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Central Bank of Ireland

Eurosystem

Pension Fund Statistics

Definitions

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INTRODUCTION

The European Central Bank (ECB) have introduced Regulation (2018/231) on statistical reporting requirements for pension funds. The new Regulation aims to provide enhanced statistics that will better support the European System of Central Banks (ESCB) in its contribution to the stability of the financial system¹. This document outlines definitions to assist stakeholders in understanding the reporting requirements. Further guidance documentation and additional resources are available on the Central Bank's Pension Fund webpage.

General terms

Pension funds

The pension funds subsector (S.129) as described by the European system of national accounts (ESA 2010) consists of all financial corporations and quasi-corporations, which are principally engaged in financial intermediation as the consequence of the pooling of social risks and needs of the insured persons (social insurance). Pension funds as social insurance schemes provide income in retirement, and often benefits for death and disability.

Subsector S.129 consists of only those social insurance pension funds that are institutional units separate from the units that create them. Such autonomous funds have autonomy of decision and keep a complete set of accounts. Non-autonomous pension funds are not institutional units and remain part of the institutional unit that sets them up.

The following are not included within the definition:

- a) investment funds
- b) financial vehicle corporations engaged in securitisation transactions
- c) monetary financial institutions
- d) insurance corporations
- e) social security funds

¹ <https://www.ecb.europa.eu/ecb/legal/pdf/celex3a32018r02313aen3atxt.pdf>

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.

Financial corporations

Financial Corporations consist of institutional units, which are independent legal entities whose principal activity is the production of financial services. Such institutional units comprise all corporations and quasi-corporations, which are principally engaged in financial activities. Also included are institutional units providing financial services, where most of either their assets or their liabilities are not transacted on open markets.

Autonomous pension funds

Autonomous pension funds are separate funds (i.e. separate institutional units) established for purposes of providing incomes in retirement for specific groups of employees which are organised, and directed, by private or public employers or jointly by the employers and their employees. These funds engage in financial transactions on their own account in financial markets and make investments by acquiring financial and non- financial assets. They do not include social security schemes organised for large sections of the community, which are imposed, controlled or financed by general government.

Non-autonomous pension funds

The pension fund is not a separate entity from the employer/sponsor that creates it. The funds remain on the account books of the originator entity.

Resident

Resident means having a centre of economic interest in the economic territory of a country. An economic interest indicates that there exists some location within the economic territory of a country from which a unit engages, and intends to continue to engage, in economic activities and transactions. The ownership of land and buildings within the economic territory is deemed to be sufficient in itself for the owner to have a centre of economic interest there. If a legal entity lacks a physical dimension, its residence shall be determined by the economic territory under whose laws the entity is incorporated. If the entity is not incorporated, residence shall be determined by its legal domicile, namely the country whose legal system governs the creation and continued existence of the entity.

NCB

The National Central Bank of the country i.e. The Central Bank of Ireland.

Pension manager

A person or entity whom an employer may contract with to look after the pension fund. The pension manager is responsible for determining the terms of employment-related pension schemes and bears the ultimate responsibility for pension entitlements. The pension manager also retains a significant degree of responsibility over the long-term policy of investment in assets, including the selection of investment options and the structure of administrative providers.

Registered administrator

A person or corporate entity who is authorised by the Pensions Authority to provide core administration functions for trustees.²

Institution for occupational retirement provision (IORP)

This is an institution, irrespective of its legal form, operating on a funded basis, established separately from any sponsoring undertaking or trade for the purpose of providing retirement benefits in the context of an occupational activity on the basis of an agreement or a contract agreed: (a) individually or collectively between the employer(s) and the employee(s) or their respective representatives, or (b) with self-employed persons, individually or collectively, in compliance with the law of the home and host Member States. IORP is an EIOPA definition and a Pension Fund is an ECB definition. For the purpose of these reporting requirements, IORP and Pension Fund definitions capture the same entities in the Irish context.

Pension/Scheme Sponsor

Any undertaking or other body, regardless of whether it includes or consists of one or more legal or natural persons, which acts as an employer or in a self-employed capacity or any combination thereof and which offers a pension scheme or pays contributions.

²[https://www.pensionsauthority.ie/en/Trustees Registered Administrators/FAQs/FAQs on Registered Administrators.pdf](https://www.pensionsauthority.ie/en/Trustees%20Registered%20Administrators/FAQs/FAQs%20on%20Registered%20Administrators.pdf)

Fund/investment manager

This entity manages investments and funds on behalf of the pension funds.

Trust RAC

Most retirement annuity contracts (RACs) are set up under individual contracts with an insurer and governed by Life Directives. However, the one exception is a scheme for a group of individuals established under trust and approved by Revenue. These are referred to as trust retirement annuity contracts or trust RACs.

Instrument definitions³

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.

Transferable deposits

Transferable deposits are deposits, which are directly transferable on demand to make payments to other economic agents by commonly used means of payment, without significant delay, restriction or penalty. Deposits that can only be used for cash withdrawal and/or deposits from which funds can only be withdrawn or transferred through another account of the same owner are not to be included as transferable deposits.

Debt securities

Negotiable financial instruments serving as evidence of debt are usually traded on secondary markets. They do not grant the holder any ownership rights over the issuing institution.

³ For some of the instrument categories, maturity breakdowns are required. These refer to original maturity, i.e. maturity at issue, which is the fixed period of life of a financial instrument before which it cannot be redeemed, e.g. debt securities, or before which it can only be redeemed with a penalty, e.g. some types of deposits. Financial claims can be distinguished by whether they are negotiable or not. A claim is negotiable if its ownership is readily capable of being transferred from one unit to another by delivery or endorsement or of being offset in the case of financial derivatives. While any financial instrument can be traded, negotiable instruments are designed to be traded on an organised exchange or 'over-the-counter', although actual trading is not a necessary condition for negotiability.

Loans

For the purposes of the reporting scheme, this category 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.

Equity

Financial assets that represent ownership rights in corporations or quasi-corporations. This category includes listed and unlisted shares and other equity.

Listed shares

Equity securities listed on an exchange. The exchange may be a recognised stock exchange or any other form of secondary market. Listed shares are also referred to as quoted shares.

Unlisted shares

Unlisted shares are equity securities not listed on an exchange.

Other equity

Other equity comprises all forms of equity other than listed shares and unlisted shares.

Investment fund shares/units

This category includes holdings of shares or units issued by money market funds (MMFs) and non-MMF investment funds (i.e. investment funds other than MMFs).

MMF shares/units

Holdings of shares or units issued by MMFs.

Non-MMF shares/units

Holdings of shares or units issued by investment funds (IFs) other than MMFs.

Pension fund reserves

Pension fund reserves covers PFs' claims on pension managers, reinsurance recoverables and unit linked insurance contracts.

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.

Other accounts receivable/payable

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

Non-financial assets

Tangible and intangible assets, other than financial assets.

Loans received

Amounts owed to creditors by the PF, other than those arising from the issue of negotiable securities.

Debt securities issued

Securities issued by the PF, other than equity, that are usually negotiable instruments and traded on secondary markets, or that can be offset on the market, and do not grant the holder any ownership rights in respect of the issuing institution.

Technical reserves

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

O/w pension entitlements

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

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.

Entitlements to non- pension benefits

This is the excess of net contributions over benefits, which represents an increase in the liability of the pension scheme towards the beneficiaries (defined in ESA 2010, paragraph 5.187).

Other accounts receivable/payable

This is the residual item on the liabilities side of the balance sheet, defined as 'liabilities not included elsewhere'. NCBs may require the reporting of specific sub-positions included in this category, such as: – amounts payable not related to the PF's main business, i.e. amounts due to suppliers, tax, wages, social contributions, etc., – provisions representing liabilities against third parties, i.e. pensions, dividends, etc., – net positions arising from securities lending without cash collateral, – net amounts payable in respect of future settlements of transactions in securities, – accrued interest payable on loans.

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.

Descriptions of security-by-security attributes

Security identifier code

A code that uniquely identifies a security, subject to the NCB's instructions (e.g. NCB identification number, CUSIP, SEDOL).

Number of units or aggregated nominal amount

Number of units of a security, or aggregated nominal amount if the security is traded in amounts rather than in units, excluding accrued interest.

Price

Market price per unit of a security, or percentage of the aggregated nominal amount if the security is traded in amounts rather than in units. NCBs may also require accrued interest to be reported under this position.

Quotation basis

Indicates whether the security is quoted as a percentage or in units.

Total amount

Total market value of a security. In the case of securities that are traded in units, this amount equals the number of securities multiplied by the price per unit. Where securities are traded in amounts rather than in units, this amount equals the aggregated nominal amount multiplied by the price expressed as a percentage of the nominal amount. NCBs must in principle require accrued interest to be reported either under this position or separately. However, NCBs may at their discretion require data excluding accrued interest.

Financial transactions

The sum of purchases minus sales (securities on the asset side) or issues minus redemptions (securities on the liability side) of a security recorded at transaction value in euro.

Securities purchased (assets) or issued (liabilities)

The sum of purchases (securities on the asset side) or issues (securities on the liability side) of a security recorded at transaction value.

Securities sold (assets) or redeemed (liabilities)

The sum of sales (securities on the asset side) or redemptions (securities on the liability side) of a security recorded at transaction value.

Currency of recording of the security

ISO code or equivalent of the currency used to express the price and/or the outstanding amount of the security.

Other changes in volume at nominal value

Other changes in the volume of the security held, at nominal value in nominal currency/unit or euro.

Other changes in volume at market value

Other changes in the volume of the security held, at market value in euro.

Portfolio investment or direct investment

The function of the investment according to its classification in balance of payments statistics.

Issuer country

The residence of the issuer. In the case of investment fund shares/units, the issuer country refers to the place where the investment fund is resident and not the residence of the fund manager.

Descriptions of number of members of pension schemes

Number of members of pension schemes (total)

The total number of members of pension schemes. This amount equals the sum of active members, deferred members and retired members.

O/w active members

Number of active members of the pension scheme. An active member is a pension scheme member who is making contributions (and/or on behalf of whom contributions are being made) and is accumulating assets or has accrued assets in the past and is not yet retired.

O/w deferred members

Number of deferred members of the pension scheme. A deferred member is a pension scheme member who no longer contributes to or accrues benefits from the scheme but has not yet begun to receive retirement benefits from that scheme.

O/w retired members

Number of retired members of the pension scheme. A retired member is a pension scheme member who no longer contributes to or accrues benefits from the scheme and has begun to receive retirement benefits from that scheme.

Beneficiaries

Beneficiaries' are either retired members or any person who 'benefits' from payments from the pension fund without being an active or deferred member.

Descriptions by sector

MFIs

MFIs as defined in Article 1 of Regulation (EU) No 1071/2013 (ECB/2013/33). This sector consists of NCBs (S.121), credit institutions as defined in Union law, MMFs, other financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account, at least in economic terms, to grant loans and/or make investments in securities, and electronic money institutions that are principally engaged in financial intermediation in the form of issuing electronic money (S.122).

General government

The general government sector (S.13) consists of institutional units that are non-market producers whose output is intended for individual and collective consumption and that are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth (ESA 2010, paragraphs 2.111 to 2.113).

Other financial intermediaries, except insurance corporations and pension funds + financial auxiliaries + captive financial institutions and money lenders

The other financial intermediaries, except insurance corporations and pension funds subsector (S.125) consists of all financial corporations and quasi-corporations which are principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits (or close substitutes for deposits), IF shares/units, or in relation to insurance, pension and standardised guarantee schemes from institutional units. Financial vehicle corporations as defined in Regulation (EU) No 1075/2013 (ECB/2013/40) are included in this subsector (ESA 2010, paragraphs 2.86 to 2.94). The financial auxiliaries subsector (S.126) consists of all financial corporations and quasi-corporations which are principally engaged in activities closely related to financial intermediation but which are not financial intermediaries themselves. This subsector also includes head offices whose subsidiaries are all or mostly financial corporations (ESA 2010, paragraphs 2.95 to 2.97). The captive financial institutions and money lenders subsector (S.127) consists of all financial corporations and quasi-corporations which are neither engaged in financial intermediation nor in providing financial auxiliary services, and where most of either their assets or their liabilities are not transacted on open markets. This subsector includes holding companies that hold controlling levels of equity in a group of subsidiary corporations and whose principal activity is owning the group without providing any other service to the businesses in which the equity is held, that is, they do not administer or manage other units (ESA 2010, paragraphs 2.98 and 2.99).

Non-MMF IFs

This subsector consists of all collective investment undertakings, except MMFs, that invest in financial and/or non-financial assets, to the extent that the objective is investing capital raised from the public.

Non-financial corporations

The non-financial corporations sector consists of institutional units that are independent legal entities and market producers, and whose principal activity is the production of goods and non-financial services. This sector also includes non-financial quasi-corporations (ESA 2010, paragraphs 2.45 to 2.50).

Households + non-profit institutions serving households

The households sector consists of individuals or groups of individuals, as consumers and as entrepreneurs, producing market goods and providing non-financial and financial services (market producers), provided that the production of goods and services is not carried out by separate entities treated as quasi-corporations. It also includes individuals or groups of

individuals that produce goods and non-financial services for exclusively own final use. The households sector includes sole proprietorships and partnerships that are not independent legal entities, other than those treated as quasi- corporations, and that are market producers (ESA 2010, paragraphs 2.118 to 2.128). The non-profit institutions serving households (NPISHs) sector (S.15) consists of non- profit institutions that are separate legal entities, serve households and are private non- market producers. Their principal resources are voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general government and from property income (ESA 2010, paragraphs 2.129 and 2.130).

Descriptions of financial transactions and revaluation adjustments

Financial transactions

Those transactions that arise out of the creation, liquidation or change in ownership of financial assets or liabilities. These transactions are measured in terms of the difference between stock positions at end-period reporting dates, from which the effects of changes resulting from the influence of 'revaluation adjustments' (as a consequence of price and exchange rate changes) and 'reclassifications and other adjustments' are removed. The ECB requires statistical information for the purpose of compiling data on financial transactions in the form of adjustments that involve 'reclassifications and other adjustments' as well as 'price and exchange rate revaluations'.

Revaluation adjustments

Changes to the valuation of assets and liabilities that arise from changes in the price of assets and liabilities and/or the effect of exchange rates on the values, expressed in euro, of assets and liabilities denominated in a foreign currency. The adjustment in respect of price revaluations of assets/liabilities refers to changes to the valuation of assets/liabilities that arise because of a change in the price at which assets/liabilities are recorded or traded. The price revaluations include the changes that occur over time in the value of end-period stocks because of changes in the reference value at which they are recorded, i.e. holding gains/losses. Movements in exchange rates against the euro that occur between end-period reporting dates give rise to changes in the value of foreign currency assets/liabilities when expressed in euro. As these changes represent holding gains/losses and are not due to financial transactions,

these effects need to be removed from the transactions data. In principle, revaluation adjustments also contain valuation changes that result from transactions in assets/liabilities, i.e. realised gains/losses; however, there are different national practices in this respect.

Write-offs/write-downs

The reduction in the value of a loan recorded on the balance sheet where the loan is considered to be a worthless asset (write-off) or where it is deemed that the loan will not be fully recovered (write-down). Write-offs/write-downs recognised at the time a loan is sold or transferred to a third party are also included, where identifiable.

Attribute definitions

Identifier code

The unique identification code for any organisational unit comprised of two parts: 'host' and 'id'.

LEI

An entity's Legal Entity Identifier.

Name

Full registration name, including company designations (e.g. Plc, Ltd, SpA, AG, etc.).

Country of residence

Country of legal incorporation or registration.

Flag listed

Flag indicating if an organisational unit is listed at any stock exchange (domestic or abroad) or its stocks are traded through an exchange; can inversely be used to indicate the 'delisting' of an entity.

Flag supervised

Flag indicating whether an entity is subject to any supervisory regime entrusted to national and/or supranational authorities.

Reporting requirements

Open code lists that can be used to record in a central repository which national and/or supra-national reporting obligations an entity is subject to; one entity can be subject to multiple requirements.

ESA 2010 institutional sector

ESA 2010 institutional sectors (4-digit code); may include classification public/ national private/foreign controlled.

Sub-sector type

Expansion of the ESA 2010 classification, allowing the identification of sub- categories of the standard National Accounts breakdown.

NACE code

Principal activity in accordance with NACE Rev.2 (4 digits class).

Area code

Geographical classification required for statistical purposes.

Birth date

Date of legal incorporation of a legal unit or registration of an institutional unit.

Closure date

Date of de-registration of an entity.

Activity status

Flag indicating if an entity is 'active', 'not active' or 'in liquidation'.

References

European System of Accounts (ESA) 2010 -

<https://ec.europa.eu/eurostat/documents/3859598/5925693/KS-02-13-269-EN.PDF/44cd9d01-bc64-40e5-bd40-d17df0c69334>

Regulation (EU) 2018/231 of the European Central Bank -

<https://www.ecb.europa.eu/ecb/legal/pdf/celex3a32018r02313aen3atxt.pdf>