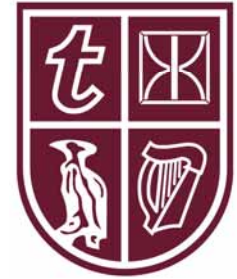


# Society of Actuaries in Ireland

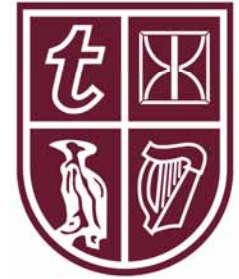


## **Transfers from Occupational Pension Schemes to PRSAs**

Certificates of Comparison and Written Statements

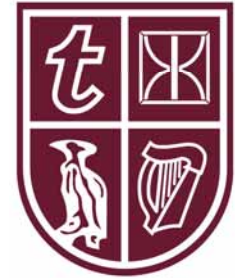
Jim Murphy  
PRSA Forum  
Alexander Hotel, 26 April 2010

# Agenda



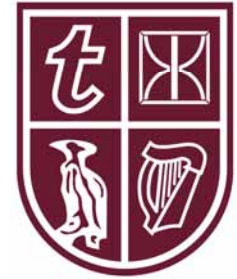
- **Background**
- Legislative & Professional Framework
- Issues for PRSA Actuary
- Other Issues

# Background



- PRSAs launched in 2002
- Little transfer activity from Occupational Pension Schemes (OPS) since then, other than on wind up, partly due to
  - Costs of preparing Certificates of Comparison and Written Statements
  - Professional indemnity insurance requirements
- More recently, there has been increased interest in transfers
  - Mainly at medium to higher end of the market
  - Access to ARF option a common reason

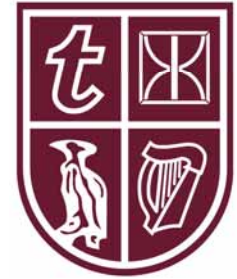
# Agenda



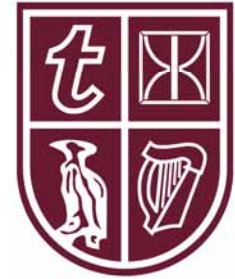
- Background
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# Key References

- Section 113 of Pensions Act 1990 (as amended)
- PRSA (Disclosure) Regulations, 2002 (as amended)
- ASP PRSA-5

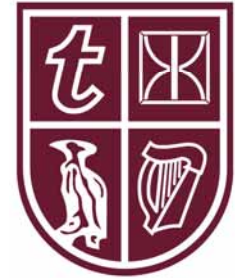


# Section 113



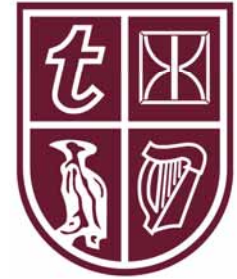
- *“A PRSA Provider shall not accept the transfer of funds from a scheme to a PRSA unless it has previously ensured that there has been furnished by it, or an intermediary on its behalf, to the [member of the scheme] –
  - A [certificate of comparison]
  - A written statement of the reasons why such a transfer is or is not in the interests of the [member]”*
- Trustees of the scheme must furnish a statement of benefits that may accrue from the scheme on request by the member or PRSA Provider

# Section 113 continued



- Excludes from scope:
  - Where a scheme is wound up and proceeds t/f to a PRSA
  - Transfers of < €10,000
  - Where transfer represents a return of contributions , or the value of accrued benefits, to a member who has less than two years service .... and no preserved benefit

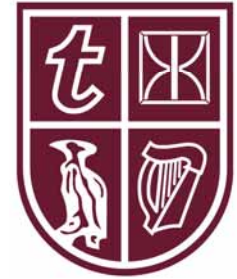
# Disclosure Regulations



- Prescribes the form and content of
  - Certificate of comparison (CoC) and
  - Written statement (WS)
- Stipulates that both should be prepared in accordance with
  - The advice of the PRSA Actuary
  - Any guidance issued by the Society of Actuaries for that purpose

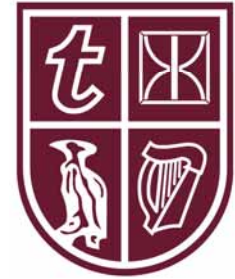


# Disclosure Regulations continued



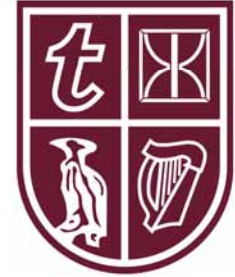
- Statement of scheme benefits from Trustees should be prepared in accordance with
  - The advice of the scheme Actuary in the case of a DB scheme
  - Any guidance issued by the Society of Actuaries for that purpose
- PI of €1m per claim required by person preparing CoC or WS

# ASP PRSA-5



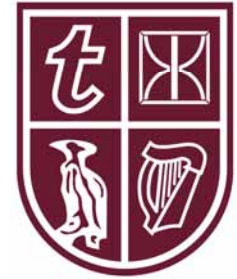
- Applies to
  - Any actuary called upon to prepare or advise on the preparation of a CoC or WS
  - Any actuary advising the trustees of a DB scheme on providing a statement of benefits
- Overarching *fair, clear and not misleading* objective prevails
- Basis for calculations
  - Assumptions for scheme and PRSA must be consistent
  - Similar principles to ASP PRSA-2, which is also referenced

# ASP PRSA-5 continued



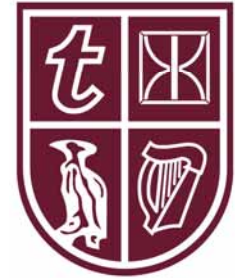
- Sets out specific requirements for
  - Benefits statement
  - CoC
  - WS
- In relation to WS
  - It is not a requirement to recommend a particular course of action
  - WS must give due weight to the factors, which in the opinion of the actuary, must be considered
  - Must be clear, unambiguous and free of inappropriate jargon

# Agenda



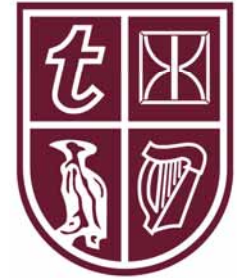
- Background
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- **Issues for PRSA Actuary**
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# Issues for PRSA Actuary



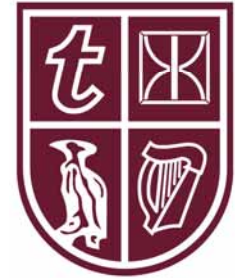
- He/she may not be the person preparing the CoC or WS
- Extent to which
  - overarching general advice is required in respect of all CoCs/WSs
  - Specific advice is required in respect of an individual CoC/WS
- Professional judgement will be required
  - PRSA Actuary may want to review all DB CoCs/WSs
  - Individual involvement required for DC likely to be less
  - But may still consider segmentation of DC for advice purposes
    - e.g. DC no risk benefits, DC with risk benefits, DC with guaranteed investment options

# PRSA Actuary Advice



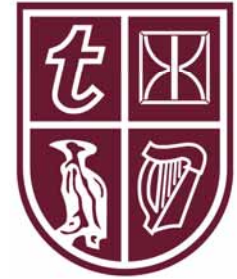
- Pro forma CoC/WS likely to be developed for production environment, for DC at least
- General advice may cover
  - Factors that should be considered in WS
  - Weight given to different factors
  - Layout/odering of factors to ensure no issues overemphasised, minimised or excluded
  - Form of the “financial analysis which explains the decision to transfer” that must be included in the WS

# PRSA Actuary Advice continued



- General advice may cover
  - Language used to ensure clear, unambiguous and free of inappropriate jargon
  - Any additional information that PRSA Actuary believes is required to ensure fair, clear and not misleading objective is met
  - Materiality e.g. in deciding which of the factors set out in the regulations relating to WSs should be referenced

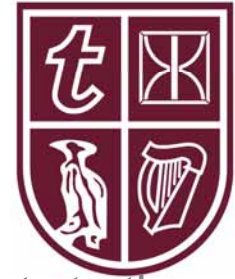
# Agenda



- Background
- Legislative & Professional Framework
- Issues for PRSA Actuary
- **Other Issues**

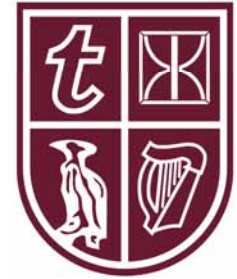


# Other Issues



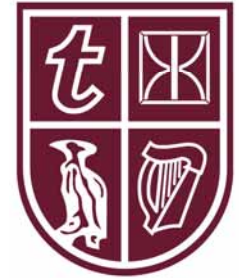
- Role of PRSA Provider versus intermediary
  - Who is responsible for content of CoC/WS?
  - Section 113 of Act refers to intermediary furnishing the documents to the scheme member on the PRSA Provider's behalf
- Where production of CoC/WS is outsourced
  - Again, who is responsible for the content of CoC/WS?
  - PRSA Actuary needs to have access to outsourced provider either directly or indirectly in order to provide advice
  - Practical considerations around process arise

# Other Issues continued



- Requirements do not distinguish between DB and DC schemes
  - Industry has lobbied in the past for some relaxation of requirements in respect of DC
  - Argument for rebalancing of requirements on proportionality grounds
- Conversely, no similar regime exists for transfers from DB to DC schemes
  - Argument for introducing some measures to protect against ill advised transfers from DB to DC
- Finally, note that some minor tidy up changes to ASP PRSA-5 are planned

# Questions



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