

## CONSUMER ASSOCIATION CALLS FOR PRSA EXPERT GROUP

The Consumer Association of Ireland has called for the government to set up an expert group made up of members of industry, economics and actuarial professions to tackle the low take-up rate of PRSAs and to bridge the pensions gap. The CAI claims that the most recent report from the Pensions Board on the sale of 26,899 PRSAs "does not properly inform the public that much of the sales were substitute sales for personal pensions. Personal pensions largely taken up by the self-employed accounted for 83,111 in 2002 and the combined sales for personal pensions and PRSAs in 2003 were less at 81,201."

According to the CAI, which commissioned analysis of PRSA sales from the consulting actuary Tony Gilhawley of Technical Guidance, the 12,264 PRSAs sold through employer deduction schemes "is a more accurate

measure of the net increase in the market, (and may be even less given the normal exponential increase in AVCs which have now been substituted by PRSAs). Substitute selling is also evident from the fact that the large bank assurance sales forces have completely switched to selling PRSAs instead of personal pensions."

Meanwhile, a recent Bank of Ireland Life survey on consumer understanding of PRSAs found that

- \* 32% of respondents had not given thought to what their main source of income in retirement is likely to be.
- \* 30% said they are likely to rely on the state pension as their main source of retirement income (although the majority believe that, at just EUR167.30 per week, it will not be enough for them to retire on).
- \* 27% believe they will have saved

enough to provide a comfortable retirement.

- \* 22% believed they were too young to worry about starting a pension plan now.
- \* Of those who have a pension savings plan in place, many are in professional sectors while participation levels across broader economic sectors are not high enough.

Bank of Ireland conclude that misconceptions around pension products and complex requirements in selling PRSAs are key contributors to this problem. Bank of Ireland Life suggests that less cumbersome requirements around the PRSA sales process and greater awareness of the need to plan for retirement would be major steps in the right direction.