Pension fund finances reaching new heights

LCP Ireland Pensions Accounting Briefing

2022

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The movement of pension scheme finances into a surplus position is remarkable given the market volatility over the year. We expect to see many schemes take action now to de-risk further to "lock" in recent gains

Conor Daly
Partner

1. Introduction

Pension disclosures are a significant element of many company accounts. By analysing these disclosures, we aim to measure the exposure of companies to their pension risks and highlight the steps that companies are taking to address pension issues in these challenging times.

13

Number of companies listed on the Euronext Dublin and other exchanges included in this briefing.

11

Number of semi-state/state-controlled companies included in this briefing.

This briefing covers 13 of the largest companies (by market capitalisation) listed on the Euronext Dublin stock exchange (formerly Irish Stock Exchange) and other exchanges that have defined benefit pension arrangements in Ireland. All of these companies are required to report under International Accounting Standards (IAS19 for pension costs) in accordance with EU regulations. We have also covered 11 semi-state/state-controlled companies with defined benefit pension schemes that have published pension accounting information for their 2021 financial year. These bodies have reported under IAS19 or the equivalent local standard FRS102.

The information and conclusions in this report are based solely on a detailed analysis of the information companies have disclosed in their annual report and accounts for their 2021 financial year and other publicly available information. We did not approach companies or their advisers for additional information.

2. Executive summary

2.1. Assets exceed liabilities for the first time!

Pension scheme funding positions improved considerably over 2021 due largely to strong returns on the global equity markets. We estimate that the combined funding positions of the schemes analysed moved into a surplus position for the first time in the fourteen years since LCP have been carrying out this analysis. The estimated combined surplus of the schemes analysed was €0.4bn at 31 December 2021 and this represents an improvement of €2.8bn from the estimated position at 31 December 2020.

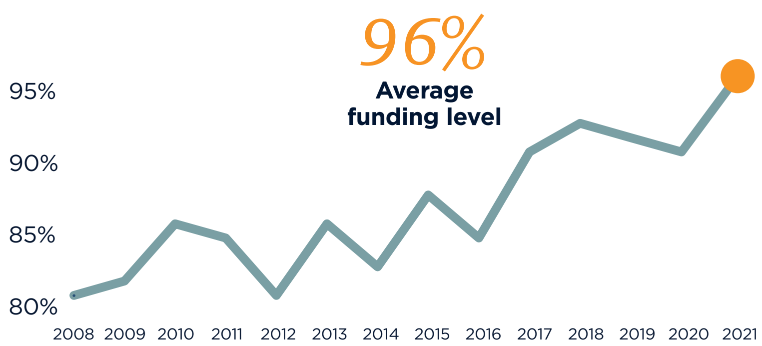
The improvement in funding positions continued into 2022. The very significant rise in bond yields over 2022 has resulted in a commensurate fall in the value placed on pension scheme liabilities. While this has been offset to a certain extent by rises in inflation expectations and the lacklustre performance of pension fund assets in recent months, the overall estimated surplus has continued to rise into 2022.

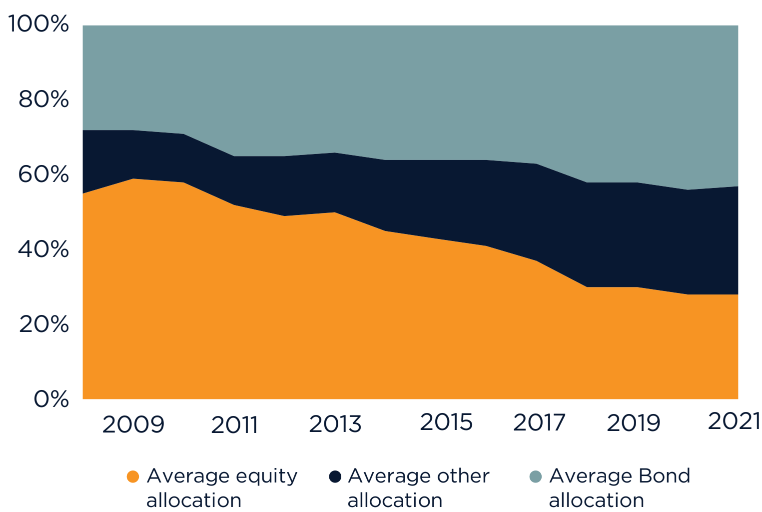
We estimate that the surplus for companies analysed has risen to €4.2bn by 30 November 2022. Further information on the movements in funding positions is contained in Section 5.

2.2. Long-term trends show an improvement in funding levels and a reduction in risk

The long-term trend of funding levels disclosed by companies since the first LCP Ireland Pension Accounting briefing in 2009 shows an improving trend. The average funding level disclosed for 2021 in this report is 96% (this will likely have increased further during 2022). Some larger schemes disclosed funding levels over 100% resulting in the overall surplus figure outlined above

The average allocation to equities for the companies analysed has also fell significantly in recent years from a high of 59% disclosed in 2009 to a record low of 28% in 2020. The average equity holding remained the same with 28% in 2021, but this was during a period of very strong equity performance suggesting a continued de-risking from equities. The long-term trend to diversify assets away from more volatile equity holdings continues.





2.3. Risk management and IORP II

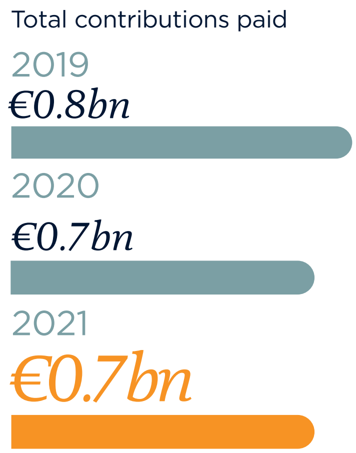
The IORP II Directive was transposed into Irish law in April 2021. The Pensions Authority published a code of practice in November 2021 setting out the Authority's minimum expectations for all schemes to comply with the new legislation. IORP II will have a significant impact on the governance obligations for pension schemes, particularly in the area of risk management with a new statutory role being established – all pension schemes must now have a risk management key function.

While the overall trend has been towards a reduction in risk, it is clear from the analysis that considerable risks remain within pension schemes.

In particular, the pension schemes' funding positions remain exposed to changes in interest rates and inflation expectations. The analysis indicates that a reduction of 1% in bond yields (discount rates) would result in an average reduction in the funding level of 9%. Further information is contained in section 4.

2.4. Pension contributions remain a significant cost

The companies analysed paid substantial contributions, €0.7bn, to their pension schemes in 2021. This follows contributions of €0.7bn in 2020 and €0.8bn in 2019. It is clear that pensions remain one of the most significant costs for these organisations.



2.5. Some divergences in assumption setting

The value placed on pension liabilities is very dependent on market conditions at the valuation date and the assumptions used in the valuation exercise – particularly the discount rate. As pension liabilities tend to be very long term, a small change in the discount rate can have a very significant impact on the disclosed balance sheet liability.

We have seen evidence of some divergence in the assumptions adopted by companies as different interpretations are taken of the appropriate market yield at the valuation date. Using a higher discount rate will result in an improvement to the balance sheet position disclosed.

The new governance requirements under IORPII placed a very heavy burden on pension schemes as they strived to put structures in place meet the Pensions Authority deadline of January 2023. We expect to see the real impact of those changes over 2023 and beyond.

Roma Burke
Partner

3. Developments in Irish pension provision in 2022

3.1. Living with IORP II

The EU Directive, IORP II was transposed into Irish law on 22 April 2021 with a raft of new governance requirements for Irish pension schemes. It was followed by a detailed code of practice published by the Pensions Authority. The Pensions Authority indicated that their focus will be on full compliance with all new governance obligations by 1 January 2023.

The deadline for full compliance is therefore upon us and many pension schemes have invested considerable time and expense in recent months to ensure they meet the new requirements.

Trustees will be required to complete a 2022 Annual Compliance Statement certifying compliance with the new requirements.

3.2. Minimum governance standards

The ultimate aim of the IORP II directive is to introduce an effective system of governance for the operation of pension schemes. The requirements range from the qualifications of trustees, appointment of new risk and internal audit function holders, right through to the enforcement powers of the Pensions Authority.

Written policies on a range of activities are required (e.g. administration, investment, actuarial, remuneration, conflicts of interest, outsourced activities).

3.2.1. Fit and proper requirements

Trustees will need to demonstrate that they are of good repute and have the qualifications, knowledge and experience which, together with the qualifications, knowledge and experience of the other trustees, are collectively adequate to ensure the sound and prudent management of the pension scheme. The Pensions Authority code of practice also provides that, at a minimum, at least one trustee on the board must have completed a course listed on the Pensions Authority's website. In practice, we expect to see an increased use of corporate and professional trustees. We have also been encouraged by the number of lay trustees willing to complete the relevant courses to meet the Pensions Authority's requirements in this area.

3.2.2. Key functions

Key functions must be established for risk management and internal audit. The role and responsibilities of these functions are set out in legislation. The Pensions Authority have highlighted risk management as a key element of the new governance requirements. The trustees must ensure a well-functioning risk management system with procedures in place to ensure key risks can be identified, measured, monitored, managed and be regularly reported on. The internal audit function must be fully independent of the risk management function.

The code of practice also sets out detailed fit and proper requirements for these roles – in practice it is expected that these roles will be outsourced in the significant majority of cases. LCP, as a firm of consulting actuaries, are carrying out the risk function for a number of pension schemes.

3.3. Landmark "reform" of State Pension System

On 20 September 2022, the Minister of Social Protection announced a series of significant amendments to the State pension system in Ireland.

The key features announced were:

- State Pension age to remain at 66; New 'flexible' system to be introduced
- People to be given the choice to work until age 70 in return for a higher State Pension
- State to move to a 'Total Contributions Approach', as recommended by the Pensions Commission
- Long-term carers to be provided with a pension for the first time
- Long-term sustainability of State Pension system to be addressed through gradual, incremental increase in social insurance rates

These amendments are a departure from the previous government policy (and indeed the recommendations of the Pensions Commission) which provided for a gradual increase in the State Pension age to 68. It is likely that the latest amendments will result in a material increase in the cost of the State Pension over time which will need to be funded from taxation given the "Pay As You Go" system in place for meeting State Pension costs.

3.4. Automatic Enrolment pension "savings scheme"

In March 2022 the government approved the final design principles for the auto-enrolment (AE) retirement savings system, in line with the Programme for Government commitment to introduce a pensions auto-enrolment system. The government's decision provides for the AE system to be set up by the end of 2023, with enrolments commencing in 2024. The key features announced were:

- initially 750,000 workers will be enrolled into a new workplace pension scheme, which will grow significantly over time
- Participation in the new scheme will be voluntary - workers will have the ability to opt-out or suspend participation for periods of time
- The Scheme will include matching employer contributions and a State top-up. The State top-up of 33% of the employee contribution equates to 25% tax-relief. By comparison, occupational pension scheme members receive tax-relief at their marginal rate (ie. 20% or 40%).
- For every €3 saved by a worker, a further €4 will be credited to their savings account (ie. €3 matching employer contribution plus €1 top-up by the State).

The timescales for commencement are certainly ambitious and there is likely to be a significant amount of work undertaken over 2023 for the AE system to be ready for enrolments in 2024.

There were some dramatic movements in markets over 2022 and these have had an impact on pension scheme finances. In particular, the very significant rise in bond yields has resulted in a material reduction in the value placed on pension scheme liabilities in company accounts.

Martin Haugh
Partner

4. Risk management

4.1. Introduction

There has been an increased focus in recent years on the risk management of defined benefit pension schemes. Trustees have been key drivers of this focus on risk as they examine the long-term sustainability of their pension schemes in a volatile marketplace. It has also been driven by the specific requirements of IORP II in the area of risk management.

In particular, the Pensions Act now requires trustees to demonstrate that they have in place reporting procedures necessary to identify, measure, monitor, manage and report key risks to which the scheme is or could be exposed. Full compliance with IORP II in this area requires the trustees to integrate forward-looking risk reporting into their regular meetings as a standing item.

4.2. Risk in Irish pension schemes

Given the increased focus on risk management, we have followed up on the additional analysis in last year's report to consider in more detail the key risks of Irish pension schemes.

We have considered the investment strategy of the pension funds analysed as disclosed in their accounts and changes to the strategy over 2021. This year, the average level of exposure to equities has remained the same as last year (28% in 2021 vs 28% in 2020). This was during a period of very strong equity performance suggesting a continued de-risking from equities - ie trustees were clearly to "banking gains" from equities over 2021. The long-term trend to diversify assets away from more volatile equity holdings continues. The results of the analysis of disclosed asset allocations are set out in more detail in section 5.6.

Value at risk

The Pensions Authority's expectation that there would be an increased quantitative analysis of risk will also lead to more monitoring of standard risk measures.

One such measure is the Value at Risk (VAR). A 95% VAR considers a 1-in-20 year event and the impact on the funding position of a pension scheme having regard to the liabilities and investment strategy. A review of the pension schemes analysed for this report would suggest an estimated 95% VAR of €3.9bn (or an average reduction in the funding position of more than 12% following a 1-in-20 year event).

Bond yield shock

Another measure of risk is to consider the sensitivity of the pension scheme funding

There was a sharp rise in inflation during 2021 and they have remained elevated during 2022. Many schemes had taken advantage of good pricing in previous years to put inflation protection investment strategies in place. However, some schemes remained exposed to inflation risk and have suffered a negative impact from recent inflation trends.

*Oliver Kelly,
Head of Investment
Consulting Ireland*

level to a market shock – e.g. a sharp fall in bond yields. For the pension schemes analysed, we have estimated that, at 31 December 2021, a decrease of 1% in bond yields would reduce the average funding level by 9%

Inflation

There have been significant rises in both experienced inflation as well as corresponding rises in the market expectations for future inflation. Market expectations for future inflation can be seen in the chart below. Inflation expectations have been increasing steadily since the onset of the Covid-19 pandemic and this has impacted materially on the finances of many pension schemes. Pension schemes calculate the liability value including an allowance for the cost of inflation linking of benefits (whether guaranteed or due to a constructive obligation) and the results can be very sensitive to changes in the inflation assumption. For example, a scheme with a duration of 20 years would see a rise in the liability disclosed of approximately 13% if expectations for future inflation increased by 1%.

Eurozone future inflation expectations p.a.

[1] Based on Euro swap curve at 20 year duration.

Growth portfolio shock

Notwithstanding the significant investment de-risking implemented by pension schemes in recent years, the pension schemes analysed retain exposure to market risk in respect of any performance-seeking assets.

For the pension schemes analysed, we have estimated that, at 31 December 2021, a fall of 20% in performance-seeking assets would reduce the funding level by 9%.

We continue to see evidence of de-risking steps being taken by trustees. A Risk Management Key Function should now be integrated into the decision-making processes of all pension schemes.

Fergus Collis, Partner

4.3. Reporting on key risks

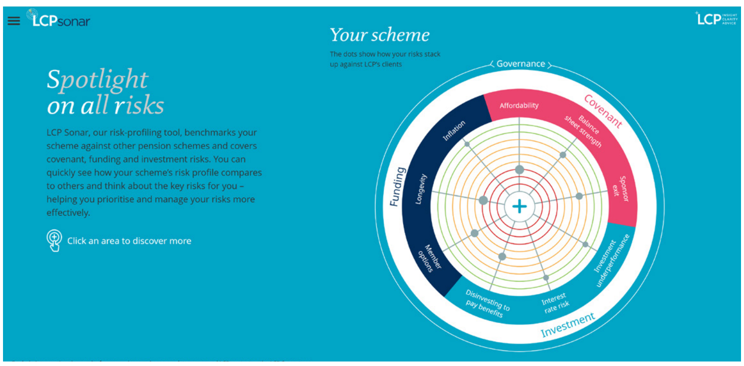
We expect to see a significant increase in the quality and frequency of risk reporting for many schemes to ensure ongoing compliance with IORP II. For large pension schemes, the risk function holder is likely to be presenting a risk dashboard showing movements in key risk metrics on a quarterly basis.

The risk function will be expected to consider financial and investment risks but also other risks (e.g. operational, governance, covenant). A key challenge for trustees and their risk function holder will be the establishment of an effective framework that allows for the identification, management and reporting on all key risks in a way that is meaningful and is integrated into the decision-making process of the pension scheme.

4.4. LCP Visualise

The new requirements for ongoing monitoring of key risks have also highlighted the value of a specialist online tool such as LCP Visualise.

Online access to real-time funding positions and daily monitoring of various risk metrics like Value at Risk, hedging ratios and covenant monitoring helps align the new statutory requirements with the power of current innovation and technology.



5. LCP's analysis of pension accounting disclosures

5.1. Introduction

We have analysed the financial position of 24 companies' defined benefit pension schemes. A full list of the companies can be found in Appendix 2.

We took the 25 largest companies (by market capitalisation) on the Euronext Dublin stock exchange and analysed the 8 companies with material defined benefit pension arrangements.

In a similar manner to previous years, we have also included C&C Group, DCC, Grafton and Greencore (these companies are listed on other exchanges, but operate significant defined benefit pension schemes in Ireland) and analysed the largest pension schemes for semi-state/state-controlled companies that publish accounts.

We have reported on the financial position of the defined benefit pension arrangements sponsored by these companies and, where possible, we have excluded liabilities relating to post-retirement healthcare from our analysis. The figures analysed include all defined benefit pension arrangements (including overseas arrangements, if applicable), except where indicated.

5.2. Reported funding levels

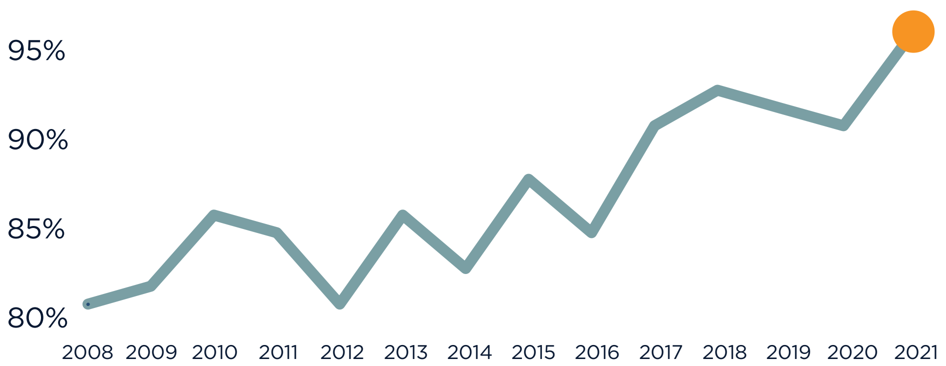
96%

The average funding level (assets as a proportion of funded liabilities) for the companies analysed was 96% in 2021.

The accounting standards look at the pension scheme assets and funded liabilities at the accounting date. Of the companies analysed in this survey, eleven reported sufficient assets to meet its funded liabilities. This is a significant increase from 2020 where six companies reported sufficient assets to meet their funded liabilities.

The average funding level for the schemes analysed increased from 91% in 2020 to 96% in 2021. The following chart shows how funding levels have changed over the year for the companies analysed.

Average funding level



The increase in funding levels was due largely to bond yields rising during 2021 which decreased the liabilities as well as strong equity performance and company contributions paid.

5.3. Development of pension scheme balance sheet positions during 2022

We have also considered the movement in the pension scheme balance sheet positions during 2022 to 30 November.

Financial markets have been very volatile in 2022. Global equities, as measured by the FTSE World Index, were down approximately 18% in 2022 to the end of November.

On the liability side, high quality corporate bond yields as at end November 2022 were significantly higher on average than as at the end of 2021. Higher bond yields means that IAS19 (or FRS102) liability values fall (and vice versa) as pension scheme liabilities are calculated by reference to these yields for accounting purposes. Liabilities are also impacted by expectations for future inflation which have also increased during 2022. Higher expectations for future inflation increase the pension scheme liabilities and this offsets the fall in liabilities due to bond yield movements.

LCP estimates that the aggregate pension surplus for the Irish funded schemes of the companies analysed stood at €4.2bn as at 30 November 2022 compared to €0.4bn at 31 December 2021.

Projected aggregate pension deficit

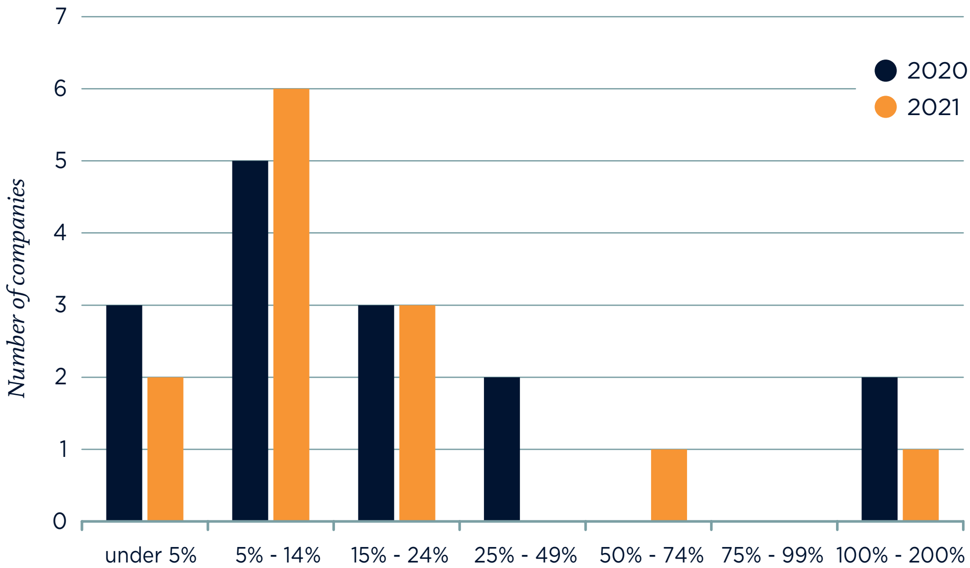
Note: Data is for the Irish funded pension arrangements of the companies analysed and has been estimated from the pension disclosures in their published company accounts.[2]

As the graph demonstrates, there can be significant volatility in the aggregate surplus/(deficit) as equity values, inflation expectations and bond yields fluctuate. There has been considerable variation in the estimated position with the estimated **deficit** being as high as €2.0bn in March 2022 and the estimated **surplus** being as high as €6.8bn in October 2022.

[2] Projected deficits calculated using LCP's daily online scheme monitoring tool LCP Visualise.

5.4. Company exposure to pension schemes

Funded accounting liabilities as a proportion of market capitalisation (%)



The chart above shows the size of the pension accounting liabilities relative to market capitalisations for the companies analysed (**AIB** has been excluded from this analysis as its disclosed market capitalisation was distorted by the limited amount of stock actively traded). The total pension liability, expressed as a proportion of market capitalisation, decreased over the year (from 41% in 2020 to 28% in 2021).

The following lists the companies with the largest pension scheme liabilities expressed as a percentage of their market capitalisation at their 2021 year-end dates:

Bank of Ireland:	173%	(254% in 2019)
Greencore:	71%	(134% in 2019)

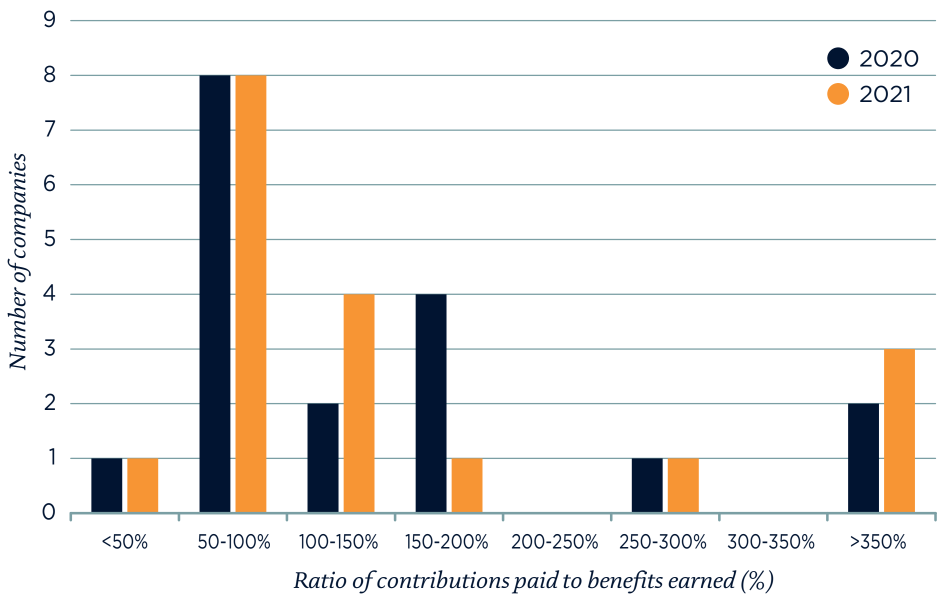
5.5. Contributions compared to benefits earned

We have analysed how the employer contributions compare with the expected cost of benefits earned:

- The cost of benefits earned under IAS19 is determined by the assumptions at the start of the accounting year.
- Typically, employer contributions are set following recommendations by the Scheme Actuary and are designed to ensure that there are sufficient assets to meet benefit payments as they fall due.

Our analysis of the accounting disclosures shows that the majority of companies pay contributions that are in excess of the cost of benefit accrual under IAS19 as attempts are made to reduce past service deficits. On average, companies paid contributions of over 3.1 times (2020: 1.6 times) the cost of benefit accrual on the accounting basis.

Employer contributions compared to benefits earned



5.6. Trends in asset allocations

We have also analysed the investment strategy of pension funds as disclosed and changes to the strategy over 2021. Where companies disclose a breakdown of their Irish or Eurozone pension scheme asset allocation, this is the one which we have analysed.

The average level of exposure to equities was 28% in 2021 (unchanged from 2020). The average allocation to bonds was 43% (a decrease from 44% in 2020). The average allocation to other asset classes increased slightly to 29% from 28% last year.

We have also analysed the allocation to other asset classes. The majority of companies disclosed an allocation to property assets. The average allocation was 6% in 2021 for those with property assets (slightly decreasing from 2020). Some companies also disclosed an allocation to cash assets – the average allocation was 4% in 2021 for those with cash assets (slightly decreasing from 2020).

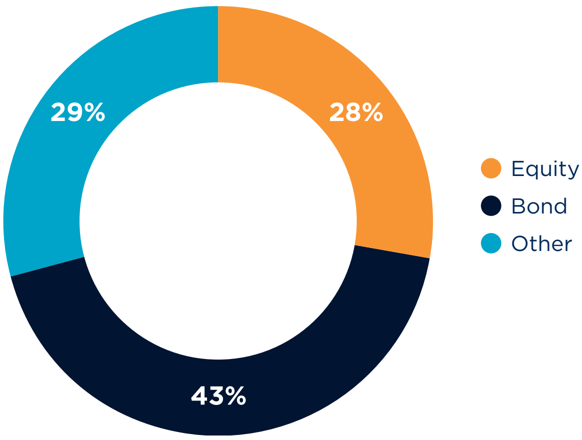
Seven companies disclosed an allocation to Liability Driven Investment – with Bank of Ireland (37%) and Kingspan (36%) disclosing the highest allocations.

The average split of assets for the pension schemes analysed is shown in the following chart.

28%

The average equity allocation for the pension schemes analysed remained the same during 2021. This is still significantly higher than pension schemes in other jurisdictions.

2021 Asset allocation



Companies who reported the highest equity holdings were **Irish Continental Group** (61%), **Kingspan** (50%), **NTMA** (42%), and **Central Bank of Ireland** (40%). On the other end of the spectrum, **Bank of Ireland** (10%) and **Glanbia** (12%) disclosed the lowest equity holdings.

The Pensions Authority has commented that investment strategies which rely on equities to outperform bonds in order to meet pension scheme liabilities entail considerable risk, which, in their view, will fall particularly on the younger members. To address this, the Authority has said that it intends to raise this directly with defined benefit pension scheme trustees as part of their programme of increased direct engagement.

There is evidence that a number of trustee boards are continuing to actively review their investments and, in many cases, implement de-risking strategies or alter the mix of their return-seeking portfolios. We expect this trend to continue as many schemes review their asset strategies as part of their funding proposals.

In previous years we reported that Irish pension schemes had higher than average allocations to equities when compared to other jurisdictions. Our current analysis would continue to support this assertion. For example, in the UK, 15%[3] of pension scheme assets were allocated to equities in 2021 compared with 28% for the Irish scheme assets in this report.

Aryzta and **Bank of Ireland** reported the highest property holdings at 25.5% and 14.6%, respectively.

The highest reported cash holdings were **NTMA** (17%) and **DCC** (8%).

Trustees are clearly showing signs of more sophisticated active management of investment risk in their schemes with allocation to equities down 24% and allocation to other assets up 10% over the last 9 years of our reporting.

Fergus Collis
Partner

5.7. Do pension schemes get a fair share of available cash?

We have compared the dividends paid to shareholders against the contributions paid to and the deficits of pension schemes.

While employer contributions have remained broadly steady – which could be interpreted as a sign that sponsors are standing firmly behind their pension promises – the listed companies analysed paid dividends in 2021 of over eight times the level of contributions into their DB pension schemes (increasing from 2020).

These headline statistics disguise some significant differences between companies. It is critical to go beyond a headline statistic in drawing any meaningful conclusions and consider also the extent of any deficits, the security provided by the sponsor covenant and other sources, and the level of investment risk amongst other things.

[3] LCP Accounting for Pensions June 2022

5.8. Key assumptions

We consider below the various assumptions used to place a value on pension benefits for accounting purposes. Where a company operates pension schemes in more than one country, we have considered the assumptions used for Ireland or the Eurozone (if available). Where a company has disclosed a range of assumptions, we have used our judgement to estimate the relevant point in the range for the Irish pension scheme.

Discount rates

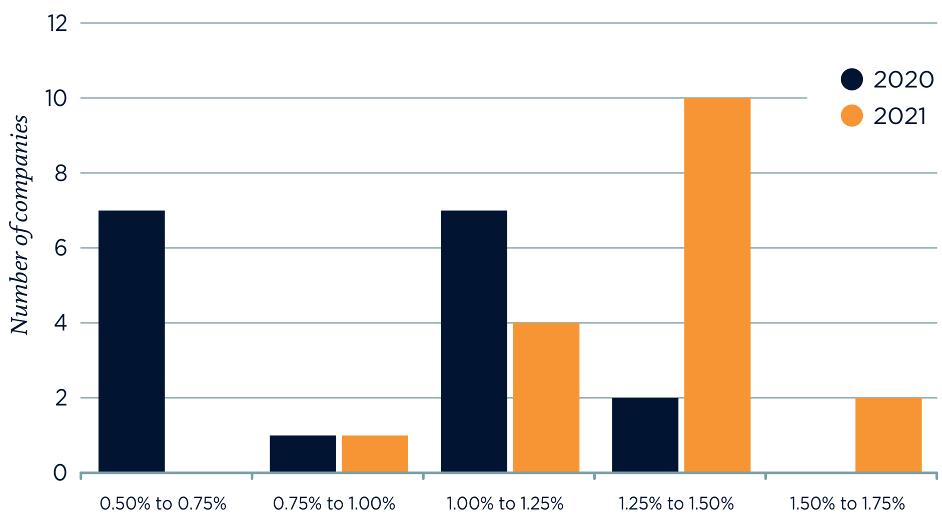
The discount rate is the key assumption used to value pension liabilities. Under IAS19 and FRS102, this assumption is based on the yields available on long-dated high quality (typically AA-rated) corporate bonds in the currency of the liability at the valuation date. The yields on high quality corporate bonds, and hence the discount rates, will fluctuate from day to day in line with market conditions.

In the following chart, we have analysed companies reporting with December 2021 year-ends. As this shows, there was an increase in the discount rates disclosed compared to last year.

1.3%pa

The average discount rate adopted by the companies in this report increased from 0.9% in 2020 to 1.3% in 2021

Discount rates used at 31 December (% pa)



The average discount rate for companies reporting at 31 December 2021 was 1.3% pa – an increase from the average discount rate of 0.9% pa as at 31 December 2020 and reflecting the commensurate increase observed in corporate bond yields over 2021. The highest discount rate was disclosed by **NTMA** (1.6%). Most schemes reported increases in the discount rate.

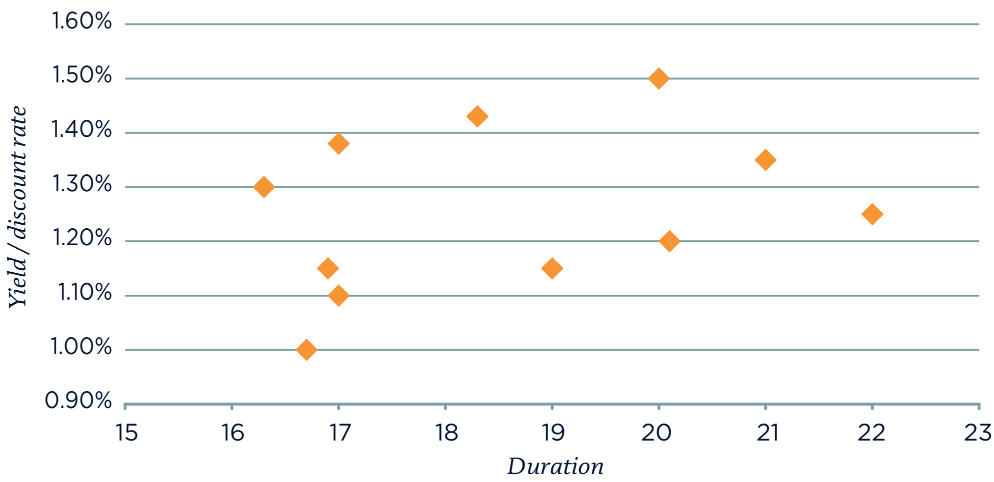
The accounting standard (IAS19) requires that the discount rate used is determined by reference to market yields at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the pension scheme liabilities. This is generally interpreted as a discount rate in line with AA-rated corporate bonds of appropriate duration.

While in theory, pension schemes with similar durations should be valued using similar discount rates at a particular point in time, in practice, the lack of a deep market in long duration corporate bonds can result in different modelling techniques and some divergences in discount rates.

As pension schemes tend to have a long time horizon, a small change in the discount rate can have a very large impact on the balance sheet position. For example, **Kerry Group** reported that an increase of 0.5% pa in the discount rate would decrease the scheme liabilities by 9.0% at the accounting date. Similarly, **Ervia** reported that an increase of 0.25% in the discount rate would decrease the pension scheme liabilities by approximately 5.3%.

The discount rates used as at 31 December 2021 have been charted against the disclosed durations below for the 11 companies with such disclosures and a year-end at 31 December 2021 and clearly shows some divergences in approach. We have used the duration for the Irish pension scheme when this is separately identified.

Discount rates used at 31 December 2021 by duration

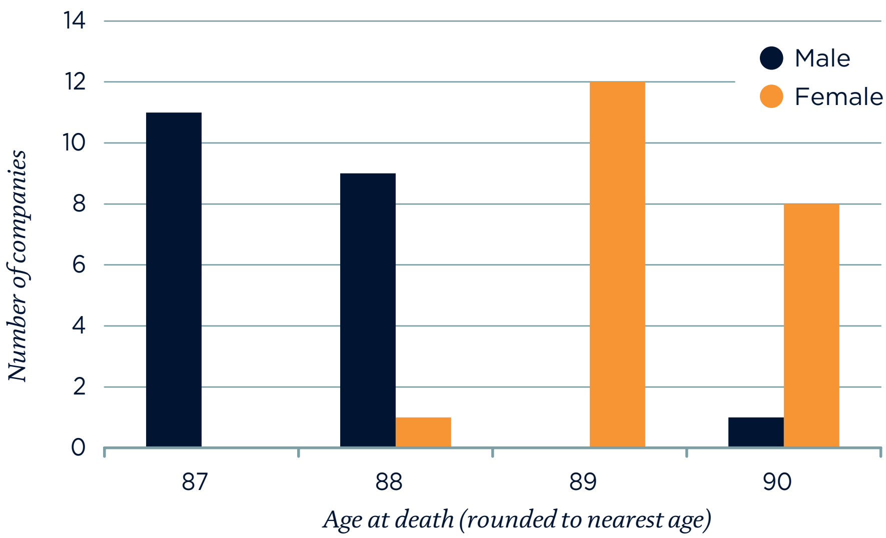


Life expectancy

All of the companies analysed have disclosed some information about their life expectancy assumption.

The following chart shows the range of life expectancies for males and females assumed by the companies analysed for members retiring at age 65 at the balance sheet date in 2021.

Life expectancy assumption. Individuals aged 65 on accounting date



The average assumption was that male members at age 65 at the accounting date would live to age 87.5 (89.3 for females). The life expectancy for males have slightly increased while it has remained unchanged for females.

However, this overall average hides some changes where some companies increased their assumed life expectancy and others decreased their assumption. **CIÉ** increased the life expectancy for a male aged 65 by 0.7 years. In contrast, **Greencore** reduced the life expectancy for a male aged 65 by 1.0 years.

An increase in the assumed life expectancy will result in an increase in the value of the liabilities. An increase of 1 year will broadly lead to an increase of approximately 3% in companies' disclosed pension liabilities.

Future improvements in life expectancy

As well as setting assumptions to estimate how long current pensioners will live on average, companies must also decide how quickly life expectancies for future pensioners will increase as a result of improvements in mortality.

Allowing for future improvements will increase pension scheme liabilities and, as a result, deficits on the balance sheet. The majority of companies analysed disclosed sufficient information in their accounts to determine the allowance they were making for future improvements in mortality.

On average, the companies analysed are assuming that, over the next 20 years, the life expectancy of male retirees will increase by approximately 2.0 years. This has decreased slightly from the assumptions made by the companies in 2020.

Long term inflation

While there are some uncertainties when setting the inflation assumption and a number of approaches are available, the average inflation assumption disclosed by companies reporting at 31 December 2021 was 2.0% (1.3% at 31 December 2020).

> *The recent rise in bond yields have put the option of bulk annuity purchase of pensioner liabilities firmly back on the table. Many schemes are now carrying out a feasibility study on the potential benefits of transferring pensioner liabilities to an insurance company.*
>
> *John Lynch*
> *Partner*

Appendices

Appendix 1 - Methodology used
Appendix 2 - Companies analysed

Appendix 1 - Methodology used

This briefing analyses 8 of the largest companies on the Euronext Dublin stock exchange with defined benefit pension arrangements. Company size has been determined by the weighting on the Euronext Dublin stock exchange benchmark index at 31 December 2021. The briefing also analyses the most significant state owned/controlled companies/bodies (where accounts were available) and five public companies that are listed on other exchanges but who operate significant defined benefit pension schemes in Ireland (C&C Group, DCC, Grafton and Greencore). We have excluded from our survey companies who had no evidence of significant defined benefit provision.

The 2021 figures are as at the end of the company accounting periods ending in 2021. The 2020 figures are as at the start of the accounting period. Some companies' 2020 figures may have been restated. All figures shown were taken from pensions accounting disclosures.

The assumptions for the discount rate and price inflation refer to those disclosed for the companies' main Irish or Eurozone schemes where available.

We have converted the figures provided in pounds sterling in the DCC, Diageo, Grafton and Greencore accounts using the Euro conversion rate applicable at each company's year-end.

The pension figures relate to the worldwide position of each company (not just their Irish pension schemes) but exclude healthcare and defined contribution pension arrangements where possible. Asset allocations are based on Irish or Eurozone schemes where disclosed.

The surplus/(deficit) figures are before allowing for deferred tax.

The source of market capitalisation figures is the Euronext Dublin and London Stock Exchange weightings as at the companies' year-ends.

All figures shown have been calculated using unrounded numbers. Therefore, some metrics shown may differ from those calculated using the rounded figures.

Appendix 2 - Companies analysed

This table shows the companies included in our analysis.

Irish Companies

Company	Year-end
Aryzta	Jul
Bank of Ireland	Dec
C&C Group	Feb
CRH	Dec
DCC	Mar
Diageo	Jun
Glanbia	Dec
Grafton	Dec
Greencore	Sep
Irish Continental Group	Dec
Kerry Group	Dec
Kingspan	Dec
Smurfit Kappa	Dec

Irish State-controlled Bodies

State-controlled Body	Year-end
AIB	Dec
An Post	Dec
Bord na Móna	Mar
Central Bank of Ireland	Dec
CIÉ	Dec
Coillte	Dec
Ervia	Dec
Irish Aviation Authority	Dec
NTMA	Dec
Ornua	Dec
VHI	Dec

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