

# Welcome...

The DC Future Book: in association  
with Columbia Threadneedle  
Investments, *fourth edition*



# Chair's Welcome

Jonathan Stapleton,  
Editor, Professional Pensions and Workplace  
Savings & Benefits

# Event Sponsor's Welcome

Chris Wagstaff,  
Head of Pensions and Investment Education,  
Columbia Threadneedle Investments

# Research Findings

Daniela Silcock,  
Head of Policy Research,  
Pensions Policy Institute (PPI)

# We'd like to thank...



**Columbia Threadneedle Investments**  
for sponsoring this report



# Agenda

- What is The Future Book?
- Automatic enrolment update
- Trends in access to savings
- Future pensioner consumption
- Questions for the future



# What is The Future Book?

The Future Book is:

- An annual publication
- A response to shifts in pensions world
- A compendium of DC statistics
- A projection of future trends
- A longitudinal study
- A reference document
- A source for debate, discussion, analysis and planning



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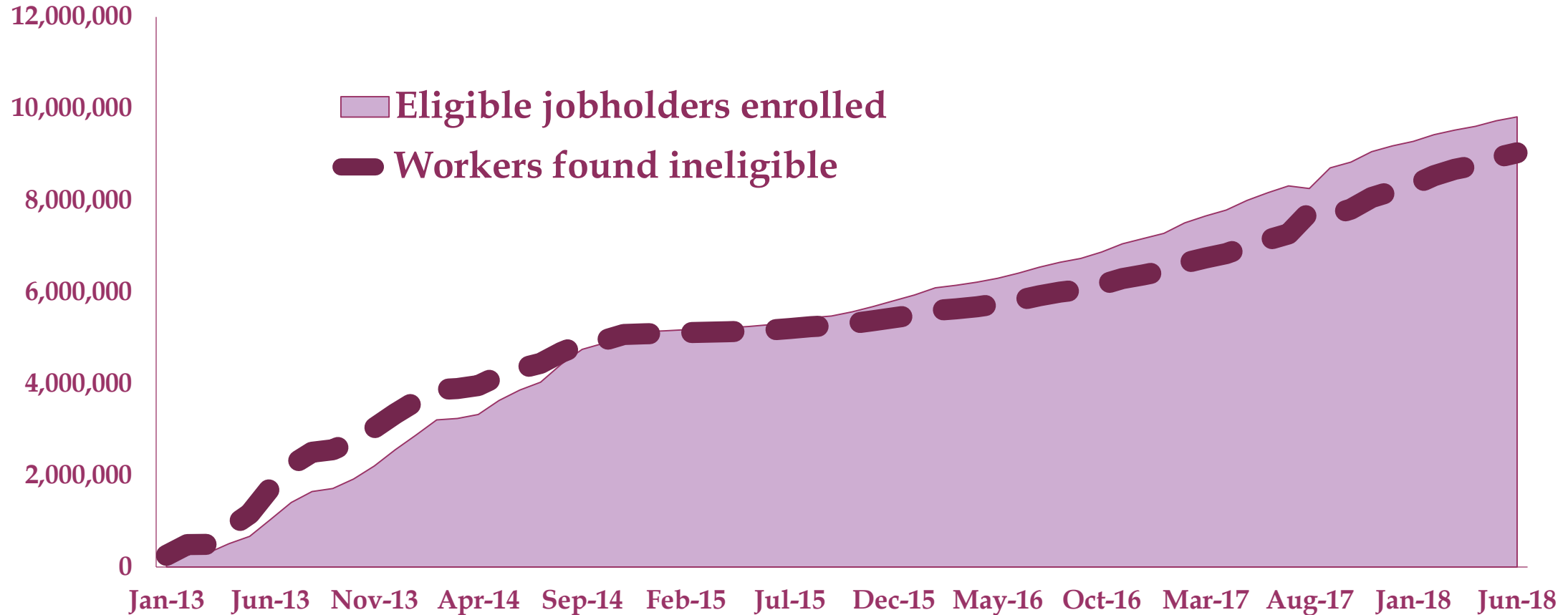
# The automatic enrolment staging process is now complete

- All complying employers have automatically enrolled eligible employees and are enrolling new employees
- By June 2018:
  - 9.8 million auto-enrolled
  - 563,000 re-enrolled
  - 9 million found ineligible
  - 1.3m employers have auto-enrolled
  - 13% of employers in receipt of a penalty notice (up from 3% in 2014)



# 9.8 million employees were automatically enrolled and 9 million were found ineligible by June 2018

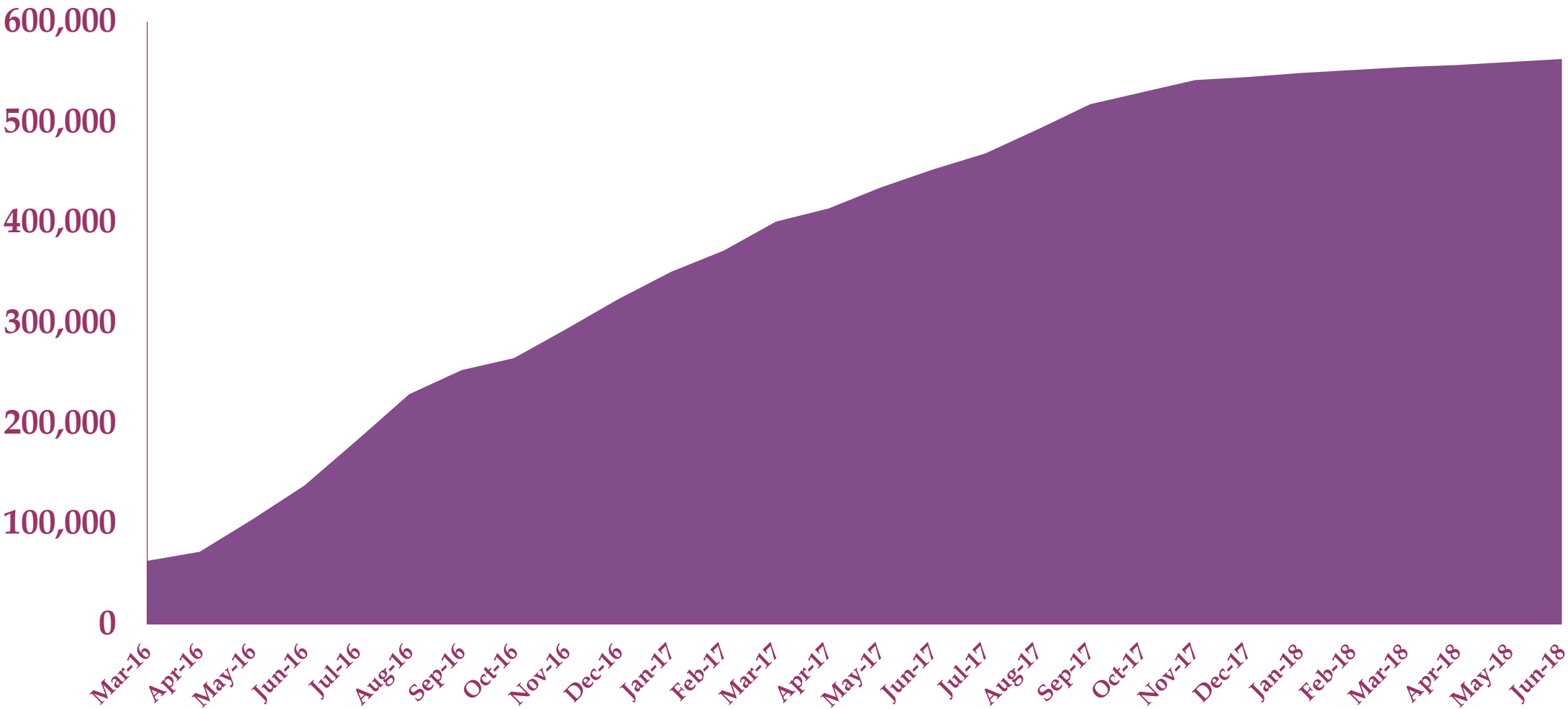
Cumulative numbers of workers automatically enrolled and workers found ineligible (since January 2013) by month



# 563,000 employees had been automatically re-enrolled by June 2018

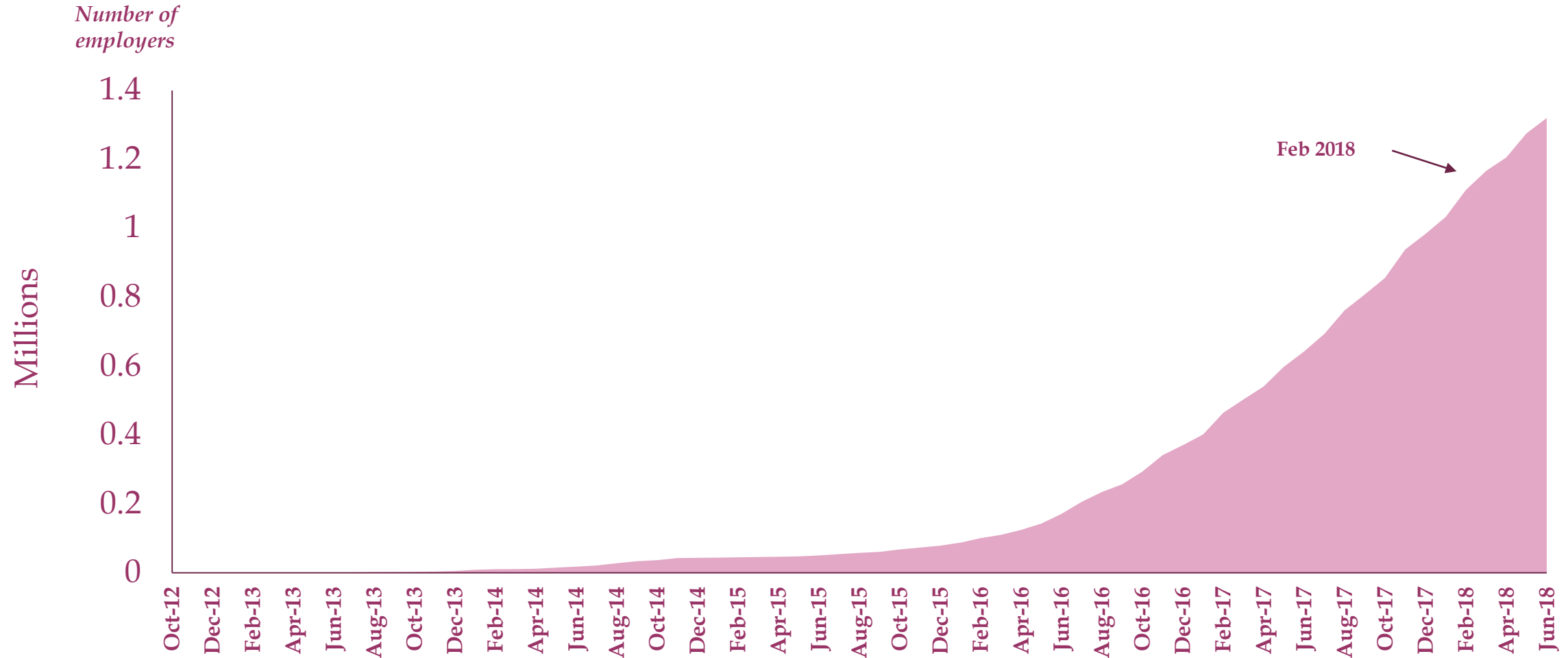


Cumulative numbers of eligible jobholders automatically re-enrolled (since March 2016) by month



# 1.1 million employers automatically enrolled by the end of the staging process and 1.3 million by June 2018

Employers who completed automatic enrolment declarations of compliance by June 2018 (cumulative)



# What's next for DC workplace schemes?

- Opt outs are 9% in 2016/17: will they change?
- Adequacy: rises to contribution levels?
- Changes to regulation: contributions earnings band and qualifying age?
- A focus on investment strategies and access to savings: not whether people save but “how” they save?
- Charges and transparency: are we moving towards fully transparent charging structures?
- ESG: what role will ESG play in default strategies in the future?



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# Comprehensive data is becoming less easy to find

- Many sources: FCA, ABI, Hargreaves Lansdown, each covering different parts of the market.
- There is a need for comprehensive data.
- Other useful data:
  - breakdowns on fund size used for different options; and
  - how people use savings once accessed.



# Behaviour is continuing to change

In 2017:

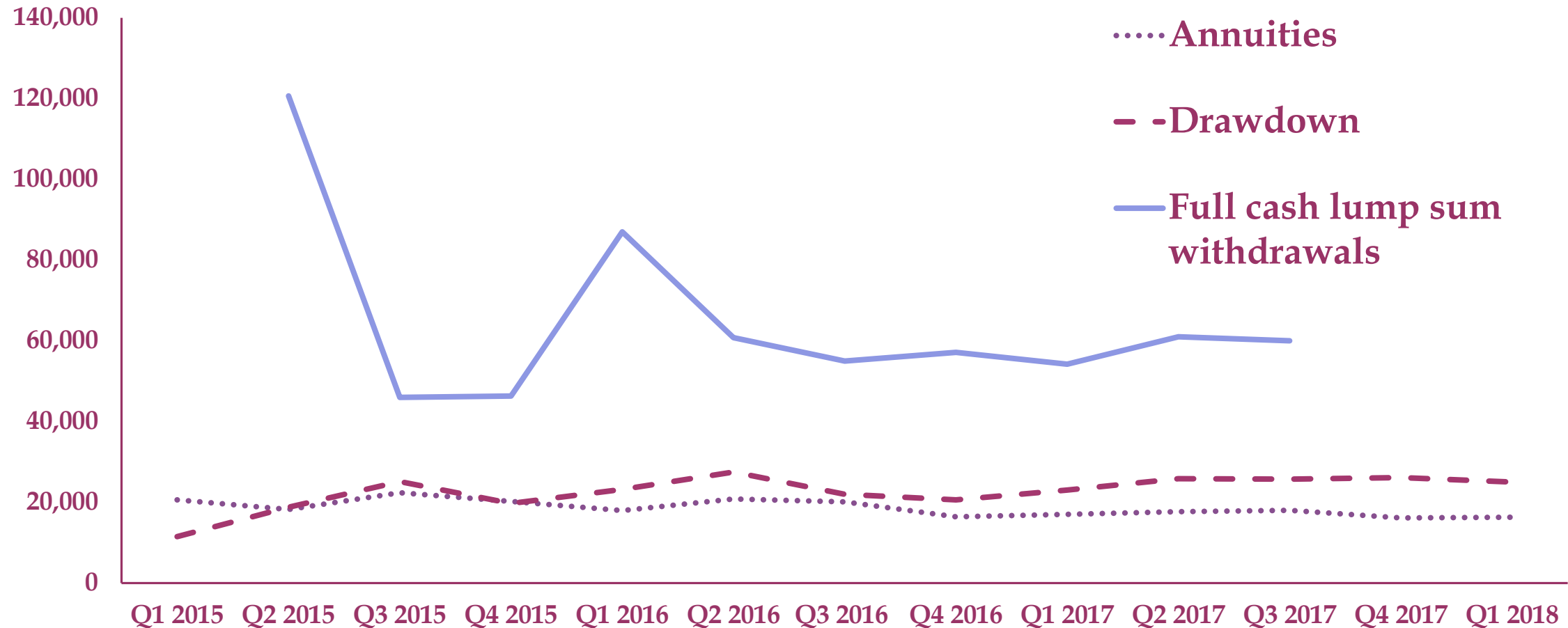
- Around 64,000 annuities and around 100,000 drawdown contracts were bought
- Around 240,000 full lump sum withdrawals
- The use of independent and restricted advice as a proportion of drawdown sales increased from 2016 by 6%





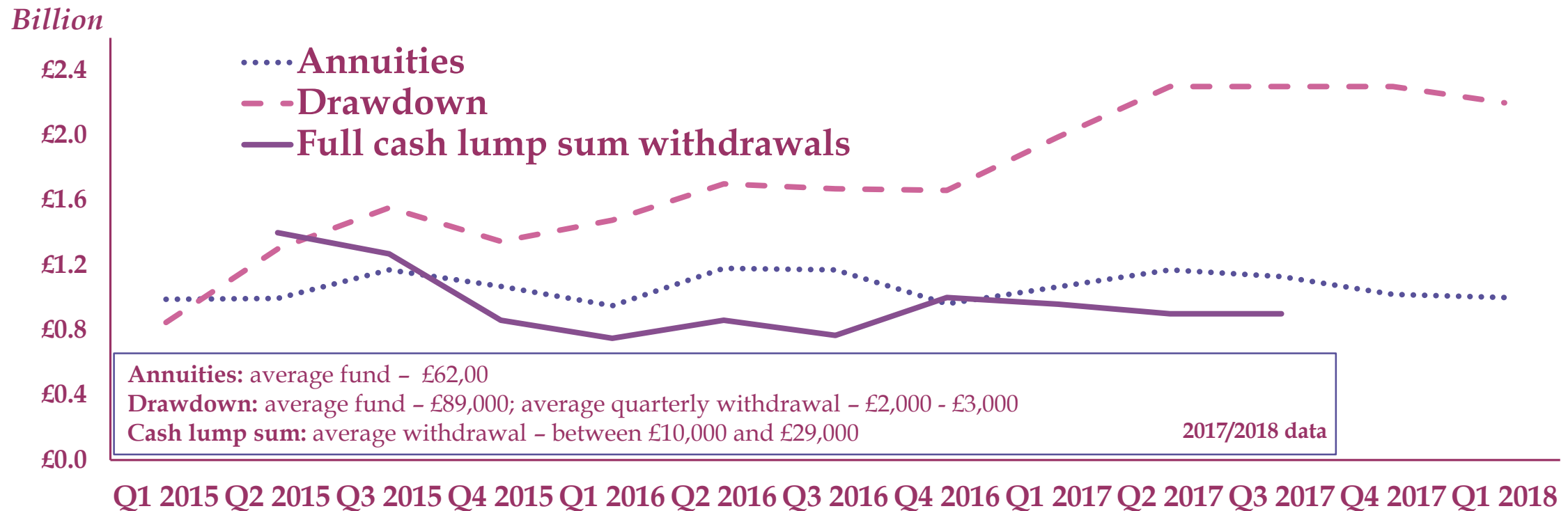
# More people are withdrawing money through cash lump sums than through drawdown or annuity products

Numbers of drawdown and annuity purchases and full cash lump sum withdrawals by quarter, ABI members



# People are spending more money on drawdown products than on annuities or lump sum withdrawals

Value of retirement income products and full cash lump sum withdrawals by quarter (billions), ABI members



Source: ABI stats



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# The use of advice for drawdown increased between 2016 and 2017

New annuity and drawdown contracts sold, 2014-2017, ABI members

	Independent advice	Restricted advice	No advice
2014 Annuities	22%	7%	70%
2015 Annuities	20%	6%	74%
2016 Annuities	22%	4%	74%
2017 Annuities	23%	1%	76%
2014 Drawdown	81%	10%	9%
2015 Drawdown	69%	16%	15%
2016 Drawdown	51%	17%	32%
2017 Drawdown	55%	19%	26%



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# Average pensioner incomes will fall over the next few decades

- Average pensioner incomes will fall due to the decline in DB and the abolition of the facility to accrue entitlement to additional State Pension
- Incomes should rise again by around 2050 due to DC accumulation via automatic enrolment
- Abolition of the triple lock will delay the rise



# Average pensioner incomes will fall over the next few decades

Median pensions savings and proportion with any pension savings for different cohorts when they reach ages 75 to 84 in 2018 earnings terms

Cohort	Median pensions wealth at ages 75-84	Proportion with any pensions wealth at ages 75-84
Age 55 to 64 in 2018	£71,000	77.8%
Age 65 to 74 in 2018	£76,000	72.7%
Age 75 to 84 in 2018	£85,000	70.8%

Median housing wealth and proportion with any housing wealth for different cohorts when they reach ages 75 to 84 in 2018 earnings terms

Cohort	Median housing wealth at ages 75-84	Proportion with any housing wealth at ages 75-84
Age 55 to 64 in 2018	£139,000	79%
Age 65 to 74 in 2018	£154,000	81%
Age 75 to 84 in 2018	£151,000	79%



# Consumption patterns will change

- Some future pensioners may need to spend a higher proportion of their income due to providing more care and financial support and being more likely to rent in retirement.
- Pension freedoms may help people to meet consumption needs which vary during retirement.
- People may struggle to know how to meet increasingly complex retirement needs. Some might benefit from using secure products, such as annuities, advice and support and/or pre-designed retirement pathways.



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# Questions for the future

- How will those saving in DC schemes be supported during the saving and access phases to achieve positive outcomes?
- What does Government and industry need to do to ensure this happens?



# Panel Discussion

Followed by Q&A



Jane Vass  
*Age UK*



Gregg  
McClymont  
*B&CE*



Jonathan  
Stapleton  
CHAIR



Chris Wagstaff  
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Pritheeva  
Rasaratnam  
*FCA*



Daniela Silcock  
*PPI*

## Chatham House Rule Applies

# Final Comments

Chatham House Rule Applies

# Thank you for joining us...

## Please stay and join us for drinks and networking



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