

Defined benefit schemes

Review of 2021 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 (the Authority) within nine months of a scheme's year end. Each year the Authority publishes a summary of AADR data.

While this year's report does indicate an overall improvement in funding levels compared to previous reports, it should be noted that, due to the time lags involved in AADR submissions, the report does not include the effects of the recent increased bond yields and stock market losses.

Schemes subject to the funding standard

This report is based on an analysis of 540 AADR returns which have been submitted to the Authority by 31 March 2022. 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'.

	2021	2020
Status current	343	374
Status frozen	183	184
Continuing schemes	526	558
Schemes in wind-up	14	2
Schemes subject to funding standard	540	560

AADR data received

This report focuses only on 525 of the ‘continuing DB schemes’ (current and frozen schemes), excluding one large scheme subject to the funding standard in which members build up retirement funds exclusively on a defined contribution basis.

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 2020 and 2021 calendar years. The average return date was February 2021. For simplicity, the data in this report is referred to as the ‘2021 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.

	Membership	Scheme Liabilities
Pensioners	106,177	€38.5 bn.
Actives	68,265	€10.9 bn.
Deferreds	127,982	€12.2 bn.
Wind-up cost estimates		€0.3 bn.
Funding standard reserve (FSR)		€3.1 bn.
Totals	302,424	€ 65.0 bn.

Although pensioners now account for 35% of the membership total, scheme liabilities for pensions in payment make up 59% of the aggregate funding standard liabilities including the FSR (2020: 57%).

The number of pensioners increased by 2% since last year, while there was a reduction of 4% and 6% in the number of active and deferred members, respectively.

Analysis of assets and liabilities allowing for funding standard status

Of the 525 schemes in the analysis, 60 of these did not satisfy the funding standard at the effective date of their most recent AADR (11% compared to 20% in 2020).

	Number of schemes	Funding standard liabilities (incl. wind-up cost and FSR)	Total assets	Surplus/ (Deficit)
Schemes meeting the funding standard	465	€49.1 bn.	€60.4 bn.	€11.4 bn.
Schemes not meeting the funding standard	60	€15.9 bn.	€13.3 bn.	(€2.6 bn).
Totals 2021	525	€65.0 bn.	€73.7 bn.	€8.8 bn.
Totals 2020	556	€64.2 bn.	€70.5 bn.	€6.3 bn.

Funding standard reserve

The FSR provided for in section 44(2) of the Act 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.

FSR liabilities of up to 17% of liabilities were reported, and 154 schemes reported a FSR liability of less than 1% of funding standard 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 2021	Percentage holding 2020
Equities	23.8%	24.5%
EU sovereign bonds	33.7%	35.3%
Other bonds	11.9%	9.8%
Property	4.2%	4.4%
Cash	3.2%	2.7%
Net current assets	0.0%	0.1%
With profit insurance policies	0.02%	0.0%
Other*	23.3%	23.2%
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 2021.