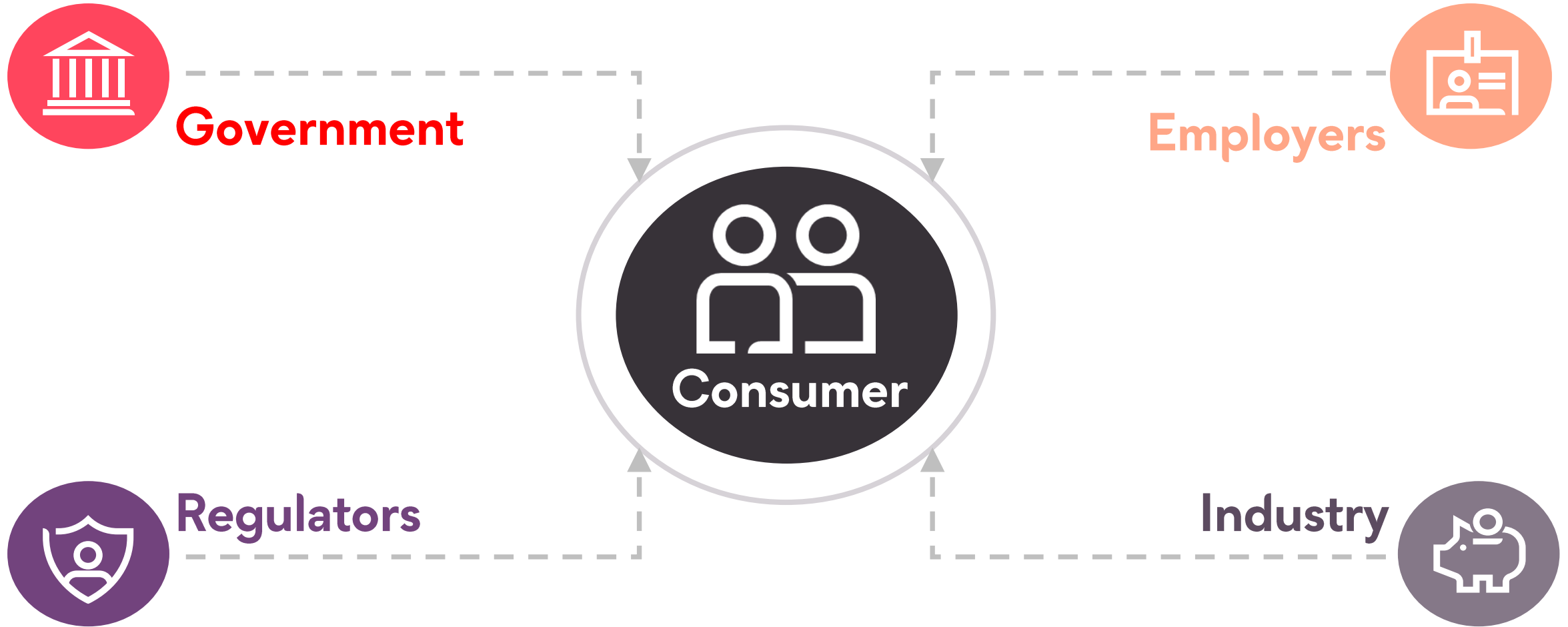
Head of Group
Public Affairs



The nastiest, hardest problem in finance is longevity.. running out of money in retirement

William Sharpe, Nobel Prize-winning economist

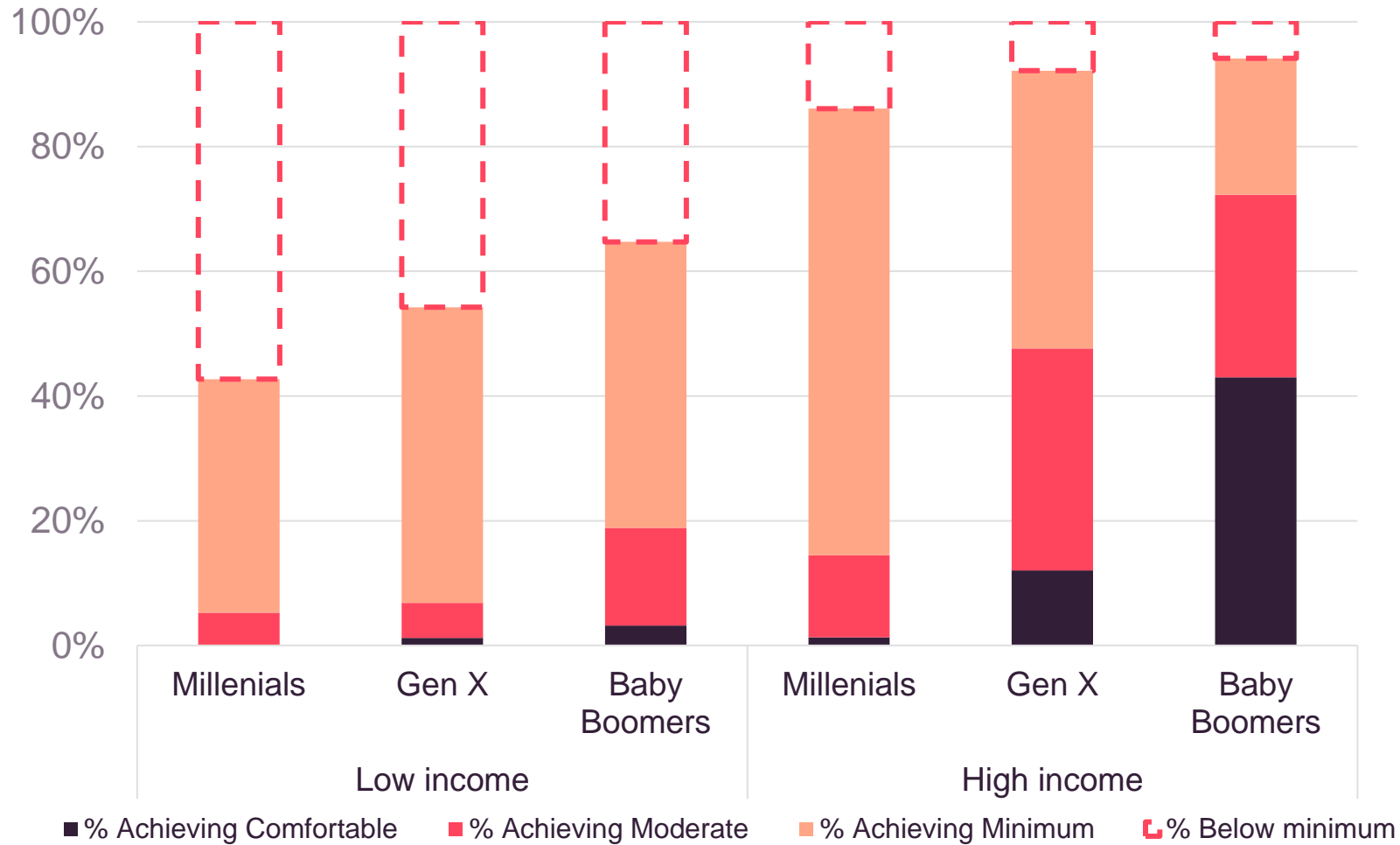
5 Key Actors in the Retirement Economy



For many, retirement outcomes are unlikely to meet expectations



Proportions of workers on track to meet different measures of income requirements in retirement, by current income level and generation

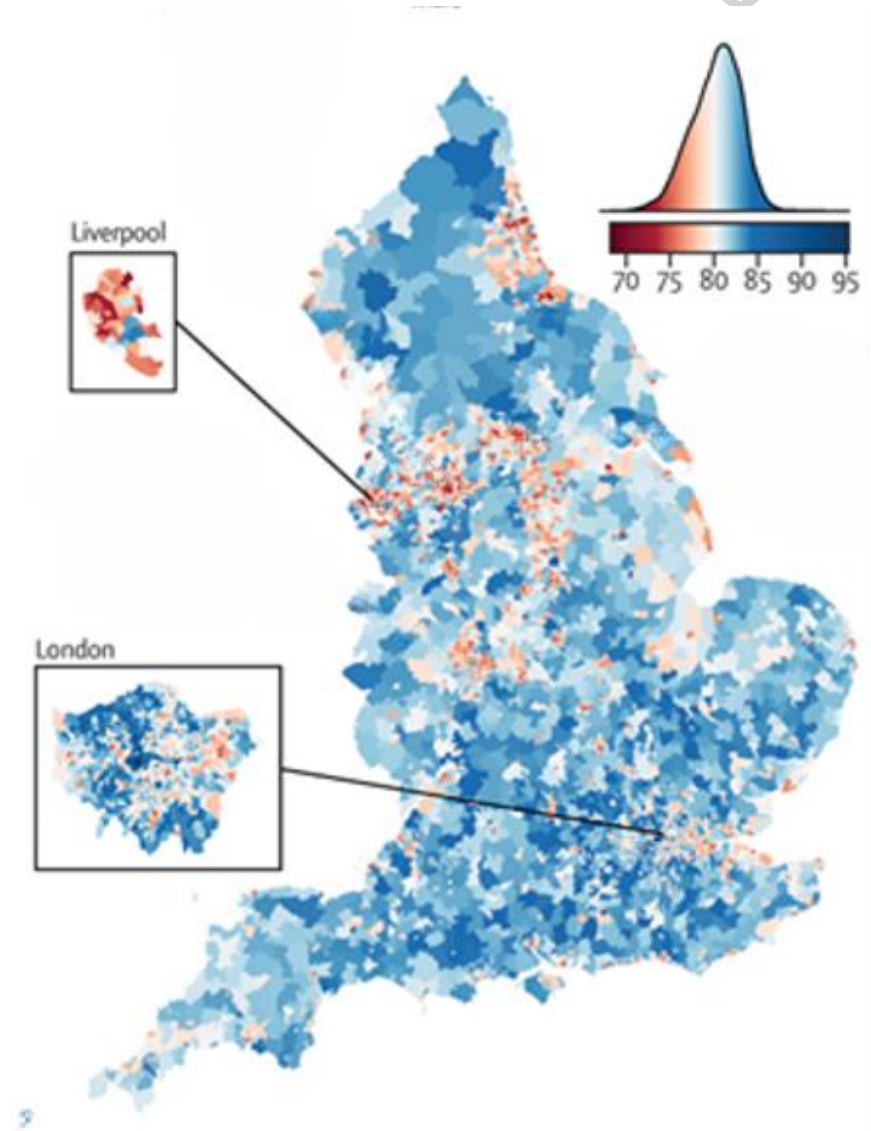


Life expectancy is complex and further challenges retirement planning



 Longevity expectations are not universally increasing

 Location drives significant differences in life expectancy



What actions are being taken to address these changing and challenging circumstances?

The market is shifting towards DC and the UK needs to respond



£5trn

Total UK long-term capital,
the second largest globally

22.6m

Active workplace DC savers,
up from 1m in 2011

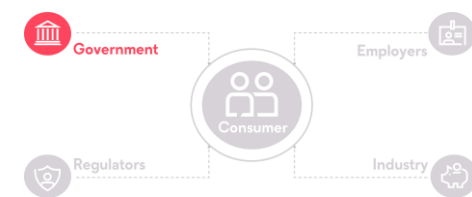
£75bn

Workplace pension
savings per year

33%

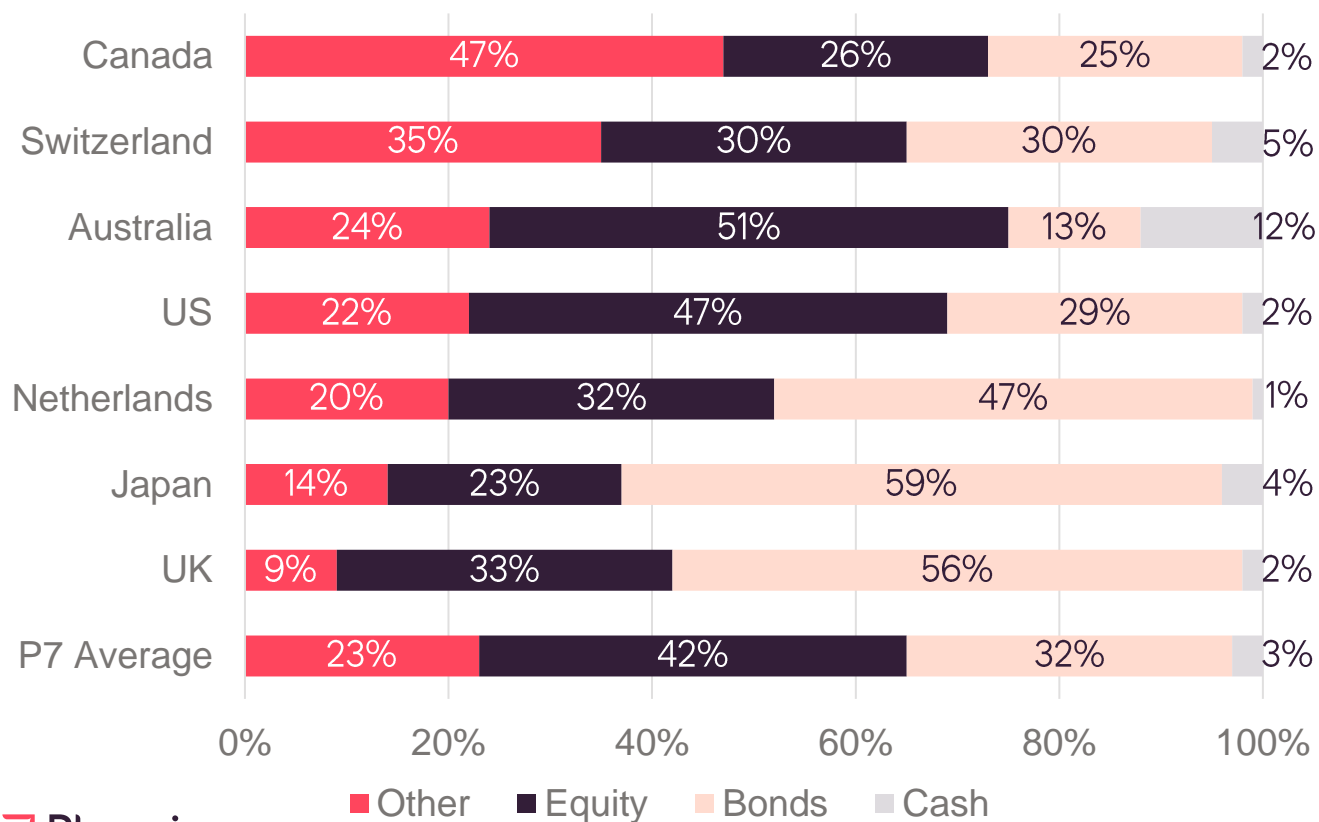
DC market share in 2030,
representing £1trn assets

A dire need for consumers to get a better return on their pension savings

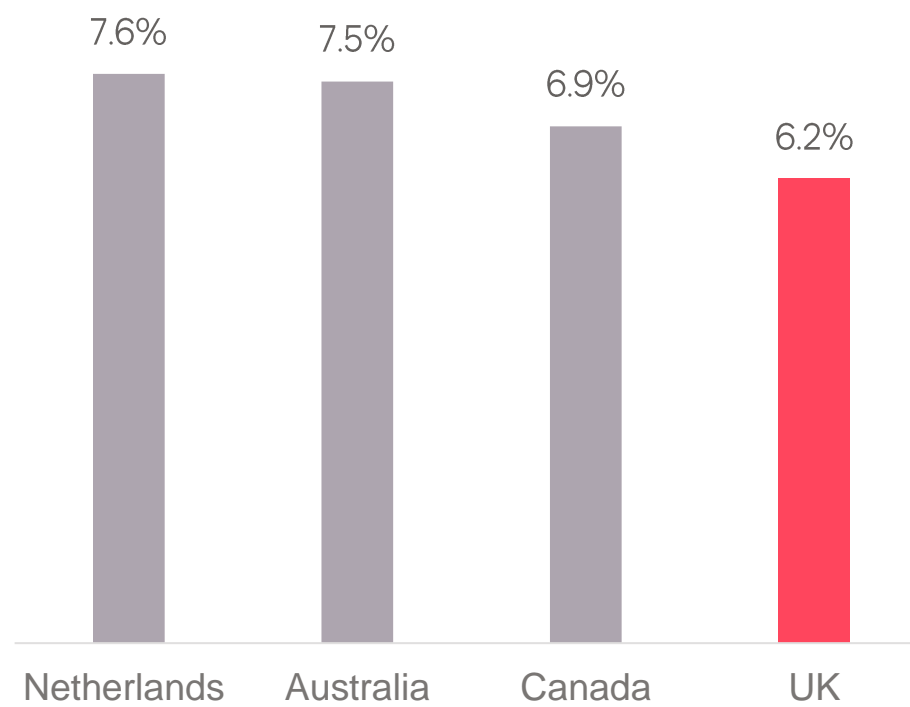


The UK is an outlier in terms of allocation to equities and alternative assets. Investing in line with international counterparts would have the double benefit of increasing returns while supporting the economy if these assets were put into productive investment.

Pension Asset Allocation 2022



10-year Average Pension Fund Performance



Two key objectives:

1. Better customer outcomes
2. More investment in UK assets

Post-Brexit we have seen a huge volume of legislative reform



Government Action: Edinburgh Reforms

**Financial Services and
Markets Act 2023**

Changing regulatory framework

Solvency UK

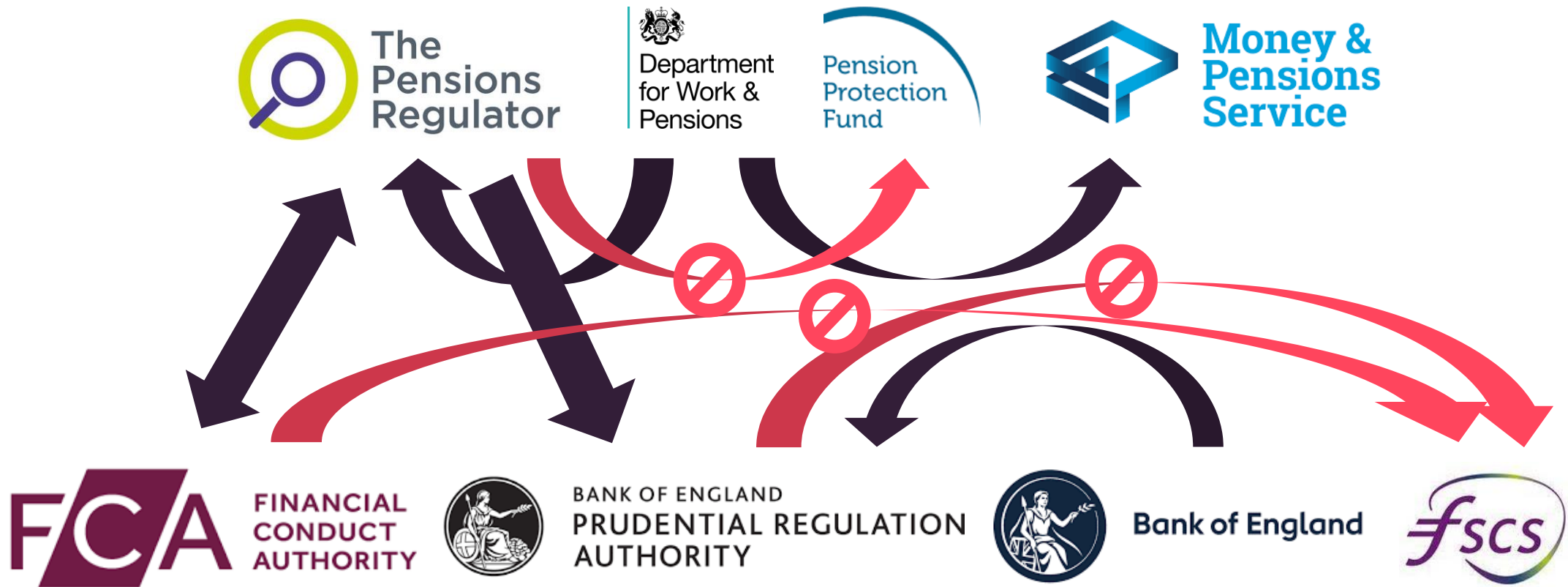
Increase illiquid investment

Mansion House Compact

Increased growth equity

Did the Autumn Statement deliver?

The regulatory landscape for pensions is disparate and complex



Are regulatory objectives protecting policyholders into poverty?



“Many consumers do not seek, or receive, the sort of help with their finances that would equip them to make better investment decisions.”

FCA: Evaluation of the impact of the Retail Distribution Review and the Financial Advice Market Review, Dec 2020

Consumer duty



Helpful customer service



Consumers equipped to make effective decisions



Products and services that are fit for purpose



Products and services that give fair value

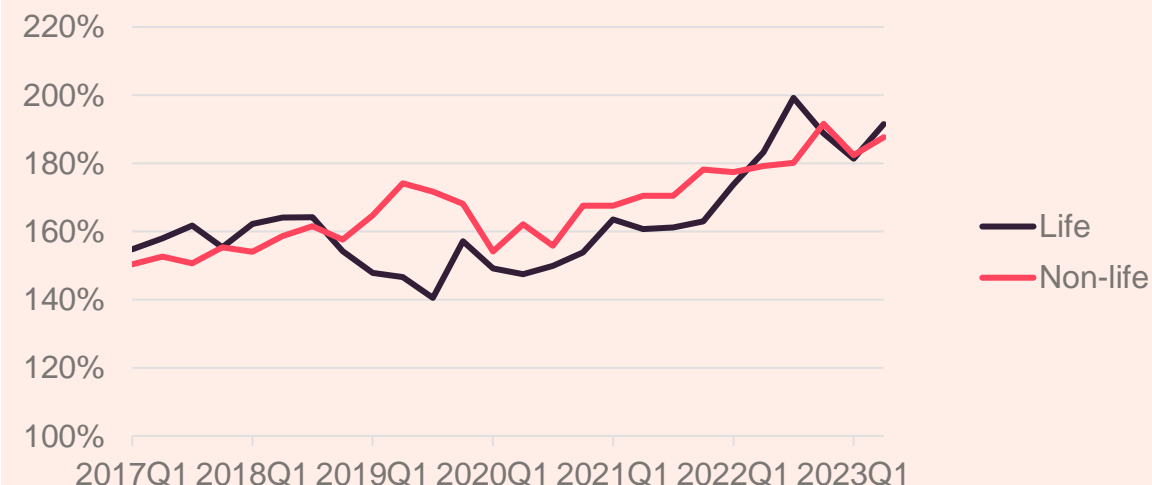


**BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY**

“There is a balance to be struck here: on the one hand, to do its job here in the UK prudential regulation must be robust, global and independent; on the other, it must be proportionate and suitably open to innovation.”

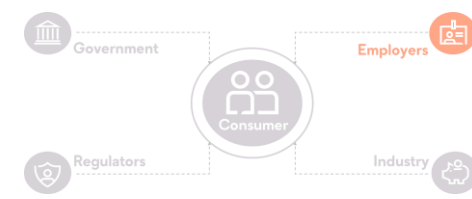
Sam Woods, PRA CEO, Growth and competitiveness speech

SCR Coverage Ratio



Would you rather... [slido.com #3668756](https://slido.com/join/3668756)

Responsibility shifts to consumers, while choice remains with employers



Legislation



Cost



FINANCIAL TIMES myFT

Digital currencies [+ Add to myFT](#)

Defined benefit pensions: not dead yet

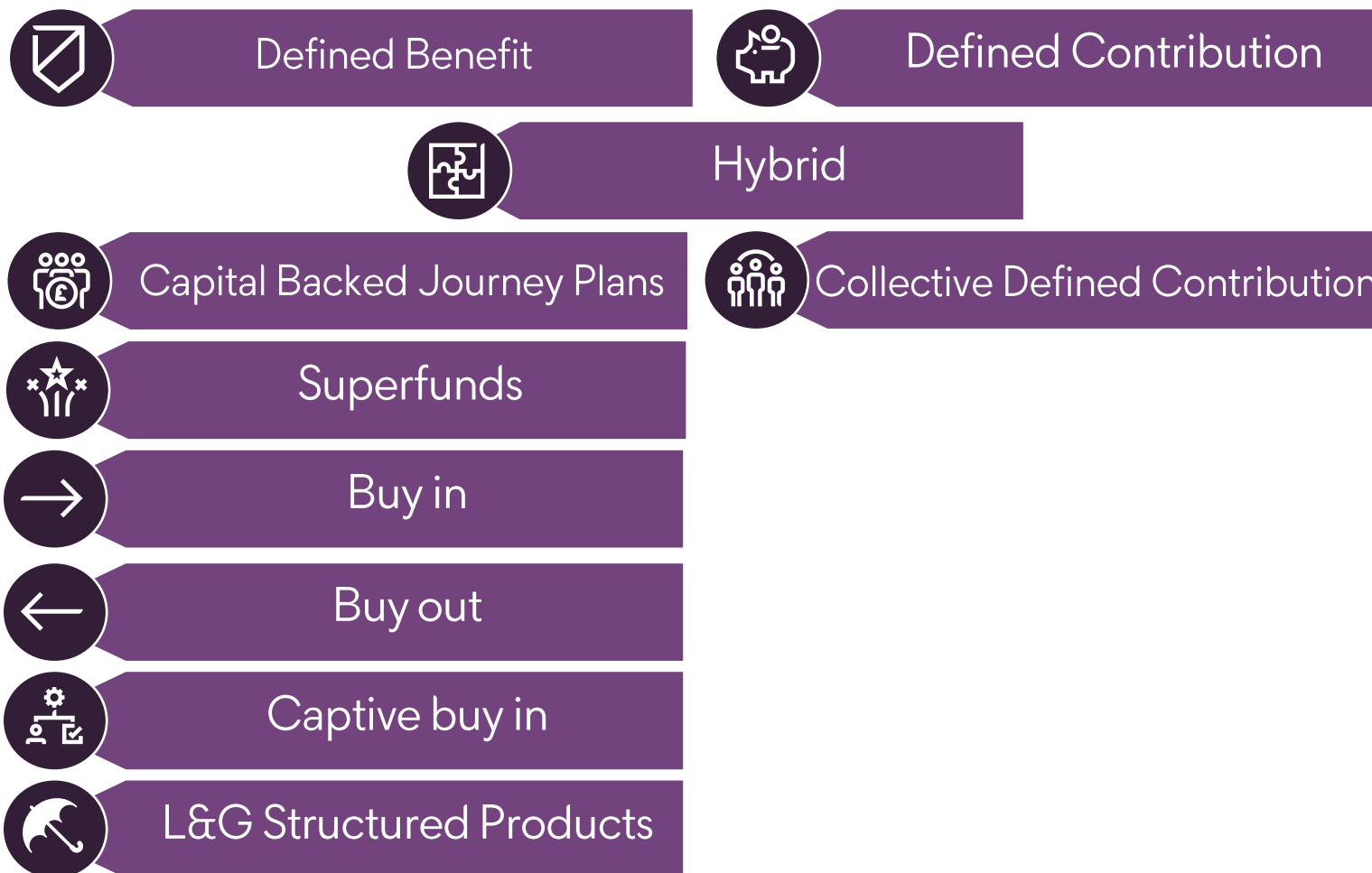
Schemes survive in the private sector and are still going strong for public sector staff

JOHN RALFE [+ Add to myFT](#)

Innovation is lacking with a decline in guaranteed product offering



Pensions



Insurance



Are we protecting policyholders into
poverty?