



**Information Release**

**28 May 2014**

**Central Bank publishes findings of review of annual personal pension statements**

The Central Bank of Ireland today (28 May 2014) reported on the outcome of its review into the provision of annual statements by life assurance firms. The [Consumer Protection Code 2012](#) (the Code) requires regulated entities to provide consumers with an annual statement outlining the position of their investment product. The purpose of the review was to establish how life assurance firms are complying with this requirement for personal pension products.

Director of Consumer Protection, Bernard Sheridan said: "Overall, the Central Bank found that the vast majority of firms were in compliance with the requirements of the Code. Consumers need to receive clear and meaningful pension information to ensure that their personal pension savings plans are on track to meet their retirement goals. Pension and retirement saving plans are some of the least understood financial products and the provision of annual statements support more informed decision making. Firms need to ensure that they are disclosing information in a way that informs the consumer."

The review covered the 10 largest life assurance firms and examined if they had provided the required information to consumers. Overall, the Central Bank found that the vast majority of firms were in compliance with the requirements of the Code. However the Central Bank identified a small number of examples of firms failing to produce new format statements for pension policies. Where this was identified firms were required to submit implementation timelines for full compliance and commit to ensuring that all personal pension plan consumers, regardless of when the policy was sold, would receive a new format annual statement. Some firms do not have valid addresses for a very small numbers of policies and as such new format statements have failed to issue to all

consumers. Firms have been instructed to make every effort to make contact with these consumers.

The Code requires firms to provide consumers with clear information on their personal pensions on an annual basis. This helps consumers understand how much they have saved and helps them plan for the future. It is important that consumers check these statements and to raise any queries directly with the firm.

The Central Bank also asked consumers, via focus groups, to identify what was working well in terms of disclosure and where improvements to the annual statements could be made. The Central Bank expects that firms will incorporate these findings when communicating with consumers.

Consumers in the focus groups said that the following would be of benefit:

1. The use of "Plain English" and clear distinct headings in the presentation of the statement.
2. Details of the projected retirement income expressed as a monetary value, with information on what they could expect to get from their pension product when they retired.
3. Information on the investment funds, including risk and 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".
4. Historical information on the performance of the policy.. One firm's statement provided numerical information across the full duration of the pension policy and therefore provided the consumer with a good overall picture of their policy from inception.
5. A link to a pension calculator so consumers can see whether they will have enough money built up in their fund for when they retire. A pension calculator helps you estimate the contributions you should be paying into your pension in order to maintain your living standards and it helps you to understand what is required to provide your target pension.

6. A key consumer requirement was for the charges to be broken down into a euro value in the annual statement and for all fees and charges to be provided in one location with a monetary total.

A copy of the letter issued to the life assurance industry is available on our website [here](#)

**Further information:** Press Office (01) 224 6299, [press@centralbank.ie](mailto:press@centralbank.ie)

**ENDS**

### **Notes to Editors**

Section 6.16 of the [Consumer Protection Code 2012](#) provides that:

For each investment product held with it, a regulated entity must, at least annually, provide to a consumer a statement in respect of the previous 12 month period, which includes, where applicable:

- a) the opening balance or value;
- b) all additions including additional amounts invested;
- c) all withdrawals;
- d) the total sum invested;
- e) the number of units held;
- f) all interest;
- g) all charges and deductions affecting the investment product including any charges associated with the management, sale, set up and ongoing administration of the investment product; and
- h) the closing balance or statement of the value of the investment.

### **About the review**

This review consisted of a detailed desk based analysis of completed questionnaires from 10 life assurance firms. The Central Bank designed a questionnaire for issue to the selected firms that could be used to measure firms' efforts as regards the implementation of Provision 6.16 with reference to firms' personal pension plan products. Firms were requested to complete the

questionnaire and submit it to the Central Bank with accompanying documentation. The accompanying documentation included samples of the new format annual statement that firms were issuing to their personal pension plan consumers. Following this meetings were held with firms included in the inspection. The Central Bank considered it necessary to further support the work it was completing in analysing and reviewing the completed questionnaires and sample statements. As such the Central Bank conducted consumer focus groups.

### **About the consumer focus groups**

In total 46 participants, in six focus groups, took part in the qualitative research. Consumers, who hold personal pension policies, were requested to review a sample of the new format annual statement issued by the 10 life assurance firms which contributed to the review and provide feedback, insight and commentary on such items as:

- The presentation and content of the annual statement and whether it communicates key pension information in a clear and concise manner;
- The presentation of charges within the Statement;
- The identification of any issues (texts and visuals) within the Statement that they consider overtly hinder, or conversely, significantly contribute to their understanding of the position of the personal pension plan;
- Steps which the firms could take to address the challenges that consumers face in interpreting the information within the statement; and
- Any other information that the consumer considered should be included in the annual statement.

### **About the Consumer Protection Code**

- The [Consumer Protection Code 2012](#) is imposed under Section 117 of the Central Bank Act, 1989. This revised Code was published on 19 October 2011 and came into effect on 1 January 2012. The revised Code builds on the protections of the previous version, and includes more detailed requirements in many areas.

- Contraventions of the Code may be subject to the imposition of administrative sanctions.

### **About Personal Pension Plans**

Personal Pensions Plans are also known as retirement annuity contracts. A personal pension is a particular type of insurance contract approved by the Revenue Commissioners. The value of the ultimate benefits depends on the amount of contributions paid, the investment return achieved less any fees and charges. Personal Pensions can be obtained directly from life assurance companies, and through financial advisers.