

## **The Society of Actuaries in Ireland**

### **UPDATED QUOTE FROM MINISTER AT END OF PRESS RELEASE**

#### **PRSAs will mean pensions that are easier to understand and simpler to use**

#### **PRSAs will not result in total pension cover**

"The introduction of PRSAs is a welcome development, but they should not be seen as a solution in themselves to low levels of pension take-up in Ireland," said John Feely, Chairman of the Irish Association of Pension Funds. Speaking at a seminar today (Tuesday, October 15, 2002) on Personal Retirement Savings Accounts organised by the Society of Actuaries in Ireland, Mr. Feely pointed out that the mere introduction of PRSAs is not going to transform Irish pension coverage overnight.

"The likely take-up rate for PRSAs among those with little or no pension cover at present will be low in the short term and will only build up slowly. A significant part of the PRSA market initially will be transfers from existing pension arrangements.

"We have learned a lot from the Special Savings Incentive Account scheme. The most important lesson is that if we can create the right environment, people who can afford to save will save. However the SSIA scheme has diverted potential savings away from PRSAs. A mechanism must be introduced to encourage people to transfer at least some of their SSIA savings into longer term PRSA savings when the SSIA matures.

"A major opportunity also exists to encourage those who have found the ability to save through the SSIA scheme to continue to save for retirement when the SSIA scheme finishes, though we need to reduce the overall level of complexity in pensions if we wish to substantially increase pension take-up."

According to Brendan Kennedy, Chairman of the PRSA Working Party of the Society of Actuaries in Ireland, PRSAs will nonetheless make pensions more user-friendly.

"PRSAs are a simple pension saving accounts that people can carry from job to job. What is new is that if you're self-employed and you become employed, you can continue to contribute to the same PRSA. You can stop contributing, you can contribute extra amounts and you are guaranteed that there are no hidden penalties. The information provided to savers is simplified and clarified."

According to Mr. Kennedy, another benefit of PRSAs is the introduction of a compulsory default investment strategy. "PRSAs not only offer investors a choice of investment mix, but PRSA providers must also offer investors a reasonable default investment mix that they will manage for those clients who are unsure of which investment profile to choose.

"The default investment strategy means that for the first time, all pension savers have guidance on what is a suitable investment approach to their retirement. Up to now they were left to their own devices, and sometimes made unsuitable choices."

Attending the half-day seminar, Mary Coughlan TD, Minister for Social and Family Affairs, expressed her concern that just 44% of women have pension coverage compared with 55% of men.

"Such issues will be addressed through a National Pensions Campaign due to commence early in the New Year. A key objective of the campaign is to see the level of pension coverage increase to 70% of those at work over the age of 30. I expect to see the new PRSAs having an effect from next year," said the Minister.

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