

	 <b>EUROPEAN CENTRAL BANK</b>
<p>Directorate C: National and European Accounts  <b>Unit C-5: Validation of public accounts</b></p>	<p>EUROPEAN CENTRAL BANK  DIRECTORATE GENERAL STATISTICS</p>

**Task Force on the statistical measurement of the assets and liabilities of pension schemes in general government**

**Possible compromise on the treatment of pension schemes in the updated SNA93**

The following six "basic principles" have been elaborated during collaboration between international bodies and have found widespread support amongst senior statistical staff. The Eurostat/ECB Task Force discussed these principles on 21<sup>st</sup>-22<sup>nd</sup> September 2006 and agreed that they represent a good way forward.

Terminology is important and the Task Force defined the following terms:

*Funded schemes:* Those schemes that finance pension payments by drawing down on segregated and earmarked assets. These schemes can be exactly funded, under-funded or over-funded, depending on the size of the accumulated assets in relation to the pension entitlements.

*Unfunded schemes:* Those schemes that finance current pension payments with the ongoing contributions paid by future pensioners and/or other ongoing revenue such as taxes or transfers; unfunded schemes may hold sizeable assets (for example for liquidity reasons or as buffer funds).

- (i) All employer pension-related flows and stocks, including pension entitlements, provided by schemes where the government has no direct responsibility for paying future pensions are recorded in the core accounts, even if they are unfunded.
- (ii) The updated SNA will include a new standard (supplementary) table on pensions which will become a requirement. In this table, all flows and stocks of all pension schemes will be shown. This table will thus include details of pension flows and stocks that are recorded in the core accounts plus any that are not included in the core accounts, giving a complete view of households' pension entitlements;
- (iii) For the benefit of users of the accounts, all countries will be expected to produce the new standard (supplementary) table. It is suggested that this table would be compulsory for European Union member states through ESA regulation.

*Concerning government sponsored schemes:*

- (iv) Pension entitlements of unfunded, pay-as-you-go government sponsored schemes which provide the basic social safety net type of provision, will be recorded only in the new standard (supplementary) table (but not in the core accounts);
- (v) The recommendation of the updated SNA regarding the recording of unfunded pension schemes sponsored by government for all employees (whether private sector employees or government's own employees) will be flexible. Given the different institutional arrangements in countries, the updated SNA will permit recording only some of these

pension entitlements in the core accounts. However, it will be a requirement that the rationale and criteria be provided to explain the distinction between those schemes whose entitlements are carried forward to the core accounts and those for which they are recorded only in the new standard (supplementary) table. Providing a set of internationally recognized criteria for this distinction should be on the SNA research agenda, and will also be considered during the update of the ESA;

- (vi) Pension entitlements of funded systems sponsored by the government will be recorded in the core accounts.