

Tuarascáil Bhliantúil & Cuntais

Annual Report & Accounts

1993

Is faoi théarmaí Acht na bPinsean, 1990 - reachtú a ceapadh d'fhonn cearta pinsin ball scéimeanna gairmiúla a chosaint, a bhunaigh an tAire Leasa Sóisialaigh An Bord Pinsean.

Tá an bord freagrach in eolas a sholáthar ar an Acht agus ar a chuid rialachúcháin, i gcomhairle a thabhairt don Aire faoi chúrsaí pinsin agus i spreagadh a thabhairt chun oiliúint chuí a sholáthar d'iontaobhaithe. Ach tá cumhachta leathna aige chomh maith chun féachaint chuige go ndéantar de réir an reachtaithe, cumhacht iniúchta agus cumhacht ionchúisimh san áireamh.

Is iad táillí a bhailítear ó na scéimeanna pinsean gairmiúla an foinse airgid atá aige agus ní foláir dóibh sin clárú leis an mBord anois.

The Pensions Board was established by the Minister for Social Welfare under the terms of the Pensions Act, 1990 - legislation designed to safeguard the pension rights of members of occupational schemes.

The Board is responsible for providing information on the Act and its regulations, advising the Minister on pension matters and for encouraging the provision of appropriate training for trustees. But it also has extensive powers to enforce compliance with the legislation, including those of investigation and prosecution.

It is funded by fees collected from occupational pension schemes, which are now required to register with the Board.

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The Board received and responded to nearly 2,000 enquiries (excluding routine enquiries) on the provisions of the Pensions Act and broader pension issues. As in previous years, a third of these came from scheme members or their trade union representatives and the vast majority of the balance from pension practitioners. Only a small proportion required extensive investigation and it has not been necessary to have recourse to legal action to enforce compliance in these cases.

Wider Pensions Issues

The final report of the National Pensions Board on the future development of the national pensions system was published in December. One of its main conclusions is that occupational pension schemes should continue to be developed and promoted, as the main means of providing additional pension cover (related to earnings) to supplement basic pension provision under the social welfare system. It recommended that this Board should have overall responsibility for promoting a greater awareness of the importance of providing adequate pension cover for both employees and the self-employed, and as part of this responsibility should carry out and publish a survey of pension coverage at regular intervals. We will be studying the full implications of these recommendations and will report our findings.

We also forwarded to the Pension Law Review Committee in the United Kingdom (the 'Goode Committee'), at their request, a paper dealing with the issue of the protection of the pension rights of persons who in the course of their career are employed in the United Kingdom and the Republic of Ireland, and/or who are employed in one State, while remaining members of schemes based in another. In the light of the recommendations in the Goode Committee's report, published in September 1993, the Board will be examining this issue further in 1994 and reporting on the matter to the Minister.

I would like to record my personal appreciation of the enormous amount of work involved over the past three years in helping to get a comprehensive set of standards for occupational pension schemes into effective operation, and of the outstanding commitment of the members of the Board to this task.

As Chairperson, I wish to thank all my colleagues for their hard work and support during 1993. I also wish to record the Board's thanks to the Chief Executive and all the staff for their work and to the experts in pensions practice and law who serve on our committees and sub-committees.

Finally, I would like particularly to acknowledge once again the excellent co-operation we have received from those involved in pension scheme administration, and look forward to continued co-operation in ensuring that the pension rights of scheme members are adequately safeguarded.



M. BROUGHAN

Chairperson

The Pensions Board is a representative Board, comprising a chairperson and 12 ordinary members. Members are appointed by the Minister for Social Welfare, but under the provisions of the Pensions Act the Board must comprise representatives nominated by trade unions, employers, the Government, the pensions industry and professional groups involved with occupational pension schemes.

The term of office for a Board member is five years. Casual vacancies are filled by the Minister for Social Welfare, or the nominating body, as appropriate. A person who fills a vacancy only holds office until what would have been the normal expiry date of the term of office of the person he or she has replaced.



James R. Kehoe
Nominated by the Society
of Actuaries in Ireland.



Donal McAleese
Nominated by the Irish
Business and Employers
Confederation.



Michael Lane
Nominated by the
Association of Pension
Lawyers.



Patricia O'Donovan
Nominated by the Irish
Congress of Trade Unions.



Ciarán Long
Nominated by the Irish
Insurance Federation.



Robert Woods
Nominated by the
Consultative Committee of
Accountancy Bodies in
Ireland.

Staff of the Board



The management team at the Pensions Board: Adrian Smith, Gerry Mangan, Mary Hutch and Thomas Dunphy.

Chief Executive

Gerry Mangan

Head of Investigations

Adrian Smith

Head of Information and Research

Mary Hutch

Accountant/Registrar

Thomas Dunphy
(Secretary to the Board)

Enquiries and Information

Catherine Goulding

Systems Manager

David Moore

Support Staff

Aideen Bugler
Valerie Clooney
Jennie Coughlan
Geraldine Slattery
Edel Stenson

Developing the National Pensions System

A major challenge facing Ireland over the coming decades, in common with other EU Member States, will be to ensure a high standard of pension provision for the growing numbers of older people particularly, in the case of Ireland, in the period from around 2010 onwards. The people who will be retiring then are currently in the first half of their career - the age group 15 to 45 - and for many pension cover is a remote concern. However, the nature of pension provision both for individuals and for the State is such that the adequacy of pensions at retirement very much depends on beginning to make provision decades beforehand.

It is particularly timely, therefore, that the National Pensions Board (NPB) in its final report provides a detailed analysis of how the pensions system in Ireland should be developed to meet this challenge. In this article we deal with the broad issues raised in the report, which we hope may assist in focussing attention on an area of policy that is of major relevance to virtually all the citizens of this State and in facilitating an informed debate on these issues.

The Pensions Challenge

Pension provision has become a critical issue at present mainly for the following reasons:

- Ageing of the Population - Life expectancy is increasing and this, combined with the increase in the population in recent decades, means that by the year 2036 the numbers over 65 in Ireland will have grown to around 660,000 - 67% more than in 1991. At the same time falling birth rates will lead to a decline in the numbers in the economically active age groups - 15 to 65. At the present time there are approximately 5.4 persons who are economically active to each person over age 65. This proportion could have dropped to 3 to 1 by the year 2036.
- Changing Family Structures - Hitherto older people for the most part could look to spouses and other family members to be available to support and care for them as they become increasingly dependent in old age. But this support is unlikely to be available to the same extent in the future due to families being smaller and spread more geographically, the increasing participation of married women in the paid workforce, and the growing incidence of marital separation and lone parenthood generally.
- Changing Employment Patterns - Fewer people can look forward to a stable job for a whole career in which pension entitlements can be built up steadily. Instead for many there will be frequent changes of jobs, alternate spells of work and unemployment, and atypical employment - part-time, temporary or self-employment.

The effect of these changes in the case of individuals is that adequate pension cover has seldom been more important, while building up pension entitlements will for many become significantly more difficult than has been the case in recent decades.

The financing of pensions is also now of critical economic importance. This is due to the level of resources required, which will grow significantly in real terms over the coming decades, and the system of pension financing will have to have regard to the needs of the economy and the implications for competitiveness.

Social Welfare Pension Provision

Basic pension provision is provided under the State social welfare schemes for the following categories:

- all residents with insufficient resources - eligible for non-contributory pensions subject to a means test under social assistance
- employed and self-employed persons - accruing entitlements to non means-tested pensions under social insurance.

The National Pensions Board in its final report has examined in detail the nature of the promise under social insurance and social assistance, and recommended ways in which it needs to be clarified and restructured. It recommends, in particular,

- a target level of pension which will provide a minimally adequate level of income for all residents of the State in the event of old age, incapacity for work, and, in the event of death, for surviving dependants;
- a payments structure under which current differentials between various categories of pensioners would be progressively removed; those with derived entitlements as adult dependants, mainly married women, would be given the opportunity to build up entitlements to pension payments in their own right; additional allowances for child dependants, and allowances to assist in providing for the extra costs of living alone and for essential household expenses, would be retained;
- a simplified and more equitable set of contribution conditions for determining entitlement to pensions under social insurance, more closely related to periods of insurance completed than under the present formula, but which would also provide for the maintenance of entitlements already acquired, and for protecting the position of those with gaps in their insurance arising from periods spent full-time caring for family; and
- certain changes to the conditions for determining eligibility - retirement/old age, invalidity, and survivors, with particular reference in the latter case to equal treatment for men and women.

We consider that the reforms proposed by the NPB would go a long way towards providing a clear, coherent and equitable set of rules for entitlement to social welfare pensions. The proposals also have the merit of being largely based on a broad consensus among the main parties with an interest in pension provision. Therefore, if adopted, they are likely to result in an essential objective of pension provision being met, which is that those covered know what their entitlements will be, if or when the risk e.g. old age/retirement, materialises and can plan accordingly.

Financing

The security of the social welfare pension promises, however, is also crucially dependent on the capacity to finance these promises. The NPB report has highlighted the fact that as a result of the projected demographic changes a doubling of the existing PRSI contributions for pensions could be required in the period from 2020 on, simply to finance the flat-rate pensions under social insurance.

This reality points to the clear need to provide for regular actuarial reviews of the projected costs of the social welfare pension promises, and of the resources required to meet these costs. Any adjustments of the pension promises and/or of the financial provision to be made to meet these promises arising from such reviews can then be phased in gradually and in a way that protects existing entitlements and avoids sharp increases in contributions. In this connection we support the recommendation of the NPB for five yearly actuarial reviews.

Occupational and Personal Pension Arrangements

Given the projected increases in expenditure required to maintain the existing level of flat-rate pensions under the social welfare system in the decades ahead in the light of demographic changes, and the already limited scope for increasing revenue from PRSI in the light of the serious unemployment situation, we share

the serious reservations of the NPB as to whether an earnings related pension scheme under social insurance would be sustainable in the longer term. In view of this, it will continue to be necessary to promote second tier pension coverage through occupational schemes and personal pension arrangements.

This requires

- the maintenance of suitable taxation arrangements, under which tax is deferred until pensions become payable, and we welcome the recent commitment made by Government to maintain the existing tax treatment; and
- an effective regulatory system to protect the pension promise under occupational schemes which is now provided for under the Pensions Act and Trust Law.

It is also important, however, to establish to what extent income earners have supplementary cover under occupational and personal pension arrangements, and how adequate this coverage is in terms of maintaining established living standards. The NPB recommendation was that this Board is the most appropriate body to be given the responsibility for monitoring the level and degree of pension coverage over and above that provided for under the social welfare system. We are examining these recommendations and intend to submit a report on the matter to the Minister before the end of 1994.

Encouraging Pension Provision

The NPB report also recommends that the Pensions Board should be given the task of encouraging greater emphasis on the provision of adequate pension cover for both employees and the self-employed. We share the concern of the NPB that many employed and self-employed persons have insufficient pension cover to maintain their living standards in the event of retirement, permanent incapacity for work and the living standards of surviving dependants, in the case of death. This position can be greatly improved by the extension of pension coverage under both occupational and personal pension arrangements. There is also much scope for improving the adequacy of existing pension coverage, particularly in relation to

- maintaining the value of pension payments in real terms,
- providing for pensions for surviving dependants, in the event of death after retirement, and
- extending preservation of benefits to cover pre-1991 service (this issue is also referred to on page 25 of this report).

We will be giving detailed consideration to how best we can contribute to promoting wider and more adequate pension coverage, and reporting on our findings to the Minister.

Pensions - The Future

Many of the key elements required to meet the challenge of ensuring adequate pension cover for the growing numbers of older people in the decades ahead are now in place. The final report of the National Pensions Board makes a major contribution to developing the policy needed to ensure that all the necessary elements will be in place to deliver adequate pension cover for our citizens. We look forward to playing our part in the working out of that policy and, as appropriate, in its implementation.

Administrative and Financial Report

The administrative structures put in place to support the Board's activities operated satisfactorily in 1993. The staff complement was maintained at 11 and the computer systems are now all fully operational.

It is the policy of the Board to ensure the safety, health and welfare of its employees by maintaining a safe place and system of work. The policy is based on the requirements of the Safety, Health and Welfare at Work Act, 1989.

Guidelines for the conduct of members and staff in relation to the business of the Board, adopted in 1992, are being observed. This includes implementation of procedures for the disclosure of interests by Board members.

Finance

Expenditure in 1993 amounted to IR£571,085 and was below budget. The main savings were made in payroll costs as a result of a vacancy at senior management level for some months. This also resulted in work scheduled for 1993 and its associated costs having to be postponed to 1994.

The fee revenue for 1993 was IR£642,500. This reflects the revision in fee levels introduced by virtue of the Occupational Pension Schemes (Fees) (Amendment) Regulations, 1992 (S.I. No. 367 of 1992), which took effect from 1 January 1993.

The surplus of income over expenditure arising amounted to IR£110,874, as against a deficit in the previous year of IR£18,282. When the fee was increased from 1993, the intention was to provide the Board with a stable financial base from which to operate, consistent with the aim of maintaining a stable fee level over a number of years. The Board is satisfied that both aims are being met.

The fee levels for 1993 and 1994 are in the table across. In addition, an annual fee of IR£3 is payable in respect of one member schemes established on or after 1 January 1993.

No fee is payable on "frozen", "Death Benefit only" or "Additional Voluntary Contribution only" schemes, or on schemes with less than two members which were established before 1 January 1993.

The fee payable by public sector schemes, excluded from the application of the Funding Standard under the Pensions Act, is 40% of that due from other schemes of comparable size.

Fee Levels — 1993 and 1994

Number of active members	Fee
2-500	IR£3 per member
501-1000	IR£1,500 flat fee
1001 and over	IR£1.50 per member

Financial Outlook

The financial year to 31 December 1993 represented the Board's first year to experience normal running costs at current operating levels and a pattern of necessary expenditure is emerging.

A provision of IR£30,000 was again made against income and expenditure account in 1993 and this provision now stands at IR£60,000. This provision will be built up to a reasonable figure to ensure that the Board will have the necessary resources to carry out its investigative functions, including the institution of legal proceedings, should this be necessary to ensure compliance with the Pensions Act.

The annual transfer from income and expenditure account to the compliance enforcement and depreciation provisions results from time to time in the Board having cash which is surplus to its immediate requirements. When this occurs, the surplus cash is invested in short term low risk securities to yield an adequate return consistent with the statutory functions and authority of the Board, as laid down in the Pensions Act.

Registration of Occupational Pension Schemes and Collection of Fees

Most of the registration details outstanding from the initial registration exercise in October/November 1991 were received by the Board by end 1993. This phase of the registration of schemes will be completed in the first half of 1994.

3,583 new schemes were added to the register during 1993, of which 3,131 were one member schemes. The total number of schemes registered at the end of 1993 was 48,061. This includes "Additional Voluntary Contributions (AVC) only" and "Death Benefit only" schemes.

Tables 1 and 2 below show the number of schemes registered with the Board at end 1993, which provide retirement benefits, and the number of active members of these schemes. The total number of these members is 467,890.

Table 1 Current Schemes - Defined Benefit*		
Scheme Size	Number of Schemes	Number of Members
One Member	354	354
2 - 50	1,654	25,037
51 - 100	229	16,398
101 - 500	284	63,571
501 - 1,000	37	24,803
1,001 +	41	276,282
Total	2,599	406,445

Table 2 Current Schemes - Defined Contribution*		
Scheme Size	Number of Schemes	Number of Members
One Member	27,461	27,461
2 - 50	4,405	24,099
51 - 100	62	4,381
101 - 500	29	5,504
501 - 1,000	0	0
1,001 +	0	0
Total	31,957	61,445

* Excluding AVC only and Death Benefit only schemes

The majority of scheme members are in schemes which are financed fully on a pre-funded basis. These include all members of defined contribution schemes and most members of defined benefit schemes.

The following tables give a breakdown of the defined benefit schemes which provide retirement benefit cover, as between schemes which are financed fully on a pre-funded basis and those excluded from the funding standard either because they are financed partially or fully on a "pay as you go" basis.

Table 3 Defined Benefit Schemes subject to the funding standard		
Scheme Size	Number of Schemes	Number of Members
One Member	354	354
2 - 50	1,628	24,549
51 - 100	223	15,982
101 - 500	271	60,365
501 - 1,000	33	22,166
1,001 +	24	82,324
Total	2,533	205,740

Table 4
Defined Benefit Schemes excluded from the funding standard

Scheme Size	Number of Schemes	Number of Members
One Member	0	0
2 - 50	26	488
51 - 100	6	416
101 - 500	13	3,206
501 - 1,000	4	2,637
1,001 +	17	193,958
Total	66	200,705

The schemes in Table 4 are all in the public sector and are excluded from the application of the Funding Standard by regulations, because the benefits are or may be paid, in whole or in part, out of monies provided from the Central Fund or monies provided by the Oireachtas.

Fee Collection

At the end of 1993 there were 6,741 occupational pension schemes with more than one member in respect of which fees are payable. Fees were also payable in respect of 1,325 one member schemes established since 1993. This excludes "AVC only" and "Death Benefit only" schemes.

We wish to record our appreciation of the major contribution being made to the fee collection/registration process by life assurance companies and brokers/consultants, which has significantly reduced the administrative difficulties and costs for individual schemes and for the Board.



Aideen Bugler, David Moore and Valerie Clooney who work in the area of scheme registration and fee collection.

Enquiries and Investigations

During 1993 staff of the Board dealt with a total of 1,979 enquiries/complaints. This figure does not include enquiries of a routine nature. The number includes 714 enquiries on registration and fee collection, which were virtually all from pension practitioners.

Of the remaining 1,265 enquiries, over half were from scheme members, pensioners and trade unions representing members. The following table gives a breakdown of the categories of enquirers. It excludes enquiries on registration and fee collection and reflects the fact that some enquirers raised more than one question on the Pensions Act.

Enquirer	1993		1992	
	Number	%	Number	%
Active Member	539	45	376	43
Pensioner	55	5	49	6
Trade Union	34	3	23	3
Company/Employer	41	3	41	5
Trustee	60	5	26	3
Pension Practitioner	349	29	272	31
Other	111	10	80	9
Total	1,189	100	867	100

Apart from registration and fees, the largest number of enquiries as in 1992 related to disclosure of information. There was also a significant increase in enquiries in relation to trustee duties, which arose mainly from the introduction of the regulations on member participation in the selection of trustees. The following table gives a breakdown of the enquiries received.

Enquirer	1993		1992	
	Number	%	Number	%
Registration/Fees	714	36	476	33
Preservation	116	6	101	7
Funding Standard	69	3	54	4
Disclosure	489	25	466	32
Trustee Duties	275	14	141	10
Equal Treatment	24	1	35	2
Other	292	15	165	12
Total	1,979	100	1,438	100

A considerable number of enquiries from members concerned their rights to obtain information on their scheme and on their individual entitlements. Many of these related to changes in the schemes - from defined benefit to defined contribution, non-contributory to contributory, and the amalgamation of company schemes. A significant proportion of enquiries also arose when schemes were being frozen or wound up.

Most of the enquiries in relation to preservation and trustee duties came from members.

A total of 158 enquiries/complaints required casework to be carried out in 1993, which involved correspondence and/or meetings. This compares with a figure of 187 for 1992. At the year end there were 29 cases outstanding. Of those dealt with and finalised during the year, compliance was achieved in all such cases where this was an issue, without having recourse to legal action. In the remaining cases, the Pensions Board was involved in providing full explanations of members' rights and entitlements in dispute, where compliance with the Pensions Act was not at issue.



Catherine Goulding and Jennie Coughlan who work in the area of enquiries and investigations.

Guidance and Information

One of the primary functions of the Pensions Board is to provide clear, authoritative guidance on the requirements of the Pensions Act, to trustees and scheme administrators. The Pensions Act and its regulations override, where necessary, the Trust Deed and Rules of schemes. Trustees also have specific duties and responsibilities under the terms of the legislation.

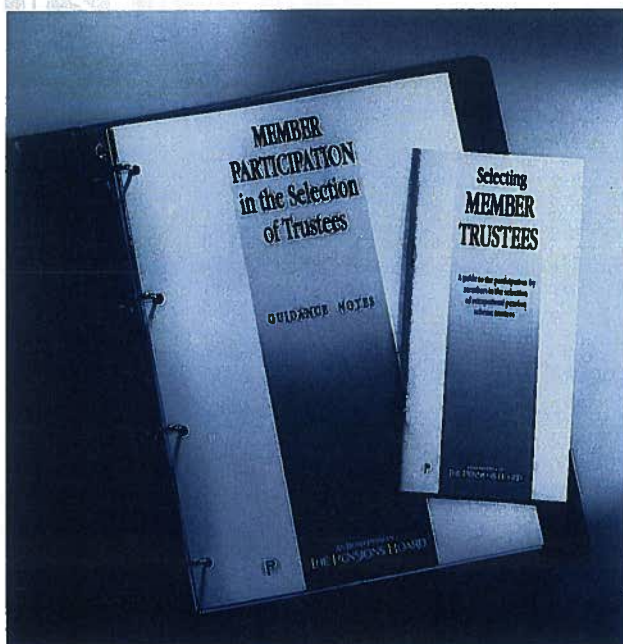
The services that the Board provides in this regard are as follows.

Legislation Service

This service was introduced by the Board in 1992. It provides, in a single folder, a consolidated text of the Pensions Act, including all amendments made to date, and consolidated texts for all the Act's regulations. Subscribers receive updates whenever the Act or its regulations are amended. There are currently 132 subscribers to this service.

Guidance Notes

This service is designed mainly for pension practitioners and provides guidance on those parts of the Act which override scheme rules. Subscribers to this service receive updates for a specified period to take account of any legislative changes.



Guidance notes and information leaflet on member participation in the selection of trustees.

Guidance notes on the following parts of the Act have been issued to date:

- Disclosure of Information (Part V of Pensions Act and regulations S.I. No. 215 of 1991) - currently 161 subscribers
- Member Participation in the Selection of Trustees (Part VI of Pensions Act (Section 62) and regulations S.I. No. 399 of 1993) - currently 431 subscribers
- Equal Treatment for Men and Women (Part VII of Pensions Act and regulations S.I. No. 365 of 1992) - currently 321 subscribers.

The preparation of guidance notes on preservation of benefits (Part III and Second Schedule, and regulations S.I. No. 445 of 1992 and S.I. No. 217 of 1993) has taken longer than anticipated. This is mainly due to the desire on the part of the Board to provide guidance which is comprehensive and clear, in an area where the legislation covers a range of complex situations. It is intended that the guidance notes will be available by mid-1994.

Guidance is also provided by the Society of Actuaries to its members on the application of the funding standard, and by the Accountancy Bodies to their members on auditing scheme annual accounts in accordance with the disclosure of information requirements. The professional bodies consult with the Board on the guidance being given.

Guidance/Training for Trustees

Another key function of the Board is to promote good practice among trustees and to set standards for best practice. The Board has given detailed consideration to how best this can be provided and has concluded that a Trustee Handbook incorporating codes of practice for trustees should be prepared. This handbook will be ready for issue in the second half of 1994.

Trustee training is another major priority for the Board. There are now 12 trustee training course providers registered with the Board and we expect this number to increase in 1994 as additional training course providers are examined and approved by the Board.

Information for Members

It is essential that scheme members are made fully aware of their rights under the Pensions Act. If members use these rights, they will make a significant contribution to the safeguarding of their entitlements under occupational pension schemes.

It is therefore even more essential that scheme members have access to clear information that is easily understandable. With this in mind, a series of information booklets on the Pensions Act has been prepared by the Board and is now available. A further series of booklets will be introduced in 1994, the aim being to have information readily available on all aspects of the Pensions Act relevant to scheme members.

Review of Information Operations and Requirements

In July 1993, we commissioned consultants to assist in reviewing our information operations and requirements. This consisted of an audit of our existing operations in this area and of their effectiveness, defining specific objectives in relation to each client group with whom we need to communicate, and devising the most effective ways of using our existing resources to inform and communicate with each such group. An integrated programme has now been drawn up in the light of that review and is being implemented.



Legislation and guidance notes folders.



Range of information booklets.

Advisory Role of the Board

One of the main priorities of the Board since its establishment, has been to monitor the application of the Pensions Act and its regulations, advise on any changes to the existing provisions required to meet more effectively the objectives of the Act, and advise on the drawing up of regulations, where necessary, to give effect to the Act's provisions.

Review of the Legislation

Amendments to the Pensions Act, mainly of a technical nature, had been included in the 1992 and 1993 Social Welfare Acts. The Board decided in 1993 to set up a special Committee to review Parts I to VI of the Act with a view to putting forward a comprehensive set of proposals for any further amendments required. The various organisations represented on the Board were also asked for their comments on the operation of the Act. The report of the Committee was approved by the Board and submitted to the Minister in November 1993. It contained a number of recommendations (mainly technical) for amendments to the Act.

The Equal Treatment Committee undertook a similar review of Part VII (Equal Treatment), with special regard to Judgements of the European Court of Justice on the application of Article 119 of the Treaty of Rome to occupational schemes, which were delivered in the last quarter of 1993. The report of this Committee, which also contained recommendations for technical amendments to the Act, was approved by the Board and submitted to the Minister in December.

The Board wishes to thank the various organisations that made very helpful submissions on these matters.

Family Law Bill

The Board was consulted by the Departments of Social Welfare and Equality and Law Reform on proposals for a Family Law Bill. In particular, the Board's advice was sought in relation to proposals to include provision for the Courts to make pension adjustment orders in relation to entitlements under occupational pension schemes, following the granting of a decree of nullity, and orders for the preservation of such entitlements, where a decree of judicial separation has been granted.

Legislative Changes

A series of mainly technical amendments to the Pensions Act were included in the Social Welfare Act, 1993, and were based on recommendations made by the Board to the Minister. This Act came into force on 2 April 1993.

A revised Section 62 of the Pensions Act was included in the Social Welfare (No. 2) Act, 1993, which came into force on 21 December 1993. The main purpose of the revision was to remove uncertainty regarding the scope of this provision, which provides for member participation in the selection of persons for appointment as trustees.

Regulations

The Board was consulted on the drafting of the following regulations which were introduced in 1993.

Occupational Pension Schemes (Preservation of Benefits) (Special Calculations) Regulations, 1993 - S.I. No. 217 of 1993

These regulations provide for the calculation of the preserved benefit entitlements of members who have completed periods of reckonable service in more than one scheme relating to the same employment.

They were introduced on 27 July 1993 and came into force on 1 August 1993.

Occupational Pension Schemes (Member Participation in the Selection of Persons for Appointment as Trustees)(No. 2) Regulations, 1993 - S.I. No. 399 of 1993

These regulations give effect to Section 62 of the Pensions Act. They prescribe the schemes covered, the members qualified to participate, the proportion of trustees which members may select (subject to a minimum of two), how the process may be initiated, and the procedures for selection. They also provide for such matters as the selection of the Chairperson, the term of office of the member trustees and the Chairperson, the filling of casual vacancies, and the procedures for re-selection of member trustees at the end of their term of office.

The regulations which were introduced on 21 December 1993 came into force on 1 January 1994. They replaced earlier regulations, S.I. No. 216 of 1993, introduced on 27 July 1993, which were revoked following the amendment to Section 62 in the Social Welfare (No. 2) Act.

Occupational Pension Schemes (Funding Standard) Regulations, 1993 - S.I. No. 419 of 1993

These regulations prescribe the form and content of the actuarial funding certificate and the time-limits for the submission of these certificates to the Pensions Board. They also provide that any calculation of the resources of the scheme for the purposes of meeting the funding standard shall exclude self-investment or concentration of investment in excess of specified percentages of the scheme's resources. The exclusions shall operate on a phased basis for schemes other than small member-controlled schemes as follows:

- self-investment in excess of 20% up to 31 December 1993, 10% up to 30 June 1997, 5% after 30 June 1997;
- concentration of investment in excess of 20% up to 30 June 1997, 15% up to 31 December 2000, 10% after 31 December 2000.

The exclusions in the case of small member-controlled schemes shall, on a continuing basis, be self-investment and concentration of investment in excess of 20%.

The regulations also exclude certain public service schemes from the application of the funding standard.

These regulations, which came into operation on 31 December 1993, replaced regulations, S.I. No. 371 of 1991, which were revoked.

Accounting to Members — Participation in the Selection of Trustees

From 1 January 1994, the last major provisions of the Pensions Act, 1990, came into force - those which provide for member participation in the selection of trustees. Regulations were introduced in July 1993 which set out how member participation should be provided for from 1 January 1994. This gave scheme members, employers and trustees time to become familiar with the requirements and procedures laid down and, if they so wished, to begin making the necessary arrangements to give effect to member participation, once the legislation came into force.

Publication of the regulations also enabled the Board to monitor the reaction to the legislation from the main parties involved, particularly in terms of the feasibility and effectiveness of the procedures provided for. This reaction enabled the Board to recommend adjustments considered necessary, by way of amendments to the legislation, before the process got underway from January 1994.

Main Provisions

The main features of the provisions are broadly as follows.

Any scheme established under a trust which has 50 or more qualified members, or 12 or more qualified members if a directly invested scheme, comes within the scope of the regulations. A qualified member is a member of the scheme currently in employment, other than a member covered by the scheme for death in service benefits only, or a former employee in receipt of benefits from the scheme.

The options available are as follows.

Under what is termed a standard arrangement, members, by means of an election, can select half the total number of trustees (excluding the chairperson), subject to a minimum of two. The chairperson is chosen by the persons selected for appointment as trustees (both by the employer and members); if a majority of those selected fail to agree on a nominee, the chairperson is chosen by the employer.

The employer can choose to put forward an alternative arrangement for the appointment of trustees, for the approval of members in a preliminary poll.

Members may also opt to retain the existing arrangements, if they are satisfied with them.

At any time after 1 January 1994 the existing trustees can be requested to start the process by

- a trade union or trade unions which represent at least 50% of active members, or
- at least 15% of qualified members, or
- the employer.

Arrangements for member participation will usually be made following discussions between the employer and representatives of members. These discussions will cover such matters as the overall number of trustees and the arrangements for the selection of a proportion of this number by members. Specific rules on all these matters are set down in regulations, which can be invoked, as necessary.

An information booklet on the process entitled "Selecting Member Trustees" is available free of charge from the Pensions Board.

Removing Legal Uncertainty

The Issuing of guidance notes and the information booklet was originally scheduled for early October. However, this had to be delayed as it became apparent that the legislation - both Section 62 of the Pensions Act and the regulations - gave rise to legal uncertainty in a number of areas.

The Board was advised that Section 62 could be interpreted as requiring that a majority of members would first have to decide whether they wished to participate in the selection process, before the process could get started. This could also have to be decided by a majority of all scheme members and not just a majority of those voting. The Board considered that such requirements would unnecessarily complicate the process, as well as giving rise to significant extra costs.

Consequently the Minister was advised of the need to amend Section 62 to remove this uncertainty. The Minister dealt with the situation by proposing the inclusion in the Social Welfare (No. 2) Bill, 1993, of an amendment to Section 62 of the Pensions Act. This Bill was enacted by the Oireachtas and came into force on 21 December 1993.

As a result of the amendment to Section 62 it was also necessary to introduce revised regulations. The Board proposed that the opportunity be taken to make a number of technical changes in the regulations, designed to improve the operation of the procedures set down, most notably in cases where the preferred structure is a corporate body operating as a sole trustee.

No clear provision had been made for the option of a sole corporate trustee, which could involve some of the directors being selected by members. A number of schemes already have this arrangement, which they find very effective. It was originally envisaged that such directors would be selected under the regulations in the same way as member trustees. However, there is no basis in Section 62 to provide for this. Moreover, if it were to be provided for, it would have required changes not just to Section 62 but also to Company Law, which governs corporate entities. The Board concluded that the best approach in the circumstances would be to make provision for employers, who wish to do so, to put such a structure forward as an alternative arrangement for approval by scheme members. The Board's recommendation was accepted by the Minister and the necessary provision was made in the revised regulations.

As a result of the changes made, there are now clear and coherent legal provisions in place for member participation in the selection of trustees. The Board will be monitoring the operation of these provisions over the next two years, with a view to reporting to the Minister on their application before the end of 1995.

Guidance

The Minister launched detailed guidance notes and the information booklet at the offices of the Pensions Board on 22 December. Special procedures have been put in place to ensure that both publications receive a wide distribution. A Telephone Helpline has also been in operation from 4 January 1994 to deal with any queries people may have on the process.



The Minister for Social Welfare at the launch of the guidance notes and information booklet on member participation in the selection of trustees.

Accounting to Members — Disclosure of Information

A major priority for schemes should be to ensure that information is made available to members promptly and in a form that is comprehensive and easy to understand. The greatest proportion of enquiries from members continues to relate to difficulties in obtaining information or in failing to understand the position as set out in the information provided. This applies particularly to personal entitlements on retirement, on the death of a member and on leaving employment. Providing information in an effective and timely manner is not alone of benefit to members, but also ultimately reduces administrative difficulties and associated costs for schemes and for the Board, which otherwise has to deal with the enquiries and take the necessary follow up action.

The degree of compliance with the requirement to have the annual trustee report and (in many cases) audited accounts available within nine months of the end of the scheme year is also a source of concern. Although schemes are not required to inform the Board when these documents have been made available, the Board is in a position to monitor the situation from information obtained from scheme members and from enquiries in relation to other matters.

The Board appreciates that many existing schemes which hitherto had not produced trustee reports and audited accounts on an annual basis had difficulty in meeting the statutory deadline initially. However, all schemes should have surmounted these difficulties at this stage, and the trustees and scheme administrators should now know what is required in order to ensure that the statutory deadline is met.

Over the coming year procedures, based on the register of schemes which is now virtually complete, will be put in place to check on a systematic basis whether the statutory requirements in relation to annual reports/audited accounts are being fulfilled. If trustees are found not to have complied, they will be open to prosecution in the Courts for breaching the Pensions Act.

Equal Treatment for Men and Women

Part VII of the Pensions Act which provides for the implementation of the principle of equal treatment for men and women in occupational benefit schemes, including occupational pensions, has been in force since 1 January 1993.

The European Court of Justice in its Judgement of 17 May 1990 (Barber) ruled that equal treatment is required under EU law (Article 119 of the Treaty of Rome) at least from the date of the Judgement and this is reflected in Part VII of the Act. Schemes, however, are also permitted under Part VII to maintain acquired entitlements, which relate to service before 17 May 1990, for specified periods without affording similar treatment to persons of the other gender. In the case of retirement ages, these entitlements can be maintained for up to 25 years from 1 January 1993 i.e. up to 31 December 2017, and in every other case for up to 6 years i.e. up to 31 December 1998.

However, a number of further cases had been referred to the European Court in relation to the following issues:

- (a) whether the retrospective application of the principle of equal treatment i.e. to benefits in respect of service prior to 17 May 1990, is required under EU law; and
- (b) whether the use in certain circumstances of actuarial calculation factors which differentiate between men and women is contrary to the principle of equal treatment.

Retrospection

In its Judgement of 6 October 1993 (Ten Oever), the Court ruled that the principle of equal treatment applies under EU law only in relation to benefits under an occupational scheme which accrued in respect of periods of employment after 17 May 1990, except in the case of workers and those claiming under them who have before that date initiated legal proceedings or have raised an equivalent claim under the applicable national law. The Judgement is fully in accordance with a protocol included in the Treaty on European Union which came into force in November 1993. The protocol also provides that the principle of equal treatment only applies to occupational benefits based on service after 17 May 1990.

The provisions in the Pensions Act permitting differences in treatment in relation to benefits based on service prior to 17 May 1990, referred to above, are, therefore, fully in line with EU law.

The European Court also confirmed in the Ten Oever Judgement that Article 119 applies to survivors' benefits. Provision had already been made in Part VII of the Pensions Act to extend the application of the principle of equal treatment to these benefits, before that Part came into force on 1 January 1993.

Use of Actuarial Calculation Factors

In its Judgement of 22 December 1993 (Neath), the Court ruled that the funding arrangements for defined benefit schemes are outside the scope of Article 119 of the Treaty of Rome. The Court also stated that in the conversion of part of a periodic pension into a capital lump sum and in the transfer of pension rights, the value can be determined only by reference to the funding arrangement chosen. As the funding arrangements in defined benefit schemes are outside the scope of Article 119, it is permissible to use actuarial calculation factors that differentiate between men and women in determining the level of the lump sums and transfer payments, under the rules of such schemes.

Section 69(1)(e) of the Pensions Act permits differences of treatment in relation to any optional provisions available, and lump sums and transfer payments would normally come within the scope of such provisions.

The full implications of this Judgement have, however, still to be clarified at both national and EU level and the Pensions Board will be monitoring developments with particular reference to the application of Part VII of the Pensions Act. The Judgement of the European Court in a further relevant case (Coloroll) is also still awaited. One of the issues raised in that case concerns the use of actuarial calculation factors that differentiate between men and women in relation to the employer's contribution to defined contribution schemes and the benefits emerging under the rules of such schemes, which is permitted in certain defined circumstances under Section 69(1)(a) and (b) of the Pensions Act.

Application of Part VII

The number of enquiries relating to Part VII from scheme members and from pension practitioners during the course of 1993 has been relatively few. The indications are that discrimination between men and women, which existed in the rules of occupational pension schemes, has at this stage been largely removed.

Funding Standard

The trustees of funded defined benefit schemes which were established before 1 January 1991 and under which scheme members are still accruing long service benefits must have forwarded the first actuarial funding certificate to the Pensions Board not later than end September 1994. The effective date of the certificate must be not later than 31 December 1993.

At end of 1993 actuarial funding certificates had been received for some 681 schemes. Of the schemes established before 1 January 1991, which are required to submit a first actuarial funding certificate, a majority - an estimated 1,600 - have still to do so in the period up to end September 1994. Failure to do so by that date will result in the trustees being in breach of the Pensions Act.

Exclusion of Schemes

Certain funded defined benefit schemes have been excluded from the application of the Funding Standard by means of an amendment to Section 41 of the Pensions Act, provided for in the Social Welfare Act, 1993, (Section 46). These are schemes under which members are not accruing, or have not accrued, long service benefits in respect of service after 1 January 1993 and, where any long service benefit is determined by reference to a member's earnings, such earnings in the case of all members relate to a date or period prior to 1 January 1993. The main purpose of this amendment is to avoid a situation where schemes, which had already been frozen before the requirement to have an actuarial valuation carried out had become mandatory, would be required to incur the expense of such a valuation, when no provision would have been made to meet such costs. This exception will not apply to funded defined benefit schemes which become frozen on or after 1 January 1993, as it will be possible to have provision made in advance for the cost of such valuations before the schemes become frozen.

Investment Controls for the Purposes of the Funding Standard

The Board recommended in a report to the Minister for Social Welfare in 1992 that the maximum permitted limits on self-investment e.g. investment in the employer company, and concentration of investment e.g. investment in any one shareholding or property, for the purposes of the funding standard, should be significantly reduced. It was also recommended that the lower limits be phased in gradually to allow sufficient time for orderly re-investment by those schemes affected. The Board suggested that an appropriate phasing in period would be from 1 January 1994, immediately after the latest effective date of the first actuarial funding certificate, to after 1 January 2001, when all accrued liabilities must be fully funded.

Arising from these recommendations revised regulations on the Funding Standard, S.I. No. 419 of 1993, have been introduced. An outline of the main provisions in these regulations is on page 19.

Preservation

Scheme members who left a scheme before normal pensionable age in the course of 1993 and who had been members of the scheme for at least five years, were the first to become eligible under Part III of the Pensions Act to have benefits which had accrued in respect of service from 1 January 1991 either:

- preserved in the scheme they are leaving; or
- transferred to a new scheme or to a life assurance company retirement bond.

For many of the scheme members concerned, however, this would represent a relatively small proportion of the benefits which would have accrued in the period since they joined the scheme.

The Board, in its report for 1992, expressed the hope that substantial progress would be made on extending preservation of pre-1991 service entitlements for current members by way of voluntary agreements over the coming years.

The National Pensions Board (NPB) in its final report referred to the fact that although many schemes provide for preservation voluntarily in respect of pre-1991 service, many others do not. Recalling the recommendation it made in its first report, that the preservation requirements should be extended to pre-1991 service within a period of ten years of the Pensions Act coming into force, the NPB recommended that the statutory Pensions Board continue to keep this issue under review. The ten year period cited would coincide with the timescale for achieving the minimum funding standard in the case of defined benefit schemes.

The Pensions Board welcomes these recommendations in the NPB report and notes that they received the support of all the various interests represented on the NPB. The Board, therefore, considers that the timescale for providing for full preservation on a voluntary basis in respect of pre-1991 service in the case of current members should be the period up to 31 December 2000. It considers that the position should be reviewed not later than two years before that date i.e. in 1998. At that time, consideration should be given to extending the preservation requirements under Part III of the Pensions Act to pre-1991 service with effect from 1 January 2001, on an appropriate basis, in accordance with the recommendations in the NPB report.

Schemes with Members in Other States

The Pensions Act applies to schemes which have obtained approval for tax purposes or have applied for such approval from the Revenue Commissioners. The Act is, therefore, capable of applying to schemes based in another State in respect of employees in Ireland.

Provision was made by means of the Social Welfare Act, 1993, to give the Minister for Social Welfare the necessary powers to introduce regulations under the Pensions Act prescribing, where necessary, how the various parts of the Act shall apply to these schemes, which are termed 'external schemes' in the Act.

The Board has worked closely with officials of the Department of Social Welfare in drafting the regulations, which are expected to be introduced shortly. In the meantime provision was made in regulations, S.I. No. 419 of 1993 (article 7(2)), extending the latest effective date for actuarial valuations for the purposes of the funding standard from 31 December 1993 to 31 December 1994, in the case of external schemes which are defined benefit and which commenced before 1 July 1991.

UK Pension Law Review Committee

In our report for 1992, we referred to the detailed information on the Pensions Act and its application, which we supplied to the 'Goode Committee' in the United Kingdom in December of that year. This Committee was set up by the United Kingdom Government on 8 June 1992 to review the framework of law and regulation within which occupational pension schemes operate in the UK and to make recommendations.

Eamonn Heffernan, Member of the Board, and Gerry Mangan, Chief Executive, represented the Board at a meeting with the Committee on 5 April 1993 to provide a more detailed briefing on the Pensions Act and on the role of the Board in its implementation. They were invited to forward a paper to the Committee on the issue of the protection of pension rights under occupational pension schemes, which have members both in the United Kingdom and the Republic of Ireland, an issue which the Board had previously raised with the Committee. In the paper, which was forwarded to the Committee in May 1993, the Board stressed the importance of this issue for both States, as compared, for example, to other Member States in the European Union. This is due to the relatively high level of migration between the two States, and the extent to which occupational pension schemes are relied on in each State to provide pension cover, especially for those on higher earnings. In view of this, the Board suggested that consideration be given to making provision for the protection of the pension rights of the scheme members concerned by means of a Bilateral Agreement concluded between the two States, pending EU wide arrangements being made to provide for such protection.

The Board would envisage such arrangements covering the following categories:

- posted workers i.e. employees who are posted by their employer to work for a specified period in another State, while still remaining with the same employer or group of employers and who intend to return to work in the "home country" with the same employer, after the period of posting;
- employees who move to different employments in another State, are entitled to a preserved benefit in the scheme of their previous employment and may wish to arrange a transfer payment of the capital value of their accrued rights to the scheme of their new employer in the other State;
- scheme members who have entitlements to preserved benefits and/or are in receipt of a pension under a scheme, the main administration of which is established in a State other than the State where they reside and/or are employed;

- persons employed by a company based in another State in respect of whom it would not be economical to establish a separate scheme in the State where they are employed and who, as a consequence, are permitted to be members of an occupational pension scheme, the main administration of which is based in that other State.

The Review Committee published its report in September 1993 and in conclusion/ recommendation No. 218 stated that:

"The approach suggested by the Irish Pensions Board for progress through bilateral agreements for occupational pension rights should be explored in discussions between the UK and Irish Governments."

The Board will be examining this issue further in 1994 and reporting on the matter to the Minister.



Geraldine Slattery at reception.

Report of the Comptroller and Auditor General

I have audited the financial statements on pages 29 to 38.

Responsibilities of the Board and of the Comptroller and Auditor General

The Board is responsible under Section 22(1) of the Pensions Act, 1990, for the preparation of the financial statements and it is my responsibility, under Section 22(2) of the Act, to audit them. As auditor I am required to form an independent opinion on the statements and to report my opinion thereon.

Basis of Opinion

I plan and perform my audit in the light of my function as Comptroller and Auditor General. My audit was conducted in accordance with auditing standards which embrace the standards issued by the Auditing Practices Board and which have particular regard to any special considerations which arise from Exchequer funding arrangements, Ministerial directives or Government policy.

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in the exercise of my function as Comptroller and Auditor General and in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement. Such information and explanations have been received by me. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, proper books of account have been kept by the Board and the financial statements, which are in agreement with them, give a true and fair view of the state of the Board's affairs at 31 December 1993 and of its income and expenditure and cash flow for the year then ended.



P. L. McDonnell
Comptroller and Auditor General

30 March 1994


Treasury Block
Dublin Castle

Statement of Board Responsibilities

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

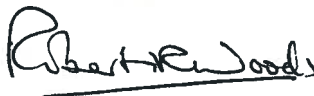
- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Board will continue in operation.

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



M. Broughan
Chairperson

14 March 1994



R.T.R. Woods
Board Member

Statement of Accounting Policies

The following are the more important policies used by the Board.

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

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

(b) Fee Income

Fee income comprises the fees receivable in respect of the year to 31 December in respect of occupational pension schemes as laid down in regulations made by virtue of Section 25 of the Pensions Act, 1990.

(c) Taxation

The Board is exempt from Corporation Tax under Section 41 of the Finance Act, 1991.

(d) 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 the straight line basis, at the annual rates set out in the table across, so as to write off the assets, adjusted for estimated residual value, over the expected useful life of each appropriate category.

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

(e) Leases

(i) Finance leases

Where an asset is acquired under a finance lease, the capital element is included in tangible fixed assets and amortised over

the life of the asset and the outstanding capital element of the leasing obligation is included in bank and other advances. The interest element is written off over the primary period of the lease.

(ii) Operating leases

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

(f) Superannuation

All superannuation benefits to or in respect of employees of the Board are provided for through superannuation schemes. Contributions required in respect of these schemes are dealt with in the income and expenditure account in the year to which they relate.

(g) Enforcement Compliance Provision

As the Pensions Board is a statutory regulatory body charged with monitoring and enforcing compliance by scheme trustees with the provisions of the Pensions Act, 1990, it may be necessary for the Board, from time to time, to have recourse to legal action, in certain cases, in order to carry out its responsibilities in this regard. Such action would necessarily involve the Board in significant costs.

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

Accordingly, an amount of IR£30,000 has been transferred from income and expenditure account to an enforcement compliance provision account during 1993. Similar transfers will be made annually until such time as, in the opinion of the Board, a reasonable provision is arrived at and maintained.

(i) Leasehold improvements	10%
(ii) Computer equipment	25%
(iii) Office furniture	12½%
(iv) Office equipment	20%
(v) Motor vehicle	20%

Income and Expenditure Account

for the year ended 31 December 1993

	notes	1993 IR £	1992 IR £
Income			
Fee income		642,500	467,702
Other income	2	39,459	8,886
Total income		681,959	476,588
Expenditure			
Salaries and related expenses	3	248,362	218,175
Board member fees		12,000	12,000
Accommodation and establishment expenses	4	95,018	76,421
Recruitment, training and education	5	3,318	5,734
Information, research and publicity		32,538	23,160
Computer consultancy and other professional fees	6	46,476	44,980
General administration	7	59,126	42,751
Depreciation	8	44,247	41,649
Enforcement compliance provision	13	30,000	30,000
Total expenditure		571,085	494,870
Surplus/(deficit) for year		110,874	(18,282)

The Board has no gains or losses other than those dealt with in the income and expenditure account.



M. Broughan

Chairperson

14 March 1994



G. Mangan

Chief Executive

Balance Sheet

at 31 December 1993

	notes	1993		1992	
		IR£	IR£	IR£	IR£
Fixed assets					
Tangible assets	8		105,825		140,193
Current assets					
Debtors	9	76,616		104,711	
Cash at bank and on hand		192,394		102	
		269,010		104,813	
Current liabilities					
Creditors: amounts falling due within one year					
Bank and other advances	10	3,016		68,388	
Other creditors	11	145,489		87,641	
		148,505		156,029	
Net current assets/(liabilities)			120,505		(51,216)
Creditors: amounts falling due after one year					
Bank and other advances	10	-		(3,521)	
Enforcement compliance provision	13	(60,000)	(60,000)	(30,000)	(33,521)
Total assets			166,330		55,456
Financed by					
General reserve	14		166,330		55,456



M. Broughan
Chairperson

14 March 1994



G. Mangan
Chief Executive

Cash Flow Statement

for the year ended 31 December 1993

	notes	1993 IR£	1993 IR£	1992 IR£	1992 IR£
Net cash inflow from operating activities	15		288,487		164,765
Returns on Investments and servicing of finance					
Interest received		700		1,473	
Rent received		13,842		6,305	
Interest paid		(1,368)		(4,994)	
Finance lease interest paid		(770)		(1,275)	
Net inflow from returns on Investments and servicing of finance			12,404		1,509
Investing activities					
Purchase of tangible assets		(39,706)		(139,121)	
Net cash outflow from investing activities			(39,706)		(139,121)
Net cash inflow before financing activities			261,185		27,153
Financing activities					
Payments to finance lease creditors	16		4,198		3,693
Increase in cash and cash equivalents	17		256,987		23,460
			261,185		27,153

Notes to the Financial Statements

1. The Pensions Board

The Board was established on 21 December 1990 and commenced operations on 10 January 1991, the date on which the Board held its first meeting.

2. Other Income

	1993 IR£	1992 IR£
Rent and service charge	13,992	6,755
Publications	14,339	1,433
Deposit interest	2,296	698
Refund of employers PRSI *	8,832	—
*(see note 3)	39,459	8,886

3. Employee Numbers and Costs

The total staff complement as approved by the Minister at 31 December 1993 was 11 (1992 - 11). The average number of employees in the Board during the year was 10 (1992 - 9). The aggregate employee and related costs were as follows:

	1993 IR£	1992 IR£
Salaries	212,881	178,132
Superannuation costs	30,705	29,212
Employers PRSI *	4,776	10,831
	248,362	218,175

* Following the establishment of superannuation schemes for the staff of the Pensions Board in 1993, to take effect from 1 January 1991 (Note 12(iv)), the Department of Social Welfare ruled that permanent and pensionable employment with the Pensions Board in the case of members of those schemes is insurable at Class D for the purposes of the Social Welfare Acts with effect from 1 January 1991.

Accordingly, a refund of employer's contributions amounting to IR£11,191 was received of which IR£8,832 related to earlier years. This latter figure has been credited to other income in 1993.

4. Accommodation and Establishment Expenses

	1993 IR£	1992 IR£
Rent	62,267	40,810
Service charge	12,041	11,704
Rates	11,000	12,000
Electricity	4,107	3,845
Cleaning	4,063	3,802
Architectural fee	—	1,888
General maintenance	1,540	2,372
	95,018	76,421

The Board occupies office premises at Holbrook House, Holles Street, Dublin 2, under a 20 year lease which commenced on 13 November 1991. Under the terms of the lease the first six months occupancy was rent free. A portion of the demised office space (566 sq. ft.) was sub-let on a short term lease on 9 July 1992.

Notes to the Financial Statements

5. Recruitment, Training and Education

	1993 IR£	1992 IR£
Recruitment	115	1,754
Training and education	3,203	3,980
	3,318	5,734

6. Computer Consultancy and Other Professional Fees

	1993 IR£	1992 IR£
Computer consultancy fees	27,059	40,457
Legal fees	9,692	1,918
Audit fees	2,900	2,000
Information consultancy fees	5,384	—
Other	1,441	605
	46,476	44,980

7. General Administration

	1993 IR£	1992 IR£
Stationery and office expenses	13,782	14,323
Telephone and postage	10,980	7,238
Travel and subsistence	2,383	1,937
Insurances	3,027	1,926
Computer maintenance and consumables	26,776	10,668
Interest and charges	1,408	5,384
Leasing finance charges	770	1,275
	59,126	42,751

Notes to the Financial Statements

8. Tangible Fixed Assets

	Leasehold improvements IR£	Computer equipment IR£	Office furniture IR£	Office equipment IR£	Motor vehicle IR£	Total IR£
Cost or Valuation						
At 31 December 1992	47,808	103,778	33,382	25,251	12,360	222,579
Additions in year	—	1,664	3,066	5,149	—	9,879
At 31 December 1993	47,808	105,442	36,448	30,400	12,360	232,458
Accumulated Depreciation						
At 31 December 1992	8,950	51,683	6,993	9,816	4,944	82,386
Charge for year	4,781	26,360	4,554	6,080	2,472	44,247
At 31 December 1993	13,731	78,043	11,547	15,896	7,416	126,633
Net Book Value*						
At 31 December 1993	34,077	27,399	24,901	14,504	4,944	105,825
At 31 December 1992	38,858	52,095	26,389	15,435	7,416	140,193

* Assets acquired under finance leases, at cost less accumulated depreciation, included in tangible fixed assets, amounted to IR£4,944 (1992 IR£7,416). The depreciation charged during the year on such assets amounted to IR£2,472 (1992 IR£2,472).

9. Debtors

	1993 IR£	1992 IR£
Amounts falling due within one year:		
Fee income	58,932	93,836
Prepayments	9,266	9,672
Accrued deposit interest	2,294	698
Miscellaneous	6,124	505
	76,616	104,711

10. Bank and Other Advances

	1993 IR£	1992 IR£
Amounts falling due within one year:		
Bank overdraft	—	64,695
Obligations under finance lease	3,016	3,693
	3,016	68,388
Amounts falling due after one year:		
Obligations under finance lease	—	3,521
	3,016	71,909
Repayable as follows:		
Within one year	3,016	68,388
Between one year and two years	—	3,521
	3,016	71,909

Notes to the Financial Statements

11. Creditors

	1993 IR£	1992 IR£
Amounts falling due within one year:		
Creditors	61,362	6,932
Accruals	61,377	80,709
Deferred Income	22,750	—
	145,489	87,641

12. Financial Commitments

- (i) Capital Commitments
There were no capital expenditure commitments at 31 December 1993 (1992 IR£nil).
- (ii) Finance Leases
The Board's financial commitments at 31 December 1993 in respect of finance lease obligations are set out in note 10.
There were no commitments existing at the balance sheet date in respect of finance leases which had been entered into but which commenced after the year end.
- (iii) Operating Leases
The Board had commitments payable in the next twelve months under non-cancellable operating leases as follows:

Lease of office accommodation at Holbrook House.

	1993 IR£	1992 IR£
Expiring within one year	—	—
Expiring after one year and before five years	—	—
Expiring after five years	62,267	62,267
	62,267	62,267

(iv) Superannuation

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

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

13. Enforcement Compliance Provision

	1993 IR£	1992 IR£
At beginning of year	30,000	—
Transfer in year	30,000	30,000
At end of year	60,000	30,000

Notes to the Financial Statements

14. General Reserve

	1993 IR£	1992 IR£
At beginning of year	55,456	73,738
Surplus/(deficit) for year	110,874	(18,282)
At end of year	166,330	55,456

15. Reconciliation of Surplus for the Year to Cash from Operating Activities

	1993 IR£	1992 IR£
Surplus/(deficit) for the year	110,874	(18,282)
Adjustment for non operating items:		
Interest income	(2,296)	(698)
Rental and miscellaneous income	(13,992)	(6,755)
Interest expense	978	5,384
Finance lease charges	770	1,275
Adjustment for non cash items:		
Depreciation	44,247	41,649
Increase in enforcement compliance provision	30,000	30,000
Decrease in operating debtors	29,841	102,880
Increase in operating creditors	88,065	9,312
Cash inflow from operating activities	288,487	164,765

16. Reconciliation of Finance Lease Creditors

	Creditors due within one Year IR£	Creditors due after one Year IR£	Total IR£
At beginning of year	3,693	3,521	7,214
New leases taken out in year	—	—	—
Cash payments in year	(4,198)	—	(4,198)
Transfer	3,521	(3,521)	—
At end of year	3,016	—	3,016

17. Movement In Cash and Cash Equivalents and Analysis of Balances

	Cash at bank and in hand IR£	Bank overdraft IR£	Total IR£
At beginning of year	102	(64,695)	(64,593)
Cash movement	192,292	64,695	256,987
At end of year	192,394	—	192,394

18. Approval of Financial Statements

The financial statements were approved by the Board on 14 March 1994.

Appendix I — Legislation

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

The following is a list of relevant legislation to date.

Acts

The Pensions Act, 1990	No. 25 of 1990
The Social Welfare Act, 1991	No. 7 of 1991
The Social Welfare Act, 1992	No. 5 of 1992
The Social Welfare Act, 1993	No. 5 of 1993
The Social Welfare (No. 2) Act, 1993	No. 32 of 1993

Statutory Instruments

Pensions Act, 1990 (Sections 60 and 61) (Commencement) Order, 1990	S.I. No. 329 of 1990
Pensions Act, 1990 (Parts III, IV and V) (Commencement) Order, 1990	S.I. No. 330 of 1990
Pensions Act, 1990 (Parts I and II) (Commencement) Order, 1990	S.I. No. 331 of 1990
Occupational Pension Schemes (Disclosure of Information) Regulations, 1990	S.I. No. 332 of 1990 ¹
Pensions Act, 1990 (Part II) (Establishment Day) Order, 1990	S.I. No. 343 of 1990
Occupational Pension Schemes (Disclosure of Information) Regulations, 1991	S.I. No. 215 of 1991
Pensions Act, 1990 (Sections 59, 63 and 64) (Commencement) Order, 1991	S.I. No. 259 of 1991
Occupational Pension Schemes (Registration) Regulations, 1991	S.I. No. 325 of 1991
Occupational Pension Schemes (Funding Standard) Regulations, 1991	S.I. No. 371 of 1991 ²
Occupational Pension Schemes (Fees) Regulations, 1991	S.I. No. 372 of 1991
Occupational Benefit Schemes (Equal Treatment) Regulations, 1992	S.I. No. 365 of 1992
Pensions Act, 1990 (Part VII) (Commencement) Order, 1992	S.I. No. 366 of 1992
Occupational Pension Schemes (Fees) (Amendment) Regulations, 1992	S.I. No. 367 of 1992
Occupational Pension Schemes (Preservation of Benefits) Regulations, 1992	S.I. No. 445 of 1992
Occupational Pension Schemes (Member Participation in the Selection of Persons for Appointment as Trustees) Regulations, 1993	S.I. No. 216 of 1993 ³
Occupational Pension Schemes (Preservation of Benefits) (Special Calculations) Regulations, 1993	S.I. No. 217 of 1993
Occupational Pension Schemes (Member Participation in the Selection of Persons for Appointment as Trustees) (No. 2) Regulations, 1993	S.I. No. 399 of 1993
Occupational Pension Schemes (Funding Standard) Regulations, 1993	S.I. No. 419 of 1993

¹ Revoked from 1 August 1991

² Revoked from 31 December 1993

³ Revoked from 21 December 1993

Appendix II — Operative Dates of Parts of the Pensions Act, 1990

The Pensions Act, 1990, as amended, has a total of 84 Sections in seven Parts. The following list shows the operative dates for the main provisions.

	Operative Date
PART I Preliminary and General	21 December 1990
PART II Establishment of Pensions Board	21 December 1990
PART III Preservation of Benefits	1 January 1991
PART IV Funding Standard	1 January 1991
PART V Disclosure of Information in relation to Schemes	1 January 1991
PART VI Trustees of Schemes	
Section 59	1 November 1991
Sections 60 and 61	1 January 1991
Section 62	21 December 1993
Sections 63 and 64	1 November 1991
PART VII Equal Treatment for Men and Women in Occupational Benefit Schemes	1 January 1993

Appendix III — Publications

The following publications are available from the Pensions Board, Holbrook House, Holles Street, Dublin 2. Telephone (01) 6762622 Fax: (01) 6764714.

- **So you're a Pension Scheme Trustee?**
A brief guide to the duties and responsibilities of trustees of occupational pension schemes.
- **Is My Pension Secure?**
A guide to the protections provided by the Pensions Act.
- **What Do You Know About Your Pension Scheme?**
An overview of the information which trustees of occupational pension schemes must give.
- **Selecting Member Trustees**
A guide to the participation by members in the selection of the trustees of occupational pension schemes.
- **The Pensions Board**
An introduction to the Board, its functions and its membership.
- **Legislation Service***
Subscribers to this service receive in a single folder the consolidated texts of the Pensions Act and the Act's regulations, including all amendments made to date. They also receive updates whenever further amendments to the Act or its regulations are made.
- **Guidance Notes***
A series of technical guidance notes on the Pensions Act and its regulations, designed mainly for pension practitioners, are being prepared by the Board. Notes on the requirements in relation to the disclosure of information, member participation in the selection of trustees and equal treatment are now available.

* Available by subscription only.