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Re: Review of the annual personal pension statements

Dear

The Central Bank of Ireland (the 'Central Bank') recently carried out a review of the new format annual statement as required by Provision 6.16 of the Consumer Protection Code 2012 (the 'Code') by ten life assurance firms, which covered the vast majority of the life assurance market in Ireland. At the same time, the Central Bank conducted focus groups whereby consumers were asked to review a sample of the annual statements issued by firms under this provision and provide feedback, insight and commentary on the statement contents.

The purpose of this letter is to provide you with feedback in relation to the review and findings from the focus groups to outline areas for improvement. We expect that each firm will consider the issues set out below and their relevance to your communications with your personal pension plan and other investment consumers.

As part of this review, the Central Bank sought to ascertain whether life assurance firms had implemented and are complying with Provision 6.16 of the Code as regards the production of annual statements for personal pension products. Firms were required to complete a Central Bank questionnaire and provide a sample suite of new format statements. The sample suite of new format statements contributed to the focus group element of the themed inspection whereby the Central Bank sought the views of consumers to identify best practice across firms in seeking to bridge the information gap for consumers with regard to their personal pension plan. Consumers were asked to review the new format statements and provide feedback, insight and commentary on the following issues:



- The presentation of charges within the statement;
- The identification of any issues (texts and visuals) within the statement that they considered overtly hindered, or conversely, significantly contributed to their understanding of the position of the personal pension plan;
- Steps which the statement designers/firms could take to address the challenges that consumers face in interpreting the information within the statement; and
- Any other information that the consumer considers should be included in the annual statement.

The findings on Code compliance:

1. The Central Bank is encouraged to find that, in the main, firms were compliant with Provision 6.16 of the Code as regards the production and issuance of new format statements for personal pension products.
2. Some firms do not have valid addresses for all policies and as such new format statements have failed to issue. The Central Bank expects in these circumstances that all efforts will be made to make contact with these consumers. Updates provided to consumers on their pension savings are key to allowing consumers to evaluate their current status and future saving strategy in order to meet their retirement goals and as such appropriate efforts must be made by firms to ensure all their personal pension policyholders have access to the important information in the annual statement.
3. There were some examples where firms are failing to produce new format statements for pre-2001 policies and where this has been identified firms have been informed that the Central Bank's expectation is that new format statements should now be issuing to all personal pension policies regardless of whether they relate to pre-2001 or post-2001 policies. The Central Bank is aware of the practical difficulties faced by some firms when moving immediately to compliance with the new disclosure regime in 2012, and acknowledged this at the time. However ample time has since expired since this temporary allowance was provided and the Central Bank expects that all firms should now be fully compliant with Provision 6.16 of the Code, in respect of all personal pension plans. Where issues with individual firms have been identified, these will be addressed in separate correspondence with the relevant firms.



4. The Central Bank noted a small number of issues around the issuing of annual statements to post 2001 policyholders. The Central Bank is following up directly with the relevant firms.

Findings from Consumer Focus Groups:

The Central Bank considers it is important to inform firms of the findings from the focus group element of this review. Clear consumer preferences with regard to the presentation and content of the annual statement have been identified as a consequence of engaging consumers and seeking their views. The efforts of those firms that achieved a higher consumer score / greater positive feedback from consumers are worth highlighting. The following represents findings for firms to consider and have arisen directly from the consumer engagement element of this inspection. The Central Bank encourages firms to adopt these findings, where possible, to ensure that their statements are meaningful to consumers.

1. Plain English and clear distinct headings

It is notable that all the firms whose statements received a higher score from the consumer focus groups engaged some level of “plain English” expertise and sought to present the information in their statements under clear distinct headed tables. Firms are encouraged to engage “plain English” expertise to review their efforts with regard to their annual statements.

2. A simple projected retirement income expressed as a monetary value

The provision of an expected retirement income on the annual statement was consistently identified by consumers as a key piece of information. As such we recommend that firms should work towards providing this information on their annual pension statement. Some firms are already providing these projections.

3. Details of the fund type and investment location

Consumers expressed a desire for the type of fund to be clearly highlighted on the statement including the location of the investments. One firm provided clear details of the different funds that the consumer’s policy was invested in, including the percentage breakdown of the investments under a separate heading titled “Investment Details”. The statement also included details of any fund switches that the consumer had made since the commencement of their policy. Consumers asked if the statement



could present a measure of how the performances of individual funds have contributed to the overall performance of the fund.

4. Historical information on the performance of the policy

Consumers expressed a strong desire for the provision of historical information on their policy. One firm's statement for example provided numerical information in the context of a full life policy and therefore provided the consumer with a good overall picture of their policy from inception.

5. Highlight contribution irregularities on the annual statement

In an environment of reduced retirement consumers felt that contribution gaps for the previous 12 months should be highlighted on the annual statement as opposed to current practice which appears to involve issuing these notifications as separate communications. Consumers indicated that gaps in contribution history are important and should, where possible, be outlined within the statement.

6. Provide a link to a pension calculator

A pension calculator is a powerful tool that encourages active member engagement and improves awareness of the connections between contributions and retirement income. An outcome from the consumer focus groups was that a pension calculator would be a beneficial tool. As such firms should take the opportunity, where they have developed their own pension calculator, to highlight the availability of this tool within the annual statement. Where firms have not developed their own pension calculator, consumers could be referred to the Pension Board's calculator. An explanation could be included on the annual statement informing consumers of the importance of availing of the pension calculator to ensure that consumers can quantify whether they have enough money for when they retire and get an indication of their individual pension gap.

7. The level of risk associated with the plan portfolio

The annual statements do not indicate the level of risk associated with the plan portfolio or its component funds. This was referred to by consumers as a key piece of information for inclusion in the annual statement.



8. Charges

A key piece of feedback from the focus group was for the charges to be broken down into a € value in the annual statement and for all fees and charges to be provided in one location with a monetary total. Firms reviewed provided an aggregate figure for charges in cash terms. However some firms have highlighted that fund management charges are not explicitly included in the presentation of charges on their statements. The majority of the firms have presented policy related charges in cash terms and fund management charges in percentage terms.

9. Indicate whether the consumer is eligible for the state pension

One particular firm's statement received positive feedback on the grounds that the statement outlined the consumer's eligibility for the state pension. It is recommended that the annual statement issued to consumers should encourage consumers to consider all relevant information regarding their retirement income.

Please note that the Central Bank has no proposals at this time to amend Provision 6.16 of the Code. However by bringing forward the above findings the Central Bank is seeking to encourage firms to further enhance their communications to their consumers and assist consumers to overcome the barriers to processing pension information. The Central Bank will also be sharing these findings with other governmental bodies who have a responsibility for pensions and pension provision.

Should you have any queries in relation to the contents of this letter, please contact Joe Morley at cpinsurance@centralbank.ie

Yours sincerely

A handwritten signature in black ink, appearing to read 'Mick Stewart'.

Mick Stewart
Deputy Head
Consumer Protection
Banking, Insurance, Investments and Policy