

# Statistics on Pension Funds

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"At the dawn of an european pension fund industry"

## Part II

The present report on pension funds concentrates on financial indicators of pension funds. It is the follow-up of a first report which presented indicators such as the number of funds, their employment and their members.

+ The pension fund industry shows at this moment a large heterogeneity among Member States, comparability among Member States is therefore hardly possible.

## CONTRIBUTIONS AND OTHER FINANCIAL INDICATORS OF AUTONOMOUS PENSION FUNDS

Table 1: Profit and loss account of autonomous pension funds, 1997 (Mio ECU)

	Total pension contributions	Investment income	Other income	Total payments on pensions	Gross change in technical provisions (reserves)	Total operational expenses
<b>EU-15</b>						
<b>EUR-11</b>						
B	:	:	:	:	:	:
DK	65	631	4	272	102	4
D	15 639	9 514	733	21 747	11 989	601
EL	:	:	:	:	:	:
E	3 567	2 348	243	1 070	4 515	357
F	-	-	-	-	-	-
IRL	:	:	:	:	:	:
I	1 237	:	:	612	:	:
L	:	:	:	:	:	:
NL	8 499	39 398	1 996	10 738	21 961 <sup>1</sup>	4 493
A	736	262 <sup>2</sup>	5	108	:	15 <sup>3</sup>
P	:	:	:	:	:	:
FIN	-	-	-	-	-	-
S	345	:	:	:	:	:
UK	19 400	90 231	487	38 747	163 216	2 626
IS	326	325	3	154	:	13
N	867	791	14	353	971	29
CH	21 132	9 369	16 979	17 490	0	0

(<sup>1</sup>) Net of reinsurance.

(<sup>2</sup>) Only income of pension schemes.

(<sup>3</sup>) Pension fund - Incorporated enterprises limited by shares.

Source: Eurostat.

The highest contributions are reached in absolute terms in Switzerland, the United-Kingdom and Germany, followed by the Netherlands, Spain and Italy. Contributions per active members are the highest in Switzerland (6 714 Ecu) followed by Denmark (4 612 Ecu), Austria (4 591 Ecu), Norway (3 995 Ecu), Iceland (2 344 Ecu), the Netherlands (1 845 Ecu), Spain (1 495 Ecu) and Italy (1 385 Ecu). These ratios are clearly influenced by the level of income and state of development of the pension funds industry in the different Member

## Statistics in focus

INDUSTRY, TRADE  
AND SERVICES

THEME 4 – 15/1999

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States.

The ratio of investment income on pension contributions is very heterogeneous. The proportion is 1 to 1 in Iceland and Norway and less in Germany, Spain, Austria and Switzerland, while in some countries, the investment income is much higher than the contributions. In Denmark for example the investment income is almost 10 times higher than the contributions and in the Netherlands and the United-Kingdom almost 5 times higher. This indicates already a certain maturity of the national pension funds industry.

Pension payments per retired persons are the highest in Switzerland (27 028 Ecu) followed by Denmark (24 064 Ecu), Spain (19 091 Ecu), Norway (8 204 Ecu), Italy (6 822 Ecu), Austria (6 492 Ecu), the Netherlands (5 770 Ecu) and Iceland (3 752 Ecu). However in the

Netherlands double counting of persons (individuals) exists, for other countries, it is not known.

In 4 Member States, pension payments exceed the level of contributions; these are Denmark, Germany, the Netherlands and the United-Kingdom with ratios of respectively 4.2, 1.4, 1.3 and 2. In other Member States, pension payments are still well covered by contributions. They represent from 15% of contributions in Austria to 30% in Spain and around 40% in Norway. In Italy and Iceland they reach almost 50% of contributions while in Switzerland they already amount to more than 80%. These ratios are also influenced by the accounting rules that are not harmonised at European level as well as by the degree of maturity of national pension systems.

**Table 2: Breakdown of contributions of autonomous pension funds, 1997**

(Mio ECU)

Total pension contributions	Pension contributions receivable from members	Pension contributions receivable from employers	Incoming transfers	Other pension contributions	Pension contributions to defined benefits schemes	Pension contributions to defined contributions schemes	Pension contributions to hybrid schemes
<b>EU-15</b>							
<b>EUR-11</b>							
B	:	:	:	:	:	:	:
DK	65	10	55	1	0	:	:
D	15 639	:	:	:	:	:	:
EL	:	:	:	:	:	:	:
E	3 567	2 446	439	681	1	81	3 229
F	-	-	-	-	-	-	-
IRL	:	:	:	:	:	:	:
I	1 237	432	697	:	108	430	807
L	:	:	:	:	:	:	:
NL	8 499	1 793	5 883	822	0	<sup>1</sup>	:
A	736	:	:	:	:	:	:
P	:	:	:	:	:	:	:
FIN	-	-	-	-	-	-	-
S	345	:	:	:	:	:	:
UK	19 400	5 818	11 124	2 593	-134	:	:
IS	326	112	214	0	0	105	222
N	867	53	383	416	14	:	:
CH	21 132	5 559	10 051	5 257	265	0	0

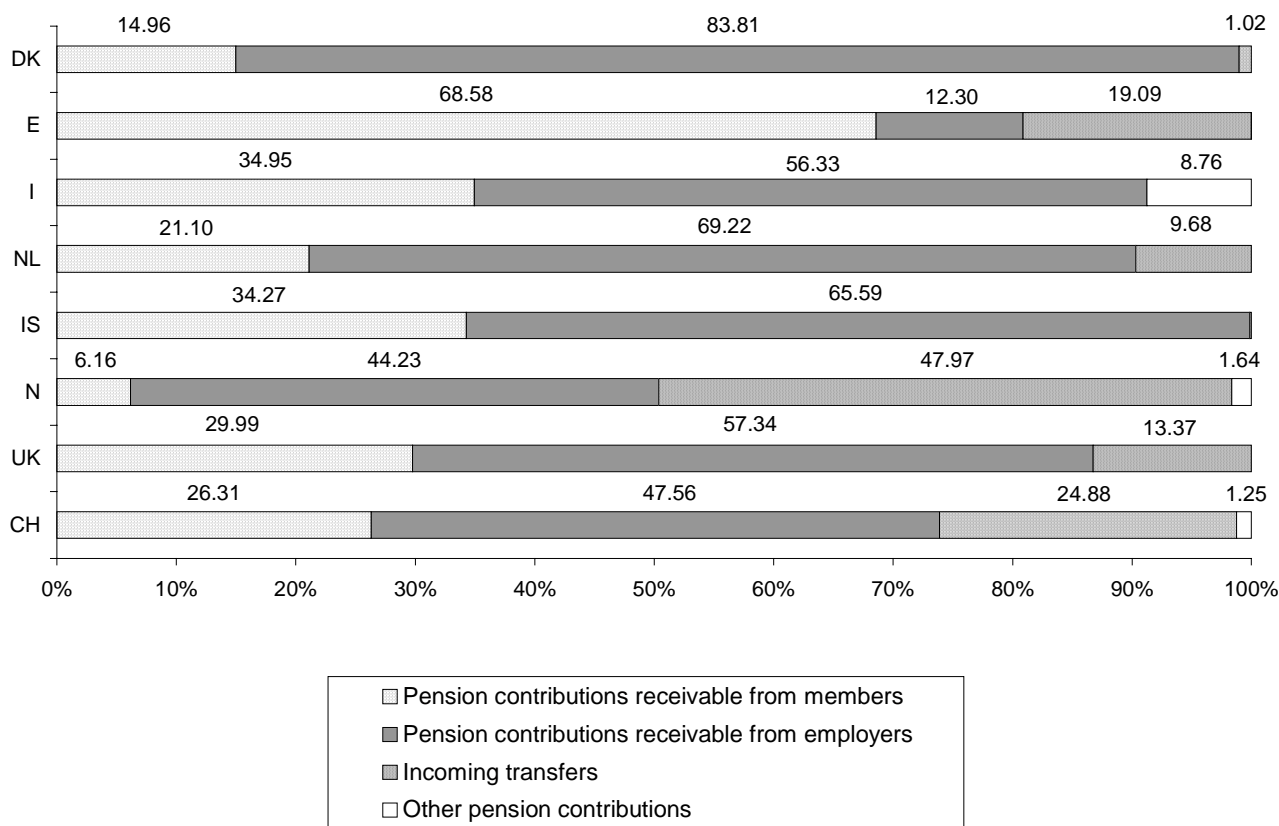
(<sup>1</sup>) 99.6% of pension schemes are of the defined benefit type (according to number of participants).

Source: Eurostat.

Pension contributions are in most Member States received from employers with shares ranking from 44% in Norway to 84% in Denmark. The exception is Spain where only 12 % of total contributions are received from the employer and as much as 69% are received from members.

High levels of incoming transfers are noticed in Spain, Switzerland and Norway where they represent respectively 19%, 25% and 48% of total contributions, this indicates a certain level of labour mobility between employers.

**Figure 1: Breakdown of contributions of autonomous pension funds  
in % of total, 1997**



Source: Eurostat.

## INVESTMENTS OF AUTONOMOUS PENSION FUNDS

As supplementary pension funds are expected to grow in the short and medium term as a result of Member States measures to address the budgetary costs of population aging, the volume of investments of pension funds is also expected to increase very considerably. In the reform of the national supplementary schemes, it will be very important to try to improve the returns on these investments, as this will help reducing costs of pension provision and of employment in general. The

structure of investments could also be expected to change if EU policy action will provide for more flexibility in the choice of investments and facilitate investments abroad. This as well as the single European currency will lead to more cross border investments which in turn will increase availability of capital in the European Union both to the benefit of job creation and competitiveness of EU industries.

## STRUCTURE OF INVESTMENTS:

**Table 3: Breakdown of investments of autonomous pension funds, 1997**

	Land and buildings	Investments in affiliated enterprises and participating interests	Shares and other variable-yield securities	Units in undertaking for collective investment in transferable securities	Debt securities and other fixed-income securities	Participation in investment pools	Other investments	Total investments
	%	%	%	%	%	%	%	Mio ECU
<b>EU-15</b>								
<b>EUR-11</b>								
B	:	:	:	:	:	:	:	:
DK	5.33	1.67	19.10	0.00	69.05	0.00	4.86	4 840
D	:	:	:	:	:	:	:	105 158
EL	:	:	:	:	:	:	:	:
E	0.51	:	14.73	1.34	75.28	:	8.14	19 538
F	-	-	-	-	-	-	-	-
IRL <sup>1</sup>	5.95	: <sup>2</sup>	58.55	: <sup>2</sup>	26.54	: <sup>2</sup>	8.95	34 464
I	14.11	2.42	2.13	:	51.90	:	29.45	11 756
L	:	:	:	:	:	:	:	:
NL	5.26 <sup>3</sup>	0.05 <sup>4</sup>	37.82 <sup>5</sup>	:	29.51 <sup>5</sup>	:	27.37 <sup>6</sup>	352 311
A <sup>7</sup>	0.68	:	1.46	86.65	6.71	:	4.49	2 995
P	:	:	:	:	:	:	:	:
FIN	-	-	-	-	-	-	-	-
S	5.15	:	24.92	:	51.98	:	17.96	5 917
UK	3.84	-	70.50	4.00	16.42	2.12	3.12	909 459
IS	0.18	:	10.92	3.87	84.10	:	0.93	4 305
N	2.71	-	19.60	:	64.89	-	12.79	9 322
CH	16.57	0.00	18.54	0.00	30.64	12.93	21.32	182 740

(<sup>1</sup>) Source: Irish Association of Pension Funds, 1997 Investment survey.

(<sup>2</sup>) Not separately identified.

(<sup>3</sup>) Assessed (taxation value).

(<sup>4</sup>) Market value as far as possible (loans to affiliated enterprises e.g. are valued according to nominal/redemption value).

(<sup>5</sup>) Market value.

(<sup>6</sup>) Includes mortgage loans and other long term loans, which are both valued according to nominal/redemption value..

(<sup>7</sup>) Only fixed assets of pension schemes.

Source: Eurostat.

In most countries the preferred investment is in debt securities and other fixed-income securities with shares on total investments reaching up to 84% in Iceland. In the United-Kingdom, Ireland and the Netherlands however, the largest share of investments is allocated to shares and other variable-yield securities with 71%, 59% and 38% respectively. Austria concentrates most investments in Units in undertaking for collective

investment in transferable securities with an 87% share on total investments. Switzerland is certainly having the most well spread portfolio with only preferred investment in debt securities and other fixed-income securities reaching 30%. Switzerland is also the country with the largest share in investments in lands and buildings: 17%.

## LOCATION OF THE INVESTMENTS:

Concerning the breakdown of investments according to the location of the investment the data availability is still scarce. Irish pension funds only invest 45.53% of their equities in the country, 17.5% in United-States, 15.46% in United-Kingdom and 13.29% in remaining Europe

and 7.44% in the Pacific Basin Area. Spanish autonomous pension funds already invest 4.7% of their portfolio other euro-zone countries and 0.4% in other EEA countries. Again, if EU policy making leads to more freedom in investments, it can be expected that more cross-border investments will occur, data availability on this subject is hence expected to increase.

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## CONCLUSION

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This first reporting on supplementary pension funds will be followed by further reports based on the EU annual Statistics on pension funds. Eurostat indeed intends to

continue the collection of business statistics on pension funds on an annual basis. More analysis on 1998 data will therefore be published in spring 2000.

### ECU EXCHANGE RATES. Annual average. 1 ECU = .....

	B	DK	D	EL	E	F	IRL	I	L
1997	40.5332	7.48361	1.96438	309.355	165.887	6.61260	0.747516	1929.30	40.5332
	NL	A	P	FIN	S	UK	IS	N	CH
1997	2.21081	13.8240	198.589	5.88064	8.65117	0.692304	80.4391	8.01861	1.64400

## ➤ ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The present edition of Statistics in focus has been elaborated on the basis of the results of a first voluntary data collection from all EEA countries and Switzerland. This data collection has been carried out on still non-harmonised basis as neither EU accounting legislation,

nor EU business statistics legislation do yet exist on pension funds. Better quality and harmonisation are however expected in the future when the statistics on pension funds will be integrated in the Structural Business Statistics Regulation.

Throughout the publication:	
The sign - stands for "Not existing"	The sign : stands for "Not available"

### Remark:

In the framework of the structural business statistics of Eurostat "total pension contributions" are used as an equivalent to "turnover".

### F:

In France, for example, occupational pensions are so far only provided by life insurance enterprises, with services such "capitalisation" but also with "occupational pension" products. A legislation is however being drafted to open the market for pension funds as such, but its adoption can not be expected in the short-term.

### EL:

No data is available, as Greek private pension funds are not supervised.

### IRL:

The international breakdown of investments can only be supplied for equities. Source: Irish Association of Pension Funds, 1997 investment survey.

### IT:

Most data refers to 1996.

The figures for autonomous pension funds refer to 536 schemes out of 623 funds: Autonomous pension schemes (471 out of 558, 1996 data), occupational pension schemes (4 schemes, end of 1998 data), open pension funds - fondi pensione aperti (61 funds, end of 1998 data).

The figures for non-autonomous pension funds are provided only for 41 schemes established within non-financial companies out of 216 non-autonomous funds (1996 data).

### L:

Luxembourg has only so far one pension fund registered, the data on this enterprise is considered confidential and has therefore not been provided.

### A:

The legal form of pension funds in Austria is incorporated enterprises limited by shares, they manage the rights to benefits of members (contributing and beneficiaries) of pension schemes (Veranlagungs- und Risikogemeinschaft). There is therefore a separate accounting for the incorporated enterprises limited by shares (profit and loss account) and for each of the pension schemes (special report). Data has been provided for one or the other as merging the information would lead to misinterpretation of results. If not specified otherwise the data published concerns the pensions schemes.

### S:

Data provided refer to "Friendly societies" only. The book reserve system does exist in Sweden but no information is available on it yet. Most pension schemes are administrated by life insurance enterprises companies (ECU 3 400 Mio.). The data provided refer to only 10 of the biggest funds, they stand for about 99% of the funds.

### UK:

In the United-Kingdom, there are 3 types of company pension schemes: self administered and partly insured ones which would be considered as autonomous and insured schemes considered as non autonomous.

Out of approximately 156 000 schemes (membership: 11.5 Mio.), over 28 674 schemes are autonomous, the exact figure is however not known. Current information from the trade association and from ONS own inquiries count no less than 2 250 pension funds of which at least 900 autonomous funds, their definitive figures are not available either.

The investments are valued at market value.

### CH:

All data provided from Switzerland is referring to 1996.

## ➤ SOURCES

Country:	Source:
B	Institut National de Statistique / Office de Contrôle des Assurances
DK	Danmarks Statistik / Finanstilsynet
D	Statistisches Bundesamt / Bundesaufsichtsamt für das Versicherungswesen
EL	National Statistical Service of Greece / Ministry of Development - Direction of Insurance Undertaking
E	Instituto Nacional de Estadística / Dirección General de Seguros
F	Institut National de la Statistique et des Etudes Economiques / Commission de Contrôle des Assurances
IRL	Central Statistics Office / Department of Enterprise and Employment
I	Istituto Nazionale di Statistica / Istituto per la vigilanza sulle assicurazioni private e di interesse collettivo / Commissione di Vigilanza sui Fondi Pensione
L	Service Central de la Statistique et des Etudes Economiques / Commissariat aux Assurances
NL	Centraal Bureau voor de Statistiek / Verzekeringkamer
A	Österreichisches Statistisches Zentralamt / Bundesministerium für Finanzen
P	Instituto Nacional de Estatística / Instituto de Seguros de Portugal
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