



An Bord Píneán
The Pensions Board

Annual Report and Accounts 2011

www.pensionsboard.ie

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The Pensions Board

The Pensions Board Strategy 2011-2015¹ sets out a series of principal goals which the Board aims to achieve across the regulatory, information, expert advice and corporate functions over the period of the strategy.

Principal goals

To support a sustainable pensions system that will provide adequate and reliable pensions for retired and older people and that achieves wide coverage.

The Board aims to achieve this by:

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

¹ The strategy document is available under “The Board” section on www.pensionsboard.ie.

The Pensions Board

The Pensions Board is a statutory body comprising a chairperson and up to 16 ordinary members. While all members are appointed by the Minister for Social Protection under the provisions of the Act, the Board must be comprised of 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, on the nomination of the relevant nominating body, as appropriate. A person who fills a casual vacancy holds office for the remainder of the current five-year period.

On 22 December 2010, the Minister announced the appointment of The Pensions Board which takes up office for the five year period 2010-2015.

The members of the Board are:



Jane Williams
Chairperson
The Sia Group
Nominee of the Minister
for Social Protection
(Board meeting attendance: 9/9)



Rosalind Briggs
Mercer
Nominated by the Society
of Actuaries in Ireland
(Board meeting attendance: 8/9)



Noreen Deegan
Friends First
Nominated by IBEC
(Board meeting attendance: 7/9)



Kevin Finucane
Willis Ireland
Nominated by the Association
of Pension Lawyers in Ireland
(Board meeting attendance: 9/9)



Brendan Johnston
Zurich Life Assurance plc
Nominated by the Irish
Insurance Federation
(Board meeting attendance: 9/9)



Emer O'Flanagan
O'Driscoll O'Neill Ltd
Nominee of the Minister
for Social Protection
(Board meeting attendance: 7/9)



Patricia Murphy
Department of
Social Protection
Representative of the
Minister for Social Protection
(Board meeting attendance: 9/9)



Terence Noone
DHKN Chartered Accountants
Nominee of the Minister
for Social Protection
(Board meeting attendance: 6/9)



David Owens
Department of Public Expenditure
and Reform
Representative of the Minister for
Public Expenditure and Reform
(Board meeting attendance: 9/9)



Don O'Higgins
Irish Business and Employers
Confederation (IBEC)
Nominated by IBEC
(Board meeting attendance: 8/9)



Phelim O'Reilly
Attain Consulting Ltd
Nominated by the Irish
Association of Pension Funds
(Board meeting attendance: 9/9)



Niall Walsh
Deloitte & Touche
Nominated by the Consultative
Committee of the Accountancy
Bodies – Ireland
(Board meeting attendance: 8/9)



Rachael Ryan
SIPTU
Nominated by the Irish
Congress of Trade Unions
(Board meeting attendance: 9/9)



Mary Walsh
Chartered Accountant
Nominee of the Minister
for Social Protection
(Board meeting attendance: 9/9)



Robin Webster
Age Action Ireland
Nominee of the Minister
for Social Protection
Representative of
pensioner interests
(Board meeting attendance: 8/9)

Prof. John McHale, National University of Ireland, nominee of the Minister for Social Protection as representative of consumer interests resigned from the Board in December 2011 (Board meeting attendance: 7/9).



Chairperson's statement

I am pleased to submit the annual report of An Bord Pinsean – The Pensions Board for the year ended 31 December 2011, in accordance with Section 23 of the Pensions Act, 1990. As the first year of a new Board starting its 5 year term, with significant volume and technical challenges for the organisation, 2011 was a challenging, busy and productive year on all fronts.

We continued the good working relationship with the Minister and the Department of Social Protection during 2011, focusing on supporting stable pension provision during a time of international financial uncertainty. We did this through regulation, providing policy advice and by being a source of objective and relevant information for trustees, members of occupational pension schemes and the general public.

The organisation developed its strategy for the period, 2011-2015, using an inclusive and detailed process. The focus of the 5 year strategy is the beneficiaries of the organisation's activity, which are current and future pensioners. The strategy articulates the Board's ambitions to be achieved by the end of 2015 and includes an outline of how the organisation intends to meet these and how its performance will be assessed. It includes a thorough external and regulatory environment analysis and identifies goals and actions across the regulatory, information, policy advice and corporate functions over the period of the strategy. Using the performance measures developed, this annual report sets out our progress to-date on these.

As would be expected in challenging times, implementing the strategy requires an approach involving Board members, senior management and all staff, working together to deliver. It also requires new working methods such as the Board's sub-committees and working groups, developed to accelerate engagement with particular issues². An example of this is the pension taxation working group which was formed during 2011, knowing that Government was considering taxation provisions that could have an impact on pensions. The working group provided the Minister with a detailed set of options that addressed the revenue generating requirements

while minimising the damage to pension provision in the short and longer term.

The primary function of the Board is to supervise compliance with the Pensions Act. Providing policy advice to the Department, the Minister and to other Government Departments is valued by those stakeholders. The information function will also continue to be important to assist pensioners, trustees and those considering a pension with their decision-making. As is detailed further in this report, the Board has continued to prosecute breaches of the Act, most notably in the construction sector. The Board has also issued fines to scheme trustees where they were found to be in breach of the Act. On-site inspections of Registered Administrators and face-to-face meetings with scheme trustees continue to be another important aspect of our regulatory activity.

There are three primary concerns of the Board on which I wish to focus: occupational pension scheme security and sustainability, especially for defined benefit schemes in deficit; the need for a stable and predictable tax treatment for pension provision; and the successful introduction of auto-enrolment for those with no supplementary pension coverage.

To address these concerns the Board has established separate defined benefit and defined contribution working groups, in addition to the pension taxation working group mentioned earlier. These working groups are charged with exploring in detail the current and emerging issues that affect supplementary pensions.

The defined benefit working group is looking at the issues faced by such schemes in the context of the Board's re-introduction of funding standard compliance obligations. The Board estimates that about 70% of these schemes are in deficit. Further issues for consideration include the longer term outlook for defined benefit schemes, the difficult decisions faced by trustees, the advantages of sustainable defined benefit pensions and the certainty of delivery of benefits from such schemes.

² See appendix I.

Defined contribution provision is the most common private sector pension design, and its incidence is likely to increase. This makes it a very important structure within the pensions landscape. Because of the complexity of defined benefit pensions, there is a danger that defined contribution pensions may not get the attention it deserves. To ensure that it does the Board is reviewing this area to identify what changes are needed so that confidence in such pension arrangements can be sustained and improved.

The scope of the defined contribution working group includes all forms of defined contribution provision. In undertaking its work, it will monitor international developments in defined contribution provision, including in the UK, as well as relevant issues arising at EU and European Insurance and Occupational Pension Authority (EIOPA) level. Among the current issues being considered are information for scheme members, scheme charges and investment.

The Government is currently committed to a major programme of adjustments in the public finances. In 2011 the Government introduced the temporary four-year annual levy of 0.6% on the assets of pension funds to help support measures included in the Government's *Jobs Initiative*. A proposed reduction in private pension tax relief and further reductions in pension fund thresholds are some of the measures under consideration. The Board will continue to advise the Minister of the alternative options available for raising funds and their impact on pension coverage. Future confidence in pensions will benefit from a stable and predictable tax treatment that supports pension provision.

The State pension is the first pillar of pensions provision. Occupational pensions are an important second pillar. This annual report shows that the total number of active members in occupational pension schemes at April 2012 was 771,878, a decline of some 38,083 members over 2010 levels. However, the number of PRSA contracts in force grew by 10,924 during 2011 to 198,038 with total assets of over €3 billion. While the fall in occupational pension scheme membership can be expected as a consequence of declines in employment and contractions in the economy it is of serious concern for the Board given the importance of personal savings to provide for retirement in addition to the State pension.

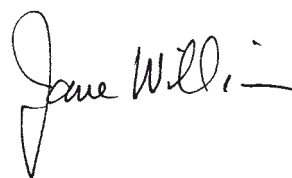
Since the end of 2011, the Board formed a working group on pensions and employment to examine the issues and options arising from the increase in the State pension age from 2014 and the gap that may exist between the age of retirement from employment and receipt of the State pension.

The Board, through members of the Executive, continues to participate actively in the implementation of long term pension policy that will promote better pensions security and stability. The Board also participates in European activities through its membership of EIOPA in order to contribute to and anticipate developments that will affect Irish pensions.

In April 2011, the Board received Government sanction to recruit an additional twelve regulatory staff, as part of the Employment Control Framework numbers for the Department of Social Protection. All of these posts have been filled and this additional resource capacity is very welcome and recognises the importance and significance of the work of the Board in supervising retirement savings. While the Executive has assured the Board that it has enough staff to undertake a significant number of inspections and provide a reasonable level of oversight, the Board will continue to monitor the resource capacity of the organisation.

Finally, I want to thank the staff of the Board led by the Chief Executive Brendan Kennedy for their professionalism, innovation, commitment and hard work throughout the past year. It has been a year when significantly higher demands, particularly in the policy implementation and the regulatory areas, have been placed on the organisation and the staff have risen to meet those demands. I would also like to thank my fellow Board members for their commitment and for the contributions they make through the Board meetings, the working groups and sub-committees of the Board. My fellow Board members and I are focused and committed to working with the Board's Executive to underpin a pensions system that provides wide coverage that is sustainable, adequate and reliable.

The Board also looks forward to working with the Minister for Social Protection and the officials in the Department of Social Protection and other Government Departments during the years ahead.



Jane Williams
Chairperson



Chief Executive's review

Safeguarding the interests of occupational pension scheme members and Personal Retirement Savings Account (PRSA) holders through effective regulation is one of the primary responsibilities of the Board. Where the Board uncovers non compliance with the Pensions Act or receives whistleblower reports to that effect we will have no hesitation in taking appropriate action right up to and including prosecution.

A notable aspect of the Board's work is the prosecutions we undertake, which in recent years have almost entirely been where employers have deducted contributions from employees' wages and not passed them on to the pension scheme, that is, they kept them. It is worrying that the volume of cases notified to us is still very high. The present economic problems faced by many employers are no excuse for this practice, and, in any case, the Board has seen many cases where the employer's failure to remit the money dates back to 2007 and earlier. Furthermore, we know of a number of cases where offending companies have been put into liquidation and the same directors immediately start a new business and continue their deductions and failure to remit.

Our prosecution of these cases takes up a considerable amount of Board resources, which reflects the seriousness of the problem and of the offence. We welcome the fact that the Courts are treating these offences with the seriousness that they merit.

It is necessary but not sufficient that contributions be secure: it is also necessary that pension schemes keep proper records and account properly for the savings they are looking after on behalf of members. The Board's oversight of pension administrators, including on-site inspections of their systems and processes, is a practical approach to this issue, and is intended to increase the confidence that scheme members and trustees can have in those who supply vital administrative services to them. I am happy that we now have enough staff to undertake a significant number of inspections and provide a reasonable level of oversight.

Support for supplementary pensions is not limited to regulation and prosecution, and our work includes provision of guidance and less formal interaction with scheme trustees and their advisers, especially regarding defined benefit schemes. It also includes working with and advising the Department of Social Protection and the Government on the many pension issues that arise.

Many pension schemes, both defined benefit and defined contribution, are unlikely to provide the pensions that their members expect. Most people who retire in the future will draw a pension for over 20 years, and it is a challenge to provide a reasonable income for such a period. As individuals and as a society, we must face up to the fact that pensions are expensive, irrespective of who pays for them or how they are provided. There are no shortcuts for pension provision. In particular, it is unfair to overpromise, and it is dangerous to try to compensate for low contributions by over-aggressive investment strategies.

Over the next 12 months, the trustees of most defined benefit schemes will have to negotiate a solution to the deficits that their schemes face. Each scheme is different, and even within each scheme, there is a range of possible solutions. The Board is committed to providing as much support to trustees as possible, but it can only be the trustees who make the decisions, balancing the interests of all members of their pension scheme.

However, it is important that the decisions be made and implemented as soon as possible. Until this is done, the contributions are likely to be inadequate, and the position of the scheme will be getting worse. Trustees must focus on the long term sustainability of the scheme, not just on the short term. There is nothing to be gained by an overoptimistic assessment of the situation of the scheme and, in particular, of likely future investment returns. Over optimism is unfair to the younger members of the scheme, whose contributions will be most at risk and who are least likely to receive their full benefits.

Undoubtedly, some defined benefit schemes will close, and their members may not receive the benefits that the scheme intended to provide them. Our objective must be to see as many defined benefit schemes as possible put on a secure footing and prudently managed for the future benefit of their members.

A further issue for some defined contribution schemes is the charges that are imposed on members. The Board, along with the Central Bank, is contributing to the study on this issue commissioned by the Department of Social Protection. This is a complex piece of work and the results will give rise to technical questions of pension policy. However, irrespective of the outcome of that work, there is an ongoing responsibility on trustees to manage their schemes in the best interests of scheme members. This responsibility clearly includes a duty to ensure that costs are reasonable, and trustees must satisfy themselves that they are carrying out their responsibilities in this regard.

The powers of the Board are more limited than may be generally realised, and it has to be considered whether these powers are enough for so large a sector, and whether they meet the expectations of members and beneficiaries. We are conducting a review of whether the Board has enough powers, and in particular to intervene where we feel that scheme management is inadequate or inappropriate. The question of further powers is of course a matter for the Government and for the Oireachtas. We welcome the reassurances that we have received from the Minister and her Department that any request for additional powers will be considered carefully.

The Board continues to run its affairs as cost-effectively as possible and is reporting a surplus of €350,000 for 2011. The Board has shown a surplus every year since 2003 as a result of seeking efficiencies across all areas of Board activity. These activities range from the likes of increased efficiency in fee collection, savings in legal, IT and other consultancy support and through to reductions in printing costs.

The day to day work of the Board is funded entirely by occupational pension scheme and PRSA fees. Apart from the funding allocated by the Department of Social Protection for the National Pensions Awareness Campaign, the Board receives no Exchequer funding. In response to the surpluses the Board proposed and the Minister approved a reduction in fees levied on pension schemes of 9.1% from 1 January 2011. Fee levels will be closely monitored on an annual basis to ensure the Board has sufficient financial resources at its disposal but does not run excessive surpluses.

I look forward to working with the officials in the Department of Social Protection and other Government Departments during the year ahead and thank them for their support during 2011.

2011 was another demanding year and I would like to acknowledge the hard work and professionalism of all my colleagues working in the Board.

Finally, I would like to thank the Chairperson and members of the Board for their commitment, advice and support during what continues to be a very challenging time for Irish pensions.



Brendan Kennedy
Chief Executive

Implementing the Board's strategy – progress assessment

This section of the Annual Report provides a summary of progress achieved in 2011 on the basis of the indicators and targets set out in The Pensions Board Strategy 2011-2015. These indicators comprise a set of annual monitoring indicators that measure Board activity and outputs (Table 1) as well as a set of outcome-focused key performance indicators (Table 2).

Additional qualitative analysis and commentary is included in later sections of this report.

Table 1 provides a summary of Board activity in the regulation and information areas in 2011 by reference to the monitoring indicators and targets agreed by the Board for that purpose.

Table 1: Annual monitoring indicators

Function and indicators	2010 baseline	2011 target	2011 output	2012 target
Regulation				
1. No. of level 1 and level 2 meetings with DB and public sector schemes	4	12	9	30 ³
2. No. of level 1 and level 2 meetings with registered administrators and providers (incl. PRSA providers) and DC schemes	15	6	16	6
3. No. of on-site inspections of Registered Administrations (RAs) and PRSA providers	5	14	13	40 ⁴
4. No. of Construction Workers' Pension Scheme (CWPS) on-site investigations	1	4	0	4
5. No. of prosecutions initiated (CWPS and non-CWPS)	10	No target	36	No target
6. No. of on-the-spot fine investigations launched	143	150	10 ⁵	200
7. Proportion of schemes where no Registered Administrator appointed	26%	20%	20%	10%
8. No. of cases reported of non-remitted contributions to CWPS	83	No target	98	No target
9. No. of schemes for which s49(3) and/or s50 applications processed	86	400	77	400 ⁶
Information and guidance				
10. No. of enquiries handled	7,000	No target	6,500	No target
11. No. of unique visitors to www.pensionsboard.ie	120,000	No target	192,000	No target
Other				
12. Board membership attendance rate	82%	94%	91%	100%

³ At level 1 meetings, a broad range of compliance issues is discussed (e.g., funding, investment, scheme administration, disclosure) whereas level 2 meetings focus on a specific issue of concern.

⁴ The 2012 target reflects a shift in emphasis from meetings with regulated entities on the Board's premises to a more focused, forensic and resource intensive on-site inspections of those entities.

⁵ Target revised down from 150 mid-year as scheme source data was being transferred from The Pensions Board Scheme Register to ISIS.

⁶ Reflects the anticipated re-introduction of funding standard obligations for defined benefit pension schemes.

Table 2 provides a summary of progress made in terms of the five year ambitions of the Board's strategy, by reference to of a number of agreed key performance indicators.

Table 2: Key performance indicators

Corporate/organisational effectiveness			
% variance of annual Board expenditure in relation to budget estimate should be less than or equal to the expenditure budget (% variance > or = to expenditure budget)			
	2010 Baseline	2011	2012 target
Budget (€million)	€6.1	€6.0	€6.1
Actual expenditure (€million)	€5.6	€5.7	n/a
% variance	-8%	-5%	n/a
The Board's performance under regulation, information and guidance and policy advice as detailed below will be monitored by reference to the following indicators.			
Regulation			
	Baseline	2015 target	
Proportion of ongoing DB schemes meeting funding standard or following an approved funding plan	42% (December 2010)	100%	
Information and guidance			
	Baseline	2015 target	
% of stakeholders satisfied/very satisfied with quality of Board information and guidance material	82% (November 2011)	90%	
% of respondents satisfied/very satisfied with Board response to enquiries	65% (November 2011)	80%	
Policy advice and technical support			
	Baseline assessment	2015 target	
Effectiveness of the policy advice functions will be assessed via qualitative feedback from the Department of Social Protection and other relevant departments.	Representatives of the Board met with the Departments of Social Protection, Finance and Public Expenditure and Reform in January 2011 to assess their levels of satisfaction with the Board's policy advice. All three departments were satisfied with the policy advice function of the Board.	That the Board continues to be a competent, credible and relevant source of advice to the Minister and Department of Social Protection and other relevant departments.	

Meeting the Board's strategic objectives

Effective regulation

The Board's regulatory objectives are 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 Board expects to learn of most instances of non-compliance through its own pro-active supervisory activity and through information provided by pension professionals. However, the Board will continue to respond to and investigate reports or complaints by members of the public.

Investigations and prosecutions

Cases prosecuted by the Board in 2011 mostly related to deduction and non-remittance of pension contributions by employers in the construction sector to the Construction Workers Pension Scheme (CWPS). Where employers fail to engage with the Board or the CWPS, the Board uses its prosecution powers under the Act as necessary. This approach reflects the seriousness of these offences in the Board's risk priorities with non-remittance of contributions being a significant compliance issue. The Board's regulatory activity has led to prosecutions being taken against companies and their directors.

The Board successfully prosecuted 26 cases in 2011⁷. In 10 of these cases, the Board secured convictions for two offences, one being the failure to remit contributions to the scheme and the other for failure to furnish information to the Board; in the remaining 16 cases eight convictions were obtained for failing to remit contributions and eight convictions were obtained for failure to furnish information to the Board. Appeals are currently pending in two of the above cases, in which custodial sentences were imposed. There are 36 cases currently pending for 2012.

The Courts have recognised the seriousness of these cases by convicting both the directors and companies concerned and in some cases imposing custodial sentences and or community service on the company directors as well as fines.

Ninety eight new suspected cases of deduction and non-remittance of pension contributions by employers in the construction sector were reported to the Board in 2011 as compared to 81 cases in 2010. Since 2007 the Board has been notified of 489 cases alleging deduction and non-remittance of pension contributions to CWPS.

During 2011, 85 cases were closed. Cases were closed for a number of reasons including:

- employers fully paying off their arrears
- cases deemed unsuitable for prosecution
- other extenuating circumstances.

In 2011 a total of €813,000 of previously unremitted employer and employee contributions was paid to the CWPS scheme as a direct result of Board intervention.

To date the value of restored contributions to CWPS resulting from the Board's activity stands at just over €5,020,000.

Fines

During 2011 fines totalling €14,000 were paid over to the Board by seven trustees of three schemes. These monies were subsequently passed on to the Exchequer.

The grounds for these fines were:

- two schemes for failure to submit or late submission of actuarial funding certificates
- one scheme for failure to pay fees to the Board for 2010.

The introduction of fines as an alternative to prosecution for specified offences has been very effective in raising the standards of administration and instilling a culture of compliance.

The Board will continue to allocate resources to investigating these specific offences, especially as these are often an indicator of more serious offences.

⁷ See appendix II for details.

Registered Administrators (RAs)

The Board assesses levels of compliance with the Pensions Act through a process of direct engagement with regulated entities and their administration providers. Since 2010 the Board has been carrying out on-site inspections of RAs in order to assess if they have the competence and capability to discharge the core administration functions which they elected and certified their capacity to provide under the Act.

The Board carried out 12 on-site inspections of RAs in 2011. These inspections were focused on establishing that the RAs concerned were maintaining sufficient and adequate records of scheme members and their entitlements to allow them to discharge their core administration functions.

In general, inspection outcomes indicate a considerable improvement in administration standards, although it is too soon in the Board's inspection programme to provide a very detailed assessment on this matter. Hence there will be a considerable acceleration of on-site inspections through 2012 and beyond.

A report on the outcome of the 2011 inspections can be accessed in the RA section on the Board's website.

There were 184 RAs on the Board's register of RAs at year end and no RAs were refused renewal or had their activities restricted in 2011.

On-site inspections and meetings with scheme trustees, pension providers and public service administrators

During 2011 the Board convened 26 meetings with trustees and pension providers to discuss a range of compliance issues.

For efficiency, the Board focuses on engagement with the trustees of larger schemes, the administrators of public service schemes and providers. This form of engagement with regulated entities and their administration providers is in keeping with the Board's risk-based approach to supervising the operation of the Act.

This engagement takes the form of individual meetings with these entities at the Board's premises to discuss a broad spectrum of compliance issues relating to the Pensions Act. Any issues of concern to the Board are identified and a timescale is set to redress the matter until it is resolved to the Board's satisfaction. If there are more serious matters that have prevailed over a period of time the Board will consider appropriate sanctions under the Act which could be imposed on these entities.

Inspections of PRSA providers

There are 16 PRSA providers in respect of whom 130 PRSA products have been approved by the Board and the Revenue Commissioners.

On-site inspections of PRSA providers will become a regular feature of the Board's supervisory activity. Matters that will be subject to the inspection process include a review of the PRSA charges being levied by providers, disclosure of information documents and their marketing literature.

Apart from on-site inspection activity, the Board regularly meets with PRSA providers and their PRSA Actuary to discuss matters relating to their compliance with the Act. Any issues of concern to the Board are identified and a timescale is set to redress the matter until it is resolved to the Board's satisfaction.

The Board supervises PRSA compliance closely and, where necessary uses its powers to restrict or disqualify those PRSA providers who do not meet their statutory obligations.

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

Membership of occupational pension schemes

Table 3 details the numbers and active membership of occupational pension schemes as at April 2012⁸.

Table 3: Number of schemes and scheme membership as at April 2012

Scheme Size	Defined Contribution		Defined Benefit				All Schemes	
	No of Schemes	Active Members	Subject to the Funding Standard		Not Subject to the Funding Standard		No of Schemes	Active Members
Frozen	n/a	n/a	115	1,323	0	0	115	1,323
In wind-up	n/a	n/a	20	4,639	0	0	20	4,639
Non Group	49,032	49,032	3	3	0	0	49,035	49,035
1 to 50	16,132	70,656	545	7,913	39	716	16,716	79,285
51 to 99	313	21,500	93	6,858	11	828	417	29,186
100 to 500	250	48,513	149	35,081	28	6,271	427	89,865
501 to 1000	24	16,538	39	26,527	4	3,518	67	46,583
1001+	19	32,911	29	114,833	23	324,218	71	471,962
Totals (as at April 2012)	65,770	239,150	993	197,177	105	335,551	66,868	771,878
2010 Totals	75,183	259,732	1,013	222,072	95	328,157	76,291	809,961
Change since 2010	-9,413	-20,582	-20	-24,895	10	7,394	-9,423	-38,083

Personal Retirement Savings Accounts (PRSAs)

Table 4 details the number of PRSA contracts in existence at 31 December 2011.

Table 4: Personal Retirement Savings Accounts (PRSAs) as at 31 December 2011

	End 2010	End 2011	Change
Total number of contracts:	187,114	198,038	10,924
• Standard PRSA contracts	143,824	151,122	7,298
• Non-Standard PRSA contracts	43,290	46,916	3,626
Total assets:	€2.74 billion	€3.03 billion	€0.29 billion

The Funding Standard

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

Investment returns were volatile during 2011 and bond yields relevant to annuity costs remained low by historical standards. The Board estimates that at least 70% of defined benefit schemes were in deficit at the end of 2011.

The Act requires that defined benefit schemes (excluding those exempted by regulations) must submit to the Board an actuarial funding certificate (AFC) at three yearly intervals. The scheme actuary certifies whether, if the scheme had wound up at the effective date of the certificate, its assets would have been enough to meet its liabilities. If not, a funding proposal, which is designed to restore the scheme to solvency, must be submitted, along with the AFC.

The funding standard will be reintroduced at the earliest possible date and fully applied by the Board.

⁸ As a consequence of ongoing testing and clean-up of scheme data on the Board's ISIS system figures at April 2012 are being used in this years report.

Applications under Section 49(3) and Section 50/50A

Up to October 2011 the Board received 24 applications under Section 49(3) for extended term funding proposals. Following a Government announcement by the Minister for Social Protection in October 2011 on changes to the funding standard and the provision to allow applications under Section 49(3) submitted by 16 December 2011 to be considered under the existing funding standard, 48 additional applications were received by the Board. This resulted in a considerable number being carried forward for assessment in early 2012.

Of the total applications received, the Board specified the later date in 47 cases, and declined to do so in two cases. The trustees withdrew the application in three cases. The Board continued to progress the remaining cases with most applications being dealt with by the end of March 2012.

In 2011 the Board also received 26 applications under Section 50 which propose benefit restructuring in a scheme as part of a plan to restore a scheme to solvency. A number of cases that were received in 2010 were carried forward to 2011. The Board issued a direction in 27 cases to reduce benefits and was assessing the remaining cases at year end.

The Pensions Insolvency Payment Scheme (PIPS)

The Board received one PIPS application during 2011. This is in addition to the three applications received since 2010. The Board certified the sole application as being eligible for consideration under the scheme and forwarded the application to the Department of Finance for the next stage of the process.

Cross-border schemes

An Irish-based pension scheme must apply to the Board for authorisation before accepting contributions from an employer in another EU member state. During 2011 the Board approved applications from two further schemes. The total number of applications currently authorised by the Board is 29. The applications granted to date relate to cross-border activities in the UK, Hungary, Poland, Belgium, Luxembourg and the Netherlands.

Advice and technical support

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

Activity in 2011 included:

- supporting inter-departmental policy work on long term pension policy. The executive participated in the Implementation Steering Group as well as in sub-groups dealing with occupational and personal pensions, the proposed auto-enrolment scheme and with data and technical issues
- contributing to the development of policy proposals for defined benefit pension provision including a review of the funding standard. This work continued into 2012
- launching a consultation on the simplification of defined contribution pension provision in December 2011. The consultation ended in February 2012 and areas of work arising from the consultation will be identified and acted on
- providing advice to the Minister for Social Protection on the tax treatment of pension contributions, which set out an analysis of various options for reducing the cost of pension tax reliefs in line with the commitments of the EU/IMF Programme of Financial Support
- participating in a project on pension charges. The project is led by the Department of Social Protection with input from the Board and the Central Bank. Work began in autumn of 2011 with the aim of obtaining comprehensive and detailed information on all types of costs across all pension scheme types. This project will be completed in early 2012
- establishing Board defined benefit and a defined contribution working group to address current and future policy issues relating to these forms of pension provision
- developing a tracing service for members of pension schemes. This work was led by the Department of Social Protection with the participation of the Board and the Revenue Commissioners.

Sovereign annuities

Legislation was introduced in 2010 permitting trustees of occupational pension schemes to purchase sovereign annuity products to fulfil pension commitments. A sovereign annuity is an annuity contract issued by an insurance company where the annual income payment is linked directly to payments under bonds issued by one or more EU member states.

Under the Social Welfare and Pensions Act, 2011 insurers are required to submit sovereign annuity products to the Board for certification in advance of sale. The Board's certification requirements are set out in guidance issued by the Board in late 2011. The Disclosure of Information Regulations were also amended to ensure that trustees provide retirees with clear information on the terms of these products where they are purchased to pay their pensions.

EU regulatory policy

The Board was also active in contributing to EU regulatory policy through its participation in the European Insurance and Occupational Pensions Authority (EIOPA). The Chief Executive of the Pensions Board continued to chair the Occupational Pensions Committee (OPC) of EIOPA. The main focus of the OPC in 2011 was the drafting of a response to the EU Commission's call for advice on the review of Institutions for Occupational Retirement Provision (IORP) Directive.

The Board also provided assistance to the Department of Social Protection in developing legislation in the area of regulatory own funds provisions of the IORP Directive. This related to Article 17 of IORP which requires member states to ensure that occupational pension schemes which underwrite risks linked to death, disability or longevity or guarantee a given investment performance or given level of benefits to hold sufficient resources to fund the liabilities promised by the pension arrangement and an additional reserve to act as a safety capital to absorb discrepancies between anticipated and actual liabilities (the regulatory own funds requirement). The additional reserve must be held on a permanent basis and must reflect the types of risks and asset held within the arrangements. This final outstanding provision of IORP was implemented by the Social Welfare and Pensions Act, 2011 and accompanying Regulations.

Information and guidance

The Board works to sustain and enhance its position as an independent, relevant and trustworthy source for pension information. The Board uses plain language and delivers information and guidance in a clear and concise manner.

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

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

In 2011 the Board dealt with over 6,500 direct enquiries. The largest group of enquirers continues to be scheme members concerned about disclosure issues, which includes matters relating to scheme documentation e.g. audited accounts, annual reports, benefits on leaving employment/retirement/death and schemes in wind-up.

The Board's website (www.pensionsboard.ie)

The Board provides a comprehensive range of free information and guidance material on its website and also provides online sample pensions calculators to help people plan for their retirement.

During 2011 the Board began to develop an online interactive pensions' information 'lifecycle' facility to provide information relevant to enquirers' personal circumstances. This 'lifecycle' facility will allow people to identify with a profile (e.g. employed or self-employed) and or a life event (e.g. first job, getting married) and easily access information relevant to their situation. It is anticipated that this 'lifecycle' facility will be available in the Autumn of 2012.

Public presentations and media relations

During 2011 the Board attended 30 public events nationwide, issued 21 press releases and dealt with over 100 direct media enquiries. The Board provides information and educational articles and materials covering all aspects of pensions for both the media and a comprehensive range of consumer and industry stakeholders on an ongoing basis. The Board seeks media opportunities to promote discussion of pension issues.

Guidance and Frequently Asked Questions (FAQs)

Guidance and FAQs in the following areas were made available to trustees in 2011:

- FAQs on Sovereign Annuities
- guidance on the 0.6% Pensions Levy
- a briefing note on Pension scheme trustee obligations under the Criminal Justice (Money Laundering and Terrorist Financing) Act, 2010
- a briefing note on Regulatory Own Funds.

Guidance and FAQs in the following areas were made available to actuaries:

- FAQs on Regulatory Own Funds Schemes and Regulatory Own Funds Trust RACs
- FAQs on Application of Preservation Regime to Defined Benefit Restructurings.

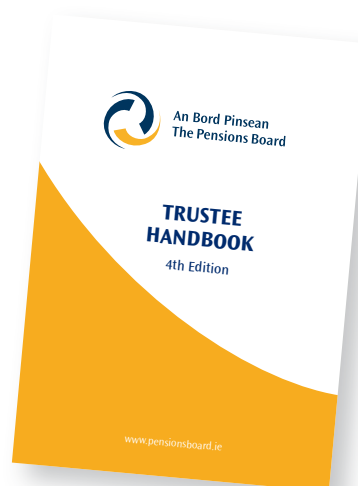
The Board also issued FAQs for insurers on Sovereign Annuities.

Trustee support services

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

Under the Pensions Act, the Board has an obligation to offer guidance to trustees and this is to provide a range of resources including:

- the Trustee Handbook
- trustee training e-learning system
- guidance and FAQs on changes in legislation or to regulations
- a range of information booklets and checklists
- a register of trustee trainers



Trustee Handbook

The fourth edition of The Pension Board's Trustee Handbook was published and is available on the Board's website. The Trustee Handbook assists trustees by providing detailed guidance on their duties and responsibilities under the Pensions Act and under all other legislation affecting pensions. It also sets out good practice which trustees should strive for, even where it is not mandatory.

Trustee training

During 2011 the Board actively promoted the requirement for pension scheme trustees to receive formal training by the deadline of 1 February 2012.

Trustees are required to receive training within six months of their appointment and at least every two years thereafter. The Board will monitor trustee training compliance on an ongoing basis.

The Board promotes trustee training services to further enhance the understanding and education of pension scheme trustees in support of:

- better pension security for scheme members
- higher standards of administration and reporting
- demonstrable compliance with the Pensions Act.

Trustee e-learning



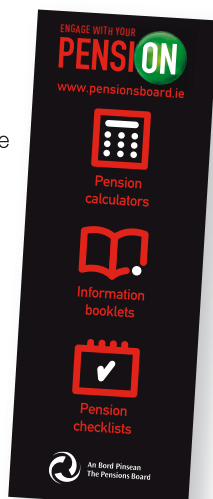
Since the Board launched its free e-learning system for pension scheme trustees in January 2010 over 1,100 people have successfully completed the course and have been issued with their Pensions Board certificates. The trustee e-learning system was updated at the end of 2011 to reflect legislative changes and now includes a function where the participant can restart the course and view their certificate history.

Trustee trainers

The Pensions Board invites providers of any form of trustee training to register as a self-certified trustee trainer. A list of self-certified trustee trainers are compiled by the Board and posted on its website under Trustee Information as an information service for trustees.

National Pensions Awareness Campaign (NPAC)

The Board has run NPAC on behalf of the Government since 2003. The campaign was established to increase public awareness of pensions with a view to improving pension coverage. NPAC is overseen by a project working group of the Board. The Minister for Social Protection allocated €400,000 for the continuation of NPAC in 2011.



The main objectives of the campaign in 2011 were to:

- concentrate on simplifying the message and encouraging scheme members and the general public to better 'engage' with the pension process, their own plans and expectations for retirement.
- focus on the areas where pension coverage has traditionally been low – the hospitality and retail sectors, the agriculture and farming communities, women and young people
- promote the workplace as the optimum location for pension provision and information
- further develop stakeholder relationships and education initiatives in both the public and private sectors.

Examples of NPAC activity during 2011 included:

- promotion of the Board's Trustee e-learning system, checklists, booklets and calculators
- participation in the introduction and roll-out of the 'Money Skills for Life' Workplace Programme with the National Consumer Agency as per recommendations made in the *Financial Capability – a multi-stakeholder approach report*
- promotion of the standardisation of the State Pension Age in association with the Department of Social Protection
- development of mobile phone pension calculator applications and adverts for inclusion into the existing online advertising campaign.



NPAC 2012 strategy

Ongoing research, experiences and the outcomes of the 2011 campaign will inform the strategy for NPAC 2012.

Running an efficient organisation

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

Finance and audit committee

The finance and audit committee is a key governance supervision and assessment committee of the Board and, through its work, aims to ensure that the Board is compliant with its governance obligations as a State body.

The committee using external auditors successfully completed an internal audit programme in 2011. The 2011 programme included a review of the procurement, implementation and outputs from the Interactive Scheme Information System (ISIS) project. Another element of the review involved testing the effectiveness of the Board's system of internal financial control.

Occupational pension scheme fees

Section 25 of the Pensions Act provides that trustees of a scheme shall pay an annual fee to the Board.

The Board recommended to the Minister for Social Protection a 9.1% reduction in the occupational pension scheme fee to €8 per active scheme member for 2011. The Board, in recommending a fee decrease, took account of the difficulties facing many schemes in the current economic climate and the accumulated cash reserves of the Board.

In 2011 the Board collected €3.6 million in occupational pension scheme fees a decrease of 7% on the previous year.

ISIS became operational for occupational pension scheme fee collection during 2011. ISIS has introduced a number of operational efficiencies to the fee collection process in terms of invoicing, processing of payments and communication with fee contacts. Scheme fees can now be paid online by either credit or debit card.

PRSA fees

The Pensions Act provides for a separate fee to cover the cost of regulating PRSAs. In 2011 the Board collected €1.7 million in respect of PRSA products. PRSA fee income increased by 20% on the previous year and was attributable to a growth in asset values and the introduction of new PRSA products and providers.

Human Resources

The Board can only achieve its objectives where staff are well trained and have up to-date skills and knowledge. Relevant training and development, both formal and informal, is necessary to maintain the calibre of Board staff and is an important part of Board activities. Key to delivering this objective is the recruitment and retention of highly motivated, flexible and skilled employees.

During 2011 the Board received sanction and successfully recruited twelve employees to support the Board's regulatory and legal functions. The recruitment campaign focused on attracting employees with the competence, experience and motivation to contribute at a high level immediately upon joining the Board.

Organisational and individual performance management, and training and development needs are identified through the Board's Performance Management Development System (PMDS).

Health and safety

The Board is committed to supporting the health and safety of its employees and to providing a safe place of work. There were no accidents or incidents to report during 2011. Health and safety continues to be a permanent item on the Board's Partnership Committee agenda and practices are continuously reviewed.

ICT

The Board continually monitors its ICT needs to ensure an efficient service is provided to internal and external customers. In 2011, the Board's ICT Disaster Recovery Plan was reviewed and documented. The plan sets out policies and procedures to be followed in the event of a disaster that severely disrupts the ICT function of the Board and contains key information to allow for recovery.

Prompt payments

The Board introduced a 15 day payment policy with effect from 1 July 2011. Quarterly prompt payments reports are returned to the Department of Social Protection and published on the Board's website.

Energy usage

In 2011 the total energy consumption by the Board amounted to 163,200 KWh of electricity. As the Board occupies only 10,600 square feet of modern energy efficient office space there is limited scope for any further sizeable reductions in energy usage. However this situation will continue to be reviewed.

The Pensions Board staff

Day to day decision making is delegated to staff under the Board's active supervision.
Staff of the Board at 31 December 2011.



Brendan Kennedy

Chief Executive



Mary Hutch

Head of Regulation



Tom Dunphy

Head of Corporate Services
(Secretary to the Board)



David Hegarty

Head of Policy



Sylvia McNeece

Head of Legal



Grace Guy

Deputy Head of Legal



Pat O'Sullivan

Actuarial Advisor



David Malone

Head of Information

Assistant Principal Officers

Aideen Bugler

Eoin Cassells

Gerard Clarke

Madeleine Delaney

Catherine Goulding

Mary Howe

Maura Howe

Andrew Nugent

Cheryl Richardson

John Shanahan

Higher Executive Officers

Martin Buggy

Rachael Gleeson

Ciarán Holahan

Deirdre Kelly

Jo Kenny

John McCarthy

Kieran O'Dea

Ronan Scott

Executive Officers

Sherry Bass

Valerie Christie

Emily Keyes

Cathy Lynch

Alison Massey

Catherine McAuley

Renée O'Reilly

Edel Stenson

Christina Winters

Clerical Officers

Laura Allen

Mary Conlon

Niamh Crowley

Marie Earley

Paul Flaherty

Eileen Flynn

Emma Hunter

Lydia Leonard

Julie McCarthy

Maura Moroney

Barry O'Connor

Philip Dalton, Head of Planning (retired February 2012)

Financial statements

for the year ended 31 December 2011

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

An Bord Pinsean

I have audited the financial statements of An Bord Pinsean for the year ended 31 December 2011 under the Pensions Act 1990. The financial statements, which have been prepared under the accounting policies set out therein, comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

Responsibilities of the Board

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

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of Audit of the Financial Statements

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

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

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

In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Board's affairs at 31 December 2011 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.

Matters on which I report by exception

I report by exception if:

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

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



Andrew Harkness

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

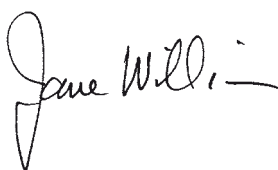
8 May 2012

Statement of Board responsibilities

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

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- prepare the financial statements on 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.



Jane Williams
Chairperson



Niall Walsh
Board member

30 April 2012

Statement on internal financial control

Responsibility for system of internal financial control

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

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

Key control procedures

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

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

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

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

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

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

- setting targets to measure financial and other performance
- regular internal audits.

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

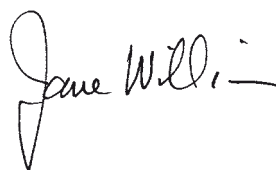
The analysis of risk and the internal audit plans are endorsed by the Finance and Audit Committee and approved by the Board.

The Board has in year ended 31 December 2011, through the ongoing activity of its Finance and Audit Committee, monitored the work of the Executive in the area of financial control. Specifically, the Committee examined the following:

- regular and/or periodic management accounts, with analysis and explanation of significant deviations from budget
- annual accounts for 2010 and explanation of significant variances
- annual budget and financial plan for 2012
- review of occupational pension scheme fee
- review of investment strategy
- internal audit reports.

Annual review of controls

I confirm that in respect of the year ended 31 December 2011 the Board conducted a review of the effectiveness of the system of internal financial control.



Jane Williams
Chairperson

30 April 2012

Statement of accounting policies

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

a) Basis of preparation of financial statements

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

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

b) Fee income

Fee income represents:

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

c) State grant

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

- recoup the cost of superannuation benefits paid by the Board
- 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 relevant to PRSA administration and is amortised in line with depreciation of the relevant assets acquired.

e) Tangible fixed assets and depreciation

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

- Leasehold improvements 6 $\frac{2}{3}$ % – 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 19, 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.

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

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

h) Compliance enforcement reserve

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

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

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

Income and expenditure account

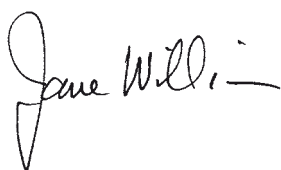
for the year ended 31 December 2011

	Notes	2011 €	2010 €
Income			
Occupational Pension Scheme fees		3,587,363	3,821,973
Personal Retirement Savings Account fees		1,699,156	1,380,110
<i>State grant in respect of:</i>			
Pension payments to retired staff		130,646	142,664
National Pension Awareness			
Campaign costs	1	377,208	500,000
Other income	2	189,708	133,229
Total income		5,984,081	5,977,976
Transfer from PRSA capital reserve	15	27,841	47,352
		6,011,922	6,025,328
Expenditure			
Salaries, pensions and related expenses	3 & 4	3,247,286	2,991,356
Board members' fees and expenses	5	105,525	120,341
Rent and office expenses	6	747,633	746,160
Training, education and personnel expenses	7	75,489	92,639
Information, research and publicity	8	304,271	420,450
Consultancy and other professional fees	9	571,079	642,060
General administration	10	360,753	297,590
Depreciation	11	250,031	229,066
Total expenditure		5,662,067	5,539,662
Surplus for the year		349,855	485,666
Revenue reserve at 1 January		6,475,185	5,989,519
Surplus for the year		349,855	485,666
Revenue reserve at 31 December		6,825,040	6,475,185

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

The results for the year relate to continuing operations.

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



Jane Williams
Chairperson



Brendan Kennedy
Chief Executive

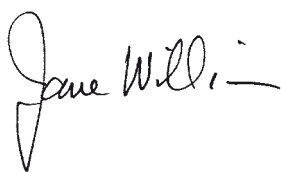
30 April 2012

Balance sheet

at 31 December 2011

	Notes	2011 €	2011 €	2010 €	2010 €
Fixed assets					
Tangible assets	11		736,768		646,546
Current assets					
Debtors	12	528,042		464,869	
Bank	18	7,649,097		7,273,726	
		8,177,139		7,738,595	
Current liabilities					
Creditors amounts falling due within one year	13	479,212		272,460	
Net current assets			7,697,927		7,466,135
Total assets			8,434,695		8,112,681
Financed by					
Compliance enforcement reserve	16	1,500,000		1,500,000	
PRSA capital reserve	15	109,655		137,496	
Revenue reserve		6,825,040		6,475,185	
			8,434,695		8,112,681

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



Jane Williams
Chairperson



Brendan Kennedy
Chief Executive

30 April 2012

Cash flow statement

for the year ended 31 December 2011

	Notes	2011 €	2010 €
Cash flow statement			
Net cash inflow from operating activities	17	452,133	697,762
Returns on investments and servicing of finance			
Interest received		133,728	139,272
Capital expenditure			
Payments to acquire tangible fixed assets		(210,490)	(276,312)
Management of liquid resources			
(Increase) in short term deposits		(109,866)	(720,643)
Increase/(decrease) in cash		265,505	(159,921)
Reconciliation of net cash flow to movement in net funds	18		
Increase/(decrease) in cash in the year		265,505	(159,921)
Increase in short term deposits		109,866	720,643
Movement in net funds in the year		375,371	560,722
Net funds at 1 January		7,273,726	6,713,004
Net funds at 31 December		7,649,097	7,273,726

Notes to the financial statements

for the year ended 31 December 2011

1. National Pension Awareness Campaign (NPAC) funding and costs

The Board on behalf of the Government continued the National Pension Awareness Campaign (NPAC) in 2011. An allocation of €400,000¹ (2010, €500,000) from the Department of Social Protection was made available in the year for this purpose. The primary objective of the NPAC was to heighten pension awareness with a view to increasing pension coverage in Ireland.

The allocation was spent in the following main cost categories:

	2011 €	2010 €
Information and awareness activities	253,926	380,000
Project management	96,934	93,558
Administration	26,348	26,802
	377,208	500,360

¹ Of the NPAC funding of €400,000 allocated to the Board by the Department of Social Protection in 2011, there was an under spend of €22,792. The under spend was predominately attributed to the late commencement of the online information lifecycle project. This project commenced in late 2011 and no expenditure was incurred by year end. The €22,792 will be recovered by the Department of Social Protection in 2012 by offsetting against the Board's NPAC 2012 budget allocation.

2. Other income

	2011 €	2010 €
Interest income	170,564	132,352
Court costs	16,904	–
Miscellaneous income	2,240	877
	189,708	133,229

3. Employee costs

The average number of full time equivalent employees during the year was 40.2 (2010 38.3). The aggregate employee and related costs were as follows:

	2011 €	2010 €
Salaries	2,309,477	2,145,118
Employer superannuation contributions ²	598,313	543,090
Employer PRSI contributions	179,840	159,696
Superannuation benefits payable	130,646	142,664
Contract Staff – general	29,010	788
	3,247,286	2,991,356

² See note 19.

4. Chief Executive Officer remuneration

	2011 €	2010 €
Salary	153,885	153,885
Employer superannuation contribution	38,471	38,471
	192,356	192,356

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

5. Board members' fees and expenses

	2011 €	2010 €
Board fees	103,669	119,700
Expenses ³	1,856	641
	105,525	120,341

³ Domestic travel and subsistence relating to travel costs for attendance at Board meetings.

Board fees

Name	2011 €	2010 €
Jane Williams – Chairperson	11,970	5,985
Noreen Deegan	7,695	
Brendan Johnston	7,695	
John McHale	7,054	
Terence Noone	7,695	
Emer O'Flanagan	7,695	7,695
Rosalind Briggs	7,695	7,695
Don O'Higgins	7,695	
Phelim O'Reilly	7,695	
Rachael Ryan	7,695	
Mary Walsh	7,695	
Robin Webster	7,695	
Niall Walsh	7,695	7,695
<i>Former Board members</i>		
Tiarnan O Mahoney	–	5,985
Rosheen Callendar	–	7,695
Fergus Whelan	–	7,695
Marie Daly	–	7,695
Mary O'Donnell	–	7,695
Michael O'Halloran	–	7,695
Julian Caplin	–	7,695
John Dillane	–	7,695
Gerry Ryan	–	7,695
Dervla Tomlin	–	7,695
Mary Wade	–	7,695
Michael Ryder	–	7,695
	103,669	119,700

Notes to the financial statements continued

6. Rent and office expenses

	2011 €	2010 €
Rent	564,075	562,798
Service charge	47,316	47,316
Rates	62,442	62,824
Electricity	26,565	24,379
Cleaning	21,547	30,013
General maintenance	20,655	13,968
Offsite storage	5,033	4,862
	747,633	746,160

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

7. Training, education and personnel expenses

	2011 €	2010 €
Training and education	49,567	64,631
Personnel expenses	25,922	28,008
	75,489	92,639

8. Information, research and publicity

	2011 €	2010 €
Advertising and awareness activities	201,397	309,603
Printing and publications	51,547	59,967
Information stands and launches	19,126	25,361
Research	32,201	25,519
	304,271	420,450

9. Consultancy and other professional fees

	2011 €	2010 €
Legal advice	330,610	273,278
Investigations and compliance support	109,266	197,970
Public relations and information	23,247	79,547
Project development	10,636	23,869
Technical/pension consultancy fees	14,453	–
Internal audit fees	18,168	22,688
Statutory audit fees	14,100	14,100
Recruitment consultancy	7,710	484
Other	42,889	30,124
	571,079	642,060

10. General administration

	2011 €	2010 €
Stationery and administration expenses	41,826	42,834
Corporate subscriptions	59,826	54,586
Telephone and postage	44,072	44,088
Computer maintenance and consumables	121,198	76,238
Travel and subsistence	42,883	26,119
Insurances	48,553	53,293
Interest and charges	2,395	432
	360,753	297,590

11. Tangible fixed assets

	Leasehold improvements €	Computer equipment €	Office furniture €	Office equipment €	Total €
Cost or Valuation					
At 1 January 2011	1,157,692	1,078,782	201,057	105,248	2,542,779
Additions in year	–	321,048	10,210	8,995	340,253
Disposals in year	–	(33,947)	(2,043)	(28,799)	(64,789)
At 31 December 2011	1,157,692	1,365,883	209,224	85,444	2,818,243
Accumulated Depreciation					
At 1 January 2011	759,958	870,864	190,840	74,571	1,896,233
Charge for year	77,179	155,684	5,972	11,196	250,031
Disposals in year	–	(33,947)	(2,043)	(28,799)	(64,789)
At 31 December 2011	837,137	992,601	194,769	56,968	2,081,475
Net Book Value					
At 31 December 2010	397,734	207,918	10,217	30,677	646,546
At 31 December 2011	320,555	373,282	14,455	28,476	736,768

12. Debtors

	2011 €	2010 €
Amounts falling due within one year:		
Fee income	400,000	400,000
Accrued interest receivable	73,820	36,984
Prepayments and accrued income	37,648	20,574
Debtors other	16,574	7,311
	528,042	464,869

Notes to the financial statements continued

13. Creditors

	2011 €	2010 €
Amounts falling due within one year:		
Creditor accruals	163,573	152,543
Capital accruals	129,763	–
Tax creditor	110,178	84,971
DSP creditor	36,792	34,000
Trade creditors	38,906	946
	479,212	272,460

14. Financial commitments

(i) Capital commitments

There were no capital commitments at 31 December 2011.

(ii) Operating leases

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

	2011 €	2010 €
Lease of office accommodation		
Expiring after five years	555,000	555,000

15. PRSA capital reserve

	2011 €	2010 €
At beginning of year	137,496	184,848
Transfer to Income and Expenditure Account		
Amortisation – prior year's acquisitions	(27,841)	(47,352)
At end of year	109,655	137,496

16. Compliance enforcement reserve

	2011 €	2010 €
At beginning and end of year	1,500,000	1,500,000

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

	2011 €	2010 €
Surplus for year	349,855	485,666
Non operating items		
Interest received	(133,728)	(139,272)
Non cash items		
Transfer (from) PRSA capital reserve	(27,841)	(47,352)
Depreciation	250,031	229,066
(Increase)/decrease in debtors	(63,173)	225,085
Increase/(decrease) in non capital creditors	76,989	(55,431)
Net cash inflow from operating activities	452,133	697,762

18. Analysis of changes in net funds

	At 1 January 2011 €	Cash flow €	At 31 December 2011 €
Cash at bank and on hand	427,428	265,505	692,933
Short term deposits	6,846,298	109,866	6,956,164
	7,273,726	375,371	7,649,097

19. Accounting treatment for retirement benefits⁴

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

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

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

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

⁴ See note 3.

Notes to the financial statements continued

19. Accounting treatment for retirement benefits (continued)

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

	2011 €	2010 €
Employer ordinary contributions	598,313	543,090
Employee ordinary contributions	125,390	118,577
Pension related deduction ⁵	153,306	146,126
	877,009	807,793

⁵ Deducted from staff members and remitted to the Department of Social Protection pursuant to the Financial Emergency Measures in the Public Interest Act, 2009.

20. Board members – disclosure of transactions

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

During 2011 €22,680 was payable to third parties which Board members had an interest all amounts were inclusive of VAT. €7,260 was in respect of one contract for Attain Consulting, a firm of which Phelim O'Reilly, Board member, is an employee. €14,452 was payable to Deloitte & Touche in respect of one contract, a firm of which Niall Walsh, Board member is a partner. An amount of €968 was paid in respect of one contract to Willis Ireland, a firm of which Kevin Finucane, Board member, is an employee.

21. Taxation

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

22. Comparative figures

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

23. Approval of financial statements

The financial statements were approved by the Board on 30 April 2012.

Appendix I

Current working groups and committees of The Pensions Board

Communications strategy working group

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

Defined benefit working group

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

Defined contribution working group

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

Finance and audit committee

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

National Pensions Awareness Campaign (NPAC) working group

- Robin Webster
- David Owens
- Roz Briggs
- Vera McGrath (Department of Social Protection)

Pensions and employment working group

- Noreen Deegan
- David Owens
- Rachael Ryan
- Patricia Murphy
- Emer O'Flanagan
- Niall Walsh

Pension taxation working group (this project is completed)

- Mary Walsh
- Noreen Deegan
- Kevin Finucane
- Brendan Johnston
- Phelim O'Reilly

Regulatory advisory group

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

Regulatory review group

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

Remuneration committee

- Patricia Murphy
- Mary Walsh
- Jane Williams

Appendix II

The Pensions Board prosecutions 2011

Case name	Conviction	Penalty
Louis Tighe, director of H.T.E. Ltd (In Liquidation)	S58A	Fined €3,500 plus €5,000 costs
Joe McSweeney, director of Joe McSweeney Ltd	S18	Fined €2,500 plus €450 costs
Anne McSweeney, director of Joe McSweeney Ltd	S18	Fined €2,500 plus €450 costs
D O Kane Excavations Ltd	S58A	Fined €3,000
Diarmuid O Kane	S58A & S18	Fined €6,500 for S58A and fined €3,000 for S18
Sandra O Kane	S18	Fined €2,000
Goff Developments Ltd	S58A	Fined €4,000 plus €3,200 costs
Francis Goff	S58A	5 month custodial sentence plus €4,000 fine – currently under appeal
Damien Goff	S58A	5 month custodial sentence plus €4,000 fine – currently under appeal
John Burchill Contracting Ltd	S18	Fined €1,000
John Burchill	S18	Fined €500
Kerry Burchill	S18	Fined €500
John J Dolan Scaffolding Ltd (in liquidation)	S58A & S18	Fined €3,000
John Dolan	S58A & S18	Fined €1,500
Sloyd Developments Ltd	S18	Fined €50
Pat Duffy	S18	Fined €50
Cross Electrical Ltd	S18	Fined €1,000
Dermot O'Neill	S18	Fined €200
John Kirwan	S18	Fined €200
Patricia Kirwan	S18	Fined €200
Eftim Hurley Plant Hire Ltd	S58A	Fined €500
Eftim Hurley	S58A	3-month custodial sentence, suspended for 1 year on basis that all contributions will be discharged – currently under appeal
Fire and Sound Systems Ltd	S58A & S18	Fined €500
Michael Wallace, director of M & J Wallace Ltd (In Receivership)	S58A	Fined €7,000 plus €450 costs
M&S Asphalt (Cork) Ltd	S58A & S18	Fined €800
Karl O' Mahony	S58A & S18	Fined €800

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

Telephone: (01) 613 1900
Fax: (01) 631 8602
Locall: 1890 65 65 65

www.pensionsboard.ie

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