EUROPEAN CENTRAL BANK
EUROSYSTEM

ECB Regulation on Pension Funds

Frequently asked questions

1 Why is this new pension funds regulation necessary?

The objective of the new regulation is to improve the quality of the data reported by pension funds. Good policy decisions are based on good data and pension funds are a sector of the utmost importance in the coming years due to their increasing importance, their interconnectedness and the economic function they fulfil in a society experiencing major demographic changes.

The idea behind the regulation is to help plug a data gap that makes it difficult to achieve a comprehensive understanding of cash flows and risks associated with pension obligations. More data would increase transparency on pension funds' activities, making it easier to verify whether they are delivering on their promises. This is important as pension sector reforms are taking place across the European Union. More public data may also enhance the comparability and disclosure of pension funds' obligations. Another advantage of the additional data that the new ECB Regulation will create is that it will open up new avenues for research on topics such as the impact of pension funds on the economy.

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.

2 What kind of pension schemes will be covered by the regulation?

The new regulation will be addressed to autonomous pension funds as defined by European system of national accounts (ESA 2010). Pension funds consist only of those pension funds that are institutional units separate from the units that create them. Non-autonomous pension funds set up, for example, by credit institutions or non-financial corporations are not covered since they are not separate institutional units. Individual pension plans offered by insurance corporations or other institutions, will also be excluded from the scope of the regulation. Furthermore, social security schemes are not included in this definition.

3 What kind of new data will be collected?

It is difficult to collect harmonised and comparable data for the pension sector. This is because of the many different types of pension funds and because their characteristics vary across countries. The new ECB Regulation defines a harmonised statistical reporting population and the data to be provided by pension funds will now include data on funds' outstanding amounts and transactions broken down by country, economic sector, maturity and the type of pension plan, as well as detailed security-by-security reporting.

4 Why is it good for me?

Information is the key to making good decisions. Clearer and more detailed information on the pension fund sector will greatly assist monetary policy decision-making and help keep the financial system sound and transparent. This will bring major benefits for everyone, not only policymakers and supervisors but also the public at large. Since a wider and enhanced set of pension fund data will be released to the general public, this will ultimately provide a better understanding of the situation in this increasingly important and sensitive industry.

5 Why does the ECB need so much data?

It is important to have enough information to obtain a complete picture of the pension fund sector. Nonetheless, the new regulation only requires reporting of those data that are strictly necessary to accomplish this and so avoids imposing an excessive reporting burden.

The industry's views have been carefully considered during the process of drafting the regulation in order to assess the extent of the data necessary and adopt a reasonable approach.

6 Which countries have to provide data?

This new regulation is only binding on those countries whose currency is the euro (euro area countries). Nevertheless, non-euro area Member States are to implement all the measures that they consider appropriate for collecting the statistical information needed to fulfil the ECB's statistical requirements and for making timely preparations for joining the euro area.

7 How much will this new regulation cost the pension funds? Aren't you overburdening small pension funds?

The ECB is aware that the level of detail required will increase the burden imposed on reporting agents, especially in those countries where the reporting of granular information is a new concept.

For this reason the ECB completed a comprehensive "merits and costs" exercise, with a view to minimising the reporting burden on pension funds. Thanks to this procedure, the new pension funds regulation includes only data requirements for which the confirmed policy relevance or operational usefulness is high enough to justify the set-up and regular costs. This “merits and costs” assessment is a long-established standard procedure for all new ECB statistical requirements. All in all, collecting these data is definitely worthwhile, as both central banks and the pension funds themselves need detailed and timely information about balance sheet positions, each for their own purposes.

In addition, all efforts have been made to limit this burden as much as possible, especially for smaller institutions. To ensure proportionality, smaller institutions can be granted derogations according to different thresholds defined in the regulation. In this way, less than 2% of the total potential reporting population – around 1,500 to 2,000 pension funds – will actually be subject to the full set of reporting obligations, although this will still cover two-thirds of pension holders.

8 Who was involved in drafting the regulation?

The regulation has been drafted carefully and transparently, taking into account the opinions of several key stakeholders in the pension fund industry and also various public organisations. Input was provided not only by the ECB but also by the pension fund industry, national central banks (NCBs) and national competent authorities (NCAs), the European Insurance and Occupational Pensions Authority (EIOPA), the European Commission (Eurostat), the Organisation for Economic Co-operation and Development (OECD) and will consider all relevant comments raised in the open public consultation.

9 When will this new regulation enter into force?

The new regulation will enter into force 20 days after its publication in the Official Journal of the European Union. The regulation will be binding in its entirety and directly applicable in the Member States in accordance with the Treaties. The reporting will begin with quarterly data on assets for the first quarter of 2019 and annual data on assets and liabilities for 2018.

10 Which information will be released to the public?

The new pension fund statistics will provide more complete and more detailed information on assets and liabilities than the previously published quarterly statistics and will cover end-of-quarter outstanding amounts and financial transactions aggregated for the euro area and by euro area country. Statistics on euro area pension funds will cover those EU Member States that have adopted the euro in the period to which the statistics relate.

11 How does this consultation relate to the EIOPA consultation?

Some links exist between the data to be collected by NCAs for supervisory purposes and the data to be reported to NCBs under the new regulation on pension fund statistics. With a view to minimising the reporting burden on the industry, the EIOPA and the ECB have cooperated closely on the set-up of the definitions and methodological framework and on preparing the transmission format for both the European System of Central Banks (ESCB) statistics and the supervisory reporting. This will allow the industry the option of reporting via a single data flow where the NCBs and NCAs agree to this at the national level.