



An tÚdarás Pinsean
The Pensions Authority

THE PENSIONS AUTHORITY ANNUAL REPORT AND ACCOUNTS 2021

www.pensionsauthority.ie

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CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and Accounts of the Pensions Authority (the Authority) for the year ended 31 December 2021 in accordance with section 23(2) of the Pensions Act, 1990, as amended (the Act).

Supervisory activity in 2021

The Authority is responsible for the oversight of occupational pension schemes, trust retirement annuity contracts (RACs) and Personal Retirement Savings Accounts (PRSAs). In total, these represent over €130 billion of retirement savings.

The most important supervisory event of 2021 was the transposition into Irish law of the IORP II Directive¹ (IORP II) in April. This event represents significant change for Irish pensions and for the Authority. The obligations on scheme trustees are much more demanding, complex, and detailed than they have been before. This in turn has consequences for the work of the Authority. Not alone has the transposition imposed additional trustee tasks and responsibilities which must be monitored, it also obliges us to supervise pension schemes on a forward-looking risk-based supervisory basis, and to implement a structured supervisory review process. Taken together, the transposition of IORP II requires a new and more comprehensive, challenging, judgement-based, and intrusive oversight by the Authority.

The main supervisory activities in 2021 were planning and implementing our new supervisory responsibilities, as well as monitoring occupational schemes' progress towards compliance. Our immediate priority is master trusts (MTs), which will in future play a larger role in Irish occupational pensions, but we have set a deadline for trustees of all relevant schemes to be compliant with their new obligations by the end of 2022.

It is an important part of the Authority's role to provide information about trustee obligations and the Authority's expectations of them and this was especially true in 2021. The Authority issued several important updates on the provisions of the transposition, the Authority's implementation plans, and the expectations of the Authority regarding compliance by regulated entities with their IORP II obligations.

In parallel with the IORP II related supervisory work, we continued our normal supervisory activities, including oversight of PRSAs, monitoring of defined benefit (DB) solvency obligations, and where appropriate, investigating instances of non-compliance with the provisions of the Act.

Impact of Covid-19

The Authority continued to monitor the effect of the pandemic on the pensions sector throughout 2021. As in 2020, scheme administration and management systems worked very well: most importantly, benefits continued to be paid and contributions were collected and invested without interruption.

Overall, the Authority's own remote working arrangements in response to the Covid-19 pandemic continued to work well in 2021. Subject to government guidelines, the organisation has begun to transition to hybrid working in 2022, and any effects of this on the standards of our work will be carefully monitored.

The Pensions Authority Statement of Strategy 2022–2024

The Authority published its Statement of Strategy 2022 – 2024 on 7 March 2022. This publication is the final phase of work that began in the summer of 2021.

This new strategy is consistent with the direction set in the previous strategy, published in 2016. Our long-term objective continues to be a pensions system where retirement savings are secure, well-managed, cost-efficient, and easily understood, and which encourages pensions saving.

The transposition of IORP II is an important change to the context of our strategy. The focus of our work, particularly our forward-looking risk-based supervision, is on good outcomes for members, contributors and beneficiaries, and the implementation of the IORP II obligations will underpin this objective.

Funding the work of the Pensions Authority

IORP II and other new obligations have increased the complexity of Irish pensions and therefore increased the complexity of the Authority's work. This and previous annual reports show a considerable increase in costs, in recent years, mainly because of increased staffing and IT costs.

The Minister for Social Protection, with the consent of the Minister for Public Expenditure and Reform, approved an increase in Authority fees for occupational pension schemes with effect from 1 January 2022. Further increases will be needed in the coming years to meet costs and sustain prudent financial reserves. During 2022 the Authority will develop a long-term financing strategy which will form the basis for future fee submissions to the Minister for Social Protection.

¹ Directive 2016/2341/EU

It is important that the Authority has a stable and resilient funding model in place that adequately provides the necessary resources to undertake effective supervision of occupational pension schemes and PRSAs, and which provides predictability for those paying the fees.

Conclusion

In conclusion, I would like to thank the Minister and the officials in the Department of Social Protection. We value our close working relationship and look forward to working together over the coming years.

I would also like to thank and acknowledge the hard work and valuable contributions of Bill Cunningham (Chairman) and Mick Roche (independent member) of our Audit and Risk Committee. Both members are stepping down in 2022 having served the maximum two terms. Their support and contributions over the last six years were always valued and appreciated.

Finally, on behalf of myself and the other members of the Authority, I would like to thank the Pensions Regulator and staff of the Authority for their hard work and professionalism during 2021.



Dr David Begg
Chairman

THE PENSIONS AUTHORITY

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

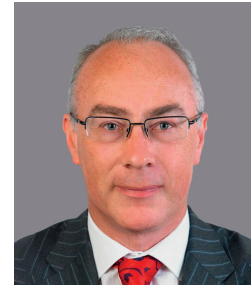
The members of the Authority are:



Dr David Begg
Chairman



Mr Ciarán Lawler,
Assistant Secretary,
Department of Social Protection
(Representative of the Minister
for Social Protection)



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

David Begg was reappointed as Chairman of the Authority on 13 January 2021.

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



Brendan Kennedy
Pensions Regulator



Grace Guy
Head of Supervision
and Enforcement



Ger Clarke
Deputy Head of Supervision
and Enforcement



Pat O'Sullivan
Head of Technical



Andrew Nugent
Head of Policy



Brendan Roche
Head of Legal



Dervla O'Keeffe
Head of IT



P J Kelly
Head of Data



Sylvia McNeece
Head of Programme
Management



David Malone
Head of Operations

SUMMARY OF REGULATORY ACTIVITY AND OUTPUTS

6 PROSECUTION
cases were concluded

15 NEW
INVESTIGATIONS



were opened into various alleged breaches of the Act. The alleged breaches varied from deduction and non-remittance of pension contributions to failure to reply to a statutory request for information.

24 investigations were
FINALISED
and closed during the year



20 ENGAGEMENT
MEETINGS

were held with the trustee boards of master trusts, defined contribution and defined benefit schemes as part of its 2021 engagement programme.



1 DESK-BASED AUDIT

One audit of a registered administrator was conducted, relating to a delay in issuing pension documents to members.



7 ONSITE
INSPECTIONS

Seven MiFID (Markets in Financial Instruments Directive) firms operating non-standard PRSAs were inspected to establish if they use third party/parallel contracts which are prohibited by the Act.



5 FUNDING PROPOSALS
FROM DB SCHEMES WERE
APPROVED

494 OF **553**

DB schemes subject to the funding standard, satisfied the standard as at 31 December 2021. All except four of the remaining 59 schemes have funding proposals, or are in the process of submitting funding proposals, designed to enable the scheme to satisfy the funding standard within a specified term.

10,400
PENSION QUERIES

general pension and data processing queries were received and dealt with during the year.



263,000
DATA SUBMISSIONS

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

MEETING THE AUTHORITY'S OBJECTIVES

The Authority's vision for the future is a pensions system where retirement savings are secure, well-managed, cost-efficient and easily understood, and which encourages pensions savings.

Our mission

1. To regulate pension schemes and PRSAs effectively and efficiently and thereby foster public confidence in pensions.
2. To support pension scheme trustees and the public through providing guidance and information.
3. To provide expert advice to the Minister for Social Protection and to the Government on pension matters.

Our values

- Public interest** – we act in the interests of the welfare and well-being of the general public and society.
- Professionalism** – we carry out our work with skill, expertise, good judgement, and respect.
- Integrity** – we act honestly and ethically and are committed to accountability and transparency.
- Effectiveness** – we concentrate our efforts on successfully producing a desired result.
- Efficiency** – we avoid wasting materials, energy, efforts, money, or time.
- Responsiveness** – we adapt as circumstances change in order to meet our objectives.
- Independence** – we act objectively and impartially in carrying out our functions.

The Authority's Statement of Strategy, which is available on our website, sets out the organisation's three strategic objectives to deliver its vision, as follows:

1. The Irish pensions system will comprise stable and sound occupational pensions that are well managed to appropriately high standards.
2. The Authority will be well known as an accessible, relevant, and practical source of information for the public, members, contributors and beneficiaries.
3. The Authority will be a valuable source of expert advice to the Minister for Social Protection and to the Government on pension matters.

This annual report sets out the activities undertaken by the Authority in 2021 to meet these objectives.

Prosecutions

Non-compliance by regulated entities can result in prosecution. In 2021, the Authority concluded six prosecution cases and secured convictions in three cases as follows:

- Two cases related to the deduction and non-remittance of employee pension contributions to a scheme within the statutory timeframe (section 58A(1) of the Act).
- One case related to the non-remittance of obliged employer pension contributions to a scheme within the statutory timeframe (section 58A(2) of the Act).

The remaining cases were struck out due to payment of arrears or the underlying matter being rectified in advance of the court date.

Investigations

In 2021, the Authority opened 15 new investigations into various alleged breaches of the Act. The alleged breaches varied from deduction and non-remittance of pension contributions to failure to reply to a statutory request for information. During the year, 24 investigations were finalised and closed.

Compliance cases

During 2021, the Authority was involved in several complex compliance cases, some of which remain ongoing, including the following:

- trustees' failure to submit overdue funding proposals for a DB scheme,
- investigations into trustee conduct and behaviour in the small self-administered pension scheme (SSAP) sector, and
- initiating High Court proceedings to remove a trustee pursuant to section 63 of the Act.

Forward-looking risk-based supervision

During 2021 the most significant area of focus was on the development of forward-looking risk-based supervision. The Authority held 20 engagement meetings with the trustee boards of MTs, DC and DB schemes as part of its 2021 engagement programme. The engagement programme built on the work started in 2020 and forms part of the Authority's overall move to forward-looking risk-based supervision.

The overall focus for the engagements was to examine how well-equipped schemes are to meet the enhanced governance and risk management requirements under IORP II. A report on the key findings identified during the engagement process was published in December 2021.

Defined benefit scheme funding

At the end of 2021, 494 of the 553 DB schemes subject to the funding standard satisfied the standard. All but four of the remaining 59 schemes have funding proposals, or are in the process of submitting funding proposals, designed to enable the scheme to satisfy the funding standard within a specified term. The Authority directly engages with any scheme that fails to submit a funding proposal.

The Authority approved five funding proposals from DB schemes in 2021.

Single Public Service Pension Scheme (SPSPS)

The Authority continued to supervise compliance by public bodies with their obligations under the SPSPS and particularly the requirement to issue member benefit statements.

Cross-border applications

The cross-border obligations of pension schemes with UK members changed when the transition period for the UK to leave the EU expired on 31 December 2020. In January 2021, letters were issued to the 19 schemes affected. The Authority also dealt with several enquiries from schemes and trustees in relation to the new cross-border provisions which came into force under IORP II.

PRSA product applications and amendments

In 2021, the Authority, in consultation with Revenue, approved two new PRSA products and two PRSA products were withdrawn at the request of the provider. There were 14 amendments to existing products during the year. These amendments related to changes in the charging structure or the addition or removal of funds of a PRSA product.

PRSA actuary certifications and PRSA annual reports

There were no significant instances of non-compliance identified by PRSA actuaries in 2021. All minor instances of non-compliance reported by the PRSA actuaries were examined by the Authority and addressed with the relevant PRSA provider, where necessary.

RA annual renewal process

During the year, the Authority received four new RA applications and 12 RAs applied for, and were granted, approval to terminate their RA registration in 2021. There were 105 RAs on the Authority's register as at February 2022.

Compulsory and voluntary reporting/whistleblowing

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

Protected disclosures

There were no disclosures to the Authority in 2021 that were deemed to be protected disclosures as set out in the Protected Disclosures Act 2014.

Determinations

Under the Act, the Authority has the power in certain circumstances to make legally binding determinations on request by certain parties. These determinations can be a requirement for scheme trustees in transferring the benefits of deferred members to other arrangements or allow the Authority to appoint a trustee in substitution of the existing trustee in certain circumstances. No statutory determinations were issued by the Authority in 2021.

Technical support

In 2021, the Authority provided technical support to the Minister for Social Protection and the Department and to other government departments and agencies on pension matters including EU legislation, amendments to the Occupational Pension Schemes (Duties of Trustees in Connection with Bulk Transfer) Regulations 2009 to 2021 to facilitate consolidation, and auto-enrolment. The Authority also provided support to the Secretariat to the Pensions Commission throughout 2021.

The Authority started to work on the detailed implementation plans following the transposition of IORP II and on relevant elements of the Roadmap for Pensions Reform. These matters included:

- development of a system of forward-looking risk-based supervision,
- a fit and proper regime for trustees and key function holders,
- new governance standards specifying appropriate governance and management structures, and
- an authorisation process for new and existing schemes.

The Authority actively participates and contributes to the pensions-related work of the European Insurance and Occupational Pensions Authority (EIOPA). EIOPA is at the heart of insurance and occupational pensions supervision in the European Union.

The Authority also contributes to the work of other international organisations such as:

- International Organisation of Pension Supervisors (IOPS), and
- Organisation for Economic Co-operation and Development (OECD) - Working Party on Private Pensions.

The Authority also received and dealt with numerous international requests for information in 2021.

Policy development and research

As a member of the Interdepartmental Pensions Reform and Taxation Group (IDPRTG), the Authority contributed to considerations and proposals for the simplification of pensions. In 2021 the Authority led several tasks to implement phase one of the IDPRTG report, including a review of multiple PRSA usage

and consideration of the Authority's approach to approving changes to existing PRSAs. The Authority developed proposals to introduce a new disclosure requirement for DC members wishing to transfer to a PRSA and a final proposal was progressed with the Department of Social Protection by the end of 2021. The Authority is developing proposals for legislative amendments that will be required when a whole of life PRSA is introduced. This work will continue into 2022.

During the year the Authority continued its engagement with actuaries, industry, academics, and other regulators on a wide range of issues including understanding the implications of sustainable finance and environmental, social and governance factors for the pensions sector.

IT and data systems development

Significant progress was made during the year under the Authority's IT and Data Strategy Roadmap 2021-2023.

There are over 177,000 occupational pension schemes in Ireland with over 1.7 million active and deferred members. Ireland has more small and single member schemes than any other country in the EU. As well as providing data for the regulatory and operational needs of the Authority, this pensions data is an information resource to the Department of Social Protection (for pensions policy) and the Department of Finance and Revenue to support and inform tax policy in the pensions area.

A significant amount of the Authority's software development work is now being managed and developed in-house as the Authority has built up the necessary resources over recent years to support this approach. This allows the Authority to be flexible and agile in how it proceeds and reacts to new IT requirements.

Two of the main projects underway in 2021 were:

- **Integrated Pensions System (IPS) development**

This project is gathering the requirements for the development of the system that will replace the current Pensions Data Register (PDR) system which is coming to its end of life. IPS will be easily extendible and will support future custom developments, including those required for forward-looking risk-based supervision and the collection of pensions data for EIOPA. The first elements of the IPS will come into use in 2023.

- **Infrastructure Refresh Project**

In October 2021 the Authority migrated to use the OGCIO's (Office of the Government Chief Information Officer) desktop as a service. Among the many benefits of this move are the improved security and decreased costs of the OGCIO's solution. As part of this project, the Authority also migrated to using other OGCIO Build To Share solutions.

Information and guidance

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

Approximately 10,400 general pension and data processing queries were received and dealt with during the year. Most of the general queries were from scheme members and related to the Occupational Pension Schemes (Disclosure of Information) Regulations 2006 to 2021. The Authority responded to all enquiries in line with the Authority's Customer Charter.

Throughout the year, the Authority attended and presented (virtually) at public events and dealt with direct media enquiries on pension issues.

Following the transposition of IORP II into Irish law, the Authority issued information and guidance as follows:

- A Code of Practice for trustees of occupational pension schemes and trust RACs.
- 2021 Engagement Programme Findings Report.
- An employer guide to DC MTs.
- FAQs on investment and borrowing for one-member arrangements.
- Information on:
 - the annual compliance statement,
 - trustees' outsourcing notification obligations and how to advise the Authority of the appointment of key function holders,
 - the timing of the own-risk assessment,
 - the DB financial risk measure, and
 - the courses that meet the Authority's requirements for trustee qualifications.

The Authority published this information and other communications relevant to its regulated entities on www.pensionsauthority.ie

Oireachtas members' enquiries

The Authority provides a dedicated enquiries email address for members of the Oireachtas seeking information on pension matters or about the work of the Authority. The Authority dealt with four enquiries from Oireachtas members in 2021.

The Authority also provided information to the Department of Social Protection in response to 33 Parliamentary Questions during 2021.

Freedom of information (FOI)

The Authority completed six FOI requests in 2021, all within the statutory deadlines.

Data protection

Throughout 2021, the Authority conducted regular awareness building initiatives and provided information and training on data protection and records management across the organisation.

No data breach reports had to be made to the Data Protection Commission in 2021.

The Authority received and dealt with one Subject Access Request in 2021.

Human resources

The Authority is committed to providing a safe place to work and operates in accordance with the Safety, Health and Welfare at Work Act.

Through continuous learning and development, the Authority provides employees with the opportunity to develop the skills and knowledge required to efficiently and effectively carry out their roles to serve the public interest.

The Authority is committed to investing in the expertise of our employees so they can progress their careers in our organisation and beyond.

Public sector equality, diversity, and human rights duty

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

The Authority is an equal opportunities employer. Employees come from varied professional backgrounds in both the private and public sector and include pension administrators, actuaries, lawyers, accountants, data analysts, qualified financial advisers, customer service providers, and IT software and hardware engineers.

Prompt payments

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

Energy usage and green initiatives

The total energy consumption by the Authority for 2021 was 126,098 kWh of electricity. The Authority was included in the Sustainable Energy Authority of Ireland Annual Report 2021 on energy efficiency performance in the Public Sector as being more efficient than our baseline and that it achieved its 2020 target.

The Authority adheres to the Office of Government Procurement guidelines for green public procurement and continues to work on introducing energy efficiencies where possible across the organisation.

COMMITTEE OF THE AUTHORITY

Audit and Risk Committee

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

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

The ARC's terms of reference are set out in its Charter. The ARC conducted its annual review of the Charter during 2021 and it was approved by the Authority at its meeting on 26 April 2022.

Membership of the ARC

The ARC consists of four members: an independent Chairperson, an independent non-executive member, a representative of the Department of Social Protection, and a representative of the Department of Finance. A schedule of attendance at the ARC meetings for 2021 is set out below.

ARC meetings 2021 Number of meetings held: 6		
Name	Position	Attendance
Bill Cunningham	Chairman	6/6
Kevin Barron	Representative of the Department of Social Protection	6/6
Brendan O'Leary	Representative of the Department of Finance	6/6
Michael Roche	Independent non-executive member	6/6

Work of the ARC in 2021

The ARC, in fulfilling the requirements of its advisory function, assessed the performance of the key elements of the systems of internal control in operation in the Authority in 2021. The ARC held its meetings remotely during 2021 in compliance with government Covid-19 restrictions and guidelines.

Internal audit

Internal audit provides an objective evaluation of, and opinion on, the overall adequacy and effectiveness of the Authority's system of governance, risk management and internal controls. The 2021 internal audit work programme was approved by the ARC and consisted of:

- a high-level review of internal controls in the Authority, and
- a high-level review of the Authority's procurement procedures.

The ARC met with the internal auditors to discuss the outcome of the audit findings and monitored the implementation of audit recommendations by the Executive throughout 2021. The 2021 audits were conducted remotely.

The ARC agreed a work programme for the internal auditors for the 2021-2023 period. Recognising the growth in the size and complexity of the Authority, the scope of internal audit will be expanded from 2022 to include an extra audit.

External audit

The Comptroller and Auditor General (C&AG) is the external auditor of the Authority. The C&AG issued an unqualified audit opinion for the Authority's 2020 financial statements. The ARC met with the external auditors to discuss the outcome of the audit findings and monitored the implementation of audit recommendations by the Executive throughout 2021. The 2021 audit was conducted remotely.

Finance oversight

The ARC has no responsibility for the day-to-day financial management or operations of the organisation which is the responsibility of the Executive. During 2021, the ARC reviewed the quarterly management accounts and examined and discussed with the Executive the reasons for any material variances from planned expenditure. The ARC reviewed the investments of the Authority each quarter. The ARC also monitored the future cash flows of the Authority in the light of significant planned capital expenditure and received reports on the progress of the relevant projects.

Risk management

A risk register is compiled and managed by the Executive and identifies key risks facing the Authority and the actions being taken by the Executive, to the extent possible, to mitigate those risks. The ARC provided feedback to the Authority on their quarterly review of the risk register. The risk management process was updated for 2021 to make the risk scoring, control effectiveness and risk monitoring clearer and more informative and to link the risk assessment to the Authority's risk appetite statement. The ARC is satisfied that the process of identifying, assessing, and addressing key risks is sufficiently robust to ensure that an effective system of risk management was in place in the Authority in 2021.

Corporate governance

During 2021, the ARC received updates from the Pensions Regulator on the supervision activities of the Authority and on matters including pensions reform initiatives, the transposition of IORP II, IT systems development and data management projects, fee income and human resources.

The ARC presented a report to the Authority after each of its meetings in 2021. The ARC was compliant with its obligations under the Code of Practice for the Governance of State Bodies in 2021. In meeting the requirements of the Code, the ARC conducted a self-assessment of its own performance in 2021. The outcome of the self-assessment was positive. The Chairman of

the Authority noted his satisfaction in the performance of the ARC and the ARC Chairman at the Authority meeting on 26 April 2022.

Conclusion

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

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



Mr Bill Cunningham
Chairman

March 2022

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



Ard Reachtaire Cuntas agus Ciste Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas Pensions Authority

Opinion on the financial statements

I have audited the financial statements of the Pensions Authority for the year ended 31 December 2021 as required under the provisions of section 22 of the Pensions Act 1990. The financial statements comprise

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

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Pensions Authority at 31 December 2021 and of its income and expenditure for 2021 in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

Basis of opinion

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

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

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

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

I have nothing to report in that regard.

Mary Henry
For and on behalf of the
Comptroller and Auditor General

24 June 2022

APPENDIX TO THE REPORT

Appendix to the report

Responsibilities of Authority members

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

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

Responsibilities of the Comptroller and Auditor General

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

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

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

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

- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pensions Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Pensions Authority to cease to continue as a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

I report by exception if, in my opinion,

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

Information other than the financial statements

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

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

Reporting on other matters

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

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

GOVERNANCE STATEMENT AND AUTHORITY MEMBERS' REPORT

Governance

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

Authority responsibilities

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

Standing items considered by the Authority at their meetings include:

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

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

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that it will continue in operation; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The Authority is responsible for approving the annual plan and budget. An evaluation of the performance of the Authority by reference to the annual plan was carried out at the Authority meeting on 7 December 2021. The review of the annual budget was carried out on 25 January 2022.

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

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

The Authority considers that the financial statements of the Authority give a true and fair view of the financial performance and the financial position of the Authority at 31 December 2021.

Going concern

Under section 25 of the Pensions Act, the Authority fees are prescribed by the Minister for Social Protection with the consent of the Minister for Public Expenditure and Reform. Following consultation with the Department of Social Protection, the Minister for Social Protection with the consent of the Minister for Public Expenditure and Reform agreed that the amount of fees for occupational pension schemes be increased by 50% from 1 January 2022. The Authority has reviewed cashflows for the next year and is satisfied that there will be sufficient funds available to ensure that the Authority will continue to operate as a going concern for the foreseeable future.

Authority structure

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

The table below details the date of appointment of 2021 Authority members:

Authority member	Role	Date appointed
David Begg*	Chairman	12 January 2016
Michael McGrath	Representative of the Department of Finance	17 February 2020
Ciarán Lawler*	Representative of the Department of Social Protection	29 March 2021

*David Begg was appointed as a member of the Authority on 12 January 2016 and reappointed on 13 January 2021. Jacqui McCrum, former Deputy Secretary, Department of Social Protection, resigned as a member of the Authority on 24 August 2020. Ciarán Lawler, Assistant Secretary, Department of Social Protection, attended as the Department of Social Protection observer from 27 October 2020 and was appointed as an Authority member on 29 March 2021.

Schedule of attendance, fees and expenses

A schedule of attendance at the Authority meetings for 2021 is set out below including the fees and expenses received by each member:

Authority meetings 2021 Number of meetings held: 10				
Name	Position	Number of meetings attended	Fees 2021 €	Expenses 2021 €
David Begg	Chairman	10/10	20,520	0
Michael McGrath	Representative of the Department of Finance	10/10	0	0
Ciarán Lawler*	Representative of the Department of Social Protection	10/10	0	0

*Ciarán Lawler attended eight meetings in official capacity as an Authority member and two meetings as an observer (January and February 2021).

Gender balance in the Board membership

The three members of the Pensions Authority Board (the Authority) are appointed as follows:

- Chairperson – appointed by the Minister for Social Protection.
- Ordinary members – a representative of the Department of Social Protection and a representative of the Department of Finance nominated by the respective Ministers.

As at 31 December 2021, the Authority had 0% female and 100% male members. The Authority therefore does not meet the Government target of a minimum of 40% representation of each gender in the membership of State Boards.

Appointments to the Authority are a matter for the Minister for Social Protection. For any future appointments to the Authority, the Chairman will draw the Minister's attention to the current gender balance on the Authority.

Since the establishment of the Pensions Authority in 1990 (known then as the Pensions Board), there have been 28 female ordinary members of the Board. In 2013, the composition of the Board was changed from 17 members to three by the Social Welfare and Pensions (Miscellaneous Provisions) Act 2013. In addition, there have been three female Chairpersons of the Authority since 1990.

Audit and Risk Committee

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

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

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

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

The ARC consists of four members and at the end of 2021 was as follows:

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

There were six meetings of the ARC in 2021.

Schedule of attendance, fees and expenses

A schedule of attendance at the ARC meetings for 2021 is set out below including the fees and expenses received by each member:

ARC meetings 2021 Number of meetings held: 6				
Name	Position	Number of meetings attended	Fees 2021 €	Expenses 2021 €
Bill Cunningham	Chairman	6/6	2,414	0
Kevin Barron	Representative of the Department of Social Protection	6/6	0	0
Brendan O'Leary	Representative of the Department of Finance	6/6	0	0
Michael Roche	Ordinary member	6/6	1,697	0

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

- Ciarán Lawler.
- Michael McGrath.
- Kevin Barron.
- Brendan O'Leary.

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

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

The following disclosures are required by the Code:

Employee short-term benefits breakdown

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

Consultancy costs

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

	2021 €	2020 €
Legal advice	221,978	155,662
Financial/actuarial advice	9,840	0
Public relations	0	0
Research consultancy	38,988	30,808
Business improvement	0	40,565
ICT consultancy	87,857	348,704
Investigation and compliance support	146,078	331,550
Total consultancy costs	504,741	907,289
	2021 €	2020 €
Consultancy costs capitalised ²	87,857	348,704
Consultancy costs charged to the Income and Expenditure and Retained Revenue Reserves	416,884	558,585
Total	504,741	907,289

Legal costs and settlements

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

	2021 €	2020 €
Legal fees – legal proceedings	2,663	1,458
Conciliation and arbitration payments	0	0
Settlements	0	0
Total	2,663	1,458

² €87,857 of consultancy costs capitalised relate to IT development projects and are shown as in note 11. Capitalised costs are in relation to IT infrastructure projects and have been capitalised in accordance with the rules set out in FRS102.

Travel and subsistence expenditure

Travel and subsistence expenditure is categorised as follows:

	2021 €	2020 €
Domestic:		
– Authority members	0	0
– Employees	2,359	3,348
International:		
– Authority members	0	0
– Employees	0	6,735
Total	2,359	10,083

Hospitality expenditure

The Income and Expenditure Account includes the following hospitality expenditure:

	2021 €	2020 €
Employee hospitality ³	11,155	10,466
Client hospitality	0	0
Total	11,155	10,466

Statement of compliance

The Authority has adopted the Code of Practice for the Governance of State Bodies (2016) and has put procedures in place to ensure compliance with the Code. The Authority was in compliance with the Code of Practice for the Governance of State Bodies for 2021.



David Begg
Chairman

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Brendan Kennedy
Pensions Regulator

22 June 2022

³ This includes employer contribution to the employee social committee and other activities.

STATEMENT ON INTERNAL CONTROL

Responsibility for system of internal control

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

Purpose of the system of internal control

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

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform, has been in place in the Authority for the year ended 31 December 2021 and up to the date of approval of the financial statements.

Audit and risk management

The Authority has an Audit and Risk Committee (ARC) that met six times during 2021.

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

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

Risk and control framework

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

I confirm that a control environment containing the following elements is in place:

- Procedures for all key business processes have been documented.

- Financial responsibilities have been assigned at management level with corresponding accountability.
- There is an appropriate budgeting system with an annual budget which is kept under review by senior management.
- There are systems aimed at ensuring the security of the information and communication technology systems.
- There are systems in place to safeguard the assets of the Authority.

Ongoing monitoring and review

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

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

Covid-19

The Authority has reviewed the impact of Covid-19 on its operations and finances. Although there are some uncertainties, the Authority is confident that it is able to continue to operate as a going concern to the end of June 2022 and for the foreseeable period thereafter.

The Authority considers that occupational pension scheme and PRSA fee receipts as provided for under the Pensions Act are being collected in line with projections. Therefore, it is appropriate to prepare these financial statements on a going concern basis.

The Authority recognises that the Covid-19 pandemic is a significant event which has been ongoing since the reporting date. The Authority is taking the situation seriously and is monitoring the situation on an ongoing basis. The business continues to operate with measures in place to protect employees who are working in the office and remotely. To date, the Authority's activities are being maintained and delivered.

Overall, the Authority's remote working arrangements in response to the Covid-19 pandemic worked well in 2021. Despite the

challenges, employees continued to adapt professionally and successfully to the virtual working environment and all priority work was maintained, including day-to-day supervision work, and responding to telephone and online enquiries. All financial controls were maintained, and IT systems, recruitment and procurement all operated effectively over the period.

Procurement

I confirm that the Authority has procedures in place to ensure compliance with current procurement rules and guidelines.

Review of effectiveness

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

I confirm that the Authority conducted an annual review of the effectiveness of the internal controls for 2021 on 26 April 2022.

Internal control issues

No weaknesses in internal control were identified in relation to 2021 that require disclosure in the financial statements.



David Begg
Chairman

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STATEMENT OF INCOME AND EXPENDITURE AND RETAINED REVENUE RESERVES

For the year ended 31 December 2021			
		2021	2020
	Notes	€	€
Revenue			
Occupational pension scheme fees		4,114,246	3,954,198
Personal Retirement Savings Account Fees		4,207,036	3,958,237
Other income	2	1,338	1,712
Total income		8,322,620	7,914,147
Expenditure			
Remuneration	3	6,685,138	5,850,242
Authority members' fees	5	20,520	20,520
Rent and office expenses	6	851,266	794,249
Training, education and employee -related expenses	7	198,865	108,201
Information, research and publicity	8	185,509	220,367
Professional fees	9	541,102	865,940
General administration	10	1,128,465	899,937
Depreciation	11	246,236	228,350
Total expenditure		9,857,101	8,987,806
Deficit for the year		(1,534,481)	(1,073,659)
Revenue reserve at 1 January		6,665,390	7,739,049
Deficit for the year		(1,534,481)	(1,073,659)
Revenue reserve at 31 December		5,130,909	6,665,390

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



David Begg
Chairman

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Brendan Kennedy
Pensions Regulator

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021			
		2021	2020
	Notes	€	€
Deficit for the year		(1,534,481)	(1,073,659)
Experience gains/(losses) on retirement benefit obligations ⁴	18	594,000	(2,995,000)
Change in assumptions underlying the present value of retirement benefit obligations		(960,000)	(4,544,000)
Adjustment to retirement benefit funding	18	366,000	7,539,000
Total comprehensive income for the year		(1,534,481)	(1,073,659)

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



David Begg
Chairman

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Pensions Regulator

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⁴ The 'Experience gains/(losses) on retirement benefit obligations' reflects the impact on the liability valuation of differences between the assumptions made at the start of the year and the actual experience over the year. For example, gains or losses arise from differences between assumed and actual mortality experience, inflation, salary inflation and pension increases.

STATEMENT OF FINANCIAL POSITION

At 31 December 2021					
		2021		2020	
	Notes	€	€	€	€
Non-current assets					
Property, plant and equipment	11		637,084		767,156
Current assets					
Receivables	12	1,020,749		1,045,606	
Cash and cash equivalents	17	5,900,041		7,148,260	
		6,920,790		8,193,866	
Creditors' amounts falling due within 1 year					
Payables	13	926,965		795,632	
Net current assets			5,993,825		7,398,234
Net assets before retirement benefits			6,630,909		8,165,390
Retirement benefits					
Retirement benefit liability	18		(38,409,000)		(36,120,000)
Deferred exchequer retirement benefit funding	18		38,409,000		36,120,000
Net assets after retirement benefits			6,630,909		8,165,390
Representing					
Compliance enforcement reserve	15	1,500,000		1,500,000	
Revenue reserve	15	5,130,909		6,665,390	
			6,630,909		8,165,390

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



David Begg
Chairman

22 June 2022



Brendan Kennedy
Pensions Regulator

22 June 2022

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021			
		2021	2020
	Notes	€	€
Net cash inflow/(outflow) from operating activities	16	(1,132,329)	(633,192)
Cash flows from financing activities Interest received		274	672
Cash flows from investing activities Payments to acquire property, plant and equipment		(116,164)	(417,777)
Transfers from short-term deposit accounts		0	0
Increase/(Decrease) in cash and cash equivalents in year		(1,248,219)	(1,050,297)
Reconciliation of net cash flow to movement in net funds	17		
Increase/(Decrease) in net funds in the year		(1,248,219)	(1,050,297)
Net funds at 1 January		7,148,260	8,198,557
Net funds at 31 December		5,900,041	7,148,260

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. Accounting policies

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

a) General information

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

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

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

The Authority is a Public Benefit Entity (PBE).

The financial statements are denominated in Euro.

b) Statement of compliance

The financial statements have been prepared in compliance with the applicable legislation, and with FRS 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, issued by the Financial Reporting Council in the UK.

c) Basis of preparation

The financial statements are prepared under the accruals method of accounting, on the going concern basis and under the historical cost convention, unless otherwise disclosed, in the form approved by the Minister for Social Protection, with the concurrence of the Minister for Public Expenditure and Reform, in accordance with Section 22(1) of the Pensions Act, 1990, as amended.

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

d) Oireachtas recoupments

Oireachtas recoupments 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 Authority. Oireachtas recoupments are recognised in the year in which the related pensions are paid.

e) Fee income

(i) Occupational pension scheme fees

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

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

(ii) Personal Retirement Savings Account fees

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

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

f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is charged in the statement of income and expenditure and revenue reserves on a straight-line basis, from the point the asset comes into use. Depreciation is applied at the annual rates set out below, so as to write off the assets, adjusted for estimated residual value, over the expected useful life of each appropriate category.

- Leasehold improvements 6½% 15 years
- Computer equipment 25% 4 years
- Office furniture 12½% 8 years
- Office equipment 20% 5 years

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

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

g) Operating lease

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

h) Retirement benefits (Refer to note 18)

Nature of schemes

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

For employees appointed prior to 1 January 2013:

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

For employees appointed after 1 January 2013:

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

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

- The Authority makes agreed contributions to the Department of Social Protection (for the Model scheme) and to the Department of Public Expenditure and Reform (for the Single scheme).
- The contributions for both schemes comprise an employee element along with an employer element. The employer contributions, paid by the Authority, amount to 25% of gross pay for employees paying PRSI at the A rate in the Pensions Authority Superannuation scheme and 30% of gross pay for employees paying PRSI at the D rate. The employer contribution paid by the Authority to the Single scheme amounts to three times the employee contribution.

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

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

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

Scheme actuarial gains or losses

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

Scheme liabilities

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

i) Compliance enforcement reserve

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

In certain cases, such action could involve the Authority in significant costs. It is not possible to anticipate when such cases

may arise, or the resulting level of costs, but the Authority considers it prudent to ensure that adequate resources are available and to spread such costs over the years.

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

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

j) Critical accounting judgements and estimates

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

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

Depreciation and residual values

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

Retirement benefit obligation

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

The assumptions can be affected by:

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

2. Other income

Other income	2021 €	2020 €
Interest income	274	672
Recoupment of prosecution costs	0	1,040
Miscellaneous income	1064	0
	1,338	1,712

3. Remuneration

The average number of full-time equivalent employees during the year was 83.5 (2020, 71) and the Employment Control Framework was 95 as at the end of 2021 (2020, 93.5). The aggregate employee and related costs were as follows:

Remuneration	2021 €	2020 €
Salaries	5,091,811	4,265,820
Employer superannuation contributions	964,491	810,962
Employer PRSI contributions	558,075	433,739
Agency/temporary staff	70,761	339,721
	6,685,138	5,850,242

Key management personnel

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

	2021 €	2020 €
Salaries ⁵	278,658	271,085

⁵ Figures are in line with grades as set out in Circular 19/2021. This does not include the value of retirement benefits earned in the period. The key management personnel are members of the Pensions Authority's pension scheme and their entitlements in that regard do not extend beyond the terms of the model public service pension scheme.

Employee short-term benefits breakdown⁶

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

Range of total employee benefits		Number of employees	
From €	To €	2021	2020
60,000	69,999	10	3
70,000	79,999	12	8
80,000	89,999	3	4
90,000	99,999	2	0
100,000	109,999	2	3
110,000	119,999	4	3
120,000	129,999	0	0
130,000	139,999	0	0
140,000	149,999	0	0
150,000	159,999	0	0
160,000	169,999	1	1

4. Pensions Regulator remuneration⁷

Pensions Regulator remuneration	2021 €	2020 €
Salary	163,327	160,524
Employer superannuation contribution	40,832	40,131
	204,159	200,655

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

5. Authority members' fees

Authority members' fees		
Name	2021 €	2020 €
David Begg - Chairman	20,520	20,520

⁶ For the purposes of this disclosure, short-term employee benefits in relation to services rendered during the reporting period include salary, overtime allowances and other payments made on behalf of the employee but exclude employer's PRSI.

⁷ Included as part of employee costs in note 3.

6. Rent and office expenses

Rent and office expenses	2021 €	2020 €
Rent ⁸	648,400	558,400
Service charge	107,138	124,958
Rates	63,838	20,925
Electricity	10,063	43,233
Cleaning	7,198	18,062
General maintenance	12,077	25,915
Offsite storage	2,552	2,756
	851,266	794,249

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

7. Training, education and employee-related expenses

Training, education and employee-related expenses	2021 €	2020 €
Training and education	187,591	98,261
Employee-related expenses ⁹	11,274	9,940
	198,865	108,201

8. Information, research and publicity

Information, research and publicity	2021 €	2020 €
Advertising and engagement activities	120,697	158,083
Printing, publications and website	64,812	62,284
	185,509	220,367

8 Rent includes an accrual for €90,000 increase for July to December 2021, subject to a current rent review.

9 Includes contributions to employee social committee and other activities.

9. Professional fees

Professional fees	2021 €	2020 €
Legal advice	224,641	157,119
Investigation and compliance support	146,078	331,550
Research consultancy	38,988	71,373
Internal audit fees	24,116	9,608
Statutory audit fees	21,000	20,600
Recruitment consultancy and advertising	29,361	25,472
Other ¹⁰	56,918	250,218
	541,102	865,940

10. General administration

General administration	2021 €	2020 €
Stationery and administration expenses ¹¹	15,435	28,808
Corporate subscriptions	232,137	181,227
Telephone and postage	50,948	49,013
Computer maintenance and consumables	727,423	555,477
Travel and subsistence ¹²	2,359	10,083
Insurances	72,406	54,865
Bank charges	27,757	20,464
	1,128,465	899,937

10 Includes ICT security audit and HR technical advice

11 Includes Audit and Risk Committee member fees of €4,111.

12 Included in travel and subsistence costs were:

- a) Foreign travel - €0 (includes €0 foreign travel for the Pension Regulator)
- b) Pensions Regulator expenses - €0 (includes €0 foreign travel) (2020 - €6,245)
- c) T&S relates to domestic travel for taxi fares in 2021

11. Property, plant and equipment¹³

	Leasehold improvements €	Computer equipment €	Office furniture €	Office equipment €	Capital WIP €	Total €
Cost or valuation						
At 1 January 2021	1,246,597	1,497,209	35,272	46,786	288,479	3,114,343
Additions in year	0	56,524	0	0	59,640	116,164
Transfer to computer equipment		245,210			(245,210)	0
Disposal in year	0	0	0	0	0	0
At 31 December 2021	1,246,597	1,798,943	35,272	46,786	102,909	3,230,507
Accumulated depreciation						
At 1 January 2021	1,164,380	1,114,201	31,336	37,270	0	2,347,187
Disposal in year	0	0	0	0	0	0
Charge for year	10,449	226,254	1,674	7,859	0	246,236
At 31 December 2021	1,174,829	1,340,455	33,010	45,129	0	2,593,423
Net book value						
At 31 December 2020	82,217	383,008	3,936	9,516	288,479	767,156
At 31 December 2021	71,768	458,488	2,262	1,657	102,909	637,084

12. Receivables

Amounts falling due within one year:	2021 €	2020 €
Fee income	625,000	599,500
Prepayments	308,544	343,434
Debtors other	87,205	102,672
	1,020,749	1,045,606

13. Payables

Amounts falling due within one year:	2021 €	2020 €
Creditors' accruals	272,754	86,731
Holiday pay accrual	112,135	95,324
Tax creditor	212,616	189,629
Trade creditors	329,460	423,948
	926,965	795,632

13 Capital work in progress (WIP) includes IT development projects in progress which have not yet been depreciated.

14. Financial commitments

(i) Capital commitments

There were no capital commitments at 31 December 2021.

(ii) Operating leases¹⁴

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

	2021 €	2020 €
Within 1 year	738,400	558,400
2-5 years	2,620,877	2,233,600
Over 5 years	-	300,677
	3,359,277	3,092,677

Lease payments are recognised as an expense.

15. Revenue reserves

	2021 €	2020 €
Compliance enforcement reserve		
At beginning and end of year	1,500,000	1,500,000
Revenue reserve		
At end of year	5,130,909	6,665,390
	6,630,909	8,165,390

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

	2021 €	2020 €
Deficit for year	(1,534,481)	(1,073,659)
Non-operating items		
Finance income	(274)	(672)
Non-cash items		
Depreciation	246,236	228,350
(Increase)/Decrease in receivables	25,772	(190,367)
Increase/(Decrease) in non-capital payables	130,418	403,156
Loss on disposal of fixed asset	0	0
Net cash inflow/(outflow) from operating activities	(1,132,329)	(633,192)

14 Operating lease includes an accrual for €180,000 annual increase in rent, subject to a current rent review.

17. Analysis of changes in cash flows

Cash and cash equivalents

	At 1 January 2021 €	Cash flow €	At 31 December 2021 €
Cash at bank and on hand	2,304,510	(1,244,505)	1,060,005
Short term deposits	4,843,750	(3,714)	4,840,036
	7,148,260	(1,248,219)	5,900,041

18. Accounting treatment for retirement benefits

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

For employees appointed prior to 1 January 2013:

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

For employees appointed after 1 January 2013:

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

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

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

- The Authority makes an agreed contribution to the Department of Social Protection (for the Model scheme) and to the Department of Public Expenditure and Reform (for the Single scheme).
- The contribution for both schemes comprise an employee element along with an employer element. The employer contribution to the Pensions Authority Superannuation scheme amounts to 25% of gross pay for employees paying PRSI at the A rate and 30% of gross pay for employees paying PRSI at the D rate and is paid by the Authority.

The employer contribution paid by the Authority to the Single scheme amounts to three times the employee contribution.

- There is an explicit commitment from the Department of Social Protection, with the agreement of the Department of Public Expenditure and Reform, that the Exchequer will meet the cost of benefits as they fall due.

a) Actuarial valuation

The Authority commissioned an actuarial valuation of retirement benefit liabilities under FRS102 at the statement of financial position date and the cost of benefits (service costs) accrued during the year. This valuation, which was based on the Project Unit method, is premised on the following key financial assumptions (with comparatives for 2020):

	31 December 2021	31 December 2020
Discount rate ¹⁵	1.30% p.a.	0.60% p.a.
Inflation rate	2.10% p.a.	1.30% p.a.
Increases to pensions in payment	3.10% p.a.	2.30% p.a.
Pensionable salary increases ¹⁶	3.10% p.a.	2.30% p.a.

¹⁵ The discount rate is prescribed under FRS102 and is based on the yield on high quality corporate bonds at the valuation date.

¹⁶ Includes an allowance for public sector pay scales..

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

	31 December 2021		31 December 2020	
Mortality: pre-retirement	None		None	
Mortality: post retirement	58% (male) of ILT15 62% (female) of ILT15 with allowance for future mortality improvements		58% (male) of ILT15 62% (female) of ILT15 with allowance for future mortality improvements	
Life expectancy at age 65:	Male	Female	Male	Female
FRS date:	21.9	24.3	21.8	24.2
FRS date + 20 years:	24.2	26.3	24.1	26.2
Retirement	70% of those with the option are assumed to retire at 60 with all other members assumed to retire at normal retirement age.		70% of those with the option are assumed to retire at 60 with all other members assumed to retire at normal retirement age.	
Age gap	Spouses are assumed to be 3 years younger than male members and 3 years older than female members		Spouses are assumed to be 3 years younger than male members and 3 years older than female members.	

b) Analysis of total pension costs charged to expenditure

	2021 €	2020 €
Total employer contribution ¹⁷	974,407	810,962
Adjustments for seconded employees and transfers out	(9,916)	(-)
Current service cost ¹⁸	2,055,000	1,424,000
Interest cost	228,000	369,000
Adjustment to deferred Exchequer funding	(2,283,000)	(1,793,000)
Total charge to the statement of income and expenditure and retained revenue reserve	964,491	810,962

17 The actuarial layout was represented in 2021 to include secondment adjustments. This resulted in a presentation difference of €794 in the 2020 comparative figure versus the figure presented in 2020 financial statements.

18 Includes employee contributions totalling €416,000 in 2021 and €328,000 in 2020.

c) Movement in net pension liability

	2021 €	2020 €
Net pension liability at 1 January	36,120,000	27,146,000
Current service cost	2,055,000	1,424,000
Interest cost	228,000	369,000
Experience (gains)/losses on scheme liabilities	(594,000)	2,995,000
Change in assumptions	960,000	4,544,000
Benefits paid during the year	(360,000)	(358,000)
Net pension liability at 31 December	38,409,000	36,120,000

d) Actuarial adjustments

	2021 €	2020 €
Experience (gains)/losses on retirement benefit obligations	(594,000)	2,995,000
Change in assumptions underlying the present value of retirement benefit obligations	960,000	4,544,000
Adjustment to deferred retirement benefits funding	(366,000)	(7,539,000)

e) Superannuation deductions and contributions

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

	2021 €	2020 €
Employer ordinary contributions	957,318	810,168
Employee ordinary contributions ¹⁹	254,717	199,211
Additional superannuation contribution	161,393	129,036
	1,373,428	1,138,415

Breakdown of remittance of pension deductions

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

- Pre-1995 scheme.
- Post-1995 scheme.
- Single scheme.

¹⁹ 2021 employee contributions include an amount of €8,659 in respect of notional service purchased.

Pension contributions for the pre-1995 and post-1995 Model scheme are remitted to the Department of Social Protection. Pension contributions for the Single scheme are remitted to the Department of Public Expenditure and Reform. The table below provides a breakdown of the remittance.

	2021 €	2020 €
DSP:		
Employer ordinary contributions	550,315	525,697
Employee ordinary contributions	119,050	104,388
Additional Superannuation Contribution	161,393	129,036
DPER:		
Employer ordinary contributions	407,003	284,471
Employee ordinary contributions	135,667	94,823
	1,373,428	1,138,415

f) Superannuation receipts and payments

	2021 €	2020 €
State grant in respect of pension payments ²⁰	358,656	357,737
Superannuation benefits paid	(358,656)	(357,737)

19. Disclosure of transactions

In accordance with the Code of Practice for the Governance of State Bodies, the Authority has in place a Code of Business Conduct for Authority members. The Code of Business Conduct includes guidance in relation to the disclosure of interests by Authority members and these procedures have been adhered to by the Authority during the year covered by these financial statements. During 2021, there were no financial transactions with Authority members other than the payment of Authority fees detailed in note 5.

20. Taxation

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

21. Subsequent events

There are no events between the reporting date and the date of approval of these financial statements for issue that require adjustment to the financial statements.

The Authority recognises that the Covid-19 pandemic is a significant event which has been ongoing since the reporting date. The Authority is taking the situation seriously and is monitoring the situation on an ongoing basis. The business continues to operate with measures in place to protect employees who are working remotely. To date, the operations and the Authority's activities are being maintained while adjusting to the different way in which the business is being delivered.

22. Approval of financial statements

The financial statements were approved by Authority members on 22 June 2022.

²⁰ Department of Social Protection Vote 37 subhead A43.2.

APPENDIX I

Membership of occupational pension schemes and PRSAs*

Table 1: DB schemes with active members as at 31 December 2021

Number of schemes with active members as at 31 December 2021						
Scheme size by active members	Defined benefit				All schemes	
	Subject to the Funding Standard		Not subject to the Funding Standard			
	No of schemes	Active members	No of schemes	Active members	No of schemes	Active members
Frozen	183	0	0	0	183	0
In wind-up	14	0	0	0	14	0
Non-group	0	0	0	0	0	0
0 to 50	224	2,710	42	821	266	3,531
51 to 99	35	2,402	13	995	48	3,397
100 to 500	68	16,847	22	4,737	90	21,584
501 to 1,000	13	8,821	10	8,119	23	16,940
1,001+	16	85,051	18	404,262	34	489,313
2021 Total	553	115,831	105	418,934	658	534,765
2020 Total	566	112,336	105	405,783	671	518,119
Change since 2020	-13	3,495	0	13,151	-13	16,646

Table 2: DC schemes with active members as at 31 December 2021


Defined contribution schemes with active members as at 31 December 2021		
Scheme size by active members	No of schemes	Active members
Non-group	77,820	77,820
1-10	5,117	16,104
11-20	1,061	15,767
21-30	547	13,816
31-40	270	9,440
41-50	208	9,390
51-99	458	31,967
100-500	355	74,957
501-1,000	69	46,710
1,001+	59	141,225
2021 Total	85,964	437,196
2020 Total	82,211	411,044
Change since 2020	3,753	26,152

*Scheme membership data is based on the scheme registration data provided to the Authority by regulated entities.

PRSA data

The number of PRSA contracts increased in 2021 by 17,852 to 330,151 with assets under management of €9.5 billion. The contracts consisted of:

- 240,603 Standard PRSA contracts, and
- 89,548 Non-Standard PRSA contracts.



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