

The treatment of employer pension schemes and other defined benefit pension schemes

Summary conclusion

Questions: Paper SNA/M1.06/03.1;

1. Does the AEG agree that:
 - (a) Liabilities/assets and associated economic flows of all pension schemes should be recognized in the core accounts of 1993 SNA?
 - (b) Accumulated benefits and related economic flows for all defined benefit schemes should be calculated using actuarial methods?
 - (c) Output should be calculated for non-autonomous schemes on a cost basis, and cost attributed to the beneficiaries (i.e. household sector)?
 - (d) Expected holding gains and losses can be used in order to explain the service charge imposed by autonomous pension schemes?

Outcomes

- (a) There was strong support within the AEG for the recommendation by the Task Force on Employers' Retirement Schemes to recognise the liabilities involved with all employer pension schemes, including unfunded ones, and any associated assets and transactions.

The AEG saw that there are problems for several countries in drawing a distinction between pension schemes for government employees and social security schemes.

The AEG felt it necessary to develop criteria that would distinguish between the several types of schemes. Possible criteria, among others, could be the employer/employee relationship or the nature of the liability (e.g. whether it is a contingent or an actual liability).

The ISWGNA will explore alternatives for developing criteria.

The AEG noted the possibility, until such criteria are developed, of countries not including the liabilities for pensions of government employees in the core accounts but of including them together with the liabilities for social security schemes in supplementary accounts.

The AEG also supported the possibility of including supplementary accounts for social security schemes.

- (b) The AEG agreed with this recommendation, but with the understanding that, in some circumstances, related economic flows need not be calculated on an actuarial basis.

- (c) The AEG agreed that this statement should be modified by adding the words “In principle” at the start.
- (d) The consensus within the AEG was to accept this recommendation but acknowledging that it may have to be revisited following discussions on other aspects of the System associated with holding gains and losses.

Questions: SNA/M1.06/03.2

2. Does the AEG:
- (a) agree to add a specific recommendation in the SNA recognizing as pension liabilities those pension obligations that are exchanged in an explicit transaction between two units, even if the SNA does not record specifically pension liabilities for one or several of these units?
 - (b) support that the definition of social security pension schemes mentions the existence of “collective multi-employer schemes” and of “funded social security schemes”?
 - (c) confirm that all unfunded collective multi-employer schemes are to be treated as current transfer schemes?
 - (d) support to treat as saving schemes all funded schemes, even if organised as a part of social security?
 - (e) support that government pension schemes for its own employees should always be shown as an employer scheme (saving scheme) even if the scheme is labelled or organised under a more general social security scheme?

Outcomes

- (a) The AEG agreed that, when the obligation to pay pensions passes from one unit to another, this should be recorded as a transaction in pension liabilities even if neither unit has previously recorded them.
- (b) The AEG did not support this proposal. The consensus was that it is necessary to look at the economic substance behind schemes rather than the way they are labelled. There was general concern about using criteria based on distinguishing the status of schemes depending on whether they are funded or unfunded.
- (c) The AEG did not support this proposal for the same reasons as for question (b).
- (d) The AEG did not support using only “funded” as a suitable criterion in this context. A liability should be recorded for schemes where the benefits are related to the contributions even though the schemes may be described as social security schemes.
- (e) The AEG recommended the ISWGNA should investigate the criteria for identifying such schemes and report back to the AEG with a proposal outlining the most appropriate approach (see the first question of paper 06/09.1).