An Bord Pinsean
The Pensions Board

# Annual Report and Accounts 2010

www.pensionsboard.ie

# Contents

# The role and functions of The Pensions Board

The Pensions Board was established under the provisions of the Pensions Act, 1990, as amended, ("The Act") as a representative body, comprising a chairperson and 16 ordinary members appointed by the Minister for Social Protection.

The Act defines the functions of the Board as follows:

- to monitor and supervise the operation of the Pensions Act and pensions development generally, including trust Retirement Annuity Contracts (RACs) and Personal Retirement Savings Accounts (PRSAs)
- to issue guidelines or guidance notes on the duties and responsibilities of trustees of schemes and codes of practice on specific aspects of their responsibilities
- to issue guidelines or guidance generally on the operation of the Pensions Act
- to encourage and support the provision of appropriate training facilities for trustees of schemes
- to advise the Minister on all matters relating to functions assigned to the Board under the Act and on matters relating to pensions generally and to undertake such tasks as the Minister may, from time to time, request.

# Mission statement

The Pensions Board's mission is to:

- promote the security and protection of members of occupational pension schemes, trust RACs and contributors to PRSAs in accordance with the Act
- promote the development of efficient national pension structures
- promote a level of participation in the national pension system which enables all citizens to acquire an adequate retirement income
- provide information and authoritative guidance to relevant parties concerning pension security, structures and participation.

# Chairperson's statement

I am pleased to submit, in accordance with Section 23 of the Pensions Act, 1990, the annual report of An Bord Pinsean – The Pensions Board for the year ended 31 December 2010.

Throughout 2010 the Board and the executive continued to work with the Department of Social Protection and Government to underpin stable pension provision during a time of international financial uncertainty, through regulation, providing policy advice and by being a source of objective and relevant information for trustees, members of occupational pension schemes and the general public. I look forward to our active participation in the implementation of the National Pensions Framework, launched by Government in March 2010. This work will continue throughout 2011.

These are very worrying times for the members, employers and trustees of occupational pension schemes and for pensions in general. The effect of the recession on employment is evident in the numbers participating in occupational pension schemes.

The Annual Report shows that the number of active defined benefit schemes registered with the Board declined during 2010 from 1,307 to 1,108. The number of active members in these schemes decreased by 36,259 to 550,229 during 2010. The number of defined contribution schemes registered with the Board also decreased during 2010 by 7,756 to 75,183. The total membership of defined contribution schemes at the end of 2010 was 259,732, a decrease of 7,177 members on 2009. However, the number of PRSA contracts in force grew by 16,252 during 2010 to 187,114 with total assets of €2.74 billion, an increase of €690 million since 2009. The fall in occupational pension scheme membership is of concern given the importance of personal saving to provide for retirement in addition to the State pension. This is a serious step back for pensions which could have lasting consequences.

The most significant ongoing challenge for the Board is ensuring compliance. Almost all of those involved in providing pensions – trustees, administrators, PRSA providers, professional advisers and employers – operate in good faith and to the best of their ability. Where problems arise because of genuine errors, the Board's priority is to see the matter resolved and so the Board must be ever diligent and consistent in carrying out its core supervisory functions. However, the Board will have no hesitation in imposing sanctions right up to prosecution through the Courts, where appropriate.

While the aim of the Board is compliance, not sanctions, the Board's regulatory activity will continue to be based on the view that the imposition of sanctions is an important feature of the Board's powers and that without them standards of administration and governance would be lower. The introduction of fines as an alternative to prosecution for specified offences has been very effective in raising the standard of administration and of instilling a culture of compliance in pensions. The Board will continue to allocate resources to investigating these offences, especially as these are often an indicator of more serious problems.

A significant support to the Board's capacity to perform its regulatory and other functions was the deployment of the Board's online services portal from October 2010. The Board is continuing to develop its online services to customers and the ability to submit pension scheme data electronically will facilitate greater levels of compliance.

In keeping with the Board's commitment to further enhance the understanding and education of pension scheme trustees the Board launched its e-learning system for trustee training in January 2010. This initiative is designed to respond to new legislation which obliges all pension scheme trustees to undertake training at least every two years.

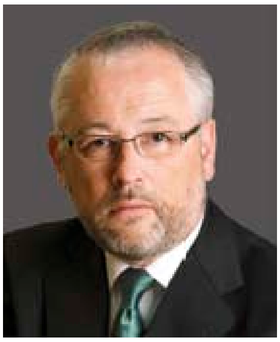
I echo the sentiment previously highlighted by the Board that regulators operating in the financial sector such as the Board must be adequately resourced so that they can effectively supervise regulated entities and products. In particular, it is vital that regulators have sufficient staff numbers with the appropriate range of expertise to undertake their important functions. I welcome the sanction received from the Department of Social Protection in April 2011 of an additional twelve regulatory staff for the Board to augment the existing team of experienced and skilled staff.

Since my appointment as Chairperson in July, I have had the pleasure of working with the members of the outgoing Board, whose five-year term of office ended in December 2010. I would like to acknowledge their hard work and commitment over those five years during which significant progress was made. I was delighted to be reappointed by the Minister for Social Protection to lead the new Board for the next five year term and I look forward to working with my fellow Board members and the Board's executive in underpinning a pensions system that provides wide coverage that is sustainable, adequate and reliable.

I want to thank the staff of the Board led by the Chief Executive Brendan Kennedy for their professionalism, innovation, commitment and hard work throughout the past year.

Finally, I and my fellow Board members look forward to working with the Minister for Social Protection Joan Burton T.D. and the officials in the Department of Social Protection and other Government Departments during the years ahead.

**Jane Williams**
*Chairperson*



# Chief Executive's review

The position of Irish pensions remains serious. Current economic circumstances mean that pension savers and sponsoring employers have great difficulty in making the contributions necessary to make good the investment losses incurred in 2007-2009 and to meet the ever increasing costs of providing retirement benefits, whether through defined benefit or defined contribution arrangements.

## Defined benefit

The Pensions Board estimates that as at 31 December 2010 some 75% of defined benefit schemes are in deficit and in many cases the deficit is substantial. During 2009 and 2010, the Board granted a number of extensions to the statutory deadlines for submission of funding proposals. In mid-October 2010, the Board again deferred the deadline for the submission of funding recovery plans in response to the Government's announcement of an acceleration of a review of all defined benefit issues raised in the National Pensions Framework. The suspension of the funding standard deadline is a pragmatic decision taken by the Board to allow schemes time to deal with their funding deficits. It is the Board's intention to set a revised date as quickly as possible.

Where they have not already done so, trustees of most defined benefit schemes must prepare recovery plans and in many cases, submit them to the Board for approval. These plans must have two objectives – to eliminate the scheme deficits and to place the scheme on a stable footing so that members and their dependants can be reasonably confident that the benefits promised will be paid.

When considering a recovery plan, trustees must do more than simply identify the minimum contribution rate needed to eliminate the deficit. Instead, trustees should consider the future of their scheme, its long-term prospects, the range of risks it faces, and the contributions which members and the sponsoring employer are willing to make. Trustees must recognise the contribution rate, the investment policy and, where relevant, changes to the benefits structure, as being interrelated, and the best solution is one that allows the scheme to undertake appropriate investment risk to achieve long term returns without such risk endangering the benefits already accrued by members.

Investment risk is the greatest single issue faced by Irish schemes, and the failure to recognise this risk and to manage it is the greatest single reason why so many people will have less at retirement than they expected. The Board is aware of specific schemes where trustees have taken steps to bring the investment risk into line with what the scheme can bear. In many cases, this involves a reduction in the proportion of scheme assets invested in equities. Everyone recognises that it is appropriate to make such changes over a reasonable period of time. However, it is now over three years since the markets crashed and all data, both in the Board and elsewhere show no noticeable reduction by Irish schemes of their aggregate equity exposure. The unavoidable conclusion is that, in very many cases, trustees have not faced up to the issues, and are continuing to expose the benefits of their members to significant risks of further losses.

## Defined contribution

The losses suffered by members of defined contribution arrangements are in most cases similar to those of defined benefit schemes, though they have usually received less attention. This makes it more important than ever that the trustees of defined contribution schemes fully discharge their responsibilities so that members' pension savings are as well managed as possible.

The obligations of trustees of defined contribution schemes are considerably less complex than those of defined benefit schemes. But there are obligations, and trustees must meet them. Trustees must ensure that the investment choices made available to members are appropriate, and that the communications are understandable. The default investment choice must also be appropriate, and trustees should seek advice on this.

Scheme charges have a significant effect on the retirement benefits of defined contribution scheme members, and there are many schemes where these charges are high and should be reduced. Scheme trustees have a responsibility to run the scheme in the interests of the members, and this clearly includes ensuring that scheme costs are kept to reasonable levels. However, the trustees of too many smaller schemes do not seem to concern themselves with this important matter.

## Compliance

The Board is rigorous in pursuing cases where the employer has misappropriated member pension contributions. Where this happens albeit in a relatively small number of cases it is the Board's policy to prosecute both the employer companies and, where appropriate, the directors in a personal capacity. It is a source of frustration for all concerned about this matter, both within and outside the Board that it is slow, complex and expensive to prosecute these cases, especially as it is usually very clear what has taken place.

During 2010, the Board began onsite inspections of Registered Administrators. The supervision of these administrators is an important part of our efforts to ensure that pension scheme records are reliable, and that members receive the benefits to which they are entitled. These inspections will intensify in 2011.

We are aware of problems that have occurred with pension administration, and of the efforts to deal with legacy problems. The results of our inspections have usually been satisfactory, but there are issues to be rectified and we will continue with this important work.

## Europe

In March 2011, the European Commission took the first steps to revise the IORPs Directive, which is the E.U. directive that governs most supplementary pensions in Europe, including Irish occupational pension schemes. The process of revising the IORPs Directive will be long and complex, but there can be no doubt that the result will be significant changes for Irish pensions, both defined benefit and defined contribution. The Irish pensions industry will best serve its clients if it becomes familiar with the Commission's proposals, and makes sure that its advice to clients takes account of likely future developments.

## Operations and resources

In April 2011, the Board received sanction to recruit an additional twelve regulatory staff. This sanction is very welcome and recognises the importance and significance of the work of the Board in supervising retirement savings. We are conscious of our responsibility to make best use of the additional resources and to meet the expectations of all of our stakeholders.

We recognise our responsibility to run the Board as cost-effectively as possible. The Board has shown a surplus every year since 2003 and I am therefore happy to report a surplus in 2010 of €486,000 as a result of reduced staff costs and of seeking cost reductions wherever possible. The day to day work of the Board is funded entirely by occupational pension scheme and PRSA provider fees. Apart from the funding allocated by the Department of Social Protection for the National Pensions Awareness Campaign, the Board receives no Exchequer funding.

In November 2010, the Board welcomed the acceptance by the Minister of its recommendation that the fees levied on pension schemes be reduced by 9.1% from 1 January 2011. This reduction is a response to the surpluses that the Board has accumulated, and is intended to be temporary. The fee levels will be closely monitored to ensure the Board has sufficient financial resources at its disposal. It may be necessary at some future date to seek approval for fee increases from the Minister.

## Pensions Board staff and members

I would like to acknowledge the hard work and dedication of all my colleagues working in the Board – 2010 was a demanding year and they responded with professionalism.

I would also like to thank the outgoing members of the Board for their contributions during what has been one of the most challenging periods for Irish pensions. I would like to welcome the new Board members and Chairperson, and I look forward to working together with them to improve Irish pensions.

Brendan Kennedy

**Brendan Kennedy**
*Chief Executive*

# The Pensions Board

The Pensions Board is a statutory body comprising a chairperson and up to 16 ordinary members. While all members are appointed by the Minister for Social Protection under the provisions of the Act, the Board must be comprised of representatives of trade unions, employers, consumer interests, pensioner interests, the Government, the pensions industry, member trustees and professional groups involved with pension arrangements.

The term of office for Board members is five years. Casual vacancies are filled directly by the Minister, on the nomination of the relevant nominating body, as appropriate. A person who fills a casual vacancy holds office for the remainder of the current five-year period.

On 22 December 2010, the Minister announced the appointment of The Pensions Board which takes up office for the five year period 2010-2015.

The members of the Board are:

**Jane Williams (Chairperson)***
The Sia Group
Nominee of the Minister for Social Protection

**Rosalind Briggs****
Mercer
Nominated by the Society of Actuaries in Ireland

**Noreen Deegan**
Friends First
Nominated by IBEC

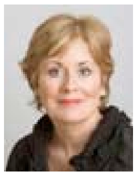
**Kevin Finucane**
Willis Ireland
Nominated by the Association of Pension Lawyers in Ireland

**Brendan Johnston**
Zurich Life Assurance plc
Nominated by the Irish Insurance Federation

**Prof. John McHale**
National University of Ireland
Nominee of the Minister for Social Protection
Representative of consumer interests

**Patricia Murphy**
Department of Social Protection
Representative of the Minister for Social Protection

**Terence Noone**
DHKN Chartered Accountants
Nominee of the Minister for Social Protection



**Emer O'Flanagan****
O'Driscoll O'Neill Ltd
Nominee of the Minister for Social Protection

**Don O'Higgins**
Irish Business and Employers Confederation (IBEC)
Nominated by IBEC

**Phelim O'Reilly**
Attain Consulting Ltd
Nominated by the Irish Association of Pension Funds

**David Owens****
Department of Finance
Representative of the Minister for Finance

**Rachael Ryan**
SIPTU
Nominated by the Irish Congress of Trade Unions

**Mary Walsh**
Chartered Accountant
Nominee of the Minister for Social Protection

**Niall Walsh****
Deloitte
Nominated by the Consultative Committee of the Accountancy Bodies – Ireland

**Robin Webster**
Age Action Ireland
Nominee of the Minister for Social Protection
Representative of pensioner interests

* Re-appointment as Chair
** Re-appointment as ordinary members

## Attendance at Board meetings

The members of the Board who served from 1 January 2010 to 21 December 2010 recorded attendances as follows:

Tiarnan O Mahoney (6/6), Rosalind Briggs (7/9), Rosheen Callender (9/9), Julian Caplin (4/9), Marie Daly (7/9), John Dillane (7/9), Mary O'Donnell (7/9), Emer O'Flanagan (8/9), Michael O'Halloran (8/9), David Owens (8/9), Dr Orlaigh Quinn (7/9), Gerry Ryan (8/9), Michael Ryder (9/9), Dervla Tomlin (9/9), Mary Wade (8/9), Niall Walsh (7/9), Fergus Whelan (3/9), Jane Williams (3/3).

Jane Williams took over from Tiarnan O Mahoney as Chairperson on 28 June 2010.

# Regulation

## Principles of better regulation

The Board performs its regulatory role based on the following principles as set out in the White Paper, "Regulating Better" published by the Department of the Taoiseach in 2004:

**Simplicity:** All regulation should improve member protection. It should take account of the voluntary nature of pension schemes and the need for regulation that does not discourage existing pension provision or the establishment of new pension provision.

**Transparency:** The primary responsibility for the good conduct of occupational pension schemes is vested in the trustees. The Board emphasises the disclosure of information to enable individuals, their trade unions and other advisers, to monitor the health of their own pension arrangements.

**Proportionality:** Our policy is to try to secure compliance with regulatory requirements without recourse to legal action, but that such action is taken if necessary. Our first priority is the best interests of scheme members.

**Efficiency, effectiveness and fairness:** The general principles of efficiency, effectiveness and fairness guide all our actions.

## Regulatory oversight

Using its powers under the Pensions Act, the Board has delegated its regulatory functions under the Act to the Chief Executive and/or other members of the executive. To ensure appropriate oversight of the exercise of these powers, the Board established the Regulatory Review Group (RRG), which includes both members of the Board and the executive. The Chief Executive consults with the RRG before taking decisions in relation to granting of approvals of funding proposals and decisions to prosecute. The RRG met eight times in 2010.

## Supervisory priorities

In order to ensure that its regulatory practices are efficient the Board's supervisory approach is based on a hierarchy of risk priorities as follows:

1. scheme or PRSA assets or contributions being misappropriated
2. benefit entitlements being calculated incorrectly
3. defined benefit schemes being funded inadequately
4. inappropriate investment of pension assets
5. insufficient information provided to members.

The Board assesses levels of compliance based on the above priorities through a process of direct engagement with regulated entities and their administration providers.

## Defined benefit schemes

The number of active defined benefit schemes registered with the Board declined during 2010 from 1,307 to 1,108. The number of active members in these schemes decreased by 36,259 to 550,229 in 2010.

## Defined contribution schemes

The number of defined contribution schemes registered with the Board decreased during 2010 by 7,756 to 75,183. The total membership of defined contribution schemes at the end of 2010 was 259,732 a decrease of 7,177 members on 2009.

*Table 1 – Number of schemes and scheme membership as at 31 December 2010*

| | DEFINED CONTRIBUTION | | DEFINED BENEFIT | | | | ALL SCHEMES | |
|---|---|---|---|---|---|---|---|---|
| | | | Subject to the Funding Standard | | Not Subject to the Funding Standard | | | |
| SCHEME SIZE | No of Schemes | Active Members | No of Schemes | Active Members | No of Schemes | Active Members | No of Schemes | Active Members |
| Frozen | n/a | n/a | 85 | 0 | n/a | n/a | 85 | 0 |
| Non Group | 56,230 | 56,230 | 5 | 5 | 0 | 0 | 56,235 | 56,235 |
| 1 to 50 | 18,311 | 81,475 | 553 | 9,167 | 35 | 665 | 18,899 | 91,307 |
| 51 to 99 | 355 | 24,223 | 120 | 8,809 | 9 | 665 | 484 | 33,697 |
| 100 to 500 | 245 | 45,903 | 172 | 38,834 | 26 | 5,605 | 443 | 90,342 |
| 501 to 1000 | 20 | 13,476 | 46 | 32,871 | 5 | 3,797 | 71 | 50,144 |
| 1001+ | 22 | 38,425 | 32 | 132,386 | 20 | 317,425 | 74 | 488,236 |
| **Total:** | **75,183** | **259,732** | **1,013** | **222,072** | **95** | **328,157** | **76,291** | **809,961** |
| **Change since 2009** | -7,756 | -7,177 | -199 | -32,253 | 0 | -4,006 | -7,955 | -43,436 |

*Table 2 – Number of schemes and scheme membership as at 31 December 2009*

| | DEFINED CONTRIBUTION | | DEFINED BENEFIT | | | | ALL SCHEMES | |
|---|---|---|---|---|---|---|---|---|
| | | | Subject to the Funding Standard | | Not Subject to the Funding Standard | | | |
| SCHEME SIZE | No of Schemes | Active Members | No of Schemes | Active Members | No of Schemes | Active Members | No of Schemes | Active Members |
| Frozen | n/a | n/a | 135 | 0 | n/a | n/a | 135 | 0 |
| Non Group | 63,083 | 63,083 | 6 | 6 | 2 | 2 | 63,091 | 63,091 |
| 1 to 50 | 19,215 | 83,998 | 671 | 10,639 | 34 | 714 | 19,920 | 95,351 |
| 51 to 99 | 364 | 24,850 | 124 | 9,058 | 10 | 734 | 498 | 34,642 |
| 100 to 500 | 240 | 45,871 | 197 | 44,211 | 23 | 4,944 | 460 | 95,026 |
| 501 to 1000 | 18 | 12,879 | 40 | 27,485 | 6 | 4,494 | 64 | 44,858 |
| 1001+ | 19 | 36,228 | 39 | 162,926 | 20 | 321,275 | 78 | 520,429 |
| **Total:** | **82,939** | **266,909** | **1,212** | **254,325** | **95** | **332,163** | **84,246** | **853,397** |

### Notes for tables 1 and 2

a) excluding AVC only and death benefit only schemes

b) excluding schemes in wind-up and frozen schemes (apart from frozen schemes subject to the funding standard)

c) ‘Non-group’ means a scheme which according to its establishment may only have one member.

## Personal Retirement Savings Accounts (PRSAs)

The number of PRSA contracts in force at 31 December 2010 was 187,114 of which 77% were standard contracts and 23% non-standard contracts. This represented an increase of 16,252 contracts compared to 2009. The value of assets under management at 31 December 2010 was €2.74 billion, an increase of €690 million on 2009.

1,915 employers designated a PRSA provider during 2010, and the total number of employers with PRSA designations is now 91,874 involving 67,301 contributing employees.

## Monitoring of the funding standard

The Act requires that defined benefit schemes (excluding those exempted by regulations) must submit to the Board an actuarial funding certificate (AFC) at three yearly intervals. The scheme actuary certifies whether, if the scheme had wound up at the effective date of the certificate, its assets would have been enough to meet its liabilities. If not, a funding proposal, which is designed to restore the scheme to solvency must be submitted.

*Table 3 – Schemes for which funding certificates were received in 2010*

| | Schemes for which funding certs received in 2010* | | Of which DID satisfy the funding standard | | Of which DID NOT satisfy the funding standard | |
|---|---|---|---|---|---|---|
| SCHEME SIZE | No of Schemes | Active Members | No of Schemes | Active Members | No of Schemes | Active Members |
| Frozen | 22 | 0 | 11 | 0 | 11 | 0 |
| Non Group | 1 | 1 | 1 | 1 | 0 | 0 |
| 1 to 50 | 142 | 2,154 | 87 | 1,108 | 55 | 1,046 |
| 51 to 99 | 25 | 1,796 | 11 | 751 | 14 | 1,045 |
| 100 to 500 | 31 | 7,326 | 17 | 3,753 | 14 | 3,573 |
| 501 to 1000 | 10 | 6,975 | 6 | 4,241 | 4 | 2,734 |
| 1001+ | 13 | 36,303 | 9 | 16,096 | 4 | 20,207 |
| **Total:** | **244** | **54,555** | **142** | **25,950** | **102** | **28,605** |

** Where more than one actual funding cert was submitted for a scheme during the year, only the most recent cert is reflected in these figures.*

The Board received AFCs in respect of 244 schemes in 2010. Of these, 142 (58%) indicated that the schemes in question satisfied the funding standard. The remaining 102 (42%) schemes failed to satisfy the funding standard.

### Section 50/50A and Section 49(3) applications

During 2010, the Board received 95 Section 49(3) applications. In addition a number of cases received in 2009 remained to be dealt with and were carried forward to 2010. The Board specified the later date in 67 cases, and refused to do so in 7 cases. The trustees withdrew the application in 5 cases. In the cases that remained, the Board was awaiting or assessing responses to queries on the applications at year end.

During this period, 21 Section 50 applications were received. Again a number that were received in 2009 remained to be dealt with and were carried forward to 2010. The Board issued a direction in 11 cases to reduce benefits. In the cases that remained, the Board was awaiting or assessing responses to queries on the applications at year end.

Due to the extension to the submission deadline, the Board received fewer than expected applications for extended funding periods or benefit reductions in 2010.

### The Pensions Insolvency Payment Scheme (PIPS)

The Board received three PIPS applications during 2010. The Board certified the three applications as being eligible for consideration under the scheme and forwarded the applications to the Department of Finance for the next stage of the process.

## Registered Administrators (RAs)

Registered Administrators (RAs) are statutorily required to renew their registration with the Board on an annual basis.

October 2010 marked the second renewal of RA registration and at end of 2010 there were 185 RAs on the Board's register of RAs (34 of the original registrations were not renewed for various reasons). No RAs were refused renewal or had their activities restricted in 2010.

In order to determine if RAs are complying with the legislative requirements and have the competence and capability to discharge the core administration functions as they had certified, the Board inspected 5 of these entities in 2010 pursuant to its powers under Section 18 of the Pensions Act.

This pro-active approach to monitoring RAs is in keeping with the Board's overall risk-based approach to supervising the operation of the Act. Most importantly, these inspections also enable the Board to assess whether members' benefit entitlements are being calculated properly which is included in the Board's hierarchy of risk priorities.

The Board was generally satisfied with the overall level of compliance with the legislation by the RAs inspected. However, there were a number of areas that came to light during the inspections which should be considered by all RAs and these matters are publicly reported on the Board's website.

The Board will continue to carry out RA on-site inspections throughout 2011 and beyond. The selection of RAs for inspection will be done both on a risk-based and random selection basis and will cover the broad spectrum of RAs based on their type and size of business.

## Engagement with scheme trustees and pension providers

The Board is committed to assessing levels of compliance based on its hierarchy of risk priorities through a process of direct engagement with regulated entities and their administration providers. This engagement takes the form of individual meetings with trustees and pension providers who are called to the Board's premises to discuss their scheme's compliance with the Pensions Act.

During 2010 the Board convened 19 such meetings. The Board also met with 4 potential PRSA providers during the period.

## Construction Workers Pension Scheme (CWPS)

81 new suspected cases of deduction and non-remittance of pension contributions by employers in the construction sector were reported to the Board in 2010. During the year 74 cases were closed. The Board currently has 227 cases under active investigation.

Since 2007 the Board has been notified of 397 cases alleging deduction and non-remittance of pension contributions to the CWPS. In some of these cases the employers concerned have since either discharged the arrears due or entered into repayment schedules with the CWPS. To date the value of restored contributions resulting from Board activity stands at approx €4,600,000.

Where employers fail to engage with the Board or the CWPS, the Board uses its powers under the Pensions Act as necessary. This includes prosecuting the companies concerned, and, in some instances, directors may be prosecuted where it transpires that the offence has occurred with their connivance or through their neglect. It is hoped that this approach is a clear signal to employers as to the seriousness of this matter and the Board's attitude to it.

## Prosecutions

The Board's regulatory activity has led to prosecutions being undertaken against companies and their directors.

During 2010, the Board successfully undertook two prosecutions:

1) *Bellisle Properties Limited: This case was heard in Limerick District Court on 15 October 2010 – the Judge convicted the director, in his personal capacity, and the company for failure to remit contributions. He fined both the company and the individual director €10,000 each in respect of a total of 5 offences of the Pensions Act.*

2) *Rice Steele Manufacturing Limited: This employer as trustee of the pension scheme was convicted in Dublin District Court on 18 October 2010 for failure to provide the Board with an actuarial funding certificate within 9 months of the effective date of the certificate as required and was fined €3,850 and ordered to pay costs of €600.*

Prosecutions were initiated in seven other cases during 2010 and are pending before the courts in 2011. In addition two further cases were submitted to the DPP and there has been ongoing liaison between the Board and the DPP in connection with these cases.

## On-the-spot fines

During 2010 the Board issued fines notices to 76 trustees of 37 schemes for certain breaches of the Pensions Act. The breaches concerned related to:

- failure to submit or late submission of actuarial funding certificates – 20 schemes
- non-payment of Board fees – 10 schemes
- late preparation of trustee annual reports – 6 schemes
- failure to furnish options on leaving service – 1 scheme.

€88,000 was paid by trustees in fines to the Board and subsequently passed on to the Exchequer during 2010.

## Cross-border schemes

An Irish based pension scheme must apply to the Board for authorisation before accepting contributions from an employer in another EU member state. During 2010 the Board approved one further scheme. The total number of applications currently authorised by the Board is 27. The applications granted to date relate to cross border activities in the UK, Hungary, Poland, Belgium, Luxembourg and the Netherlands.

# Policy, actuarial and legal services

The Board has a statutory responsibility to provide advice to the Minister for Social Protection on pension matters. The Board contributes to the policymaking process through a number of approaches as follows:

- providing technical advice to the Minister and Department of Social Protection and other government departments on complex pension policy issues
- using the knowledge gained from its regulatory activity to provide timely and accurate guidance to trustees and other stakeholders and to input into the policymaking and legislative processes
- monitoring and analysing trends in occupational pensions and highlighting issues that arise.


## Developments in 2010

Some of the main areas of activity included:

- supporting inter-departmental policy work on pension policy through the implementation structures set up following the publication of the National Pensions Framework in March 2010; the executive participates in the Implementation Steering Group as well as in sub-groups dealing with occupational and personal pensions, the proposed auto-enrolment scheme and with data and technical issues
- assisting in the development of the sovereign annuities initiative, which will allow trustees to purchase new sovereign annuities as a means of discharging scheme pensioner liabilities
- undertaking a second survey of defined benefit pension schemes. The survey gathered covered the same data as the 2009 survey facilitating monitoring of membership, assets and solvency
- monitoring the impact of investment market developments on the sustainability of defined benefit schemes

The Board was active in contributing to EU regulatory policy developments through its membership of the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and in particular its participation in the CEIOPS Occupational Pensions Committee, chaired by the Chief Executive of The Pensions Board. In January 2011, CEIOPS became the European Insurance and Occupational Pensions Authority (EIOPA).

## Policy focus for 2011

In 2011 the Board will continue to:

- provide technical support and advice to the Department of Social Protection on pension issues generally
- participate in the implementation structures of the National Pensions Framework
- provide input to the review of the implementation of the European IORPs Directive and on solvency requirements of pension schemes in the context of the Commission's Green Paper which was published in 2010.

# Information and enquiry services

The Board focuses on maintaining a strong information and education presence on pensions with scheme members, trustees, the pensions industry and the general public. The Board encourages people to understand their pension better.

## Pension information

The Board provides relevant information to key stakeholders in order to keep them informed about pension developments. The key stakeholders are:

- regulated entities including pension scheme trustees, registered administrators and employers
- occupational pension scheme members and all other private pension holders subject to the Pensions Act
- pension providers, professional advisors to schemes and the pensions industry in general
- the general public
- the media (in part acting as an information platform and conduit to all other stakeholders).

## Supporting regulatory activity

The Information team supports the Board's regulatory activity by providing authoritative information and guidance for trustees, registered administrators, employers and professional advisors to schemes.

## Enquiry services

In 2010 the Board dealt with over 7,000 direct enquiries on pension matters. The largest group of enquirers at 45% continues to be active scheme members and the area most enquired about continues to be disclosure, which includes issues relating to audited accounts, annual reports, benefits on death/retirement and schemes in wind-up.

Enquiry statistics do not include the day to day interaction between the Board's regulatory team and regulated entities, such as schemes, RAs and pension providers.

## The Board's website (www.pensionsboard.ie)

The Board uses its website as the primary platform for the delivery of its information and communications activity.

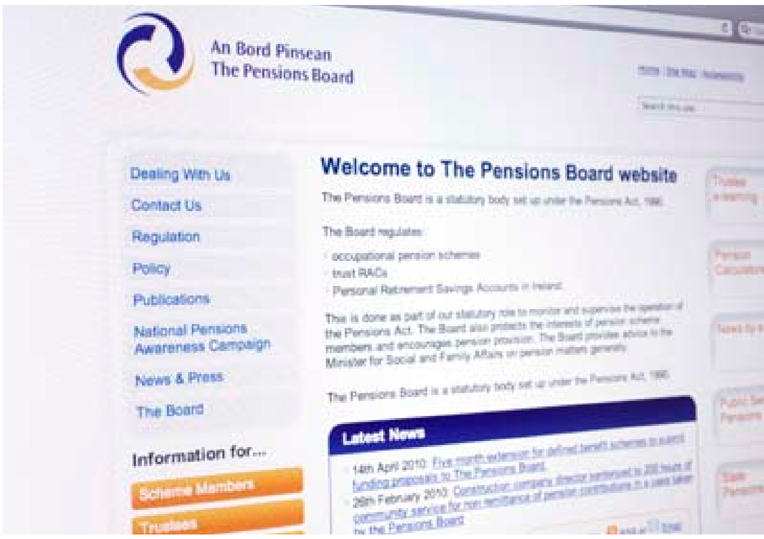
During 2010 the number of unique visitors to the website averaged 10,000 per month. The most frequently visited sections of the website continue to be the pension calculators 30%, regulation 10%, publications 10% and the news section at 7%. Visits through the dedicated Trustees and Registered Administrators sections account for 6% and 4% respectively.

## Trustee support services

The Board continues to encourage the provision of appropriate training for trustees of schemes who as of 1 February 2010 must undertake training at least every two years. A list of registered trustee training providers is available on the Board's website.

The Board promotes trustee training services to further enhance the understanding and education of pension scheme trustees in support of:

- better pension security for scheme members
- higher standards of administration and reporting
- demonstrable compliance with the Pensions Act.



Since the Board launched its e-learning system for pension scheme trustees in January 2010 over 1,613 people have registered to use it and 395 people have successfully completed the course and have been issued with their Pensions Board certificates.

## Information booklets

The Board provides a comprehensive range of information booklets which are available free of charge from the Board and are also available online.

## Public presentations

Every year the Board delivers information presentations to a wide and diverse range of public, state, professional, employer, trade union and employee representative organisations. Matters covered in these presentations include the main features of the Act and other legislation affecting pensions. Many of these presentations are available on the Board's website.

## Media relations, information and education

The Board provides information and educational articles covering all aspects of pensions for the media and a comprehensive range of industry and consumer stakeholders on an ongoing basis. The Board seeks media opportunities to promote discussion of pension issues. This activity is intended to educate and promote pension awareness and the importance of pension provision among identified target groups.

## National Pensions Awareness Campaign (NPAC)

The Board has run the National Pensions Awareness Campaign on behalf of the Government since 2003. The campaign was established to increase public awareness of pensions with a view to improving pension coverage. NPAC is overseen by a project working group of the Board. The Minister for Social Protection allocated €500,000 for the continuation of NPAC in 2010.

The main objectives for NPAC 2010 were to:

- encourage the general public, in particular the groups with traditionally low levels of pension coverage, to engage with the pension process and start planning for retirement
- encourage scheme members to engage with retirement planning to ensure adequate pension levels in retirement
- promote the workplace as the optimum location for pension information and provision
- promote financial planning education.

## NPAC activities

Activities were spread across the year and included the following:

- 25 information and education events nationwide which directly targeted the groups where pension coverage has traditionally been low, including the hospitality, retail and agriculture sectors and women and young people through involvement with trade associations, member networks, industry organisations, as well as the trade unions
- progressed the development of the National Steering Group on Financial Education recommendation to produce a national Workplace Financial Education Programme in accordance with recommendations made by the Group in the *Financial Capability – a multi-stakeholder approach* report. By 31 December 2010 the Workplace Programme was preparing to reach pilot stage, which it achieved by February 2011
- the addition of pension and retirement planning questions to the Great Place to Work Institute's national surveys. The surveys were circulated in 2010 and the results including those detailing pension and retirement planning information are being fed back to participating organisations throughout 2011.

# Corporate services

## Occupational pension scheme fees

Section 25 of the Pensions Act, 1990, as amended, provides that trustees of a scheme shall pay an annual fee to the Board. The current fee rate of €8.80 per active member has been in place since 1 January 2010.

In 2010, the Board collected €3.82 million in Occupational Pension Scheme fees, a 19% reduction on the previous year. This results from the reduction in the Occupational Pension Scheme fee rate of 7.5% effective from 1 January 2010 and a reduction in overall active scheme membership.

In October 2010 the Board recommended to the Minister for Social Protection that the Occupational Pension Scheme fee for 2011 be reduced by 9.1% from 1 January 2011.

## PRSA fees

In 2010, the Board collected fees of €1,380,110 in respect of PRSA products, an increase of 57% on the previous year. The increase was mainly attributable to an unexpected increase in new PRSA products and providers.

## Governance

During 2009 the Government issued a revised Code of Practice for the Governance of State Bodies updating the 2002 version. In 2010 a third party audit of the Board's compliance with the Code was undertaken. The audit concluded that the Board had identified and implemented all applicable requirements of the revised Code.

All Board members (as holders of 'designated directorships') and relevant members of staff (as holders of 'designated positions') have been advised of their obligations under the ethics legislation and have been given appropriate guidance.

## Risk management

As recommended in the revised Code of Practice for the Governance of State Bodies, the Board established a dedicated Risk Committee reporting directly to the Board. For efficiency purposes the Risk Committee was merged with the Finance and Audit Committee of the Board in 2011.

## Human resources

The Board encourages and supports all staff to avail of personal development, further education and training opportunites.

## Information technology

A significant development in the use of ICT saw the deployment of the Board's online services portal in October 2010. The online services portal will replace the existing manual paper-based scheme register and will interact with other relevant Board systems where necessary. External data providers (trustees, employers and administrators) will be able to conduct their business with the Board through an online portal, enabling them to register new schemes, amend existing schemes, pay annual fees and file annual scheme information returns.

Throughout 2011 additional elements of the online services portal will be opened up for use by the pensions industry. The Board as it develops its online services portal in the years ahead will share server hosting capacity with Revenue to increase security and save costs.

## Health and safety

The Board operates in accordance with the Safety, Health and Welfare at Work Act. During 2010, the Board carried out a review of its health and safety statement and ran a programme of health and safety training for staff.

## Energy usage

In 2010 total energy consumption by the Board amounted to 167,500 KWh of electricity. As the Board occupies only 10,600 square feet of modern energy efficient office space in Dublin city centre, there is limited scope for any sizeable further reductions in energy usage, however this will continue to be reviewed.

## Prompt Payment of Accounts Act, 1997

The Board is in compliance with the requirements as set out in Section 12 of the Prompt Payment of Accounts Act, 1997. There were no late payments during 2010 and accordingly no penalty interest payments were made in the year.

## Customer Action Plan (CAP)

The Board's Customer Charter has been published on our website and is displayed in the Board's offices. The Board's Customer Action Plan is also available in booklet form and online.

# The Pensions Board staff

**Day to day decision making is delegated to staff under the Board's active supervision.**
**Staff of the Board at 31 December 2010.**

**Brendan Kennedy**
Chief Executive

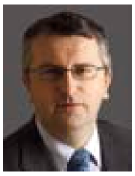
**Mary Hutch**
Head of Regulation

**Tom Dunphy**
Head of Corporate Services
(Secretary to the Board)

**Philip Dalton**
Head of Planning

**David Hegarty**
Head of Policy

**Sylvia McNeece**
Legal Advisor



**Pat O'Sullivan**
Actuarial Advisor

**David Malone**
Head of Information

**Assistant Principal Officers**

Aideen Bugler
Gerard Clarke
Mary Howe
Maura Howe
Andrew Nugent
Cheryl Richardson

**Higher Executive Officers**

Rachael Gleeson
Catherine Goulding
John McCarthy
Kieran O'Dea

**Executive Officers**

Sherry Bass
Martin Buggy
Ciarán Holahan
Emily Kealey
Deirdre Kelly
Renée O'Reilly
Ronan Scott
Edel Stenson
Christina Winters

**Clerical Officers**

Laura Allen
Valerie Christie
Mary Conlon
Marie Earley
Eileen Flynn
Emma Hunter
Lydia Leonard
Alison Massey
Catherine McAuley
Julie McCarthy
Maura Moroney
Barry O'Connor

# Financial statements

## for the year ended 31 December 2010

# Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have audited the financial statements of An Bord Pinsean for the year ended 31 December 2010 under the Pensions Act 1990. The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

## Responsibilities of the Board

The Board is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Board's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

## Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Board's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

## Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Board's affairs at 31 December 2010 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Board. The financial statements are in agreement with the books of account.

## Matters on which I report by exception

I report by exception if:

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Board's Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- the Statement on Internal Financial Control does not reflect the Board's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I draw attention to the requirement under Section 12 of the Pensions Act 1990 that the Board obtain the approval of the Minister for Social Protection prior to engaging consultants or advisers. The Department of Social Protection has delegated authority to the Board to engage consultants or advisers where the payments are less than €55,000 per annum. The Board has identified from a review it undertook that since 2004 it has made payments to a number of consultants or advisers where the amounts exceeded the delegated sanction limit. While in a number of these cases, the work was undertaken at the specific request of the Minister and the Department was involved in the oversight of the project, the formal approval of the Minister for engaging the consultants or advisers was not obtained. The Board has brought the matter to the attention of the Department. Payments in 2010 totalling €532,000 to four consultants exceeded the delegated sanction limit.

Other than these transactions which did not conform to the authorities governing them, I have nothing to report in regard to the other matters upon which reporting is by exception.

**John Buckley**
*Comptroller and Auditor General*

13 May 2011

# Statement of Board responsibilities

Section 22(1) of the Pensions Act, 1990, as amended, requires the Board to prepare financial statements in such form as may be approved by the Minister for Social Protection with the concurrence of the Minister for Finance. In preparing those financial statements, the Board is required to:

- select suitable accounting policies and then 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 the Board will continue in operation
- disclose and explain any material departures from applicable accounting standards.

The Board is responsible for keeping proper books of account, which disclose with reasonable accuracy at any time the financial position of the Board and which enable it to ensure that the financial statements comply with Section 22(1) of the Pensions Act, 1990, as amended. The Board is also responsible for safeguarding the assets of the Board and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

| | |
|---|---|
| Jane Williams<br>*Chairperson* | Niall Walsh<br>*Board member* |

9 May 2011

# Statement on internal financial control

## Responsibility for system of internal financial control

On behalf of the Board, I acknowledge our responsibility for ensuring that an appropriate system of internal financial control is maintained and operated.

The system can 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 would be detected in a timely period.

## Key control procedures

The Board has taken steps to ensure an appropriate control environment by:

- clearly defining management responsibilities
- establishing reporting procedures to control significant failures and ensuring appropriate corrective action is taken
- establishing a dedicated Finance and Audit Committee
- establishing a dedicated Risk Committee (responsibility for risk management transferred to Finance and Audit Committee in March 2011)
- clear separation of Board and Executive functions
- publication of a Code of Conduct for the Board members and staff of the Board
- appointing internal auditors.

The Board has established processes to identify and evaluate business risks by:

- identifying the nature, extent and possible implication of risks facing the Board including the extent and categories which it regards as acceptable
- assessing the likelihood of identified risks occurring
- assessing the Board's ability to manage and mitigate the risks that do occur
- having regard to the costs of operating particular controls relative to benefit obtained.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties and a system of delegation and accountability. In particular it includes:

- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Board
- regular reviews by the Finance and Audit Committee and the Board of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- regular internal audits.

As implemented in 2003 the internal audit function is a key element in informing the Board of the effectiveness of the system of internal financial control. The internal auditors operate in accordance with the Code of Practice for the Governance of State Bodies. The work of internal audit is informed by analysis of the risk to which the body is exposed and a full risk analysis exercise has been undertaken in that regard.

The analysis of risk and the internal audit plans are endorsed by the Finance and Audit Committee and approved by the Board.

The Board appointed a Risk Committee on 2 November 2009. Following a general review of the Board's Committees at their 28 March 2011 meeting, it was decided in the interests of efficiency to transfer the responsibility for risk management back to the Finance and Audit Committee.

The Pensions Board has in year ended 31 December 2010, through the ongoing activity of its Finance and Audit Committee, monitored the work of the Executive in the area of financial control. Specifically, the Committee examined the following:

- regular and/or periodic management accounts, with analysis and explanation of significant deviations from budget
- annual accounts for 2009 and explanation of significant variances
- annual budget and financial plan for 2011
- review of occupational pension scheme fee
- review of investment strategy
- internal audit reports
- corporate procurement plan

## Annual review of controls

I confirm that in respect of the year ended 31 December 2010 the Board conducted a review of the effectiveness of the system of internal financial control.

Jane Williams

**Jane Williams**
*Chairperson*

9 May 2011

# Statement of accounting policies

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

## a) Basis of preparation of financial statements

The financial statements are prepared under the accruals method of accounting and under the historical cost convention in the form approved by the Minister for Social Protection with the concurrence of the Minister for Finance, in accordance with Section 22(1) of the Pensions Act, 1990, as amended.

The financial statements are also prepared in accordance with accounting standards generally accepted in Ireland, being standards developed by the Accounting Standards Board. The financial statements are denominated in euro.

## b) Fee income

Fee income represents:

i) The amount estimated by the Board as collectable in respect of Occupational Pension Schemes in the year. This estimate takes account of cash receipts on foot of demands issued and the reasonableness of this figure is checked against the expected fee income based on the Board's computerised profile of schemes.

ii) 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.

## c) State grant

State grant represents the amount made available in respect of the year by the Department of Social Protection to:

- recoup the cost of superannuation benefits paid by the Board
- meet the costs associated with the National Pensions Awareness Campaign
- contribute to other relevant costs.

## d) PRSA capital reserve

This reserve represents the unamortised amount of State grant used for the purchase of fixed assets relevant to PRSA administration and is amortised in line with depreciation of the relevant assets acquired.

## e) Tangible fixed assets and depreciation

Tangible fixed assets are shown at cost less accumulated depreciation. Depreciation is charged in the income and expenditure account on a straight-line basis 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 6⅔% – 15 years
- computer equipment 25% – 4 years
- office furniture 12½% – 8 years
- office equipment 20% – 5 years

## f) Operating lease

Rental payments are dealt with in the income and expenditure account in the year to which they relate.

## g) Superannuation

In view of the arrangements, as described in note 19, which the Board has in place in relation to the defined benefit scheme it operates for employees, the Board is of the view that the provisions of Financial Reporting Standard 17, Accounting for Retirement Benefits in relation to accounting for pension liabilities which arise under defined benefit schemes, are not applicable.

Accordingly, the Board charges the employer contributions to income and expenditure in the year as if the scheme was a defined contribution scheme.

Superannuation benefit payments are included as an expenditure item and shown as a corresponding income representing recoupment of payments from the Department of Social Protection.

## h) Compliance enforcement reserve

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

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

Accordingly, amounts are transferred from the income and expenditure account to the compliance enforcement reserve when deemed necessary.

# Income and expenditure account

## for the year ended 31 December 2010

| | Notes | 2010 € | 2009 € |
|---|---|---|---|
| **Income** | | | |
| Occupational Pension Scheme fees | | **3,821,973** | 4,753,170 |
| Personal Retirement Savings Account fees | | **1,380,110** | 878,218 |
| *State grant in respect of:* | | | |
| Pension payments to retired staff | | **142,664** | 142,664 |
| National Pension Awareness | | | |
| Campaign costs | 1 | **500,000** | 500,000 |
| Other income | 2 | **144,822** | 187,147 |
| Total income | | **5,989,569** | 6,461,199 |
| Transfer from PRSA capital reserve | 15 | **47,352** | 52,665 |
| | | **6,036,921** | 6,513,864 |
| **Expenditure** | | | |
| Salaries, pensions and related expenses | 3 & 4 | **3,002,949** | 3,562,730 |
| Board members' fees and expenses | 5 | **120,341** | 131,306 |
| Rent and office expenses | 6 | **746,160** | 759,744 |
| Training, education and personnel expenses | 7 | **92,639** | 99,706 |
| Information, research and publicity | 8 | **420,450** | 367,413 |
| Consultancy and other professional fees | 9 | **642,060** | 650,417 |
| General administration | 10 | **297,590** | 345,543 |
| Depreciation | 11 | **229,066** | 177,850 |
| Total expenditure | | **5,551,255** | 6,094,709 |
| **Surplus for the year** | | **485,666** | 419,155 |
| Revenue reserve at 1 January | | **5,989,519** | 5,570,364 |
| Surplus for the year | | **485,666** | 419,155 |
| **Revenue reserve at 31 December** | | **6,475,185** | 5,989,519 |

The Board had no gains or losses in the financial year or the preceding financial year other than those dealt with in the income and expenditure account.

The results for the year relate to continuing operations.

The statement of accounting policies, cash flow statement and notes 1 to 23 form part of these financial statements.

Jane Williams

Brendan Kennedy

**Jane Williams**
*Chairperson*

**Brendan Kennedy**
*Chief Executive*

9 May 2011

# Balance sheet

## at 31 December 2010

| | Notes | 2010 € | 2010 € | 2009 € | 2009 € |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | *11* | | **646,546** | | 599,300 |
| | | | | | |
| **Current assets** | | | | | |
| Debtors | *12* | **464,869** | | 689,954 | |
| Bank | *18* | **7,273,726** | | 6,713,004 | |
| | | **7,738,595** | | 7,402,958 | |
| **Current liabilities** | | | | | |
| Creditors amounts falling due within one year | *13* | **272,460** | | 327,891 | |
| **Net current assets** | | | **7,466,135** | | 7,075,067 |
| | | | | | |
| **Total assets** | | | **8,112,681** | | 7,674,367 |
| | | | | | |
| **Financed by** | | | | | |
| Compliance enforcement reserve | *16* | **1,500,000** | | 1,500,000 | |
| PRSA capital reserve | *15* | **137,496** | | 184,848 | |
| Revenue reserve | | **6,475,185** | | 5,989,519 | |
| | | | **8,112,681** | | 7,674,367 |

The statement of accounting policies, cash flow statement and notes 1 to 23 form part of these financial statements.

**Jane Williams**
*Chairperson*

**Brendan Kennedy**
*Chief Executive*

9 May 2011

# Cash flow statement

## for the year ended 31 December 2010

| | Notes | 2010 € | 2009 € |
|---|---|---|---|
| Net cash inflow from operating activities | 17 | **697,762** | 498,770 |
| Returns on investments and servicing of finance | | | |
| Interest received | | **139,272** | 243,376 |
| Capital expenditure | | | |
| Payments to acquire tangible fixed assets | | **(276,312)** | (38,630) |
| Management of liquid resources | | | |
| (Increase) in short term deposits | | **(720,643)** | (871,561) |
| **(Decrease) in cash** | | **(159,921)** | (168,045) |
| | | | |
| Reconciliation of net cash flow to movement in net funds | 18 | | |
| | | | |
| (Decrease) in cash in the year | | **(159,921)** | (168,045) |
| Increase in short term deposits | | **720,643** | 871,561 |
| Movement in net funds in the year | | **560,722** | 703,516 |
| | | | |
| Net funds at 1 January | | **6,713,004** | 6,009,488 |
| Net funds at 31 December | | **7,273,726** | 6,713,004 |

# Notes to the Financial Statements

**for the year ended 31 December 2010**

## 1. National Pension Awareness Campaign (NPAC) funding and costs

The Board on behalf of the Government continued the National Pension Awareness Campaign (NPAC) in 2010. An allocation of €500,000 (2009, €500,000) from the Department of Social Protection was made available in the year for this purpose. The primary objective of the NPAC was to heighten pension awareness with a view to increasing pension coverage in Ireland.

The allocation was spent in the following main cost categories:

| | 2010 € | 2009 € |
|---|---|---|
| Information and awareness activities | **380,000** | 357,963 |
| Project management | **93,558** | 96,858 |
| Administration | **26,802** | 34,435 |
| | **500,360** | 489,256 |

## 2. Other income

| | 2010 € | 2009 € |
|---|---|---|
| Interest income | **132,352** | 182,406 |
| Publications | **–** | 450 |
| Miscellaneous income | **12,470** | 4,291 |
| | **144,822** | 187,147 |

## 3. Employee costs

The average number of full time equivalent employees during the year was 38.3. The aggregate employee and related costs were as follows:

| | 2010 € | 2009 € |
|---|---|---|
| Salaries | **2,156,711** | 2,561,305 |
| Employer superannuation contributions[1] | **543,090** | 663,255 |
| Employer PRSI contributions | **159,696** | 191,812 |
| Superannuation benefits payable | **142,664** | 142,664 |
| Contract Staff – general | **788** | 3,694 |
| | **3,002,949** | 3,562,730 |

[1] *See note 19.*

## 4. Chief Executive Officer remuneration

| | 2010 € | 2009 € |
|---|---|---|
| Salary | **153,885** | 158,644 |
| Performance related pay | **–** | 6,179 |
| Employer superannuation contribution | **38,471** | 39,661 |
| | **192,356** | 204,484 |

The Chief Executive's pension entitlements do not exceed the standard entitlements provided in the model public sector defined benefit superannuation scheme.

## 5. Board members' fees and expenses

| | 2010 € | 2009 € |
|---|---|---|
| Board fees | **119,700** | 130,667 |
| Expenses[2] | **641** | 639 |
| | **120,341** | 131,306 |

[2] *Domestic travel and subsistence relating to reimbursement of vouched train and accommodation costs for attendance at Board meetings.*

### Board fees[3]

| **Name** | 2010 € | 2009 € |
|---|---|---|
| Jane Williams – Chairperson[4] | **5,985** | – |
| Tiarnan O Mahoney[5] | **5,985** | 13,067 |
| Rosheen Callendar | **7,695** | 8,400 |
| Fergus Whelan | **7,695** | 8,400 |
| Marie Daly | **7,695** | 8,400 |
| Mary O'Donnell | **7,695** | 8,400 |
| Michael O'Halloran | **7,695** | 8,400 |
| Rosalind Briggs | **7,695** | 8,400 |
| Julian Caplin | **7,695** | 8,400 |
| John Dillane | **7,695** | 8,400 |
| Emer O'Flanagan | **7,695** | 8,400 |
| Gerry Ryan | **7,695** | 8,400 |
| Dervla Tomlin | **7,695** | 8,400 |
| Mary Wade | **7,695** | 8,400 |
| Niall Walsh | **7,695** | 8,400 |
| Michael Ryder | **7,695** | 8,400 |
| | **119,700** | 130,667 |

[3] *5% reduction in fees with effect from 1 January 2010 and 10% with effect from 1 May 2009.*
[4] *Appointed 28 June 2010, reappointed 21 December 2010.*
[5] *Term ended as Chairperson 27 June 2010.*

*Notes to the Financial Statements continued*

## 6. Rent and office expenses

| | 2010 € | 2009 € |
|---|---|---|
| Rent | **562,798** | 568,474 |
| Service charge | **47,316** | 52,264 |
| Rates | **62,824** | 64,107 |
| Electricity | **24,379** | 28,233 |
| Cleaning | **30,013** | 28,343 |
| General maintenance | **13,968** | 13,787 |
| Offsite storage | **4,862** | 4,536 |
| | **746,160** | 759,744 |

The Board occupies office premises at Verschoyle House, Lower Mount Street, Dublin 2, under a 25 year lease, which commenced on 16 July 2001.

## 7. Training, education and personnel expenses

| | 2010 € | 2009 € |
|---|---|---|
| Training and education | **64,631** | 65,391 |
| Personnel expenses | **28,008** | 34,315 |
| | **92,639** | 99,706 |

## 8. Information, research and publicity

| | 2010 € | 2009 € |
|---|---|---|
| Advertising and awareness activities | **309,603** | 251,565 |
| Printing and publications | **59,967** | 44,434 |
| Information stands and launches | **25,361** | 49,645 |
| Research | **25,519** | 21,769 |
| | **420,450** | 367,413 |

## 9. Consultancy and other professional fees

| | 2010 € | 2009 € |
|---|---|---|
| Legal advice | **273,278** | 184,503 |
| Project development | **23,869** | 212,768 |
| Public relations and information | **79,547** | 83,518 |
| Investigations and compliance support | **197,970** | 82,941 |
| Technical/pension consultancy fees | **–** | 13,070 |
| Internal audit fees | **22,688** | 17,010 |
| Statutory audit fees | **14,100** | 14,100 |
| Recruitment consultancy | **484** | 2,994 |
| Other | **30,124** | 39,513 |
| | **642,060** | 650,417 |

## 10. General administration

| | 2010 € | 2009 € |
|---|---|---|
| Stationery and administration expenses | **42,834** | 51,910 |
| Corporate subscriptions | **54,586** | 39,656 |
| Telephone and postage | **44,088** | 47,937 |
| Computer maintenance and consumables | **76,238** | 119,050 |
| Travel and subsistence | **26,119** | 26,833 |
| Insurances | **53,293** | 59,346 |
| Interest and charges | **432** | 811 |
| | **297,590** | 345,543 |

*Notes to the Financial Statements continued*

## 11. Tangible fixed assets

| | Leasehold improvements € | Computer equipment € | Office furniture € | Office equipment € | Total € |
|---|---|---|---|---|---|
| **Cost or Valuation** | | | | | |
| At 1 January 2010 | 1,157,692 | 826,341 | 201,057 | 122,430 | 2,307,520 |
| Additions in year | – | 254,764 | – | 21,548 | 276,312 |
| Disposals in year | – | (2,322) | – | (38,730) | (41,052) |
| At 31 December 2010 | **1,157,692** | **1,078,783** | **201,057** | **105,248** | **2,542,780** |
| **Accumulated Depreciation** | | | | | |
| At 1 January 2010 | 682,779 | 737,449 | 185,906 | 102,086 | 1,708,220 |
| Charge for year | 77,179 | 135,737 | 4,935 | 11,215 | 229,066 |
| Disposals in year | – | (2,322) | – | (38,730) | (41,052) |
| At 31 December 2010 | **759,958** | **870,864** | **190,841** | **74,571** | **1,896,234** |
| **Net Book Value** | | | | | |
| At 31 December 2009 | 474.913 | 88,892 | 15,151 | 20,344 | 599,300 |
| At 31 December 2010 | **397,734** | **207,919** | **10,216** | **30,677** | **646,546** |

## 12. Debtors

| | 2010 € | 2009 € |
|---|---|---|
| Amounts falling due within one year: | | |
| Fee income | **400,000** | 560,000 |
| Accrued interest receivable | **36,984** | 43,905 |
| Prepayments and accrued income | **20,574** | 75,126 |
| Debtors other | **7,311** | 10,923 |
| | **464,869** | 689,954 |

## 13. Creditors

| | 2010 € | 2009 € |
|---|---|---|
| Amounts falling due within one year: | | |
| Expense accruals | **152,543** | 159,764 |
| Tax creditor | **84,971** | 81,233 |
| DSP creditor | **34,000** | 56,000 |
| Trade creditors | **946** | 30,894 |
| | **272,460** | 327,891 |

## 14. Financial commitments

### (i) Capital commitments

The Board currently has a contract in place for the replacement of the existing scheme registration system with a new Data Management Solution.

At 31 December 2010 the outstanding capital commitment on this contract amounted to €231,004 (inclusive of VAT).

### (ii) Operating leases

The Board had commitments payable in the next twelve months under non-cancellable operating leases as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| Lease of office accommodation | | |
| Expiring after five years | **555,000** | 555,000 |

## 15. PRSA capital reserve

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| At beginning of year | **184,848** | 237,513 |
| *Transfer to Income and Expenditure Account* | | |
| Amortisation – prior year's acquisitions | **(47,352)** | (52,665) |
| At end of year | **137,496** | 184,848 |

## 16. Compliance enforcement reserve

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| At beginning and end of year | **1,500,000** | 1,500,000 |

*Notes to the Financial Statements continued*

## 17. Reconciliation of surplus for the year to net cash from operating activities

| | 2010 € | 2009 € |
|---|---|---|
| Surplus for year | **485,666** | 419,155 |
| **Non operating items** | | |
| Interest received | **(139,272)** | (243,376) |
| **Non cash items** | | |
| Transfer (from) PRSA capital reserve | **(47,352)** | (52,665) |
| Depreciation | **229,066** | 177,850 |
| Decrease in debtors | **225,085** | 132,216 |
| (Decrease)/ increase in non capital creditors | **(55,431)** | 65,590 |
| Net cash inflow from operating activities | **697,762** | 498,770 |

## 18. Analysis of changes in net funds

| | At 1 January 2010 € | Cash flow € | At 31 December 2010 € |
|---|---|---|---|
| Cash at bank and on hand | 587,349 | (159,921) | **427,428** |
| Short term deposits | 6,125,655 | 720,643 | **6,846,298** |
| | 6,713,004 | 560,722 | **7,273,726** |

## 19. Accounting treatment for retirement benefits[6]

The Board operates a defined benefit pension scheme for its employees. The scheme structure is based on the Public Service Model and is approved by the Minister for Social Protection and the Minister for Finance. Pension benefits payable under the scheme are funded by the Exchequer.

In addition, the Board arrangements have a number of specific characteristics:

- the Board makes an agreed contribution to the Department of Social Protection
- the contribution comprises an employee element along with an employer element. The employer contribution amounts to 25% of gross pay for employees paying PRSI at the A rate and 30% of gross pay for employees paying PRSI at the D rate and is paid by the Board
- there is an explicit commitment from the Department of Social Protection, with the agreement of the Department of Finance, that the Exchequer will meet the cost of benefits as they fall due.

The Board considers that its pension arrangements as described above have the same financial effect from the Board's point of view as a defined contribution scheme. It is of the view that the provisions of Financial Reporting Standard 17, Accounting for Retirement Benefits, which arise under defined benefit schemes are not appropriate. Accordingly it accounts for its contribution as if the scheme was a defined contribution scheme.

[6] *See note 3.*

The total superannuation deductions and contributions remitted to the Department of Social Protection were as follows:

| | **2010 €** | **2009 €** |
|---|---|---|
| Employer ordinary contributions | **543,090** | 663,255 |
| Employee ordinary contributions | **118,577** | 135,172 |
| Pension levy[7] | **146,126** | 136,537 |
| | **807,793** | 934,964 |

[7] *Deducted from staff members and remitted to the Department of Social Protection pursuant to the Financial Emergency Measures in the Public Interest Act, 2009.*

*Notes to the Financial Statements continued*

## 20. Board members – disclosure of transactions

The Board in accordance with the Code of Practice for the Governance of State Bodies has a Code of Business Conduct in place for Board members and employees. This code includes guidance in relation to the disclosure of interests by Board members and these procedures have been adhered to by the Board during the year. The Board from time to time engages the services of appropriately qualified external consultants to undertake assignments to assist the Board in its work. Such contractual arrangements are subject to the normal tendering procedures, which apply throughout the public service. The award of any particular project is a matter for decision by the Board having regard to the requirements of the work to be carried out. Given the nature of its business the Board may enter into contractual arrangements with undertakings in which Board members are employed or are otherwise interested.

During 2010 an amount of €12,732 inclusive of VAT was paid in respect of two contracts to Attain Consulting, a firm of which Phelim O'Reilly, a current Board member, is an employee. The contracts in question were awarded before 21 December 2010, the date Mr. O'Reilly was appointed to the Board.

In addition, an amount of €1,089 inclusive of VAT was paid in respect of one contract to Willis Ireland, a firm of which Kevin Finucane, a current Board member, is an employee. The contract in question was awarded before 21 December 2010, the date Mr. Finucane was appointed to the Board.

## 21. Taxation

The Board is exempt from Corporation Tax under Section 220 of the Taxes Consolidation Act 1997.

## 22. Comparative figures

Some changes have been made to the presentation of items in the financial statements and the comparative figures have been restated where necessary on a basis consistent with the current year presentation.

## 23. Approval of financial statements

The financial statements were approved by the Board on 9 May 2011.

# Notes

# Notes

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