



An Bord Pinsean -
The Pensions Board

Authority for Pensions



ANNUAL REPORT AND ACCOUNTS

2002

Tuarascáil Bhliantúil agus Cuntais

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Mission Statement



An Bord Pinsean -
The Pensions Board

Authority for Pensions

The Pensions Board Mission Statement

- To promote the security and protection of members of occupational pension schemes and contributors to Personal Retirement Savings Accounts, in accordance with the Pensions Acts;
- to promote the development of efficient national pension structures;
- to promote a level of participation in the national pension system which enables all citizens to acquire an adequate retirement income; and
- to provide information and authoritative guidance to relevant parties in support of pension security, structures and participation.

At a glance

- Pensions (Amendment) Act, 2002 enacted
- Ministerial Commencement Orders bring various provisions of the Act into effect including statutory improvements for scheme members
- Board publishes “Strategy 2002 – 2005” outlining its strategic approach and objectives
- CSO publishes survey showing 50.7% of working population aged 20 – 69 covered by private pensions in First Quarter 2002
- PRSA regime begins with Board opening to receive applications for approval (49 products approved as at 13 May 2003)
- Board adopts a revised Occupational Pension Schemes Compliance Strategy
- Board pursues its compliance activity with further meetings with practitioners, auditing of disclosure compliance and 3 successful prosecutions
- Board register shows total scheme membership at 709,332 at year end, an increase of 38,834 (6%)
- Enquiries at 5,366 were up 22%
- 33 information presentations were given
- 15 whistleblowing reports were received
- 98.5% of members were in schemes with a funding certificate in place
- 74 new investigations initiated and 113 investigations closed

Chairperson's Introduction

I am pleased to submit the twelfth Annual Report of An Bord Pinsean – The Pensions Board (“the Board”) for the year ended 31 December, 2002.

Comment on 2002

2002 was a year of significant further change and development for the Board, especially as regards its statutory responsibilities. It was a year of transition, in that, following the enactment of the Pensions (Amendment) Act, 2002 in April, the Board assumed the role of regulator of the incoming Personal Retirement Savings Account (“PRSA”) regime. This marked the beginning of a new phase in pensions provision in Ireland, as envisaged in the National Pensions Policy Initiative. Our hope is that the new PRSA regime will be the platform for a much expanded Second Pillar within our national pensions system and generate substantial movement towards achievement of the agreed policy objectives especially as regards coverage. We, in the Board, look forward to playing our part, including by participation in the National Pensions Awareness Campaign, in moving towards such an outcome.

The provisions of the 2002 Act also introduced a range of new requirements for pension schemes which will have the effect of extending the Board's supervisory role in

relation to occupational pension schemes. This extension will be within an overall approach of increasing our scheme supervisory role in selective ways or where the compliance gains are likely to be significant. We see this as a continuation of the Board's long standing policy of striking an appropriate balance between the level of supervision with its attendant costs on schemes and the desired objective of ensuring member protection. As evidenced in the measures to respond to the funding difficulties experienced during 2002 in Defined Benefit schemes, we also remain sensitive to the need, within the parameters of our statutory responsibilities as regulator, to take account of the impact of current market conditions. Our intention, going forward, is to maintain this balanced approach both as regulator and policy advisor.

In order to have a framework within which to conduct our approach to the changing situation arising in particular from the Pensions (Amendment) Act, 2002, the Board adopted, and published, in 2002 its “Strategy 2002 – 2005”. This set out, in both general and more detailed terms, the Board's strategic objectives and priorities for the period up to 2005. Consistent with our extended responsibilities, the Board also adopted during 2002 a new Mission Statement as set out in this Report.

Structure of Report

In this new situation we have decided to alter the structure of our Annual Report so as to reflect our published Strategy. The purpose is to facilitate our reporting, on an annual basis, of activities and outcomes related to the main components of the Strategy. Accordingly, the central chapters of the present report (starting with “NPPI/Pensions (Amendment) Act, 2002”) reflect each of the main component areas in the Strategy document and report on developments within each area. We have also introduced other changes in the Report including an enhanced format involving various new graphic illustrations of the factual and statistical material. We would propose to adhere to this new structure and format, with any necessary adjustments, over the period of our Strategy.

Conclusion

I wish to thank all my colleagues on the Board for their vital contribution during 2002 and to acknowledge the continued dedication of the Chief Executive, Anne Maher, and her staff during this period.

I extend our thanks to the Minister for her ongoing support to the Pensions Board as well as to her officials for their valued relationship with the Board.



Gráinne Clohessy
Chairperson



Réamhrá an Chathaoirligh

Is cúis áthais dom an dara Tuarascáil Bhliantúil déag ón mBord Pinsean (“An Bord”) don bhliain dar críoch 31 Nollaig, 2002 a chur i láthair.

Tuairim ar 2002

Ba bhliain athraithe agus forbartha breise suntasaigh don Bhord í 2002, go háirithe maidir lena fhreagrachtaí reachtúla de. Ba bhliain idirthréimhseach í, is é sin le rá, i ndiaidh cur i bhfeidhm an Achta Pinsean (Leasaithe) in Aibreán 2002, ghlac an Bord an ról orthu mar rialaitheoir ar chóras an Scorchuntas Taisce Pearsanta (PRSA) a bhí ag teacht isteach. Is é a bhí ann ná tús céime nua i soláthar pinsean in Éirinn, mar a samhlaíodh sa Tionscnamh Náisiúnta ar Pholasaí Pinsean. Táthar ag súil go mbeidh an córas nua PRSA mar dhúshraith don Dara Céim an-mhéadaithe laistigh dár gcóras náisiúnta pinsean agus go mbeidh sé mar bhonn le dul chun cinn suntasach i dtreo cuspóirí aontaithe polasaí a bhaint amach maidir le pinsin a thógáil de, go háirithe. Táimidne, sa Bhord, ag súil le cur leis seo, agus páirt a ghlacadh san Fheachtas Náisiúnta ar Fheasacht Pinsean, trí dhul i dtreo a leithéid de thoradh.

Thug forálacha an Achta 2002 raon riachtanas nua isteach do scéimeanna pinsin agus is é a bheidh mar thoradh air ról maoirseachta an Bhoird a mhéadú maidir le gairmscéimeanna pinsin de. Beidh an méadú seo ann laistigh de chur chuige iomlán ina gcuirfear lenár ról

maoirseachta scéime ar dhóigheanna roghnacha amháin nó nuair is cosúil gur suntasach iad na buntáistí comhail. Glacaimid leis seo mar chuid leanúnach de pholasaí seanbhunaithe an Bhoird ina socraítear cothromaíocht chúí idir leibhéal na maoirseachta lena chostais bhainteacha ar scéimeanna agus an cuspóir inmhianta, is é sin, chun cosaint na mball a chinntiú. Mar a léiríodh sna bearta chun freagairt ar na deacrachtaí maoinithe a bhí ann le linn 2002 i scéimeanna Sochair Shainmhínte, ní mór tabhairt faoinár mbráid, laistigh de shrianta ár bhfreagrachtaí reachtúla mar rialaitheoir, an gá le tionchar coinníollacha reatha an mhargaidh a chur san áireamh. Is é an rún atá againn agus muid ag dul chun tosaigh, ná an cur chuige cothrom seo a chothú mar rialaitheoir agus mar chomhairleoir polasaí araon.

De bhrí go mbeadh creatlach ann le go bhféadfaí tabhairt faoinár gcur chuige maidir leis an staid a bhí ag athrú a tháinig aníos go háirithe mar gheall ar an Acht Pinsean (Leasaithe) 2002, sa bhliain 2002, ghlac an Bord le agus d'fhoilsigh sé a “Straitéis 2002 – 2005”. Leag sé seo amach, i dtéarmaí ginearálta agus go mion, cuspóirí straitéiseacha agus tosaíochtaí an Bhoird don tréimhse a fhad le 2005. Ag cloí lenár bhfreagrachtaí méadaithe, le linn 2002 ghlac an Bord le Ráiteas Misin nua freisin mar atá leagtha amach sa tuarascáil seo.

Struchtúr na Tuarascála

Sa staid nua seo, tá sé socraithe againn struchtúr ár dTuarascála Bliantúla a athrú ionas go gcuirfidh sé meon ár Straitéise foilsithe in iúl. Is é is cuspóir leis ná ár dtuairisciú, ar bhonn bliantúil, ar na gníomhaíochtaí agus ar na torthaí a bhaineann le príomh-chomhphárteanna na Straitéise a éascú. Dá réir sin, cuireann caibidlí lárnacha na tuarascála seo (ag tosú le “NPPI/Acht Pinsean (Leasaithe), 2002”) gach ceann de na príomhréimsí comhpháirte sa doiciméad Straitéise in iúl agus tuairiscíonn siad ar fhorbairtí laistigh de gach réimse. Thugamar athruithe eile isteach sa Tuarascáil chomh maith mar aon le leagan feabhsaithe ina bhfuil léaráidí éagsúla nua grafaice den ábhar fírinneach, statistiúil. Mholfaimis go cloíff leis an struchtúr agus leis an leagan nua seo, le hathruithe riachtanacha ar bith, le linn thréimhse ár Straitéise.

Focal scoir

Ba mhian liom mo bhuíochas a ghabháil le mo chomhoibrithe uile ar an mBord as an obair bharrthábhachtach a rinne siad i gcaitheamh 2002 agus ba mhian liom aird a tharraingt ar dhúthracht leanúnach an Phríomh-Fheidhmeannaigh, Anne Maher, agus a foirne le linn na tréimhse seo.

Gabhaim buíochas leis an Aire as a tacaíocht leanúnach don Bhord Pinsean mar aon lena hoifigigh as an chaidreamh luachmhar acu leis an mBord.



Gráinne Clohessy
Cathaoirleach

The Pensions Board

THE MEMBERS OF THE BOARD
AS AT 31 DECEMBER 2002

The Pensions Board is a representative Body comprising, as at 31 December 2002, a chairperson and sixteen ordinary members. While all its members are appointed by the Minister, under the provisions of the Pensions Acts the Board must comprise 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 or on the nomination of the relevant nominating body, as appropriate. A person who fills a casual vacancy only holds office until the end of the five-year period.



GRÁINNE CLOHESSY
Nominee of the Minister for Social and Family Affairs (Chairperson)



KEVIN BRABAZON
Nominated by the Irish Business and Employers Confederation



BRIAN BUGGY
Nominated by the Association of Pension Lawyers in Ireland



JOHN BYRNE
Nominee of the Minister for Social and Family Affairs



ROSHEEN CALLENDER
Nominated by the Irish Congress of Trade Unions



MARIE DALY
Nominated by the Irish Business and Employers Confederation



TOM FINLAY
Nominated by the Irish Association of Pension Funds



CARMEL FOLEY*
Nominee of the Minister for Social and Family Affairs – Representative of Consumer Interests



PAUL KELLY
Nominated by the Society of Actuaries in Ireland



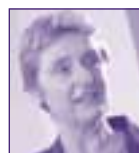
CIARÁN LONG
Nominated by the Irish Insurance Federation



NIAMH MAGUIRE
Nominee of the Minister for Social and Family Affairs



DERMOT QUIGLEY
Representative of the Minister for Finance



MARY O'DONNELL
Nominee of Minister for Social and Family Affairs



MICHAEL O'HALLORAN*
Nominee of the Minister for Social and Family Affairs – Representative of Senior Citizen Interests



ANNE VAUGHAN
Representative of the Minister for Social and Family Affairs



FERGUS WHELAN
Nominated by the Irish Congress of Trade Unions



TOM WRIGHT
Nominated by the Consultative Committee of Accountancy Bodies - Ireland

The Board met 12 times in 2002

** Appointed from 1 June 2002*

Committees

The Board works through a Committee system and much of its detailed work (such as the preparation of reports for the Minister) is initially undertaken by a Committee. The Committees may include people who are not members of the Board, but who have particular expertise in relevant fields. All Committees are also attended by relevant Board staff.

During the year to which this Report relates, the composition of these Committees was as follows:

Finance and Audit

Kevin Brabazon (*Chairperson*)
Kieran O’Dea (*Secretary*)
John Byrne
Paul Cunningham*
John Fitzpatrick**
Niamh Maguire
Mary O’Donnell
Tom Wright

* Replaced Dave Salter in July 2002

** Replaced Tom Murphy in July 2002

The Committee met 4 times in 2002.

Policy

Tom Finlay (*Chairperson*)
Carol Jordan (*Secretary*)
Kevin Brabazon
Brian Buggy
Rosheen Callender
Paul Cunningham*
Marie Daly
Geraldine Gleeson*
Paul Kelly
Ciarán Long
Dermot Quigley
Anne Vaughan
Fergus Whelan

* Replaced Dave Salter in July 2002.

The Committee met 9 times in 2002.

Legislation Committee

Ciarán Long (*Chairperson*)
Ciarán Holahan (*Secretary*)
Martin Conneely
Paul Cunningham*
Kirstie Flynn***
Geraldine Gleeson*
Kevin King**
John O’Connell****
Philip Shier
Ultan Stephenson
Anne Vaughan
Tom Wright

* Replaced Dave Salter in July 2002

** Replaced Andy Kelly in September 2002

*** Replaced Brian Buggy in April 2002

**** Replaced Larry Broderick in March 2002

The Committee met 15 times in 2002.

In addition to the formal Committees of the Board a Survey Steering Group was created to monitor the conduct of surveys of pension coverage.

Survey Steering Group

Robert Woods (*Chairperson*)
Gwen Conlon (*Secretary*)
Rosheen Callender
Tom Carney
Mary Hutch
Maria-Teresa Kelly Oroz
Anne Maher
Anne Vaughan

The Committee met twice in 2002.

The Working Party on Simplification

A Working Group on Simplification was established to consider the issue of simplification within the pension regime.

The group comprised the following members:

Tom Finlay (*Chairperson*)
Ciarán Long
Eamonn Heffernan
Paul O’Faherty
John Feely
Paul Kelly
Ultan Stephenson
Tony Gilhawley
Anne Maher
Anne Vaughan (as observer)

The Group met 3 times in 2002.

Part-Time Work Group

This group considered the practical implications for pensions arising out of the Protection of Employees (Part-time Work) Act, 2001.

Brian Buggy (*Chairperson*)
Caroline Conlon (*Secretary*)
Michael Pender
Seamus O’Dwyer
Rosheen Callender
Marie Daly
Anne Vaughan
Mary Hutch
Maria-Teresa Kelly Oroz

The Group met 3 times in 2002.

Pensions Board Partnership Committee 2002

This committee, which is internal to the Executive, is in compliance with Government policy on partnership in State bodies.

Aideen Bugler
Catherine Goulding
Ciarán Holahan
Mary Hutch
Karen Johnston
Anne Maher
Julie McCarthy
Barry O’Connor
Kieran O’Dea

Staff of the Board

Management Team



Anne Maher



Mary Hutch



Tom Dunphy



Philip Dalton



Jerry Moriarty



Tom Carney

Chief Executive

Anne Maher

Head of Information and Training

Mary Hutch

Head of Corporate Services

Thomas Dunphy
(Secretary to the Board)

Head of PRSA Unit

Philip Dalton

Head of Technical Services and Research

Tom Carney

Head of Investigations and Compliance

Jerry Moriarty

Assistant Heads of Technical Services & Research

Ian Woods
Maria-Teresa Kelly Oroz

Assistant Heads of PRSA Unit

Mary Howe
Aideen Bugler

Assistant Head of Investigations & Compliance

Gerard Clarke

Assistant Head of Corporate Services

Gregory Whelan

Assistant Head of Information & Training

Aongus Horgan

Information

Catherine Goulding/Gail Seekamp
(Work sharing)

IT & Registration

John McCarthy

Investigations and Compliance

Domhnall Cullinan

Finance

Kieran O'Dea

Human Resources

Caroline Conlon

PRSA Unit

Carol Jordan

Investigations

Edel Stenson

Enquiries and Information

Ciaran Holahan
Jan Fitzpatrick

IT Systems

Gwen Conlon

Accounting and Systems

Christina Winters

Registration and Funding

Nuala Clancy

Disclosure of Information and Compliance

Sherry Bass
Martin Buggy

Personal Assistant to the Chief Executive

Renee Cheesman

Support Staff

Marie Earley
Julie McCarthy
Maureen Byrne
Barry O'Connor
Emily Kealy
Deirdre Kelly
Mary Broderick
Bronagh Croghan

Chief Executive's Review

Background

The Board has two statutory roles – regulatory and policy. It recognises its regulatory role as its primary one but it also believes that the representative nature of the Pensions Board makes its policy role an important one.

In its regulatory role, the Board sees the current desired level of supervisory activities for occupational pension schemes as being some increase in supervisory activity over and above the level previously operated but in selected ways or areas in which the compliance gains are likely to be significant.

In its policy role, the Board does not see a current need for another major overhaul of pension provision at this stage but is conscious of the need to develop, evolve and monitor the agreed direction.

The Board also has an involvement in information provision, pension awareness and development of pension coverage.

Whilst working within its overall strategy, the Board responded to the challenging environment for pensions which was a feature of 2002. In particular, the exceptional fall in equity markets resulted in a strain on pension funding. During the year it was also apparent that some employers were considering moving from Defined Benefit pension schemes for reasons of risk, volatility and cost which was likely to lead in many cases to reduced and riskier pension expectations for scheme members. Both of these features led to public concern and scepticism about private pension provision. The Board will continue to evolve its strategy to address these major challenges and, as part of this process, examined its strategy in detail earlier in 2003 with the objective of identifying any changes required.

The Board, as part of its published “Strategy 2002 – 2005”, has agreed General Objectives for the purpose of implementation of its strategy. These are divided under five headings which are:

- NPPI/Pensions (Amendment) Act, 2002
- Regulatory
- Policy
- Pensions Development/Information/Awareness
- Operational

NPPI/Pensions (Amendment) Act, 2002

Implementation of the National Pensions Policy Initiative, and in particular the provisions of the Pensions (Amendment) Act, 2002, are essential backdrops to the Board's strategy. Arising from this, the Board focused on supporting this implementation in whatever ways it could during 2002.

The Pensions (Amendment) Act, 2002 is almost entirely implemented at time of writing. The Board is working towards having everything in place for effectively full implementation of the Act before the end of 2003.

Publication of the Quarterly National Household Survey pensions module in September 2002 set a benchmark for measurement of pension coverage. The Board has also agreed an ongoing survey programme with the Central Statistics Office which will monitor coverage on an ongoing basis.

Regulatory

Work was done during 2002 to improve the Board's effectiveness in dealing with occupational pension scheme investigations. Proactive compliance monitoring of selected occupational pension schemes was recommenced at the beginning of 2002 and proactive monitoring of pension practitioner administration continued with generally satisfactory results. Overall the results confirmed an improvement in compliance but with more to be done before a fully satisfactory result is achieved.



Considerable resource was devoted to putting in place and operating processes and procedures for regulation and supervision of PRSAs. This was operational by 11 November, 2002 when the Board opened for submissions for PRSA product approval.

Policy

A policy programme has been agreed based on the Board's overall strategy position.

The Board set up an Expert Working Party on Simplification in Summer 2002. This led to a report of its Interim Recommendations on Simplification which was sent to the Department of Social and Family Affairs and the Department of Finance. Some of the issues raised were responded to in the Finance Act, 2003 and discussions on implementation of the other issues are ongoing. The Board is planning to continue its work on longer term simplification issues later in 2003.

The Board is currently examining the effectiveness and appropriateness of the Funding Standard as set out in Part IV of the Pensions Act, 1990. The effect of this is to ensure that we have a Funding Standard going forward which will most effectively protect the interests of pension scheme members. The outcome of this examination is expected to be a consultation document to be circulated later in 2003.

Pensions Development/ Information/Awareness

Work in this area clearly showed a greatly increased interest in pensions both in terms of enquiries to the Board and in terms of public and media interest.

The Board welcomed the decision of the Minister for Social and Family Affairs to ask the Board to manage the National Pensions Awareness Campaign and the allocation of funding to the Campaign in the 2003 Budget. It values its participation in this important service.

Operational

As well as all ongoing operational and support activities of the Board, a good deal of time in 2002 was devoted to implementing corporate governance in accordance with the Code of Practice for Governance of State Bodies.

Conclusion

Detailed reports under each of these headings of the Board's General Objectives are contained in the following chapters.

Overall good progress has been made in implementing the Board's Strategy 2002 – 2005 and work is ongoing in all areas of this.

NPPI/Pensions (Amendment) Act, 2002

Summary of General Objective

To give effect to NPPI recommendations via support for implementation of the Pensions (Amendment) Act, 2002, ongoing monitoring of pensions coverage and preparation of various regulations and guidance notes.

Activity related to General Objective

The Pensions (Amendment) Act, 2002

The Pensions (Amendment) Act, 2002, was enacted on 13 April 2002. The Act provides that it may be commenced over time through Ministerial Orders.

Improvements

On 1 June 2002, the Pensions (Amendment) Act, 2002 (Commencement) Order, 2002, (S.I.276 of 2002), was signed with effect from that date. Inter alia, the commenced sections included that amending Section 28 of the Principal Act to reduce the vesting period for preservation from 5 to 2 years. Other commenced provisions included preservation of benefits related to pre-1991 service, revaluation of such preserved benefits, and introduction of a minimum value for contributory retirement benefit in defined benefit schemes.

PRSAs

On 7 November 2002, the Pensions (Amendment) Act, 2002 (Commencement) Order, 2002 (S.I. 502 of 2002), was signed with effect from that date. This Order commenced Sections 91-120 of Part X of the Principal Act in relation to PRSAs. This Order commenced both the amendments to the Principal Act and the amendment to the Taxes Consolidation Act dealing with PRSAs in order to give effect to the statutory framework for PRSAs. *(Further detailed information on PRSAs is given below).*

Remittance of Contributions

By Pensions (Amendment) Act, 2002 (Certain Sections) (Commencement) Order 2002 (S.I. 609 of 2002) signed on 18 December 2002, the provisions of Sections 41 and 42 of the Pensions (Amendment) Act 2002 were implemented

with effect from 1st January 2003. These provisions require employers to ensure that contributions deducted from employees' salaries are paid either to the scheme trustees or, if normally paid directly to a third party such as the fund manager, within 21 days of the end of the month in which the contributions were deducted. This requirement also applies to the employer contribution in a defined contribution scheme. There are also disclosure requirements whereby the employer has to make the members aware of the amounts that have been deducted and remitted on their behalf. There is also a requirement that the trustees must invest any contributions within 10 days of the latest date on which those contributions must have been remitted to the trustees by the employer.

This is something that the Board sees as being crucial in allowing members to become more aware of their schemes and in particular how much is being paid by themselves and on their behalf by the employer. It places a legal requirement on employers to remit contributions promptly and should help to prevent the problems that arise when employers fail to remit contributions.

The Board prepared a Frequently Asked Questions document in relation to these requirements which was posted on the Board's website in December 2002.

Personal Retirement Savings Accounts

A fundamental recommendation of NPPI in setting out a strategy for the future development of pension provision in Ireland was the introduction of Personal Retirement Savings Accounts (PRSAs). These were seen primarily as a means to facilitate increased pension coverage. The objectives included an expectation of allowing customers make informed decisions, offer good value for money and provide a robust and flexible platform within which the pension system, in future, could adapt with relative ease. Amongst the provisions of the Pensions (Amendment) Act, 2002, the introduction of PRSAs could be viewed as an essential feature of pension reform.

The Board was actively involved in the finalisation of the PRSA framework ahead of the enactment of the Pensions (Amendment) Act, 2002 in April and is responsible for the



regulation, supervision of the activities of providers in respect of their approved products and providers' compliance with the PRSA provisions of the Act. The Board and the Revenue Commissioners are jointly responsible for the product approval process.

A PRSA is a long-term investment vehicle used for retirement provision and is established by a contributor with a PRSA provider under the terms of a PRSA contract. There are two types of PRSA – Standard and non-Standard. Charges on a Standard contract are capped at a maximum level of contributions and/or assets whereas charges on a non-Standard contract are discretionary and not subject to upper limits. All PRSAs must contain a Default Investment Strategy that provides for investment in pooled funds generally that is designed to fulfil the reasonable expectations of a typical investor for the purposes of saving for retirement. There are common disclosure requirements pertaining to each PRSA permitting the contributor to monitor, from the outset, the progress and growth of the fund in a transparent and meaningful manner (for more details see “PRSA – The New Pensions Vehicle”, Annual Report 2000).

Throughout the period since the introduction of the legislation, the Board met with 17 potential providers to explore and discuss the issues surrounding PRSAs and to crystallise its requirements for product applications.

In tandem with the work being carried out within the Board prior to being open for business, there was a great deal of activity within the Society of Actuaries in Ireland in

preparation for the introduction of PRSAs. Each provider must have an appointed PRSA actuary, a role with onerous responsibility under the Act. The Society produced guidance to assist appointed PRSA actuaries and this was completed ahead of the commencement of receipt of PRSA applications by the Board.

By the end of the year under review the Board received and had under consideration, in conjunction with the Revenue Commissioners, 9 applications for a considerable number of products, both Standard and non-Standard varieties. A majority of the applications had been initially reviewed and a more detailed analysis was underway and continued into the new year.

By 13 May, 2003 the Board had announced the approval of 9 applications that contained a total of 49 products, 19 Standard PRSA products and 30 non-Standard products.

Commencement Orders in 2003

While falling outside the period covered by the present report, the following other Commencement Orders had been made up to time of writing in 2003:

Pensions (Amendment) Act, 2002 (Commencement) Order 2003 (S.I. 78 of 2003)

This Order commenced, with effect from 14 February 2003, those provisions of the Act requiring employers to remit PRSA contributions to PRSA providers and provide statements to employees of the amounts remitted.

Pensions (Amendment) Act, 2002 (Commencement) Order 2003 (S.I. 120 of 2003)

This Order commenced, with effect from 28 March 2003, those provisions of the Act which extend to PRSAs the requirements of compulsory and voluntary reporting.

Pensions (Amendment) Act, 2002 (Commencement) Order (S.I. 119 of 2003)

This Order commenced, with effect from 28 April 2003, the provisions relating to the establishment of the Office of the Pensions Ombudsman and the appointment of the Ombudsman by the Minister.

Pensions (Amendment) Act, 2002 (Commencement) Order (S.I. 128 of 2003)

This Order commenced, with effect from 1 July 2003, the provisions of the Act requiring the inclusion in schemes' trustee annual reports of a statement from the actuary regarding the funding position of the scheme.

Coverage Surveys

An essential element of the new pensions regime, based on the introduction of PRSAs, is the measurement of progress towards achievement of coverage targets. The overarching ultimate target, in this regard, is the coverage by Second Pillar private pensions (whether scheme based or personal) of 70% of the working population aged over 30.

In order to establish a benchmark against which to measure future progress towards this target, by arrangement with the Board, the CSO included a pensions-related component in its Quarterly National Household Survey for first quarter of 2002. The results, which were published by the CSO in September 2002 (and highlighted in the Board Bulletin No 2 of 2002), showed that total Second Pillar coverage of those in employment was 50.7%. In order to monitor changes in this coverage level over coming years, further such surveys have been arranged for subsequent years.

The information revealed by these surveys will be supplemented by data made available to the Board in the regular reports required to be made to it by the providers of PRSAs. (The composition of this information is in PRSA-related Regulation S.I. 503 of 2002.)

The combination of data from these, and other sources such as the Board's register of schemes and members, will enable the Board to assist in the preparation of the report to be prepared, under Pensions (Amendment) Act, 2002, at the request of the Minister on the extent of coverage of the population by Second Pillar provision. This report is required under the Act not later than 3 years after the commencement (to take place on 15 September 2003) of mandatory employer access to PRSAs.

Regulations/Guidance notes in support of Pensions (Amendment) Act, 2002


As part of the preparations for the introduction of PRSAs, the Board participated extensively in the formulation and drafting of the associated Regulations for PRSAs. To this end, the following Regulations were put in place prior to the Board opening for business to receive applications for product approval from providers on 11 November 2002:

Personal Retirement Savings Accounts (Disclosure) Regulations – S.I. 501 of 2002

These Regulations govern the disclosure of information to be made by or on behalf of a PRSA provider both prior to the conclusion of a PRSA contract (Preliminary Disclosure Certificate) and at specified times after a PRSA contract has been concluded (Statement of Reasonable Projection) and also prescribes the form and content of the Certificate of Comparison and Written Statement issued to a contributor.

Personal Retirement Savings Accounts (Operational Requirements) – S.I. 503 of 2002

These Regulations prescribe the format, timing and information which must be furnished to the Board by a PRSA provider. They also provide for other issues, including



delivery of the Audited accounts, the requirements for a Default Investment Strategy and the determination and certification of the PRSA appointed Actuary.

Personal Retirement Savings Accounts (Fees) Regulations, 2002 – S.I. 506 of 2002

These Regulations provide for the initial and annual fees payable to the Board by providers.

Personal Retirement Savings Accounts (Functions of Pensions Board) Regulations, 2002 – S.I. 611 of 2002

These Regulations prescribe the information to be contained on the register of providers and their approved products, database of statistics to be maintained by the Board, and requires the Board, from time to time, to monitor PRSA providers promotional material.

Non-PRSA related regulations under Pensions (Amendment) Act, 2002

In addition to PRSA related regulations, the following regulations were made, with Board assistance in their preparation, in 2002 to implement various provisions of the Act.

Occupational Pension Schemes (Preservation of Benefits) Regulations, 2002 (S.I. 279 of 2002)

These regulations revoked and replaced earlier regulations (S.I. 445 of 1992) and provided for a variety of matters to do with preservation including transfer payments in particular circumstances, certain changes in employment or ownership and interruption of a member's employment.

The regulations came into effect on 2 June 2002.

Occupational Pension Schemes (Preservation of Benefits) (Special Calculations) Regulations, 2002 (S.I. 277 of 2002)

These regulations revoked and replaced earlier regulations (S.I. 217 of 1993) and provided for the calculation of preserved benefit entitlements of members who have completed periods of reckonable service in more than one scheme relating to the same employment. The regulations came into effect on 2 June 2002.

Occupational Pension Schemes (Funding Standard) (Amendment) Regulations, 2002 (S.I. 278 of 2002)

These regulations amended earlier regulations (S.I. 419 of 1993) to provide, inter alia, for new forms of actuarial funding certificate. The regulations came into effect on 2 June 2002.

While falling outside of the period covered by this report, the following regulation was made on 15 January 2003 with effect from that date:

Occupational Pension Schemes (Disclosure of Information) (Amendment) Regulations (S.I. 4 of 2003)

These regulations require the provision of information to scheme members who move to another EU Member State. This requirement implements Article 7 of EU Directive 98/49/EC of 29 June 1998 (the "Mobility Directive").

Guidance Notes

In order to assist with the new preservation requirements, new Guidance Notes in relation to Preservation of Benefits and Minimum Value of Contributory Retirement Benefits were issued by the Board in December 2002.

Other Legislation

Family Law Changes

The Board concluded a project in 1999, on an agency basis, for the Department of Justice, Equality and Law Reform to enable the adjustment of pensions in the context of separation agreements. It is understood that a Family Law Bill to give effect to these provisions will be published in due course.

Part-Time Work Changes

At the time of enactment of the Pensions (Amendment) Act, 2002, the opportunity was taken to amend the Pensions Act, 1990 to give the Minister for Social and Family Affairs the power, after consultation with the Minister for Enterprise, Trade and Employment and with the consent of the Minister for Finance, to make regulations prescribing any matter or thing in relation to a scheme or a PRSA for the purpose of enabling any provision of the legislation to have full effect. It was agreed during 2002 that, for the present, regulations are not required and guidance on the pension provisions of the Part-Time Work Legislation is currently being provided in the form of Frequently Asked Questions (FAQs) which are published on the Board's website.

Member Trusteeship (revision)

The Board has continued to monitor closely the application of the Member Trustee Regulations since its previous review of the Regulations in 1996. As part of this process the various organisations represented on the Board were invited to submit their views on the operation of the member trustee provisions with particular reference

to specified aspects of the Regulations and to the Guidance Notes issued by the Board on the application on this legislation. Submissions received on this matter have been examined by the Board with a view to reporting to the Minister in the course of 2003.

Conclusion

By end 2002, major progress had been made towards implementing the principal provisions of Pensions (Amendment) Act, 2002.



Regulatory

Summary of General Objective

To continue, improve, and where necessary introduce, procedures to achieve compliance with regulatory requirements under various headings for schemes and PRSAs.

Activity related to General Objective

Arrears & Administration

Following completion of the work by the largest practitioners, initiated by the Board in 1999, to ensure that their administration was up to date and therefore schemes that they administered were compliant, the Board commenced a process of meeting practitioners on a regular basis. In 2002, meetings were held with a total of 15 different companies (some on a number of occasions) comprising life offices, trustee companies, pensions consultants or administrators. This process will continue in 2003.

Audit

As a result of the completion of the arrears project, in 2001 the Board recommenced its audit process whereby it monitors compliance with, primarily, the disclosure requirements of the Pensions Acts. This process continued throughout 2002. The process involves requesting documentation from trustees of schemes, some of which are chosen randomly, which the schemes are required under the legislation to produce and make available to members. The Board then checks the documentation against the requirements of the legislation. The results of the audit are relayed to the trustees. Any failures could result in the Board asking for these to be corrected in the future, an investigation being opened and/or a prosecution for a breach of the legislative requirements.

Monitoring

It is intended to develop the audit process into a monitoring process whereby the Board will monitor certain schemes on an annual basis. This will allow the Board to develop a system of risk analysis whereby it may be in a position to identify any particular risks or issues that arise with a specific scheme. This was recommended in the Ernst & Young Regulatory Review. The monitoring process should enable the Board to achieve a good return, in terms of better compliance, for the resources used.

Funding

The Board reviewed the Funding Standard, initially on a short-term basis, and recommended changes to the Minister relating to the requirements for a funding proposal. These changes were enacted in the Social Welfare (Miscellaneous Provisions) Act, 2003. Essentially, they give schemes more flexibility in relation to the funding proposal that is required when a scheme fails to meet the Funding Standard. Whereas previously the scheme would have had to agree a proposal to ensure the scheme met the Standard within 3½ years, the Board may, under these measures, agree to a longer period subject to certain conditions being met.

While this is intended as a short-term solution the Board is currently examining the effectiveness and appropriateness of the Funding Standard as set out in Part IV of the Pensions Act, 1990. The purpose of this is to ensure that, going forward, there is a Funding Standard in place which most effectively protects the interests of pension scheme members. The outcome of this examination is expected to be a consultation document to be circulated later in 2003.

Compliance Strategy & Investigations

A revised Occupational Pensions Schemes Compliance Strategy document was agreed by the Board in December, 2002. This can now be viewed on the Board's website.

Agreed procedures for conduct of investigations were put in place during 2002. As a result, the process and response times in relation to investigations have improved and this can be seen in the progress made in finalising investigations during 2002.

Processes and Procedures for regulation of PRSAs

As part of its overall functions, the Board is responsible for the regulation, supervision of providers in respect of their activities supporting approved products and compliance with the PRSA provisions of the Acts. To assist in the task of developing effective processes and procedures to carry out this function, the Board engaged consultants to identify and produce the necessary processes and procedures to allow the Board to properly adjudicate on applications for product approval and the ongoing monitoring role of the Board for PRSAs. Included in this is the receipt of regular reports and returns from each provider in relation to its approved products. Upon completion of the project, the Board had in place suitable processes and procedures to give proper effect to its regulatory role in PRSAs.

Relationships with other Regulators

On 29 July 2002, the Minister for Finance issued a public consultation document on the Central Bank and Financial Services Authority of Ireland (No. 2) Bill inviting comments on his proposals for legislation, with the public consultation period ending on 20 September 2002 with the Department receiving 37 submissions. The Board submitted its comments to the Department of Finance and may be viewed on the Department's website at www.finance.gov.ie/publications/legi/cbfsaiindex.htm

In the context of ongoing contacts, the Board raised with other relevant regulators the question of formalising its relationship with them in order to streamline pensions regulation and to ensure that there are no "gaps".

Ongoing Activity

During 2002, the Board continued its activities of monitoring the administration of occupational pension schemes. The main components of these activities, on which more detailed information is provided below, are:

- registration of schemes;
- conduct of investigations;
- monitoring of Funding Standard;
- monitoring of disclosure compliance.

Registration of Schemes

TABLE 1 CURRENT SCHEMES-DEFINED BENEFIT

Scheme Size	No. of Schemes		No. of Members	
	31 Dec 2002	31 Dec 2001	31 Dec 2002	31 Dec 2001
Non-Group	96	104	96	104
1 – 50	1,219	1,263	19,741	20,558
51 – 99	203	204	14,809	14,636
100 – 500	281	283	62,639	62,959
501 – 1000	50	54	33,942	36,180
1001 +	52	48	340,614	321,190
Total:	1,901	1,956	471,841	455,627

Notes

- 1) Excluding AVC Only and Death Benefit Only schemes.
- 2) Excluding Frozen schemes and schemes in winding-up.
- 3) 'Non-Group' means a scheme which according to its establishment may only have one member.
- 4) The figures in this Table do not equate to the sum of those in Tables 2 and 3 in that Table 1 covers current schemes. Table 2 includes current schemes as well as schemes which are not current.

CURRENT DEFINED BENEFIT SCHEMES & ACTIVE MEMBERS

2002 2001

NUMBER OF SCHEMES 1,901 -3%
1,956

NUMBER OF MEMBERS 471,841 +4%
455,627

TABLE 2 DEFINED BENEFIT SCHEMES – SUBJECT TO THE FUNDING STANDARD

Scheme Size	No. of Schemes		No. of Members	
	31 Dec 2002	31 Dec 2001	31 Dec 2002	31 Dec 2001
Non-Group	87	113	87	113
1 – 50	1,176	1,299	18,338	20,095
51 – 99	188	195	13,547	14,025
100 – 500	259	268	57,518	58,646
501 – 1000	44	50	29,846	33,008
1001 +	34	31	112,656	103,124
Total:	1,788	1,956	231,992	229,011

Notes

- 1) Excluding AVC Only and Death Benefit Only schemes.
- 2) Includes schemes which are not current but have retained defined benefit liabilities.
- 3) 'Non-Group' means a scheme which according to its establishment may only have one member.

TABLE 3 DEFINED BENEFIT SCHEMES – EXCLUDED FROM THE FUNDING STANDARD

Scheme Size	No. of Schemes		No. of Members	
	31 Dec 2002	31 Dec 2001	31 Dec 2002	31 Dec 2001
Non-Group	3	1	3	1
1 – 50	32	30	568	561
51 – 99	11	9	806	611
100 – 500	17	15	4,131	4,313
501 – 1000	4	4	2,793	3,172
1001 +	19	17	231,548	218,066
Total:	86	76	239,849	226,724

Notes

- 1) Excluding AVC Only and Death Benefit Only schemes.
- 2) Excluding Frozen schemes and schemes in winding-up.
- 3) 'Non-Group' means a scheme which according to its establishment may only have one member.

TABLE 4 CURRENT SCHEMES – DEFINED CONTRIBUTION

Scheme Size	No. of Schemes		No. of Members	
	31 Dec 2002	31 Dec 2001	31 Dec 2002	31 Dec 2001
Non-Group	87,680	79,688	87,680	79,688
1 – 50	17,795	15,926	79,142	71,983
51 – 99	226	217	15,721	15,057
100 – 500	141	124	27,077	22,671
501 – 1000	12	10	7,724	6,578
1001 +	9	10	20,147	18,894
Total:	105,863	95,975	237,491	214,871

Notes

- 1) Excluding AVC Only and Death Benefit Only schemes.
- 2) Excluding Frozen schemes and schemes in winding-up.
- 3) 'Non-Group' means a scheme which according to its establishment may only have one member.

TABLE 5 CURRENT SCHEMES – DEFINED BENEFIT AND DEFINED CONTRIBUTION

Scheme Size	No. of Schemes		No. of Members	
	31 Dec 2002	31 Dec 2001	31 Dec 2002	31 Dec 2001
Non-Group	87,776	79,792	87,776	79,792
1 – 50	19,014	17,189	98,883	92,541
51 – 99	429	421	30,530	29,693
100 – 500	422	407	89,716	85,630
501 – 1000	62	64	41,666	42,758
1001 +	61	58	360,761	340,084
Total:	107,764	97,931	709,332	670,498

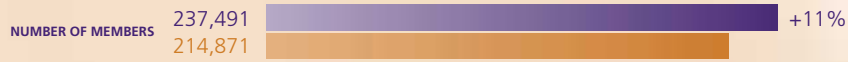
Notes

- 1) Excluding AVC Only and Death Benefit Only schemes.
- 2) Excluding Frozen schemes and schemes in winding-up.
- 3) 'Non-Group' means a scheme which according to its establishment may only have one member.

CURRENT DEFINED CONTRIBUTION SCHEMES & MEMBERS

2002

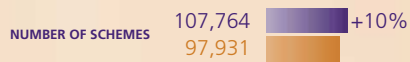
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CURRENT DEFINED BENEFIT AND DEFINED CONTRIBUTION SCHEMES & MEMBERS

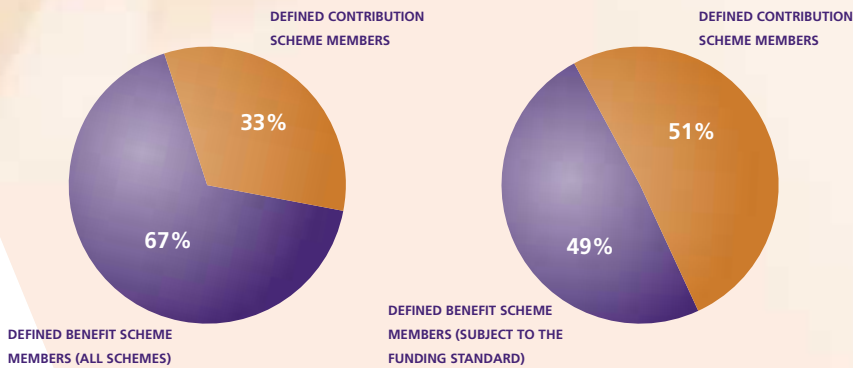
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2001



RATIO OF DEFINED BENEFIT TO DEFINED CONTRIBUTION SCHEME MEMBERS

2002



RATIO OF TOTAL DEFINED BENEFIT MEMBERS TO DEFINED CONTRIBUTION MEMBERS



Analysis of the Board's Register

Defined benefit schemes

The movement in the number of defined benefit schemes during 2002 (Table 1) shows a net reduction of 55 and a net increase in active membership of 16,214. The net reduction of 55 schemes reflects some 52 new defined benefit schemes which were registered during 2002 with 107 notified as being wound-up, made frozen or switching to defined contribution. 14,036 (86%) of the increase in coverage of 16,214 was attributed to increased active membership in existing schemes with the balance of 2,178 (14%) made up from new schemes.

Tables 2 and 3 give a breakdown of the defined benefit schemes providing retirement benefit cover, and their corresponding number of members, as between schemes that are financed fully on a pre-funded basis (Table 2), and public service schemes which have been exempted from the Funding Standard, (Table 3). Those excluded from the Funding Standard requirements tend to be the non-commercial public service schemes.

Defined contribution schemes

The movement in the number of current defined contribution schemes shows a net increase of 9,888 (10%) in 2002 and the corresponding number of active members covered increased by a net 22,620 (11%). Of this increase in defined contribution schemes, 7,992 (81%) were non-group schemes continuing the established trend towards single member defined contribution type arrangements. The net increase of 9,888 schemes reflects some 12,093 new defined contribution schemes registered during 2002, with 2,205 schemes being notified as wound up or frozen during the year.

Defined benefit versus defined contribution schemes

The ratio of defined benefit to defined contribution schemes continues to reduce and, within the private sector and the commercial State-sponsored sector, the membership of defined benefit schemes is now less than

that of defined contribution schemes. At end 2002, there were 231,992 active members in defined benefit schemes that are subject to the Funding Standard, as against 237,491 active members in defined contribution schemes. If members of defined benefit public sector schemes that are not subject to the Funding Standard are included, the total number of members in defined benefit schemes was 471,841 or a ratio of two to one vis-à-vis defined contribution scheme membership at end 2002.

Total schemes

Tables 1, 4 and 5 show the number of current schemes providing retirement benefits (excluding additional voluntary contribution and death benefit only schemes) registered with the Board at the end of 2002, and the corresponding number of active members in these schemes. The total overall number of current schemes at the end of 2002 was 107,764 accounting for an active membership of 709,332. This figure compares with an overall total of 97,931 schemes with an active membership of 670,498 at end 2001. The overall increase in schemes was 9,833 (10%) and the overall membership increase was 38,834 (6%).

Registration activity during 2002

As the figures in the paragraphs above compare the position at year end with that at the beginning of the year, they do not capture registration activity **during** the year.

A total of 12,145 new schemes comprising 25,240 additional members were registered with the Board during 2002. Of the total new registrations, 9,944 (82%) schemes were non-group arrangements with 2,201 (18%) new group schemes; 12,093 (99%) were defined contribution schemes with 52 new defined benefit schemes joining the register.

The following table reconciles the beginning/end year figures with the figures for movements during the year.



TABLE 6	DEFINED BENEFIT		DEFINED CONTRIBUTION		TOTAL	
	Schemes	Members	Schemes	Members	Schemes	Members
(i) January 2002	1,956	455,627	95,975	214,871	97,931	670,498
(ii) Registrations in 2002	52	2,178	12,093	23,062	12,145	25,240
(iii) Other movements*	(107)	14,036	(2,205)	(442)	(2,312)	13,594
(iv) December 2002 (i)+(ii)+(iii)	1,901	471,841	105,863	237,491	107,764	709,332
(v) Change in year (iv) – (i)	(55)	16,214	9,888	22,620	9,833	38,834

* These movements reflect changes in scheme status, closures, schemes in winding-up, schemes becoming frozen, frozen schemes becoming reactivated, membership changes etc.

Determinations in Relation to Registered Schemes

The Board, exercising its powers under Sections 38(2)(b), 53(2)(b), 58(2)(b) and 75(1)(a) issued a determination in relation to whether Irish Express Cargo Limited Pension and Life Assurance Scheme was a defined benefit or defined contribution scheme. It was determined by the Board that the scheme was a defined contribution scheme.

Conduct of investigations

General

The Board initiated 74 new investigations into issues concerning occupational pension schemes during 2002. This was one less than in the previous year. The Board closed 113 investigations during the year, an increase of 36 on 2001. At year end, there were 69 open investigations compared to 108 at the end of 2001.

Investigations are generally initiated following enquiries or complaints from scheme members, trustees, trade unions, through compulsory or voluntary reporting, and as a result of random audits carried out by the Board.

The biggest issue in relation to the Board's investigations continues to be non-payment of either or both employer and employee contributions to a scheme. From 1st January 2003 the Remittance of Contributions provisions of the Pensions (Amendment) Act, 2002 came into effect. These provisions place specific requirements on employers and trustees in relation to payment of contributions by employers to trustees and the investment of those contributions by the trustees.

The Board's primary objective in any investigation is to protect the interests of the scheme member or members. Section 18 of the Pensions Act 1990, provides the Board with specific powers of investigation and provides specific penalties for failing to co-operate with the Board's investigations. Where it is felt that the use of those specific powers is necessary to expedite an investigation a Section 18 investigation is authorised. At year-end there were 10 such cases in hand. Four investigations were authorised under Section 18 during the year.

While the Board starts from a position of trying to pursue a policy of securing compliance without recourse to legal action, it remains committed, where necessary, to using its full powers under the Pensions Acts.

Compulsory and Voluntary Reporting

There are statutory provisions, generally known as 'whistle-blowing', which place a legal mandatory requirement on a range of specified persons involved in the operation of occupational pension schemes to report suspected fraud or material misappropriation to the Board. There is also provision for the making of a voluntary report on any matter concerning the state and conduct of the scheme. Specified persons include auditors, actuaries, trustees, insurance intermediaries, investment advisers and any other person who has been involved in assisting the trustees of a scheme. The provisions also contain legal protection for the persons making such reports.

A total of 15 reports were received by the Board in the year 2002, compared to 12 in 2001. At year end there were 16 cases remaining open, one less than at the end of 2001.

The Board continues to remind anyone who would fall within the definition of a specified individual that the sooner a matter is reported to the Board the more effective the utilisation of the powers available to the Board under the Pensions Acts may be.

Monitoring of funding standard

General

Under the Funding Standard provisions of the Act, defined benefit schemes are required to submit to the Board actuarial funding certificates at 3½ yearly intervals. The purpose of the actuarial funding certificate is that the scheme actuary can certify that, if the scheme had wound up at the effective date of the certificate, its assets would have been sufficient to meet its liabilities. A certificate must be submitted to the Board no later than 9 months after its effective date. If the scheme could not have met its liabilities a funding proposal must be submitted which is designed to put the scheme in the position that it could meet its liabilities no later than the effective date of the next actuarial funding certificate.

2002 Activity

In 2002, the Board dealt with 21 cases of non-compliance. By year end, compliance had been achieved, or satisfactory confirmation that a scheme was no longer subject to the Funding Standard had been received, in 16 cases. The Board is in ongoing correspondence with the remaining 5 schemes and it is expected that only 3 of these will require

funding certificates. In each of the 3 cases the delay in submitting the funding certificate is due to a delay in agreeing a funding proposal. The Board is closely monitoring the progress being made in relation to these schemes.

The Board takes a proactive stance in ensuring that certificates are submitted in accordance with the statutory requirements. This is particularly important in view of the difficulties schemes may be experiencing in meeting the Funding Standard due to the falls in the investment markets over the last 3 years.

The Board received a total of 548 actuarial funding certificates in 2002. All but 17 of these satisfied the Funding Standard. Of the 17, 11 schemes have submitted funding proposals and the other 6 are in the process of having funding proposals agreed.

As Table 7 illustrates, the position at year end was that funding certificates were in place for 1,634 defined benefit schemes. This represents 91.4% of the schemes that are required to have funding certificates in place and 98.5% of the members of such schemes. The remaining schemes are not due to submit a certificate as they may be less than 3½ years old or the Board may have agreed that a certificate is not required due to the circumstances of the scheme. This may happen if the scheme is in wind-up and the preparation of a funding certificate would add to the cost but not provide any benefit to the members of those schemes.

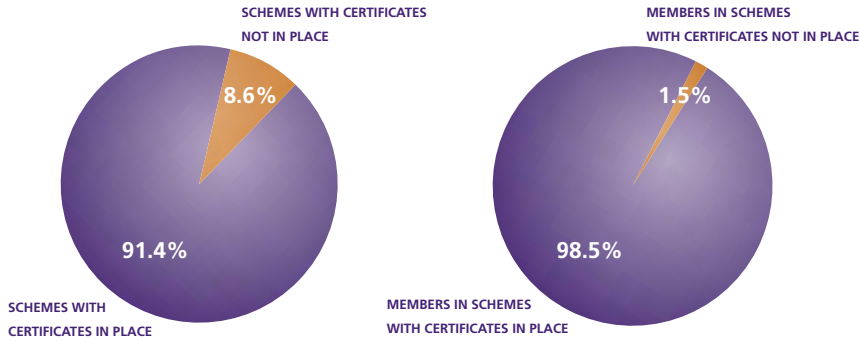
TABLE 7

COMPLIANCE WITH THE FUNDING STANDARD AS AT 31 DECEMBER 2002

Scheme Size	DB schemes subject to the Funding Standard		Funding Certificates Received		Funding Certificates Outstanding in 2002		Other	
	No of Schemes	No of Members	No of Schemes	No of Members	No of Schemes	No of Members	No of Schemes	No of Members
Non-Group	87	87	54	54	0	0	33	33
1 – 50	1,176	18,338	1,063	17,352	6	61	107	925
51 – 100	190	13,747	185	13,380	0	0	5	367
101 – 500	257	57,318	255	57,089	0	0	2	229
501 – 1,000	44	29,846	44	29,846	0	0	0	0
1,000+	34	112,656	33	110,855	0	0	1	1,801
Total:	1,788	231,992	1,634	228,576	6	61	148	3,355

RATIO OF SCHEMES/MEMBERS WITH CERTIFICATES IN PLACE TO THOSE WITH CERTIFICATES NOT IN PLACE

2002



Monitoring of Disclosure Compliance

Disclosure compliance strategy

Having recommenced its audit process in December 2001, the process continued throughout 2002. The audit process involves the Board requesting, from the trustees of a scheme, copies of the documentation that must be provided or made available to members. The Board then examines the documentation received against the detailed requirements of the legislation to ensure it is compliant. A total of 202 schemes were selected for examination and 165 were actually examined. The results were as following:

TABLE 8

	Total	Compliant	Satisfactory	Non-compliant
Full Annual Report	71	9	58	4
Alternative Type A	90	8	71	11
Alternative Type B	4	0	3	1
Audited Accounts	72	48	24	0
Scheme Booklet	156	47	87	22
Actuarial Valuation	75	36	36	3
Member Notification	160	66	82	12
Union Notification	84	33	40	11

While the number of non-compliant documents was relatively small, it is a cause of concern that so few documents were fully compliant. A document is deemed satisfactory where the Board would view the non-compliance of being of a minor nature and would ask the trustees to ensure that the issue is corrected in future documents. Non-compliance implies that the documents should be corrected immediately.

It is obvious that many annual reports are not being completed within 9 months of the end of the scheme year as required in legislation. The 9 months limit seems to be seen as a target date, whereas in fact, it is clear from the legislation that it is the outside limit. Furthermore, the closer to the end of the scheme year that the report is prepared, the more relevant the information is to the members of schemes. Failure to prepare the report within the time limits specified is a breach of the Pensions Acts and the Board will consider taking action where such breaches are identified.

It is a further cause of concern that the requirements regarding the content of scheme documents are not being met. These requirements are clearly set out in the legislation.

Prosecutions

The Board successfully prosecuted the trustees of 3 schemes for failing to submit the documentation requested as part of the audit process within the timeframe specified by the Board. The Board views disclosure of information as a crucial element of enabling scheme members to become aware of and monitor their own schemes.

General

The increase in the number of staff in the Investigations and Compliance Unit has allowed it to make substantial progress in the performance of its functions. In particular there has been a large increase in the number of investigation files closed. This has been a combination

of the closing of older files where the substantive work had previously been completed and the cases in question needed finalising and the achievement of quicker turnaround times on newer cases.

The audit process, as well as establishing the compliance level of a particular scheme, can also give the Board a more general view of compliance levels. It is noted that this shows much improvement since the process was last completed in 1999. This reflects the work initiated by the Board with the main practitioners in ensuring that compliance with the Acts was given proper focus by them. While that particular focus was on ensuring that particularly annual reports were being produced within the statutory timescales, the Board will now also be focusing on ensuring that the content of the documentation that is produced is compliant with the legislative requirements. It is important that trustees are aware of their responsibilities in this regard. Although they may not actually produce the documentation, they are responsible for ensuring it is compliant. The ethos of the Occupational Pension Schemes Compliance Strategy document agreed by the Board in December 2002 is that any breach of the Pensions Acts requirements is subject to prosecution.

Policy

Summary of General Objective

To agree a Policy programme based on the Board's overall strategy, the programme to be reviewed annually and incorporate consideration of the policy implications of the changing pensions environment, and to advise Departments on pensions-related EU initiatives.

Activity related to general objective.

Policy Programme

Consistent with "Strategy 2002 – 2005", the Board prepared and adopted a Policy Programme in 2002. The Programme covered a range of policy issues, on a prioritised basis, which the Board would consider during its term of office.

In early 2003, as required under the Strategy, the Board reviewed this Programme and drew up, from within it, a programme of matters to be looked at in the course of 2003. At time of writing, this process is well under way within the Board.

As indicated in "Strategy 2002 – 2005", the Policy Programme incorporates consideration of the changing environment and impacts on pension provision. In this context, the Policy Programme, as adopted in 2002 and reviewed in early 2003, will involve the Board in considering, *inter alia*, the following matters over its term of office.

Pension Coverage

In keeping with the approach recommended in NPPI, it is proposed to review, after a period, progress made towards achievement of agreed targets for coverage of the population by Second Pillar pension provision. As indicated in the chapter on "NPPI/Pensions(Amendment) Act, 2002," a survey of pension coverage was undertaken as part of the CSO Quarterly National Household Survey in First Quarter 2002 and the results published in September. The coverage level estimated in that survey forms a benchmark against which progress towards increased coverage, arising under the new regime, will be assessed in

subsequent years, by means *inter alia* of further surveys. The Board will be keen as a policy priority to monitor progress in this regard.

Move from DB to DC Provision

Over the last number of years, data from the Board's Register, as published in successive Annual Reports, have shown a trend of membership of DC schemes increasing vis-à-vis that of DB schemes. Various studies and surveys have been conducted by other bodies on this trend and its implications for members. While this trend in Ireland is similar to that in other developed countries, the Board proposes to examine its causes and implications in the Irish context with particular regard to the questions of member protection and the ultimate adequacy of pension provision.

Simplification of Regulation

The approach of the Pensions Board over the years since the enactment of the Pensions Act, 1990 has been to balance the requirements of member protection and the impact of regulation on schemes. Additions to legislation over the years since 1990, most notably in the Pensions (Amendment) Acts of 1996 and 2002, have provided significant further protections to members, as recommended in many instances by the Board to the Minister.

While acknowledging the desirability of these additional protections, the Board is concerned lest, going forward, the accumulated impact of regulatory requirements has an inhibiting effect on overall pension provision. Accordingly, the Board proposes to examine ways in which to ensure that an appropriate balance is achieved between regulatory requirements, member protection and cost of pension provision. This examination will take into account Government policy on regulation as well as relevant developments in other countries.

During 2002 the Board identified a number of interim recommendations on simplification. In the summer of 2002 it set up a Working Party which examined a range of possible measures which could be introduced in the short-term to simplify the tax treatment of the various types of

pension provision particularly in the context of the incoming PRSA regime. The Working Party also identified the need for simplification of pensions regulation as embodied in the Pensions Acts 1990 – 2002 and the accompanying regulations and itemised a number of areas in which in the longer-term a process of simplification could be considered. A report containing the Working Party's Interim Recommendations was forwarded to the Departments of Social and Family Affairs and Finance in October 2002 leading to the incorporation of a number of pensions –related provisions in the Finance Act 2003.

The Protection of Employees (Part-Time Work) Act, 2001

Following enactment of The Protection of Employees (Part-Time Work) Act, 2001 it was not immediately clear the extent to which further regulatory provisions or guidance would be required in relation to the pension provisions of this legislation. A Part-Time Work Group was established by the Pensions Board in 2002 to consider and discuss the implications of the Act as they relate to pensions and how the pension provisions of this legislation might be given practical effect. The Group decided that for the time being the Board would give practical guidance in relation to the implications of the legislation as they relate to occupational pension schemes (both in the private sector and the public sector) in the form of Frequently Asked Questions (FAQs). These FAQs were drafted for this purpose by the Board's Information Unit and were reviewed and amended by the Group in light of its discussions and considerations. The FAQs have been published on the Board's website. Any more formal guidance (by way of more formal Pensions Board Guidance Notes) is considered to be premature at this point. The matter will be revisited in light of experience, including experience in relation to PRSAs and any Government decisions which may be made arising from the report due from the Working Group concerning the implementation of the Commission on Public Service Pensions Final Report.

Funding

As mentioned in the chapter entitled "Regulatory", the Board is reviewing the Funding Standard in the light of national and international experience. This review of the Funding Standard, going forward, reflects the importance of the Standard as the cornerstone of statutory protection of scheme members.

Effective Regulation

The Pensions Acts set out penalties for breaches of the Acts. Taking account of its experience to date in the area of enforcement, the Board will continue its earlier review of the merits and demerits of legislative provisions for civil penalties as well as examine the scope for other possible alternatives.

Regulation of Investment

To date statutory regulation of occupational pension schemes has not intervened in their investment activity (apart from restrictions on the extent to which certain kinds of investment may be taken into account for Funding Standard purposes). In the context, inter alia, of the EU Directive on Institutions for Occupational Retirement Provision (IORPs), the Board will consider what action to be recommended to the Minister in this area.

Income Continuance Report

As part of its policy related work, the Board was requested by the Minister for Social and Family Affairs to review, in consultation with the Department of Enterprise Trade and Employment, the position and regulation of Income Continuance Plans. The Board engaged consultants to carry out this review and a draft of their report was produced in December 2002. At time of writing, the consultants report and recommendations have been considered by the Board and forwarded with comment to the Minister.



EU Pension-Related Matters

Directive of the European Parliament and the Council on the activities of institutions for occupational retirement provision

During 2002, the Board supported and assisted the delegation representing Ireland on the Council's Financial Services Working Group examining the Commission's proposal for a Directive on the activities of institutions for occupational retirement provision (IORPs).

The Directive proposal was published in October 2000 and followed *inter alia* the Commission's Green Paper entitled "Supplementary Pensions in the Single Market", a Commission Communication issued in 1999 "Towards a Single Market in Supplementary Pensions" and the adoption by the European Parliament of a Resolution welcoming the Commission's intention to propose a Directive on supplementary pensions.

In November 2002, the Council adopted its Common Position on the draft Directive. Shortly thereafter the Commission recommended the Council's Common Position to the European Parliament, which voted in plenary session in March 2003 to make certain amendments to the Council's Common Position. The draft Directive was adopted by the Council of Finance Ministers on 13 May, 2003.

The Directive lays down prudential rules designed to provide a secure environment within which IORP activities are undertaken. In seeking to achieve the objective of an integrated and harmonised EU market for occupational pension provision, the Directive aims to strike a balance between security and affordability. The Directive focuses on harmonising certain basic prudential rules and to establish an EU regime which facilitates the mutual recognition of Member States' pension supervisory rules. A primary thrust of the Directive is to put in place a system of notification and co-operation between competent authorities so as to eliminate national barriers to inter-State movement of IORPs.

The Transfer of Undertakings Directive

The Board provided advice to the Department of Social and Family Affairs during 2002 in respect of the nature of the pension obligation contained in EU Directive 2001/23/EC, which sets down rules in relation to employment rights on transfer of undertakings.

The Directive *inter alia* obliges "[...] Member States [to] adopt the measures necessary to protect the interests of employees and of persons no longer employed in the transferor's business at the time of the transfer ... in respect of rights conferring on them either immediate or prospective entitlement to old-age benefits, including survivors' benefits, under supplementary schemes ..."

The Transfer of Undertakings Directive was transposed into national law on 11 April 2003 by S.I. 131 of 2003.

Ireland's National Strategy Report to the EU

During 2002, the Board assisted the Department of Social and Family Affairs in its preparation of a national pensions strategy report to the EU. This document (which is available in published form) is entitled "Sustainable and Adequate Pension Provision for an Ageing Population". The report outlines how Ireland's pensions system, both First and Second Pillars, is being developed to meet the objectives of adequacy, financial sustainability and modernisation. The report represents a synthesis of Irish policy on overall pension provision as a basis for our participation in the European debate on meeting the challenge of pension provision for an ageing population.

Pensions Development/ Information/Awareness

Summary of General Objective

To provide information, and (where appropriate) support, on pensions-related matters to a wide range of parties including scheme members, pensioners, trustees, the media and the general public.

Activity related to General Objective

Information services for members and other interested parties

The effectiveness of the Pensions Acts in safeguarding the rights of scheme members depends to a significant extent on members using the rights they have under the Pensions Acts to monitor the administration and financial soundness of their scheme and to obtain information on their own personal entitlements.

To this end, the Board produces information booklets which are relevant for members, members' dependants, prospective members, trustees, employers and the general public.

Furthermore, as the Pensions Acts and regulations override the Trust Deed and Rules of schemes, it is important the scheme trustees, administrators and their professional advisers ensure that the legislation they refer to is fully up to date. During 2002, the Board continued to promote the security of occupational pension schemes by providing clear, authoritative guidance to trustees and pension practitioners on how to comply with the Pensions Acts and good practice generally in relation to scheme administration.

The full range of information and guidance services currently provided by the Board is set out below.

Information Booklets

There is a comprehensive range of information booklets free of charge from the Board. These provide information on the Pensions Acts, the Pensions Board, members' rights generally under the Act and under other relevant pensions legislation.

In April 2002 an additional booklet was published by the Board on the main provisions of the Pensions (Amendment) Act, 2002 which took the form of a series of Frequently Asked Questions (FAQs).

The Board intends to update all of its information booklets and produce new booklets (e.g. on PRSAs) to reflect the legislative changes that have resulted from the enactment of the Pensions (Amendment) Act, 2002.

For ease of reference, a full list of the Board's current information booklets is set out in Appendix III.

Enquiry Service

The Board's information and enquiry service deals, by telephone and correspondence, with enquiries or complaints received from scheme members and their dependants, prospective members, trustees, trade unions, employers and company employees with personnel, industrial relations and pay functions. Enquiries, including technical queries, are received also from pension practitioners, professional bodies and the representatives of the media.

Legislation Service

Designed for pension practitioners, the Board provides a legislation service which is available by subscription. Subscribers to this service receive a non-statutory consolidated text of the Pensions Acts, and the Regulations, including all amendments made to date. The text of the legislation is made available in loose-leaf format in a binder which facilitates regular updating. In September 2002, the Legislation Service was represented in two newly designed binders, in the form of two volumes:

- Volume 1 contains a consolidated text of the Pensions Act, including the extensive amendments made by the Pensions (Amendment) Act, 2002 including PRSAs.
- Volume 2 contains the Regulations made under the Act as amended.

There are currently 149 subscribers to this service.



Guidance Notes

The Board makes available by subscription detailed guidance notes on the various parts of the Pensions Act as amended and its Regulations, especially in those areas which override the trust deed and rules of the scheme. Subscribers to the service receive updates to take account of any legislative changes. As with the Legislation Service, the Guidance Notes are in loose-leaf format to facilitate updating.

The Guidance Notes are designed for use principally by those who are professionally involved with occupational pension schemes and Personal Retirement Savings Accounts (PRSAs).

Guidance from other sources

There is a comprehensive Revenue pensions manual which is available on diskette from the Retirement Benefits District. This manual consolidates the Revenue practice notes on the tax treatment of occupational pension schemes. The manual originated from a working group established by the Board to assist the Retirements Benefits District of the Revenue Commissioners with the consolidation and revision of the practice notes.

Most recently “A Guide to Personal Retirement Savings Accounts” prepared in consultation with the Board has been published by the Revenue Commissioners (and is available on their website) outlining the tax treatment of PRSAs.

Professional guidance is provided by the Society of Actuaries in Ireland to its members on the application of the Funding Standard. The professional accountancy bodies also provide supplementary guidance to their members on the content and audit of pension scheme annual accounts in accordance with the disclosure of information requirements. The Pensions (Amendment) Act, 2002 provided for a statutory underpinning of the Society of Actuaries professional guidance notes in certain areas relevant to the Pensions Acts. This means in effect that the guidance notes may not be withdrawn or altered without the consent of the Minister for Social and Family Affairs.

Trustee support services

Trustees have overall responsibility under the Pensions Acts for the administration of schemes. Accordingly, the main statutory functions of the Pensions Board as set out in Section 10(1) of the Pensions Act include:

- Providing guidance for trustees on their duties and responsibilities in relation to scheme administration;
- Issuing codes of practice on specific aspects of trustees duties;
- Advising the Minister on standards for trustees and on their implementation.

Information Booklets for Trustees

The information booklet “So You’re a Pension Scheme Trustee?” is the Board’s publication which gives concise guidance to trustees on their duties and responsibilities. The booklet is being updated to reflect legislative changes arising from the passing of the Pensions (Amendment) Act, 2002.


Trustee Handbook

More comprehensive guidance is provided for trustees by means of the Trustee Handbook and Codes of Practice which are also designed to make a major contribution to the discharge of the Board’s functions under Section 10(1). It is intended to publish a second edition of the Handbook and Codes of Practice which will reflect all legislative changes which have occurred since the original publication in 1998.

Given the importance of the Handbook as a tool to assist the trustees in the effective discharge of their duties and responsibilities, the Disclosure of Information Regulations (S.I. 349 of 1998) contain a requirement that specific reference be made in the annual report of each scheme as to whether the trustees of the scheme have access to the Trustee Handbook.

Enquiry Service for Trustees

The Pensions Board provides a specific enquiry service for trustees in relation to their duties and responsibilities,



with particular reference to the type of information and guidance which is provided in the Trustee Handbook. Enquiries of the more straightforward type are usually dealt with by telephone. Responses to more complex and difficult queries are generally given in writing, if necessary, or by meeting with the enquirer at the Board's offices if the enquirer cannot be referred to an appropriate section of the Guidance Notes or Trustee Handbook.

Responses to some queries can only be provided by a scheme's professional advisers i.e. the Actuary, Auditor, Investment Manager, or Legal Advisers. In such cases, trustees would be referred to their schemes advisers, and guidance provided by the Board's staff cannot be a substitute for specific professional advice in relation to a scheme, where this is required.

Trustee Training

The Pensions Board also has a statutory function under Section 10(1) of the Pensions Act

- To encourage the provision of appropriate training facilities for trustees of schemes.

A list of approved trustee training courses has been compiled by the Board which is available for those seeking such training. The course providers are only included on this list when they have satisfied the Board on the content of their training course. The Board from time to time, carries out detailed evaluations of the courses being provided. This involves Board staff attending the courses as observers. Continued inclusion in the Board's approved register depends on the outcome of these evaluations.

The cost of trustee training usually involves full expenses for the course and travel, and the cost for the time off from employment, etc. to attend the course. The costs involved may be met in full by the employer(s) sponsoring the scheme. If the costs are not met by the employer, the Pensions Acts provide that, notwithstanding anything contained in the rules of the scheme, reasonable costs and expenses incurred in receiving trustee training may be met from the resources of the scheme.

It should be possible for trustees who are member trustees to obtain paid time off from their employers, within

reason, to avail of suitable training. The Board monitors the position as part of the surveys referred to below and is currently of the understanding that whilst real difficulties may arise in specific cases, as a general rule, significant or widespread difficulties do not exist in relation to provision of paid time off for trustee training.

The first comprehensive survey of trustees was carried out by the Board in 2000, the results of which indicated that 63% of the trustees who responded had undergone training. However, the results were based on a fairly small sample of trustees and, as such, cannot be deemed conclusive. The Board intends to conduct regular surveys of trustees in order to establish a more definitive trend in trustee training. The second survey was carried out in December 2002. At time of writing the survey results are being analysed within the Board.

Promulgating the pensions message.

The Board recognises that there needs to be an awareness among the general public that Ireland has a robust system of pensions regulation that protects the interests of scheme members and the broader public interest. Added to this is the Board's concern to encourage greater take-up of pensions, particularly among those socio-economic groups, including young persons, women and atypical employees who have the lowest levels of pensions coverage. To this end, the Board utilised various methods of communicating the "pensions message" during 2002.

Information Presentations

During 2002 the Board gave 33 information presentations to trustees, trade unions, employer personnel, professional bodies and others. Matters covered in the presentations included the main features of the Pensions Act, 1990, the Pensions (Amendment) Act, 2002, and other legislation affecting pensions.

The Pensions Board Bulletin

The Board provides an informal communication for interested parties in the form of a Bulletin. The Bulletin is issued on an occasional basis related to the level of new activity at the Board and covers Board developments and

current activities in a brief format. Three Bulletins were issued during 2002, covering the following main topics:

- The Pensions (Amendment) Act, 2002;
- Pensions Coverage Survey 2002;
- PRSAs – Open for Business.

Pensions Board Online

The number of visitors to its website (www.pensionsboard.ie) continued to grow in 2002. The average yearly number of visitors for the year was 44,515, while the average monthly number of visitors was 3,709.

The website was redesigned and given a fresh new look during 2002 which has resulted in improved navigation, increased user speed and improved search facility. The website contains an online version of the Board's information booklets, and sets out the structure and functions of the Board while providing a continually updated list of information presentations given by Board personnel.

A "What's New" Section has been added to the site which is updated regularly. Amongst those items added to the site in 2002 were Frequently Asked Questions in relation to part-time work and pensions, the CSO Pensions Coverage Survey 2002 Results, information on PRSAs, and guidance on the new remittance of contribution requirements.

The National Pensions Awareness Campaign

In its Report "Securing Retirement Income", published in May 1998, the Board recommended that a "Government-driven pension awareness campaign be conducted in conjunction with the relevant public and private sector bodies".

The Board has been asked by the Minister for Social and Family Affairs to conduct this campaign on behalf of Government and an allocation of €500,000 was made available in Budget 2003 for this purpose.

It is expected that the campaign will commence in summer 2003, in anticipation of mandatory employer access to PRSAs, to commence as from 15 September 2003.

Source of information for media

The Board is mindful of the fact that the media play an essential role in communicating information about the Board's activities and its contribution to pensions policy development to all groups and to the general public.

Media Relations

Essential elements of supporting the media during 2002 and being a source of authoritative information for them, involved briefing the relevant journalists on various developments within the Board, e.g. enactment of the Pensions (Amendment) Act, 2002, "opening for PRSA business", publication of Pensions Coverage Survey 2002 Results, and launching new publications such as FAQs on the new legislation, part-time work issues etc. As well as these major events, the Board sought media "slots" across a range of outlets to promote discussion of pension issues. This was intended to have a dual impact of promoting pension awareness among target groups and the importance of pension provision.

Support for Irish input to external bodies

Provision of input for information to international bodies in relation to pensions matters is part of the strategic objectives of the Board. Following are the bodies to which such input is given.

Conference of Pension Supervisory Authorities (CPSA)

The Conference of Pension Supervisory Authorities (CPSA) consists of representatives of the pension regulators of Germany (BAFin), Holland (Pensioen- & Verzekeringskamer), the UK (OPRA) and the Pensions Board. The Conference meets every 6 months to discuss areas of mutual interest. In 2002 the Conference met in May and October.

The European Union

During 2002 the Board supported the official Irish input to the consideration of pensions matters at EU level. Most notably it supported the Irish delegation on the Council's Financial Services Working Group in the matter of the Commission's proposed Directive on Institutions for Occupational Retirement Provision.

World Bank

The Pensions Board has an active relationship with The World Bank and The World Bank Institute. This takes the form of exchange of information, meeting with pension related visitors to Ireland and participating in World Bank sponsored conferences and seminars.

Groupe Consultatif Actuariel Européen (EACG)

The Board participates in the Annual Conference between the Groupe Consultatif and EU Pension Supervisors that discusses the views of the actuarial profession in the EU on matters of concern to the profession in the pensions area. The topics discussed at the last meeting, held in April 2003, focused on the Prudent Person Principle for the investment of pension fund assets and Actuarial Principles for individual transfers.

Organisation for Economic Cooperation and Development (OECD)

The Board, which is represented at the OECD Working Party on Private Pensions, represented Irish views at meetings of the Working Party in 2002 to discuss international standards for pension fund governance. In October 2002, OECD Governments approved Guidelines for the administration of private pension funds that are designed to help protect individuals' retirement benefits from mismanagement and fraud. The 12 part Guidelines mark the first initiative by OECD countries to set international standards for the governance and oversight of collective pension funds. The guidelines are a first step in an OECD programme launched in 2002 to strengthen the governance of financial institutions and improve the integrity of financial markets. They are also a continuation of ongoing work on pension – related standards, developed in cooperation with the International Network of Pension Regulators and Supervisors (INPRS).

The Working Party is also developing a methodology to assess the observance of 15 basic principles for the regulation of private occupational pension schemes, which it had approved in November 2000. The methodology, when it is finalised, can be used by authorities to identify

weaknesses in their regulatory and supervisory systems and to implement the 15 principles. In addition, the methodology will be used in the Financial Sector Assessment Programme (FSAP) conducted under the leadership of the International Monetary Fund (IMF) and the World Bank.

International Network of Pension Regulators and Supervisors (INPRS)

The Board is a member of the International Network of Pension Regulators and Supervisors (INPRS) an organisation of national and international bodies dealing with the regulation (laws, administrative decrees, regulatory best practices, codes of conduct and principles) and supervision of private pensions.

A Technical Committee, on which the Board is represented to convey Irish views, manages the implementation of the programme of work of the INPRS. During 2002 the INPRS largely relied on the programme of work of the OECD Working Party on Private Pensions to develop its own activities. While this co-ordination between OECD and INPRS Work is a natural consequence of the close link existing between the two bodies and the OECD's role as Secretariat to the INPRS, going forward the INPRS will identify those areas where it may provide added services to those already provided by the OECD in the area of pensions.

International Employee Benefits Association (IEBA)

In February 2003, the Board accepted an invitation to join IEBA. The Association, based in the U.K., has *inter alia* an informational and educational role in relation to employee benefits including pensions. The Board was represented, for the first time, at the Association's AGM on 23 April 2003.

Delegations from other countries

The Board regularly receives delegations from other countries and provides presentations on the Irish pensions system as requested.

ONGOING ACTIVITY

Tables 9 and 10 below display the results of a statistical analysis of enquiries handled during 2002 with a comparison for 2001.

TABLE 9 NATURE OF ENQUIRIES

	2002		2001	
	Number	%	Number	%
Trustee Duties	124	2%	174	4%
Preliminary and General	1,775	33%	1,483	34%
Equal Treatment	20	0%	5	0%
Establishment of Board	385	7%	272	6%
Preservation	268	5%	222	5%
Funding Standard	53	1%	11	0%
Disclosure	762	14%	849	19%
Compulsory & Voluntary Reporting & Miscellaneous Applications to the High Court	6	0%	19	1%
Other Enquiries	1,973	38%	1,376	31%
Total	5,366	100%	4,411	100%

NATURE OF ENQUIRIES

2002

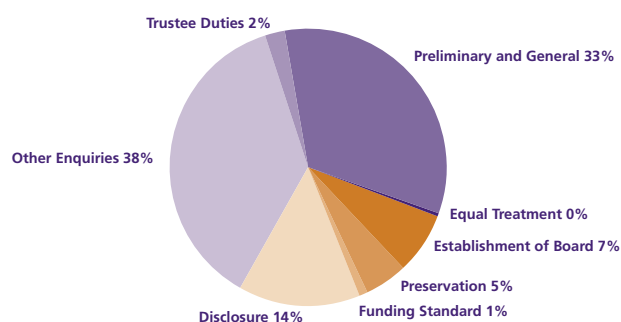


Table 9 demonstrates that enquiries have significantly increased during the year compared to 2001. The total number of enquiries for 2002 is 5,366 which is an increase of 22% over 2001. It should be emphasised that this figure excludes those enquiries of a routine nature which raised questions on registration and fee collection.

The largest number of enquiries by identifiable category in Table 9 relates to 'Preliminary and General', 33%, which includes requests to the Board for copies of its publications. The heading 'Other Enquiries' includes matters relating to the application of general trust law and matters which do not come under the Board's strict remit i.e. personal pension plans, social welfare entitlements, income continuance plans and Revenue requirements.

TABLE 10 CATEGORY OF ENQUIRIES

	2002		2001	
	Number	%	Number	%
Pensioner	114	2%	113	3%
Active Member	1,202	23%	1,289	32%
Company/Employer	702	14%	436	11%
Trade Union	36	1%	50	1%
Pension Practitioner	811	16%	686	17%
Trustee	95	2%	112	3%
Other	2,216	42%	1,340	33%
Total	5,176	100%	4,026	100%

CATEGORY OF ENQUIRERS

2002

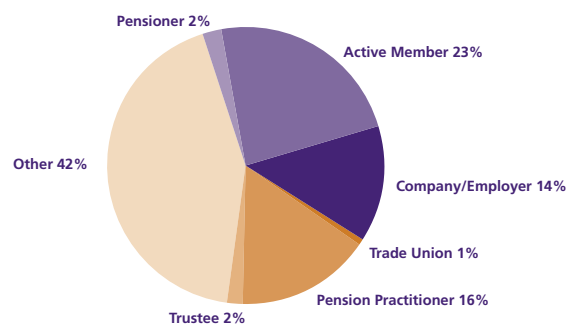


Table 10 provides a breakdown of enquirers who contacted the Board during 2002. The total number of enquirers for 2002 was 5,176 which is an increase of 29% over 2001. Included in the residual category (entitled 'other'), which showed a 10% increase over 2001, are queries from media personnel, social welfare customers, research students, and the general public. The number of enquiries (Table 9) exceeds the number of enquirers (Table 10) as some enquirers raised more than one question.

Operational

Summary of General Objective

To monitor and make recommendations in relation to Board finances and staff resources, to implement technology systems to regulate PRSAs, and implement the Code of Practice for the Governance of State Bodies, as well as formalise a Quality Customer Service plan.

Activity related to General Objective.

Monitoring of Finances

The year 2002 saw changes in a number of significant areas of Board running costs and operating levels. While some patterns continued to apply, there were for example increased salary related costs due to approved increases in staff numbers and increased costs resulting from the Board's preparations for its anticipated supervisory role for PRSAs.

As regards financing of the cost of supervision of schemes, the Board requested the Minister, pursuant to Section 25 of the Pensions Act, 1990 to increase its fee with effect from 1 January 2003 (at the current level since 1 January 1998) to cover additional expenditure in respect of its occupational pension schemes activity. The Minister granted the increase with effect from 1 January 2003 to €9.50 per scheme member on a pro-rata basis.

As regards the financing of the supervision of PRSAs, the Pensions (Amendment) Act, 2002 provides for a separate fee income stream to cover the cost of regulating PRSAs. Under these provisions, a fee structure applicable to providers of PRSAs was put in place by Regulation (S.I. 506 of 2002) made by the Minister in November, 2002. The Department of Social & Family Affairs made funding available to the Board in 2002 in the sum of €885,249 to defray costs incurred prior to the introduction of PRSAs.

Monitoring of staff resources

The approved staff complement at the end of 2002 stood at 38.5 posts with 32 posts filled with the remaining 6.5

posts to be filled as required in the context of activity levels. The Board's staff complement had been increased to meet those functions, which flow *inter alia* from its additional role as supervisor of PRSAs as provided for in the Pensions (Amendment) Act, 2002.

Information Technology

The Board continued to monitor its Information Technology needs during 2002. As part of this process the Board's website was significantly upgraded to allow for real time updating and to present users of the site with an ease of use and current information.

As part of the introduction of PRSAs the Board sought tenders, via the Government procurement portal ETENDERS, for an electronic records management and information system for PRSAs. As part of the evaluation of the tenders submitted, the successful submission was evaluated on the basis of value for money and the solution best meeting the Board's needs following an analysis of its requirements to supervise PRSAs. Development and installation of the bespoke PRSA application commenced in 2002. At time of writing this project is nearing completion and will provide the Board with the necessary systems to gather data relating to PRSAs and contributors with a view to preparing and presenting a report to the Minister for Social and Family Affairs in due course.

Code of practice for the governance of State bodies

The 1992 State Bodies Guidelines, as revised in 1998, governing the conduct in business of Board members and staff are being observed. These Guidelines reflect requirements under the Freedom of Information Act, 1997 and include procedures for the disclosure of interests by Board members.

In October 2001, the Department of Finance issued a revised mandatory Code of Practice for the Governance of State Bodies for application by all commercial and

non-commercial State bodies. The revised Code builds on the 1992 document and sets out additional mandatory measures and requirements. Given the extensive nature of these measures and requirements, the Board has been implementing the new Code on a gradual basis while giving priority to the most immediate requirements.

In December 2002, a number of draft documents developed in accordance with the requirements of the Code were considered within the Board. After further consideration in early 2003 the following were approved by the Board in March 2003:

- Board Procedures and General Modus Operandi;
- Schedule of Matters Reserved to the Board;
- Code of Business Conduct for Members and Staff of the Pensions Board;
- Corporate Risk Assessment - Register of Key Corporate Risks and Associated Controls;
- Procurement of Goods and Services and Disposal of Assets;
- Internal Audit Charter;
- Accounting Procedures and Controls.

This represents considerable progress on implementation of the Code.

Deloitte and Touche, Chartered Accountants and Management Consultants, were recently awarded an assignment as part of the new Code to review the Board's tax affairs to ensure that the financial routines and practices by the Board ensured compliance with the tax laws. The Consultants report has since been received and confirms that the Board was compliant with the tax laws.

Quality Customer Service Plan

Revised principles of quality customer service for customer and clients of the public service were approved by Government in 2000. The Board is conscious of the need

to provide the highest level of service to its customers and has therefore included the delivery of a Quality Customer Service plan as an objective of the Board's Strategy 2002-2005. The Board is committed to ensuring that the principles of quality customer service are embedded in everything it does, in its strategy, human resource strategies and the commitment to quality customer service extends not only to its customers but extends to staff throughout the organisation.

While many of the principles of Quality Customer Service are currently being implemented by the Board, it is intended to publish a formal Customer Service Plan in 2003 which will be closely monitored and reviewed thereafter.

Ongoing Activity

Administration

The administrative structures put in place to support the Board's activities operated satisfactorily in 2002.

The Board's policy at all times is to ensure the safety, health and welfare of its employees by maintaining a safe place and system of work pursuant to the requirements of the Safety, Health and Welfare at Work Act, 1989. The Board, after its first decade of development, required larger office capacity to accommodate its increased staff complement and resources. In October 2001 the Board relocated to new offices in Verschoyle House, 28/30 Lower Mount Street, Dublin 2 having acquired a leasehold interest there for 25 years of 10,602 square feet. During 2002 the Board settled into the new office facility with most of the minor building and fitting works arising from such a move now completed.

Finance

Expenditure for the year ended 31 December 2002 amounted to €3,676,866 which represents an increase of 13% when compared to the previous year. The increased expenditure is primarily due to greater staffing levels,



higher accommodation costs and ongoing increased costs associated with the acquisition of and move to new premises together with the costs incurred for the introduction of PRSAs.

€2,717,871 was generated in fee revenues pursuant to the Occupational Pension Schemes (Fees) (Amendment) Regulations, 1997 (S.I. 488 of 1997) and was broadly comparable to that raised in 2001 except for the collection of €290,000 in fee arrears following a special project to target arrears in 2002 facilitated by additional staff resourcing.

Miscellaneous income amounting to €80,239 was generated from interest on moneys held on deposit, the sale of publications and the reimbursement of benefits paid to retired staff under the Board's Staff Superannuation Scheme.

The surplus of income over expenditure arising from the year's operations amounted to €418,289. The corresponding deficit in 2001 was €236,311.

Fee Collection

At the end of 2002 circa 18,000 occupational pension schemes were obliged to pay the statutory fee for schemes with more than one member. 80,000 one-member schemes established on or after 1 January 1993 were also obliged to pay a statutory fee. The aforementioned figures exclude 'AVC (additional voluntary contribution) only' schemes and 'Death Benefit only' schemes.

A large part of the Board's activities in respect of the registration of schemes, maintenance of the register and collection of fees was performed with the assistance of professional intermediaries acting on behalf of their trustee clients. The Board appreciates their ongoing co-operation.

Financial Outlook

The Board decided to make a further transfer of €59,539 from the income and expenditure account to the Compliance Enforcement Reserve, which now stands at €250,000.

The annual transfer from the income and expenditure account to depreciation provision together with the timing of fee income receipts may result in the Board, from time to time, having cash surplus to its immediate requirements. Where a cash surplus occurs, it is invested in short term low risk securities which yield an acceptable return consistent with the statutory functions and authority of the Board.

At the end of 2002, the Board's Revenue Reserve, being accumulated surpluses, was €1,078,662.

A new Capital Reserve was created in 2001 and represents the element of funds provided to the Board by the Department and used to fund the PRSA capital expenditure incurred. It is transferred annually to the income and expenditure account by reference to the depreciation profile of the assets acquired. At the end of 2002, the Board had a Capital Reserve of €412,289.

Financial Statements

for the year ended 31 December 2002



Report of the Comptroller and Auditor General

I have audited the financial statements on pages 42 to 53 under Section 22 of the Pensions Act, 1990.

Respective responsibilities of the Board and the Comptroller and Auditor General

The accounting responsibilities of the Board are set out in the Statement of Board Responsibilities on page 39. It is my responsibility, based on my audit, to form an independent opinion on the financial statements presented to me by the Board and to report on them.

I review whether the statement on pages 40 and 41 reflects the Board's compliance with applicable guidance on corporate governance and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with auditing standards issued by the Auditing Practices Board and by reference to the special circumstances which attach to State bodies in relation to their management and operation.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, proper books of account have been kept by the Board and the financial statements, which are in agreement with them, give a true and fair view of the state of affairs of An Bord Pinsean/The Pensions Board at 31 December 2002 and of its income and expenditure and cash flow for the year then ended.



Gerard Smyth

*For and behalf of the Comptroller
and Auditor General*

10 June 2003

Statement of Board Responsibilities

Section 22(1) of the Pensions Act, 1990, requires the Board to prepare financial statements in such form as may be approved by the Minister for Social and Family Affairs 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. 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.



Gráinne Clohessy
Chairperson



Kevin Brabazon
Board member

June 6th 2003

Chairperson's Statement on the System of Internal Financial Control

RESPONSIBILITY FOR SYSTEM OF INTERNAL FINANCIAL CONTROL

On behalf of the Board of the Pensions 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.

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 & Audit Committee and Board of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- monthly cash-flow statement with analysis of major income and expenditure categories.

While due regard is had in terms of organisation size and operational needs to the proper control of capital investment and best practice in project management generally, formal guidelines specific to the Pensions Board requirements are being developed in these areas.

The Pensions Board has begun to put in place an internal audit function which will operate at a minimum, to standards defined for Government departments in the Department of Finance circular 13/92. The work of internal audit will be 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. To indicate progress made in this regard the following have been approved by the Board at its meeting held on 7 March 2003:

- Corporate risk assessment - Register of key risks and corresponding controls;
- Policy on procurement of goods and services and disposal of assets;
- Internal audit charter;
- To issue a tender document for the provision of the internal audit function;
- Accounting procedures and controls.

The Board's monitoring and review of the effectiveness of the system of internal financial control in 2002 was informed by the work of the Finance and Audit Committee which oversees the work of the Executive managers within the Pensions Board who have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his Management Letter. When implemented, the internal audit function will then also serve to inform the Board in terms of the effectiveness of the system of internal financial control.

Annual Review of Controls

While the Pensions Board did not, in the year ended 31 December 2002, have a formalised internal audit function in place it has, 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:

- Quarterly management accounts with analysis and explanation of significant deviations from budget;
- Determination of Occupational Pension Scheme (OPS) fee requirements from 1 January 2003 onwards for approval by the Board and submission to the Minister for Social and Family Affairs;
- Determination of Personal Retirement Savings Accounts (PRSA) fee requirements from 11 November 2002 onwards for approval by the Board and submission to the Minister for Social and Family Affairs;
- Review of in-house policy on the procurement of goods and services;
- Development of in-house accounting procedures manual;
- Review of Annual Accounts 2002 and explanation of significant variances;
- Annual budget and financial plan for 2003.

Gráinne Clohessy

Gráinne Clohessy

Chairperson

June 6th 2003

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 and Family Affairs with the concurrence of the Minister for Finance in accordance with Section 22(1) of the Pensions Act, 1990.

Financial Reporting Standards recommended by the recognised Accountancy Bodies are adopted, as they become operative.

The results 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 and product fees levied on PRSA providers.

(C) STATE GRANT

State Grant represents the amount made available in respect of the year by the Department of Social and Family Affairs to

- i) Recoup the cost of superannuation benefits payable by the Board to its retired staff and
- ii) Meet the costs associated with the Board's regulatory role in relation to Personal Retirement Savings Accounts (PRSAs).

(D) PRSA CAPITAL RESERVE

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

(E) TAXATION

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

(F) 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	6 ² / ₃ %
Computer equipment	25%
Office furniture	12 ¹ / ₂ %
Office equipment	20%
Motor vehicle	20%

A full year's depreciation is provided for in the year of acquisition.

(G) OPERATING LEASE

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

(H) SUPERANNUATION

The Board operates a defined benefit pension scheme and a Spouses and Children's contributory scheme. Benefits payable by the Board under these schemes are financed by way of grant from the Exchequer under Section 20 of the Pensions Act, 1990. Contributions in respect of these schemes are paid over to the Department of Social and Family Affairs and charged to the income & expenditure account in the year to which they relate.

No provision is made in the financial statements for future liabilities under the schemes.

(I) COMPLIANCE ENFORCEMENT RESERVE

As the Pensions Board is a Statutory Regulatory body charged with monitoring and enforcing compliance by Scheme trustees with the provisions of the Pensions Act, 1990, it may be necessary for the Board, from time to time, to have recourse to legal action, in certain cases, in order to carry out its responsibilities in this regard.

Such action would necessarily 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, an amount of €38,092 was transferred from income and expenditure account to a compliance enforcement reserve account each year from 1992 to 1996 inclusive. At the end of 1996 an amount of €190,461 had been accumulated in the compliance enforcement reserve account. The Board has decided to make a further transfer of €59,539 to the reserve in 2002.

Income and Expenditure Account

FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 €	2001 €
Income			
OPS fees		2,717,871	2,301,765
PRSA fees	1	380,000	-
<i>State grant in respect of:</i>			
Pension payments to retired staff		37,469	35,123
PRSA costs	1 & 16	885,249	934,943
Other income	2	80,239	139,013
Total income		4,100,828	3,410,844
Transfer to PRSA capital reserve	12 & 16	5,673	406,616
		4,095,155	3,004,228
Expenditure			
Salaries, pensions and related expenses	3	1,653,809	1,146,194
Board members' fees and expenses		97,601	90,118
Accommodation and establishment expenses	4	722,488	596,279
Recruitment, training and education	5	104,752	59,153
Information, research and publicity		144,123	136,775
Consultancy and other professional fees	6	514,738	733,886
General administration	7	263,933	192,306
Depreciation	8	175,422	213,551
Write off of assets on relocation		-	72,277
Total expenditure		3,676,866	3,240,539
Surplus/(Deficit) for the year		418,289	(236,311)
Transfer to compliance enforcement Reserve	13	59,539	-
		358,750	(236,311)
Revenue reserve at 1 January		719,912	956,223
Revenue reserve at 31 December		1,078,662	719,912

The Board has 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 19 form part of these financial statements.



Gráinne Clohessy
Chairperson

June 6th 2003



Anne Maher
Chief Executive

Balance Sheet

AT 31 DECEMBER 2002

	Notes	2002 €	2002 €	2001 €	2001 €
Fixed Assets					
Tangible assets	8		1,292,560		1,346,077
Current Assets					
Debtors	9	320,083		747,905	
Cash at bank and on hand	15	534,893		394	
		854,976		748,299	
Current liabilities					
Creditors: amounts falling due within one year:					
Other creditors	10	406,585		522,407	
Bank overdraft	15	-		254,980	
		406,585		777,387	
Net current assets/(liabilities)			448,391		(29,088)
Total assets			1,740,951		1,316,989
Financed by					
Compliance enforcement reserve		250,000		190,461	
PRSA capital reserve	12 & 16	412,289		406,616	
Revenue reserve		1,078,662		719,912	
			1,740,951		1,316,989

The statement of accounting policies, cash flow statement and notes 1 to 19 form part of these financial statements.

Gráinne Clohessy

Gráinne Clohessy
Chairperson

June 6th 2003

Anne Maher

Anne Maher
Chief Executive

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 €	2002 €	2001 €	2001 €
Cash Flow Statement					
Net cash inflow from operating activities	14		952,516		123,533
Returns on investments and servicing of finance					
Interest received		2,421		64,181	
Interest paid		(724)	1,697	(10)	64,171
<hr/>					
Capital expenditure					
Payments to acquire tangible fixed assets		(173,622)		(1,375,603)	
Receipts from sale of tangible fixed assets		8,888	(164,734)	-	(1,375,603)
<hr/>					
Increase/(decrease) in cash			789,479		(1,187,899)
<hr/>					
Reconciliation of net cash flow to movement in net funds					
	15				
Increase/(decrease) in cash in the year			789,479		(1,187,899)
Net funds at 1 January 2002			(254,586)		933,313
<hr/>					
Net funds at 31 December 2002			534,893		(254,586)
<hr/>					

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2002

1. PRSA Funding and Costs

	2002	2001
	€	€
PRSA state grant receivable in year	885,249	934,943
PRSA fees	380,000	-
Total in respect of PRSA costs	1,265,249	934,943
Applied in respect of PRSA costs:		
Non-capital	1,216,007	495,116
Capital	49,242	439,827
	1,265,249	934,943

2. OTHER INCOME

	2002	2001
	€	€
Publications	57,844	39,883
Interest income	3,186	39,678
Financial contribution in respect of policy work*	-	56,607
Surplus on disposal of fixed assets	8,888	-
Miscellaneous income	10,321	2,845
	80,239	139,013

*Department of Social and Family Affairs

3. EMPLOYEE NUMBERS AND COSTS

The total staff complement as approved by the Minister at 31 December 2002 was 38.5 permanent (2001 – 38.5 permanent). The average number of employees excluding contract staff in the Board during the year was 33 (2001 – 23). The aggregate employee and related costs were as follows:

	2002	2001
	€	€
Salaries	1,306,030	835,590
Employer superannuation contributions *	186,953	121,154
Employer PRSI contributions	92,259	57,472
Superannuation benefits payable	37,469	35,123
Contract staff		
National Pensions Policy Initiative implementation	-	56,607
General	31,098	40,248
	1,653,809	1,146,194

*See note 11(iii)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2002

4. ACCOMMODATION AND ESTABLISHMENT EXPENSES

	2002	2001
	€	€
Rent	576,515	343,925
Service charge	102,466	57,298
Rates*	(22,220)	40,931
Electricity	13,929	10,270
Moving costs	-	110,769
Cleaning	17,732	7,404
Offsite storage	18,278	15,100
General maintenance	15,788	10,582
	722,488	596,279

**The Board was exempt from rates on Verschoyle House for the years 2001 and 2002*

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

5. RECRUITMENT, TRAINING AND EDUCATION

	2002	2001
	€	€
Recruitment and staff costs	36,902	16,110
Training and education	67,850	43,043
	104,752	59,153

6. CONSULTANCY AND OTHER PROFESSIONAL FEES

	2002	2001
	€	€
Development of PRSA processes and procedures	146,007	184,000
Legal fees	115,223	85,207
Property & associated consultancy fees*	-	208,954
Pensions/actuarial consultancy fees	99,902	45,703
Public relations and information	60,457	41,072
Recruitment consultancy	16,454	123,760
Management consultancy	58,122	14,151
Audit fees	10,950	9,750
Other	7,623	21,289
	514,738	733,886

**Consultancy associated with the acquisition and fitting out of Verschoyle House*

7. GENERAL ADMINISTRATION

	2002	2001
	€	€
Stationery and office expenses	91,196	57,002
Telephone and postage	55,914	46,394
Travel and subsistence	31,428	23,514
Insurances	9,711	6,928
Computer maintenance and consumables	74,239	57,573
Interest and charges	1,445	895
	263,933	192,306

8. TANGIBLE FIXED ASSETS

	Leasehold improvements	Computer equipment	Office furniture	Office equipment	Motor vehicle	Total
	€	€	€	€	€	€
Cost or Valuation						
At 1 January 2002	1,101,706	330,877	152,814	95,981	31,154	1,712,532
Additions in year	26,206	46,950	8,878	1,440	38,430	121,904
Disposals in year	-	-	-	-	(31,154)	(31,154)
At 31 December 2002	1,127,912	377,827	161,692	97,421	38,430	1,803,282
Accumulated Depreciation						
At 1 January 2002	73,447	201,812	19,102	40,939	31,154	366,454
Charge for year	75,194	55,575	20,212	16,755	7,686	175,422
Disposals in year	-	-	-	-	(31,154)	(31,154)
At 31 December 2002	148,641	257,387	39,314	57,694	7,686	510,722
Net Book Value						
At 31 December 2001	1,028,259	129,064	133,712	55,042	-	1,346,077
At 31 December 2002	979,271	120,440	122,378	39,727	30,744	1,292,560

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2002

9. DEBTORS

	2002	2001
	€	€
Amounts falling due within one year:		
Fee income	240,000	203,158
Prepayments and accrued income	57,617	60,100
State grant debtor PRSA	21,146	484,092
Accrued interest receivable	1,320	555
	320,083	747,905

10. CREDITORS

	2002	2001
	€	€
Amounts falling due within one year:		
Creditors	104,501	68,186
State grant creditor PRSA	35,000	-
Accruals	267,084	454,221
	406,585	522,407

11. FINANCIAL COMMITMENTS

(i) Capital Commitments

At 31 December 2002 the Board had awarded a contract for the development of a PRSA record keeping and reporting system. The total contract value was €148,993 and at 31 December work in progress invoiced on this contract amounted to €13,490.

(ii) Operating Leases

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

	2002	2001
	€	€
Lease of office accommodation		
Expiring within one year	-	-
Expiring after one year and before five years	-	-
Expiring after five years	554,342	554,342
	554,342	554,342

(iii) Superannuation

The Pensions Board Staff Superannuation Scheme, 1993 and the Pensions Board Spouses' and Children's Contributory Pension Scheme, 1993 have been established, to take effect from 1 January 1991, in accordance with Section 17 of the Pensions Act, 1990.

Contributions in respect of these schemes are paid over to the Department of Social and Family Affairs on the basis that benefits arising under the schemes will be met by that Department as and when they fall due.

12. PRSA Capital Reserve

	2002	2002	2001	2001
	€	€	€	€
At beginning of year		406,616		-
<i>Transfer from Income and Expenditure Account</i>				
Current year grant	49,242		439,827	
Amortisation – assets capitalised in the year	(10,358)		(33,211)	
– prior year acquisitions	(33,211)	5,673	-	406,616
At end of year		412,289		406,616

13. Compliance Enforcement Reserve

	2002	2001
	€	€
At beginning of year	190,461	190,461
Transfer from income and expenditure account	59,539	-
At end of year	250,000	190,461

An amount of €38,092 was transferred from income and expenditure account to this reserve account each year from 1992 to 1996 inclusive. At the end of 1996 an amount of €190,461 had been accumulated in the compliance reserve. In the current year it is deemed prudent to transfer an additional amount to this reserve.

14. RECONCILIATION OF SURPLUS FOR THE YEAR TO NET CASH FROM OPERATING ACTIVITIES

	2002	2001
	€	€
Surplus/(deficit) for year	418,289	(236,311)
Non Operating Items		
Interest received	(2,421)	(64,181)
Interest paid	724	10
Non Cash Items		
Transfer to PRSA capital reserve	5,673	406,616
Surplus on disposal of fixed assets	(8,888)	-
Write off of assets on relocation	-	72,277
Depreciation	175,422	213,551
Decrease/(increase) in debtors	427,822	(512,223)
(Decrease)/increase in non capital creditors	(64,105)	243,794
Net cash inflow from operating activities	952,516	123,533

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2002

15. ANALYSIS OF CHANGES IN NET FUNDS

	Cash at bank and in hand €	Bank Overdraft €	Total €
At beginning of year	394	(254,980)	(254,586)
Cash flows	534,499	254,980	789,479
At end of year	534,893	-	534,893

16. CONTINGENT LIABILITY

The state grant in respect of PRSA costs may become repayable in future years should fees received by the Board from PRSA providers exceed related costs. State grants receivable in respect of the year total €885,249 (2001 - €934,943). As at the year end the accumulated amount of state grant was €1,820,192.

17. ACCOUNTING TREATMENT FOR RETIREMENT BENEFITS

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 and the Minister for Finance. Pension benefits payable under the scheme are funded by the Exchequer.

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

- the Board makes an agreed contribution to the Department of Social and Family Affairs;
- the contribution comprises of an employee element along with an employer element. The employer contribution amounts to 16.66% of gross pay and is met entirely from the Board's own resources;
- there is an explicit commitment from the Department of Social and Family affairs, 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 the standard in relation to accounting for pension liabilities which arise under defined benefit schemes are not appropriate to its circumstances. Accordingly it accounts for its contribution as if the scheme was a defined contribution scheme.

18. BOARD MEMBERS - DISCLOSURE OF TRANSACTIONS

The Board from time to time engages the services of appropriately qualified outside 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. None of the costs of such services incurred by the Board in the year were payable to undertakings in which Board members are employed or otherwise interested.

During 2002 the Board acting on behalf of the Department of Social and Family Affairs, awarded to a syndicate of consultants a contract for the provision of consultancy assistance in relation to the National Pension Awareness Campaign. One of the consultants concerned was The Finlay Consultancy Limited of which Mr. Tom Finlay, a Board member is a director. The Finlay Consultancy Limited received directly from the Department €5,626.50 inclusive of VAT at 21% for its part in that assignment.

In addition the Board acting on behalf of the Department of Social and Family Affairs, awarded to a syndicate of consultants a contract for the provision of consultancy assistance to review and report on the position and regulation of Income Continuance Plans. The consultants concerned were Watson Wyatt LLP of which Mr. Paul Kelly, a Board member is a senior partner and Matheson Ormsby Prentice a law firm of which a Board member, Mr. Brian Buggy is a partner. The Department paid directly €125,126.10 inclusive of VAT at 21% for this assignment in 2002.

19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board on June 6th 2003.

Prompt Payment of Accounts Act, 1997

The Pensions Board comes under the remit of the Prompt Payment of Accounts Act, 1997 which came into effect on 2 January 1998.

In accordance with the requirements as set out in Section 12 of the Act, we wish to report as follows:

- The Pensions Board confirms that it is complying with the Prompt Payment of Accounts Act, 1997 which came into effect on 2 January 1998;
- It is the policy of The Pensions Board to ensure that all invoices are paid promptly. Almost all invoices are paid within 30 working days of their receipt. In the event of a written contract, invoices are paid in line with the terms of the contract;
- In addition the Board has put in place a computerised system designed to assure itself on a lookback basis that there has been compliance with the payment provisions of the Act;
- In the event of a dispute between the Board and a supplier, there is a procedure in place whereby contact between the Board and supplier, concerning the dispute, is recorded. The procedure referred to can only provide reasonable and not absolute assurance against non-compliance with the Act;
- No late payments arose during 2002 and accordingly no penalty interest payments were made in the year;
- In conclusion, I am satisfied that the action the Pensions Board is taking in dealing with the Prompt Payment of Accounts Act, 1997 is in compliance with the Act.



Anne Maher
Chief Executive

April 4th 2003

Appendix 1 – Legislation

The Pensions Act, 1990, was enacted on 24 July 1990. Since then, it has been amended and a significant number of Regulations have been made under the Act, by way of Statutory Instruments.

The following is a list of relevant legislation to date.

Acts

Pensions Act, 1990	No. 25 of 1990
Social Welfare Act, 1991	No. 7 of 1991
Social Welfare Act, 1992	No. 5 of 1992
Social Welfare Act, 1993	No. 5 of 1993
Social Welfare (No. 2) Act, 1993	No. 32 of 1993
Pensions (Amendment) Act, 1996	No. 18 of 1996
Social Welfare Act, 1997	No. 10 of 1997
Social Welfare Act, 1998	No. 6 of 1998
Social Welfare Act, 1999	No. 3 of 1999
Social Welfare Act, 2000	No. 4 of 2000
Pensions (Amendment) Act, 2002	No. 18 of 2002
Social Welfare (Miscellaneous Provisions) Act, 2003	No. 4 of 2003

Statutory Instruments

Pensions Act, 1990 (Sections 60 and 61) (Commencement) Order, 1990	S.I. No. 329 of 1990
Pensions Act, 1990 (Parts III, IV and V) (Commencement) Order, 1990	S.I. No. 330 of 1990
Pensions Act, 1990 (Parts I and II) (Commencement) Order, 1990	S.I. No. 331 of 1990
Occupational Pension Schemes (Disclosure of Information) Regulations, 1990	S.I. No. 332 of 1990 ^{*1}
Pensions Act, 1990 (Part II) (Establishment Day) Order, 1990	S.I. No. 343 of 1990
Occupational Pension Schemes (Disclosure of Information) Regulations, 1991	S.I. No. 215 of 1991 ^{*6}
Pensions Act, 1990 (Sections 59, 63 and 64) (Commencement) Order, 1991	S.I. No.259 of 1991
Occupational Pension Schemes (Registration) Regulations, 1991	S.I. No. 325 of 1991
Occupational Pension Schemes (Funding Standard) Regulations, 1991	S.I. No. 371 of 1991 ^{*2}
Occupational Pension Schemes (Fees) Regulations, 1991	S.I. No. 372 of 1991 ^{*5}
Occupational Benefit Schemes (Equal Treatment) Regulations, 1992	S.I. No. 365 of 1992
Pensions Act, 1990 (Part VII) (Commencement) Order, 1992	S.I. No. 366 of 1992
Occupational Pension Schemes (Fees) (Amendment) Regulations, 1992	S.I. No.367 of 1992 ^{*5}
Occupational Pension Schemes (Preservation of Benefits) Regulations, 1992	S.I. No. 445 of 1992 ^{*11}

Appendix 1 – Legislation

CONTINUED

Occupational Pension Schemes (Member Participation in the Selection of Persons for Appointment as Trustees) Regulations, 1993	S.I. No. 216 of 1993 ^{*3}
Occupational Pension Schemes (Preservation of Benefits) (Special Calculations) Regulations, 1993	S.I. No. 217 of 1993 ^{*12}
Occupational Pension Schemes (Member Participation in the Selection of Persons for Appointment as Trustees) (No. 2) Regulations, 1993	S.I. No. 399 of 1993 ^{*4}
Occupational Pension Schemes (Funding Standard) Regulations, 1993	S.I. No. 419 of 1993
Occupational Pension Schemes (External Schemes) (United Kingdom) Regulations, 1994	S.I. No. 238 of 1994 ^{*10}
Occupational Pension Schemes (Funding Standard)(Amendment) Regulations, 1995	S.I. No. 273 of 1995 ^{*7}
Occupational Pension Schemes (Member Participation in the Selection of Persons for Appointment as Trustees) (No. 3) Regulations, 1996	S.I. No. 376 of 1996
Occupational Pension Schemes (Oral Hearing) Regulations, 1997	S.I. No. 77 of 1997
Occupational Pension Schemes (Revaluation) Regulations, 1997	S.I. No. 76 of 1997
Pension Schemes (Family Law) Regulations, 1997	S.I. No. 107 of 1997
European Communities (Occupational Benefit Schemes) Regulations, 1997	S.I. No. 286 of 1997
Occupational Pension Schemes (Fees) (Amendment) Regulations, 1997	S.I. No. 488 of 1997 ^{*14}
Occupational Pension Schemes (Revaluation) Regulations, 1998	S.I. No. 35 of 1998
Occupational Pension Schemes (Disclosure of Information) Regulations, 1998	S.I. No. 112 of 1998 ^{*13}
Occupational Pension Schemes (Funding Standard) (Amendment) Regulations, 1998	S.I. No. 320 of 1998 ^{*8}
Occupational Pension Schemes (Disclosure of Information) (No. 2) Regulations, 1998	S.I. No. 349 of 1998
Occupational Pension Schemes (Funding Standard) (Amendment) (No. 2) Regulations, 1998	S.I. No. 568 of 1998
Occupational Pension Schemes (Revaluation) Regulations, 1999	S.I. No. 5 of 1999
Occupational Pension Schemes (Funding Standard) (Amendment) Regulations, 1999	S.I. No. 298 of 1999 ^{*9}
Occupational Pension Schemes (Revaluation) Regulations, 2000	S.I. No. 13 of 2000
Occupational Pension Schemes (Preservation of Benefits) (Amendment) Regulations, 2000	S.I. No. 262 of 2000
Occupational Pension Schemes (Disclosure of Information)(Amendment) Regulations, 2000	S.I. No. 296 of 2000
Occupational Pension Schemes (Funding Standard) (Amendment) Regulations, 2000	S.I. No. 337 of 2000
Occupational Pension Schemes (External Schemes) (United Kingdom) Regulations, 2000	S.I. No. 469 of 2000
Occupational Pension Schemes (Schemes with External Members) (United Kingdom) Regulations, 2000	S.I. No. 470 of 2000
Occupational Pension Schemes (Revaluation) Regulations, 2001	S.I. No. 23 of 2001
Occupational Pension Schemes (Schemes with External Members) (United Kingdom) (Amendment) Regulations, 2001	S.I. No. 329 of 2001
Occupational Pension Schemes (Revaluation) Regulations, 2002	S.I. No. 18 of 2002

Pensions (Amendment) Act, 2002 (Part I and Sections 6, 9 to 12, 15 to 28, 30 to 36, 40, 44, 50 to 55 and 59)(Commencement) Order, 2002	S.I. No. 276 of 2002
Occupational Pension Schemes (Preservation of Benefits) Regulations, 2002	S.I. No. 279 of 2002
Occupational Pension Schemes (Preservation of Benefits) (Special Calculations) Regulations, 2002	S.I. No. 277 of 2002
Occupational Pension Schemes (Funding Standard)(Amendment) Regulations, 2002	S.I. No. 278 of 2002
Pensions (Amendment) Act, 2002 (Section 3 (In so far as it relates to the insertion of Sections 91 to 120 into the Pensions Act, 1990) and Sections 4, 7, 13, 14, 38, 56 and 57) (Commencement) Order, 2002	S.I. No. 502 of 2002
Personal Retirement Savings Accounts (Disclosure) Regulations, 2002	S.I. No. 501 of 2002
Personal Retirement Savings Accounts (Operational Requirements) Regulations, 2002	S.I. No. 503 of 2002
Personal Retirement Savings Accounts (Fees) Regulations, 2002	S.I. No. 506 of 2002
Pensions (Amendment) Act, 2002, (Certain Sections) (Commencement) Order, 2002	S.I. No. 609 of 2002
Occupational Pension Schemes (Fees) (Amendment) Regulations, 2002	S.I. No. 610 of 2002
Personal Retirement Savings Accounts (Functions of the Pensions Board) Regulations, 2002	S.I. No. 611 of 2002
Occupational Pension Schemes (Disclosure of Information) (Amendment) Regulations, 2003	S.I. No. 4 of 2003
Occupational Pension Schemes (Revaluation) Regulations, 2003	S.I. No. 77 of 2003
Pensions (Amendment) Act, 2002, (Sections 121 (3), (4), (5) and (6)) (Commencement) Order, 2003	S.I. No. 78 of 2003
Pensions (Amendment) Act, 2002, (Section 5, in so far as that Section inserts Sections 126 to 130, 146 and 147 of Part XI into the Pensions Act, 1990) (Commencement Order), 2003	S.I. No. 119 of 2003
Pensions (Amendment) Act, 2002 (Sections 45 to 49) (Commencement) Order, 2003	S.I. No. 120 of 2003
Pensions (Amendment) Act, 2002 (Sections 29 and 37) (Commencement) Order, 2003	S.I. No. 128 of 2003
Social Welfare (Miscellaneous Provisions) Act, 2003, (Section 24) (Commencement) Order, 2003	S.I. No. 129 of 2003

**1 Revoked from 1 August 1991*

**4 Revoked from 20 November 1996*

**7 Revoked from 2 September 1998*

**10 Revoked from 31 December 2000*

**13 Revoked from 1 July 1999*

**2 Revoked from 31 December 1993*

**5 Revoked from 31 December 1997*

**8 Revoked from 27 September 1999*

**11 Revoked from 2 June 2002*

**14 Revoked from 18 December 2002*

**3 Revoked from 21 December 1993*

**6 Revoked from 31 March 1998*

**9 Revoked from 28 September 2000*

**12 Revoked from 2 June 2002*

Copies of the Acts and Regulations may be bought through any bookseller, or directly from the Government Publications Sale Office, Sun Alliance House, Molesworth Street, Dublin 2.

Appendix II - Operative Dates of Parts of the Pensions Act, 1990, as amended

		DATE
PART I	Preliminary and General	21 December 1990
PART II	Establishment of Pensions Board	21 December 1990
PART III	Preservation of Benefits	1 January 1991
PART IV	Funding Standard	1 January 1991
PART V	Disclosure of Information in Relation to Schemes	1 January 1991
PART VI	Trustees of Schemes	
	Section 59	1 November 1991
	Section 59C	29 March 2000
	Sections 60 and 61	1 January 1991
	Section 62	21 December 1993
	Sections 63 and 64	1 November 1991
PART VII	Equal Treatment for Men and Women in Occupational Benefit Schemes	1 January 1993
PART VIII	Compulsory and Voluntary Reporting to the Board	2 July 1996
PART IX	Miscellaneous Applications to the High Court	2 July 1996
PART X	Personal Retirement Savings Accounts	7 November 2002
PART XI	Pensions Ombudsman	28 April 2003 (in part)

Appendix III – Publications

The following publications are available from

**The Pensions Board,
Verschoyle House,
28/30 Lower Mount Street
Dublin 2.**

**Telephone: (01) 613 1900
Fax: (01) 631 8602**

**Email: info@pensionsboard.ie
Web: www.pensionsboard.ie**

So You're a Pension Scheme Trustee?

Is My Pension Secure?^

What Do You Know About Your Pension Scheme?

What Happens to My Pension if I Leave?

Selecting Member Trustees

The Pensions Board^

What Happens When Your Pension Scheme is Wound Up or a Merger/Acquisition Takes Place?

A Brief Guide to Pensions

A Guide to Your Scheme's Annual Report

Pension Provisions of the Family Law, Acts

Securing Retirement Income – National Pensions Policy Initiative

A Brief Guide to Annuities

A Brief Guide to Integration

Women & Pensions

Pensions (Amendment) Act, 2002 – Frequently Asked Questions (FAQs)

^ Available in Irish also.

Appendix III – Publications

CONTINUED

Legislation Service**

Subscribers to this service receive in two folders the consolidated texts of the Pensions Act and the Act's Regulations, including all amendments made to date. They also receive updates whenever further amendments to the Act or its Regulations are made.

Guidance Notes**

Designed for use principally by those who are professionally involved with occupational pension schemes and Personal Retirement Savings Accounts (PRSAs), the Pensions Board has prepared a compendium of Guidance Notes on the requirements of the Pensions Act, 1990, as amended, and its Regulations, and on the pension provisions of the Family Law Acts, as follows:

Appointment and Removal of Trustees by the Board

Compulsory and Voluntary Reporting to the Board

Determinations by the Board under Sections 38, 53, 58, 64(A) and 75 of the Pensions Act

Disclosure of Information

Equal Treatment for Men and Women

Member Participation in the Selection of Trustees

Pension Provisions of Family Law Act, 1995 and Family Law (Divorce) Act, 1996

Preservation of Benefits and Minimum Value of Contributory Retirement Benefits

Trustee Handbook**

The Pensions Board has published a Trustee Handbook which contains comprehensive guidance for trustees on all aspects of their responsibilities for compliance with the Pensions Act and on good practice in relation to scheme administration. It is available in loose leaf format by subscription. The Board has also published Codes of Practice in a stand-alone format. The relevant sections have been extracted from the Trustee Handbook, in order to facilitate subscribers who choose not to avail of the complete Handbook service.

*** Available by subscription only.*

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