Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Explanatory Notes
Pension Funds

Version	Date	Comment
V0.1	8 October 2020	First Draft

Background

The European Central Bank (ECB) has introduced Regulation (2018/231) on statistical reporting requirements for pension funds (the Regulation)[1]. The Regulation requires pension funds to report information on assets, liabilities and member numbers. The Central Bank of Ireland (the Bank) is responsible for the collection of this data in Ireland. The reporting requirements are mandatory for all pension funds resident in Ireland.

Data

Under the Regulation, at least 75% of total assets of pension funds resident in Ireland must be captured in detailed quarterly and annual reporting, with at least 95% captured in reduced annual reporting. Where required, a grossing methodology has been implemented to reach full sectoral coverage. As per the Regulation, reporting must be on an accounting basis, with all financial assets and liabilities reported on a gross basis for statistical purposes. The Bank is facilitating the submission of returns using either the International Financial Reporting Standards ("IFRS") or local generally accepted accounting principles ("Local GAAP").

The Bank's pension fund statistics combine data on the different pension schemes in Ireland into one harmonised set of statistics. All pension funds captured under the European System of Accounts[2] definition are included unless they are captured in other statistics, such as those for insurance corporations. In the Irish context, a pension fund is an autonomous occupational pension scheme established under trust. Trust RACs, individual occupational pension schemes and funded Section 52 schemes are captured under the definition of a pension fund. Government pay as you go schemes are not included in the data. The pension fund statistics present data on the assets and liabilities of pension funds. The liabilities mainly consist of the capital that pension funds hold to fulfil their future payment obligations towards members. The assets show the investments of the pension funds. They also show the claims that pension funds might have against other parties such as insurance corporations.

As the dataset evolves, it is envisaged that further details will be published on the split across pension fund type, breakdowns of financial instruments, as well as transaction and revaluation data. The explanatory notes will be updated in line with these changes.

---

[1] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32018R0231R(01)

[2] https://ec.europa.eu/eurostat/web/products-manuals-and-guidelines/-/KS-02-13-269

Glossary of Financial Instrument – Assets

Currency and Deposits

Holdings of euro and foreign currency banknotes including overnight deposits, deposits with agreed maturity and deposits redeemable at notice, as well as claims under reverse repos or securities borrowing against cash collateral.

Loans

This item consists of funds lent by PFs to borrowers, or loans acquired by PFs, which are either evidenced by non-negotiable documents or not evidenced by documents. Pension funds in Ireland do not issue or acquire loans.

Debt securities

Holdings of debt securities which are negotiable financial instruments serving as evidence of debt, are usually traded on secondary markets or can be offset on the market, and which do not grant the holder any ownership rights over the issuing institution.

Equity

Financial assets that represent property rights in corporations or quasi-corporations. Such financial assets generally entitle the holders to a share in the profits of the corporations or quasi-corporations in the event of liquidation. This item includes listed and unlisted shares and other equity.

Investment Fund Shares

This item includes holdings of shares or units issued by money market funds (MMFs) and non-MMF investment funds (i.e. investment funds other than MMFs) included in the lists of MFIs and investment funds (IFs) for statistical purposes.

Pensions Fund Reserves

Pension fund reserves covers PFs' claims on pension managers, reinsurance recoverables and unit linked insurance contracts. These unit linked contracts invest in assets at the request of pension fund trustees with assets ultimately owned by the insurance company.

Financial Derivatives

Financial derivatives are financial instruments linked to a specified financial instrument, indicator, or commodity, through which specific financial risks can be traded in financial markets in their own right. This item includes options, warrants, futures, forwards, swaps and credit derivatives.

Non-financial Assets

Tangible and intangible assets, other than financial assets. This item includes dwellings, other buildings and structures, machinery and equipment.

Remaining Assets

This is the residual item on the asset side of the balance sheet, defined as 'assets not included elsewhere'.

Glossary of Financial Instrument – Liabilities

Technical Reserves

The amount of capital that the pension fund holds in order to meet the future claims of its members.

Pension entitlements, o/w defined contribution schemes

The amount of capital that the PF holds in order to meet the future pension claims of its defined contribution scheme policyholders. In a defined contribution scheme, the benefits paid are dependent on the performance of the assets acquired by the pension scheme. The liability of a defined contribution scheme is the current market value of the fund's assets.

Pension entitlements, o/w defined benefit schemes

The amount of capital that the PF holds in order to meet the future pension claims of its defined benefit scheme policyholders. In a defined benefit pension scheme the level of pension benefits promised to participating employees is determined by a formula agreed in advance. The liability of a defined benefit pension scheme is equal to the present value of the promised benefits. Notional defined contribution schemes and hybrid schemes are grouped as defined benefit schemes (ESA 2010, paragraph 17.59). A notional defined contribution scheme is similar to a defined contribution scheme but with a guaranteed minimum amount payable. Hybrid schemes are those schemes, which have both a defined benefit and a defined contribution element. A scheme is classified as 'hybrid' either because both defined benefit and defined contribution provisions are present or because it embodies a notional defined contribution scheme and, at the same time, a defined benefit or defined contribution provision.

Financial Derivatives

Financial derivatives are financial instruments linked to a specified financial instrument, indicator, or commodity, through which specific financial risks can be traded in financial markets in their own right. This category includes options, warrants, futures, forwards, swaps, credit derivatives.

Net Worth

This is the balancing item of a balance sheet. The stock of the assets and liabilities recorded in the balance sheet are valued at the appropriate prices, which are usually the market prices prevailing on the date to which the balance sheet relates. In a defined benefit pension scheme, however, the level of pension benefits promised to participating employees is determined by a formula agreed in advance. The liability of a defined benefit pension scheme is equal to the present value of the promised benefits, and therefore in a defined benefit pension scheme net worth can be different from zero. In a defined contribution scheme, the benefits paid are dependent on the performance of the assets acquired by the pension scheme. The liability of a defined contribution scheme is the current market value of the fund's assets. The fund's net worth is always zero.

T: +353 (0)1 224 6000
E: stats_pensions@centralbank.ie
www.centralbank.ie

Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem