



An Bord Pinsean -  
**The Pensions Board**

Authority for Pensions

# Annual Report and Accounts 2007

[www.pensionsboard.ie](http://www.pensionsboard.ie)

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# Mission statement of The Pensions Board

We aim to:

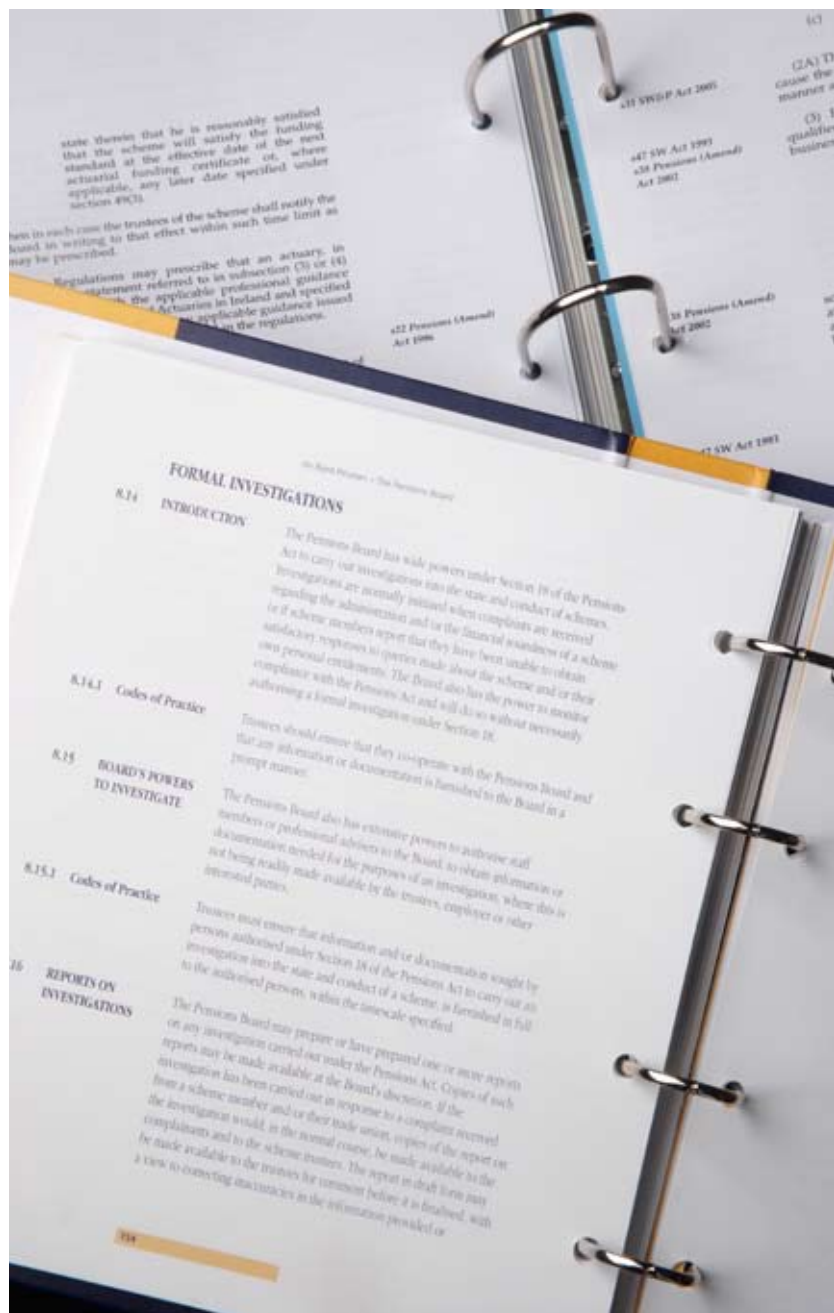
- promote the security and protection of members of occupational pension schemes and contributors to Personal Retirement Savings Accounts in accordance with the Pensions Act
- promote the development of efficient national pension structures
- promote a level of participation in the national pension system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

# The role and functions of The Pensions Board

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

The Act defines the functions of the Board as follows:

- monitor and supervise the operation of the Pensions Act and pensions development generally, including trust Retirement Annuity Contracts (RACs) and the activity of Personal Retirement Savings Accounts (PRSAs)
- issue guidelines or guidance notes on the duties and responsibilities of trustees of schemes and codes of practice on specific aspects of their responsibilities
- issue guidelines or guidance generally on the operation of the Pensions Act and on the provisions of the Family Law Act, 1995, and the Family Law (Divorce) Act, 1996, relating to pension schemes
- encourage and support the provision of appropriate training facilities for trustees of schemes
- advise the Minister on all matters relating to functions assigned to the Board under the Pensions Act and on matters relating to pensions generally and to undertake such tasks as the Minister may, from time to time, request



# The Pensions Board

The Pensions Board is a statutory body comprising, as at 31 December 2007, a chairperson and 16 ordinary members. While all its members are appointed by the Minister for Social and Family Affairs, under the provisions of the Act, the Board must comprise representatives of trade unions, employers, consumer interests, pensioner interests, the Government, the pensions industry, member trustees and professional groups involved with pension arrangements.

The term of office for Board members is five years. Casual vacancies are filled directly by the Minister, or on the nomination of the relevant nominating body, as appropriate. A person who fills a casual vacancy only holds office until the end of the five-year period. The Board met ten times in 2007.

The current members of the Board are:



**Tiarnan O Mahoney**  
*Chairperson*  
Nominee of the Minister for  
Social and Family Affairs



**Marie Daly**  
Nominated by the Irish Business  
and Employers Confederation



**Dervla Tomlin**  
Nominated by the  
Irish Insurance Federation



**William Beausang**  
Representative of the  
Minister for Finance



**John Dillane**  
Nominee of the Minister for Social  
and Family Affairs – representative  
of consumer interests



**Orlaigh Quinn**  
Representative of the Minister  
for Social and Family Affairs



**Kevin Brabazon**  
Nominated by Irish Business  
and Employers Confederation –  
representative of trustee interests



**Mary O'Donnell**  
Nominee of the Minister for  
Social and Family Affairs



**Mary Wade**  
Nominated by the Association of  
Pension Lawyers in Ireland



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



**Emer O'Flanagan**  
Nominee of the Minister for  
Social and Family Affairs



**Fergus Whelan**  
Nominated by the  
Irish Congress of Trade Unions



**Rosheen Callendar**  
Nominated by the Irish Congress  
of Trade Unions – representative of  
trustee interests



**Michael O'Halloran**  
Nominee of the Minister for Social  
and Family Affairs – representative  
of pensioner interests



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



**Julian Caplin**  
Nominee of the Minister for  
Social and Family Affairs



**Gerry Ryan**  
Nominated by the Irish  
Association of Pension Funds



## Chairperson's statement

I am pleased to submit, in accordance with Section 23 of the Pensions Act, the 16th annual report of An Bord Pinsean – The Pensions Board ("the Board") for the year ended 31 December 2007.

The Board makes an important contribution to the development and support of pensions in Ireland. The representative nature of the Board and the wide range of backgrounds from which that membership is drawn fosters the development of consensus where possible, which is a vital contribution to the long term stability necessary to encourage retirement savings.

The Board has three interrelated roles, it:

1. regulates occupational pension schemes, trust RACs and Personal Retirement Savings Accounts (PRSAs)
2. provides information on pensions to the public and to those involved in pensions
3. advises the Minister for Social and Family Affairs on pension matters

The Board's work in 2007 was carried out against a background of considerable change and activity, as well as growing investment uncertainty.

In October 2007 the Government published the Green Paper on Pensions. This important document is a comprehensive review of all the Irish pension issues. It sets out the demographic situation and sustainability issues and the options that we might consider for adequate future pensions provision. The Green Paper sets out a number of questions to which the Government would like the public, the social partners, the pensions industry, and all interested stakeholders to respond. The public consultation process on the Green Paper will run until mid-2008 and should result in a comprehensive framing of the future of pension policy in Ireland.

Provision of adequate pensions is a critical national issue for the future of the people of Ireland. The Board has played an integral part in informing and contributing to the pension debate to date and I have no doubt that it will play its full role in this important process.

The Board is aware of the need to ensure that pension savings are properly supervised and invested and that pension scheme

members and PRSA contributors receive the information they need to make proper decisions. In 2007 and in the Social Welfare and Pensions Act 2008, the Board was granted additional powers to impose on-the-spot fines and to regulate administrators. The Board welcomes these new powers which will help meet its commitment to efficient and proportionate regulation of pensions.

This has been a busy year for the members of the Board and I would like to thank each of the members for their hard work and dedication during 2007.

During the year we saw a number of changes in the Board's membership which I wish to recognise. Anne Vaughan, representing the Minister for Social and Family Affairs, and Kevin Brabazon, representing IBEC stepped down after many years of influential participation in shaping and directing the policy of the Board. I welcome to the Board Orlaigh Quinn who will now represent the Minister and Niall Walsh who represents the Consultative Committee of the Accountancy Bodies in Ireland.

On a very sad note, my fellow Board members and I wish to remember our colleague and friend Tom Wright who passed away during the year. Tom served on the Board for seven years representing the Accountancy bodies in Ireland with distinction and he will be truly missed by all of us.

The expertise and commitment of the staff of the Board, led by Chief Executive, Brendan Kennedy, support us in meeting our day to day obligations. I have enjoyed working with them throughout the year and thank them for their professionalism.

Thanks are also due to the officials in the Department of Social and Family Affairs and other Government departments for their continuing support.

Finally, I would like to thank the Minister for the ongoing commitment to pensions issues and the Board.

A handwritten signature in black ink, appearing to read 'Tiarnan O Mahoney'.

**Tiarnan O Mahoney**  
Chairperson

## 2007 at a glance

There was a total active membership of 800,398 in occupational pension schemes on the Board's register, up from 777,653 in 2006.

Of the 464 actuarial funding certificates submitted to the Board, 81% of defined benefit schemes satisfied the funding standard compared to 70% at end 2006.

The total number of PRSA contracts was 130,709. The total value of assets amounted to €1.25 billion, an increase of over 50% in the value of assets held at end 2006.

The Board brought a total of four successful prosecutions in 2007 against employers for failure to respond to its request for information in respect of their mandatory employer obligations under PRSAs.

On-the-spot fines were introduced to provide an alternative to the prosecution of certain offences under the Act.

The Pensions Board published a Report on Trusteeship in February.

Policy developments included:

- contributions to the Green Paper on Pensions and the Partnership Pensions Review Group
- preparation of the pension provisions for the draft 2008 Social Welfare and Pensions Bill, including enabling the registration and audit of the administrative activities of pensions administrators
- publication of a booklet on Hybrid pension schemes (in fulfilment of a commitment under the *Towards 2016* social partnership agreement) and provision of other guidance
- development of new data sources, including assisting in the preparation of a full module of the National Employment Survey
- contribution to European policy issues, particularly the solvency debate

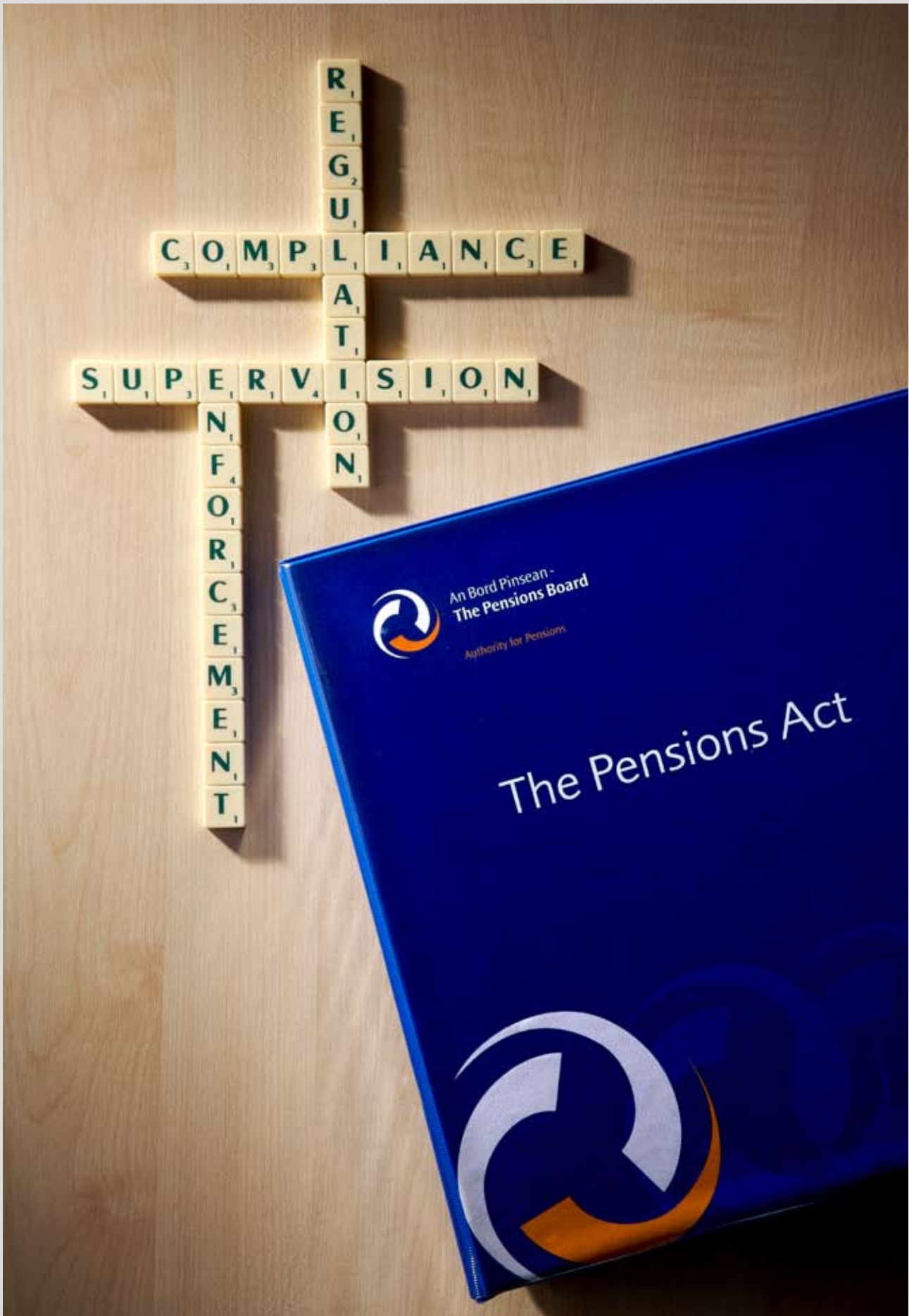
The National Pensions Awareness Campaign included National Pensions Action Week in March which targeted young people, and a campaign leading up to the tax-filing deadline in October, focused on adequacy issues and the self-employed.

Over 10,000 pension enquiries were dealt with and 450,583 visits were made to the website compared to 250,000 in 2006, an increase of 80%.

New information booklets 'Pension Scheme Funding and Restructuring' and 'Trustee and Employer Checklists' were introduced.

The Board's legislation service was outsourced to an external online service provider [www.betterregulation.com](http://www.betterregulation.com) with effect from 1 January 2007.









## Chief Executive's review

The Pensions Board's activities in 2007 were based on its strategy for 2006-2010, and this report includes a detailed guide to our progress on each of these objectives. It is however useful to highlight some of the more significant aspects of the Board's 2007 activities and of our intentions for 2008.

The Board's regulatory activity covers the pensions of over 800,000 active scheme members, almost 100,000 occupational pension schemes, over 130,000 PRSAs, and approximately €80 billion of assets.

2007 was a busy year for the Board in carrying out its regulatory responsibilities. Almost all of this work takes place by direct communication with pension schemes, employers and providers, and prosecution is normally only a last resort. During the year, the Board undertook a review of its regulatory priorities and activities. As a result of this review, the supervisory units of the Board were reorganised and new supervisory priorities were put in place. We regard these changes in operational focus as being of critical importance. We must ensure that the regulatory practices of the Board are up to date and that its activities are directed to the most important and most efficient ends.

The Board welcomed the granting in September 2007 of power to levy on-the-spot fines for certain prescribed offences that were already classified as offences under the Pensions Act. These fines offer an alternative to criminal prosecution for trustees and employers, and represent a more efficient use of Board resources and time. In all cases where a fine notice is issued, the trustees or employers concerned will still have the option of going to court as before and presenting a defence.

The first use of these powers in early 2008 satisfied the Board of the effectiveness of this approach: in many cases the discovery of an offence subject to fine led to the identification of further administrative problems.

Much of the Board's regulatory powers apply to the trustees of occupational pension schemes. This is appropriate given the significant assets for which trustees have responsibility and is consistent with Ireland's obligations under the E.U. IORPs Directive. However, regulation of trustees must be matched with support for trustees. The Board Report on Trusteeship was published in early 2007 and recommended that administrators be regulated. During 2007, the Board spent considerable time working with the Department of Social and Family Affairs in the implementation of such regulation, and we were pleased to see this included in the 2008 Social Welfare and Pensions Act. This regulation will provide important support for trustees who can be confident that those they employ to carry out significant compliance tasks on their behalf are independently supervised and capable of performing the work to a reasonable standard. Regulation of administrators will also make an important contribution to the efficiency of the Board's regulatory efforts.

The trusteeship report also recommended that employers be obliged to provide training for occupational pension scheme trustees and this recommendation was also implemented in the 2008 Social Welfare and Pensions Act. Employer pension contributions are a significant cost and providing support for the pension trustees who administer their pensions is a small expense in proportion to those contributions. The cost to employers is worth it to ensure that the pension arrangements are properly supervised and that employers get proper value for the pension contributions that they make.

The Board is currently developing web-based training tools for trustees and is liaising with the Department of Social and Family Affairs about the commencement of the trustee training legislation. Trustees perform an important function in looking after pensions savings, usually for their colleagues. They are entitled to support as well as regulation and the Board is committed to providing this support.

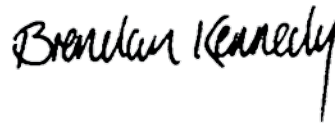
Investment returns in 2007 for most pension schemes were disappointing. At the time of writing, most schemes have seen the value of their assets fall in early 2008, reflecting losses in worldwide investment markets. As a result, the funding and contribution rates for defined benefit schemes face renewed pressure. Equally, members of defined contribution schemes have seen the value of their savings reduce, and this is causing understandable concern, particularly to those who are close to retirement.

As pensions are long-term savings, it is inevitable that there will be times of investment losses or uncertainty. Losses can only be avoided by investing in guaranteed deposits which are not likely to provide a satisfactory investment return. Although pension savers and scheme trustees should focus on the longer term, there are steps that can be taken in light of investment losses.

The Board continues to be concerned that the investment and funding of too many defined benefit schemes is based on aggressive investment return assumptions and does not take enough account of investment risks and downsides. The Board also has concerns about the investment of defined contribution schemes. It is important that scheme members are provided with adequate and understandable explanations of investment choices and risks. The Board recommends that lower risk options be made available to members as they approach retirement and favours well-designed default investment options for all members.

The Board has a responsibility to perform its duties as efficiently as possible. It is therefore encouraging to note that the Board showed a surplus on its activities for 2008, despite budgeting for a small deficit. This surplus is in the context of occupational pension scheme fees, which have not been increased since 2003. During 2008, the Board will be preparing a recommendation for the Minister for Social and Family Affairs for fees for 2009 and future years. We are aware of the need to minimise the burden on schemes, consistent with fulfilling our legislative responsibilities.

The publication of the Government's Green Paper on Pensions in 2007 was arguably the most important pensions event of the year. The Board's staff contributed technical support to the preparation of the Paper, and both Board members and staff are ready to contribute and assist in the development of a response and to its implementation. It is important for Ireland that a considered long-term pensions strategy be set out as a result of this Green Paper. It is also important that there is no significant delay in developing this response: any uncertainty about the future structure of pensions may damage pension provision.



**Brendan Kennedy**  
*Chief Executive*

# Regulation and compliance

## Principles of better regulation

The Board performs its regulatory role based on the following principles:

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

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

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

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

## Introducing on-the-spot fines



Left to right: Mary Hutch, Head of DB Supervision, The Pensions Board; Minister for Social and Family Affairs, Martin Cullen TD; and Brendan Kennedy, Chief Executive, The Pensions Board.

## Operational Review

The Board carried out a fundamental review of its supervisory priorities in order to ensure that its regulatory practices are efficient and that activities are directed to the most important and effective means. The outcome of this review was a move in 2007 to a supervisory approach based on a hierarchy of risk priorities as follows:

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

The supervisory resources of the Board have been reorganised to allow us to act in alignment with these priorities. We now have two supervisory teams, DB Supervision headed by Mary Hutch and DC Supervision (to include PRSAs and trust RACs) headed by Philip Dalton. These teams are proactively engaging with regulated entities and their administration providers in order to assess levels of compliance based on the above priorities.

## Defined benefit schemes

The overall number of active defined benefit schemes registered with the Board declined during 2007 from 1,411 to 1,319. However the number of members of these schemes increased by 8,288 to 530,933.

## Defined contribution schemes

The number of active defined contribution schemes registered with the Board increased by 6,316 to 98,483. The majority of this increase is attributed to Non-Group schemes containing only one member. The total membership of defined contribution schemes at the end of 2007 was 269,465.

Table 1 – Current Schemes – Defined Benefit

Scheme Size	No. of Schemes		No. of Members	
	31 Dec 07	31 Dec 06	31 Dec 07	31 Dec 06
Non Group	32	33	32	33
1 to 50	777	839	13,149	13,868
51 to 99	163	184	11,909	13,289
100 to 500	239	251	54,052	59,302
501 to 1000	50	45	34,465	31,308
1001 +	58	59	417,326	404,845*
<b>Total:</b>	<b>1,319</b>	<b>1,411</b>	<b>530,933</b>	<b>522,645*</b>

**Notes**

- 1) Excludes AVC Only and Death Benefit Only schemes.
- 2) Excludes frozen schemes and schemes in winding-up.
- 3) 'Non-Group' means a scheme which according to its establishment may only have one member.
- 4) \* Numbers have been adjusted downwards by 19,717 to reflect the correct figure for 2006, as a result of over reporting of members by one scheme.

Chart 1 – Current Defined Benefit Schemes compared to 2006

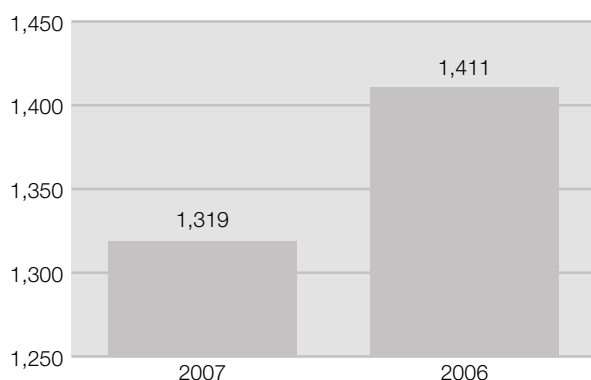


Table 2 – Current Schemes – Defined Contribution

Scheme Size	No. of Schemes		No. of Members	
	31 Dec 07	31 Dec 06	31 Dec 07	31 Dec 06
Non-Group	76,172	70,097	76,172	70,097
1 to 50	21,775	21,476	90,809	90,713
51 to 99	309	296	21,457	20,633
100 to 500	194	176	35,475	33,045
501 to 1000	17	17	11,568	11,475
1001+	16	13	33,984	29,045
<b>Total:</b>	<b>98,483</b>	<b>92,075</b>	<b>269,465</b>	<b>255,008</b>

**Notes**

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

Chart 2 – Current Defined Contribution Schemes compared to 2006

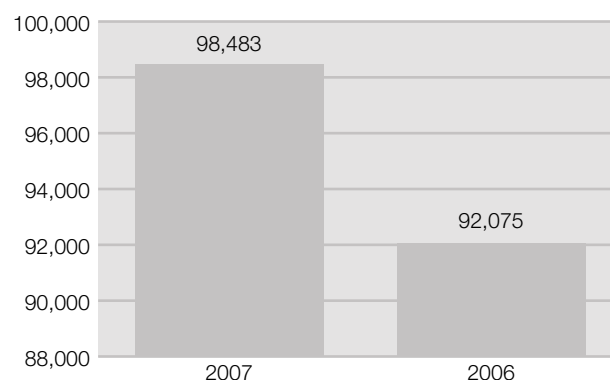


Table 3 – Current Schemes – Defined Benefit and Defined Contribution

Scheme Size	No. of Schemes		No. of Members	
	31 Dec 07	31 Dec 06	31 Dec 07	31 Dec 06
Non-Group	76,204	70,130	76,204	70,130
1 to 50	22,552	22,315	103,958	104,581
51 to 99	472	480	33,366	33,922
100 to 500	433	427	89,527	92,347
501 to 1000	67	62	46,033	42,783
1001+	74	72	451,310	433,890*
<b>Total:</b>	<b>99,802</b>	<b>93,486</b>	<b>800,398</b>	<b>777,653*</b>

**Notes**

- 1) Excludes AVC Only and Death Benefit Only schemes.
- 2) Excludes frozen schemes and schemes in wind-up.
- 3) 'Non-Group' means a scheme which according to its establishment may only have one member.
- 4) \* Numbers have been adjusted downwards by 19,717 to reflect the correct figure for 2006, as a result of over reporting of members by one scheme.

Chart 3 – Ratio of Defined Benefit to Defined Contribution scheme members 2007

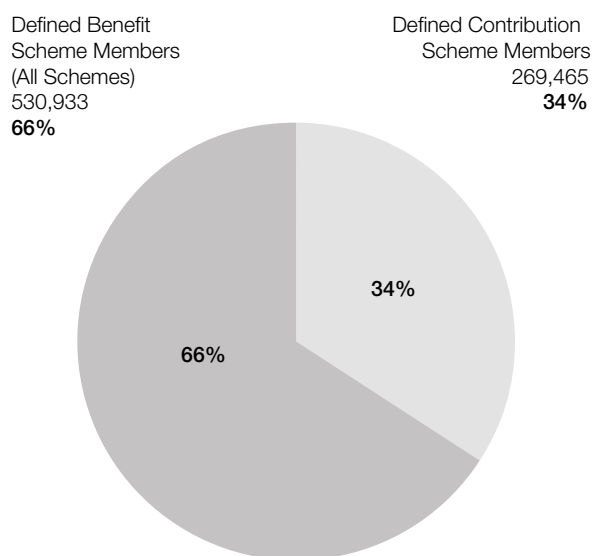


Table 4 – Registration activity – Defined Benefit and Defined Contribution

	DB Schemes	DB Members	DC Schemes	DC Members	Total Schemes	Total Members
Jan-07	1,411	522,645*	92,075	255,008	93,486	777,653*
Registrations in 2007	105	22,520	15,589	38,911	15,694	61,431
Other movements	-197	-14,232	-9,181	-24,454	-9,378	-38,686
Dec-07	1,319	530,933	98,483	269,465	99,802	800,398
<b>Change in year</b>	<b>-92</b>	<b>8,288</b>	<b>6,408</b>	<b>14,457</b>	<b>6,316</b>	<b>22,745</b>

**Notes**

- 1) \* Numbers have been adjusted downwards by 19,717 to reflect the correct figure for 2006, as a result of over reporting of members by one scheme.

### Personal Retirement Savings Accounts (PRSAs)

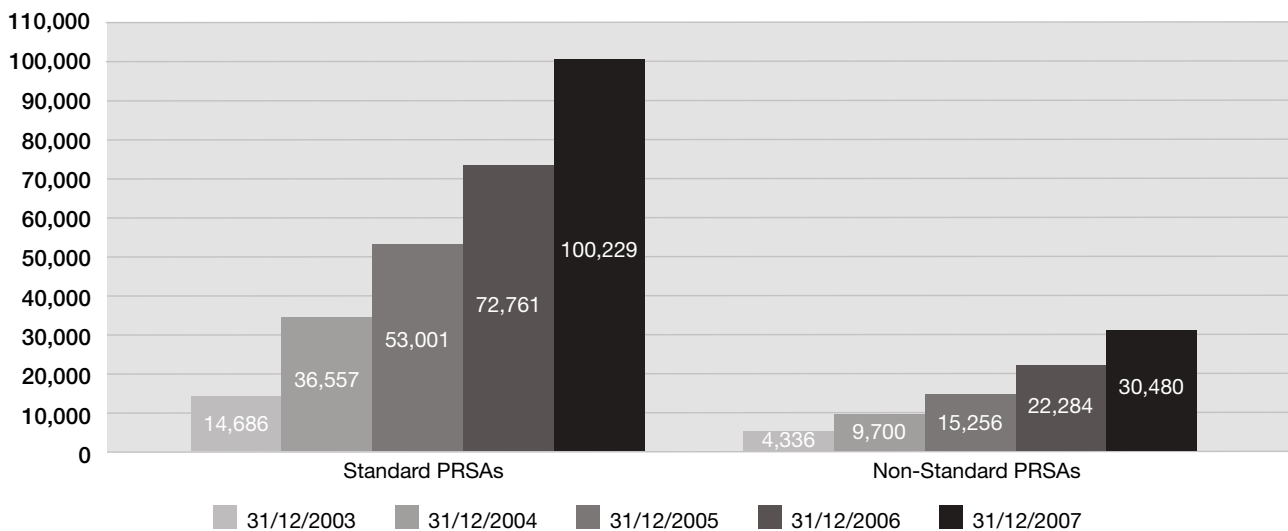
The number of PRSA contracts in force at 31 December 2007 was 130,709 split 77:33 in favour of Standard contracts. The value of assets under management was €1.25 billion.

84,557 employers had signed up with a PRSA provider under the employer mandatory access requirements and 45,243 employees had taken out PRSAs through their employer.

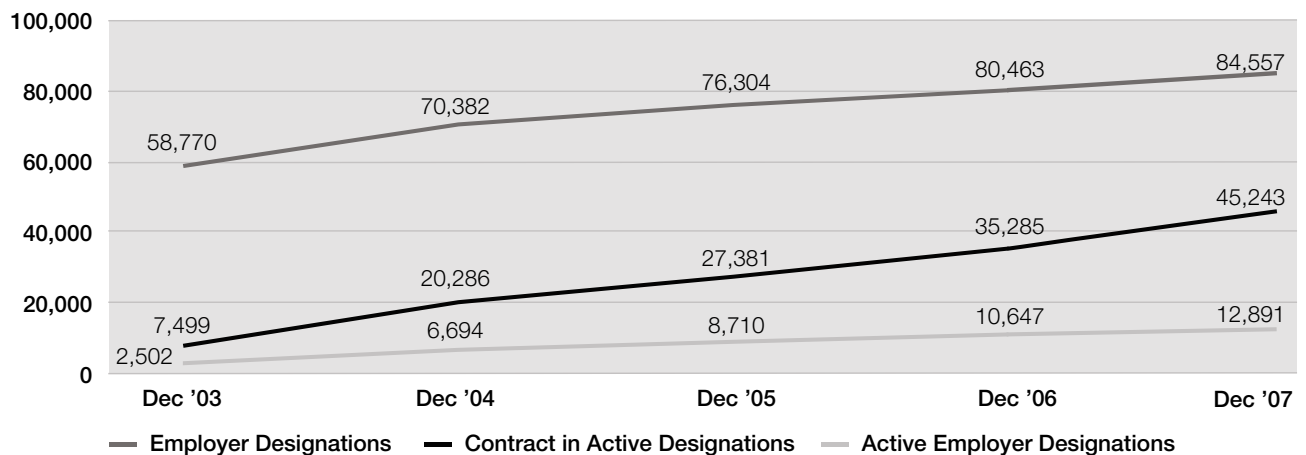
Two additional Standard products were approved during the year, bringing the total number of products in the market to 62, comprising 27 Standard and 35 non-Standard.

Quarterly reports were submitted by providers throughout the year. These set out the number and cumulative value of assets of contracts for each quarter. Summary statistics relating to these reports and a year-on-year comparison are shown in the following charts.

*PRSAs Year on Year Comparison - 31 Dec 2003 to 31 Dec 2007*



*Employer Designations PRSAs*





## Investigations and compliance activity

Board investigations are initiated following enquiries or complaints from scheme members, trustees, trade unions or through compulsory or voluntary reporting. Investigations also result from random audits carried out by the Board on occupational pension schemes and PRSAs. The Board's primary objective in any investigation is to protect the interests of the scheme members or PRSA contributors.

The Board initiated 59 investigations into issues concerning occupational pension schemes during 2007 (36 DB schemes and 23 DC schemes) and 68 investigations were closed during the year (28 DB cases and 40 DC cases). At year end, there were 65 open investigations (41 DB cases and 24 DC cases) compared to 74 (33 DB cases and 41 DC cases) at the end of 2006.

Tables 5(a) and 5(b) summarise the investigations data, for DB and DC schemes respectively, for 2007.

Of the 25 'whistleblow' reports (15 in relation to DB schemes and 10 DC schemes) received during the year, 18 of these cases (11 DB and 7 DC) related to issues concerning outstanding contributions. All of these cases are at various stages of Board intervention or have been satisfactorily resolved. Other matters reported included:

- a Life Office disclosing that it had identified a billing error in relation to five schemes under its administration where policy charges were deducted from members' accounts in error. This issue was resolved without loss to the scheme members.
- the administrators of a scheme failed to invest contributions in a timely fashion. Again, this issue was rectified without loss to the scheme members.
- the sole beneficiary under a small self-administered scheme disclosing that he had reported to the Revenue Commissioners under the terms of the Revenue Audit Code of Practice, 2002 to the effect that there had been an inappropriate withdrawal from the pension fund. The Board is monitoring this case pending the outcome of the Revenue audit.
- trustees disclosed the existence of an Irish DB scheme (administered in the UK) which had not been registered with the Board. All compliance issues arising from this situation have been resolved to the Board's satisfaction.

*Table 5(a) – DB Scheme Investigations – 1 January 2007 to 31 December 2007*

	Number of Investigations at 1/1/07	New Cases Received	Completed Cases	Number of Investigations at 31/12/07
Casework	18	21	24	15
'Whistleblows'	15	15	4	26
<b>Total</b>	<b>33</b>	<b>36</b>	<b>28</b>	<b>41</b>

*Table 5(b) – DC Scheme Investigations – 1 January 2007 to 31 December 2007*

	Number of Investigations at 1/1/07	New Cases Received	Completed Cases	Number of Investigations at 31/12/07
Casework	11	13	17	7
'Whistleblows'	30	10	23	17
<b>Total</b>	<b>41</b>	<b>23</b>	<b>40</b>	<b>24</b>

Section 18 of the Pensions Act provides the Board with specific powers of investigation and provides for specific penalties for failure to co-operate with the Board's investigations. Seven such investigations (five in relation to DB schemes) were authorised during the year, one of which necessitated an onsite inspection of the sponsoring employer's premises. High Court proceedings are pending in relation to the said scheme.

### PRSA supervision

The Board continued to monitor employer obligations through the Social Welfare Inspectorate reports and individual 'whistleblow' reports. Almost 1,500 PRSA enquiries of employers were carried out by the inspectors and the Board further investigated 500 of these that led to 98 audits of employers in respect of their PRSA obligations. Overall the Board satisfactorily closed 225 employer audits. During the year eight other 'whistleblow' reports were received concerning PRSA matters of which seven were satisfactorily closed by year end.

### PRSA provider reporting

The annual reports of providers to the Board, including the determination and certification of the PRSA appointed actuaries, were received by the end of the first quarter in 2007. The reports detail the level of provider compliance with the legislative provisions throughout the preceding year. Though the Board was satisfied with the level of compliance and recognises the added value of the input of the PRSA actuary in this process, a more detailed analysis was carried out on the reported minor instances of non-compliance.

### Monitoring disclosure compliance

The Board audits schemes compliance with the disclosure requirements of the Pensions Act by requiring selected schemes to send to the Board some of the documentation that must be provided, or made available to members. The Board compares the documentation received against the detailed requirements of the legislation to ensure that it is compliant.

Documentation, mainly in the form of trustee annual reports, was examined in respect of some 26 schemes. The conclusion of the audits carried out for 18 defined benefit schemes was that 82% of all documentation submitted was found to be compliant.

Of the documentation audited in respect of the remaining eight defined contribution schemes, 80% was found to be compliant, all of which suggests some improvement in compliance levels. Nonetheless, the Board will continue to focus on this area to ensure standards are improved and will also use the on-the-spot fine powers, introduced in September 2007, to bring about that improvement.

### Monitoring of funding standard

The Pensions Act requires that defined benefit schemes (excluding those exempted by regulations as public sector schemes) must submit to the Board an actuarial funding certificate at three yearly intervals. The scheme actuary certifies, whether, had the scheme wound up at the effective date of the certificate, its assets would have been enough to meet its liabilities. If not, a funding proposal must be submitted which is designed to meet the funding standard no later than the effective date of the next actuarial funding certificate. A certificate must be submitted to the Board no later than nine months after its effective date.

In addition, trustee annual reports must include a statement from the actuary as to whether the scheme would have satisfied the funding standard at the last day of the reporting period. If the statement records a failure to satisfy this standard, the scheme must submit an actuarial funding certificate to the Board within 12 months of the end of the reporting period and the scheme must prepare a funding proposal.

The Board received actuarial funding certificates in respect of 464 schemes in 2007. Of these 374 (81%) indicated that the schemes in question satisfied the funding standard. The remaining 90 schemes (19%) failed to satisfy the funding standard. This is a significant improvement on the 2006 figures which indicated that only 70% of the schemes that submitted certificates that year satisfied the funding standard.

Of the 90 schemes which failed the funding standard in 2007, 75 of these have funding proposals in place, 49 of which have been approved for a period of longer than three years. There were 15 proposals pending at year end, representing 757 active members, and the Board was in correspondence with the trustees of these schemes to ensure the proposals were submitted or, where appropriate, verification of scheme wind-up was provided.

Tables 6 and 7 indicate the position at the year end in relation to defined benefit schemes' compliance with the funding standard. Table 8 indicates the position of all defined benefit schemes which were subject to the funding standard at year end based on the funding position as at the most recent funding certificate received, broken down by category of scheme and number of members. Table 9 indicates the position of schemes which submitted funding certificates to the Board during 2007. Table 10 outlines the number and size of schemes which are exempt from the funding standard.

## The Funding Standard as at 31 December 2007

Table 6 – Defined Benefit Schemes Subject to the Funding Standard

Scheme Size	DB schemes subject to the Funding Standard		Schemes which satisfied the Funding Standard at the most recent AFC		Schemes which failed the Funding Standard at the most recent AFC		Schemes for which no AFC prepared as yet*	
	No of Schemes	No of Members	No of Schemes	No of Members	No of Schemes	No of Members	No of Schemes	No of Members
Frozen	261	0	194	0	55	0	12	0
Non-Group	10	10	6	6	2	2	2	2
1 – 50	734	11,636	541	8,185	155	2,841	38	610
51 – 99	151	11,045	107	7,824	37	2,657	7	564
100 – 500	208	47,740	138	31,240	61	13,765	9	2,735
501 – 1,000	43	29,936	37	25,697	5	3,424	1	815
1,001 +	37	144,174	29	69,237	7	14,595	1	60,342
<b>Total:</b>	<b>1,444</b>	<b>244,541</b>	<b>1,052</b>	<b>142,189</b>	<b>322</b>	<b>37,284</b>	<b>70</b>	<b>65,068</b>

\* This figure is made up almost entirely of newer registrations where no funding certificate has yet fallen due but includes some schemes where a funding certificate is overdue for submission and the Board is following up on these.

Table 7 – Schemes for which Funding Certificates were received in 2007

Scheme Size	Schemes for which Funding Certificates received in 2007*		Of which did satisfy the Funding Standard		Of which did not satisfy the Funding Standard**	
	No of Schemes	Active Members	No of Schemes	Active Members	No of Schemes	Active Members
Frozen	49	0	41	0	8	0
Non-Group	0	0	0	0	0	0
1 – 50	245	4,199	193	3,104	52	1,095
51 – 99	63	4,727	54	4,090	9	637
100 – 500	75	16,654	57	12,154	18	4,500
501 – 1,000	15	9,785	15	9,785	0	0
1,001 +	17	42,025	14	32,122	3	9,903
<b>Total:</b>	<b>464</b>	<b>77,390</b>	<b>374</b>	<b>61,255</b>	<b>90</b>	<b>16,135</b>

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

\*\* Of these 90 schemes; 49 have made applications to the Board under Section 49(3) of the Act and have submitted longer term proposals; 26 have submitted proposals for three years; seven are wound up or in wind up; one scheme has, since year end, submitted the proposal; one now meets the funding standard and the Board is pursuing submission of proposals in the last six cases.

Table 8 – Defined Benefit Schemes – Excluded from the Funding Standard

Scheme Size	No. of Schemes		No. of Members	
	31-Dec-07	31-Dec-06	31-Dec-07	31-Dec-06
Non-Group	3	3	3	3
1 to 50	33	30	665	644
51 to 99	12	13	844	941
100 to 500	18	15	3,827	3,302
501 to 1000	6	4	4,430	2,438
1001+	21	22	272,945	262,418
<b>Total:</b>	<b>93</b>	<b>87</b>	<b>282,714</b>	<b>269,746</b>

**Notes**

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

**Applications to the Board under section 49(3)**

Under Section 49(3) of the Pensions Act, the Board can agree a later date by which a scheme can reasonably be expected to meet the funding standard where a funding proposal is being put in place. This allows schemes to prepare funding proposals that are designed to meet the standard over a period of more than three years.

Of the 222 applications made to the Board under Section 49(3) to date, just two were made in 2007. This compares to 12 such applications in 2006. In 2007, however there were a number of re-applications from schemes where a later date had been specified but the proposal had gone off-track. In the majority of these cases the employer increased their contributions and a new proposal was submitted but in some cases benefit reductions and/or increased member contributions were introduced in order for a new proposal to be implemented.

At the date of writing, one of the applications received in 2007 has been granted and the other has not been considered as the application is incomplete.

**Overall position of applications to the Board under section 49(3)**

As at 31 December 2007, the total number of Section 49(3) applications made to the Board stood at 222, of which 206 had been granted.

A total of 16 applications have been refused overall. However, in all but three of these cases the trustees re-applied and were subsequently granted a later date. Of the remaining three schemes one submitted a three year proposal, one made a special contribution and satisfied the funding standard and one made good the deficit with a special contribution before winding up the scheme.

One of the applications granted during 2007 involved the Board issuing a direction under section 50 of the Act to the trustees to reduce preserved benefits under the scheme.

Last year saw a continuation in the positive trend in relation to schemes being in a position to discontinue with their long-term proposals. A total of 43 schemes have now discontinued with their proposals because:

- 24 have satisfied the Funding Standard
- four moved to a three or three and a half year proposal

- seven made a capital injection to restore solvency then wound up the scheme
- one wound up the scheme and transferred it to another scheme with a Section 49(3) funding proposal in place
- six wound up the scheme and transferred it to a solvent scheme
- one wound up in deficit

Accordingly, only 163 of the schemes for which longer term proposals were adopted are still continuing on this longer term basis, a reduction of 15 on last year. These 163 schemes represent approximately 26,700 active members.

### **Cross-border schemes**

Article 20 of the EU Directive on activities and supervisions of institutions for occupational pension schemes (IORPs Directive) requires schemes which engage in cross-border activities to receive a prior authorisation and approval. Any Irish based pension scheme must apply to the Pensions Board for authorisation before accepting contributions from a sponsoring undertaking in another member state of the European Union.

During 2007 the Board received one new application for cross-border authorisation and approval to accept contributions from the trustees of an Irish scheme thereby bringing the total number of such applications received by the Board to 22. As at February 2008, 21 of the 22 applications received had been granted and the other one was still under consideration. All except one of the applications granted related to cross-border activities with the UK, the other Member State involved being Belgium.

The Board has been notified by The Pensions Regulator in the UK of 16 UK schemes with Irish members to whom it has granted authorisation and approval to engage in cross-border activity. The Board has not, as at end March 2008, received notification of such activity from any other member state.

### **Prosecutions**

The Board brought a total of four successful prosecutions in 2007 against employers for failure to respond to its request for information in respect of their mandatory employer obligations under PRSAs. The PRSA prosecutions were, once more, based on reports to the Board made by the Inspectorate of the Department of Social and Family Affairs.

### **On-the-spot fines**

Regulations were made on 17 September 2007 which gave the Board power to levy on-the-spot fines for certain offences. The fines provisions provide an alternative to the prosecution of certain offences under the Act. The Board may notify a person in writing that it is alleged that an offence has been committed and that, if, within 21 days of the notice, the person has remedied the offence to the satisfaction of the Board and paid the fine of €2,000, a prosecution will not be instituted.

On-the-spot fines apply to a range of administrative offences under the Pensions Act, including:

- failure to register a scheme with the Board
- failure to provide scheme members with appropriate information
- failure to respond to requests for information from the Board
- employers not advising employees of pension or PRSA contributions

### **Conclusion**

Proper supervision of occupational pension schemes, PRSAs and trust RACs is essential to protect and encourage retirement savings. The Board will continue to fulfil its regulatory obligations through formal and informal channels, and to review the appropriateness of its practices.

# Policy, actuarial and legal services

The Board has a statutory responsibility to provide advice to the Minister for Social and Family Affairs on pension matters. It has filled an important space in the policy-making environment by:

- developing proposals through a partnership approach where possible and ensuring active social partnership involvement on an ongoing basis
- providing expert technical advice to Government on complex pensions issues
- leveraging the knowledge gained from our regulatory processes to provide timely and accurate guidance to strengthen pension provision and security and shaping legislation accordingly
- developing new sources of information, monitoring progress against coverage targets and generating awareness

The Board's strategy statement 2006-2010 identifies the promotion of the development of efficient national pension structures as a central objective. In addition to legislative advice and amendment, the 2007 policy agenda was broader and more integrated with national policy-making processes than in previous years.

## Policy developments in 2007

Significant developments during 2007 included:

- contributions to the:
  - Green Paper on Pensions
  - Review of the Irish Annuities Market
  - Partnership Pensions Review Group
- preparation of the pension provisions for the draft 2008 Social Welfare and Pensions Bill. This is intended to implement the findings of the Trusteeship Review, including, enabling the registration and audit of administrative activities of pensions administrators and sanctions for non-compliance and follows an extensive consultation process
- publication of a booklet on Hybrid pension schemes (in fulfilment of a commitment under the *Towards 2016* social partnership agreement) and provision of other guidance

## Annual Report of The Pensions Board Minister for Social and Family Affairs on Trusteeship



- development of new data sources, including assisting with the preparation of a full module of the National Employment Survey to take place in 2008
- undertaking a major new survey regarding women and pensions
- contribution to European policy issues, particularly the solvency debate

The context for this work is the Programme for Government (published in June 2007), the *Towards 2016* social partnership agreement, the previous work of the Board, including the National Pensions Review and other recent regulatory policy developments, both national and international.

## *Towards 2016*

The Green Paper on Pensions Policy, which has now been published outlines the major policy choices and challenges in relation to pensions. The Government is committed to responding to the consultations on foot of the paper's publication by developing a framework for comprehensively addressing the pensions agenda over the longer term. The Paper and details on the consultation process can be found at [www.pensionsgreenpaper.ie](http://www.pensionsgreenpaper.ie). This is an important opportunity for individuals and organisations to inform the development of future pensions policy and we would encourage all those with views on the issue to contribute to the consultation process.

The social partnership agreement also includes a commitment to develop an options paper with regard to the Transfer of Undertakings legislation, taking into account the extensive existing legislation and technical standards dealing with the disaggregation and merger of pension schemes. Work on this issue is underway.



## National Pensions Review

The National Pensions Review (NPR) was published in 2006 on foot of a request from the Minister for Social and Family Affairs. The Review is to be revisited in 2008 and the timing of this review will be considered in tandem with the timelines for the Green Paper process, insofar as is possible.



*Minister Martin Cullen launching the Green Paper on Pensions, Government Buildings, October 2007*

## Regulatory policy

The reorientation of the Board towards risk based supervision in the last quarter of 2007, the introduction of the on-the-spot fines regime in late 2007 and the preparatory work in relation to the implementation of the Trusteeship Report recommendations have been key developments this year. We appreciate the time and thought given by a number of our stakeholders to these issues and the assistance they have given us to ensure that these new regulatory developments are practical and effective. Further information in relation to these developments is available at [www.pensionsboard.ie](http://www.pensionsboard.ie).

## Funding Standard

The Pensions Board has been asked by the Minister for Social and Family Affairs to examine the operation of the funding standard and has submitted a recommendation to him for his consideration.

## Policy focus for 2008

The focus of policy work in 2008 will be on proactively developing regulatory policy in the context of the Board's operational review, while delivering on commitments contained in *Towards 2016* and the National Pensions Review, including revisiting the NPR. In terms of the European agenda, the review of the IORPS Directive, the solvency requirements of pension schemes and the clarification of social and labour law barriers to cross-border pensions will be the key issues which the Board will contribute to.

## Legislation

During 2007 the Board provided initial drafts of legislation in a number of areas to the Department of Social and Family Affairs. The legislative priority for 2007 was the drafting of legislation to implement a system of registration of scheme administrators who carry out pension scheme administration work on behalf of the trustees and legislation requiring trustees to undertake training at regular intervals. The Board's report to the Minister for Social and Family Affairs on Trusteeship is reflected in these drafts. The initial drafting of the legislation was carried out in 2007 for introduction in the Social Welfare and Pensions Bill, 2008.

## Statutory changes to improve the effectiveness of pension legislation

A detailed list of the legislation introduced in 2007 in relation to pensions is available on the Board's website at [www.pensionsboard.ie](http://www.pensionsboard.ie). The most important of these was the Social Welfare and Pensions Act 2007 which was enacted on 30 March 2007. This legislation brought trust RACS within the remit of the Act and introduced on-the-spot fines for specified contraventions of the Act.

Trust based Retirement Annuity Contract (RACs) schemes have been brought under the Board's regulatory remit under section 37 of the Social Welfare and Pensions Act 2007 with effect from 27 April 2007. Trust RACs are schemes established under trust and approved by the Revenue Commissioners. The schemes are usually established for self employed people, salaried employees with non pensionable earnings or a person who has more than one source of earnings and one of those sources is non pensionable. Under the Act schemes must register with the Board and pay fees. The Board now has a variety of investigatory and prosecution powers in relation to trust RACS.

The on-the-spot fine provisions provide an alternative to the prosecution of certain offences under the Act. These fines are imposed under section 3A of the Pensions Act 1990 (as amended by 39 of the Social Welfare Law Reform and Pensions Act, 2006, and section 37 of the Social Welfare and Pensions Act, 2007) and the Pensions Act (Notice of Alleged Offence) Regulations, 2007. These provisions were brought into force on 17 September 2007.

These provisions give the Board the power to levy on-the-spot fines for less serious offences as opposed to prosecuting the offenders. The Board may notify a person in writing that it is alleged that an offence has been committed. If, within 21 days of the notice, the person has remedied the offence to the satisfaction of the Board and paid the appropriate fine, the prosecution will not be instituted. It is hoped that on-the-spot fines will reduce the number of prosecutions taken by the Board.

## **Conclusion**

The priority of the Board in 2007 with respect to legislation was to enhance the legislative framework with the further development of the on-the-spot fine procedure along with imposing the provisions of the Pensions Act and relevant regulations on trust RAC schemes.



# Information and enquiry services

## Enquiry services

The Information Services team provides information to pension stakeholders through publications, website and enquiry services in a timely and accurate manner in accordance with the Board's Customer Charter.

High quality information and guidance on pensions is essential to promote a level of participation in the national pension system that enables all citizens to acquire an adequate retirement income.

In 2007 the Information Services area of the Board answered over 10,000 enquiries on pension matters from the general public, scheme members, PRSA contributors, trustees, the pension industry, the media and other interested parties. A breakdown of the type of enquiry and profile of enquirer is detailed in the following tables.

Types of enquiries	2007		2006	
	Number	%	Number	%
Functions of The Pensions Board	2,025	20%	1,927	17%
Preservation	478	5%	750	6%
Funding Standard	47	-	99	1%
Disclosure	2,063	20%	2,233	19%
Trustees Duties	200	2%	246	2%
Equal Pension Treatment	30	-	40	-
Compulsory & Voluntary Reporting & Miscellaneous Applications to the High Court	5	-	9	-
PRSAs	1,285	13%	1,852	16%
Pensions Ombudsman	20	-	26	-
Cross Border Schemes	44	-	145	1%
Referrals to Financial Services (Pensions) Business/ Department of Social and Family Affairs (DSFA/FSPB)	2,524	25%	2,357	20%
Other Enquiries	1,563	15%	2,119	18%
<b>Total</b>	<b>10,284</b>	<b>100%</b>	<b>11,803</b>	<b>100%</b>

Enquirer profile	2007		2006	
	Number	%	Number	%
Pensioner	170	2%	322	3%
Active Member	3,911	44%	3,878	39%
Company/Employer	510	6%	508	5%
Trade Union	30	-	39	-
Pension Practitioner	634	7%	932	9%
Trustee	163	2%	172	2%
DSFA/FSPB	1,654	19%	1,565	16%
PRSAs	745	8%	1,239	12%
Other	1,009	12%	1,383	14%
<b>Total</b>	<b>8,826</b>	<b>100%</b>	<b>10,038</b>	<b>100%</b>



### Information booklets

The Board is constantly reviewing its booklets to identify required updates and improvements. During 2007 two new information booklets were published (Pension Scheme Funding and Restructuring and Trustee and Employer Checklists) and seven of our existing booklets were updated. Further work to review all existing booklets will be carried out in 2008.

### Public presentations

During 2007, the Board gave over 40 information presentations to trustees, trade unions, employer personnel, professional bodies and others on the main features of the Act and other legislation affecting pensions.

### Website ([www.pensionsboard.ie](http://www.pensionsboard.ie))

Over 450,000 people visited the Board's website in 2007, an increase of 80% since 2006. An audit of the website was conducted in early 2007 which identified areas for short, medium and long term improvement. The most significant improvements introduced in 2007 were:

- reorganisation of navigation which included the reduction of navigation locations on homepage and the addition of an accessibility area
- addition of Guidance area which includes free online versions of the Board's Guidance Notes which were previously only available in hard copy by paid subscription
- enhanced search functionality
- direct link on homepage for state and public service pension enquiries
- addition of five rotating graphic banners at top of web pages to highlight popular areas of the website





### Trustee support services

The statutory functions of the Board include:

- providing guidance for trustees on their duties and responsibilities in relation to scheme administration
- issuing codes of practice on specific aspects of trustees' duties
- advising the Minister on standards for trustees and on their implementation

The Board provides support to trustees via its enquiry services, approval of trustee training courses, the Trustee Handbook, Codes of Practice for Trustees and the 'So you're a pension scheme trustee?' information booklet (which was updated in 2007).

The Board continues to encourage the provision of appropriate training facilities for trustees of schemes and the take-up of these facilities by trustees, including through its representation on the steering group for the Trustee Forum of the Irish Association of Pension Funds. A list of approved trustee training courses is available on [www.pensionsboard.ie](http://www.pensionsboard.ie)

The Board's Report on Trusteeship was published in February 2007. A key recommendation of the Report was to explore eLearning for delivery of trustee training. Preliminary research on introducing an eLearning programme for trustees was commenced in 2007.

### Legislation service

The Board's legislation service was outsourced to Better Regulation with effect from 1 January 2007. Better Regulation's Irish Pensions Online product provides an up to date consolidated version of the Act with the facility for easy cross-referencing by means of hyperlinks. The 'Recent Regulations' section of the website provides lists of Statutory Instruments introduced each year since 2002, a complete list of all amending Acts and Regulations, and the operative dates for the parts of the Act.

### Guidance notes

The Board provides detailed guidance notes on the various parts of the Act and Regulations. In 2007 the provision of the Board's guidance notes was changed from paid hard copy subscriptions to free electronic downloads on [www.pensionsboard.ie](http://www.pensionsboard.ie)

### National Pensions Awareness Campaign (NPAC)

The Board has run the National Pensions Awareness Campaign (NPAC) each year since 2003. This project is overseen by a project group including representatives from the Department of Social and Family Affairs, providers and the social partners. The Board welcomed the announcement that the Minister was making a further €1,000,000 available for the continuation of the NPAC for 2007.

## National Pensions Action Week

National Pensions Action Week took place from 12-18 March 2007 and involved an intense advertising and promotional focus on the age targets of 25-35 under a theme "Time for Action". The activity included on-the-street promotional activity, outdoor, ambient and online advertising, national print advertising, regional and national radio, and TV and cinema advertising.

## Priorities for NPAC 2007

NPAC 2007 aimed to conduct a strategic pensions awareness campaign that would encourage the conversion of awareness into positive action. In particular, it focused on:

- encouraging pensions take up by those with no pension and to ensure those with pension provision address the adequacy of that provision. Intensified focus on the key targets (25 – 35 year olds)
- informing consumers to take personal responsibility for their future retirement planning as well as promoting employers' responsibility
- encouraging Special Savings Investment Account holders to invest some of their capital into a pension
- directing consumers to the Pensions Board website and savings calculator
- building an educational foundation about retirement planning for the future to encourage people to be aware and informed about their existing pension and particularly to examine the adequacy of their pension
- working with partner organisations to improve pension coverage among key targets such as the 'train the trainer' activity with the Citizen Information Centres around the country





## Review of NPAC

In mid 2007, the Department of Social and Family Affairs and the Board carried out a detailed review of NPAC covering the four years since its inception in 2003. Terms of reference for the conduct of the review were agreed between the executive and the department and approved by the NPAC Project Group.

The key outputs from the NPAC review were:

- Government should continue to play a significant role in financial education programmes on pensions via public awareness campaigns
- public awareness campaigns such as NPAC should be run on a continual basis in order to have sustained and positive impact
- NPAC to be embedded in the ongoing work of the Board
- the funding of NPAC would remain at current levels over the period 2008- 2010 subject to allocation of resources by Government

- NPAC targeting of activity should continue to focus on the key sectors where coverage remains continually low such as the hospitality sector, farming and rural communities
- some NPAC funding to be ring fenced for committed financial planning and education initiatives
- NPAC to be reviewed again in 2010

## Conclusion

The resources allocated to Information Services reflect the priority given to the Board's information functions and the extent to which communications and information support pension scheme trustees, scheme members and PRSA contributors. In 2007 the Board agreed an updated Information Strategy. The implementation of this strategy will be overseen by a Board project team. The outputs from the internal Operational Review will dictate quite significantly the Board's future information provision responsibilities.



# Corporate services

In order to deliver on our strategic objectives we need to:

- have the necessary financial, technological and intellectual capabilities positioned to maximum effect and continuously reviewed
- seek to improve the way we work by actively developing our organisation, our customer focus and the commitment and capability of our staff
- ensure that the Board is fully compliant with best practice in relation to corporate governance and that risks are actively managed

## Monitoring of finances

The Board recommended to the Minister for Social and Family Affairs that no change be made to the occupational pension scheme fee of €9.50 per active scheme member for 2007. This is pursuant to the Occupational Pension Schemes (Fees) (Amendment) Regulations, 2002 (S.I. 610 of 2002).

The current fee level has been in place since 1 January 2003. The Pensions (Amendment) Act, 2002 provides for a separate fee income stream to cover the cost of regulating PRSAs. In 2007 the Board collected €4.37million in occupational pension scheme fees and €563,000 in respect of PRSA products.

The Department of Social and Family Affairs also made funding of €1.07million available to the Board in 2007 to defray costs incurred in relation to the supervision of PRSAs.

The National Pensions Awareness Campaign continued in 2007 and an allocation of €1 million was made available from the Department of Social and Family Affairs for this purpose. This expenditure is reflected in the annual accounts.





### Information communications technology

A two year project to refresh the Board's ICT service platforms concluded in 2007. This was a major project which included an ICT business evaluation, system design, a procurement exercise, installation and training.

It included the replacement of servers, PCs and operating systems in place since 2001 that had reached the end of their productive life. In tandem with this upgrade the Board completed an applications upgrade to maximise efficiencies in the latest technologies from both a performance and security perspective.

The core objective of this project was to future proof the Board's ICT needs while achieving value for the expenditure on the project. The latest Snap technologies were found to provide efficiencies in reducing system down time and ensure that inbuilt core system redundancies produced significant robustness in the new platform.

In the upgrade process there was no impact on service delivery to customers and staff, and the project has been successful. The new systems and applications continue to provide an excellent service internally and to our customers. The Board's ICT function will continue to assess advances in digital technologies so as to add security and value to the service we provide to all our customers.

### Human resources

The Board continues to develop its Human Resource practices, working closely with the Partnership Committee and Management Team to foster staff capability, commitment and opportunity. A new Partnership Committee was elected in January 2007 and the Board further supported the partnership process with dedicated training and development initiatives for the new committee.

Organisational and individual training and development needs are identified through a Performance Management Development System (PMDS), reflecting, for example, changes in technologies, flexibility requirements and succession. Training is available for all employees through structured training events, both internally and externally. As part of its Modernisation Action Plan the Board revised its PMDS process to integrate it with promotions and the award of increments. This revised system came into effect on 1 January 2008.

Progress on the Board's modernisation Action Plan is monitored by the Secretary General of the Department of Social and Family Affairs. As part of this process the Board's progress in meeting its objectives under the plan was recognised as meeting the qualification criteria for payment of the 1 June 2007 pay award under the *Towards 2016* Agreement.

The Board also awarded a number of staff education awards under the Educational Awards Scheme which encourages staff to undertake further academic and professional training.

## **Health and safety**

The Safety, Health and Welfare at Work (General Application) Regulations 2007 (S.I. No. 299 of 2007) came into operation on 1 November 2007. These provided for a number of revisions to the existing health and safety procedures and practices.

The regulations place obligations as regards safety and health on employers, employees and others. In preparation for this revision of regulations the Board conducted a safety audit and review of its current Safety Statement. This laid the foundations for a new statement that was agreed at both management and Partnership level. Training and new procedures to support health and safety will be delivered to Board staff as part of the implementation of the new regulations.

## **Governance**

In October 2001 the Department of Finance issued a revised mandatory Code of Practice for the Governance of state bodies, applicable to all commercial and non-commercial state bodies. The Board formally adopted the code of practice at its April 2002 meeting and continues to adhere to its provisions and monitors its requirements on a regular basis. All Board members have also received guidance on ethical codes of conduct and in particular their responsibilities with regard to the Code of Conduct for members and staff.

## **Ethics in Public Office Acts, 1995 and 2001**

The Board is a prescribed public body for the purpose of the Ethics in Public Office Acts, 1995 and 2001. All Board members (as holders of 'designated directorships') and members of staff who have 'designated positions' have been advised of their obligations under the ethics legislation and given appropriate guidance.

## **Risk management**

Under the provisions of the Code of Conduct for the Governance of State Bodies all public sector bodies are obliged to implement a formalised risk management system. The Board has been proactive over the years in its risk management, producing its first Risk Register in December 2002 followed by an update in 2004.

In 2007 the Board completed a thorough re-examination of the current risk management process using an approach recommended by the Institute of Public Administration.

Two key documents were produced on completion of this process: a Risk Management Policy, which sets out the key roles and responsibilities for risk management at the Board and a Corporate Risk Register, which details the most significant risks facing the Board and the corresponding mitigations in place to manage these risks.

## **Conclusion**

The Board, as an independent statutory body, is responsible for providing its own administrative and support structures to the core service delivery units. Such administrative support includes corporate governance and secretariat, financial control and accounting, human resources, information and communications technology, collection of fees and the register of occupational pension schemes. As part of a restructuring of the supervisory function it is planned to reassign responsibility for the register to the supervisory area in 2008.



# Staff of The Pensions Board

Day to day decision making is delegated to staff under the Board's active supervision.

Staff of the Board at 31 December 2007.



Brendan Kennedy  
*Chief Executive*



Mary Hutch  
*Head of DB Supervision*



Philip Dalton  
*Head of DC Supervision*



Yvonne White  
*Head of Policy, Actuarial  
and Legal Services*



Sylvia McNeece  
*Legal Advisor*



Pat O'Sullivan  
*Actuarial Advisor*



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



David Malone  
*Head of Information  
Services*



**Scheme, PRSA and trust RACs Supervision**

**DB Supervision**

Gerard Clarke  
Carol Jordan  
Edel Stenson  
Sherry Bass  
Martin Buggy  
Mary Conlon  
Valerie Christie

**DC Supervision**

Mary Howe  
Aideen Bugler  
Mary Broderick  
Catherine Goulding  
Gillian Murray  
Barry O'Connor  
Julie McCarthy

**Scheme Registration**

Ronan Scott  
Marie Earley  
Alison Massey

**National Pensions Awareness Campaign**

David Malone (up to September 2007)

**Information and Enquiry Services**

Aongus Horgan  
Ciarán Holahan  
Deirdre Kelly  
Emily Kealey  
Eileen Flynn  
Elaine Gallery  
Maura Moroney  
Catherine McAuley

**Policy, Actuarial and Legal Services**

Cheryl Richardson  
Andrew Nugent  
Renée O'Reilly  
Emma Hunter  
Helen King

**Corporate Services**

Gregory Whelan  
John McCarthy  
Rachael Gleeson  
Kieran O'Dea  
Christina Winters  
John Henry  
Aisling Delaney





# Financial statements

for the year ended 31 December 2007

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

I have audited the financial statements of An Bord Pinsean for the year ended 31 December 2007 under the Pensions Act, 1990.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes.

## Respective Responsibilities of the Board and the Comptroller and Auditor General

An Bord Pinsean is responsible for preparing the financial statements in accordance with the Pensions Act, 1990 and for ensuring the regularity of transactions. An Bord Pinsean prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Members of the Board are set out in the Statement of Board Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

I review whether the Statement on Internal Financial Control reflects the Board's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

I read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

## Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed.

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

## **Opinion**

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Board's affairs at 31 December 2007 and of its income and expenditure for the year then ended.

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

A handwritten signature in black ink, consisting of a stylized 'G' followed by a long horizontal stroke and a small loop at the end.

**Gerard Smyth**

For and on behalf of the Comptroller and Auditor General

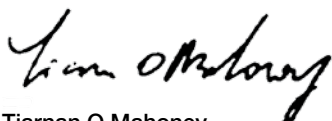
25 April 2008

# Statement of Board responsibilities

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

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Board will continue in operation
- disclose and explain any material departures from applicable accounting standards

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



**Tiarnan O Mahoney**  
*Chairperson*



**Dervla Tomlin**  
*Board member*

21 April 2008

# Chairperson's statement on the system of internal financial control

## Responsibility for system of internal financial control

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

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

## Key control procedures

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

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

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

- identifying the nature, extent and possible implication of risks facing the Board, including the extent and categories which it regards as acceptable
- assessing the likelihood of identified risks occurring

- assessing the Board's ability to manage and mitigate the risks that do occur
- having regard to the costs of operating particular controls relative to benefit obtained

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

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

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

During 2007 the Board conducted a comprehensive review of its current risk management process using an approach recommended by the Institute of Public Administration resulting in the development of an updated Corporate Risk Register and Risk Management Policy.



Through the ongoing activity of its Finance and Audit Committee, the Board has, in the year ended 31 December 2007, monitored the work of the executive in the area of financial control. Specifically, the committee examined the following:

- quarterly management accounts, with analysis and explanation of significant deviations from budget
- annual accounts for 2006 and explanation of significant variances
- annual budget and financial plan for 2008
- the Corporate Risk Register and Risk Management Policy
- corporate financing proposals
- internal audit reports

#### **Annual review of controls**

I confirm that in respect of the year ended 31 December 2007 the Board conducted a review of the effectiveness of the system of internal financial control.



**Tiarnan O Mahoney**

*Chairperson*

21 April 2008

# Statement of accounting policies

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

## a) Basis of preparation of financial statements

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

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

## b) Fee income

Fee income represents:

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

## c) State grant

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

- recoup the cost of superannuation benefits paid by the Board

- meet the net costs associated with the Board's role in relation to PRSAs
- meet the costs associated with the National Pensions Awareness Campaign
- contribute to other relevant costs

## d) PRSA capital reserve

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

## e) Tangible fixed assets and depreciation

Tangible fixed assets are shown at cost less accumulated depreciation. Depreciation is charged in the income and expenditure account on a straight-line basis at the annual rates set out below, so as to write off the assets, adjusted for estimated residual value, over the expected useful life of each appropriate category.

- Leasehold improvements 6 $\frac{2}{3}$ % – 15 Years
- Computer equipment 25% – 4 Years
- Office furniture 12 $\frac{1}{2}$ % – 8 Years
- Office equipment 20% – 5 Years

## f) Operating lease

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

## g) Superannuation

In view of the arrangements, as described in note 20, which the Board has in place in relation to the defined benefit scheme it operates for employees, the Board is of the view that the provisions of Financial Reporting Standard 17, Accounting for Retirement Benefits in relation to accounting for pension liabilities which arise under defined benefit schemes, are not applicable to its circumstances.

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

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

#### **h) Compliance enforcement reserve**

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

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

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

# Income and expenditure account

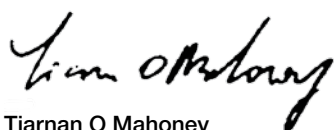
for the year ended 31 December 2007

	Notes	2007 €	2006 €
<b>Income</b>			
Occupational Pension Scheme fees		4,367,102	4,358,413
Personal Retirement Savings Account Fees	1	562,759	361,838
Provider NPAC contributions	2	-	32,000
<i>State grant in respect of:</i>			
Pension payments to retired staff		139,408	316,099
Personal Retirement Savings Account Costs	1&19	1,073,161	1,162,470
National Pension Awareness Campaign costs	2	1,000,000	1,000,000
Other income	3	254,111	257,372
Total income		7,396,541	7,488,192
Transfer (to)/from PRSA capital reserve	15 & 19	(16,034)	71,883
		<b>7,380,507</b>	<b>7,560,075</b>
<b>Expenditure</b>			
Salaries, pensions and related expenses	4	2,989,881	3,206,056
Board members' fees and expenses	5	137,919	141,564
Rent and office expenses	6	758,913	774,051
Recruitment, training and education	7	138,125	150,281
Information, research and publicity	8	1,027,969	992,636
Consultancy and other professional fees	9	1,038,034	761,301
General administration	10	346,615	385,634
Depreciation	11	197,753	183,548
Total expenditure		6,635,209	6,595,071
<b>Surplus for the year</b>		<b>745,298</b>	<b>965,004</b>
Revenue reserve at 1 January		5,731,535	4,766,531
<b>Revenue reserve at 31 December</b>		<b>6,476,833</b>	<b>5,731,535</b>

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

The results for the year relate to continuing operations.

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



Tiarnan O Mahoney  
Chairperson



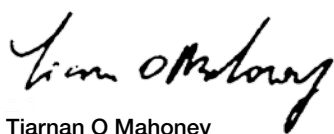
Brendan Kennedy  
Chief Executive

# Balance sheet

at 31 December 2007

	Notes	2007		2006	
		€	€	€	€
<b>Fixed assets</b>					
Tangible assets	11		903,071		834,616
<b>Current assets</b>					
Debtors	12	687,722		811,047	
Bank	18	5,856,314		5,204,969	
		<u>6,544,036</u>		<u>6,016,016</u>	
<b>Current liabilities</b>					
Creditors' amounts falling due within one year	13	<u>369,852</u>		<u>534,709</u>	
<b>Net current assets</b>			<u>6,174,184</u>		<u>5,481,307</u>
<b>Total assets</b>			<u>7,077,255</u>		<u>6,315,923</u>
<b>Financed by</b>					
Compliance enforcement reserve	16	300,000		300,000	
PRSA capital reserve	15 & 19	300,422		284,388	
Revenue reserve		<u>6,476,833</u>		<u>5,731,535</u>	
			<u>7,077,255</u>		<u>6,315,923</u>

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



**Tiarnan O Mahoney**  
Chairperson



**Brendan Kennedy**  
Chief Executive

21 April 2008

# Cash flow statement

for the year ended 31 December 2007

	Notes	2007 €	2006 €
Cash flow statement			
Net cash inflow from operating activities	17	762,270	920,551
Returns on investments and servicing of finance			
Interest received		154,222	32,146
Capital expenditure			
Payments to acquire tangible fixed assets		(266,282)	(54,478)
Receipts from sale of fixed asset		1,135	10,250
Management of liquid resources			
(Increase) in short term deposits		(762,381)	(500,000)
<b>(Decrease)/Increase in cash</b>		<b>(111,036)</b>	<b>408,469</b>
Reconciliation of net cash flow to movement in net funds	18		
(Decrease)/Increase in cash in the year		(111,036)	408,469
Increase in short term deposits		762,381	500,000
Movement in net funds in the year		651,345	908,469
Net funds at 1 January		5,204,969	4,296,500
Net funds at 31 December		5,856,314	5,204,969



# Notes to the financial statements

for the year ended 31 December 2007

## 1. PRSA Funding and costs

	2007 €	2006 €
PRSA state grant receivable in year	1,073,161	1,162,470
PRSA fees	562,759	361,838
Total in respect of PRSA costs	1,635,920	1,524,308
Applied in respect of PRSA costs:		
Non-capital	1,554,811	1,509,211
Capital	81,109	15,097
	1,635,920	1,524,308

## 2. NPAC funding and costs

The Board on behalf of Government continued the National Pension Awareness Campaign (NPAC) in 2007. An allocation of €1million from the Department of Social and Family Affairs was made available in the year for this purpose.

The primary objective of the NPAC campaign was to heighten pension awareness with a view to increasing pension coverage in Ireland.

The allocation was spent in the following main cost categories:

	2007 €	2006 €
Information and awareness activities	871,249	899,367
Project management	75,591	86,415
Administration	37,011	36,662
	983,851	1,022,444

## 3. Other income

	2007 €	2006 €
Interest income	228,665	134,594
Publications	7,490	83,042
Miscellaneous income	17,956	39,736
	254,111	257,372

#### 4. Employee numbers and costs

The total staff complement as approved by the Minister at 31 December 2007 was 39.5 permanent (2006 – 39.5 permanent). The average number of employees excluding contract staff for 2007 was 37 (2006 – 39). The aggregate employee and related costs were as follows:

	2007	2006
	€	€
Salaries	2,291,798	2,197,144
Employer superannuation contributions *	355,759	467,069
Employer PRSI contributions	160,676	169,266
Superannuation benefits payable	139,408	316,099
Contract staff – general	42,240	56,478
	<b>2,989,881</b>	<b>3,206,056</b>

\* See note 20

#### 5. Board members' fees and expenses

	2007	2006
	€	€
Board fees	137,472	140,000
Expenses	447	1,564
	<b>137,919</b>	<b>141,564</b>

#### 6. Rent and office expenses

	2007	2006
	€	€
Rent	569,172	572,708
Service charge	59,081	56,416
Rates	59,704	57,487
Electricity	25,361	25,528
Cleaning	26,741	25,639
General maintenance	17,019	34,368
Offsite storage	1,835	1,905
	<b>758,913</b>	<b>774,051</b>

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

# Notes to the financial statements *continued*

for the year ended 31 December 2007

## 7. Recruitment, training and education

	2007	2006
	€	€
Recruitment and staff costs	58,788	64,255
Training and education	79,337	86,026
	<b>138,125</b>	<b>150,281</b>

## 8. Information, research and publicity

	2007	2006
	€	€
Advertising and awareness activities	797,796	819,632
Printing and publications	153,862	106,268
Information stands and launches	60,733	50,484
Research	15,578	16,252
	<b>1,027,969</b>	<b>992,636</b>

## 9. Consultancy and other professional fees

	2007	2006
	€	€
Legal fees	357,913	281,676
Pensions/actuarial consultancy fees	408,553	225,116
Public relations and information	113,217	113,383
Management consultancy	62,627	38,463
Recruitment consultancy	9,771	31,780
Internal audit fees	14,520	19,231
Statutory audit fees	15,000	14,400
Other	56,433	37,252
	<b>1,038,034</b>	<b>761,301</b>

## 10. General administration

	2007	2006
	€	€
Stationery and general office expenses	120,328	201,216
Telephone and postage	53,470	60,613
Computer maintenance and consumables	74,480	76,634
Travel and subsistence	33,298	35,713
Insurances	64,342	10,603
Interest and charges	697	855
	<b>346,615</b>	<b>385,634</b>

## 11. Tangible fixed assets

	Leasehold improvements	Computer equipment	Office furniture	Office equipment	Total
	€	€	€	€	€
<b>Cost or valuation</b>					
At 1 January 2007	<b>1,138,744</b>	649,420	191,688	131,200	2,111,052
Additions in year	<b>18,948</b>	241,258	5,146	930	266,282
Disposals in year	-	(64,271)	-	-	(64,271)
At 31 December 2007	<b>1,157,692</b>	826,407	196,834	132,130	2,313,063
<b>Accumulated depreciation</b>					
At 1 January 2007	<b>451,242</b>	593,382	130,209	101,603	1,276,436
Charge for year	<b>77,179</b>	84,689	24,619	11,266	197,753
Disposals in year	-	(64,197)	-	-	(64,197)
At 31 December 2007	<b>528,421</b>	613,874	154,828	112,869	1,409,992
<b>Net book value</b>					
At 31 December 2006	<b>687,502</b>	56,038	61,479	29,597	834,616
At 31 December 2007	<b>629,271</b>	212,533	42,006	19,261	903,071

## 12. Debtors

	2007	2006
	€	€
Amounts falling due within one year:		
Fee income	<b>550,000</b>	588,200
Accrued interest receivable	<b>61,569</b>	149,508
Prepayments and accrued income	<b>59,374</b>	49,465
Debtors other	<b>16,779</b>	23,874
	<b>687,722</b>	811,047

## 13. Creditors

	2007	2006
	€	€
Amounts falling due within one year:		
Accruals	<b>192,684</b>	355,255
Tax creditor	<b>143,153</b>	141,174
State grant creditor PRSA	<b>19,722</b>	6,060
Trade creditors	<b>14,293</b>	32,220
	<b>369,852</b>	534,709

# Notes to the financial statements *continued*

for the year ended 31 December 2007

## 14. Financial commitments

### (i) Capital commitments

There were no capital commitments at 31 December 2007.

### (ii) Operating leases

The Board had commitments payable in the next 12 months under non-cancellable operating leases as follows:

	2007	2006
	€	€
Lease of office accommodation		
Expiring after five years	555,000	554,672

## 15. PRSA Capital reserve

	2007	2006
	€	€
At beginning of year	284,388	356,271
<b>Transfer (to)/from income and expenditure account</b>		
Current year grant	81,109	15,097
Amortisation - assets capitalised in the year	(19,244)	(3,546)
- prior year's acquisitions	(45,831)	(83,434)
At end of year	300,422	284,388

## 16. Compliance enforcement reserve

	2007	2006
	€	€
At beginning and end of year	300,000	300,000



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

	2007 €	2006 €
Surplus for year		
<b>Non Operating Items</b>	<b>745,298</b>	965,004
Interest received	(154,222)	(32,146)
Surplus from sale of fixed asset	(1,060)	(2,564)
<b>Non Cash Items</b>		
Transfer from PRSA capital reserve	16,034	(71,883)
Depreciation	197,753	183,548
Decrease/(increase) in debtors	123,325	(237,071)
(Decrease)/ increase in non capital creditors	(164,858)	115,663
Net cash inflow from operating activities	<b>762,270</b>	920,551

**18. Analysis of changes in net funds**

	At 1 January 2007 €	Cash flow €	At 31 December 2007 €
Cash at bank and on hand	604,969	(111,036)	493,933
Short term deposits	4,600,000	762,381	5,362,381
	<b>5,204,969</b>	651,345	5,856,314

**19. Contingent liability**

Between 2001 and 31 December 2007 the Board received a subvention from the Department of Social and Family Affairs in respect of its PRSA supervisory activity amounting to €8,130,638. This money had been made available to the Board as a temporary recoverable subvention and therefore, on that basis it might have become repayable in certain circumstances.

The Department of Finance, by letter dated 16 January 2008, has, subject to conditions, sanctioned the write-off of the full amount of subvention received and accordingly no contingent liability relating to this matter exists from that date.

# Notes to the financial statements *continued*

## for the year ended 31 December 2007

### 20. Accounting treatment for retirement benefits\*

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

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

- the Board makes an agreed contribution to the Department of Social and Family Affairs
- the contribution comprises an employee element along with an employer element. The employer contribution amounts to 16.67% of gross pay and is paid by the Board. In accordance with government policy on public sector pensions this contribution will be increased with effect from 1 January 2009 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
- there is an explicit commitment from the Department of Social and Family Affairs, with the agreement of the Department of Finance, that the Exchequer will meet the cost of benefits as they fall due

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

\* See note 4

### 21. Board members – disclosure of transactions

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

During 2007 the Board incurred fees payable to third parties, including legal fees, in respect of professional services in the amount of €1,038,034 inclusive of VAT. This amount includes €61,710, which was paid to Deloitte and Touche a firm of which Mr. Niall Walsh (a Board member) is a partner.

### 22. Taxation

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

### 23. Approval of financial statements

The financial statements were approved by the Board on 21 April 2008.

# Prompt Payment of Accounts Act, 1997

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

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

- the Board confirms that it is complying with the Prompt Payment of Accounts Act, 1997 which came into effect on 2 January 1998
- it is the policy of the Board to ensure that all invoices are paid promptly
- almost all invoices are paid within 30 working days of their receipt
- in the event of a written contract, invoices are paid in line with the terms of the contract
- in addition the Board has put in place a computerised system designed to assure itself on a look back basis that there has been compliance with the payment provisions of the Act
- in the event of a dispute between the Board and a supplier, there is a procedure in place whereby contact between the Board and supplier, concerning the dispute, is recorded
- the procedure referred to can only provide reasonable and not absolute assurance against non- compliance with the Act
- no late payments arose during 2007 and accordingly no penalty interest payments were made in the year

In conclusion, I am satisfied that the action the Board is taking in dealing with the Prompt Payment of Accounts Act, 1997, is in compliance with the Act.



**Brendan Kennedy**

*Chief Executive*

Date 21 April 2008

# Appendices

**Appendix I – Reporting progress on our strategic objectives – at a glance guide**

**Appendix II – Customer Action Plan**

**Appendix III – Abbreviations**

# Appendix I – Reporting progress on our strategic objectives – at a glance guide

Objectives	Progress 2007	Responsibility
<b>Mission Statement 1 –</b> To promote the security and protection of members of occupational pension schemes and contributors to Personal Retirement Savings Accounts, in accordance with the Pensions Act.		
(a) Recommend any statutory changes which would improve the effectiveness of pension regulation and/or supervision having quantified the likely effects in the context of Regulatory Impact Analysis.	Initial drafting of the Social Welfare and Pensions Bill 2008, was carried out in 2007 to amend the Act to introduce the concept that scheme administrators must register with the Board. The Board will have responsibility to audit administration service standards and to remove registration or apply sanctions if required standards are not met.	Legislation
(b) Maintain on-going timely and effective pension supervision.	On-the-spot fines were refined to provide a timely and effective remedy for specified offences.	Regulation/ compliance
(c) Review implementation of the Government principles of better regulation in relation to existing and new pension regulation and make any changes.	External consultation and regulatory impact analyses were carried out in respect of the proposed regulation of scheme administrators and trustee training legislation.	Legislation
(d) Review and make any appropriate changes to pension supervision processes within the Board to ensure that these are effective and an efficient use of resources.	The supervisory resources of the Board have been re-organised into two supervisory teams- DB Supervision and DC Supervision (to include PRSAs and trust RACs).	Regulation/ compliance, Legislation, Policy
(e) Review prosecution and penalties policy of the Board and make any appropriate changes to ensure the greatest level of compliance without incurring excessive costs.	On-the-spot fines were introduced.  Prosecution fines for breaches of the Act were increased.	Legislation, Regulation/ compliance
(f) Review investment regulation and supervision and recommend any appropriate statutory changes to ensure that investment supports the objectives of pension funding.	Regulations were brought in to clarify that the investment rules in Article 6(4) of the Occupational Pension Schemes (Investment) Regulations 2006, apply on an individual member basis as well as a scheme basis, except for a one member arrangement.  Regulations were also brought in to provide for circumstances when trustees of a trust RAC may borrow and related investment matters.	Legislation

Objectives	Progress 2007	Responsibility
(g) Put in place group retirement annuity contracts supervision.	Trust RAC legislation is in force and trustees must now comply with the Act and are subject to regulation by the Board.	Legislation
(h) Finalise policy decisions arising from the IORPs Directive and input to proposals for other EU Directives and initiatives relevant to pensions.	<p>The Board continued to be represented at meetings of CEIOPS and the OPC. A new solvency sub-committee was established under the OPC, of which the Board is a member.</p> <p>Representations were made to CEIOPS in relation to the Portability Directive and questionnaires were completed on pension aspects arising from the IORPs Directive. The Board also co-ordinated the social and labour law questionnaire as part of this process.</p>	<p>Legislation</p> <p>Policy</p>
(i) Contribute to EU supervisory fora (currently CEIOPS and its working parties) for exchange of information and co-operation among EU pension regulators/supervisors to foster convergence of pension supervision and development of best practices.	<p>Completed a number of CEIOPS questionnaires throughout 2007 on relevant aspects of pensions in line with the IORPs Directive.</p> <p>The Board was represented at relevant meetings of CEIOPS, OECD and OPC during 2007.</p>	Policy
(j) Put in place appropriate processes for operation of cross-border pension business.	One new application for cross- border authorisation was received by the Board in 2007 bringing the total number of such applications to 22.	Regulation/ compliance
(k) Review the statutory funding standard to ensure reasonable balance between facilitating employers to maintain defined benefit schemes and protecting the interests of their members.	The review of the funding standard has been completed and forwarded to the Minister for Social and Family Affairs.	Policy
(l) Put in place the Board's role in monitoring system for statutory actuarial pensions work.	A mandatory compliance monitoring process is now in place in respect of the statutory work carried out by scheme actuaries. This process is operated by the Society of Actuaries in Ireland. As part of this process, the Board may select actuarial work for review. The Board's intention is to make such selections regularly. As of the end of 2007, the Board has already made the first selection and will be reviewing the results during 2008.	Policy
(m) Liaise with the Financial Regulator with objective of avoiding gaps or overlaps and ensuring appropriate co-operation.	Meetings with the Financial Regulator continued in 2007 to discuss areas of mutual interest.	Policy



Objectives	Progress 2007	Responsibility
(n) Advise on any statutory changes needed in relation to any pension schemes which may be removed from the list in Schedule C of the Occupational Pension Schemes (Funding Standard) Regulations, 1993 and implement any such changes.	The Board has continued to liaise with the Department of Finance during 2007 and with the Department's assistance expect to resolve the position of these schemes in the first half of 2008.	Policy
(o) Examine the Board's enforcement powers in the Act and recommend any changes which would make these more effective.	On-the-spot fines legislation was introduced.  Work began to bring scheme administrators within the scope of the Act in respect of specific activities.	Legislation
(p) Monitor and keep under review existing legislation to ensure it continues to be effective.	Initial draft of primary legislation was prepared to incorporate changes identified to ensure the legislation continues to be effective. This process will be monitored on an ongoing basis. Disclosure (Amendment) Regulations were implemented.	Legislation
(q) Participate actively in preparation of any necessary statutory changes and regulations.	Trust RAC legislation was implemented. Regulations on disclosure, on-the-spot fines and peer review of actuarial work implemented.	Regulation/ compliance
<b>Mission Statement 2 –</b> To promote the development of efficient national pension structures		

- (a) Encourage and support decisions to be taken at national level in response to the National Pensions Review.

The Green Paper on Pensions was published in 2007. The Board participated in the preparation of the Green Paper. The paper sets out the issues and options for the future of pension policy in Ireland.

The Board continued to be represented at meetings of the Partnership Pensions Review Group which entailed providing background information on various issues.

A guide to hybrid pension schemes was published by the Board in October 2007. The guide gives an overview of the types of hybrid schemes which are beginning to emerge.

Policy

Objectives	Progress 2007	Responsibility
(b) Examine areas identified in the National Pensions Review for further consideration and debate and take any further action on those which the Board considers appropriate while bearing in mind national and international developments.	<p>The National Pensions Review committed to undertaking research in relation to women and pensions. This work has begun and is looking at the behavioural reasons in relation to pensions coverage for women. It is expected that this work will be completed in 2008.</p> <p>The models from the National Pensions Review were considered during the preparation of the Green Paper on Pensions.</p>	Policy
(c) Report to the Minister for Social and Family Affairs on the principles of a mandatory or quasi mandatory pension system and recommend an appropriate system for Ireland.	The models from the Special Savings in Retirement report were considered during the preparation of the Green Paper on Pensions.	Policy
(d) Review the use of the trust structure as the most effective governance system for pension schemes.	A written consultation was conducted to discuss implementation issues related to the recommendations in the report. An implementation working group was also established to discuss these issues. Legislation was prepared in 2007 to implement a number of key recommendations contained in the Trusteeship report. It is expected that this legislation will be included in the Social Welfare and Pensions Act 2008.	Policy
(e) Participate actively in EU, OECD and other international pension policy initiatives and developments in the best interests of the Irish national pension structures.	During 2007 the Board participated actively by attending at relevant meetings and providing presentations for some meetings.	Policy
(f) Input to Department of Justice, Equality and Law Reform on family law issues affecting pensions.	Liaised with Department of Justice, Equality and Law Reform on relevant pensions issues.	Policy
(g) Input to Department of Finance and Revenue on any tax issues affecting pensions.	Regular contact continued with the Department of Finance and Revenue in relation to various issues affecting pensions.	Policy
(h) Review progress towards pension targets in 2008.	<p>The Board has continued to discuss the content of the pension module of the National Employment Survey. This is the first time that the NES will include questions on pensions. The survey will be carried out in 2008.</p> <p>Regular contact continued with the CSO in relation to other surveys, such as the Quarterly National Household Survey.</p>	Policy

Objectives	Progress 2007	Responsibility
<b>Mission Statement 3 –</b> To promote a level of participation in the national pension system which enables all citizens to acquire an adequate retirement income.		
(a) Provide information to pension stakeholders through publications, website, and enquiry service.	The Board continued to enhance the delivery of its information services online. All our pensions information booklets are provided free of charge and are available online at <a href="http://www.pensionsboard.ie">www.pensionsboard.ie</a>	Information
(b) Organise National Pensions Awareness Campaign sponsored by the Government.	The Board ran a very successful National Pensions Awareness Campaign on behalf of the Government in 2007. Key focus of activity was National Pensions Action Week in March and the tax-filing deadline in October.	Information
<b>Mission Statement 4 –</b> To provide information and authoritative guidance to relevant parties in support of pension security, structures and participation.		
(a) Arrange for the conduct of regular surveys of pension coverage in Ireland.	<p>It was agreed with the CSO to conduct pension modules surveys in 2007 as part of the Quarterly National Household Survey.</p> <p>The CSO also agreed to a full NES module on pensions in 2008, the first time that the survey will include pensions.</p>	Policy
(b) Identify areas of pension research and statistical information needed and put in place mechanisms for completion of these.	<p>Attended the NES meetings and agreed that a full pension module will be dedicated to pensions in 2008.</p> <p>Liaising with CSO on an on-going basis to collate some of the information as set out by the Council regulation concerning structural business statistics.</p>	Policy
(c) Provide information to national or overseas organisations interested in the Irish pension structure.	Throughout the year the Board has given presentations to the IMF, the OECD and representatives from various countries.	Policy
(d) Support national objective to promote Ireland as a centre for pan-European and cross-border pensions. Participate on the pan-European task force.	In 2007 the Board continued to be represented at the pan-European task force.	Regulation/ compliance

# Appendix II – Customer Action Plan (CAP) performance against commitments

## Quality service standards

1. The Board's Customer Charter reflecting customers' requirements has been published on our website and is displayed in the Board's offices. Our CAP is also available in booklet form and online.
2. Comment cards have been provided in the Board's reception area and online.
3. A website review group meets regularly to review and update the Board's website and ensure that it is relevant, accurate and user friendly.
4. The progress on initiatives outlined in the CAP is reviewed on a quarterly basis by the management team of the Board.

## Equality/diversity

5. The Board ensures that there continues to be a focus on fair and equal treatment outcomes for all our customers. This is achieved by ongoing customer care training for staff.
6. A module on equality from an employee perspective is given in induction training to make staff aware of the nine discriminatory grounds covered by employment equality legislation.

## Physical access

7. The Board's office is maintained to ensure that both visitors and staff with any other specific access needs, continue to enjoy secure and safe surroundings while on the Board's premises.

## Information

8. The Board continues to enhance our commitments to the provision of customer information as outlined in the Board's Customer Charter.
9. The Board provides a Lo Call number (1890 65-65-65) to help customers with their enquiries.

## Timeliness and courtesy

10. Turnaround times for correspondence with the Board, as prescribed in its Customer Charter, are being adhered to.

## Complaints

11. The Board has introduced a complaints form and implemented a recording system for comments and complaints as part of its Customer Charter.

### **Consultation evaluation**

12. The Board consulted with its customers by issuing a customer survey questionnaire, which led to the development of its customer charter. The customer survey indicated a good level of customer satisfaction.
13. The findings of the customer survey were incorporated into ongoing training and development initiatives for staff of the Board.

### **Choice**

14. The Board provides the best set of options to customers in terms of methods of payment and delivery of service generally, including banking online.
15. The Board continues to satisfy the prompt payments legislation.

### **Official languages equality**

16. It is the Board's policy to meet the provisions of the Official Languages Act, 2003, which includes publishing our strategy, annual report and the CAP in Irish.
17. All new information booklets are published in English and Irish.
18. Services on the website are being identified which could be made available in Irish.
19. Language training is available to all staff.

### **Better co-ordination**

20. The Board continues to hold regular meetings with representative bodies and Government Departments/agencies.

### **Internal customer**

21. The training and development needs arising from the Performance Management and Development System (PMDS) are addressed on an ongoing basis.
22. The Board's requirements under the Health and Safety legislation continue to be met.
23. The Partnership Committee meets on a regular basis and functions well as a forum where staff and management can monitor existing activity and develop new initiatives.
24. Staff members of the Board participate in regular unit team meetings, along with regular meetings during the year to brief staff on current issues that affect the Board and its operation.
25. An annual end of year review, forward look and general staff meeting is held in December.

## Appendix III – Abbreviations

AFC	Actuarial Funding Certificate
AVC	Additional Voluntary Contribution
Board	The Pensions Board
CAP	Customer Action Plan
CEIOPS	Committee of European Insurance and Occupational Pension Supervisors
CSO	The Central Statistics Office
DSFA	Department of Social and Family Affairs
EU	European Union
FÁS	Training and Employment Authority
FSPB	Financial Services (Pensions) Business (formerly known as the Retirement Benefits District)
GAIE	Gross Average Industrial Earnings
IORPs Directive	Directive 2003/41/EC of the European Parliament and of the Council of 3 June 2003 on the activities and supervision of institutions for occupational retirement provision
IORPs	Institution for Occupational Retirement Provision
NPAC	National Pensions Awareness Campaign
NPAW	National Pensions Action Week
NPPI	National Pensions Policy Initiative
NPR	National Pensions Review
OECD	Organisation for Economic Co-operation & Development
OPC	Occupational Pensions Committee
the Act	Pensions Act, 1990, as amended,
PMDS	Performance Management Development System
PRSA	Personal Retirement Savings Account
QCS	Quality Customer Service
RACs	Retirement Annuity Contracts
RIA	Regulatory Impact Analysis
S.I. No.	Statutory Instrument number
SSIA	Special Savings Incentive Accounts



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ISSN 1649 8690