



An Bord Pinsean  
The Pensions Board

# Annual Report and Accounts 2013

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## Chairperson's statement

This is the final Annual Report under the old structures of the Pensions Board. From the Minister's announcement of new structures in June 2013, the work of the Pensions Board continued under the governance of the existing Board until the new arrangements were implemented on 7 March 2014. This Annual Report includes the work undertaken in 2013, the context to that work and financial statements related to that period. My thanks go to the members of the Board for their continued commitment to the work, their willingness to continue the governance and oversight roles following the announcement of the change of structure and their contribution to the regulatory and policy advice roles of the Pensions Board during 2013.

The Pensions Board's job is to regulate private occupational pensions in order to support secure and predictable supplementary pensions. We do this through ensuring the rules are enforced, by helping the public to be aware of its rights and trustees their responsibilities. We also provide technical advice on pensions related matters to the Minister and the Department of Social Protection and other Departments.

The pensions environment in Ireland has been changing significantly. The Government's maintenance of the level of State pension has resulted in a significant and welcome reduction in old age poverty in Ireland. Supplementary pension coverage levels in the private sector are inadequate to fund a decent lifestyle in retirement. The real cost of pensions in an era of lower growth and increasing longevity is coming starkly into focus. Many defined benefit schemes have either wound up or are closed to new members. The re-introduction of the funding standard has brought more certainty, and not a small amount of adjustment pain.

Almost all new pension schemes are now defined contribution. The large number of smaller pension schemes, relative to comparable European countries, results in higher than optimal charges. It also requires a large number of highly qualified and skilled trustees to carry out the trustee duties defined under the Acts. Though objective evidence is not available specific to pension schemes, the reduced level of trust that the general

population feels in financial services has had an impact on trust in pensions. The OECD recommendations on mandatory/ auto enrolment offers a mid to long term solution to altering retirement savings patterns.

These developments pose challenges for the Pensions Board as pensions regulator. Work underway will assess the regulatory changes necessary to ensure secure and predictable pensions in both defined benefit and defined contribution pension schemes as a result of the changes being experienced. Work on simplification is progressing in partnership with the Revenue Commissioners. The simple concept – saving for retirement – has become very complex. This is viewed as an obstacle in engaging people of all ages in pensions and also adds to the costs of pensions. Any changes to regulatory practice will have implications for the staffing levels and skills at the Pensions Board.

My sincere thanks are due to the Minister and her officials who continue to be demanding and supportive, drawing the best out of the Board and allowing us to use the expertise that exists in Board members and the Executive to deliver on the Board's strategy and to support the Department's work.

I would like to thank the Executive of the Board for their on-going support; for their hard work and commitment to the work of regulating, providing information and policy advice; and for their knowledge and experience in this complex field. I would particularly like to acknowledge the leadership and ethos of Brendan Kennedy, soon to be named the Pensions Regulator, whose contribution is valued by the Board.

**Jane Williams**  
Chairperson



## Chief Executive's review

Retirement saving is usually long-term saving. Therefore it is important that contributors trust the institutions which look after their contributions and provide their benefits. This trust has many facets – contributions should be secure, pension institutions should be well managed and efficient, savers must be kept informed in a comprehensible way, and, overall, members should feel they understand the decisions they are required to make. The work of the Pensions Board in 2013 is an important part of what is needed to create and sustain this trust.

2013 proved to be another challenging year for all aspects of pension provision in Ireland. The Board supervises compliance with the Pensions Act by scheme trustees, PRSA providers, Registered Administrators and employers representing some 150,000 schemes with over 760,000 active members holding in excess of €80 billion in investment assets and over 200,000 individual PRSA contracts with investment assets in excess of €3.9 billion.

Occupational and personal pensions are about providing predictable and secure pensions, to supplement the pension provided by the State. Good pension provision is expensive. However, good supplementary pensions are achievable and affordable if we begin saving early, if the savings are invested appropriately and if the costs of maintaining the pension represent value for money.

It is important that any debate about how best to provide better pensions is based on a realistic understanding of what adequate pensions will cost. We must also be prepared to examine our assumptions about what are reasonable pension expectations, especially in an era of improved longevity and low interest rates.

### Regulatory activity

The most important objective of the regulation of occupational pensions and PRSAs is to ensure as far as possible that pension contributions and funds are not misused and to take appropriate measures where this occurs.

Misappropriation of pensions is thankfully very rare. However, in recent years, the Board has been investigating a series of cases in the construction industry where employers have deducted contributions from wages but not forwarded them to the pension scheme: in a number of cases, these deductions were even made where the employer was no longer part of the scheme or where the employees concerned had not been signed up to the scheme at all.

The Board becomes aware of these cases as a result of whistleblowing by the Construction Workers' Pension Scheme or by affected employees. While the number of these construction sector whistleblows has fallen in 2013, there has been an increase in similar cases from other industry sectors. Construction industry cases are now a minority of the numbers of cases under investigation. The policy of the Board is to bring criminal prosecutions against offending companies and against directors of these companies. This regulatory activity will continue to be a high priority for us.

In 2013, 19 prosecution cases were concluded. The Board secured convictions in 13 cases and a further six cases were withdrawn or struck out due to payment of arrears:

- eight cases related to deduction and non-remittal of contributions to a scheme
- five cases related to failure to respond to a Board request for information.

A further objective of regulation is to ensure that the provisions of the Pensions Act which deal with providing information to savers and with the management of occupational schemes are followed. The purpose of these provisions is consumer protection. Prosecution in cases of non-compliance is not always appropriate, but this is not to understate the importance of these provisions or the potential effect of poor management and inadequate information on the retirement incomes of scheme members.

## Defined benefit

The deadline by which many defined benefit schemes had to submit recovery plans for approval by the Board was 30 June 2013. This followed changes to the funding standard introduced in 2012.

At the end of April 2014, 49% of schemes subject to the funding standard had demonstrated that they meet the funding standard, and most of the remainder had a recovery plan in place. These achievements reflect considerable efforts by the trustees, and by members and sponsoring employers. Fewer schemes have been wound up and more schemes are meeting the funding standard than many, including the Board, had expected.

However, by the end of April 2014, 56 schemes had still not submitted recovery plans to deal with the deficit in their scheme. Under the Pensions Act, the Board has powers in such cases to oblige trustees to reduce benefits or, since 2013, to wind-up the scheme. These are powers that will not be used lightly, but the Board does have a legal obligation to oversee the funding standard, and we will examine the outstanding schemes on a case by case basis and use these powers where we consider it to be appropriate.

However, trustees and their advisers must bear in mind that achieving the funding standard does not guarantee that the scheme is certain to be able to provide promised benefits. The funding standard is a minimum standard, and the aggregate solvency obligations on Irish schemes are low by the standards of most other countries. Trustees have responsibility for the overall financial management of defined benefit schemes, and these schemes are too complex for a single measure such as the funding standard to be an adequate indicator of financial health. The two greatest concerns of the Board are whether trustees are sufficiently aware of the rates of return they need to achieve to provide benefits for all members, and whether trustees have adequate risk awareness and risk management processes in place. The most recent data available to the Board shows an ongoing mismatch between assets and liabilities of the majority of schemes. Such schemes continue to be very vulnerable to falls in equity markets: in the event of any such falls, it is not obvious how they will be in a position to pay all benefits, particularly to younger members.

## Defined contribution

Scheme membership statistics show that the great majority of defined benefit schemes in the private sector have closed to new members and it is now a reality that almost all further private sector occupational pension provision will be defined contribution. It is therefore an appropriate time to look at how well the current approach to running these DC schemes is working. Among our concerns are costs borne by members, especially in smaller schemes; inefficiencies; investment choices and defaults; and member information. Given the amount of responsibility for decisions that falls on DC members, we must all be concerned about the lack of member understanding and engagement in many schemes.

This is the background to the consultation process on the future management of DC that was launched by the Board in August 2013. We welcome the high level of interest and involvement by stakeholders that resulted. One outcome is likely to be recommendations for regulatory change, but we also recognise the usefulness of further guidance and support for trustees, and this work is well underway.

## Trustees

In previous annual reports and elsewhere the Board has drawn attention to the very important role that trustees perform: their work and responsibility is sometimes not fully appreciated. However, the Board continues to have concerns about how well some trustees understand their role and responsibilities.

Where a trustee cannot for whatever reason fulfil their obligations as a trustee they should step aside and let somebody else take over this important responsibility. Trustees and their appointed Registered Administrators who fail in their duty to ensure their scheme is compliant with all aspects of the Pensions Act are not performing their duties in the best interest of the members of their scheme.

## Policy activity and advice

Pensions are complicated, and one of the Board's responsibilities is providing assistance and advice to all involved in pensions. The most visible result of this activity is the information, guidance and enquiry service that we provide for members of the public and for those involved in pensions.

The Board is a centre of pensions expertise, and the work of Board's policy, actuarial and legal staff underlies almost all of the Board's activity and our advice, formal and informal, to the Department of Social Protection. 2013 was a busy year in these areas, and we do not expect this to change.

During 2013 the Board continued to be very active in contributing to EU regulatory and supervisory policy through our participation in the European Insurance and Occupational Pensions Authority (EIOPA). Our participation in EU activity informs us as regulators of impending changes to pension policy and allows us to learn from and share best practices with other regulatory authorities across Europe.

In 2013 EIOPA published a public register of European occupational pension schemes which is available on the EIOPA website [www.eiopa.europa.eu](http://www.eiopa.europa.eu). This register includes basic contact information about larger Irish pension schemes. From 31 December 2014 this register will also include the same information on all remaining occupational schemes i.e. schemes with less than 100 active and deferred members.

## Managing the organisation

The financial statements of the Board show a deficit for 2013 of €237,000 compared to a budgeted deficit of €870,000. The budgeted deficit was a result of the reduction in fees for occupational schemes in 2011, which reflected the decision of the Board to take steps to reduce its balance of accumulated cash on deposit which has built up over the last decade. The better than expected outcomes for 2013 are a result of a number of factors: the Board spent less than anticipated on outside consultancy, and staff numbers were lower than expected as a result of delays in filling vacancies as they arose.

Staffing is the greatest problem facing the Board. Although to date, the Board has received sanction for staff requested, the restrictions on how sanctioned posts are to be filled have been such that many posts have been unfilled for lengthy periods. This has affected the work that the Board has been able to do.

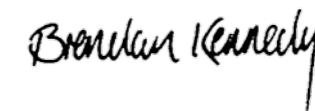
## Change to Pensions Authority

As explained elsewhere in this document, on 7 March 2014, the Pensions Board became the Pensions Authority, and what was previously a Board of up to 17 members is now an Authority of three members. On behalf of myself and all the staff, I would like to thank the outgoing Board members for their support and constructive oversight of our work in recent years. The widely drawn membership of the Board provided a valuable source of stakeholder views and information on all pension matters.

The new Pensions Council will in future have an important role to play, particularly in representing a consumer perspective, and our relationship with the Council will be important. I would like to congratulate Jim Murray on his appointment as chair of the Council and we look forward to working with him.

I would like to thank the staff of the Board for their hard work in 2013. They faced many challenges during the year but have nonetheless ensured that the organisation acted professionally and efficiently at all times. In May 2014 the Authority's legal team were the recipients of the "In House Legal Team of the Year" at the Irish Law Awards. This award honours excellence by an in-house legal team, either from the public or private sector, in the work and services they provide to their organisation.

Once again, we have benefited from a very good working relationship with our colleagues in the Department of Social Protection, and we are very aware of how important that relationship is to achieve our joint objectives. Finally, I would like to congratulate Jane Williams, on her (re)appointment as chair of the Authority and to thank her for her ongoing support, challenge and advice.



**Brendan Kennedy**  
Chief Executive

# The Pensions Board

The members of The Pensions Board at 31 December 2013 were:



**Jane Williams**

Chairperson  
The Sia Group Limited  
Nominee of the Minister for Social Protection  
(meeting attendance: 7/7)



**Rosalind Briggs**

Mercer  
Nominated by the Society of Actuaries in Ireland  
(meeting attendance: 5/7)



**Noreen Deegan**

Friends First  
Nominated by IBEC  
(meeting attendance: 7/7)



**Kevin Finucane**

Willis Ireland  
Nominated by the Association of Pension Lawyers in Ireland  
(meeting attendance: 7/7)



**Brendan Johnston**

Zurich Life Assurance plc  
Nominated by the Irish Insurance Federation  
(meeting attendance: 5/7)



**Patricia Murphy**

Department of Social Protection  
Representative of the Minister for Social Protection  
(meeting attendance: 6/7)



**Terence Noone**

DHKN Chartered Accountants  
Nominee of the Minister for Social Protection  
(meeting attendance: 6/7)



**David Owens**

Department of Public Expenditure and Reform  
Representative of the Minister for Public Expenditure and Reform  
(meeting attendance: 7/7)



**Emer O'Flanagan**

O'Driscoll O'Neill Ltd  
Nominee of the Minister for Social Protection  
(meeting attendance: 5/7)



**Don O'Higgins**

Irish Business and Employers Confederation (IBEC)  
Nominated by IBEC  
(meeting attendance: 6/7)



**Phelim O'Reilly**

Willis Ireland  
Nominated by the Irish Association of Pension Funds  
(meeting attendance: 6/7)



**Rachael Ryan**

SIPTU  
Nominated by the Irish Congress of Trade Unions  
(meeting attendance: 6/7)



**Mary Walsh**

Chartered Accountant  
Nominee of the Minister for Social Protection  
(meeting attendance: 7/7)



**Niall Walsh**

Deloitte & Touche  
Nominated by the Consultative Committee of the Accountancy Bodies – Ireland  
(meeting attendance: 5/7)



**Robin Webster**

Age Action Ireland  
Nominee of the Minister for Social Protection  
(meeting attendance: 6/7)

**CORRECTION**

The Annual Report and Accounts 2013 contains a typographical error on page 6. It states that Phelim O'Reilly's meeting attendance was 6/7 and this should read 7/7. It further states that David Owen's meeting attendance was 7/7 and this should read 6/7.

# Meeting the Board's strategic objectives

The Pensions Board Strategy 2011-2015 sets out a series of principal goals which the Board aims to achieve across the regulatory, information, expert advice and corporate functions over the period of the strategy. The strategy document is available on the Board's website.

## Principal goals

To support a sustainable pensions system that will provide adequate and reliable pensions for retired and older people and that achieves wide coverage. The Board aims to achieve this by:

1. safeguarding the interests of occupational pension scheme members and Personal Retirement Savings Account (PRSA) holders through effective regulation
2. developing policy proposals and supporting the Minister and Department of Social Protection and other government departments through high quality policy advice and technical support
3. providing relevant information and guidance to the public and those involved with pensions.

## Safeguarding the interests of members through effective regulation

While it can be difficult to measure in a quantitative manner many aspects of the Board's supervisory work, statistics on inspections, prosecutions, key interactions with schemes and compliance audits are maintained and activity levels monitored. Regular and detailed desk based audits and onsite inspections are an integral part of the supervisory process. It is important to highlight that while the Board expects high standards of administration and equally high levels of compliance it has no hesitation in using its powers under the Act to deal with instances of non-compliance.

The Board's regulation work is directed by its risk priorities which means that the focus of attention will be on potentially more serious breaches. However, because supervision depends on being able to get the necessary information, cases where those involved with pension schemes fail to abide by their legal responsibilities to provide information to the Board will always be pursued.

The Board's risk priorities are:

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

The Board expects to learn of most instances of non-compliance through its own proactive supervisory activity and through information provided by pension professionals. The Board will continue to respond to and investigate reports or complaints received from members of the public and this continues to be a very important source of information for supervision focus.

## Mid-term strategy review

The Pensions Board's Strategy 2011-2015 includes provision for a mid-term review which was carried out by the Board during 2013. The Board noted the review report at its meeting on 14 October 2013.

The review followed the structure of the strategy as follows:

- (a) a revised analysis of the external environment was conducted
- (b) the mission and ambitions in the Strategy were reconsidered in the light of the environmental analysis
- (c) the activities of the Board were mapped against the objectives and ambitions of the Strategy
- (d) Board activities were assessed against the annual targets.

## Mid-term strategy review assessment

- There is no change in Government policy that affects the Board's long-term ambitions.
- The reintroduction of the funding standard is the biggest change since the strategy was agreed. However, the remaining legislative uncertainty is hampering resolution of DB deficits.
- The introduction of a mandatory or auto-enrolment system would be the single greatest change to occupational pensions in a generation and would have a significant effect on the policy and regulatory activities of the Board.

- The economic situation affects the willingness and ability of those in work to provide for their retirement. However, we also need to recognise that a certain lack of confidence in the value of pension savings generally is also a significant obstacle.

### The Pensions Board regulatory activity in 2013

This section of the Annual Report provides a qualitative analysis and commentary of progress achieved in 2013 on the basis of the indicators and targets set out in The Pensions Board Strategy 2011-2015. These indicators comprise a set of annual monitoring indicators that measure Board activity and outputs as well as a set of outcome-focused key performance indicators.<sup>1</sup>

#### Prosecutions

In 2013, 19 prosecution cases were concluded. The Board secured convictions in 13<sup>2</sup> cases and a further six cases were struck out or withdrawn due to payment of arrears.

The convictions in the 13 cases were as follows:

- eight cases related to deduction and non-remittance of contributions to a scheme (Section 58A(1))
- five cases related to failure to respond to a Board request for information (Section 18)

Cases prosecuted by the Board in 2013 mainly related to deduction and non-remittance of pension contributions by employers in the construction sector to the Construction Workers' Pension Scheme (CWPS). There was an increase in 2013 in prosecution cases resulting from whistleblow reports from other persons and this resulted in one prosecution in 2013 and a further seven cases being carried forward into 2014.

One of the convictions in 2013 was secured after the execution of a European Arrest Warrant, previously obtained by the Board. This was also the first prosecution taken by the Board in 2008 pursuant to Section 58A of the Act. Proceedings in this case were significantly delayed as the defendant had left the jurisdiction.

A prosecution on indictment was finalised in 2013 in one of these cases. The defendant received an 18 month suspended prison sentence. A term of the suspension was that the sum of €20,000 would be paid over to the trustee of the scheme.

Also in 2013, three other cases were forwarded to the DPP to be prosecuted on indictment.

<sup>1</sup> See Appendix II.

<sup>2</sup> See Appendix IV.

At year end there were 39 cases still ongoing through the District Courts and there were also three bench warrants in existence for persons who failed to appear in court on foot of a summons. Another three cases are currently under appeal and are due to be heard in the Circuit Court in 2014.

#### Investigations

There were 26 new cases of suspected deduction and non-remittance of pension contributions by employers in the construction sector reported to the Board in 2013 as compared to 25 cases in 2012. Since 2007 the Board has been notified of 540 cases alleging deduction and non-remittance of pension contributions to the construction workers' scheme. There were 37 cases of suspected deduction and non-remittance of pension contributions reported to the Board in relation to other occupational pension schemes and PRSA products.

During 2013, 105 cases were closed. Cases were closed for a number of reasons including:

- employers fully paying off their arrears
- cases deemed unsuitable for prosecution

In 2013 a total of €700,948 of previously unremitted employer and employee contributions were paid to the construction workers' scheme as a direct result of the Board's intervention.

To date the value of restored contributions to the construction workers' scheme resulting from the Board's activity stands at €7,982,205 since April 2008.

#### Fines

During 2013, fine notices totalling €36,000 were issued by the Board. Fines paid to the Board were subsequently passed on to the Exchequer.

The grounds for these fines were:

- two schemes for failure to submit or late submission of actuarial funding certificates.
- one scheme for late submission of the actuarial funding certificate and the funding standard reserve certificate.
- two schemes for failure to meet statutory deadlines in respect of the preparation and/or disclosure of annual reports and audited accounts.
- one company and two directors, for failure to respond to a statutory request made by the Board in accordance with Section 18(2)(c) of the Pensions Act.

- one company director, for failure to respond to a statutory request made by the Board in accordance with Section 54(4)(c) of the Pensions Act.

#### Registered Administrators (RAs)

The Board assesses levels of compliance with the Act through a process of direct engagement with regulated entities and their administration providers. Since 2010 the Board has been carrying out onsite inspections of Registered Administrators as part of this process.

Poor pension administration and record keeping could result in members not receiving all of the benefits to which they are entitled, without necessarily being aware of the fact. The Board's oversight of Registered Administrators is therefore particularly important.

During 2013, the Board carried out 21 onsite investigations of RAs. By and large, the level of compliance was found to be good and indicated a marked improvement over the previous year. While this is a welcome outcome, the Board intends to maintain a high level of activity in this area. Changes in the conduct and focus of RA inspections will be introduced in 2014 to ensure this essential supervisory activity is flexible and reactive to experience.

The number of RAs reduced during the year as 19 opted not to renew their registration. There were 159 RAs on the Board's register at year end and none were refused renewal or had their activities restricted in 2013.

#### Inspections and meetings

During 2013 the Board held 40 meetings with trustees, pension providers and public service administrators to discuss a range of compliance issues.

This engagement takes the form of individual meetings with these entities at the Board's premises to discuss a broad spectrum of compliance issues relating to the Act. Any issues of concern to the Board are identified and a timescale is set to resolve the matter to the Board's satisfaction. If there are more serious matters that have existed over a period of time the Board will consider appropriate sanctions under the Act.

#### Supervision of PRSA providers

At year end there were 16 PRSA providers in respect of whom 130 PRSA products have been approved by the Board and the Revenue Commissioners. The details of these are available on the register of PRSA providers and products on the Board's website.

The Board reviews each provider's PRSA annual report and engages with relevant providers and their actuary to resolve any minor breaches declared in their reports. Where issues of concern to the Board are identified a timescale and resolution plan is agreed with the provider to address such issues. If necessary the Board can restrict or disqualify PRSA providers who do not meet their statutory obligations.

In 2013 the Board conducted the first part of an audit of PRSA Providers' compliance with the requirements under Part X of the Pensions Act in relation to charges. There were no significant findings. The second part of the audit will be undertaken in 2014.

On 15 July 2011 the Central Bank appointed inspectors to Custom House Capital Limited to conduct an investigation into the affairs of this firm. The Board suspended, with effect from 15 July 2011, the approval of the three PRSA products as provided by Custom House Capital Limited. The Board's investigation into Custom House Capital Limited and its compliance with the Act and relevant regulations was ongoing during 2013.

#### Trustee training compliance audits

During 2013 the Board continued to audit compliance for trustees to receive formal training. The Board carried out a formal audit on a randomly selected number of schemes requesting trustees to confirm that they had undertaken trustee training as required and formally recorded it in the schemes annual report. Trustees were also obliged to submit a copy of trustee training confirmation records to the Board.

Overall the audit was satisfactory in the context of large and medium sized schemes. A concern for the Board however is the attention to detail by some trustees when it comes to compliance and reporting obligations by small and particularly one member schemes.

Trustees are required to receive training within six months of their appointment and at least every two years thereafter. Trustees must also report their compliance with these obligations in their scheme's annual report. The Board will continue to monitor trustee training compliance.

### **Membership of occupational pension schemes and PRSA contracts**

The number of active members of occupational pension schemes fell by 12,249 during 2013. At 31 December 2013 there were 748,371 members in 62,121 schemes<sup>3</sup>. There was an overall decrease in DB membership of 20,627 as against an increase of 8,378 in DC membership.

During 2013 the number of PRSA contracts in place increased by 8,956 comprising of 5,351 Standard PRSAs and 3,605 Non-Standard PRSAs.

### **The funding standard**

The Board is responsible for overseeing the ability of defined benefit schemes to meet their commitments and places a particular focus on these schemes because of their funding problems.

Although generally defined benefit schemes in deficit have benefited from better than expected investment returns during 2013, many such schemes continue to have considerably less assets than are needed to meet the funding standard, and are required to prepare and submit a recovery plan to the Board, where they have not already done so.

The Social Welfare and Pensions (No 2) Act 2013 came into force on 25 December 2013 and introduced changes to the wind-up priority order. It also expands the type of benefit reductions which the Board may direct under Section 50 of the Pensions Act for defined benefit schemes. The Board has published on its website an information note that provides general information on the changes introduced by the 2013 Act to the Pensions Act which is intended to assist trustees and scheme members.

### **Funding proposals**

All defined benefit schemes in deficit were required to submit a funding proposal to the Board by 30 June 2013. During 2013, the Board received 122 funding proposals (Section 49(3B) applications) and specified a later date in respect of 92 of these cases. Further clarification was sought in 11 cases, one application was withdrawn and at year end the remaining 18 applications were being processed by the Board.

There were 35 Section 50 applications received. Of these, 28 were approved, one application was withdrawn and at year end the remaining six applications were being considered by the Board.

### **The Pensions Insolvency Payment Scheme (PIPS)**

The Pensions Insolvency Payment Scheme is a cost-neutral Exchequer scheme offering special payments in cases where a defined benefit pension scheme is winding up in deficit (on a minimum funding standard basis) and the sponsoring employer becomes insolvent – the “double insolvency” criterion. In the case of multi-employer schemes, all sponsoring employers must be insolvent for a scheme to qualify for this support.

The Board received one application during 2013 and certified it as being eligible for consideration under the scheme and forwarded the application to the Department of Public Expenditure and Reform for the next stage of the process.

### **Sovereign annuities**

Legislation facilitating the introduction of sovereign annuities was introduced in the Social Welfare and Pensions Act, 2011. A sovereign annuity is an annuity contract issued by insurance companies where the annual income payment is linked directly to payments under bonds issued by Ireland or any other EU Member State (known as reference bonds).

The Board issued a new version of the Section 42 Statutory Guidance on 14 June 2013. This guidance was updated to reflect movement in bond yields that would impact on the use of sovereign annuities by defined benefit schemes.

In 2013 the Board certified two new sovereign annuity policies. As at end 2013, there were 3 certified sovereign annuity policies. Insurers' reports indicate that 22 schemes purchased sovereign annuities during 2013. The total premium amount was over €400m which enabled the purchase of approximately €30 million in pensions per annum. These pensions were in respect of over 1,700 scheme members. Details of all sovereign annuity product providers are available on the Board's website.

### **Determinations**

Under the Pensions Act, the Board has the power to make legally binding determinations on request by certain parties. These determinations facilitate scheme trustees in transferring out the benefits of deferred members to other arrangements. In 2013, the Board issued four such statutory determinations.

### **Judicial Review**

The Board successfully defended a High Court Judicial Review proceeding which was taken against the Board in 2013.

### **Developing policy proposals and supporting the Minister and Department of Social Protection through high quality policy advice and technical support**

The Board provides policy advice to the Minister and Department of Social Protection and the Board's Executive provide technical support on pensions matters to the Department and other agencies of Government. This advice can be provided at the initiative of the Board or at the request of the Minister or Department of Social Protection. This work is informed by the knowledge gained by the Board from its regulatory activity and by ongoing monitoring and analysis of trends in occupational pensions.

Activity in 2013 included:

- holding a consultation on the future of defined contribution pension provision. The consultation process ended in October 2013 and a synopsis of the responses was published in February 2014. The Board will analyse the responses to the consultation with a view to sending proposals on this issue to the Minister for Social Protection in 2014.
- continued participation in a project on pension charges. The project was led by the Department of Social Protection with input from the Board and the Central Bank.
- the Board assisting the Department of Social Protection in the successful negotiations on an EU directive on pension portability.

### **EU regulatory and supervisory policy**

The Board was also active in contributing to EU regulatory and supervisory policy through its participation in the European Insurance and Occupational Pensions Authority (EIOPA). The Chief Executive continued to chair the Occupational Pensions Committee (OPC) of EIOPA.

The Board participated on an EIOPA sub-committee which drafted an EU regulation on the reporting of information on prudential pensions legislation by EU member states. The sub-committee developed and drafted a binding technical standard which will require the supervisory authorities of all EU member states to provide EIOPA with information on the prudential laws which govern occupational pension schemes in their respective states.

The Board also participated on an EIOPA sub-committee to establish a public register of European occupational pension schemes. This register is now published on the EIOPA website [www.eiopa.europa.eu](http://www.eiopa.europa.eu). This register includes information about larger Irish pension schemes.

Under European law, the Pensions Board, like all other European pension regulators, is required to provide EIOPA with information which is necessary for EIOPA to carry out its duties which include the establishment of the above public register of institutions for occupational retirement provision. This means that since 31 December 2013 the following information on Irish occupational pension schemes (excluding small schemes – less than 100 active and deferred members) has been made public:

- scheme's name and address
- whether the scheme operates as a cross border scheme.

From 31 December 2014 this register will also include the same information on all remaining occupational schemes i.e. schemes with less than 100 active and deferred members.

### **Technical Support**

Pensions legislation can be technical and complex. As a result, any proposed changes to pensions legislation, regulation or guidance requires significant work and knowledge to ensure that they are consistent with existing provision and do not have any unintended consequences. The Board provides ongoing technical advice and support to the Department of Social Protection. In 2013, it assisted the Department with the preparation of the following legislation:

- The Social Welfare and Pensions (Miscellaneous Provisions) Act 2013. This Act introduced changes to the Board's structure and provided the Board with a power to wind up pension schemes in limited circumstances.
- The Social Welfare and Pensions Act 2013. This Act introduced provisions to facilitate schemes in addressing the increase in the State pension age.
- Social Welfare and Pensions (No. 2) Act 2013. This Act introduced changes to the wind up priority order and the benefit reduction mechanisms applicable to defined benefit schemes.
- Risk Reserve Regulations, SI 175 of 2013. These Regulations prescribe additional asset classes which may be taken into account by schemes when calculating the amount required to be held by schemes to meet the funding standard reserve requirement.

The Board also provided technical advice and support to the Department of Social Protection in relation to Finance Act measures that were introduced to facilitate early access to additional voluntary contributions from pension schemes for a limited period.

3 See Appendix V for numbers on schemes and their respective membership and of PRSA contracts in force as at 31 December 2013.

### Providing relevant information and guidance to the public and those involved with pensions

The Board works to sustain and enhance its position as an independent, relevant and trustworthy source for pension information.

The Board supports regulatory activity by providing an integrated information and enquiry service to the following:

- members of the public, both with and without pensions
- occupational pension scheme members and PRSA contributors
- scheme trustees and the pensions industry
- the media, who are a conduit to others.

The Board dealt with 7,366 enquiries in 2013. The majority of enquiries related to matters concerning disclosure of information, trustee duties, preservation, funding standard and PRSAs. All enquiries are logged on the Board's enquiry database and remain open until a final resolution has been achieved. Any emerging trends of concern arising from general enquiries are closely monitored by the Board.

### Information publications

The Board provides a comprehensive range of free information and guidance material which is regularly updated and amended to reflect changes in pensions legislation and regulation. This information material is available free of charge on the Board's website.

### Public presentations and media relations

During 2013 the Board attended and presented at 45 public events nationwide, issued 25 news releases and dealt with over 100 direct media enquiries. Throughout the year the Board provided information and educational articles and advertising materials covering all aspects of pensions for the media and a comprehensive range of consumer and industry stakeholders. The Board regularly seeks media opportunities to promote public discussion of pension issues.

### Trustee support services

The Board recognises the essential role trustees play within the pension system.

Under the Act, the Board has an obligation to offer guidance to trustees and provides a range of resources to support trustees including:

- the Trustee Handbook
- trustee training e-learning system
- a register of trustee trainers.

### The Board's website

The Board continues to use its website as the main platform to deliver information and its communications activity as it is the most efficient and cost effective use of resources. The Board provides a news by email alert system from its website.

# Working groups and committees of the Board

To meet the objectives of the strategy the Board has established a number of working groups and committees<sup>4</sup>. These working groups focus on current priority pension issues, and or emerging issues which have been agreed by the Board as key areas of focus and attention. The outcome of the work is usually a set of recommendations and proposals to the Board for consideration.

The Minister for Social Protection announced in June 2013 a revised structure to include a Pensions Authority and a Pensions Council. Since June 2013 the activity of the working groups and committees began to be scaled down.

### Defined benefit (DB) working group (met once in 2013)

The DB working group provides a forum where issues specific to DB pensions can be analysed and discussed.

### Defined contribution (DC) working group (met once in 2013)

The DC working group provides a forum where issues specific to DC pensions can be analysed and discussed. The underlying purpose is to inform the Board's regulatory stance on DC pensions and to contribute to the development of Board policy on DC pensions.

### Finance and Audit Committee (met six times in 2013)

The Finance and Audit Committee is a key governance committee of the Board and through its work aims to ensure that the Board is compliant with its governance obligations as a State body. This includes the ongoing oversight and assessment of the Board's corporate governance systems.

### Regulatory advisory group (RAG) (met once in 2013)

The regulatory advisory group is a strategic working group whose function is to advise the Chief Executive, the Board and the regulatory review group on issues of principle and general regulatory policy. It does not advise on specific cases.

### Regulatory review group (RRG) (met seven times in 2013)

The Board has delegated the exercise of a number of regulatory functions under the Act to the Chief Executive. In order to maintain regulatory oversight of those functions the Chief Executive is required to consult with the regulatory review group before deciding to exercise a delegated regulatory function in a particular case.

The work of the regulatory review group involves discussion of specific cases with a view to the Chief Executive taking regulatory decisions, imposing sanctions or instigating legal proceedings in particular cases. Cases where the regulatory review group is required to be consulted include those involving the approval of funding proposals and Section 50 benefit reductions, the issuing of on-the-spot fines, decisions as to whether a prosecution should be initiated, decisions to refuse to register or renew a Registered Administrator and the proposed use of any of the Board's powers which require an application to the High Court.

### Remuneration Committee (did not meet in 2013)

The committee sets and reviews performance targets for the Chief Executive. Whilst in the past number of years there is no link to any increase in remuneration, the Committee and the Chief Executive agree that the process plays a significant role in delivering the Board's objectives and targets and in achieving accountability.

### Research and communications working group (met twice in 2013)

The research and communications working group focus is to develop a communications plan which supports the overall work of the Board in raising awareness amongst the Irish public of the need to save for retirement. The plan will, in turn, be informed by the outcome of behavioural research to understand more fully the Irish consumer's attitude to pensions and savings.

<sup>4</sup> See Appendix I for membership details of each group.



# Running an efficient organisation

The Board is aware of its responsibility as a government agency to achieve and demonstrate value for money and efficiency in all its activities. The Board actively investigates and pursues opportunities for cost savings and efficiencies including the use of shared services and outsourcing. The Board makes maximum use of information computer technology to optimise efficiency and to focus regulatory activity on areas of greatest risk.

## Occupational pension scheme and PRSA fees

In 2013 the Board collected €3.18 million in occupational pension scheme fees as compared to €3.23 million in 2012. The Board collected €1.94 million in 2013 in respect of PRSA products as compared to €1.68 million in 2012.

## Human Resources

The Board continued its staff training programmes in 2013 so that employees are equipped to deal with changes in the area of pensions and regulation. Organisational, individual performance management, training and development needs are identified through the Board's Performance Management Development System (PMDS). Employees continuously seek new ways to improve business processes and service delivery.

## Health and safety

The Board is committed to supporting the health and safety of its employees and to providing a safe place of work. Health and Safety practices are continuously reviewed and there were no accidents or incidents to report during 2013.

## Energy usage

In 2013 the total energy consumption by the Board amounted 151,450 kw hours of electricity. As the Board occupies 10,600 square feet of modern energy efficient office space in Dublin city centre, there is limited scope for any further sizeable reductions in energy usage, however this will continue to be reviewed.

## Prompt payments

The Board operates a 15-day payment policy. Quarterly prompt payments reports are returned to the Department of Social Protection and posted on our website.

# The Pensions Board staff

Staff of the Board at 31 December 2013:



**Brendan Kennedy**  
Chief Executive



**Mary Hutch**  
Head of Policy



**Tom Dunphy**  
Head of Compliance



**Madeleine Delaney**  
Deputy Head of Compliance



**Pat O'Sullivan**  
Head of Funding and Actuarial



**Sylvia McNeece**  
Head of Legal and Corporate Services



**Grace Guy**  
Deputy Head of Legal and Corporate Services  
(Secretary to the Board)



**David Malone**  
Head of Operations and Communications

## Assistant Principal Officers

Aideen Bugler  
Eoin Cassells  
Gerard Clarke  
Catherine Goulding  
Maura Howe  
Thomas Kiely  
Andrew Nugent  
Cheryl Richardson  
John Shanahan

## Higher Executive Officers

Mary Broderick  
Martin Buggy  
Rachael Gleeson  
Ciarán Holahan  
Deirdre Kelly  
Jo Kenny  
John McCarthy  
Paul Muldowney  
Eimear Murphy  
Kieran O'Dea

## Executive Officers

Sherry Bass  
Valerie Christie  
Maire Ni Fhiachain  
Alison Flynn  
Emily Keyes  
Cathy Lynch  
Catherine McAuley  
Renée O'Reilly  
Edel Stenson  
Christina Winters

## Clerical Officers

Robert Bradley  
Niamh Crowley  
Marie Earley  
Eileen Flynn  
Emma Hunter  
Lydia Leonard  
Julie McCarthy  
Maura Moroney

# Financial statements

for the year ended 31 December 2013

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

## An Bord Pinsean

I have audited the financial statements of An Bord Pinsean for the year ended 31 December 2013 under the Pensions Act 1990. The financial statements, which have been prepared under the accounting policies set out therein, comprise the statement of accounting policies, the income and expenditure account, the balance sheet, the cash flow statement and the related notes. The financial statements have been prepared in the form prescribed under Section 22 of the Act, and in accordance with generally accepted accounting practice in Ireland.

## Responsibilities of the Board

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

## Responsibilities of the Comptroller and Auditor General

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

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

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

## Scope of audit of the financial statements

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

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

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

In addition, I read the Board's annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

## Opinion on the financial statements

In my opinion, the financial statements, which have been properly prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the state of the Board's affairs at 31 December 2013 and of its income and expenditure for 2013.

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

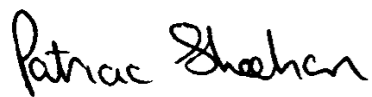
*Comptroller and Auditor General report for presentation to the Houses of the Oireachtas continued*

### **Matters on which I report by exception**

I report by exception if

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

I have nothing to report in regard to those matters upon which reporting is by exception.



**Patricia Sheehan**

*For and on behalf of the Comptroller and Auditor General*

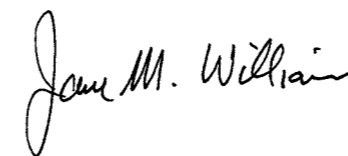
30 May 2014

## **Statement of Board responsibilities**

Section 22(1) of the Pensions Act, 1990, as amended, requires the Board to prepare financial statements in such form as may be approved by the Minister for Social Protection with the concurrence of the Minister for Finance. In preparing the 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 a going concern basis unless it is inappropriate to presume that the Board will continue in operation
- disclose and explain any material departures from applicable accounting standards.

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



**Jane Williams**

*Chairperson*

26 May 2014

# Statement on internal financial control

## Responsibility for system of internal financial control

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

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded and that material errors or irregularities are either prevented or would be detected in a timely period.

## Key control procedures

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

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

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

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

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

- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Board

- regular reviews by the Finance and Audit Committee and the Board of periodic and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and other performance
- regular internal audits.

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

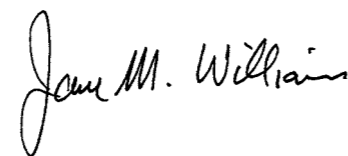
The analysis of risk and the internal audit plans are endorsed by the Finance and Audit Committee and approved by the Board.

The Board have in the year ended 31 December 2013, through the on-going activity of its Finance and Audit Committee monitored the work of the Executive in the area of financial control. Specifically, the Committee examined the following:

- regular and/or periodic management accounts for 2013, with analysis and explanation of significant deviations from budget
- risk register
- annual accounts for 2012 and explanation of significant variances
- annual budget and financial plan for 2014
- review of OPS and PRSA fees
- internal audit reports.

## Annual review of controls

I confirm that in respect of the year ended 31 December 2013, Authority members conducted a review of the effectiveness of the system of internal financial control.



**Jane Williams**  
Chairperson

26 May 2014

# Statement of accounting policies

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

## a) Basis of preparation of financial statements

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

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

## b) Fee income

Fee income represents:

- i) The amount estimated by the Board as collectable in respect of Occupational Pension Schemes in the year. This estimate takes account of cash receipts and the reasonableness of this figure is checked against the expected fee income based on the Board's computerised profile of schemes
- ii) Amounts due in respect of application, product and annual fees levied on Personal Retirement Savings Account (PRSA) providers. Annual PRSA fees are calculated by reference to the number of registered approved products and the value of funds under management by the provider as at the end of the prior year.

## c) State grant

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

- recoup the cost of superannuation benefits paid by the Board
- contribute to other relevant costs.

## d) PRSA capital reserve

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

## e) Tangible fixed assets and depreciation

Tangible fixed assets are shown at cost less accumulated depreciation. Depreciation is charged in the income and

expenditure account on a straight-line basis at the annual rates set out below, so as to write off the assets, adjusted for estimated residual value, over the expected useful life of each appropriate category.

- Leasehold improvements 6% – 15 years
- Computer equipment 25% – 4 years
- Office furniture 12½% – 8 years
- Office equipment 20% – 5 years

## f) Operating lease

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

## g) Superannuation

In view of the arrangements, as described in note 18, which the Board has in place in relation to the Pensions Board Superannuation Scheme, 1993; the Spouses' and Children's Contributory Pension Scheme, 1993 and the Single Public Service Pension Scheme it operates for employees, the Board is of the view that the provisions of Financial Reporting Standard 17, Accounting for Retirement Benefits in relation to accounting for pension liabilities which arise under defined benefit schemes, are not applicable.

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

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

## h) Compliance enforcement reserve

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

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

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

# Income and expenditure account

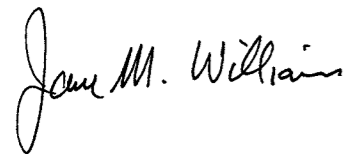
for the year ended 31 December 2013

	Notes	2013 €	2012 €
<b>Income</b>			
Occupational pension scheme fees		3,179,136	3,232,268
Personal Retirement Savings Account fees		1,938,596	1,680,721
<i>State grant in respect of:</i>			
Pension payments to retired staff		220,703	295,821
National Pensions Awareness Campaign costs		–	400,000
Other income	1	95,217	228,909
Total income		5,433,652	5,837,719
Transfer from PRSA capital reserve	14	26,773	26,851
		<b>5,460,425</b>	<b>5,864,570</b>
<b>Expenditure</b>			
Salaries, pensions and related expenses	2	3,717,641	3,993,583
Board members' fees and expenses	4	88,920	91,077
Rent and office expenses	5	723,399	743,397
Training, education and staff related expenses	6	122,671	122,690
Information, research and publicity	7	133,732	284,589
Consultancy and other professional fees	8	221,512	697,135
General administration	9	414,258	390,214
Depreciation	10	274,793	279,730
Total expenditure		5,696,926	6,602,415
<b>(Deficit) for the year</b>		<b>(236,501)</b>	<b>(737,845)</b>
Revenue reserve at 1 January		6,087,195	6,825,040
(Deficit) for the year		(236,501)	(737,845)
<b>Revenue reserve at 31 December</b>		<b>5,850,694</b>	<b>6,087,195</b>

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

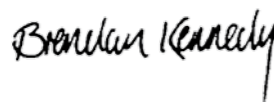
The results for the year relate to continuing operations.

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



**Jane Williams**  
Chairperson

26 May 2014



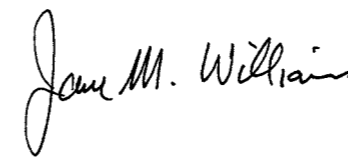
**Brendan Kennedy**  
Chief Executive

# Balance sheet

at 31 December 2013

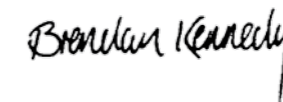
	Notes	2013 €	2013 €	2012 €	2012 €
<b>Fixed assets</b>					
Tangible assets	10		355,356		619,515
<b>Current assets</b>					
Debtors	11	466,989		555,868	
Bank	17	6,802,316		6,831,731	
		<b>7,269,305</b>		<b>7,387,599</b>	
<b>Current liabilities</b>					
Creditors amounts falling due within one year	12	217,936		337,115	
			<b>7,051,369</b>		<b>7,050,484</b>
<b>Net current assets</b>			<b>7,051,369</b>		<b>7,050,484</b>
<b>Total assets</b>			<b>7,406,725</b>		<b>7,669,999</b>
<b>Financed by</b>					
Compliance enforcement reserve	15	1,500,000		1,500,000	
PRSA capital reserve	14	56,031		82,804	
Revenue reserve		5,850,694		6,087,195	
			<b>7,406,725</b>		<b>7,669,999</b>

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



**Jane Williams**  
Chairperson

26 May 2014



**Brendan Kennedy**  
Chief Executive

# Cash flow statement

for the year ended 31 December 2013

	Notes	2013 €	2012 €
Cash flow statement			
Net cash (outflow) from operating activities	16	(143,059)	(737,652)
Returns on investments and servicing of finance			
Interest received		147,908	187,632
Capital expenditure			
Payments to acquire tangible fixed assets		(34,264)	(268,246)
Receipts from sale of tangible fixed assets		-	900
Management of liquid resources			
(Increase)/decrease in short term deposits		(13,506)	649,635
<b>(Decrease) in cash</b>		<b>(42,921)</b>	<b>(167,731)</b>
Reconciliation of net cash flow to movement in net funds	17		
(Decrease) in cash in the year		(42,921)	(167,731)
Increase/(decrease) in short term deposits		13,506	(649,635)
Movement in net funds in the year		(29,415)	(817,366)
Net funds at 1 January		6,831,731	7,649,097
Net funds at 31 December		6,802,316	6,831,731

# Notes to the financial statements

for the year ended 31 December 2013

## 1. Other income

	2013 €	2012 €
Interest income	89,948	220,339
Court costs	5,029	6,950
Miscellaneous income	240	1,620
	<b>95,217</b>	<b>228,909</b>

## 2. Employee costs

The average number of full time equivalent employees during the year was 47, (2012, 48) and the Employment Control Framework (ECF) was 50 at the end of 2013 (2012, 50). The aggregate employee and related costs were as follows:

	2013 €	2012 €
Salaries	2,609,374	2,745,486
Employer superannuation contributions <sup>1</sup>	650,562	710,814
Employer PRSI contributions	221,295	234,029
Superannuation benefits payable	220,703	295,821
Contract Staff – general	15,707	7,433
	<b>3,717,641</b>	<b>3,993,583</b>

<sup>1</sup> See note 18.

## 3. Chief Executive Officer remuneration

	2013 €	2012 €
Salary	148,710	153,885
Employer superannuation contribution	37,178	38,471
	<b>185,888</b>	<b>192,356</b>

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

## Notes to the financial statements continued

**4. Board members' fees and expenses**

	2013 €	2012 €
Fees	88,920	90,203
Expenses <sup>2</sup>	-	874
	<b>88,920</b>	<b>91,077</b>

<sup>2</sup> Domestic travel and subsistence relating to travel costs for attendance at meetings.

**Board fees**

Name	2013 €	2012 €
Jane Williams – Chairperson	11,970	11,970
Noreen Deegan	7,695	7,695
Brendan Johnston	7,695	7,695
Terence Noone	7,695	7,695
Emer O'Flanagan	7,695	7,695
Rosalind Briggs	7,695	7,695
Don O'Higgins	7,695	7,695
Phelim O'Reilly	7,695	7,695
Rachael Ryan	-	1,283
Mary Walsh	7,695	7,695
Niall Walsh	7,695	7,696
Robin Webster	7,695	7,695
	<b>88,920</b>	<b>90,203</b>

**5. Rent and office expenses**

	2013 €	2012 €
Rent	554,897	560,042
Service charge	39,899	45,665
Rates	61,068	61,379
Electricity	30,160	32,076
Cleaning	21,164	22,314
General maintenance	10,412	16,170
Offsite storage	5,799	5,751
	<b>723,399</b>	<b>743,397</b>

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

**6. Training, education and staff related expenses**

	2013 €	2012 €
Training and education	94,225	95,930
Staff related expenses <sup>3</sup>	28,446	26,760
	<b>122,671</b>	<b>122,690</b>

<sup>3</sup> Includes canteen expenses, contributions to staff sports and social club and other activities.

**7. Information, research and publicity**

	2013 €	2012 €
Advertising and awareness activities	81,417	219,707
Printing, publications and website	28,533	41,631
Research	23,782	23,251
	<b>133,732</b>	<b>284,589</b>

**8. Consultancy and other professional fees**

	2013 €	2012 €
Legal advice	77,756	359,958
Investigations and compliance support	10,957	32,910
Project development	22,650	189,343
Research consultancy	32,472	32,472
Internal audit fees	8,106	19,065
Statutory audit fees	16,300	14,100
Recruitment consultancy	5,640	7,056
Public relations and information	1,230	5,166
Technical/pension consultancy fees	-	6,150
Other	46,401	30,915
	<b>221,512</b>	<b>697,135</b>

**9. General administration**

	2013 €	2012 €
Stationery and administration expenses	53,231	58,735
Corporate subscriptions	106,579	72,838
Telephone and postage	35,044	42,834
Computer maintenance and consumables	120,089	113,562
Travel and subsistence <sup>4</sup>	45,026	49,479
Insurances	50,503	49,209
Interest and charges	3,786	3,557
	<b>414,258</b>	<b>390,214</b>

<sup>4</sup> Included in travel and subsistence costs were:

- Foreign travel, €35,986
- Chief Executive expenses (mainly foreign travel), €11,444, (2012, €16,567).

Foreign travel related to the Board's participation in EU regulatory and supervisory policy activity in particular attendance at meetings of the European Insurance and Occupational Pensions Authority (EIOPA) and negotiations on the EU draft pension related directive (related to Ireland's EU Presidency).

## Notes to the financial statements continued

**10. Tangible fixed assets**

	Leasehold improvements	Computer equipment	Office furniture	Office equipment	Total
	€	€	€	€	€
<b>Cost or Valuation</b>					
At 1 January 2013	1,163,434	1,067,919	208,855	80,663	2,520,871
Additions in year	–	4,789	5,482	363	10,634
Disposals in year	–	(15,455)	(3,636)	(4,934)	(24,025)
At 31 December 2013	<b>1,163,434</b>	<b>1,057,253</b>	<b>210,701</b>	<b>76,092</b>	<b>2,507,480</b>
<b>Accumulated Depreciation</b>					
At 1 January 2013	914,699	733,087	197,767	55,803	1,901,356
Charge for year	77,562	182,024	3,727	11,480	274,793
Disposals in year	–	(15,455)	(3,636)	(4,934)	(24,025)
At 31 December 2013	<b>992,261</b>	<b>899,656</b>	<b>197,858</b>	<b>62,349</b>	<b>2,152,124</b>
<b>Net Book Value</b>					
At 31 December 2012	248,735	334,832	11,088	24,860	619,515
At 31 December 2013	<b>171,173</b>	<b>157,597</b>	<b>12,843</b>	<b>13,743</b>	<b>355,356</b>

**11. Debtors**

	2013	2012
	€	€
Amounts falling due within one year:		
Fee income	361,356	370,000
Accrued interest receivable	48,566	106,527
Prepayments and accrued income	33,042	57,284
Debtors other	24,025	22,057
	<b>466,989</b>	<b>555,868</b>

**12. Creditors**

	2013	2012
	€	€
Amounts falling due within one year:		
Creditor accruals	120,696	205,823
Capital accruals	363	23,993
Tax creditor	85,830	91,505
Department of Social Protection creditor <sup>5</sup>	6,000	6,000
Trade creditors	5,047	9,794
	<b>217,936</b>	<b>337,115</b>

<sup>5</sup> Related to on-the-spot fines. During 2013, fine notices totalling €36,000 were issued by the Board. Fines paid to the Board are subsequently remitted to the Exchequer.

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

The value of capital commitments entered into and outstanding at 31 December 2013 amounted to €39,237 (inclusive of VAT).

**(ii) Operating leases**

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

	2013	2012
	€	€
Lease of office accommodation		
Expiring after five years	<b>555,000</b>	555,000

**14. PRSA capital reserve**

	2013	2012
	€	€
At beginning of year	82,804	109,655
<b>Transfer to Income and Expenditure Account</b>		
Amortisation – prior year's acquisitions	(26,773)	(26,851)
At end of year	<b>56,031</b>	82,804

**15. Compliance enforcement reserve**

	2013	2012
	€	€
At beginning and end of year	<b>1,500,000</b>	1,500,000

**16. Reconciliation of (deficit) for the year to net cash (outflow) from operating activities**

	2013	2012
	€	€
(Deficit) for year	(236,501)	(737,845)
<b>Non-operating items</b>		
Interest received	(147,908)	(187,632)
Gain on disposal of fixed assets	–	(900)
<b>Non-cash items</b>		
Transfer (from) PRSA capital reserve	(26,773)	(26,851)
Depreciation	274,793	279,730
Decrease/(increase) in debtors	88,879	(27,826)
(Decrease) in non-capital creditors	(95,549)	(36,328)
Net cash (outflow) from operating activities	<b>(143,059)</b>	<b>(737,652)</b>



Notes to the financial statements continued

### 17. Analysis of changes in net funds

	At 1 January 2013 €	Cash flow €	At 31 December 2013 €
Cash at bank and on hand	525,202	(42,921)	482,281
Short term deposits	6,306,529	13,506	6,320,035
	<u>6,831,731</u>	<u>(29,415)</u>	<u>6,802,316</u>

### 18. Accounting treatment for retirement benefits<sup>6</sup>

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

For employees appointed prior to 1 January 2013;

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

For employees appointed after 1 January 2013;

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

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

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

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

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

<sup>6</sup> See note 2.

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

	2013 €	2012 €
Employer ordinary contributions <sup>7</sup>	674,543	719,750
Employee ordinary contributions	135,367	141,704
Pension related deduction <sup>8</sup>	178,187	184,779
	<u>988,097</u>	<u>1,046,233</u>

<sup>7</sup> Includes contributions of €23,981 (2012, €8,936) in respect of an employee on secondment.

<sup>8</sup> Deducted from staff members and remitted to the Department of Social Protection pursuant to the Financial Emergency Measures in the Public Interest Act, 2009.

### 19. Board members – disclosure of transactions

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

During 2013 €10,209 (inclusive of VAT) was payable to third parties in which Board members had an interest. €5,904 was in respect of one contract with Attain Consulting, a firm of which Phelim O'Reilly, Board member (to 6 March 2014), is an employee. Attain was acquired by Willis Ireland with effect from 29 May 2012. Kevin Finucane and Phelim O'Reilly, Board members (to 6 March 2014), are employees of Willis Ireland. An amount of €4,305 was paid in respect of one contract with Willis Ireland.

### 20. Taxation

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

### 21. Comparative figures

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

### 22. Name change

The name of the Pensions Board changed with effect from 7 March 2014 and it shall now be known, in the English language, as the Pensions Authority or, in the Irish language, as An tÚdarás Pinsean.

The change had no impact on day to day operations; consequently the financial statements have been prepared on a going concern basis.

### 23. Approval of financial statements

The financial statements were approved by Authority members on the 16 May 2014.

# Appendix I

## Membership of the current working groups and committees of the Board

### Defined benefit working group

- Brendan Johnston
- Roz Briggs
- Don O'Higgins
- Rachael Ryan

### Defined contribution working group

- Phelim O'Reilly
- Kevin Finucane
- Mary Walsh
- Patricia Murphy
- Terence Noone

### Finance and audit committee

- Niall Walsh
- Kevin Finucane
- Don O'Higgins
- Vera McGrath (Department of Social Protection)

### Regulatory advisory group

- Rachael Ryan
- Emer O'Flanagan
- David Owens
- Terry Noone
- Mary Walsh

### Regulatory review group

- Emer O'Flanagan
- Terence Noone
- David Owens
- Mary Walsh

### Remuneration committee

- Jane Williams
- Mary Walsh
- Patricia Murphy
- Terence Noone

### Research and communications working group

- Jane Williams
- Noreen Deegan
- Robin Webster
- Patricia Murphy
- Terence Noone

# Appendix II

Table 1: Annual monitoring indicators

## Regulation

Function and indicators	2013 target/ expectation	2013 outturn	2014 target/ expectation	Explanation
No. of meetings with DB and public sector schemes	15	16	15	Meetings are held with trustees, pension providers and public service administrators to discuss general compliance issues. Meetings are also held to focus on specific compliance issues of concern to the Board.
No. of meetings with registered administrators/ providers (incl. PRSA providers) and DC schemes	6	24	15*	* Activity in this area will be reactive and based on findings from enquiries, onsite inspections, investigations and scheme specific audits
No. of onsite inspections of registered administrators and PRSA providers	24	21*	20	* The Board carried out 21 RA onsite inspections in 2013. A report on the findings from these inspections is published on the Board's website. Instead of carrying out the full 24 planned onsite inspections, priority was given to conducting a desk based audit of 5 PRSA providers and 10 PRSA products.
No. of Construction Workers' Pension Scheme onsite investigations	4*	0	No target <sup>^</sup>	* Such action is only considered when payroll evidence is not provided through the Section 18 process and then depending on the seriousness of the case.  <sup>^</sup> This is an expectation based on previous years' experience.
No. of prosecutions initiated	No target	60*	No target <sup>^</sup>	* The number of prosecutions initiated in 2013.  <sup>^</sup> Prosecutions are only initiated as necessary. There is no set target as the Board will only prosecute where warranted.
No. of on-the-spot fine investigations launched	200	180*	200	* The on-the-spot-fine investigations undertaken resulted in seven cases where fines were ultimately imposed.
Proportion of active schemes where no registered administrator appointed	5%	6%*	4%	* This figure only relates to active schemes. While some frozen schemes do not need to appoint a registered administrator an ongoing priority for the Board in 2014 is to ensure that all schemes required to appoint a registered administrator have one in place.
No. of cases reported of non-remitted contributions to schemes or PRSAs	No target	63*	No target	* There were 63 reports giving rise to investigation in respect of non-remittance of contributions. Of these, some 26 (41%) related to the Construction Workers' Pension Scheme.

## Appendix II continued

Function and indicators	2013 target/ expectation	2013 outturn	2014 target/ expectation	Explanation
No. of schemes for which S49(3B) funding proposals and/or S50 benefit reduction applications processed	450	131*	50	* More schemes met the funding standard than expected. However the outturn for 2013 was lower than anticipated due to the fact that a number of schemes either went into wind up or advised the Board that they were going to wind up or that the employer had advised of its intention to cease contributions to the scheme. Also, a number of schemes that were due to submit a funding plan to the Board did not do so during this period.

**Information and guidance**

Function and indicators	2013 target/ expectation	2013 outturn	2014 target/ expectation	Explanation
Number of enquiries handled	No target	7,366 *	No target	* The majority of enquiries related to matters concerning disclosure of information, trustee duties, preservation, funding standard and PRSAs. Also included here are technical enquiries relating to ISIS.

**Other**

Function and indicators	2013 target/ expectation	2013 outturn	2014 target/ expectation	Explanation
Board membership attendance rate	100%	87%	100%	

## Appendix III

**Table 2: Key performance indicators**

Corporate/organisational effectiveness				
Annual Board expenditure in relation to budget estimate	2011	2012	2013	2014
Budget (€ million)	€6.4	€6.5	€5.9	€6.0
Actual expenditure (€ million)	€5.7	€6.4	€5.7	n/a
% variance	-10%	-1%	-3%	n/a

The Board's performance under regulation, information and guidance and policy advice as detailed below will be monitored by reference to the following indicators.

Regulation		
	Baseline	2015 target
Proportion of ongoing DB schemes meeting the funding standard or following an approved funding plan	42% (December 2010)	100%
Information and guidance		
	Baseline	2015 target
% of stakeholders satisfied/very satisfied with quality of Board information and guidance material	82% (November 2011)	90%
% of respondents satisfied/very satisfied with Board response to enquiries	65% (November 2011)	80%
Policy advice and technical support		
	Baseline	2015 target
Effectiveness of the policy advice functions will be assessed via qualitative feedback from the Department of Social Protection and other relevant departments.	Representatives of the Board met with the Departments of Social Protection, Finance and Public Expenditure and Reform in January 2012 to assess their levels of satisfaction with the Board's policy advice. All three departments expressed their satisfaction with the policy advice function of the Board.	That the Board continues to be a competent, credible and relevant source of advice to the Minister and Department of Social Protection and other relevant Departments.

## Appendix IV

### The Pensions Board prosecution convictions in 2013

No.	Case name	Relevant section of the Pensions Act	Penalty
1	Murcav Ltd Mark Cavanagh and Patrick Crowe, directors of Murcav Ltd	S58A(1)	Fined €5,000 1 month suspended sentence on the condition that €1,000 paid to the scheme within 11 months
2	Murcav Ltd Mark Cavanagh and Patrick Crowe, directors of Murcav Ltd	S18	Convicted Convicted
3	Pat Kennedy Construction Ltd	S58A(1)	Fined €750
4	Pat Kennedy Construction Ltd	S18	Fined €750
5	Gerry Neilon Scaffolding Ltd	S18	Fined €5,000
6	Paul Kendrick Decorators Ltd Paul Kendrick, director of Paul Kendrick Decorators Ltd Anna Kendrick, director of Paul Kendrick Decorators Ltd	S58A(1)	Convicted Fined €1,000 Convicted
7	Paul Kendrick Decorators Ltd Paul Kendrick and Anna Kendrick, directors of Paul Kendrick Decorators Ltd	S18	Convicted Convicted
8	Maurice Prendergast, director of Belfield Construction Ltd	S58A(1)	Fined €2,500 and 240 hours community service
9	Colm McNulty, director of Limestone Construction Ltd (In Liquidation)	S58A(1)	18 month suspended prison sentence
10	Rainey Conservation Ltd	S58A(1)	Fined €2,500 and costs of €1,200
11	Active Concrete Drilling Ltd	S58A(1)	Fined €1,000
12	Peadar McEnroe, director of Kill Plumbing Ltd	S18	Fined €500 and costs of €200
13	Eugene O'Neill, director of Swift Structures Ltd*	S58A(1)	An 18 month suspended prison sentence was imposed. A further term of the sentence was that the sum of €20,000 would be paid to the trustee of the scheme.

\* Circuit Court case

## Appendix V

### Membership of occupational pension schemes and Personal Retirement Savings Accounts

Table 3: Number of schemes and membership as at 31 December 2013

Scheme Size	Defined Contribution		Defined Benefit				All Schemes	
	No of Schemes	Active Members	Subject to the Funding Standard		Not subject to the Funding Standard		No of Schemes	Active Members
Frozen	n/a	n/a	139	983	0	0	139	983
In wind-up	n/a	n/a	86	10,425	0	0	86	10,425
Non Group	49,282	49,282	7	7	2	2	49,291	49,291
1 to 50	11,220	62,126	407	6,646	40	746	11,667	69,518
51 to 99	305	21,299	62	4,602	12	893	379	26,794
100 to 500	266	52,005	129	30,948	28	6,360	423	89,313
501 to 1000	28	18,844	36	24,864	4	3,633	68	47,341
1001+	22	37,761	24	100,144	22	316,801	68	454,706
<b>2013 Total</b>	<b>61,123</b>	<b>241,317</b>	<b>890</b>	<b>178,619</b>	<b>108</b>	<b>328,435</b>	<b>62,121</b>	<b>748,371</b>
2012 Total	60,192	232,939	933	189,644	107	338,037	61,232	760,620
<b>Change since 2012</b>	<b>931</b>	<b>8,378</b>	<b>-43</b>	<b>-11,025</b>	<b>1</b>	<b>-9,602</b>	<b>889</b>	<b>-12,249</b>

Table 4: PRSAs as at 31 December 2013

	End 2013	End 2012	Change
Total number of contracts:	215,892	206,936	8,956
■ Standard PRSA contracts	161,834	156,483	5,351
■ Non-Standard PRSA contracts	54,058	50,453	3,605
<b>Total assets:</b>	<b>€3.99 billion</b>	<b>€3.46 billion</b>	<b>€0.53 billion</b>

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ISSN 1649 8690