



An tÚdarás Pinsean
The Pensions Authority

THE PENSIONS AUTHORITY ANNUAL REPORT AND ACCOUNTS 2015

www.pensionsauthority.ie

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CHAIRPERSON'S STATEMENT

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I am pleased to present the Annual Report and Accounts of the Pensions Authority ("the Authority") for the year ended 31 December, 2015 in accordance with Section 23(2) of the Pensions Act, 1990, as amended ("the Pensions Act").

This annual report outlines the progress that the Authority has made over the past year. The Authority supervises compliance with the Pensions Act by scheme trustees, Personal Retirement Saving Account (PRSA) providers, Registered Administrators and employers representing some 160,000 schemes with over 746,000 active members holding more than €100 billion in assets, and over 237,000 individual PRSA contracts with over €5.2 billion in assets.

In March 2016 the Authority published its Statement of Strategy 2016 – 2020 which sets out our vision of "a pensions landscape where pensions savings are secure, well-managed and understandable and which encourages pensions savings" as our long term ambition for pensions.

The Authority's compliance and enforcement activity over the last five years has been constant and effective and we have seen improvements in the levels of compliance by regulated entities with their obligations under the Pensions Act. On foot of ongoing supervision including a varied range of compliance audits and investigations the standards of pension administration has improved.

As outlined in the Authority's Strategy 2016 – 2020 we will continue with a varied programme of proactive compliance activity. This will include on-site inspections of administrators, reviews of PRSA compliance, especially in the area of actuarial reporting, desk compliance audits, and checking of employer pension access provision.

While the Authority's compliance supervision work takes first priority at all times the pensions reform and simplification agenda is quite comprehensive and requires significant attention. The supplementary pension system in Ireland has become extremely complex and difficult to understand without investment of considerable time and effort or the engagement of professional advisors. The Authority believe that simplifying aspects of the private supplementary pension system from the top down would make pensions more understandable to scheme members, potential members and the general public and facilitate broader pension-related benefits.

The objective of the simplification process is to reduce the number of pension vehicles and to simplify the administration of pensions. A very important part of any programme of simplification of the current pension system would be to ensure that any changes will accommodate whatever type of universal pension scheme may be considered by Government.

The reform agenda is consistent with European pension developments as seen, for instance in the draft IORPs II Directive (Institutions for Occupational Retirement Provision) currently under consideration. This emphasises the need for high standard governance of pension schemes by those with appropriate qualifications and experience, and the responsibility of the regulatory authority to actively ensure that these standards are met.

While there has been an improvement in public finances in the last year and unemployment, while still high has reduced there is considerable uncertainty about international economic developments creating volatile investment markets and uncertain outcomes for those at or near retirement. Also interest rates remain low and this makes it more difficult for all savers to secure

retirement income and creates particular challenges for defined benefit (DB) schemes that have not matched their pensioner liabilities with bonds. At the same time an ageing population will put increasing pressures on the pensions system in the decades ahead. It is important for pension savers to know that the pension schemes and PRSAs to which they are contributing to are being regulated in a proactive and visible manner.

As we seek to improve levels of pension provision, the role of the Authority will be key in the reform and simplification of the pensions landscape, in ensuring schemes operate effectively and in providing a regulatory structure which gives pension savers confidence in the system.

Support for the Authority

I wish to thank and pay tribute to Jane Williams who chaired the Authority from June 2010 through to December 2015. During her term Jane provided strong, stable and focused leadership of the Authority during a very turbulent period for pensions and the Irish economy as a whole. The Authority continues to benefit from a very good working relationship with the Minister and our colleagues in the Department of Social Protection (DSP). We are very aware of how important that relationship is to achieve our joint objectives. Finally, I would like to thank the Executive of the Authority, members of the Finance and Audit Committee and my fellow Authority members for their hard work, expertise and commitment throughout the year.



Dr David Begg
Chairperson



PENSIONS REGULATOR'S STATEMENT

Statement of Strategy 2016 - 2020

The Authority's Statement of Strategy 2016 - 2020 published in March 2016 sets out our vision, mission, values and strategic objectives for the next five years. The Statement of Strategy is available on our website.

Our mission reflects our primary purpose which is to regulate and ensure compliance with the Pensions Act. However, it also reflects our other important roles: providing guidance and support to the pensions sector on compliance; providing understandable and relevant information to the public and providing the Department of Social Protection with technical support and advice in relation to pensions.

Over the next five years, the Authority will

- undertake visible, proactive and effective oversight of occupational pensions and PRSAs – we will look not just at the outputs but at how schemes are run
- set clear expectations for trustees and pension professionals of how they can and should meet their obligations
- provide high quality relevant support materials for those managing pensions
- provide a reliable easily accessible information and guidance service for the public
- bring forward proposals for changes to the pensions system.

Our annual business planning process, annual output statements and key performance indicators will be aligned with this statement of strategy. Over the coming five years we will report on the high level performance indicators and outcomes to measure progress against each of our strategic objectives.

2011 – 2015 strategy

Our work in 2015 closed out the term of our strategy for 2011 – 2015. This strategy was put in place at a time of national and global economic crisis and our activities last year reflect the priorities that were set in response. See Appendix I for regulation outcomes 2015.

The main concern for the Authority was occupational pension scheme security and sustainability, especially for DB schemes in deficit. Estimates at that time indicated that about 70% of these schemes were in deficit and not meeting the funding standard.

The Authority's primary activity is oversight of compliance by regulated entities with their obligations under the Pensions Act.

Over the last five years, we have increased the range and rate of our compliance and enforcement activity to include direct engagement with scheme trustees, on-site inspections of their Registered Administrators, a varied range of compliance desk audits and investigations, and this approach will continue during the coming years.

A very significant consequence of the economic financial crash was the collapse of the construction sector in Ireland. A fallout from this event was a sudden increase in the number of cases of deduction and non-remittance of pension contributions by employers operating in the construction sector. Over a five year period the Authority prosecuted employers where our investigations proved that deduction and non-remittance of pension contributions had occurred. In many cases the money deducted was repatriated to the Construction Workers' Pension Scheme.

Our compliance and enforcement activities are continually reviewed to address issues of non-compliance where they emerge and to keep our focus on the most important areas of concern as set out in our hierarchy of risk priorities.

In **May 2014**, the Authority introduced a new format for reporting suspected deduction and non-remittance of pension and PRSA contributions. The Authority's objective is to protect the interests of employees linked to occupational pension schemes, trust RACs and PRSAs, and to secure compliance without recourse to legal action. However, enforcement action will be taken where necessary. In order for the Pensions Authority to investigate allegations of deduction and non-remittance it is important that it has supporting documentation to substantiate the allegations. This new format helps to achieve consistency of approach in how reports are submitted to the Authority. At any time deduction and non-remittance of pension contributions by any employer is our highest risk priority and will always receive our immediate attention.

In **January 2010**, over 70% of funded defined benefit schemes did not meet the funding standard. Since that time, a large number of these schemes have been wound up, and the remainder have faced increased contributions, often combined with reductions in benefits. The process of approving recovery plans and benefit reduction applications has been a significant feature of the Authority's work since 2010. By the end of 2015 over 60% of defined benefit schemes met the funding standard. However, the sector is still very vulnerable, and in **September 2015**, we initiated a programme of direct engagement with the trustees of DB schemes to enable us to understand the situations of individual schemes and to raise issues of concern.

In **May 2015**, the Authority published Financial Management Guidelines for DB schemes. The guidelines set out what the Authority regards as good practice for trustees in order to understand and manage the funding and investment of their DB scheme. In future engagement with scheme trustees, the Authority will assume that the trustees have the information and understanding as set out in these guidelines.

Data is a basic need for any regulator. In **February 2011** the Authority opened its online services portal to allow our regulated entities make their data returns electronically. The online Pensions Data Register (PDR) allows Registered Administrators and interested parties register new schemes, make amendments to scheme details, upload Annual Scheme Information returns, file Annual Actuarial Data Returns for DB schemes, pay scheme fees, etc. Since its introduction in 2011 PDR has processed more than one million data submissions. The Authority will continue to develop its online services over the years ahead.

Over the last five years the Authority has significantly increased its support and information services for those involved in pensions, and has published a wide range of both general and statutory guidance. In **February 2013** the Authority added a new pension information lifecycle section to its website called 'Understanding your pension'. This searchable facility allows consumers and pension scheme members alike select their own personal pension circumstances and receive relevant information on their personal stage in the pensions lifecycle. In **September 2014** the Authority published the first in a series of model documents for scheme trustees and administrators. Further model documents were published during 2015. In **March 2015**, the Authority published the first set of statistics for DB schemes which were compiled from analysis of Annual Actuarial Data Returns. These statistics are provided to help increase the general understanding of the importance of the DB pensions sector and we intend to issue these statistics on an annual basis.

Trustee training obligations were introduced in February 2010 and trustees are required to receive training within six months of their appointment and at least every two years thereafter. Trustees must record in the scheme's annual report that they have received appropriate trustee training as required by the Pensions Act. The Authority monitors trustee training compliance on an ongoing basis. Specific consultation on trustee qualifications was carried out in September 2015 as part of the ongoing reform process begun in 2013.

In **December 2011** the Authority undertook a public consultation to seek the views of trustees, advisors, pension scheme members, employers, the pensions industry and consumers generally on ways that the pension system could be simplified. In **August 2013** the Authority published its consultation paper on DC pensions as part of a review of the regulation and future structure of DC provision.

Authority plans for 2016

Over the coming years the Authority will continue our programme of engagement directly with trustees of DB schemes which comprises detailed discussions with them on how they undertake the management of their scheme and their governance responsibilities, and we will use the DB financial management guidelines as the basis for these discussions. Similarly we will use the Codes of Governance for DC schemes as a basis for ongoing engagement with the trustees of DC schemes.

Specific activity plans for 2016 include:

- a varied programme of proactive compliance activity. This will include on-site inspections of administrators, reviews of PRSA compliance, especially in the area of actuarial reporting, desk compliance audits, and checking of employer pension access provision
- resolution of the small number of DB schemes whose funding position have not been resolved. This may include issuing orders for wind-up where appropriate
- a significant increase in our programme of engagement with trustees of DB schemes
- further guidance for all trustees, including additional codes of practice for both DB and DC scheme trustees and further model documents
- an updating of our website to improve navigation and make it more user-friendly
- development of pension reform proposals for submission to the DSP.

Organisational effectiveness

The Authority is wholly funded by fees levied on occupational pension schemes and on PRSA products. We are aware of our obligation as a public body to be an efficient, relevant and effective agency. The Authority members maintain oversight of the activities of the Executive against the longer term goals of the organisation and the annual objectives. Supported by the Finance and Audit Committee, they also oversee the financial and risk management of the organisation, and continuously monitor the relevance and quality of our activities.

The Authority actively and regularly engages with stakeholders including the following:

- trustees, scheme members, pensions industry, members of the public, trade unions and employers through our enquiries service and public consultations
- senior management of the Departments of Social Protection, Finance and Public Expenditure and Reform through our policy advice activity
- external stakeholders through our regular briefing sessions with organisations such as the Irish Association of Pension Funds, Society of Actuaries in Ireland, Association of Pension Lawyers in Ireland, Insurance Ireland and other industry related associations in Ireland.

Finally, I would like to thank all the staff of the Authority for their hard work in 2015. I also want to extend my thanks to the members of the Authority, and in particular to Jane Williams for her support, challenge and advice during her term as Chairperson.

I look forward to working with the new Chairperson David Begg and the Authority members as we implement the Authority's 2016 – 2020 strategic plans.



Brendan Kennedy
Pensions Regulator

THE PENSIONS AUTHORITY

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

The members of the Pensions Authority are:



Dr David Begg
Chairperson



Ms Anne Vaughan
Deputy Secretary
Department of Social Protection
(Representative of the Minister
for Social Protection)



Ms Ann Nolan
Second Secretary
Department of Finance
(Representative of the Minister
for Finance)

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Dr David Begg was appointed Chairperson of the Pensions Authority for a five-year term in January 2016.

Ms Jane Williams, Managing Partner, Sia Partners was Chairperson of the Pensions Authority from June 2010 to December 2015.

All Authority members attended at the seven meetings of the Authority during 2015.

The Pensions Authority is structured as follows:



Brendan Kennedy
Pensions Regulator



Tom Dunphy
Head of Compliance



Andrew Nugent
Deputy Head of Compliance



Pat O'Sullivan
Head of Funding and Actuarial



Mary Hutch
Head of Policy



Grace Guy
Head of Legal
(Secretary to the Authority)



Niamh Drew
Head of Corporate Services



Cheryl Richardson
Head of Data Analysis



David Malone
Head of Operations and
Communications

All current staff at the Pensions Authority are listed on our website at www.pensionsauthority.ie

MEETING THE AUTHORITY'S GOALS

The principal objective of the Authority is to support a pensions landscape where pensions savings are secure, well-managed and understandable and which encourages pensions savings.

The Authority aims to achieve this by:

1. fostering public confidence in pensions by regulating pension schemes and PRSAs effectively and efficiently
2. supporting pension scheme trustees and the public through providing guidance and information
3. providing expert advice to the Minister for Social Protection to help inform policy development.

In order to achieve these goals and to make best use of the resources provided to the Authority, we must ensure that the organisation is run efficiently and effectively.

Safeguarding the interests of members through effective regulation

In order to ensure that its regulatory practices are efficient and that activities are directed to the most important and effective means, the Authority adopts a supervisory approach based on a hierarchy of risk priorities:

- 1st priority: misappropriation of pension assets or contributions
- 2nd priority: lack of governance or maladministration impacting on benefits/failure to pay benefits due
- 3rd priority: DB scheme solvency
- 4th priority: failure to provide prescribed information to members
- 5th priority: failure by regulated entities to submit accurate and timely data to the Authority.

This order represents the seriousness of the risks, not the likelihood of their occurrence. These priorities will determine general Authority regulatory activity, but we will ensure that no area is overlooked. Because regulation depends on Authority access to reliable information, we will especially target failure to provide the Authority with information required under the Pensions Act, including whistle-blowing obligations.

Regulatory activity in 2015

Compulsory and voluntary reporting/whistle-blowing

There are statutory provisions, known as whistle-blowing obligations, which place a legal requirement on a range of specified persons involved in the operation of occupational pension schemes, Trust RACs and PRSAs to make a report to the Authority where fraud or material misappropriation is suspected to have occurred or it is feared it is about to occur. There is also provision to make a voluntary report on any matter concerning the state and conduct of a scheme, Trust RAC or PRSA. The receipt of timely reports of suspected problems in a scheme, Trust RAC or PRSA, is an important element in the Authority's supervisory effort. The provisions also contain legal protection for persons making such reports.

Whistle-blow reports, and other serious complaints or allegations are investigated by the Authority. The Authority commences all investigations from a position of trying to secure compliance without recourse to legal action but remains committed, where necessary, to using its full powers under the Pensions Act. The majority of reports made to the Authority relate to alleged breaches of the requirement to remit contributions to the trustees of a scheme or to another person on their behalf within the statutory timeframe.

Investigations

The Authority opened 45 new investigations for various alleged breaches of the Pensions Act. The alleged breaches varied from deduction and non-remittance of pension contributions to failure to reply to a statutory request for information. 66 cases were closed and 18 cases were referred for prosecution.

Registered Administrators (RAs)

The Authority assesses levels of compliance with the Pensions Act through a process of direct engagement with regulated entities and their administration providers. Since 2010 the Authority has been carrying out on-site inspections of RAs as part of this process.

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

The Authority carried out four on-site investigations of RAs. The overall level of compliance was found to be good and indicated an improvement over the previous year. Administration standards have improved incrementally since inspections commenced in 2010 indicating the value of this activity and the Authority intends to maintain a high level of direct engagement activity in this area.

A focus towards supervision of broader scheme administration and how trustees actually run their schemes continued during 2015 and the trustees of five schemes were selected for a review of the stewardship of their schemes.

Inspections and meetings

During the year the Authority held 60 meetings with trustees, pension providers and public service administrators to discuss a range of compliance issues. These meetings are conducted at the Authority's premises and provide a direct engagement platform with regulated entities to discuss a broad spectrum of compliance issues relating to the Pensions Act. Any issues of concern to the Authority are identified and a timescale is set to resolve the matter to the Authority's satisfaction. If there are more serious matters identified that have existed over a period of time the Authority will consider appropriate sanctions under the Pensions Act.

Pension scheme audits and reviews

The Authority continues to undertake audits including: Scheme Administration Reviews; Benefits Due Audits; Deduction and Non-remittance Audits, Disclosure Audits, Minor Breach Activity Audits, Ceased Company Audits, and Frozen Scheme Audits.

225 schemes were selected for audit for compliance with a particular legislative requirement such as disclosure requirements including provision of leaving service options and the provision of data.

All of the audit activities feed into the Authority's compliance programme helping to identify and more effectively target schemes and administration entities for review and inspections.

Prosecutions

In 2015, 37 prosecutions cases were concluded. The Authority secured convictions in 22 cases. Defendants received the benefit of the Probation Act in four other cases and a further ten cases were struck out due to payment of arrears. One District Court appeal was also finalised. In total, fines of €38,890 were imposed.

The convictions in the 22 cases were as follows:

- Fourteen cases related to the deduction and non-remittance of employee pension contributions to schemes (Section 58A(1))

- Four cases related to the non-remittance of employer pension contributions as obliged under the scheme (Section 58A(2))

- Four cases related to failure to respond to a statutory request for information from the Authority (Section 18)

Cases prosecuted by the Authority in 2015 mainly related to the deduction and non-remittance of pension contributions by employers in the construction sector to the Construction Workers' Pension Scheme (CWPS). There was an increase again this year in prosecutions resulting from whistle-blow reports from other persons and in relation to the deduction of PRSA contributions. This resulted in eight convictions in 2015 and a further three cases being carried forward into 2016.

At year end, there was one bench warrant in existence for a director who failed to appear in court on foot of a summons. There are also two cases currently under appeal which are due to be heard in the Circuit Court in 2016.

During 2015, fine notices totalling €18,000 were issued by the Authority. Fines paid to the Authority were subsequently passed on to the Exchequer. The fines were issued to trustees for failing to respond to a statutory request made by the Authority in accordance with Section 54(4)(c).

Removal of trustees/injunction

In January 2015, the Authority received a whistle-blow in relation to the financial operation of a pensions administration and trustee company acting as trustee to over 180 schemes. As a result of the Authority's initial investigation into the matter, irregularities were identified. In order to protect scheme members' interests, the Authority immediately applied to the High Court for an injunction to prevent the trustee from disposing of, or otherwise dealing with, any of the resources of any scheme under their control. Within two weeks of obtaining the High Court injunction, the Authority completed its investigation and secured all necessary evidence in this case.

The Authority's swift action in this case not only identified that a significant amount of money had been taken from clients' accounts without consent, but also ensured that all monies were returned to the affected schemes.

In addition to ensuring that all scheme monies were returned, on 3 February 2015, the Authority obtained a High Court order for the removal of the company as trustee for all schemes to which it had acted as trustee. A suitable replacement trustee was recommended to the Court and was appointed. This was the first time that the Authority used its powers to petition the High Court for the removal and replacement of a trustee.

Funding and Actuarial

At 31 December 2015 there were 715 DB schemes subject to the funding standard and 60% of these schemes (not in wind-up) were in compliance with the standard. All except nine of the remainder have agreed funding proposals designed to bring the scheme into compliance with the standard. The Authority will be following up with the trustees of the remaining nine schemes in 2016 to ensure compliance with the standard. In some exceptional cases the Authority may have to instruct the trustees to wind-up the scheme.

During 2015 the Authority received 13 funding proposals from DB schemes and the Authority specified a later date in respect of all of these proposals. The Authority also received 13 applications to reduce accrued benefits from DB schemes and all were approved by the Authority.

Almost all DB schemes are closed to new entrants, and a significant minority are closed to accrual of further benefit. Nonetheless, these schemes represent some €60 billion of liabilities and therefore the management of these schemes is a significant issue. We continue to be concerned about the financial and risk management of these schemes, and just because a scheme meets the funding standard does not mean it is certain to be able to pay all benefits.

Support, information and guidance

The Authority recognises that our regulatory and enforcement work should be complemented by support, information and guidance that help those involved in managing pensions such as trustees, administrators, employers and advisors understand their obligations and how to meet them.

In 2015 the Authority dealt with over 10,000 general enquiries. We continue to provide a comprehensive range of free information and guidance material on our website which is updated and amended to reflect changes in pensions legislation and regulation.

During 2015 the Authority:

- in March published for the first time a set of statistics for DB schemes which were compiled from analysis of Annual Actuarial Data Returns (AADRs)
- in May published financial management guidelines for DB schemes
- in September sought submissions in a consultation on the issue of trustee qualifications

- in October published a synopsis of the main points made in submissions it received in response to its consultation paper on draft codes of governance for DC schemes
- in November published revised wording of paragraph 222 of its Guidance Notes on the Pension Provisions of the Family Law Act 1995, Family Law (Divorce) Act 1996 & Civil Partnership and Certain Rights and Obligations of Cohabitants Act 2010
- in December published a synopsis of the main points made in submissions it received in response to its consultation paper on trustee qualifications.

Throughout the year the Authority regularly attends and presents at public events nationwide. The Authority also provides information covering all aspects of pensions for a comprehensive range of consumer and industry stakeholders and the media. The Authority regularly deals with direct media enquiries and also seeks media opportunities to promote public discussion of pension issues.

Determinations

Under the Pensions Act, the Authority has the power in certain circumstances to make legally binding determinations on request by certain parties. These determinations facilitate scheme trustees in transferring the benefits of deferred members to other arrangements. In 2015, the Authority issued six such statutory determinations.

Appointment of trustees

Under the Pensions Act, the Authority has the power in certain circumstances to appoint new trustees where there are no trustees or the trustees cannot be found. In 2015, the Authority appointed a new trustee to three occupational pension schemes.

Freedom of information (FOI)

There were six FOI requests made to the Authority in 2015 and two requests for internal review. All requests were responded to within the statutory deadline.

Model disclosure documents

Beginning in September 2014 the Authority published the first in a series of model documents concerning disclosure of information requirements. The objective of these model disclosure documents is to communicate as clearly and meaningfully as possible the information required to be disclosed to scheme members by the Disclosure Regulations.

To date the following model disclosure documents have been published:

- annual benefit statement (including statement of reasonable projection requirements) for a DC scheme
- annual benefit statement for a DB scheme
- leaving service options letter for a DC scheme.
- leaving service options letter for a DB scheme
- retirement options letter for a DC scheme
- retirement options letter for a DB scheme
- Statement of Reasonable Projection (SRP)

The Authority plan to publish a model statement of investment policy principles for both DB and DC schemes in 2016.

Policy advice

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

Activity in 2015 included:

- Progressing proposals for DC reform and simplification of the pensions system, following on from an initial consultation on the future of DC pensions held in 2013. Further consultations on the issues of codes of governance for DC schemes and trustee qualifications were conducted in May and September 2015 respectively.
- In January 2015, the Government approved the setting up of an inter-departmental working group to develop a roadmap and timeline for the introduction of a new, universal supplementary workplace retirement saving scheme. The broader role of the Universal Retirement Savings Group (URSG) is to consider the constituent factors involved in constructing an efficient and effective universal retirement savings system and bring forward a recommendation in the form of a roadmap and estimated timeline for introduction. The Pensions Regulator is a member of the URSG along with representatives of various other Government departments and agencies and the Authority is supporting the work of the DSP in progressing the work of the URSG. The URSG will be informed in its work by wider pensions measures and proposals, including outcomes from the Authority's consultations on the future of DC and by work undertaken by Revenue and the Authority on pensions simplification.

Technical support

The Authority provides ongoing technical advice and support to the DSP. In 2015, the Authority assisted the Department with various matters and in particular it provided significant technical support to the Department by advising on the implications and technical requirements of the draft IORP II proposal.

COMMITTEES OF THE AUTHORITY

To meet the objectives of the strategy the Authority has established a number of committees.

Regulatory Review Group (RRG) (met nine times in 2015)

The Authority has delegated the exercise of a number of regulatory functions under the Pensions Act to the Pensions Regulator. In order to maintain regulatory oversight of those functions the Pensions Regulator is required to consult with the Regulatory Review Group in certain circumstances before deciding to exercise a delegated regulatory function in a particular case.

The work of the Regulatory Review Group involves discussion of specific cases with a view to the Pensions Regulator taking regulatory decisions, imposing sanctions or instigating legal proceedings in particular cases. Cases where the Regulatory Review Group is required to be consulted include those involving the approval of funding proposals and section 50 benefit reductions, unilateral section 50 directions to reduce benefits or wind up a scheme, the issuing of on-the-spot fines, decisions as to whether a prosecution should be initiated, decisions to refuse to register or renew a Registered Administrator and the proposed use of any of the Authority's powers which require an application to the High Court.

Regulatory Review Group members

- David Begg
- Anne Vaughan
- Ann Nolan
- Brendan Kennedy
- Grace Guy

Finance and Audit Committee (met six times in 2015)

The Finance and Audit Committee oversees the compliance of the organisation with its governance obligations as a State body on behalf of the Authority and reports to it. This work includes the ongoing monitoring and assessment of the Authority's corporate governance systems.

The Finance and Audit Committee regularly commissions internal audits and reviews through an external audit service provider.

In 2015 the Committee's internal audit programme consisted of a review of processes and procedures to ensure scheme compliance; a review of the systems and controls to comply with the provisions of the Code of Practice for the Governance of State Bodies and other relevant external legislation/regulations and a review of the effectiveness of the system of internal financial control. The outcome of these reviews were positive and no significant issues of concern were raised.

Finance and Audit Committee members

- Naomi Holland (Chairperson)
- Eilis Hamilton (Department of Social Protection - Payment Strategy Section)
- John Palmer (Department of Finance – Budgetary Policy Section)
- Michael Roche (appointed in December 2015)
- Jane Williams (until December 2015)

RUNNING AN EFFICIENT ORGANISATION

The Pensions Authority aims to be a highly effective, innovative organisation and to be recognised for its full part in shaping and delivering a knowledge-based economy.

As a public body operating in a developing environment, an ongoing challenge is to continue to meet our obligations, while working within tight constraints. We continuously review and amend our policies and procedures in relation to expenditure, procurement and risk management.

Human resources

The Authority promotes a positive working environment through effective human resource practices. Policies and procedures are in place to attract and retain highly qualified and experienced employees who actively contribute to delivering the Authority's vision and mission. Organisational and individual performance management, and training and development needs are identified through the Performance Management Development System. Training is available for employees of the Authority and during 2015 a number of our staff members gained additional qualifications.

Health and safety

The Authority is committed to providing a safe place to work and operates in accordance with the Safety, Health and Welfare at Work Act. During 2015, the Authority carried out a review of its health and safety practices and a programme of health and safety training was arranged.

Energy usage

In 2015 the total energy consumption by the Authority amounted to 128,464 kW hours of electricity.

Prompt payments

The Authority operates a 15-day payment policy. Quarterly prompt payments reports are returned to the DSP and posted on our website.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

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

The Pensions Authority

I have audited the financial statements of the Pensions Authority for the year ended 31 December 2015 under the Pensions Act 1990. The financial statements comprise the statement of income and expenditure and retained revenue reserves, the statement of comprehensive income, the statement of financial position, the statement of cash flows and the related notes. The financial statements have been prepared in the form prescribed under Section 22 of the Act, and in accordance with generally accepted accounting practice.

Responsibilities of the Authority

The Authority is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and to 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 Pensions Authority's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

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

In addition, I read the Pensions Authority's annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently

materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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:

- give a true and fair view of the assets, liabilities and financial position of the Pensions Authority as at 31 December 2015 and of its income and expenditure for 2015; and
- have been properly prepared in accordance with generally accepted accounting practice.

In my opinion, the accounting records of the Pensions Authority were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

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 if I find:

- any material instance where money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Pensions Authority's annual report is not consistent with the related financial statements or with the knowledge acquired by me in the course of performing the audit, or
- the statement on internal financial control does not reflect the Pensions Authority's compliance with the Code of Practice for the Governance of State Bodies, or
- there are other material matters relating to the manner in which public business has been conducted.

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

Patricia Sheehan

Patricia Sheehan
For and on behalf of the Comptroller and Auditor General
30 June 2016

STATEMENT OF AUTHORITY RESPONSIBILITIES

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

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

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



David Begg
Chairperson
29 June 2016

STATEMENT ON INTERNAL FINANCIAL CONTROL

Responsibility for system of internal financial control

On behalf of the Authority, 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 Authority 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;
- providing for a clear separation of Authority and Executive functions;
- publishing a Code of Conduct for the Authority members and staff of the Authority;
- appointing internal auditors.

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

- identifying the nature, extent and possible implication of risks facing the Authority including the extent and categories which it regards as acceptable;
- assessing the likelihood of identified risks occurring;
- assessing the Authority'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 Authority;
- regular reviews by the Finance and Audit Committee and the Authority 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 Authority 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 Authority.

The Authority have in the year ended 31 December 2015, through the on-going activity of its Finance and Audit Committee monitored the work of the Executive in the area of financial control. Specifically, the Committee examined the following:

- regular and/or periodic management accounts for 2015, with analysis and explanation of significant deviations from budget;
- risk register and risk management process;
- OPS and PRSA fees;
- annual budget and financial plan for 2016;
- internal audit reports.

Annual review of controls

I confirm that in respect of the year ended 31 December 2015, Authority members conducted a review of the effectiveness of the system of internal financial control.



David Begg
Chairperson
29 June 2016

STATEMENT OF INCOME AND EXPENDITURE AND RETAINED REVENUE RESERVES

for the year ended 31 December 2015			
		2015	2014 Restated
	Notes	€	€
Revenue			
Occupational Pension Scheme fees		3,206,716	3,188,845
Personal Retirement Savings Account fees		2,494,527	2,165,078
State grant in respect of Pension payments to retired staff		359,885	175,446
Other income	2	51,374	57,033
Total income		6,112,502	5,586,402
Transfer from PRSA capital reserve	15	29,339	26,692
		6,141,841	5,613,094
Expenditure			
Salaries, pensions and related expenses	3	3,508,337	3,565,593
Authority members' fees	5	20,520	31,648
Rent and office expenses	6	663,360	728,328
Training, education and staff related expenses	7	126,848	100,644
Information, research and publicity	8	180,363	206,050
Professional fees	9	483,251	175,157
General administration	10	425,419	441,558
Depreciation	11	170,722	218,530
Total expenditure		5,578,820	5,467,508
Surplus for the year		563,021	145,586
Revenue reserve at 1 January	19	5,962,405	5,816,819
Surplus for the year		563,021	145,586
Revenue reserve at 31 December		6,525,426	5,962,405

The statement of cash flows and notes 1 to 23 form part of these financial statements.



David Begg
Chairperson



Brendan Kennedy
Pensions Regulator

29 June 2016

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2015			
		2015	2014 Restated
	Notes	€	€
Surplus for the year		563,021	145,586
Experience gains on retirement benefit obligations	20	(142,000)	(403,000)
Change in assumptions underlying the present value of retirement benefit obligations	20	(1,125,000)	4,086,000
Adjustment to deferred retirement benefits funding	20	1,267,000	(3,683,000)
Total comprehensive income for the year		563,021	145,586

The statement of cash flows and notes 1 to 23 form part of these financial statements.



David Begg
Chairperson



Brendan Kennedy
Pensions Regulator

29 June 2016

STATEMENT OF FINANCIAL POSITION

At 31 December 2015					
		2015		2014 Restated	
	Notes	€	€	€	€
Non- current assets					
Property, plant and equipment	11		158,997		184,583
Current assets					
Receivables	12	537,731		494,755	
Cash and cash equivalents	18	7,718,650		7,064,569	
		8,256,381		7,559,324	
Creditors amounts falling due within 1 year					
Payables	13	389,952		252,163	
Net current assets			7,866,429		7,307,161
Net assets before retirement benefits			8,025,426		7,491,744
Retirement benefits					
Retirement benefit liability	20		(16,582,000)		(17,069,000)
Deferred exchequer retirement benefit funding	20		16,582,000		17,069,000
Net assets after retirement benefits			8,025,426		7,491,744
Representing					
Compliance enforcement reserve	16	1,500,000		1,500,000	
PRSA capital reserve	15	-		29,339	
Revenue reserve		6,525,426		5,962,405	
			8,025,426		7,491,744

The statement of cash flows and notes 1 to 23 form part of these financial statements.



David Begg
Chairperson



Brendan Kennedy
Pensions Regulator

29 June 2016

STATEMENT OF CASH FLOWS

For the year ended 31 December 2015			
		2015	2014 Restated
	Notes	€	€
Net cash inflow from operating activities	17	744,774	237,102
CASH FLOWS FROM FINANCING ACTIVITIES: Interest received		41,645	73,271
CASH FLOWS FROM INVESTING ACTIVITIES: Payments to acquire property, plant and equipment		(132,338)	(48,120)
Increase in cash and cash equivalents		654,081	262,253
Reconciliation of net cash flow to movement in net funds	18		
Increase in net funds in the year		654,081	262,253
Net funds at 1 January		7,064,569	6,802,316
Net funds at 31 December		7,718,650	7,064,569

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. Accounting policies

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

a) General information

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

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

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

The Pensions Authority is a Public Benefit Entity (PBE).

The financial statements are denominated in euro.

b) Statement of compliance

The financial statements of the Pensions Authority for the year ended 31 December 2015 have been prepared in accordance with FRS 102, the financial reporting standard applicable in the UK and Ireland issued by the Financial Reporting Council (FRC), as promulgated by Chartered Accountants Ireland. These

are The Pensions Authority's first set of financial statements prepared in accordance with FRS 102. The date of transition to FRS 102 is 1 January 2014. The prior year financial statements were re-stated for material adjustments on adoption of FRS 102 in the current year. The result of this adoption can be seen in Note 19.

c) Basis of preparation

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 Public Expenditure and Reform, in accordance with Section 22(1) of the Pensions Act, 1990, as amended.

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

d) Oireachtas grants

Oireachtas grants represents the amount made available in respect of the year by the Department of Social Protection to recoup the cost of superannuation benefits paid by the Authority. Oireachtas grants are recognised on a cash receipts basis.

e) Fee income

i) Occupational pension scheme fees

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

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

ii) Personal Retirement Savings Account fees

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.

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

For employees appointed prior to 1 January 2013:

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

For employees appointed after 1 January 2013:

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

f) Property plant and equipment

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

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

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

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

g) Operating lease

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

h) Retirement benefits

Nature of schemes

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

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

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

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

Accordingly, the financial statements recognise both a deferred pension benefit obligation and a deferred exchequer pension funding receivable. This represents a change in accounting policy from that adopted in previous years and full details on the related prior year adjustment are included in Note 20 of the financial statements.

Superannuation benefit payments are included in the financial statements as an expenditure item and there is a corresponding income representing recoupment of payments from the Department of Social Protection.

Scheme liabilities

Scheme liabilities represented by the present value of future payments earned by Pension Authority staff to date are measured on an actuarial basis using the projected unit method. Pension costs reflect pension benefits earned by employees.

The amount to be included in the financial statements for the deferred exchequer benefit funding amount is estimated at an amount equal to the estimate of the obligation for the pension scheme liabilities.

Scheme actuarial gains or losses

Actuarial gains or losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised for the year in which they occur and a corresponding adjustment is recognised to the balance for deferred exchequer retirement benefit funding.

Pension costs in the statement of income and expenditure and retained revenue reserves comprise the employer's contribution in the year.

In previous years, the Authority recorded the employer contribution to the statement of income and expenditure and retained revenue reserves in the year as if the scheme was a defined contribution scheme. The effect of the change has no net impact on the surplus recorded in the statement of income and expenditure and retained revenue reserves or on the statement of financial position.

i) 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.

j) Compliance enforcement reserve

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

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

available and to spread such costs over the years.

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

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

k) Critical accounting judgements and estimates

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

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

Depreciation and residual values

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

Retirement benefit obligation

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

The assumptions can be affected by:

- (i) the discount rate, changes in the rate of return on high-quality corporate bonds
- (ii) future compensation levels, future labour market conditions
- (iii) health care cost trend rates, the rate of medical cost inflation in the relevant regions.

2. Other income

Other income	2015 €	2014 €
Interest income	44,722	50,529
Recoupment of prosecution costs	6,002	6,169
Miscellaneous income	650	335
	51,374	57,033

3. Employee costs

The average number of full time equivalent employees during the year was 42 (2014, 45) and the Employment Control Framework (ECF) was 51 at the end of 2015 (2014, 50). The aggregate employee and related costs were as follows:

Employee costs	2015 €	2014 Restated €
Salaries	2,322,828	2,511,311
Employer superannuation contributions ¹	598,434	654,643
Employer PRSI contributions	199,124	211,617
Superannuation benefits payable	359,885	175,446
Agency/temporary staff	28,066	-
Redundancy payments	-	12,576
	3,508,337	3,565,593

Range of Total Employee Benefits		Number of Employees	
From €	To €	2015	2014
60,000	69,999	4	4
70,000	79,999	3	3
80,000	89,999	1	2
90,000	99,999	4	5
100,000	109,999	1	1
110,000	119,999	-	-
120,000	129,999	-	-
130,000	139,999	-	-
140,000	149,999	1	1

¹ See note 20, includes an amount of €6,414 for a seconded employee

4. Pensions Regulator remuneration²

Pensions Regulator remuneration	2015 €	2014 €
Salary	143,535	143,535
Employer superannuation contribution	35,884	35,884
	179,419	179,419

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

5. Authority members' fees

Authority fees		
Name	2015 €	2014 €
Jane Williams – Chairwoman	20,520	18,967
Anne Vaughan	-	-
Ann Nolan	-	-
Board members of the Pensions Board to 6 March 2014		
Rosalind Briggs	-	1,409
Noreen Deegan	-	1,409
Terence Noone	-	1,409
Emer O'Flanagan	-	1,409
Don O'Higgins	-	1,409
Phelim O'Reilly	-	1,409
Mary Walsh	-	1,409
Niall Walsh	-	1,409
Robin Webster	-	1,409
Patricia Murphy	-	-
David Owens	-	-
Brendan Johnston	-	-
Kevin Finucane	-	-
Rachael Ryan	-	-
	20,520	31,648

² Included as part of Employee costs in note 3

6. Rent and office expenses

Rent and office expenses	2015 €	2014 €
Rent	490,662	554,343
Service charge	60,655	60,658
Rates	48,753	48,563
Electricity	24,925	27,528
Cleaning	22,640	20,709
General maintenance	13,121	10,281
Offsite storage	2,604	6,246
	663,360	728,328

The Authority 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 staff related expenses

Training, education and staff related expenses	2015 €	2014 €
Training and education	99,311	72,748
Staff related expenses ³	27,537	27,896
	126,848	100,644

8. Information, research and publicity

Information, research and publicity	2015 €	2014 €
Advertising and engagement activities	132,814	145,650
Printing, publications and website	27,130	36,653
Research	20,419	23,747
	180,363	206,050

³ Includes canteen expenses, contributions to staff sports and social club and other activities

9. Professional fees

Professional fees	2015 €	2014 €
Legal advice	79,184	41,700
Investigation and compliance support	72,120	-
Project development	142,802	22,226
Research consultancy	62,077	47,232
Internal audit fees	14,268	8,093
Statutory audit fees	15,000	16,500
Recruitment consultancy	69,157	14,783
Public relations	3,272	1,169
Other	25,371	23,454
	483,251	175,157

10. General administration

General administration	2015 €	2014 €
Stationery and administration expenses ⁴	53,822	51,883
Corporate subscriptions	132,388	137,074
Telephone and postage	33,747	33,112
Computer maintenance and consumables	126,622	115,175
Travel and subsistence ⁵	24,416	47,952
Insurances	50,433	52,029
Bank charges	3,991	4,333
	425,419	441,558

⁴ Includes Finance and Audit Committee member fees of €2,414

⁵ Included in travel and subsistence costs were:

- Foreign travel, €18,251
- Pensions Regulator expenses (mainly foreign travel), €4,744, (2014, €12,240)

Foreign travel related mainly to the Authority's participation in EU regulatory and supervisory policy activity, in particular attendance at meetings of the European Insurance and Occupational Pensions Authority (EIOPA).

11. Property plant and equipment

	Leasehold improvements €	Computer equipment €	Office furniture €	Office equipment €	Total €
Cost or Valuation					
At 1 January 2015	1,163,434	1,047,691	212,681	77,469	2,501,275
Additions in year	-	138,422	4,114	2,600	145,136
Disposals in year	-	-	-	(267)	(267)
At 31 December 2015	1,163,434	1,186,113	216,795	79,802	2,646,144
Accumulated Depreciation					
At 1 January 2015	1,069,823	975,126	201,089	70,654	2,316,692
Charge for year	79,181	83,775	3,251	4,515	170,722
Disposals in year	-	-	-	(267)	(267)
At 31 December 2015	1,149,004	1,058,901	204,340	74,902	2,487,147
Net Book Value					
At 31 December 2014	93,611	72,565	11,592	6,815	184,583
At 31 December 2015	14,430	127,212	12,455	4,900	158,997

12. Receivables

Amounts falling due within one year:	2015 €	2014 €
Fee income	420,000	400,000
Accrued interest receivable	28,901	25,825
Prepayments and accrued income	43,309	44,841
Debtors other	45,521	24,089
	537,731	494,755

13. Payables

Amounts falling due within one year:	2015 €	2014 Restated €
Creditor accruals	164,437	124,455
Capital accruals	12,798	-
Holiday pay accrual	44,388	35,057
Tax creditor	84,313	86,912
Department of Social Protection creditor	-	2,000
Trade creditors	84,016	3,739
	389,952	252,163

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

There were no capital commitments at 31 December 2015.

(ii) Operating leases

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

Within 1 year	€396,567
2- 5 year	€1,660,000
Over 5 years	€2,297,849

Lease payments are recognised as an expense.

15. PRSA capital reserve

	2015 €	2014 €
At beginning of year	29,339	56,031
Transfer to Statement of income and expenditure and retained earnings		
Amortisation - prior years' acquisitions	(29,339)	(26,692)
At end of year	-	29,339

16. Compliance enforcement reserve

	2015 €	2014 €
At beginning and end of year	1,500,000	1,500,000

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

	2015 €	2014 Restated €
Surplus for year	563,021	145,586
Prior year adjustment – Holiday pay accrual		(33,875)
Non-operating items		
Finance income	(41,645)	(73,271)
Non-cash items		
Transfer from PRSA capital reserve	(29,339)	(26,692)
Depreciation	170,722	218,530
(Increase) in receivables	(42,976)	(27,766)
Increase in non-capital payables	124,991	34,590
Net cash inflow from operating activities	744,774	237,102

18. Analysis of changes in net funds

	At 1 January 2015 €	Cash flow €	At 31 December 2015 €
Cash at bank and on hand	573,501	(135,997)	437,504
Short term deposits	6,491,068	790,078	7,281,146
	7,064,569	654,081	7,718,650

19. Transition to FRS 102

Reconciliation of Capital and Reserves	At 1 January 2014 €	At 31 December 2014 €
Capital and reserves (as previously stated)	5,850,649	5,997,462
Holiday pay accrual ⁶	(33,875)	(35,057)
Capital and reserves (as restated)	5,816,819	5,962,405

Reconciliation of Surplus for the year	Year ended 31 December 2014 €
Surplus for the year (as previously stated)	146,768
Holiday pay accrual	(1,182)
Surplus for the year (as restated)	145,586

20. Accounting treatment for retirement benefits⁷

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

For employees appointed prior to 1 January 2013;

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

For employees appointed after 1 January 2013;

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

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

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

- the Authority makes an agreed contribution to the Department of Social Protection (for the Model scheme) and to the Department of Public Expenditure and Reform (for the Single scheme);
- the contribution for both schemes 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 Authority;
- there is an explicit commitment from the Department of Social Protection, with the agreement of the Department of Public Expenditure and Reform, that the Exchequer will meet the cost of benefits as they fall due.

⁶ Holiday pay accrual – The Authority has not previously accrued for holiday pay earned by employees but not availed of at the reporting date. Under FRS 102, the financial statements must recognise such accruals. The impact of this change is an increase of €33,875 in creditors at the transaction date. The surplus is reduced by €33,875 for the year ended 31 December 2013 and by €1,182 for the year ended 31 December 2014.

⁷ See note 3.

Actuarial valuation

The Authority commissioned an actuarial valuation of retirement benefit liabilities under FRS102 at the statement of financial position date and the cost of benefits (service costs) accrued during the year. This valuation, which was based on the Project Unit method, is premised on the following key financial assumptions (with comparatives for 2014):

	31 December 2015	31 December 2014
Discount rate ⁸	2.60% p.a.	2.30% p.a.
Inflation rate	1.50% p.a.	1.50% p.a.
Increases to pensions in payment	2.50% p.a.	2.50% p.a.
Pensionable salary increases	2.50% p.a.	2.50% p.a.

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

	31 December 2015		31 December 2014	
Mortality: pre retirement	None		None	
Mortality: post retirement	62% (male)/70% (female) of mortality tables PNML00/PNFL00 with allowance for future mortality		62% (male)/70% (female) of mortality tables PNML00/PNFL00 with allowance for future mortality	
Life expectancy at age 65:	Male	Female	Male	Female
FRS date:	22.8	23.6	22.7	23.5
FRS date + 20 years:	25.2	25.7	25.1	25.6
Retirement	70% of those with the option are assumed to retire at 60 with all other members assumed to retire at normal retirement age.		70% of those with the option are assumed to retire at 60 with all other members assumed to retire at normal retirement age.	
Age gap	Females are assumed to be three years younger than their spouses'		Females are assumed to be three years younger than their spouses'	

Analysis of total pension costs charged to expenditure

	2015 €000	2014 €000
Total employer contribution	598	655
Current service cost ⁹	747	539
Interest cost	393	0
Past service cost	0	0
Adjustment to deferred exchequer pension funding	(1,140)	(539)
Total charged to the statement of income and expenditure and retained revenue reserve	598	655

⁸ The discount rate is prescribed under FRS102 and is based on the yield on high quality corporate bonds at the valuation date

⁹ The current service cost included employee contributions totalling €121,000 in 2015 and €140,000 in 2014

Movement in net pension liability

	2015 €000	2014 €000
Net pension liability at 1 January	17,069	12,569
Current service cost	747	539
Interest cost	393	453
Past service cost	0	0
Experience (gains)/losses on scheme liabilities	(142)	(403)
Change in assumptions	(1,125)	4,086
Benefits paid during the year	(360)	(175)
Net pension liability at 31 December	16,582	17,069

Superannuation deductions and contributions

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

	2015 €	2014 €
Employer ordinary contributions ¹⁰	599,586	678,427
Employee ordinary contributions	121,357	140,054
Pension related deduction ¹¹	144,401	169,895
	865,344	988,376

21. Disclosure of transactions

In accordance with the Code of Practice for the Governance of State Bodies, the Authority has in place a Code of Business Conduct for Authority members. The Code of Business Conduct includes guidance in relation to the disclosure of interests by Authority members and these procedures have been adhered to by the Authority during the year covered by these financial statements. During 2015, there were no financial transactions with Authority members other than the payment of Authority fees detailed in Note 5. There were no occasions whereby Authority members disclosed a financial interest during 2015.

22. Taxation

The Authority 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 Authority members on the 29 June 2016.

¹⁰ Includes contributions of €7,566 (2014, €23,784) in respect of an employee on secondment.

¹¹ Deducted from staff members and remitted to the Department of Social Protection pursuant to the Financial Emergency Measures in the Public Interest Act, 2009.

APPENDIX I

Regulation outcomes 2015

Function and indicators	2015 target/ expectation	2015 outcome	Explanation
No. of meetings with trustees, registered administrators and pension providers	15	60	<p>Activity in this area is both proactive and reactive and based on findings from enquiries, on-site inspections, investigations and scheme specific audits.</p> <p>Meetings are held with trustees, pension providers and public service administrators to discuss general compliance issues. Meetings are also held to focus on specific compliance issues of concern to the Authority.</p> <p>In 2015 the Authority began a pro-active engagement with DB funded schemes focused on their financial and risk management.</p>
No. of on-site inspections of registered administrators	6	4	The Authority carried out four on-site investigations of RAs. Changes in the conduct and focus of RA inspections were introduced in 2014 to ensure this essential supervisory activity is flexible and reactive to experience.
Compliance audits	200	225	225 schemes were selected for audit examination of a specific area related to disclosure requirements, benefits due audits and frozen scheme status.
Scheme compliance reviews	12	5	Five schemes and their respective trustees underwent a comprehensive review by the Authority of the stewardship and administration of their schemes. This activity complements the Authority's RA on-site inspections.
PRSA provider annual report reviews	14	14	The Authority carried out 14 PRSA provider annual report reviews. The Authority engages with the relevant provider and their Actuary to resolve any minor breaches declared in their reports.
No. of new investigations for various alleged breaches of the Pensions Act.	No target	45	The Authority opened 45 new investigations for various alleged breaches of the Pensions Act. The alleged breaches varied from deduction and non-remittance of pension contributions to failure to reply to a statutory request for information. 66 cases were closed and 18 cases were referred for prosecution.
No. of prosecutions initiated	No target [^]	37	<p>In 2015, 37 prosecutions cases were concluded. The Authority secured convictions in 22 cases. Defendants received the benefit of the Probation Act in four other cases and a further ten cases were struck out due to payment of arrears. One District Court appeal was also finalised. In total, fines of €38,890 were imposed.</p> <p>[^]Prosecutions are only initiated as necessary. There is no set target as the Authority will only prosecute where warranted.</p>
Proportion of current schemes where no registered administrator appointed	4%	6%	This figure only relates to current schemes. An ongoing priority for the Authority is to ensure that all schemes required to appoint a registered administrator have one in place.

Function and indicators	2015 target/ expectation	2015 outcome	Explanation
No. of schemes for which s49(3)(b) funding proposals and/or s50 benefit reduction applications processed	50	26	<p>During 2015 the Authority received 13 funding proposals from DB schemes and the Authority specified a later date in respect of all of these proposals. 13 applications to reduce accrued benefits were received from DB schemes and all were approved by the Authority.</p> <p>As at 31 December 2015 60% of DB schemes (not in wind-up) were in compliance with the funding standard. All except nine of the remainder have agreed funding proposals designed to bring the scheme into compliance with the standard.</p>
Proportion of ongoing DB schemes meeting the funding standard or following an approved funding plan	100%	98%	Nine schemes remain to agree funding proposals designed to bring the scheme into compliance with the standard.
Number of enquiries handled	No target	10,000	The majority of enquiries related to matters concerning disclosure of information, trustee duties, preservation, funding standard and PRSAs. Also included here are technical enquiries relating to the Authority's Pensions Data Register (PDR).
Authority membership attendance rate	100%	100%	There was full attendance by Authority members at all meetings.

APPENDIX II

The Pensions Authority prosecution convictions in 2015

No.	Case name	Relevant section of the Pensions Act	Penalty
1	CAG Manufacturing Ltd	S58A(1)	Fined €3,000
	Christopher Gray, director of CAG Manufacturing Ltd		Fined €300
2	CAG Manufacturing Ltd	S18	Convicted
	Christopher Gray, director of CAG Manufacturing Ltd		Convicted
3	RN Murphy & Associates Ltd	S58A(1)	Fined €1,000
	Mr Murphy, director of RN Murphy & Associates Ltd *		Fined €3,000
4	Eftim Hurley Groundworks Ltd	S18	Fined €250
	Eftim Hurley, director of Eftim Hurley Groundworks Ltd		Fined €250
5	Avonbrook Ltd - Avonbrook Ltd Plan No. 1	S58A(1)	Fined €1,000
6	Avonbrook Ltd - Avonbrook Ltd Plan No. 1	S58A(2)	Convicted
7	Avonbrook Ltd - Avonbrook Ltd Plan No. 2	S58A(1)	Fined €1,000
8	Avonbrook Ltd - Avonbrook Ltd Plan No. 2	S58A(2)	Convicted
9	Avonbrook Ltd - Trendsoft Limited Plan No. 3	S58A(1)	Fined €1,000
10	Avonbrook Ltd - Trendsoft Limited Plan No. 3	S58A(2)	Convicted
11	Trendsoft (Ireland) Ltd - Trendsoft Limited Plan No. 3	S58A(1)	Fined €1,000
12	Trendsoft (Ireland) Ltd - Trendsoft Limited Plan No. 3	S58A(2)	Fined €1,000
13	DK Partitions and Ceiling Ltd	S18	Fined €500
14	DK Partitions and Ceiling Ltd	S58A(1)	Convicted
15	Eoin Smith trading as SEM Construction	S58A(1)	Fined €3,000
16	Axiologix Ltd	S58A(1)	Fined €7,500
17	Staplestown Plant Hire Ltd	S58A(1)	Fined €2,500

* currently under appeal

	James O'Connor, director of Staplestown Plant Hire Ltd		Fined €2,140
18	Neil O'Shea, director of O S Sheetmetal Ltd	S18	Fined €500
19	W & J Bolger Ltd	S58A(1)	Fined €500
20	Eurobead Insulation Ltd	S58A(1)	Fined €2,200
21	Michael Lynch Civil Engineering Ltd	S58A(1)	Fined €250
22	Amlema Construction Ltd	S58A(1)	Fined €4,000
	Kieran Duffy, director of Amlema Construction Ltd		Fined €1,500
	Jackie Duffy, director of Amlema Construction Ltd		Fined €1,500

APPENDIX III


Membership of occupational pension schemes and Personal Retirement Savings Accounts

Table 1: Number of schemes and current membership as at 31 December 2015

Number of schemes and membership as at 31 December 2015								
Scheme Size	Defined Contribution		Defined Benefit				All Schemes	
			Subject to the Funding Standard		Not Subject to the Funding Standard			
	No of Schemes	Active Members	No of Schemes	Active Members	No of Schemes	Active Members	No of Schemes	Active Members
Frozen	n/a	n/a	189	0	0	0	189	0
In wind-up	n/a	n/a	44	0	0	0	44	0
Non Group	56,714	56,714	7	7	3	3	56,724	56,724
1 to 50	9,740	61,219	278	4,849	35	747	10,053	66,815
51 to 99	321	22,405	61	4,481	12	844	394	27,730
100 to 500	288	60,108	89	21,784	22	4,977	399	86,869
501 to 1000	36	24,785	26	16,685	4	3,012	66	44,482
1001+	26	56,398	21	78,149	23	329,572	70	464,119
2015 Total	67,125	281,629	715	125,955	99	339,155	67,939	746,739
2014 Total	61,309	263,261	778	139,877	108	329,889	62,195	733,027
Change since 2014	5,816	18,368	-63	-13,922	-9	9,266	5,744	13,712

Table 2: PRSAs as at 31 December 2015

	End 2015	End 2014	Change
Total number of contracts:	237,608	226,605	11,003
• Standard PRSA contracts	176,784	169,000	7,784
• Non-Standard PRSA contracts	60,824	57,605	3,219
Total assets:	€5.21 billion	€4.66 billion	€0.55 billion



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