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Mr. Werner Bier
Deputy Director General Statistics
European Central Bank
Kaiserstrasse 29
D-60311 Frankfurt am Main
Germany

Dear Werner,

Thank you for your letter of July 28, responding to the invitation to comment on the recommendations made by the Advisory Experts Group (AEG) at the meeting in Frankfurt. In hosting the AEG meeting earlier this year and in the other ways that you mention, the European Central Bank (ECB) has made an important contribution to the ongoing update of the manuals in macroeconomic statistics. Thank you for your continuing contributions.

My colleagues on the Inter-secretariat Working Group on National Accounts (ISWGNA) and I note the ECB's expression of general support for the provisional recommendations made at the Frankfurt meeting. We also note your comments on two points, on employer pension schemes and subsectorization of the financial corporations sector.

It is with respect to the comment on pension schemes that I am responding at this time. The ISWGNA believes that it is important to share with you its view that the principles you outline on a way forward are very promising.

As we understand your principles, a key feature is that the updated SNA would include a supplementary table on pensions that countries would be requested to fill in. This table would show all flows and stocks of the pension entitlements of all pension schemes, both those recorded in the core accounts and those not included in the core accounts. Such a table would make possible cross-country comparisons of financial aspects of pensions while still allowing flexibility about how far the pension promises of the schemes are reflected in the core accounts.

As far as the selection of which schemes should be in the core accounts, you suggest the following:

- The entitlements related to pensions provided by private schemes would be recorded in the core accounts.
- With respect to the pension entitlements related to government-sponsored systems:
 - For funded government-sponsored systems, entitlements would be recorded in the core accounts.

- For unfunded, pay-as-you-go government-sponsored systems that provide basic social safety net type of provision, entitlements would be recorded in the supplementary table but not in the core accounts.
- For unfunded government-sponsored pension schemes for all employees (whether private sector employees or government employees) and for specific government-sponsored pension schemes for government employees, the updated SNA would provide flexibility. Countries could record only some of the entitlements in the core accounts; if they chose to include only some, they would be expected to clearly state for which schemes entitlements are not shown in the core accounts, and to provide the set of criteria used to determine the distinction between schemes where entitlements are shown in the core accounts and schemes where entitlements are recorded only in the supplementary table.

We recognize the difficulties of estimating pension entitlements for government-sponsored systems under the third bullet and agree that some flexibility seems desirable. However, as you suggest, this flexibility should go hand in hand with explanation of the criteria determining why some schemes are excluded from the core accounts. Looking to the longer term, we hope it would be possible to determine a single set of international agreed criteria for inclusion of pension schemes in the core accounts. The long-term SNA research agenda could be a vehicle for such efforts.

The ISWGNA recognizes that the institutional arrangements for pensions in Europe are diverse. I understand that later this month a Eurostat-ECB Task Force will consider whether the principles outlined will provide a basis for progress given this diversity. The ISWGNA hopes this proves to be the case so that we can then take the principles forward for wide consultation.

I would welcome your forwarding this letter to members of the Statistics Committee of the European System of Central Banks. Others you copied in your letter are copied on this letter as well.

Sincerely yours,

Signed

Robert W. Edwards
Director
Statistics Department

cc: Members of the Statistics Committee
Permanent Representative of the ECB at the IMF
Members of the ISWGNA

Mr. Paul Cheung, Director, United Nations Statistics Division, New York, U.S.A.

Ms. Shaida Badiee, Director, Development Data Group, The World Bank,
Washington, D.C., U.S.A.

Mr. Enrico Giovannini, Director, Organisation for Economic Cooperation and
Development, Paris, France

Mr. Hervé Carre, Director-General, Statistical Office of the European Communities
European Center, Luxembourg

Mrs. Carol S. Carson, Project Manager, 1993 SNA Revision Project, U.S.A.

Mrs. Anne Harrison, Editor, 1993 SNA Revision Project, Paris, France

Mr. Ivo Havinga, Chief of the Economic Statistics Branch, United Nations Statistics
Division, New York, U.S.A.–for inclusion on UNSD Web site “Comments on
1993 SNA updating issues”