

PRSA issues and clarifications

The Pensions Authority has provided clarifications on certain PRSA issues which arose since 2010. Below is a list of the issues and the clarifications.

Date	Issue	Clarification
6 November 2013	PRSAs and Compliance	<p>Where a PRSA product has a performance related charge applying to a fund the charge must be levied from the total assets of the particular PRSA and not a portion (i.e. the growth) to ensure its compliance with Section 104(2) of the Pensions Act, 1990, as amended (“the Act”).</p> <p>The “whistleblowing” provisions of the Act apply to PRSA providers and PRSA actuaries in relation to PRSA products. Guidance notes on Compulsory and Voluntary Reporting to the Pensions Authority are available on the Authority’s website.</p>
7 January 2013	PDC/SRP Illustrations	<p>The Authority expects the PRSA provider to satisfy itself that PDCs/SRPs show as accurately as possible the charges that will be levied under the PRSA contract. As stated in ASP PRSA-2 the contributors must be provided with illustrations of projected benefits and charges which are fair, clear and not misleading.</p> <p>In a self-directed PRSA not all charges can be known in advance of the contributor making an investment choice but the illustrations should reflect the choices already identified as being available. Where further options are added, the costs of these must be communicated to the contributor in advance of the investment being made, and should be reflected in future SRPs.</p> <p>The PRSA Actuary is expected to satisfy himself or herself that the actual charges are fully disclosed to the contributor in the PRSA documentation and that they are deducted from the PRSA contribution/assets in accordance with the terms of the contract.</p>

31 October 2012	EUTs	<p>The Personal Retirement Savings Accounts (Exempt Unit Trust Charges) Regulations, 2012 have been published and are effective from 2 October 2012. In relation to non-Standard PRSA products, these Regulations provide that charges incurred in respect of an exempt unit trust, where the units of that exempt unit trust were purchased with PRSA contributions, fall within the definition of “charges” under Section 91 of the Act.</p>
24 May 2012	PRSA charges – compliance issues	<p>Charges deducted from the assets are not a proportion of the PRSA contribution or asset value but calculated on some other basis e.g. charges as a percentage of rent-roll, gross asset value or of performance related charges. Such charges do not comply with the definition of “charges” under Section 91 of the Act. Examples of such non-compliant charging may occur where in specie transfers are taking place.</p> <p>All PRSA Actuaries are obliged under Section 83(2A) of the Act to make a compulsory report to the Authority if they have reason to believe that a PRSA provider carries out activities in relation to such products otherwise than in accordance with Part X of the Act.</p>
22 June 2010	Appointment of investment managers	<p>There are an increasing number of PRSA products on the market where the investment choice is effectively unlimited insofar as any investment option nominated by a contributor will be made available. For such products, the Authority would expect to see the following:</p> <ol style="list-style-type: none"> 1. There should be an investment manager in respect of all holdings of the PRSA, including direct holdings of stocks or bonds. 2. There should be an investment services contract in respect of each investment manager. 3. Any investment option made available to any contributor to a given PRSA product should be made available to all other contributors to that product. <p>Self-directed PRSAs were not considered when the legislation for PRSAs was originally designed, and they do not fall within the original concept of a relatively straightforward product intended for the less financially experienced saver. It is therefore possible that not all product features sought by PRSA providers can be accommodated within the current legislation.</p>

22 June 2010	Illustration of charges	The Authority's view of the provider's obligations are that illustrations showing generic charges unrelated to the actual investments available are not compliant. The Authority would accept illustrations showing the maximum possible charges.
22 June 2010	Trivial charges	The issue of non-proportionate charges has recently been raised - using the term "charges" as defined in Section 91 of the Act. We understand that some of these charges may represent costs which do not occur in a constant proportion to the contributions or to the value of assets and are sometimes fixed costs. The Authority would be comfortable with some element of de minimus in assessing whether such charges are compliant.