

IRISH PENSIONS

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European Central Bank Plans New Statistics Gathering for Irish Pension Schemes



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The European Central Bank (ECB) is introducing new regulations affecting occupational pension schemes in the Eurozone countries. The new regulations will increase the scale of reporting of data for Irish Occupational Pension Schemes. The regulations will also move the

reporting periods from annually to quarterly for all but the smallest Irish occupational pension schemes. The new regulatory regime will be passed shortly by the ECB's Governing Council and the first returns will be due by May 2019.

CURRENT POSITION

- Maximum of 32 data items
- Annually
- 9 months after end of scheme year

FUTURE POSITION

- Potential for 1,153 data items
- Annual data for 2018 to be returned within 20 weeks of year end i.e. May 2019
- Quarterly data for Q1 2019 to be returned within 7 weeks

Why is the regulation being introduced?

The ECB and the national central banks (including the Central Bank of Ireland) together constitute the Eurosystem, the central banking system of the euro area. The main objective of the Eurosystem is to maintain price stability: safeguarding the value of the euro. To fulfil this mission, the ECB requires detailed statistical information about the financial system. The ECB already has extensive information gathering from the Banking System and Insurance Market. The ECB identified that it did not have detailed knowledge about the assets and liabilities of the occupational pension system. Once this regulation enters into force pension funds will report a larger set of data, with a higher level of harmonisation and transparency, resulting in a stronger information base for policy decision-making.

What is the existing position for reporting of Irish Pension Schemes statistical data?

Currently, Irish Pension Schemes must make an annual scheme return of data taken from their annual report. This amounts to 32 pieces of data such as number of scheme members, total scheme assets at the end of the year, contributions paid in by employers and members, amounts paid out during the year

for pensions in payment, lump sums, death benefits and transfers out. The Trustees of pension schemes must arrange for an annual report to be prepared. Trustees must appoint a Registered Administrator (RA). One of the RAs functions is to prepare the annual report for the Trustees and to make the annual scheme information return to the Pensions Authority. This return must be done online via the Pensions Authority's online portal system called Pensions Data Register (PDR). The data must be submitted with nine months of the scheme year end.

What have the ECB done so far?

The ECB identified the need for more data about occupational pension schemes in 2015 and created a Task Force on Pension Fund Statistics (TFPF). The TFPF formulated what data was required. The data requirements and the costs of collecting the data were evaluated through a "merits and costs procedure". Firstly, the TFPF contacted the main stakeholders such as PensionsEurope (to which the IAPF is affiliated) to improve their understanding of the increased costs. Secondly, the Central Bank of Ireland contacted the IAPF and Registered Administrators in April 2016. The Central Bank issued a cost questionnaire to RA's. The cost questionnaire contained the proposed

data and asked respondents to estimate the set-up costs and the regular (on-going) costs. There was also room for comments.

The IAPF made submissions on the questionnaire and through PensionsEurope meetings with the ECB in April 2016, September 2016 and May 2017. The IAPF submissions can be summarised as being strongly against the increase in data being collected, the proposed timelines and the costs this would impose on Trustees that in turn would have to be paid out of the funds available to scheme members. The total assets of the Irish pension sector are estimated to total over €100bn in over 160,000 schemes. The assets of the 5 largest Dutch pension schemes totalled €741bn at June 2017 and dwarf the entire Irish pension sector.

Whilst the IAPF submission received a sympathetic hearing, a number of the other Eurozone countries have quarterly reporting in place for their pension schemes. The degree of change is smaller for these countries therefore. Interestingly, Ireland’s view on pension scheme regulation would often be supported by the United Kingdom. However, the UK are not part of the Eurozone, and were not represented.

In July 2017, the ECB launched a public consultation as the final phase of their project. The IAPF made a final submission as part of the public consultation, **which can be viewed on the ‘Submissions’ page of the IAPF website.**

The main stages of the consultation are set out below



What are the changes that the ECB are introducing?

At a high-level the ECB regulation will impose the following

Introduce a quarterly return of data for Assets held

The first quarter to be returned is for the quarter ended 31 March 2019

The data submission must be made within 7 weeks of the quarter end

There are a potential 1,153 items of data plus data on every security held

Liability data can be submitted annually within 20 weeks of year end, reducing to 14 weeks by 2021

Smaller pension schemes will make an annual return within 20 weeks of year end, reducing to 14 weeks by 2021

Which pension schemes are impacted?

The new regulations for quarterly reporting are likely to apply to all Irish Pension Schemes that either have assets of more than €10m or more than 100 members (either active, deferred or retired). Schemes with less than €10m in assets or less than 100 members will make annual returns with a smaller amount of data.

The exact scale of exemption for smaller schemes will be set by the Central Bank of Ireland. They are obliged to capture data on a quarterly basis for 80% of the assets of Irish occupational pension schemes. We have not been able to find out precisely how the Central Bank of Ireland will apply the exemption.

How much detailed information is required?

Each scheme must provide detailed information about the following

	CATEGORY	
1	Assets by type of holding	Breakdown scheme assets into <ul style="list-style-type: none"> • Cash • Debt securities • Loans • Shares/Equity • Investment funds • Pension fund reserves • Financial derivatives • Other debtors • Non-financial assets
2	Assets by where they are held	Analyse scheme assets across <ul style="list-style-type: none"> • Financial Institutions • Government • Investment Funds • Insurance Corporations • Non-financial corporations
3	Assets by country	Analysis of assets across eurozone countries and main non-Eurozone countries
4	Members	Split members into active, deferred and retired

The total number of data fields is 1,153. It is likely that many data fields will not be completed by Irish Pension Schemes. For example, assets must be broken down across every EEA country. We estimate that most Irish pension schemes will need to complete between 100 and 200 fields, of the 1,153 required, depending on the complexity of the investments.

In addition, a return is required of every security that has an International Securities Identification Number (ISIN) (equity, bond, warrants or investment units) giving detailed

information about the holding and how it has changed during the quarter. Non ISIN data may be given on an aggregate basis.

How will it work?

The ECB is working with the Central Bank of Ireland and the Pensions Authority to provide a portal through which the information will be collected. We can expect that it will work in a similar way to the way that Annual Scheme Information is currently uploaded to the Pension Authority's PDR.

What happens if a Pension Scheme doesn't make the returns within the time allowed?

If Trustees fail to report or report incorrect information or report in the wrong format then there is a potential for a fine of €200,000 for each breach under existing ECB regulations (2533/98).

What is the timeline for completion of the Regulation?

The public consultation period closed at the end of September 2017. The next steps are for the ECB to consider the submissions received during the public consultation, consult with the European Commission and make any final changes to the Regulation before submitting it for the consideration and approval of the ECB's Governing Council. The approval of the Governing Council is expected in December 2017. The Regulation will have direct effect in Ireland and doesn't need Irish legislation.

What do Trustees need to do in preparing for the new Regulations?

The biggest issue facing Trustees is that the level of data required by the new Regulations are not currently captured by Irish pension schemes. The existing regulations help the Trustees as the data required comes from the annual report and the RA is there to provide this data for the

Trustees. The data required for the new regulations is not held by the RA, indeed they will know very little about it.

The people who have the data required are the Investment Managers appointed by the Trustees. Trustees will need to talk with their appointed Investment Managers and work out a plan for capturing the required data at the end of each quarter. Trustees should commence the dialogue when the regulations are finalised, especially with Investment Managers outside of the Eurozone.

Where trustees have more than one investment manager, then they will have to find someone to collate the data sets into one return. Unless the pension scheme has its own pensions office then this may have to be outsourced. One possible option is a central asset custodian. No matter what solution is chosen, the regulations are going to involve additional costs for Trustees.

Trustees should start their preparations now by taking these actions

1

Write to their investment managers and ask them how they intend to assist the Trustees in providing the data. Request their response prior to the next Trustee meeting

2

Ask their scheme consultant to prepare a draft plan of action

3

Include the new regulations as an agenda item for their next meeting

4

Discuss the draft plan of action and assign responsibilities and timelines

Where can Trustees find more information?

Further details can be found at the ECB’s dedicated webpage. Type “ECB pensions consultation” into your search engine. This should bring up this link

https://www.ecb.europa.eu/stats/ecb_statistics/governance_and_quality_framework/consultations/html/pension_funds.en.html

You will find the current draft of the Regulation on this page.

Is there anything else that Trustees need to know?

The European Insurance & Occupational Pensions Authority (EIOPA) is also preparing a consultation on pension statistics. This is expected to apply to all pension scheme in Ireland. EIOPA were also involved in the development of the ECB’s statistical requirements and any new requirements arising are expected to dovetail with the ECB’s.

Tom Gilligan chairs the Regulation and Administration Working Group which is a subdivision of the Benefits Committee. Tom provides consultancy services in pensions compliance, data protection and related areas

With thanks to RAWG members, Adrienne Byrnes and Ciara Manley.



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