
Defined Benefit schemes

Review of 2020 statistics

Introduction and commentary

Trustees of defined benefit (DB) schemes subject to the funding standard provisions of the Pensions Act, 1990, as amended (the Act) are required to submit an Annual Actuarial Data Return (AADR) to the Pensions Authority within 9 months of a scheme's year end. Each year the Pensions Authority (the Authority) publishes a summary of AADR data.

The DB asset and liability data reported in this summary show very little change from the figures reported in recent years, and so the Authority remains concerned about the level of investment risk inherent in DB provision. As the Authority has previously stated, this risk is not borne equally by all scheme members: it is mostly concentrated on members who have not yet retired. This group is getting smaller over time and, as a result, the risks are becoming more and more concentrated. The Authority notes that the percentage of DB scheme assets classified as "other" is increasing steadily year on year.

Schemes subject to the funding standard

A total of 560 schemes were subject to the funding standard provisions of the Act as at 31 March 2021. The table below shows the breakdown of these schemes into three categories:

- 'current' - active scheme members are continuing to accrue benefits,
- 'frozen' - scheme provides benefits only for members whose service has terminated; or continuing service in employment does not entitle members to long service benefits and no new members are admitted¹, and
- 'in wind-up' - a decision has been taken to wind-up the scheme, but this process has not been completed, and some liabilities and assets remain.

¹ Where a DB scheme is closed to new members and closed to the future accrual of pensionable service, but a final salary link remains in calculating pension benefits, the scheme would not be considered to be 'frozen' but would be categorised as 'current'; however, if the final salary link has been broken, the scheme would be categorised as 'frozen'.



	2020	2019
Status current	374	376
Status frozen	184	194
Continuing schemes	558	570
Schemes in wind-up	2	12
Total schemes subject to funding standard	560	582

AADR data received

This report focuses only on the 'continuing DB schemes' (current and frozen schemes). It is based on an analysis of 556 AADR returns² submitted to the Authority by 31 March 2021.

The effective date of each AADR is the end date of the relevant scheme year. Because different schemes have different scheme year-end dates, there is no single return date for the data. The effective dates are spread over the 2019 and 2020 calendar years. The average return date was January 2020. For simplicity, the data in this report is referred to as the '2020 data'. No adjustments have been made to the data to allow for the different reporting dates, e.g. total assets reported have not been adjusted to estimate what might have been the asset value at a particular date.

Membership and funding standard liabilities

The table below shows the membership breakdown and the breakdown of the funding standard liabilities provided for in section 44(1) of the Act for the continuing DB schemes. Note that for frozen schemes, all non-pensioners have been classified as deferred members, even where some may still be in service with the sponsoring employer.

² The analysis excludes one new scheme which had yet to submit an AADR by 31 March, and one large scheme subject to the funding standard in which members build up retirement funds exclusively on a defined contribution basis.



	Membership	Section 44(1) liabilities
Pensioners	104,196	€36.8 bn.
Actives	69,959	€11.1 bn.
Deferreds	136,485	€12.8 bn.
Wind-up cost estimates		€0.3 bn.
Totals	310,640	€61.0 bn.
Section 44(2) liabilities (funding standard reserve)		€ 3.2 bn.
Total funding standard related liabilities		€64.2 bn.

Although pensioners now account for 34% of the membership total, scheme liabilities for pensions in payment make up 60% of the aggregate funding standard liabilities (2019: 59%). The number of pensioners increased by 3% since last year, while there was a reduction of 4% in both the total number of active and deferred members.

Analysis of assets and liabilities allowing for funding standard status

59 continuing DB schemes did not satisfy the funding standard provided for in section 44(1) of the Act at the effective date of their most recent AADR (11% compared to 14% in 2019).

	Number of schemes	Total s44(1) liabilities (incl. wind-up cost)	Total assets	Surplus/ (Deficit)
Schemes meeting the funding standard	497	€48.9 bn.	€59.7 bn.	€10.8 bn.
Schemes not meeting the funding standard	59	€12.1 bn.	€10.8 bn.	(€1.3 bn).
Totals 2020	556	€61.0 bn.	€70.5 bn.	€9.5 bn.
Totals 2019	567	€58.0 bn.	€65.2 bn.	€7.2 bn.

Funding standard reserve

The funding standard reserve provided for in section 44(2) of the Act (the FSR) sets out the additional resources schemes must hold, broadly described as 10% of ‘unmatched’ FS liabilities plus the net effect of a 0.5% fall in interest rates. Total FSR liabilities of the 556 continuing schemes was € 3.2bn, bringing total funding standard related liabilities to €64.2bn.

20% of continuing DB schemes did not hold sufficient additional resources to satisfy the FSR at the effective date of their most recent AADR (112 of 556 schemes). Of the 497 continuing schemes that satisfied the funding standard, 444 held sufficient resources to satisfy the FSR. FSR liabilities of up to 15% of funding standard liabilities were reported, and 139 schemes reported a FSR liability of less than 1% of FS liabilities.

Assets

The AADR provides data on the asset allocation of scheme funds. Aggregating the euro amounts for all continuing schemes gives the following:

Asset class	Percentage holding 2020	Percentage holding 2019
Equities	24.5%	24.5%
EU sovereign bonds	35.3%	34.8%
Other bonds	9.8%	9.6%
Property	4.4%	4.8%
Cash	2.7%	3.6%
Net current assets	0.1%	0.0%
With profit insurance policies	0.0%	0.0%
Other*	23.2%	22.7%
Total	100%	100%

*The AADR form requires the actuary to include a description for assets recorded under the classification “other”. Descriptions of ‘other’ assets included “Private equity”, “LDI”, “Absolute Return Funds”, “Diversified Growth Funds”, “Alternatives, including infrastructure”, “Secured income”, “Hedge Funds”, “Commodities”, “Derivatives” and “Annuities”.



Sovereign annuities

Legislation facilitating the introduction of sovereign annuities was introduced in the Social Welfare and Pensions Act, 2011. A sovereign annuity is an annuity contract issued by insurance companies where the annual income payment is linked directly to payments under bonds issued by Ireland or any other EU Member State (known as reference bonds). No new sovereign annuity contracts were issued during 2020.