
Defined benefit schemes

Review of 2016 statistics

Introduction

Trustees of defined benefit (DB) schemes subject to the funding standard as set out in the Pensions Act are required to submit an Annual Actuarial Data Return (AADR) to the Pensions Authority. The Authority feels it is appropriate to publish an annual summary of the data so as to help increase the general understanding of this important pensions sector.

Data received

This report is based on 653 AADR returns which have been submitted to the Authority by 31 March 2017.

The effective date of each AADR is the end date of the relevant scheme year. As different schemes have different scheme year end dates, this means there is no single return date for the data. The effective dates are spread over the 2015 and 2016 calendar years. The average return date was February 2016. For simplicity, the data in this report is referred to as the 2016 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.

The schemes were classified as:

- 'current' – active scheme members are continuing to accrue benefits
- 'frozen' – no benefits are being accrued but benefit entitlements already built up continue to be paid. In some cases, contributions (usually by the employer) may be made.
- '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.

The scheme status data reported in the latest AADR data is as follows:

	2016	2015
Status current	447	503
Status frozen	181	163
Continuing schemes	628	666
Schemes in wind-up	25	33
Total number of AADRs received	653	699

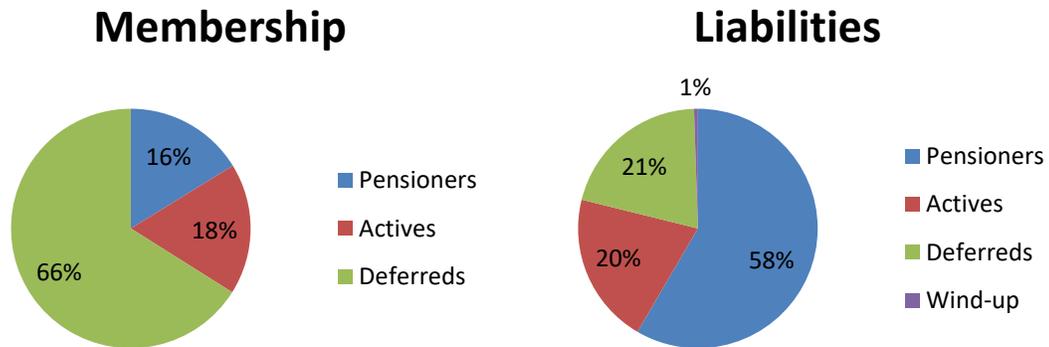
This report concentrates on the 628 continuing schemes (current or frozen schemes).

Membership and liabilities under the funding standard

This table shows the membership and liability breakdown for the 666 current or frozen 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	Liability value
Pensioners	102,015	€34.0 bn.
Actives	111,397	€11.9 bn.
Deferreds	415,300	€12.0 bn.
Wind-up cost estimates		€0.3 bn.
Total		€58.1 bn.

The following charts contrast the membership breakdown with the liability breakdown:



Although pensioners account for 16% of the membership numbers, pensions in payment make up 58% of the overall liabilities. This proportion has not changed since the 2015 report.

Analysis of assets and liabilities allowing for funding standard status

According to their AADR submission, 26% (2015: 30%) of current and frozen schemes were reported as not meeting the funding standard (164 schemes of 628). Note that some schemes' funding status may have changed since they completed their most recent AADR.

	Number	Total liabilities (including wind-up cost)	Total assets	Surplus/ (Deficit)
Schemes meeting the funding standard	465	€35.4 bn.	€41.0 bn.	€5.6 bn.
Schemes not meeting the funding standard	163	€22.7 bn.	€19.8 bn.	(€2.9 bn.)
Totals 2016	628	€58.1 bn.	€60.8 bn.	€2.7 bn.
Totals 2015	666	€58.5 bn.	€60.4 bn.	€1.9bn.

Underfunded schemes

Of the 163 schemes not in compliance with the funding standard, the vast majority have funding proposals in place with the objective that the scheme will comply with the funding standard by an agreed date. At the end of 2016, there were 3 schemes where no funding proposal is in place and the Authority has begun the process of deciding whether to use its powers under the Pensions Act to direct trustees to reduce benefits or to put the scheme into windup.

Largest schemes

The total assets and liabilities of the 50 largest schemes are €43.4 bn and €42.6 respectively. This represents 73% of the total liabilities for all active and frozen DB schemes. For comparison, the largest 100 DB schemes makes up 85% of all DB assets and liabilities.

Of the 50 largest schemes, 28 were reported to meet the funding standard, i.e., 56% of these schemes. This compares to 74% of all active and frozen schemes, i.e., larger schemes are less likely to meet the funding standard.



Assets

The AADR provides data on the asset allocation of the scheme funds. Aggregating the euro amounts for all schemes in the data, excluding schemes in wind-up, gives the following:

Asset class	Percentage holding 2016	Percentage holding 2015
Equities	32.5%	35.8%
EU sovereign bonds	33.5%	34.4%
Other bonds	8.9%	7.4%
Property	4.9%	4.4%
Cash	3.0%	2.3%
Net current assets	0.1%	0.2%
With profit insurance policies	0.04%	0.1%
Other*	17.1%	15.4%
Total	100.0%	100.0%

*The AADR allows the actuary to include a description for assets included under the classification "Other". The most commonly included descriptions were "Absolute Return Funds", "Alternative Assets", "Hedge Funds", "Commodities", "Derivatives", "GARs" and "Annuities".

The steady decline in direct equity holdings is seen to be maintained (for comparison, the equities percentage for 2014 was 41.7%). Classifying the holdings above into broad categories gives 45.5% in the "financial" category and 54.5% in the "real" asset classes. The corresponding figures for 2015 were 44.4% and 55.6% respectively.