



An tÚdarás Pinsean  
The Pensions Authority

# THE PENSIONS AUTHORITY ANNUAL REPORT AND ACCOUNTS 2017

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

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# CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and Accounts of the Pensions Authority for the year ended 31 December, 2017 in accordance with Section 23(2) of the Pensions Act, 1990 as amended.

## The future of Irish pensions

The publication by Government of the Pensions Roadmap 2018-2023 on 28 February 2018 is a very important milestone on the road towards an improved pension system for the Irish people. This plan includes significant tasks for the Pensions Authority, which are well underway in cooperation with our parent Department of Employment Affairs and Social Protection (DEASP) and with other relevant departments and agencies.

Those parts of the roadmap concerned with supplementary pensions will result in significant changes to the Irish pensions landscape, with the objective of improving the pension prospects both for those who already have pension arrangements, and the significant numbers who have no such arrangements, especially in the private sector. The Pensions Authority recognises the need for stability and predictability in pensions, and will work to minimise any disruption.

We are aware that trustees and their advisers need detailed information as soon as possible about their new obligations and we are working with the DEASP to provide this. Throughout 2018, we will be actively communicating with the pensions sector and as soon as possible, we will publish draft codes of conduct for trustees. These codes will build on the guidance we have already produced and this will be a comprehensive statement of what the Authority expects trustees of well-run schemes to do.

It is in the nature of pensions that they are complex and rarely understood by members. Very often, they show little interest until they are close to retirement. This means that the trustees' role is of crucial importance. The trustee is the repository of a dependence and responsibility to determine best possible outcomes for members. It is why they are so valued.

The focus of the Authority's reform activities is the experience of members. The continuing changeover from defined benefit (DB) to defined contribution (DC) provision means that scheme members are responsible for making their own investment

decisions, and bearing the resulting risks. Across all schemes member communications, investment decisions and choices, costs, governance and scheme management can be improved and such improvements are among the objectives of the Authority's reform ambitions.

## Governance

As a public body, the Pensions Authority has a responsibility to undertake its work efficiently and to be transparent in reporting on its activities. During 2017, the Authority undertook the process of implementing the changes prescribed under the revised Code of Governance for State Bodies. These changes did not result in any significant changes to the governance of the organisation, but have required us to undertake some additional reporting. The results are set out in this Annual Report and Accounts and in the accompanying documentation which we will provide to the Minister for Employment Affairs and Social Protection.

The Authority adheres to the oversight agreement in place with the Department of Employment Affairs and Social Protection.

## The work of the Pensions Authority

This Annual Report reflects the hard work of the staff of the Authority and I would like to thank them. I would also like to thank my fellow members of the Authority and the Chairman and members of the Audit and Risk Committee, both current members and those who stepped down during 2017. Our work benefits from our close relationship with the DEASP and we look forward to working together in the coming years.

**Dr David Begg**  
Chairman



## PENSIONS REGULATOR'S STATEMENT

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The most important activity of the Pensions Authority is overseeing compliance with the Pensions Act. Elsewhere in this report, we set out in detail our oversight activity during 2017 related to occupational pension schemes, PRSAs, employers and Registered Administrators.

Given the scale of Irish pensions savings and the numbers of people involved, instances of misappropriation and non-remittance are rare and this reflects the efforts and good faith of the many people concerned. Nonetheless, and as would be expected, preventing such behaviours will always be the highest priority for the Authority.

However, although it is necessary that pensions savers should have confidence that their savings are protected from misappropriation and fraud, it is not enough. They should also be confident that their savings are being invested well and appropriately and that they are getting good value for money. Savers should also know that the records of their savings are reliable and that they are provided with accurate, timely and understandable information. However, for too many savers in too many pension schemes, they cannot be sure that these reasonable expectations are met.

The transposition of the IORPs II Directive will make clearer the responsibilities of trustees to manage their schemes well and to work actively in the interests of members. The Directive's requirements are not just differences of degree. Trustees will be obliged to adopt a more formal and documented approach to all aspects of their work, and they will have to demonstrate to the Authority that they are complying with their duties. The Authority will have additional powers to obtain scheme information and to intervene where appropriate, as well as a wider range of sanctioning powers.

The changes to pensions will require corresponding changes in the Authority. We need to change how we are organised, how we oversee schemes, and will need to acquire new skills and knowledge. This process has already begun and will continue over the coming years.

I would like to thank the members of the Authority for their support and advice to me in 2017. I would like particularly to mention Ann Nolan, who retired during the year. Ann's considerable knowledge and experience were of great value and her support and advice were much appreciated.

My colleagues in the Authority worked hard and professionally during 2017, and I want to thank them. We share the objective of improving Irish pensions for the benefit of members and their dependants, and we will have a busy 2018.

A handwritten signature in black ink that reads "Brendan Kennedy". The signature is written in a cursive, slightly slanted style.

**Brendan Kennedy**  
Pensions Regulator

# THE PENSIONS AUTHORITY

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

The members of the Authority are:



**Dr David Begg**  
Chairman



**Ms Anne Vaughan**  
Deputy Secretary  
Department of Employment  
Affairs and Social Protection  
(Representative of the Minister  
for Employment Affairs and  
Social Protection))



**Mr Gary Tobin**  
Assistant Secretary  
Department of Finance  
(Representative of the Minister  
for Finance)

Ms Ann Nolan, Second Secretary, Department of Finance retired as a member of the Authority and was replaced on 22 August 2017 by Mr Gary Tobin, Assistant Secretary, Department of Finance, as the representative of the Minister for Finance.

There were ten Authority meetings in 2017. Meeting attendance was as follows: David Begg 10/10, Anne Vaughan 10/10, Ann Nolan 6/7 and Gary Tobin 3/3.

Day to day decision making is delegated to staff under the Authority's active supervision. The Pensions Authority structure is as follows:



**Brendan Kennedy**  
Pensions Regulator



**Grace Guy**  
Head of Compliance



**Andrew Nugent**  
Head of Development



**Pat O'Sullivan**  
Head of Technical



**Dervla O'Keefe**  
Head of Regulatory Intelligence



**Ger Clarke**  
Deputy Head of Compliance



**Sylvia McNeece**  
Head of Legal  
(Secretary to the Authority)



**David Malone**  
Head of Operations

# MEETING THE AUTHORITY'S GOALS

The Pensions Authority's vision for the future is for a pension landscape where pension savings are secure, well managed and understandable and which encourages pensions savings. The Authority's Statement of Strategy 2016 - 2020 sets out the organisation's four strategic objectives to deliver its vision, as follows:

1. To monitor and supervise occupational pension schemes and PRSAs to ensure they continue to be or will be well managed by competent trustees, providers and administrators.
2. Scheme trustees, the pensions industry and employers can rely on the Pensions Authority for guidance and support on what the Authority expects.
3. To be well known as an accessible, relevant and practical source of information for the public, members, contributors and beneficiaries.
4. To be a valuable source of technical pensions advice, knowledge, information and support to the Department of Employment Affairs and Social Protection.

The Authority has adopted high-level strategies to achieve these objectives, which comprise:

- a proactive and visible approach to dealing with non-compliance
- a practical approach to information and guidance provision focusing on accessibility, best practice documents and codes of practice
- a high quality enquiry service that addresses issues of concern and queries raised by stakeholders that are within our statutory remit
- a comprehensive blueprint for a pensions structure that delivers on our vision and that informs the policy deliberations of the Department of Employment Affairs and Social Protection.

The annual report sets out the activities undertaken by the Authority in 2017 to meet these objectives.

## Hierarchy of risk priorities

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. Whilst these priorities determine general Authority regulatory activity, the organisation will also ensure that no area is overlooked. Because regulation depends on Authority access to reliable information, the organisation especially targets failure to provide the Authority with information required under the Pensions Act, including whistle-blowing obligations.

## Compulsory and voluntary reporting/whistle-blowing

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

The Authority investigates whistle-blow reports and other serious complaints or allegations to find out what has happened. Where non-compliance is discovered, the primary aim of the Authority is to ensure compliance. Nonetheless, the Authority will use its full powers under the Pensions Act where necessary.

## Prosecutions

Non-compliance by regulated entities can result in prosecution. In 2017, the Authority concluded 18 prosecutions cases and secured convictions in 11 of those cases. The remaining cases were struck out due to payment of arrears.

The convictions in the 11 cases were as follows:

- five cases related to the deduction and non-remittance of employee pension contributions to schemes within the statutory timeframe (section 58A(1)).
- two cases related to the failure to pay employer pension contributions as obliged under the terms of the pension scheme or contract of employment to the pension scheme trustees of a DC scheme within the statutory timeframe (section 58A(2)).
- one case related to the failure to remit employee PRSA contributions deducted from an employee's wages pursuant to a PRSA contract entered into by the employee within the statutory timeframe (section 121(3)).
- one case related to the failure to pay employer contributions to a PRSA as agreed under a contract of employment or PRSA contract (section 121(4)).
- two cases related to failure to respond to a statutory request for information from the Authority (section 18).

Cases prosecuted by the Authority in 2017 mainly related to the deduction and non-remittance of pension contributions by employers in the construction sector.

## Protected disclosures

The Authority received no disclosures under the Protected Disclosures Act in 2017.

## Investigations

The Authority opened 43 new investigations in 2017 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. In 2017, 42 cases were closed and 13 cases were recommended for prosecution.

In general, the number of incidents that require investigation regarding deduction and non-remittance of contributions has been declining in recent years.

### Compliance audits

In 2017, the Authority conducted a range of audits of a number of DB and DC occupational pension schemes, public sector schemes and PRSA providers. In total, the Authority carried out 296 audits to assess compliance with the Pensions Act. These audits variously examined the payment of benefits, pension scheme disclosure requirements, PRSA disclosure requirements and the payment of fees to the Authority. In addition, the Authority wrote to 97 employers to remind them of their obligations concerning employee pension access and the remittance of pension or PRSA contributions. Where non-compliance with the Pensions Act is discovered, the main objective is to ensure the regulated entity becomes compliant. Where this does not happen, the Authority may consider enforcement action. Findings from the audits help inform the Authority's ongoing compliance oversight activities.

### Direct engagement with scheme trustees

Throughout 2017, the Authority continued its programme of direct engagement meetings with the trustees of both DC and DB schemes. The Authority generally meets the trustees without their advisors or administrators present to discuss in detail how they undertake the management of their scheme and their governance responsibilities. The Authority's DC Codes of Governance and DB Financial Management Guidelines form the basis for these discussions.

The Authority met with the trustees of 29 DC schemes and 25 DB schemes in 2017. The Authority through these direct engagement meetings gets to see first-hand how trustee boards are composed, how they operate, the general levels of understanding of trustee responsibilities and trustees' views on issues such as investment strategy and risk management.

### Inspections of RAs and PRSA providers

The Authority assesses levels of administration compliance with the Pensions Act by carrying out on-site inspections of RAs and PRSA providers. In 2017 the Authority carried out 12 on-site inspections of RAs varying in size and type.

These on-site inspections of RAs and administrators cover a broad spectrum of compliance obligations. Where any issues of concern are identified, a timescale is put in place to resolve the matter to the Authority's satisfaction. If the issues are not resolved and non-compliance persists, the Authority will consider appropriate sanctions under the Pensions Act. Given the significance of the role of the RA in providing information to scheme members and to the Authority, the Authority intends to maintain a significant level of direct engagement activity in this area.

The Authority also carried out on-site inspections of two PRSA providers in 2017. The inspections reviewed the provider's disclosure of information procedures and their systems and controls. The Authority will continue with PRSA on-site inspections throughout 2018.

### Defined benefit scheme funding

As at end 2017, there were 640 DB schemes which were subject to the funding standard. Of these, 453 schemes were in compliance with the funding standard as at 31 December 2017. All but four of the remaining schemes have agreed or are in the process of submitting funding proposals designed to bring the scheme into compliance with the standard. The Authority is maintaining close engagement with the trustees of these four schemes to enable them meet the funding standard.

In 2017, the Authority received and approved 19 funding proposals from DB schemes. The Authority also received and approved three applications from DB schemes to reduce accrued benefits.

### Technical support

The Authority continued to provide technical support to the Minister and the DEASP and other government agencies on pension matters. Through this role the Authority gives effect to its strategic objective of being a valuable source of technical pensions advice, knowledge, information and support to the DEASP.

In 2017, the Authority continued to provide technical assistance to the DEASP in relation to the implementation of the IORP II Directive, which is to be transposed into Irish law with effect from 13 January 2019. IORP II is considerably broader in scope than the present directive, imposing more detailed legal requirements regarding the management, governance and supervision of Irish pensions.

The Authority undertook a limited consultation in November 2017, seeking views from a number of relevant bodies regarding the new requirement under IORP II Directive for pension schemes to have in place certain key functions (internal audit, risk management and, where applicable, actuarial). The views and suggestions provided are being considered in the context of formulating recommendations for the proposed requirements for key function holders for pension schemes to the DEASP.

In 2017, the Authority also participated in a number of meetings with other national regulators and EIOPA to discuss the framework for the cooperation of competent authorities in relation to IORPs that operate cross-border. It is currently being revised to reflect the changes resulting from the IORP II Directive.

Much of the Authority's advisory and technical work in 2017 centred on the development of proposals for pension reform and simplification with a particular focus on the practical elements for implementation that are consistent with the IORP II Directive. Reforms include the development of a regulatory framework which imposes further obligations on schemes whilst providing the Authority with further powers to enable intervention and address non-compliance.

The key areas of reform work undertaken in 2017 involved developing detailed implementation proposals for the following:

- an authorisation process for new and existing schemes
- a fitness and probity regime to include professional standards for trustees
- new governance codes and standards detailing appropriate governance and management structures
- options for rationalising the number of individual pension vehicles which currently exist

- development of a proposed regulatory framework for master trusts
- transitional arrangements for pension schemes.

The Authority's work in 2018 and 2019 will continue to focus on implementation of all of the proposed reforms in addition to the IORP II Directive.

### Pension data reporting to EIOPA

From 2019, the Authority will be obliged to provide additional data to the European Insurance and Occupational Pensions Authority (EIOPA). During 2017, the Authority began preparing for its new data-provision obligations and has been participating in discussions with EIOPA regarding these new obligations.

### 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 or allow the Authority to appoint a trustee in substitution of the existing trustee in certain circumstances. In 2017, the Authority issued two statutory determinations. One section 35 application and one section 64 determination was granted.

### Research programme

The Authority continued its joint research programme with the ESRI to generate experiential evidence of how people make retirement decisions. The research is aimed at enhancing and improving knowledge of how individuals process pensions information and how they can be assisted in making decisions.

### Support, information and guidance

The Authority supports trustees, administrators, employers and their advisors with information and guidance to help them understand and meet their obligations under the Pensions Act.

During 2017, the Authority began issuing a series of compliance alerts which were posted on the website. These alerts highlight areas of concern that the Authority would like to see regulated entities address. They also provide information to regulated entities on their obligations under the Pensions Act.

In August 2017, the Authority published a set of statistics for DB schemes which were compiled from analysis of Annual Actuarial Data Returns received to 31 March 2017.

During 2017, the Authority dealt with some 8,000 general and data enquiries. The Authority continues to provide a comprehensive range of free information and guidance material on its website. Throughout the year, the Authority regularly attends and presents at public events. The Authority also deals with direct media enquiries and seeks events and media opportunities to promote public discussion of pension issues.

### Oireachtas members' enquiries

The Authority provides a dedicated enquiries email address [oireachtas@pensionsauthority.ie](mailto:oireachtas@pensionsauthority.ie) for members of the Oireachtas seeking information on pension matters or about the work of the Authority. The Authority monitors any enquiries received from

Oireachtas members to ensure they are dealt with in line with our Customer Charter. The Authority dealt with two enquiries from Oireachtas members in 2017. The Authority also provided information to the DEASP in response to 37 Parliamentary Questions during 2017.

### Freedom of information (FOI)

The Authority received and responded to seven FOI requests in 2017 within the statutory deadlines.

### Subject access requests (SARs)

The Authority received three SARs in 2017. All requests were responded to within the statutory deadline.

### General Data Protection Requirements (GDPR)

During 2017, the Authority began the process of compliance with the new GDPR obligations which took effect in May 2018. This work, which is being overseen by senior management included:

- audit of existing data
- development and establishment of a data management and retention policy
- review of data security and access
- a programme of staff education and awareness
- participation in the DEASP and the Inter Departmental GDPR project groups.

### Human resources

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

The Authority's staff training and development plan supports the vision and objectives as set out in the Pensions Authority Strategy 2016 – 2020. A key enabler of the Authority's strategy is to ensure the right people are in the right place with the right supports.

The training and development plan enables staff to be skilled, knowledgeable and competent in the delivery of the objectives of the Authority. Specialist knowledge skills are identified as key requirements for much of the regulatory work of the Authority particularly as it moves to a prospective risk based approach to supervision following the transposition of the IORP II Directive in January 2019 and the implementation of the Authority's reform agenda.

The Authority continued its internal knowledge development programme for staff throughout 2017, consisting of training, presentations and producing know-how updates on relevant legal, pensions and regulatory topics.

### Prompt payments

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

### Energy usage

In 2017, the total energy consumption by the Authority amounted to 156,377 kWh hours of electricity.



# COMMITTEE OF THE AUTHORITY

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## Audit and Risk Committee (ARC)

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

Following the end of each financial year, the ARC, formally reports to the Authority outlining its activities during the year together with such advice and recommendations as it may deem appropriate.

The ARC met five times in 2017 with full attendance of all members.

The membership of the ARC at the end of 2017 was as follows:

- Mr. Bill Cunningham, Chairman
- Mr. Michael Roche, non-executive member
- Mr. Kevin Barron, representative of the Department of Employment Affairs and Social Protection
- Mr. Sean Kinsella, representative of the Department of Finance

The terms of appointment of Ms. Eilish Hamilton, Department of Employment Affairs and Social Protection and Mr. John Palmer, Department of Finance came to an end during 2017.

In 2017, the ARC's internal audit programme consisted of:

- an audit of the systems and controls within the Compliance Unit
- a high-level review of the effectiveness of internal controls.

The outcome of these reviews were positive and no significant issues of concern were raised. The ARC works with the Executive to ensure any issues raised in audits are addressed.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

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

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## Opinion on financial statements

I have audited the financial statements of the Pensions Authority for the year ending 31 December 2017 as required under the provisions of Section 22 of Pensions Act 1990. The financial statements comprise

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

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Pensions Authority at 31 December 2017 and of its income and expenditure for 2017 in accordance with Financial Reporting Standard (FRS) 102 — The Financial Reporting Standard applicable in the UK and the Republic of Ireland.

## Basis of opinion

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

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

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

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

I have nothing to report in that regard.



Patricia Sheehan  
For and on behalf of the Comptroller and  
Auditor General

29 June 2018

## APPENDIX TO THE REPORT

### Responsibilities of Authority members

The governance statement and Authority members' report sets out the Authority members' responsibilities. The Authority members are responsible for

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

### Responsibilities of the Comptroller and Auditor General

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

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

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

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pensions Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion.

My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Pensions Authority to cease to continue as a going concern

- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

### Information other than the financial statements

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

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

### Reporting on other matters

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

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

I also report by exception if, in my opinion,

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

# GOVERNANCE STATEMENT AND AUTHORITY MEMBERS' REPORT

## Governance

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

## Authority responsibilities

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

Standing items considered by the Authority at their meetings include:

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

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

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

- select suitable accounting policies and apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that it will continue in operation, and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

The Authority is responsible for approving the annual plan and budget. An evaluation of the performance of the Authority by reference to the annual plan was carried out at the Authority meeting on 31 October 2017. The review of the annual budget was carried out on 12 December 2017.

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

The Authority considers that the financial statements of the Authority give a true and fair view of the financial performance and the financial position of the Authority at 31 December 2017.

## Authority structure

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

The table below details the date of appointment of 2017 Authority members:

Authority Member	Role	Date Appointed
David Begg	Chairperson	13 January 2016
Anne Vaughan	Representative of the Department of Employment Affairs and Social Protection	14 May 2014
*Ann Nolan	Representative of the Department of Finance.	7 March 2014
Gary Tobin	Representative of the Department of Finance	22 August 2017

\*Ann Nolan retired from the Authority in 2017 and was replaced by Gary Tobin from 22 August 2017.

The Authority conducted a self-evaluation in January 2017, and the next self-evaluation is scheduled for Quarter 2, 2018. An external Board Effectiveness Review is scheduled for Quarter 4, 2018.

#### Schedule of attendance, fees and expenses

A schedule of attendance at the Authority meetings for 2017 is set out below including the fees and expenses received by each member:

Authority Meetings 2017 Number of meetings held: 10				
Name	Position	Number of meetings attended	Fees 2017 €	Expenses 2017 €
David Begg	Chairperson	10	20,520	0
Anne Vaughan	Ordinary member	10	0	0
*Ann Nolan	Ordinary member	6* out of 7	0	0
Gary Tobin	Ordinary member	3* out of 3	0	0

\*Ann Nolan retired from the Authority in 2017 and was replaced by Gary Tobin from 22 August 2017.

#### Audit and Risk Committee

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

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

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

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

The members of the ARC are: Bill Cunningham (Chairperson), Kevin Barron, Michael Roche and Sean Kinsella. There were five meetings of the ARC in 2017.

### Schedule of attendance, fees and expenses

A schedule of attendance at the ARC meetings for 2017 is set out below including the fees and expenses received by each member:

ARC meetings 2017 Number of meetings held: 5				
Name	Position	Number of meetings attended	Fees 2017 €	Expenses 2017 €
Bill Cunningham	Chairperson	5	2,012	0
Eilish Hamilton	Ordinary member	2 <sup>†</sup>	0	0
Kevin Barron	Ordinary member	3 <sup>†</sup>	0	0
John Palmer	Ordinary member	3 <sup>††</sup>	0	0
Sean Kinsella	Ordinary member	2 <sup>††</sup>	0	0
Michael Roche	Ordinary member	5	1,414	0

<sup>†</sup> Eilish Hamilton was replaced by Kevin Barron from 7 June 2017.

<sup>††</sup> John Palmer was replaced by Sean Kinsella from 19 September 2017.

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

- Anne Vaughan
- Ann Nolan
- Gary Tobin
- Eilish Hamilton
- John Palmer
- Kevin Barron
- Sean Kinsella

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

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

#### Employee short-term benefits breakdown

Details of employee short term benefits in excess of €60,000 and the salary costs of key management personnel are set out in note number 3 in the financial statements.

## Consultancy costs

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

	2017 €	2016 €
Legal advice	71,108	160,820
Financial/actuarial advice	30,252	29,883
Public relations	0	2,103
Research consultancy	135,570	22,344
Human resources	33,046	6,948
Business improvement <sup>1</sup>	159,000	258,022
Other <sup>2</sup>	11,820	0
<b>Total consultancy costs</b>	<b>440,796</b>	<b>480,120</b>
	2017 €	2016 €
Consultancy costs capitalised	82,348	119,692
Consultancy costs charged to the Income and Expenditure and Retained Revenue Reserves	358,448	360,428
<b>Total</b>	<b>440,796</b>	<b>480,120</b>

## Legal costs and settlements

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

	2017 €	2016 €
Legal fees – legal proceedings	1,363	11,268
Conciliation and arbitration payments	0	0
Settlements	0	0
<b>Total</b>	<b>1,363</b>	<b>11,268</b>

1 This comprises of the cost of system enhancements, project development and other (management and computer consultancy).

2 This consists of investigation and compliance support expenditure.



## Travel and subsistence expenditure

Travel and subsistence expenditure is categorised as follows:

	2017 €	2016 €
<b>Domestic:</b>		
– Authority members	0	0
– Employees	2,977	4,658
<b>International:</b>		
– Authority members	0	0
– Employees	28,811	23,332
<b>Total</b>	<b>31,788</b>	<b>27,990</b>

## Hospitality expenditure

The Income and Expenditure Account includes the following hospitality expenditure:

	2017 €	2016 €
Staff hospitality <sup>3</sup>	9,584	13,853
Client hospitality	807	122
<b>Total</b>	<b>10,391</b>	<b>13,975</b>

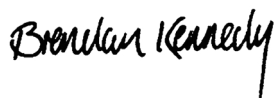
## Statement of compliance

The Authority has adopted the Code of Practice for the Governance of State Bodies (2016) and has put procedures in place to ensure compliance with the Code. The Pensions Authority was in compliance with the Code of Practice for the Governance of State Bodies for 2017.



**David Begg**  
Chairperson

29 June 2018



**Brendan Kennedy**  
Pensions Regulator

29 June 2018

<sup>3</sup> This includes contribution to staff social committee and other activities.

# STATEMENT ON INTERNAL CONTROL

## Responsibility for system of internal control

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

## Purpose of the system of internal control

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

The system of internal financial control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in the Authority for the year ended 31 December 2017 and up to the date of approval of the financial statements.

## Capacity to handle risk

The Authority has an Audit and Risk Committee (ARC) comprising a member from the Department of Employment Affairs and Social Protection, a member from the Department of Finance and two external members, with financial and audit expertise, one of whom is the Chair. The ARC met five times during 2017.

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

The Authority has developed a risk management policy, which sets out its risk appetite, the risk management processes in place and details the roles and responsibilities of staff in relation to risk. The ARC approved the policy and the risk management processes. The policy has been issued to all staff who are expected to work within the Authority's risk management policies, to alert management on emerging risks and control weaknesses and assume responsibility for risks and controls in their own area of work.

## Risk and control framework

The Authority has implemented a risk management system which identifies and reports key risks and the management actions

being taken to address and, to the extent possible, to mitigate those risks.

A risk register is in place, which identifies the key risks facing the Authority and these have been identified, evaluated and graded according to their significance.

The risk register is reviewed quarterly by the ARC. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The risk register details the controls and actions needed to mitigate risks and responsibility for operation of controls assigned to specific staff.

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

- procedures for all key business processes have been documented;
- financial responsibilities have been assigned at management level with corresponding accountability;
- there is an appropriate budgeting system with an annual budget which is kept under review by senior management;
- there are systems aimed at ensuring the security of the information and communication technology systems;
- there are systems in place to safeguard the assets of the Authority.

## Ongoing monitoring and review

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

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

## Procurement

I confirm that the Authority has procedures in place to ensure compliance with current procurement rules and guidelines. Matters arising regarding controls over procurement are highlighted under internal control issues below.

## Review of effectiveness

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

I confirm that the Authority conducted an annual review of the effectiveness of the internal controls for 2017.

## Internal control issues

### Pension overpayment

Following a query raised in 2016 by the Comptroller and Auditor General in his audit of the 2015 financial statements, an investigation was carried out and it confirmed that an administrative error has resulted in an overpayment of lump sum gratuity and annual pension totalling €13,670. Having taken legal advice on the matter the Authority has made the decision not to seek a repayment. The Authority has reviewed the matter and implemented the following additional controls to prevent a reoccurrence:

- Additional specialised training for HR staff involved in pension calculations;
- Protocol in place to have calculation independently verified;
- New procedures introduced to communicate clearly with new employees on their terms and conditions – with clear documentation signed by new employees;
- Formal documentation of all processes and procedures in relation to starters and retirees;
- Senior management sign off for amendments to employee terms and conditions.

## Non-compliant procurement

During 2017 expenditure of €147,000 was incurred in relation to goods and services where the procedures employed did not comply with procurement guidelines. This expenditure related to four separate contracts. The first item was due to a rollover of an existing contract, the second and third items were due to an oversight of procurement rules, and the fourth item was caused by the lack of another supplier in Ireland. The Authority has applied additional resources to the oversight of its procurement activity to address these matters.



**David Begg**  
Chairman  
29 June 2018

# STATEMENT OF INCOME AND EXPENDITURE AND RETAINED REVENUE RESERVES

for the year ended 31 December 2017			
		2017	2016
	Notes	€	€
<b>Revenue</b>			
Occupational Pension Scheme fees		3,376,160	3,279,826
Personal Retirement Savings Account fees		3,067,587	2,796,816
State grant in respect of pension payments to retired staff		609,927	231,658
Other income	2	7,177	20,823
<b>Total income</b>		<b>7,060,851</b>	<b>6,329,123</b>
<b>Expenditure</b>			
Remuneration	3	4,406,662	3,661,857
Authority members' fees	5	20,520	19,934
Rent and office expenses	6	797,730	626,494
Training, education and staff-related expenses	7	142,596	139,850
Information, research and publicity	8	210,299	221,134
Professional fees	9	425,177	497,170
General administration	10	621,524	508,823
Depreciation	11	177,058	121,412
<b>Total expenditure</b>		<b>6,801,566</b>	<b>5,796,674</b>
<b>Surplus for the year</b>		<b>259,285</b>	<b>532,449</b>
Revenue reserve at 1 January		7,057,875	6,525,426
Surplus for the year		259,285	532,449
<b>Revenue reserve at 31 December</b>		<b>7,317,160</b>	<b>7,057,875</b>

The statement of cash flows and notes 1 to 21 form part of these financial statements.



**David Begg**  
Chairman

29 June 2018



**Brendan Kennedy**  
Pensions Regulator

29 June 2018

# STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017			
		2017	2016
	Notes	€	€
Surplus for the year		259,285	532,449
Experience (gains)/losses on retirement benefit obligations <sup>4</sup>	18	1,437,000	(357,000)
Change in assumptions underlying the present value of retirement benefit obligations		(492,000)	3,357,000
Adjustment to deferred retirement benefits funding	18	(945,000)	(3,000,000)
Total comprehensive income for the year		259,285	532,449

The statement of cash flows and notes 1 to 21 form part of these financial statements.



**David Begg**  
Chairperson

29 June 2018



**Brendan Kennedy**  
Pensions Regulator

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<sup>4</sup> The "Experience Gains on Retirement Benefit Obligations" reflects the impact on the liability valuation of differences between the assumptions made at the start of the year and the actual experience over the year. For example, gains or losses arise from differences between assumed and actual mortality experience, inflation, salary inflation and pension increases.

# STATEMENT OF FINANCIAL POSITION

At 31 December 2017					
		2017		2016	
	Notes	€	€	€	€
<b>Non- current assets</b>					
Property, plant and equipment	11		455,669		321,559
<b>Current assets</b>					
Receivables	12	620,593		653,756	
Cash and cash equivalents	17	8,212,350		7,969,694	
		8,832,943		8,623,450	
<b>Creditors amounts falling due within 1 year</b>					
Payables	13	471,452		387,134	
<b>Net current assets</b>			<b>8,361,491</b>		<b>8,236,316</b>
<b>Net assets before retirement benefits</b>			<b>8,817,160</b>		<b>8,557,875</b>
<b>Retirement benefits</b>					
Retirement benefit liability	18		(22,080,000)		(20,468,000)
Deferred exchequer retirement benefit funding	18		22,080,000		20,468,000
<b>Net assets after retirement benefits</b>			<b>8,817,160</b>		<b>8,557,875</b>
<b>Representing</b>					
Compliance enforcement reserve	15	1,500,000		1,500,000	
Revenue reserve	15	7,317,160		7,057,875	
			<b>8,817,160</b>		<b>8,557,875</b>

The statement of cash flows and notes 1 to 21 form part of these financial statements.



**David Begg**  
Chairperson

29 June 2018



**Brendan Kennedy**  
Pensions Regulator

29 June 2018

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2017			
		2017	2016
	Notes	€	€
Net cash inflow from operating activities	16	538,059	477,751
Cash flows from financing activities: Interest received		12,021	34,105
Cash flows from investing activities: Payments to acquire property, plant and equipment		(307,424)	(260,812)
<b>Increase in cash and cash equivalents in year</b>		<b>242,656</b>	<b>251,044</b>
Reconciliation of net cash flow to movement in net funds	17		
Increase in net funds in the year		242,656	251,044
Net funds at 1 January		7,969,694	7,718,650
<b>Net funds at 31 December</b>		<b>8,212,350</b>	<b>7,969,694</b>

# NOTES TO THE FINANCIAL STATEMENTS

## For the year ended 31 December 2017

### 1. Accounting policies

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

#### a) General information

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

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

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

The Authority is a Public Benefit Entity (PBE).

The financial statements are denominated in euro.

#### b) Statement of compliance

The financial statements of the Authority for the year ended 31 December 2017 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. The date of transition to FRS 102 was 1 January 2014.

#### c) Basis of preparation

The financial statements are prepared under the accruals method of accounting, on the going concern basis and under

the historical cost convention, unless otherwise disclosed, in the form approved by the Minister for Employment Affairs and Social Protection, with the concurrence of the Minister for Public Expenditure and Reform, in accordance with Section 22(1) of the Pensions Act, 1990, as amended.

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

#### d) Oireachtas grants

Oireachtas grants represents the amount made available in respect of the year by the Department of Employment Affairs and Social Protection to recoup the cost of superannuation benefits paid by the Authority. Oireachtas grants are recognised in the year in which the related pensions are paid.

#### e) Fee income

##### i) Occupational pension scheme fees

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

#### 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 6% 15 years
- Computer equipment 25% 4 years
- Office furniture 12½% 8 years
- Office equipment 20% 5 years

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

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

#### g) Operating lease

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

#### h) Retirement benefits (Refer to note 18)

##### Nature of schemes

The Authority operates the following 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, 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").

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

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

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

#### Scheme actuarial gains or losses

Actuarial gains or losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised 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.

#### Scheme liabilities

Scheme liabilities represented by the present value of future payments earned by 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.

#### i) Compliance enforcement reserve

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

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

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

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

#### **j) Critical accounting judgements and estimates**

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

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

##### **Depreciation and residual values**

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

##### **Retirement benefit obligation**

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

The assumptions can be affected by:

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

## 2. Other income

Other income	2017 €	2016 €
Interest income	4,656	15,167
Recoupment of prosecution costs	2,515	5,656
Miscellaneous income	6	0
	7,177	20,823

## 3. Remuneration

The average number of full-time equivalent employees during the year was 54 (2016, 49) and the Employment Control Framework (ECF) was 61.5 at the end of 2017 (2016, 51). The aggregate employee and related costs were as follows:

Remuneration	2017 €	2016 €
Salaries	2,807,216	2,547,204
Employer superannuation contributions <sup>5</sup>	704,899	651,379
Employer PRSI contributions	262,732	225,695
Superannuation benefits payable	609,927	231,657
Agency/temporary staff	21,888	5,922
	4,406,662	3,661,857

### Key management personnel

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

	2017 €	2016 €
Salaries <sup>6</sup>	244,620	237,511

5 Net of refunds of €10,233 for seconded employees and €3,230 for an employee who transferred out of the Authority in 2017.

6 Figures are in line with grades as set out in Circular 28/2009. This does not include the value of retirement benefits earned in the period. The key management personnel are members of the Pensions Authority pension scheme and the Single Scheme and their entitlements in that regard do not extend beyond the terms of the model public service pension scheme.

### Employee short-term benefits breakdown

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

Range of Total Employee Benefits		Number of Employees	
From €	To €	2017	2016
60,000	69,999	8	6
70,000	79,999	6	3
80,000	89,999	4	2
90,000	99,999	1	4
100,000	109,999	3	1
110,000	119,999	0	0
120,000	129,999	0	0
130,000	139,999	0	0
140,000	149,999	1	1

### 4. Pensions Regulator remuneration<sup>7</sup>

Pensions Regulator remuneration	2017 €	2016 €
Salary	146,123	143,535
Employer superannuation contribution	36,531	35,884
	<b>182,654</b>	<b>179,419</b>

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

### 5. Authority members' fees

Authority fees		
Name	2017 €	2016 €
David Begg - Chairman	20,520	19,934

<sup>7</sup> Included as part of employee costs in note 3

**6. Rent and office expenses**

Rent and office expenses	2017 €	2016 €
Rent	558,400	426,002
Service charge	78,475	63,569
Rates	62,438	57,278
Electricity	33,270	24,247
Cleaning	30,101	24,515
General maintenance	32,812	28,651
Offsite storage	2,234	2,232
	797,730	626,494

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

**7. Training, education and staff-related expenses**

Training, education and staff related expenses	2017 €	2016 €
Training and education	133,012	125,997
Staff related expenses <sup>8</sup>	9,584	13,853
	142,596	139,850

**8. Information, research and publicity**

Information, research and publicity	2017 €	2016 €
Advertising and engagement activities	170,537	154,105
Printing, publications and website	33,762	38,216
Consumer market research	6,000	28,813
	210,299	221,134

<sup>8</sup> Includes contributions to staff social committee and other activities

## 9. Professional fees

Professional fees	2017 €	2016 €
Legal advice	128,005	172,088
Investigation and compliance support	11,820	0
Project development	55,785	156,535
System enhancement consultancy	17,066	79,322
Research consultancy	135,570	22,344
Internal audit fees	15,252	14,883
Statutory audit fees	15,000	15,000
Recruitment consultancy and advertising	33,046	6,948
Public relations	0	2,103
Other	13,633	27,947
	425,177	497,170

## 10. General administration

General administration	2017 €	2016 €
Stationery and administration expenses <sup>9</sup>	39,350	45,352
Corporate subscriptions	159,884	144,136
Telephone and postage	30,626	28,846
Computer maintenance and consumables	297,952	206,924
Travel and subsistence <sup>10</sup>	31,788	27,989
Insurances	53,135	52,082
Bank charges	8,789	3,494
	621,524	508,823

<sup>9</sup> Includes Audit and Risk Committee member fees of €3,426

<sup>10</sup> Included in travel and subsistence costs were:

a) Foreign travel - €28,811 (includes €3,381 foreign travel for the Pension Regulator))

b) Pensions Regulator expenses - €5,601 (includes €3,381 foreign travel) (2016 - €7,530)

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 €
<b>Cost or Valuation</b>					
At 1 January 2017	1,163,434	1,440,638	222,493	62,672	2,889,237
Additions in year	98,130	154,330	27,152	31,556	311,168
At 31 December 2017	1,261,564	1,594,968	249,645	94,228	3,200,405
<b>Accumulated Depreciation</b>					
At 1 January 2017	1,151,503	1,148,298	207,891	59,986	2,567,678
Charge for year	8,912	154,010	6,831	7,305	177,058
At 31 December 2017	1,160,415	1,302,308	214,722	67,291	2,744,736
<b>Net Book Value</b>					
At 31 December 2016	11,931	292,340	14,602	2,686	321,559
At 31 December 2017	101,149	292,660	34,923	26,937	455,669

## 12. Receivables

Amounts falling due within one year:	2017 €	2016 €
Fee income	490,000	460,000
Accrued interest receivable	2,599	9,964
Prepayments	44,336	84,374
Debtors other	83,658	99,418
	620,593	653,756

## 13. Payables

Amounts falling due within one year:	2017 €	2016 €
Creditor accruals	267,719	212,519
Capital accruals	39,704	35,960
Holiday pay accrual	55,547	43,705
Tax creditor	101,633	84,950
Department of Employment Affairs and Social Protection creditor	0	10,000
Trade creditors	6,849	0
	471,452	387,134

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

There were no capital commitments at 31 December 2017.

**(ii) Operating leases**

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

	2017 €	2016 €
Within 1 year	558,400	558,400
2-5 years	2,233,600	2,233,600
Over 5 years	1,975,877	2,534,277
	<b>4,767,877</b>	<b>5,326,277</b>

Lease payments are recognised as an expense.

**15. Revenue reserves**

	2017 €	2016 €
<b>Compliance enforcement reserve</b>		
At beginning and end of year	1,500,000	1,500,000
<b>Revenue reserve</b>		
At end of year	7,317,160	7,057,875
	<b>8,817,160</b>	<b>8,557,875</b>

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

	2017 €	2016 €
Surplus for year	259,285	532,449
<b>Non-operating items</b>		
Finance income	(4,656)	(15,167)
<b>Non-cash items</b>		
Depreciation	177,058	121,412
Decrease in receivables	25,798	(134,961)
Increase in non-capital payables	80,574	(25,980)
Net cash inflow from operating activities	538,059	477,751



## 17. Analysis of changes in net funds

	At 1 January 2017 €	Cash flow €	At 31 December 2017 €
Cash at bank and on hand	442,388	1,230,978	1,673,366
Short term deposits	7,527,306	(988,322)	6,538,984
	7,969,694	242,656	8,212,350

## 18. Accounting treatment for retirement benefits

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

For employees appointed prior to 1 January 2013:

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

For employees appointed after 1 January 2013:

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

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

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

- the Authority makes an agreed contribution to the Department of Employment Affairs and 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 Employment Affairs and 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.

## 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 2016):

	31 December 2017	31 December 2016
Discount rate <sup>11</sup>	2.00% p.a.	1.90% p.a.
Inflation rate	1.75% p.a.	1.75% p.a.
Increases to pensions in payment	2.75% p.a.	2.75% p.a.
Pensionable salary increases	2.75% p.a.	2.75% p.a.

<sup>11</sup> The discount rate is prescribed under FRS102 and is based on the yield on high quality corporate bonds at the valuation date.

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 2017		31 December 2016	
Mortality: pre retirement	None		None	
Mortality: post retirement	58% (male) of ILT15 62% (female) of ILT15 with allowance for future mortality improvements		58% (male) of ILT15 62% (female) of ILT15 with allowance for future mortality improvements	
Life expectancy at age 65:	Male	Female	Male	Female
FRS date:	21.4	23.9	21.3	23.8
FRS date + 20 years:	24.1	26.5	24	26.4
Retirement	70% of those with the option are assumed to retire at 60 with all other members assumed to retire at normal retirement age.		70% of those with the option are assumed to retire at 60 with all other members assumed to retire at normal retirement age.	
Age gap	Spouses are assumed to be 3 years younger than male members and 3 years older than female members.		Spouses are assumed to be 3 years younger than male members and 3 years older than female members.	

#### Analysis of total pension costs charged to expenditure

	2017 €	2016 €
Total employer contribution	718,000	651,000
Current service cost <sup>12</sup>	891,000	690,000
Interest cost	389,000	428,000
Past service cost	0	0
Adjustment to deferred exchequer pension funding	(1,280,000)	(1,118,000)
Total charged to the statement of income and expenditure and retained revenue reserve	718,000	651,000

<sup>12</sup> The current service cost included employee contributions totalling €131,000 in 2017 and €119,000 in 2016

**Movement in net pension liability**

	2017 €	2016 €
Net pension liability at 1 January	20,468,000	16,582,000
Current service cost	891,000	690,000
Interest cost	389,000	428,000
Past service cost	0	0
Experience (gains)/losses on scheme liabilities	1,437,000	(357,000)
Change in assumptions	(492,000)	3,357,000
Benefits paid during the year <sup>13</sup>	(613,000)	(232,000)
Net pension liability at 31 December	22,080,000	20,468,000

**Pension related surplus adjustments**

	2017 €	2016 €
Experience gains on retirement benefit obligation	1,437,000	(357,000)
Change in assumptions underlying the present value of retirement benefit obligation	(492,000)	3,357,000
Adjustment to deferred retirement benefits funding	(945,000)	(3,000,000)

**Superannuation deductions and contributions**

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

	2017 €	2016 €
Employer ordinary contributions	718,363	651,379
Employee ordinary contributions	130,839	118,882
Pension related deduction <sup>14</sup>	120,476	125,556
	969,678	895,816

<sup>13</sup> This amount includes a refund of €3,230 for employee who transferred out of the Authority in 2017.

<sup>14</sup> The Pension Related Deduction is not technically a pension contribution so has been excluded from the disclosures below.

### Breakdown of remittance of pension deductions

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

- Pre 1995 scheme
- Post 1995 scheme
- Single scheme

Pension contributions for the pre 1995 and post 1995 scheme are remitted to the Department of Social Protection and Employment Affairs (DEASP). Pension contributions for the single scheme are remitted to Department of Public Expenditure and Reform (DPER). The table below provides a breakdown of the remittance.

	2017 €	2016 €
<b>DEASP:</b>		
Employer ordinary contributions	505,625	495,413
Employee ordinary contributions	95,717	97,039
Pension related deduction	120,476	125,556
<b>DPER:</b>		
Employer ordinary contributions	212,738	137,323
Employee ordinary contributions	35,122	21,842
Other <sup>15</sup>	0	18,643
	969,678	895,816

### 19. Disclosure of transactions

In accordance with the Code of Practice for the Governance of State Bodies, the Authority has in place a Code of Business Conduct for Authority members. The Code of Business Conduct includes guidance in relation to the disclosure of interests by Authority members and these procedures have been adhered to by the Authority during the year covered by these financial statements. During 2017, 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 2017.

### 20. Taxation

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

### 21. Approval of financial statements

The financial statements were approved by Authority members on 29 June 2018.

<sup>15</sup> Employer superannuation contribution paid to Commission for Energy Regulation for a seconded employee.

# APPENDIX I

## The Pensions Authority prosecution convictions in 2017

No.	Case name	Relevant section of the Pensions Act	Penalty
1	Southlodge Inns Ltd	S121(3)	Convicted and fined €2,000
2	Southlodge Inns Ltd	S121(4)	Convicted
3	TMS Barrier Services Ltd	S18	Convicted
4	TMS Barrier Services Ltd	S58A(1)	Convicted and fined €1,000
5	TMS Barrier Services Ltd	S58A(2)	Convicted
6	James Irwin Construction Ltd	S58A(1)	Convicted and fined €1,500
7	O'Grady Crane Hire Ltd	S58A(1)	Convicted and fined €100
	Liam O'Grady, director of O'Grady Crane Hire Ltd	S58A(1)	Convicted and fined €100
	Thomas O'Grady, director of O'Grady Crane Hire Ltd	S58A(1)	Convicted and fined €100
8	Laurelcroft Ltd	S58A(1)	Convicted and fined €1,000
9	Laurelcroft Ltd	S18	Convicted and fined €500
10	Bio-Logix Environmental Ltd	S58A(1)	Convicted and fined €1,500
	Seamus Phelan, director of Bio-Logix Environmental Ltd	S58A(1)	Convicted and fined €750
11	Bio-logix Environmental Ltd	S58A(2)	Convicted
	Seamus Phelan, director of Bio-Logix Environmental Ltd	S58A(2)	Convicted

**Note:** Where a conviction is recorded the person or company has been found guilty of a criminal offence.

# APPENDIX II

## Membership of occupational pension schemes and Personal Retirement Savings Accounts\*

Table 1: Defined benefit schemes with active members as at 31 December 2017

Defined benefit schemes with active members as at 31 December 2017				
	Defined Benefit			
	Subject to the Funding Standard		Not Subject to the Funding Standard	
	No of Schemes	Active Members	No of Schemes	Active Members
Frozen	194	0	0	0
In wind-up	41	0	0	0
Non Group	0	0	1	1
1 to 50	246	3,221	40	935
51 to 99	45	3,261	7	447
100 to 500	79	19,872	22	4,777
501 to 1000	15	9,334	8	6,272
1001+	20	69,726	20	339,374
<b>2017 Total</b>	<b>640</b>	<b>105,414</b>	<b>98</b>	<b>351,806</b>
<b>2016 Total</b>	<b>677</b>	<b>111,535</b>	<b>101</b>	<b>360,073</b>
<b>Change since 2016</b>	<b>-37</b>	<b>-6,121</b>	<b>-3</b>	<b>-8,267</b>

**Table 2: Defined contribution schemes with active members as at 31 December 2017**


	No of Schemes	Active Members
Non-Group	61,298	61,298
1-10	6,796	18,605
11-20	938	13,797
21-30	450	11,245
31-40	282	9,999
41-50	167	7,536
51-99	365	25,018
100-500	321	66,183
501-1000	46	31,543
1001+	37	84,073
<b>2017 Total</b>	<b>70,700</b>	<b>329,297</b>
2016 Total	67,703	299,782
<b>Change since 2016</b>	<b>2,997</b>	<b>29,515</b>

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

#### PRSA data

The number of PRSA contracts increased by 13,945 to 264,664 with assets under management of €6.3 billion. The contracts consisted of:

- 195,367 Standard PRSA contracts
- 69,297 Non-Standard PRSA contracts.



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