

Social Insurance Pension Schemes Database

Definitions

- **Defined contributions**

In a defined contribution (DC) scheme, the benefits payable to an employee on retirement are defined exclusively in terms of the level of the funds built up from the contributions made over the employee's working life and the increases in value that result from the investment of these funds by the administrator of the scheme. The entire risk of the scheme to provide an adequate income in retirement is thus borne by the employee (see §17.128 of the 2008 SNA).

- **Defined benefits**

In a defined benefit (DB) scheme, the benefits payable to an employee on retirement are determined by the use of a formula, either independently or in combination with a guaranteed minimum amount payable. In this case, the risk of the scheme to provide an adequate income in retirement is borne either by the employer or is shared between the employer and the employee (see §17.129 of the 2008 SNA).

- **Pension manager**

This concerns the entity that is responsible for managing the scheme, i.e. that is determining the terms of the scheme and bearing the ultimate responsibility for the entitlements (i.e. bearing the responsibility for any shortfall in the funds to meet the entitlements and having the right to any excess funds). In relation to the latter role, the pension manager is also often referred to as 'pension sponsor'. Please note that in the central framework of the national accounts, pension liabilities are not classified according to sector classification of the pension manager, but based on the classification of the pension administrator.

- **Pension Administrator**

The pension administrator is the entity that is responsible for the day-to-day administration of the pension scheme. In the central framework of the national accounts, pension liabilities are recorded according to the sector classification of the pension administrator. In some cases, the same unit may carry out both functions of pension manager and pension administrator, but in some cases this may be performed by two different units. In the latter case, the administrator is a financial corporation. Although this distinction may be relevant for all schemes, in the table this distinction is only made for defined benefit pension schemes managed by the general government. Within this group schemes administered by an autonomous pension fund which are classified in the financial corporations sector (column E) are to be distinguished from those administered by, and classified in, the government sector (column F).

Understanding the columns and rows of the table

The table distinguishes pension schemes (the columns of the table) by five criteria:

- by type of recording: positions and flows of pension schemes recorded in the central framework of the national accounts (columns A,B,C,D,E,F), and positions and flows of pension schemes recorded only in the table on social insurance pension schemes (columns G and H);
- by type of pension manager: schemes managed by non-general government (columns A,B,C) and by general government (columns D,E,F,G,H);
- by type of benefit formula: defined contribution schemes (columns A and D), and defined benefit schemes (columns B and E,F,G,H);
- by type of administrator (for government sponsored defined benefit schemes): schemes administered by an autonomous pension fund (column E) or by general government (column F);
- by type of pension scheme (for government sponsored defined benefit schemes): employment-related schemes (columns E,F,G) and social security pension schemes (column H).

The rows in the Table on social insurance pension schemes contain a full reconciliation between the opening stock of pension liabilities and entitlements at the beginning of a period, and the closing stock at the end of a period. Also please refer to the guidelines as available under “further reading”.

- **Rows 1 and 10: Pension liabilities (and entitlements)**

Row 1 illustrates the opening stock of pension liabilities (for columns A,B,C,D,E,F,G,H,I) and entitlements (for columns J,K,L,M), which is identical to the closing stock of the previous year. The corresponding closing stock of pension liabilities and entitlements at the end of the relevant period is presented in row 10.

- **Rows 2.1 and 2.3: Actual social contributions**

Employer and household actual social contributions are recorded in respectively rows 2.1 and 2.3. Note that all these contributions are recorded in the central framework of the national accounts, including those for columns G and H. For these latter columns these are the only entries, together with the information recorded in row 4, that appear in the central framework.

- **Row 2.2: Employer imputed social contributions**

In some cases imputations are made to account for part of the social contribution to be paid by the employer. For defined contribution schemes this is only the case when the employer operates the pension scheme himself.

For defined benefit pension schemes, employer imputed social contributions are generally measured as a residual. In addition to this residual amount, row 2.2 also covers so-called ‘experience effects’ where the observed outcome of pension modelling assumptions, such as with regard to wage growth, the inflation rate and the discount rate, differs from the levels assumed (see for more information §17.136 of the ESA 2010). In the table, imputed social contributions derived in this way apply to all defined benefit schemes, including the ‘intertwined’ pension schemes as included in column G. Please note, however, that it does not apply to social security schemes. All ‘other’ changes in pension entitlements in social security pension schemes should be reflected in row 3 (see below).

- Row 2.4: Household social contribution supplements**

Row 2.4 relates to the property income earned, or imputed, on the stock of pension entitlements during the accounting period. In the national accounts, this income is treated as being received by the policyholders and paid back into the pension scheme via social contribution supplements. The calculation of the amount differs between defined contributions and defined benefit schemes. (for further information, please refer to the guidelines under further reading).
- Row 2.5: Less: Pension scheme service charge**

Set against the social contributions is the service fee charged by the unit administering the pension scheme. This may be an explicit or an implicit charge and is treated as being paid by households as part of their final consumption expenditure. It should be deducted from the contributions paid to arrive at the net social contributions. It is presented as a separate item in the table, but in some cases it may already have been reflected in lower values of the social contributions recorded in rows 2.1 to 2.4. In the latter case, the row can be left empty.
- Rows 3: Other (actuarial) changes of pension entitlements in social security pension schemes**

For defined benefit pension schemes (including the ‘intertwined’ schemes in column G) the difference between the increase in pension entitlements from current service plus the cost of operating the scheme on the one hand, and the actual social contributions on the other hand, is recorded as employer imputed social contributions (see row 2.2). An item calculated on the same basis is shown in row 3 as “other (actuarial) accumulation of pension entitlements in social security funds” for social security pension schemes. In correspondence with the recording of row 2.2 for defined benefit schemes, row 3 also includes so-called ‘experience effects’ with regard to social security pension liabilities. These occur when the observed outcome of pension modelling assumptions (with regard to wage growth, discount rate, etc.) for social security pensions differs from the levels assumed in the previous estimation (see also row 2.2).
- Row 4: Reduction in pension entitlements due to payment of pension benefits**

Row 4 comprises the pension benefits that are paid out during the recording period. The payment of pension benefits has the effect of ‘settling’ some of the liabilities/entitlements included in the opening stock in Row 1 and is therefore reflected as a reduction in the liabilities/entitlements.
- Row 5: Change in pension entitlements due to social contributions and pension benefits**

Row 5 shows the changes to pension entitlements due to net (actual and imputed) social contributions and pension benefits. It is equal to the sum of rows 2 and 3 minus row 4.
- Row 6: Transfers of pension entitlements between schemes**

Row 6 records any transfers of pension liabilities from one scheme to another, which may for example occur when employees change jobs.
- Row 7: Change in entitlements due to negotiated changes in scheme structure**

In response to demographic and economic changes, pension managers may decide to reform their pension schemes. This may for example involve a change of the retirement age, the indexation rule or the benefit formula. Some of these reforms may affect the current pension liabilities and should therefore be reflected as a change of the

liabilities/entitlements. Changes to pension entitlements that are imposed without negotiation are recorded as “other changes in the volume of assets” (included in row 9).

- **Row 8: Changes in entitlements due to revaluations**

Row 8 shows changes in pension liabilities due to revaluations. For defined contribution schemes these correspond to the holding gains and losses on the assets held by the scheme to meet the obligations (see §17.142 of the 2008 SNA). For defined benefit schemes these relate to changes to the key model assumptions in the actuarial calculations. These assumptions concern the discount rate, the wage rate and, if used in the model, the inflation rate. Please note that it does not include changes related to alterations in demographic assumptions. These should be reflected in row 9 (see below).

- **Row 9: Changes in entitlements due to other changes in volume**

Row 9 shows the changes in pension liabilities due to other changes in volume. This for example relates to changes in demographic assumptions used in the actuarial calculations or to changes in the retirement patterns, as long as they do not derive from negotiated reforms or legislative reforms approved by parliament (in that case, they should be recorded under row 7). Furthermore, it includes changes in the general framework of the actuarial model applied to improve the accuracy of the results.

- **Row 11: Assets held by schemes at end-year**

Row 11 covers the amount of assets, both financial and non-financial, held by the pension scheme at the end of the recording period. In relation to row 10, this provides information on the level of funding of the schemes. The amount of assets will largely depend on the type of scheme. For defined contribution schemes, the amount of assets will be equal to the amount of pension liabilities (except for any own assets and for liabilities other than pension liabilities), whereas for defined benefit schemes it will depend on whether the scheme is setup as a funded scheme (in which the contributions receivable in a period are used to accumulate assets to fund the future benefits of the contributors) or as a pay-as-you-go scheme (in which the contributions receivable in a period are used to fund the benefits payable in the same period).