



An tÚdarás Pinsean
The Pensions Authority

THE PENSIONS AUTHORITY ANNUAL REPORT AND ACCOUNTS 2019

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CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and Accounts of the Pensions Authority for the year ended 31 December, 2019 in accordance with section 23(2) of the Pensions Act, 1990.

The work of the Authority

This annual report sets out the work of the staff of the Authority during 2019. Members of pension schemes, whether retired or not, and PRSA contributors have entrusted over €100 billion to others, and our important work is intended to make sure that these funds are properly looked after. The implementation of the IORP II Directive will address a number of inadequacies in the power of the Authority to ensure proper management of retirement savings. The complex work of transposing the Directive into Irish law is taking longer than anyone involved would wish, and we look forward to the completion of this important task.

Funding the work of the Pensions Authority

The Authority has always been conscious of the need to be efficient in its operations, and as a result, fee levels are at or below the level they were in 2003. The annual costs of running the Authority represent less than 1/1,000 of 1% of the assets of Irish pensions.

However, it has to be recognised that the more detailed supervision mandated by the IORP II Directive and other obligations for data collection will increase the work needed and therefore increase our costs. In late 2019, the Authority received approval for additional staffing and we have made very good progress in filling these posts. However, as a result, the cost of our supervision of occupational pension schemes will increase and an increase in Authority fees for schemes in 2021 will be unavoidable.

Governance of the organisation

The Authority is subject to and complies with the Code of Governance for State Bodies. We also have an oversight agreement in place with the Department of Employment Affairs and Social Protection.

Section 4 of the Code provides that 'an external evaluation proportionate to the size and requirements of the State body should be carried out every 3 years'. Dr Moling Ryan was engaged by the Authority to conduct the external evaluation exercise which was undertaken during October and November 2019.

On 17 February 2020 Gary Tobin stepped down as a member of the Authority. I would like to thank Gary for his contribution to the Authority's work: his advice and insight were always valued. In his place, the Minister appointed Michael McGrath of the Department of Finance, and we look forward to working with him.

I would like to thank the Minister and the officials in the Department of Employment Affairs and Social Protection. We value our close working relationship, which is especially important in times of change.

Finally, on behalf of myself and the other members of the Authority, I would like to thank the Pensions Regulator and the Authority's staff for their hard work and professionalism during 2019.

Dr David Begg
Chairman

THE PENSIONS AUTHORITY

The Authority is a statutory body comprising an independent chairperson appointed by the Minister for Employment Affairs and Social Protection and two ordinary members. The term of office for the Authority members is five years.

The members of the Authority are:



Dr David Begg
Chairman



Ms Jacqui McCrum
Deputy Secretary Department of
Employment Affairs and Social
Protection (Representative of the
Minister for Employment Affairs
and Social Protection)



Mr Michael J. McGrath
Assistant Secretary
Department of Finance
(Representative of the
Minister for Finance)

Mr Gary Tobin, Assistant Secretary, Department of Finance resigned as a member of the Authority on 17 February 2020 and was replaced by Mr Michael J. McGrath, Assistant Secretary, Department of Finance. There were eight Authority meetings in 2019. The attendance rate was as follows: David Begg 8/8, Jacqui McCrum (appointed on 21 January 2019) 7/8 and Gary Tobin 5/8.

Day-to-day decision making is delegated to employees under the Authority's active supervision. The Authority's senior management team is as follows:



Brendan Kennedy
Pensions Regulator



Grace Guy
Head of Supervision
and Enforcement



Ger Clarke
Deputy Head of Supervision
and Enforcement



Pat O'Sullivan
Head of IT and Data



Ellen Bailey
Head of Technical



Brendan Roche
Head of Legal



Andrew Nugent
Head of Policy



Sylvia McNeece
Head of Programme
Management



Dervla O'Keefe
Head of IT and Data
(currently on leave)



David Malone
Head of Operations

SUMMARY OF ACTIVITY FOR 2019

9 PROSECUTION
cases were concluded



55 NEW INVESTIGATIONS

were opened into various alleged breaches of the Pensions Act.

63 investigations were
FINALISED
and closed during the year



4 ON-SITE INSPECTIONS

three of PRSA Providers and one of a Professional Trustee.



15 ENGAGEMENT MEETINGS

were held with regulated entities (including PRSA Providers, Registered Administrators, Life Companies and trustees).



159 DESK-BASED AUDITS

were carried out on a sample of occupational pension schemes and PRSAs.



4 FUNDING PROPOSALS FROM DB SCHEMES WERE
APPROVED

503 OF **597**

DB schemes subject to the funding standard were in compliance with the standard as at 31 December 2019.

ALL BAR 7 OF THE REMAINING 94 SCHEMES

are in the process of coming into compliance with the standard. Close engagement is ongoing with the 7.



1 APPLICATION

to reduce accrued benefits from a DB scheme was approved.



5 FOI requests were

RECEIVED AND COMPLETED



9,800

general pension and data processing queries were received and dealt with.

354,220
DATA SUBMISSIONS

from regulated entities were processed through the Authority's Pension Data Register.

MEETING THE AUTHORITY'S GOALS

The Authority's vision for the future is for a pensions landscape where pensions savings are secure, well managed and understandable and which encourages pensions savings. The Authority's Statement of Strategy 2016 - 2020 sets out the organisation's four strategic objectives to deliver its vision, as follows:

1. To monitor and supervise occupational pension schemes and PRSAs to ensure they continue to be or will be well managed by competent trustees, providers and administrators.
2. Scheme trustees, the pensions industry and employers can rely on the Authority for guidance and support on what the Authority expects.
3. To be well known as an accessible, relevant and practical source of information for the public, members, contributors and beneficiaries.
4. To be a valuable source of technical pensions advice, knowledge, information and support to the Department of Employment Affairs and Social Protection.

The Authority has adopted a number of strategies to achieve these objectives, which comprise:

- a proactive and visible approach to dealing with non-compliance
- a practical approach to information and guidance provision focusing on accessibility, best practice documents and codes of practice
- a high-quality enquiry service that addresses issues of concern and queries raised by stakeholders that are within our statutory remit
- a comprehensive blueprint for a pensions structure that delivers on our vision and that informs the policy deliberations of the Minister and Department of Employment Affairs and Social Protection.

This annual report sets out the activities undertaken by the Authority in 2019 to meet these objectives.

Hierarchy of risk priorities

In order to ensure that its regulatory practices are efficient and that resources are directed to the most important matters, the Authority adopts a supervisory approach based on a hierarchy of risk priorities:

- 1st priority: misappropriation of pension assets or contributions
- 2nd priority: lack of governance or maladministration impacting on benefits/failure to pay benefits due
- 3rd priority: DB scheme solvency
- 4th priority: failure to provide prescribed information to members
- 5th priority: failure by regulated entities to submit accurate and timely data to the Authority.

This order represents the seriousness of the risks, not the likelihood of their occurrence. Whilst these priorities determine general Authority supervisory activity, the organisation will also ensure that no area is overlooked. Because regulation depends on the Authority having access to reliable information, the organisation especially targets failure to provide the Authority with information required under the Pensions Act, including whistle-blowing obligations.

Compulsory and voluntary reporting/whistleblowing

There are statutory provisions, known as whistleblowing obligations, which place a legal obligation on specified persons involved in the operation of occupational pension schemes, trust RACs and PRSAs. Such persons must make a report to the Authority where fraud or material misappropriation is suspected to have occurred or it is feared it is about to occur. Any person can make a voluntary report on matters concerning the state and conduct of a scheme, Trust RAC or PRSA.

The Authority investigates whistleblowing reports and other serious complaints or allegations to find out what has happened. Where non-compliance is discovered, the Authority's priority is to ensure compliance. Nonetheless, the Authority will use its full powers under the Pensions Act where necessary.

In 2019, the Pensions Authority updated its guidance for those who suspect non-remittance/non-payment of contributions by employers and/or trustees. This updated guidance and template to assist in making a report, is available on the Authority's website.

Prosecutions

Non-compliance by regulated entities can result in prosecution. In 2019, the Authority concluded nine prosecutions cases and secured convictions in three cases as follows:

- two cases related to the deduction and non-remittance of employee pension contributions to schemes within the statutory timeframe (section 58A(1) of the Pensions Act)
- one case related to failure to respond to a statutory request for information from the Authority (section 18 of the Pensions Act).

Where a conviction is recorded the person or company has been found guilty of a criminal offence. The remaining cases were mostly struck out due to payment of arrears or the underlying matter being rectified in advance of the court date.

Protected disclosures

There were no disclosures to the Authority in 2019 that were deemed to be protected disclosures as set out in the Protected Disclosures Act.

Investigations

In 2019 the Authority opened 55 new investigations of various alleged breaches of the Pensions Act. The alleged breaches varied

from deduction and non-remittance of pension contributions to failure to reply to a statutory request for information. In 2019, 63 cases were closed and 17 reports of non-compliance by various entities were progressed by the Authority for prosecution or sanction.

The number of incidents that require investigation regarding deduction and non-remittance of contributions has been low in recent years.

Compliance audits

During the year the Authority conducted 159 desk-based audits on a sample of regulated entities. These audits focused on self-investment by employers (due to delay in remitting contributions), disclosure obligations and the rights of employees to have access to a PRSA in the absence of an established pension scheme.

Where non-compliance with the Pensions Act is identified, the main objective is to ensure the regulated entity becomes compliant. The Authority may also consider enforcement action.

On-site inspections of RAs and PRSA providers

The Authority assesses levels of administration compliance with the Pensions Act by carrying out on-site inspections of RAs, professional trustees and PRSA providers. In 2019, the Authority carried out on-site inspections of four RAs, three PRSA providers and one service provider acting as both a professional trustee and RA.

Where any issues of concern are identified, a plan is agreed to resolve the matter to the Authority's satisfaction. The Authority may also consider enforcement action.

RA annual renewal process

The Authority received 117 RA renewal applications in 2019. 115 registrations were renewed. One application was incomplete and the RA subsequently applied for approval to terminate its registration. In the other case, the renewal has been deferred pending the outcome of an inspection process.

During 2019, eight RAs applied for, and were granted, approval to terminate their RA registration.

Defined benefit scheme funding

At the end of 2019, there were 597 DB schemes which were subject to the funding standard. Of these, 503 schemes satisfied the funding standard. All but seven of the remaining 94 schemes have funding proposals in place, or are in the process of submitting funding proposals, designed to enable the scheme to satisfy the funding standard within a specified term. The Authority is in dialogue with the trustees of the remaining seven schemes.

The Authority approved four funding proposals in 2019 and

approved one application from a DB scheme to reduce accrued benefits.

Cross-border authorisation

During 2019, the Authority continued to liaise with the Department of Employment Affairs and Social Protection (DEASP), the UK Pensions Regulator and the UK Department of Work and Pensions to assess the implications of Brexit for UK and Irish cross-border schemes.

PRSA submissions

In 2019, the Authority in consultation with Revenue approved one PRSA product for a new PRSA provider. Two existing UK-domiciled PRSA providers transferred their business to Irish companies. These PRSA providers were re-approved as new entities with 28 PRSA products withdrawn and re-approved during 2019. There were also 40 amendments to existing products processed during the year. These amendments related to changes in charging structure or the addition or removal of funds of a PRSA product.

PRSA actuary certifications and PRSA annual reports

There were no significant instances of non-compliance identified by PRSA actuaries in 2019. All minor instances of non-compliance reported by the PRSA actuaries were examined by the Authority and addressed with the relevant PRSA provider, where necessary.

Technical support

In 2019, the Authority continued to provide technical support to the Minister for Employment Affairs and Social Protection and her Department and to other government departments and agencies on pension matters.

The Authority continued in 2019 to work on developing detailed implementation proposals for the transposition of the IORP II Directive and relevant elements of the Roadmap for Pensions Reform. These matters included:

- development of a system of forward-looking risk-based supervision
- a fitness and probity regime for trustees and key function holders
- new governance standards specifying appropriate governance and management structures
- options for rationalising the number of individual pension vehicles which currently exist
- development of a regulatory framework for master trusts
- an authorisation process for new and existing schemes.

The Authority contributes to the pensions' related work of international organisations by attending working group meetings or providing quantitative and qualitative data.

These organisations include:

- European Insurance and Occupational Pensions Authority (EIOPA)
- International Organisation of Pension Supervisors (IOPS)
- Organisation for Economic Co-operation and Development (OECD) - Working Party on Private Pensions
- European Commission
- European Central Bank (ECB)
- European Securities and Markets Authority – Securitisation Task Force

The Authority responded to 140 international queries in 2019, completed 17 international surveys/questionnaires and completed both the EIOPA Spring and Autumn Financial Stability Report data reporting requirements.

Pension data reporting

Reporting requirements for pension schemes have been introduced by the EIOPA and the ECB. The Authority will be reporting on the EIOPA data and the Central Bank of Ireland will be reporting on the data required by the ECB.

Determinations

Under the Pensions Act, the Authority has the power in certain circumstances to make legally binding determinations on request by certain parties. These determinations facilitate scheme trustees in transferring the benefits of deferred members to other arrangements or allow the Authority to appoint a trustee in substitution of the existing trustee in certain circumstances. In 2019, the Authority issued one statutory determination under section 64.

Policy development and research

As a member of the Interdepartmental Pensions Reform and Taxation Group, the Authority contributed to considerations and proposals for the simplification of pensions. The Authority also inputted to the Government's June 2019 Climate Action Plan, in regards to increasing disclosure by pension providers on the proportion of fossil fuel assets in pension funds.

The Authority engaged with actuaries, industry, academics and other regulators on understanding the implications of sustainable finance and Environmental, Social, and Governance (ESG) factors for the pensions sector.

The Authority concluded a research programme with the ESRI covering two work streams: the first, examined possible application of insights from behavioural economics to disclosure documents; the second, gathered information related to pensions' income and expenditure from TILDA data.

Support, information and guidance

The Authority supports trustees, administrators, employers and their advisors with information and guidance to help them understand and meet their obligations under the Pensions Act. Throughout the year, the Authority issued information and communications relevant to its regulated entities on its website.

Approximately 9,800 general pension and data processing queries were received and dealt with during the year. The majority of the general queries were from scheme members and related to the Disclosure of Information Regulations. Data queries were related to data submissions from regulated entities. The Authority responded to all enquiries in line with the Authority's Customer Charter and no complaints were received in relation to enquiries.

The Authority provides a comprehensive range of free information and guidance material on its website. Throughout the year, the Authority attended and presented at public events and dealt with direct media enquiries on pension issues.

Oireachtas members' enquiries

The Authority provides a dedicated enquiries email address oireachtas@pensionsauthority.ie for members of the Oireachtas seeking information on pension matters or about the work of the Authority. The Authority dealt with two enquiries from Oireachtas members in 2019.

The Authority also provided information to the DEASP in response to 12 Parliamentary Questions during 2019.

Freedom of information (FOI)

The Authority completed five FOI requests in 2019 within the statutory deadlines.

Data protection

The Authority is compliant with the General Data Protection Requirements (GDPR) obligations. The Head of Operations is the Data Protection Officer for the Authority. Throughout 2019 the Authority undertook a programme of employee education and building awareness of data protection and records management throughout the organisation.

The Authority had no data breach reports to make to the Data Protection Commission in 2019.

The Authority received no Subject Access Requests in 2019.

Programme management office

A Programme Management Office (PMO) was set up in 2019 to define and oversee an appropriate framework for the management of all of the Authority's project work. Many of these projects are complex multi-year projects involving significant financial investment by the Authority to comply with its supervisory obligations in a post IORP II environment.

The PMO is also responsible for developing change management capability within the organisation to ensure that the organisation implements its strategic projects effectively.

Human resources

The Authority is committed to providing a safe place to work and operates in accordance with the Safety, Health and Welfare at Work Act. The Authority's employee training and development plan supports the vision and objectives as set out in the Pensions Authority Strategy 2016 – 2020. The Authority's focus is to have the right people in the right place with the right supports.

During 2019, the Authority carried out 14 separate recruitment campaigns. There were over 195 separate training and development activities carried out during the year. Much of the training and development activity was focused on the new prospective risk-based supervisory regime that will follow the transposition of the IORP II Directive.

Public sector equality and human rights duty

The Authority is committed to ensuring that we meet our obligations to promote equality, prevent discrimination and protect the human rights of employees, customers and service users as required by the Public Sector Equality and Human Rights Duty (under section 42 of the Irish Human Rights and Equality Act 2014).

The Authority is an equal opportunities employer. The Authority's Employee Handbook contains detailed policies and procedures on employee relations including policies relating to dignity and respect in the workplace, bullying and harassment.

Prompt payments

The Authority operates a 15-day prompt payment policy in line with Government Decision S29296 of March 2011. The Authority posts its quarterly prompt payment reports on its website.

Energy usage and green initiatives

The total energy consumption by the Authority for 2019 was 219,761 kwh of electricity. In 2019, the Authority stopped using single use plastic such as cups and cutlery, updated internal signage to improve recycling rates and adhered to the guidelines for green public procurement. The Authority continues to work on introducing energy efficiencies where possible across the organisation.

COMMITTEE OF THE AUTHORITY

Audit and Risk Committee

The Audit and Risk Committee (ARC) is part of the control environment within the Authority. The ARC provides independent advice to the Authority on financial and risk matters including the suitability and robustness of the organisation's internal control, risk management, governance procedures and the reliability of financial reporting.

The ARC is independent of the day-to-day financial management of the organisation which is the responsibility of the Executive. In particular, the ARC monitors the internal control systems including audit actively and independently.

The ARC formally reports to the Authority on its activities during the year together with such advice and recommendations as it may deem appropriate.

The ARC terms of reference are set out in its Charter, which was updated and approved by the Authority in December 2019.

Membership of the ARC

The ARC has four members, comprising an independent chairperson, an independent member, a representative of the Department of Employment Affairs and Social Protection and a representative of the Department of Finance. A schedule of membership and attendance at the five ARC meetings in 2019 is set out below.

ARC meetings 2019		
Name	Position	Attendance
Bill Cunningham	Chairperson	5/5
Kevin Barron	Representative of the Department of Employment Affairs and Social Protection	4/5
Michael Roche	Non-executive member	4/5
*Sean Kinsella	Representative of the Department of Finance	1/2
*Brendan O'Leary	Representative of the Department of Finance	1/2

*Sean Kinsella was on leave from the Department of Finance with effect from July 2019. Brendan O'Leary was appointed as the Department of Finance representative with effect from 4 November 2019.

Work of the ARC in 2019

The ARC, in fulfilling the requirements of its advisory function, assessed the performance of the key elements of the systems of internal control in operation in the Authority in 2019.

The ARC reviewed the risk management policies and practices of the Authority and conducted a quarterly review of the Authority's risk register and provided feedback to the Authority on their quarterly review of the risk register. The ARC was satisfied that the process of identifying, assessing and addressing key risks was sufficiently robust to ensure that an effective system of risk management was in place in the Authority in 2019.

In 2019, the internal audit programme consisted of:

- a review of risk management in the Authority
- a high-level review of the effectiveness of internal controls.

The ARC reviewed the outcome of the audit findings and monitored the implementation of the audit recommendations by the Executive throughout 2019.

The external audit was conducted by the Comptroller and Auditor General (C&AG) in March 2019. The C&AG issued an unqualified report on the Authority's 2018 accounts. The ARC considered the findings of the C&AG annual audit and discussed them with the C&AG. The ARC monitored the implementation of the audit recommendations by the Executive throughout 2019.

Corporate governance

The ARC reported to the Authority after each of its meetings in 2019. The ARC was compliant with its obligations under the Code of Practice for the Governance of State Bodies in 2019. As required by the Code, the ARC conducted a self-assessment of its own performance in 2019. The outcome of the self-assessment was positive. The Chairman of the Authority noted his satisfaction in the performance of the ARC and the ARC Chairman in his review, conducted on 10 December 2019.

Conclusion

The ARC is satisfied that a robust system of internal control and financial management is in place in the Authority. It is also satisfied that there is an appropriate system in place for effective risk management in the Authority.

The ARC's annual report is posted on the Authority's website.



Mr Bill Cunningham
Chairman

March 2020

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL FOR PRESENTATION TO THE HOUSES OF THE OIREACHTAS

Opinion on the financial statements

I have audited the financial statements of the Pensions Authority for the year ended 31 December 2019 as required under the provisions of section 22 of the Pensions Act 1990. The financial statements comprise:

- the statement of income and expenditure and retained revenue reserves
- the statement of comprehensive income
- the statement of financial position
- the statement of cash flows and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Pensions Authority at 31 December 2019 and of its income and expenditure for 2019 in accordance with Financial Reporting Standard (FRS) 102 — The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Pensions Authority and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Pensions Authority has presented certain other information together with the financial statements. This comprises the annual report, the governance statement and Authority members' report, and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.



John Crean
For and on behalf of the
Comptroller and Auditor General

30 June 2020

APPENDIX TO THE REPORT

Responsibilities of Authority members

As detailed in the governance statement and Authority members' report, the Authority members are responsible for:

- the preparation of financial statements in the form prescribed under section 22 of the Pensions Act 1990
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 22 of the Pensions Act 1990 to audit the financial statements of the Pensions Authority and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit

evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pensions Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Pensions Authority to cease to continue as a going concern.

- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

GOVERNANCE STATEMENT AND AUTHORITY MEMBERS' REPORT

Governance

The Pensions Authority is a statutory body set up under the Pensions Act, 1990. The functions of the Authority are set out in section 10 of this Act. The Authority is accountable to the Minister for Employment Affairs and Social Protection. The Authority is responsible for ensuring good governance within the organisation and performs this task by agreeing strategic objectives and targets with the Executive and taking strategic decisions on all key business issues. The Pensions Regulator and the senior management team must follow the broad strategic direction agreed with the Authority, and must ensure that all Authority members have a clear understanding of the key activities and decisions related to the entity, and of any significant risks likely to arise.

Authority responsibilities

The Authority is collectively responsible for leading and directing the Authority's activities. It delegates operational responsibility for the day-to-day running of the Authority to the Pensions Regulator and to the Executive. Such delegation does not absolve the Authority from the duty to supervise the discharge of the delegated functions. The Authority is responsible for fulfilling key functions, comprising: reviewing and guiding strategic direction and major plans of action, risk management policies and procedures, annual budgets and business plans, setting performance objectives, monitoring implementation and the Authority's performance, and overseeing major capital expenditure and investment decisions.

Standing items considered by the Authority at their meetings include:

- conflicts of interest
- risk
- report from the Audit and Risk Committee (including financial reporting)
- Pensions Regulator report
- enforcement and regulatory decisions.

Section 22 of the Pensions Act 1990 requires the Authority to keep, in such form as may be approved by the Minister for Employment Affairs and Social Protection with consent of the Minister for Finance, all proper and usual accounts of money received and expended by it.

In preparing these financial statements, under the Code of Conduct for the Governance of State Bodies (2016) the Authority is required to:

- select suitable accounting policies and apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that it will continue in operation
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Authority must keep adequate accounting records which disclose, with reasonable accuracy at any time, its financial position and enables it to ensure that the financial statements comply with section 22 of the Pensions Act 1990 as amended. The maintenance and integrity of the corporate and financial information on the Authority's website is the responsibility of the Authority members.

The Authority is responsible for approving the annual plan and budget. An evaluation of the performance of the Authority by reference to the annual plan was carried out at the Authority meeting on 21 January 2020. The review of the annual budget was carried out on 21 January 2020.

The Authority is responsible for making a recommendation to the Minister for Employment Affairs and Social Protection regarding occupational pension scheme and PRSA fees annually.

The Authority is also responsible for safeguarding its assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Authority considers that the financial statements of the Authority give a true and fair view of the financial performance and the financial position of the Authority at 31 December 2019.

Authority structure

The Authority consists of a chairperson, and two ordinary members, all of whom are appointed by the Minister for Employment Affairs and Social Protection. Appointments to the Authority shall be for a period of up to five years. Members are eligible for re-appointment. The Authority members meet approximately every six weeks in accordance with a schedule of meetings agreed at the beginning of each year.

The table below details the date of appointment of 2019 Authority members:

Authority Member	Role	Date Appointed
David Begg	Chairman	12 January 2016
Gary Tobin	Representative of the Department of Finance	22 August 2017
Jacqui McCrum	Representative of the Department of Employment Affairs and Social Protection	21 January 2019

An external Board Effectiveness Review was undertaken in Q4 2019, as part of this process the Board also undertook a self-evaluation. No issues requiring attention were identified.

Schedule of attendance, fees and expenses

A schedule of attendance at the Authority meetings for 2019 is set out below including the fees and expenses received by each member:

Authority Meetings 2019 Number of meetings held: 8				
Name	Position	Number of meetings attended	Fees 2019 €	Expenses 2019 €
David Begg	Chairman	8/8	20,520	0
Jacqui McCrum	Representative of the Minister for Employment Affairs and Social Protection	7/8	0	0
Gary Tobin	Representative of the Minister for Finance	5/8	0	0

Audit and Risk Committee

The Authority has established an Audit and Risk Committee (ARC) which comprises three members and an independent chairperson.

The role of the ARC is to provide independent advice to the Authority on matters including the suitability and robustness of the organisation's internal control, internal audit, risk management, governance systems procedures and the reliability of financial reporting.

The ARC is independent of the day-to-day financial management of the organisation by the Executive. In particular the ARC ensures that the internal control systems including audit activities are monitored actively and independently.

The ARC reports to the Authority after each meeting, and formally in writing annually.

The ARC consists of four members and at the end of 2019 was as follows:

- Mr. Bill Cunningham, Chairman
- Mr. Michael Roche, non-executive member
- Mr. Kevin Barron, representative of the Department of Employment Affairs and Social Protection
- Mr. Brendan O'Leary, representative of the Department of Finance

There were five meetings of the ARC in 2019.

Schedule of attendance, fees and expenses

A schedule of attendance at the ARC meetings for 2019 is set out below including the fees and expenses received by each member:

ARC meetings 2019 Number of meetings held: 5				
Name	Position	Number of meetings attended	Fees 2019 €	Expenses 2019 €
Bill Cunningham	Chairman	5/5	2,012	0
Kevin Barron	Representative of the Department of Employment Affairs and Social Protection	4/5	0	0
*Brendan O'Leary	Representative of the Department of Finance	1/2	0	0
*Sean Kinsella	Representative of the Department of Finance	1/2	0	0
Michael Roche	Ordinary member	4/5	1,414	0

*Sean Kinsella was on leave from the Department of Finance with effect from July 2019. Brendan O'Leary was appointed as the Department of Finance representative with effect from 4 November 2019.

The following members did not receive an Authority or ARC fee under the One Person One Salary principle:

- Jacqui McCrum
- Gary Tobin
- Kevin Barron
- Sean Kinsella
- Brendan O'Leary

Disclosures required by Code of Practice for the Governance of State Bodies (2016)

The Authority is responsible for ensuring that the organisation has complied with the requirements of the Code of Practice for the Governance of State Bodies (the Code), as published by the Department of Public Expenditure and Reform in August 2016. The following disclosures are required by the Code:

Employee short-term benefits breakdown

Details of employee short-term benefits in excess of €60,000 and the salary costs of key management personnel are set out in note number 3 in the financial statements.

Consultancy costs

Consultancy costs comprise the cost of external advice to management and exclude outsourced 'business-as-usual' functions.

	2019 €	2018 €
Legal advice	211,685	81,779
Financial/actuarial advice	0	7,715
Public relations	0	0
Research consultancy	55,475	203,123
Human resources	0	0
Business improvement	13,345	20,633
Other ¹	83,860	36,268
Total consultancy costs	364,365	349,518
	2019 €	2018 €
Consultancy costs capitalised	0	22,117
Consultancy costs charged to the Income and Expenditure and Retained Revenue Reserves	364,365	327,401
Total	364,365	349,518

Legal costs and settlements

The table below provides a breakdown of amounts recognised as expenditure in the reporting period in relation to legal costs, settlements and conciliation and arbitration proceedings relating to contracts with third parties. This does not include expenditure incurred in relation to general legal advice received by the Authority which is disclosed in consultancy costs above.

	2019 €	2018 €
Legal fees – legal proceedings	14,122	11,279
Conciliation and arbitration payments	0	0
Settlements	0	0
Total	14,122	11,279

¹ This consists of investigation and compliance support expenditure.

Travel and subsistence expenditure

Travel and subsistence expenditure is categorised as follows:

	2019 €	2018 €
Domestic:		
– Authority members	0	0
– Employees	871	1,320
International:		
– Authority members	0	0
– Employees	24,040	23,121
Total	24,911	24,441

Hospitality expenditure

The Income and Expenditure Account includes the following hospitality expenditure:

	2019 €	2018 €
Employee hospitality ²	10,516	7,677
Client hospitality	118	114
Total	10,634	7,791

Covid-19

The Authority has reviewed the impact of Covid-19 on its operations and finances. Although there are some uncertainties, especially in relation to the effect of the pandemic on 2021 fee income, the Authority is confident that we are able to continue to operate as a going concern to the end of June 2021.

Statement of compliance

The Authority has adopted the Code of Practice for the Governance of State Bodies (2016) and has put procedures in place to ensure compliance with the Code. The Pensions Authority was in compliance with the Code of Practice for the Governance of State Bodies for 2019.



David Begg
Chairman

29 June 2020



Brendan Kennedy
Pensions Regulator

29 June 2020

² This includes contribution to staff social committee and other activities.

STATEMENT ON INTERNAL CONTROL

Responsibility for system of internal control

On behalf of the Authority, I acknowledge our responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the system of internal control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented, or detected in a timely manner.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in the Authority for the year ended 31 December 2019 and up to the date of approval of the financial statements.

Audit and risk management

The Authority has an Audit and Risk Committee (ARC) comprising a member from the Department of Employment Affairs and Social Protection, a member from the Department of Finance and two external members, with financial and audit expertise, one of whom is the chairperson. The ARC met five times during 2019.

The Authority has also established an outsourced internal audit function, which is adequately resourced and conducts a programme of work as agreed with the ARC.

The Authority has developed a risk management policy, which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of staff in relation to risk. The Authority approved the policy and the risk management processes. The policy has been issued to all staff who are expected to work within the Authority's risk management policies.

Risk and control framework

The Authority has a risk register which identifies key risks and the management actions being taken, to the extent possible, to mitigate those risks. The key risks facing the Authority have been evaluated and graded according to their significance. The risk register is reviewed quarterly by senior management and the ARC. The outcome of these assessments is used to allocate resources to ensure risks are managed to an acceptable level.

I confirm that a control environment containing the following

elements is in place:

- procedures for all key business processes have been documented;
- financial responsibilities have been assigned at management level with corresponding accountability;
- there is an appropriate budgeting system with an annual budget which is kept under review by senior management;
- there are systems aimed at ensuring the security of the information and communication technology systems;
- there are systems in place to safeguard the assets of the Authority.

Ongoing monitoring and review

Formal procedures have been established for monitoring control processes. Control deficiencies are communicated to those responsible for taking corrective action and to management and the Authority, where relevant, in a timely way. I confirm that the following ongoing monitoring systems are in place:

- key risks and related controls have been identified and processes have been put in place to monitor the operation of those key controls and report any identified deficiencies;
- reporting arrangements have been established at all levels where responsibility for financial management has been assigned; and
- there are regular reviews by senior management of financial reports which indicate performance against budgets/forecasts.

Procurement

I confirm that the Authority has procedures in place to ensure compliance with current procurement rules and guidelines. Non-compliant procurement disclosed in 2018 has been addressed and regularised.

Review of effectiveness

I confirm that the Authority has procedures to monitor the effectiveness of its risk management and control procedures. The Authority's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors. The senior management in the Authority are responsible for the development and maintenance of the internal financial control framework.

I confirm that the Authority conducted an annual review of the effectiveness of the internal controls for 2019.

Internal control issues

No weaknesses in internal control were identified in relation to 2019 that require disclosure in the financial statements.



David Begg
Chairman

STATEMENT OF INCOME AND EXPENDITURE AND RETAINED REVENUE RESERVES

For the year ended 31 December 2019			
		2019	2018
	Notes	€	€
Revenue			
Occupational pension scheme fees		3,842,619	3,553,560
Personal Retirement Savings Account fees		3,539,343	3,368,697
Other income	2	7,068	11,545
Total income		7,389,030	6,933,802
Expenditure			
Remuneration	3	4,800,328	4,051,956
Authority members' fees	5	20,520	20,520
Rent and office expenses	6	834,897	875,593
Training, education and employee-related expenses	7	195,325	170,353
Information, research and publicity	8	189,822	194,050
Professional fees	9	598,651	419,644
General administration	10	663,534	500,846
Depreciation	11	140,368	224,536
Total expenditure		7,443,445	6,457,498
Surplus/(deficit) for the year		(54,415)	476,304
Revenue reserve at 1 January		7,793,464	7,317,160
Surplus/(deficit) for the year		(54,415)	476,304
Revenue reserve at 31 December		7,739,049	7,793,464

The statement of cash flows and notes 1 to 22 form part of these financial statements.



David Begg
Chairman

29 June 2020



Brendan Kennedy
Pensions Regulator

29 June 2020

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019			
		2019	2018
	Notes	€	€
Surplus/(deficit) for the year		(54,415)	476,304
Experience (gains)/losses on retirement benefit obligations ³	18	1,072,000	(490,000)
Change in assumptions underlying the present value of retirement benefit obligations		(3,719,000)	298,000
Adjustment to deferred retirement benefits funding	18	2,647,000	192,000
Total comprehensive income for the year		54,415	476,304

The statement of cash flows and notes 1 to 22 form part of these financial statements.



David Begg
Chairman

29 June 2020



Brendan Kennedy
Pensions Regulator

29 June 2020

³ The "Experience Gains on Retirement Benefit Obligations" reflects the impact on the liability valuation of differences between the assumptions made at the start of the year and the actual experience over the year. For example, gains or losses arise from differences between assumed and actual mortality experience, inflation, salary inflation and pension increases.

STATEMENT OF FINANCIAL POSITION

At 31 December 2019					
		2019		2018	
	Notes	€	€	€	€
Non-current assets					
Property, plant and equipment	11		577,729		473,471
Current assets					
Receivables	12	855,239		1,175,290	
Cash and cash equivalents	17	8,198,557		8,114,257	
		9,053,796		9,289,547	
Creditors amounts falling due within 1 year					
Payables	13	392,476		469,554	
Net current assets			8,661,320		8,819,993
Net assets before retirement benefits			9,239,049		9,293,464
Retirement benefits					
Retirement benefit liability	18		(27,146,000)		(23,369,000)
Deferred exchequer retirement benefit funding	18		27,146,000		23,369,000
Net assets after retirement benefits			9,239,049		9,293,464
Representing					
Compliance enforcement reserve	15	1,500,000		1,500,000	
Revenue reserve	15	7,739,049		7,793,464	
			9,239,049		9,293,464

The statement of cash flows and notes 1 to 21 form part of these financial statements.



David Begg
Chairman

29 June 2020



Brendan Kennedy
Pensions Regulator

29 June 2020

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019			
		2019	2018
	Notes	€	€
Net cash inflow from operating activities	16	325,603	137,358
Cash flows from financing activities Interest received		3,323	156
Cash flows from investing activities Payments to acquire property, plant and equipment		(244,626)	(242,121)
Transfers from short-term deposit accounts		6,545,498	0
Increase/(Decrease) in cash and cash equivalents in year		6,629,798	(104,607)
Reconciliation of net cash flow to movement in net funds	17		
Increase/(Decrease) in net funds in the year		6,629,798	(104,607)
Net funds at 1 January		1,568,759	1,673,366
Net funds at 31 December		8,198,557	1,568,759

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. Accounting policies

The basis of accounting and significant accounting policies adopted by the Authority are set out below. They have all been applied consistently throughout the year and for the preceding year.

a) General information

The Authority was set up under the Pensions Act, 1990, as amended, with a head office at Verschoyle House, 28-30 Lower Mount Street, Dublin 2.

The Authority's primary objectives as set out in section 10 of the Pensions Act, 1990, as amended, are:

- to monitor and supervise the operation of this Act and pensions developments generally;
- to advise the Minister either on request or on its own initiative on all matters relating to the functions assigned to the Authority under this Act and on matters relating to pensions generally;
- to issue guidelines on the duties and responsibilities of trustees of schemes and codes of practice on specific aspects of their responsibilities;
- to encourage the provision of appropriate training facilities for trustees of schemes;
- to advise the Minister on standards for trustees of schemes and on their implementation;
- to publish an annual report and such other reports as it may from time to time consider necessary;
- to perform such tasks as the Minister may from time to time request.

The Authority is a Public Benefit Entity (PBE).

The financial statements are denominated in euro.

b) Statement of compliance

The financial statements of the Authority for the year ended 31 December 2019 have been prepared in accordance with FRS 102, the financial reporting standard applicable in Ireland and the UK issued by the Financial Reporting Council (FRC), as promulgated by Chartered Accountants Ireland. The date of transition to FRS 102 was 1 January 2014.

c) Basis of preparation

The financial statements are prepared under the accruals method of accounting, on the going concern basis and under the historical cost convention, unless otherwise disclosed, in the form approved by the Minister for Employment Affairs and Social Protection, with the concurrence of the Minister for Public Expenditure and Reform, in accordance with section

22(1) of the Pensions Act, 1990, as amended.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Authority's financial statements.

d) Oireachtas grants

Oireachtas grants represents the amount made available in respect of the year by the Department of Employment Affairs and Social Protection to recoup the cost of superannuation benefits paid by the Authority. Oireachtas grants are recognised in the year in which the related pensions are paid.

e) Fee income

i) Occupational pension scheme fees

Fees are payable to the Authority by scheme trustees in accordance with section 25 of the Pensions Act. The current fee rates payable are set out in Statutory Instrument No. 634 of 2010 - Occupational Pension Schemes (Fees) (Amendment) Regulations, 2010. Fees in respect of group schemes are payable on an actual year basis and one person schemes are payable a year in arrears.

The Authority recognises all fees due as income on a calendar year basis and fees due in respect of one person schemes are included as debtors at year end.

ii) Personal Retirement Savings Account fees

Amounts due in respect of application, product and annual fees levied on Personal Retirement Savings Account (PRSA) providers. Annual PRSA fees are calculated by reference to the number of registered approved products and the value of funds under management by the provider as at the end of the prior year.

The current fee rates are set out in Statutory Instrument No. 506 of 2002 - Personal Retirement Savings Accounts (Fees) Regulations, 2002.

f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged in the statement of income and expenditure and revenue reserves on a straight-line basis, from the point the asset comes into use. Depreciation is applied at the annual rates set out below, so as

to write off the assets, adjusted for estimated residual value, over the expected useful life of each appropriate category.

- Leasehold improvements 67% 15 years
- Computer equipment 25% 4 years
- Office furniture 12½% 8 years
- Office equipment 20% 5 years

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of an age and in the condition expected at the end of its useful life.

If there is objective evidence of impairment of the value of an asset, an impairment loss is recognised in the statement of income and expenditure and retained revenue reserves in the year.

g) Operating lease

Rental payments are dealt with in the statement of income and expenditure and retained revenue reserves in the year to which they relate.

h) Retirement benefits (Refer to note 18)

Nature of schemes

The Authority operates the following defined benefit pension schemes in respect of its employees:

For employees appointed prior to 1 January 2013:

- Pensions Authority Superannuation Scheme, 1993, and the Spouses' and Children's Contributory Pension Scheme 1993, with the scheme structure based on the Public Service model (the 'Model scheme').

For employees appointed after 1 January 2013:

- Single Public Service Pension Scheme, which provides consumer price index-linked defined benefit pensions based on career-average pay (the 'Single scheme').

The schemes are unfunded by the Authority, with pension benefits payable by the Exchequer. In addition, the Authority's arrangements have a number of specific characteristics:

- the Authority makes agreed contributions to the Department of Employment Affairs and Social Protection (for the Model scheme) and to the Department of Public Expenditure and Reform (for the Single scheme);
- the contributions for both schemes comprise an employee element along with an employer element. The employer contributions, paid by the Authority, amount to 25% of gross

pay for employees paying PRSI at the A rate in the Pensions Authority Superannuation Scheme and 30% of gross pay for employees paying PRSI at the D rate. The employer contribution paid by the Authority to the Single Scheme amount to three times the employee contribution;

- there is an explicit commitment from the Department of Employment Affairs and Social Protection, with the agreement of the Department of Public Expenditure and Reform, that the Exchequer will meet the cost of benefits as they fall due;
- an asset corresponding to the unfunded deferred liability for retirement benefit on the Single Public Service Pension Scheme is recognised on the basis of the provisions of section 44 of the Public Service Pensions (Single Scheme and other provisions) Act 2012.

In substance, the Authority considers that the obligation to pay pension benefits remains with the Authority, but that the Exchequer has committed to providing the Authority with sufficient funds to settle any such obligations as they fall due, provided that the Authority pays over employees' and the employer's contributions at rates specified by the Minister for Employment Affairs and Social Protection and the Minister for Public Expenditure and Reform.

Accordingly, the financial statements recognise both a deferred pension benefit obligation and a deferred exchequer pension funding receivable and full details of Superannuation benefit payments are included in the financial statements as an expenditure item and there is a corresponding income representing recoupment of payments from the Department of Employment Affairs and Social Protection.

Scheme actuarial gains or losses

Actuarial gains or losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised for the year in which they occur and a corresponding adjustment is recognised to the balance for deferred exchequer retirement benefit funding. Pension costs in the statement of income and expenditure and retained revenue reserves comprise the employer's contribution in the year.

Scheme liabilities

Scheme liabilities represented by the present value of future payments earned by Authority staff to date are measured on an actuarial basis using the projected unit method. Pension costs reflect pension benefits earned by employees. The amount to be included in the financial statements for the deferred exchequer benefit funding amount is estimated at an amount equal to the estimate of the obligation for the pension scheme liabilities.

i) Compliance enforcement reserve

As the Authority is a statutory regulatory body charged with monitoring and enforcing compliance with the provisions of the Pensions Act, 1990, as amended, it may be necessary for the Authority, from time to time, to have recourse to legal action.

In certain cases, such action could involve the Authority in significant costs. It is not possible to anticipate when such cases may arise, or the resulting level of costs, but the Authority considers it prudent to ensure that adequate resources are available and to spread such costs over the years.

Accordingly, amounts are transferred from the statement of income and expenditure and retained revenue reserves to the compliance enforcement reserve when deemed prudent or necessary.

Amounts are transferred from the compliance enforcement reserve to the statement of income and expenditure and retained revenue reserves in the case of significant legal proceedings i.e. contested high court action.

The assumptions can be affected by:

- (i) the discount rate, changes in the rate of return on high-quality corporate bonds
- (ii) future compensation levels, future labour market conditions.

j) Critical accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements have had the most significant effect on amounts recognised in the financial statements.

Depreciation and residual values

The Authority has reviewed the asset lives and associated residual values of all fixed asset classes, and in particular, the useful economic life and residual values of fixtures and fittings, and have concluded that asset lives and residual values are appropriate.

Retirement benefit obligation

The assumptions underlying the actuarial valuations for which the amounts recognised in the financial statements are determined (including discount rates, rates of increase in future compensation levels, mortality rates and healthcare cost trend rates) are updated annually based on current economic conditions, and for any relevant changes to the terms and conditions of the pension and post-retirement plans. The going concern basis is also a critical judgement.

2. Other income

Other income	2019 €	2018 €
Interest income	3,323	6,780
Recoupment of prosecution costs	2,000	635
Miscellaneous income	1,745	4,130
	7,068	11,545

3. Remuneration

The average number of full-time equivalent employees during the year was 64 (2018, 58) and the Employment Control Framework (ECF) was 95.5 at the end of 2019 (2018, 70.5). The aggregate employee and related costs were as follows:

Remuneration	2019 €	2018 €
Salaries	3,637,103	3,214,582
Employer superannuation contributions	696,916	413,069
Employer PRSI contributions	369,520	309,468
Agency/temporary employees	96,789	114,838
	4,800,328	4,051,956

Key management personnel

Key management personnel in the Pensions Authority consist of the Pensions Regulator and the Head of Operations (Finance). The total value of short-term employee benefits for key management personnel is set out below:

	2019 €	2018 €
Salaries ⁴	264,076	257,133

⁴ Figures are in line with grades as set out in Circular 17/2019. This does not include the value of retirement benefits earned in the period. The key management personnel are members of the Pensions Authority pension scheme and the Single Scheme and their entitlements in that regard do not extend beyond the terms of the model public service pension scheme.

Employee short-term benefits breakdown⁵

Employees' short-term benefits in excess of €60,000 are categorised into the following bands:

Range of Total Employee Benefits		Number of Employees	
From €	To €	2019	2018
60,000	69,999	5	7
70,000	79,999	9	4
80,000	89,999	3	2
90,000	99,999	2	3
100,000	109,999	1	2
110,000	119,999	1	1
120,000	129,999	0	0
130,000	139,999	0	0
140,000	149,999	0	0
150,000	159,999	1	1

4. Pensions Regulator remuneration⁶

Pensions Regulator remuneration	2019 €	2018 €
Salary	157,031	151,500
Employer superannuation contribution	39,258	37,875
	196,289	189,375

The Pensions Regulator is a member of the Pensions Authority's pension scheme and his pension entitlements do not exceed the standard entitlements provided in the model public sector defined benefit superannuation scheme. The value of retirement benefits earned in the period is not included above.

5. Authority members' fees

Authority members' fees		
Name	2019 €	2018 €
David Begg - Chairman	20,520	20,520

⁵ For the purposes of this disclosure, short-term employee benefits in relation to services rendered during the reporting period include salary, overtime allowances and other payments made on behalf of the employee, but exclude employers PRSI.

⁶ Included as part of employee costs in note 3.

6. Rent and office expenses

Rent and office expenses	2019 €	2018 €
Rent	558,400	558,400
Service charge	90,076	132,427
Rates	66,954	72,906
Electricity	38,038	53,750
Cleaning	37,946	29,980
General maintenance	41,298	25,850
Offsite storage	2,185	2,279
	834,897	875,592

The Authority occupies office premises on the first, second and fourth floor and basement at Verschoyle House, Lower Mount Street, Dublin 2, under a 25 year lease, which commenced on 16 July 2001. The Authority entered into an additional lease for the third floor of Verschoyle House from 21 October 2016 to 15 July 2026.

7. Training, education and employee-related expenses

Training, education and employee-related expenses	2019 €	2018 €
Training and education	185,217	162,676
Employee-related expenses ⁷	10,108	7,677
	195,325	170,353

8. Information, research and publicity

Information, research and publicity	2019 €	2018 €
Advertising and engagement activities	138,089	142,458
Printing, publications and website	51,733	42,217
Consumer market research	0	9,375
	189,822	194,050

⁷ Includes contributions to employee social committee and other activities.

9. Professional fees

Professional fees	2019 €	2018 €
Legal advice	225,806	93,058
Investigation and compliance support	83,860	36,268
Project development	0	14,699
System enhancement consultancy	77,389	5,477
Research consultancy	55,475	203,123
Internal audit fees	9,543	14,765
Statutory audit fees	18,700	17,000
Recruitment consultancy and advertising	26,178	14,258
Other ⁸	101,700	20,996
	598,651	419,644

10. General administration

General administration	2019 €	2018 €
Stationery and administration expenses ⁹	98,187	37,251
Corporate subscriptions	175,651	167,494
Telephone and postage	35,262	30,308
Computer maintenance and consumables	259,282	180,266
Travel and subsistence ¹⁰	24,911	24,441
Insurances	53,781	51,734
Bank charges	16,460	9,352
	663,534	500,846

⁸ Includes ICT consultancy and HR technical advice.

⁹ Includes Audit and Risk Committee member fees of €3,426.

¹⁰ Included in travel and subsistence costs were: a) Foreign travel - €24,062 (includes €11,917 foreign travel for the Pensions Regulator) b) Pensions Regulator expenses - €12,145 (includes €11,917 foreign travel) (2018 - €7,447). Foreign travel related mainly to the Authority's participation in EU regulatory and supervisory policy activity, in particular attendance at meetings of the EIOPA.

11. Property, plant and equipment

	Leasehold improvements €	Computer equipment €	Office furniture €	Office equipment €	Total €
Cost or Valuation					
At 1 January 2019	1,246,597	1,154,876	96,982	50,961	2,549,416
Additions in year	0	244,626	0	0	244,626
Disposal in year	0	(31,591)	(61,710)	(4,175)	(97,476)
At 31 December 2019	1,246,597	1,367,911	35,272	46,786	2,696,566
Accumulated Depreciation					
At 1 January 2019	1,154,358	829,420	60,970	31,197	2,075,945
Disposal in year	(-)	(31,591)	(61,710)	(4,175)	(97,476)
Charge for year	3,752	100,044	31,038	5,534	140,368
At 31 December 2019	1,158,110	897,873	30,298	32,556	2,118,837
Net Book Value					
At 31 December 2018	92,239	325,456	36,012	19,764	473,471
At 31 December 2019	88,487	470,038	4,974	14,230	577,729

12. Receivables

Amounts falling due within one year:	2019 €	2018 €
Fee income	559,800	515,500
Accrued interest receivable	0	2,710
Prepayments	160,749	161,043
Debtors other	134,690	496,037
	855,239	1,175,290

13. Payables

Amounts falling due within one year:	2019 €	2018 €
Creditor accruals	231,173	182,618
Holiday pay accruals	45,194	89,133
Tax creditor	116,109	101,319
Trade creditors	0	96,484
	392,476	469,554

14. Financial commitments**(i) Capital commitments**

There were no capital commitments at 31 December 2019.

(ii) Operating leases

The Authority had commitments payable under non-cancellable operating leases as follows:

	2019 €	2018 €
Within 1 year	558,400	558,400
2-5 years	2,233,600	2,233,600
Over 5 years	859,077	1,417,477
	3,651,077	4,209,477

Lease payments are recognised as an expense.

15. Revenue reserves

	2019 €	2018 €
Compliance enforcement reserve		
At beginning and end of year	1,500,000	1,500,000
Revenue reserve		
At end of year	7,739,049	7,793,464
	9,239,049	9,293,464

16. Reconciliation of surplus for the year to net cash inflow from operating activities

	2019 €	2018 €
Surplus for year	(54,415)	476,304
Non-operating items		
Finance income	(3,322)	(6,780)
Non-cash items		
Depreciation	140,368	224,536
(Increase)/Decrease in receivables	320,051	(555,874)
Increase/(Decrease) in non-capital payables	(77,079)	(1,898)
Loss on disposal of fixed asset	0	1,070
Net cash inflow from operating activities	325,603	137,358

17. Analysis of changes in cash flows

	At 1 January 2019 €	Cash flow €	At 31 December 2019 €
Cash and cash equivalents	1,568,759	78,435	1,647,194
Short-term deposits	6,545,498	5,865	6,551,363
	8,114,257	84,300	8,198,557

18. Accounting treatment for retirement benefits

The Authority operates the following defined benefit pension schemes in respect of its employees:

For employees appointed prior to 1 January 2013:

- Pensions Authority Superannuation Scheme, 1993 and the Spouses' and Children's Contributory Pension Scheme, 1993 (the scheme structure is based on the traditional Public Service model).

For employees appointed after 1 January 2013:

- Single Public Service Pension Scheme (the structure provides consumer price index-linked defined benefit pensions based on career-average pay).

The schemes are unfunded statutory schemes with pension benefits payable under the schemes funded by the Exchequer.

In addition, the Authority's arrangements have a number of specific characteristics:

- the Authority makes an agreed contribution to the Department of Employment Affairs and Social Protection (for the Model scheme) and to the Department of Public Expenditure and Reform (for the Single scheme);
- the contribution for both schemes comprises an employee element along with an employer element. The employer contribution to the Pensions Authority Superannuation Scheme amounts to 25% of gross pay for employees paying PRSI at the A rate. The employer contribution paid by the Authority to the Single Scheme amounts to three times the employee contribution;
- and 30% of gross pay for employees paying PRSI at the D rate and is paid by the Authority;
- there is an explicit commitment from the Department of Employment Affairs and Social Protection, with the agreement of the Department of Public Expenditure and Reform, that the Exchequer will meet the cost of benefits as they fall due.

a) Actuarial valuation

The Authority commissioned an actuarial valuation of retirement benefit liabilities under FRS102 at the statement of financial position date and the cost of benefits (service costs) accrued during the year.

This valuation, which was based on the Project Unit method, is premised on the following key financial assumptions (with comparatives for 2018):

	31 December 2019	31 December 2018
Discount rate ¹¹	1.30% p.a.	2.10% p.a.
Inflation rate	1.40% p.a.	1.50% p.a.
Increases to pensions in payment	2.40% p.a.	2.50% p.a.
Pensionable salary increases ¹²	2.40% p.a.	2.50% p.a.

¹¹ The discount rate is prescribed under FRS102 and is based on the yield on high quality corporate bonds at the valuation date.

¹² Plus an allowance for public sector pay scales.

The key demographic assumptions used to calculate the retirement benefit liabilities under FRS102 at the beginning and the end of the period were as follows:

	31 December 2019		31 December 2018	
Mortality: pre-retirement	None		None	
Mortality: post retirement	58% (male) of ILT15 62% (female) of ILT15 with allowance for future mortality improvements		58% (male) of ILT15 62% (female) of ILT15 with allowance for future mortality improvements	
Life expectancy at age 65:	Male	Female	Male	Female
FRS date:	21.6	24.1	21.5	24.0
FRS date + 20 years:	24.3	26.6	24.2	26.6
Retirement	70% of those with the option are assumed to retire at 60 with all other members assumed to retire at normal retirement age.		70% of those with the option are assumed to retire at 60 with all other members assumed to retire at normal retirement age.	
Age gap	Spouses are assumed to be three years younger than male members and three years older than female members		Spouses are assumed to be three years younger than male members and three years older than female members.	

b) Analysis of total pension costs charged to expenditure

	2019 €	2018 €
Total employer contribution	700,738	802,428
SPSPS ¹³ refund from DPER	(-)	(332,116)
Adjustments for seconded employees and transfers out	(3,822)	(57,243)
Current service cost ¹⁴	1,015,000	1,028,000
Interest cost	487,000	438,000
Past service cost	(1,502,000)	(1,466,000)
Adjustment to deferred Exchequer funding	696,916	413,069
Total charge to the statement of income and expenditure and retained revenue reserve	413,069	704,899

¹³ SPSPS is the Single Public Service Pension Scheme. The refund relates to overpaid employer contributions to the SPSPS between 2013 and 2018.

¹⁴ Includes employee contributions totalling €295,000 in 2019 and €157,000 in 2018.

c) Movement in net pension liability

	2019 €	2018 €
Net pension liability at 1 January	23,369,000	22,080,000
Current service cost	1,015,000	1,028,000
Interest cost	487,000	438,000
Experience (gains)/losses on scheme liabilities	(1,072,000)	490,000
Change in assumptions	3,719,000	(298,000)
Benefits paid during the year ¹⁵	(372,000)	(369,000)
Net pension liability at 31 December	27,146,000	23,369,000

d) Actuarial adjustments

	2019 €	2018 €
Experience gains on retirement benefit obligation	(1,072,000)	490,000
Change in assumptions underlying the present value of retirement benefit obligation	3,719,000	(298,000)
Adjustment to deferred retirement benefits funding	(2,647,000)	(192,000)

e) Superannuation deductions and contributions

The total superannuation deductions and contributions remitted to the Department of Employment Affairs and Social Protection and Department of Public Expenditure and Reform were as follows:

	2019 €	2018 €
Employer ordinary contributions	700,738	802,428
SPSPS refund from DPER	-	(332,116)
Employee ordinary contributions	165,287	156,905
Pension-related deduction ¹⁶	-	156,623
Additional Superannuation Contribution	129,745	-
	995,770	783,840

¹⁵ The 2018 amount includes refunds of €24,640 for employees who transferred out of the Authority in 2018.

¹⁶ The pension-related deduction is not technically a pension contribution.

Breakdown of remittance of pension deductions

Employees in the Pensions Authority are members of the following schemes:

- Pre 1995 scheme
- Post 1995 scheme
- Single scheme

Pension contributions for the pre 1995 and post 1995 scheme are remitted to the Department of Employment Affairs and Social Protection (DEASP). Pension contributions for the Single Scheme are remitted to the Department of Public Expenditure and Reform (DPER). The table below provides a breakdown of the remittance.

	2019 €	2018 €
DEASP:		
Employer ordinary contributions	494,926	522,214
Employee ordinary contributions	96,683	106,839
Pension-related deduction	-	156,623
Additional Superannuation Contribution	129,746	-
DPER:		
Employer ordinary contributions	205,812	280,214
Employee ordinary contributions	68,603	50,066
SPSPS refund from DPER	-	(332,116)
	995,770	783,840

f) Superannuation receipts and payments

	2019 €	2018 €
State grant in respect of pension payments ¹⁷	372,624	344,358
Superannuation benefits paid	(372,624)	(344,358)

¹⁷ Department of Employment Affairs and Social Protection Vote 37 subhead A41.2.

19. Disclosure of transactions

In accordance with the Code of Practice for the Governance of State Bodies, the Authority has in place a Code of Business Conduct for Authority members. The Code of Business Conduct includes guidance in relation to the disclosure of interests by Authority members and these procedures have been adhered to by the Authority during the year covered by these financial statements. During 2019, there were no financial transactions with Authority members other than the payment of Authority fees detailed in Note 5.

20. Taxation

The Authority is exempt from Corporation Tax under section 220 of the Taxes Consolidation Act 1997.

21. Subsequent events

As a result of the Covid-19 outbreak, all Pensions Authority staff were obliged to work from home since late March. Although this caused some initial disruption, there has not been a significant impact on the Authority's operations and finances.

The Authority is monitoring closely the effect of remote working on the activities of the organisation and has increased oversight of income and expenditure.

22. Subsequent events

The financial statements were approved by Authority members on 29 June 2020.

APPENDIX I

Membership of occupational pension schemes and Personal Retirement Savings Accounts*

Table 1: Defined benefit schemes with active members as at 31 December 2019

Defined benefit schemes with active members as at 31 December 2019						
Scheme Size	Defined Benefit				All DB Schemes	
	Subject to the Funding Standard		Not Subject to the Funding Standard			
	No of Schemes	Active Members	No of Schemes	Active Members	No of Schemes	Active Members
Frozen	197	0	0	0	197	0
In wind-up	19	0	0	0	19	0
Scheme size by active members						
Non-Group	0	0	0	0	0	0
0 to 50	236	3,044	40	830	276	3,874
51 to 99	41	2,888	11	781	52	3,669
100 to 500	73	18,403	24	4,847	97	23,250
501 to 1000	14	9,246	8	6,193	22	15,439
1001+	17	72,131	21	382,447	38	454,578
2019 Total	597	105,712	104	395,098	701	500,810
2018 Total	614	102,683	99	391,606	713	494,289
Change since 2018	-17	3,029	5	3,492	-12	6,521

Table 2: Defined contribution schemes with active members as at 31 December 2019


Defined contribution schemes with active members as at 31 December 2019		
Scheme size by active members	No of Schemes	Active Members
Non-Group	66,201	66,201
1-10	5,767	17,243
11-20	1,024	15,017
21-30	525	13,158
31-40	282	9,870
41-50	207	9,390
51-99	403	28,261
100-500	356	77,047
501-1000	56	37,470
1001+	45	107,773
2019 Total	74,866	381,430
2018 Total	72,096	351,657
Change since 2018	2,770	29,773

PRSA data

The number of PRSA contracts increased in 2019 by 17,405 to 298,532 with assets under management of €7.5 billion. The contracts consisted of:

- 219,584 Standard PRSA contracts
- 78,948 Non-Standard PRSA contracts

*Occupational scheme membership and PRSA data are based on the information provided to the Authority by regulated entities.



The Pensions Authority
Verschoyle House
28/30 Lower Mount Street
Dublin 2
D02 KX27

Telephone: (01) 613 1900
www.pensionsauthority.ie

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