PENSION SCHEMES ELECTRONIC DISCUSSION GROUP
STRAW POLL QUESTIONNAIRE—RESULTS

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I. Executive Summary

1. On September 17, 2003 the Moderator circulated a Straw Poll Questionnaire (SPQ) to the contributors of the Electronic Discussion Group (EDG) on pensions[1] and to other EDG members and experts. To date 35 responses have been returned. The SPQ was designed to explore in a more comprehensive way the opinion of EDG contributors who had hitherto generally expressed opinions on a narrower list of items, in order to help prepare a presentation at the OECD (October 7, 2003—see "notes" of the Moderator, posted on the EDG) and to allow for a perceived acceleration of the SNA Review process.

2. The responses indicate broad support for a revision of employer pension schemes recording, including:

a) A quasi unanimous support for recognizing pension obligations of unfunded employer schemes as liabilities.

b) A broad support for allocating the pension net assets (autonomous defined benefit schemes) to the sponsor (the employer) and for changing the recording of flows for funded employer schemes—switching from an actual basis to an actuarial basis (employer social contributions and property income receivable by households).

However, although many tend to favor abandoning the current SNA dual recording of (funded) pensions, a substantial and vocal minority opposes the view.

3. The responses show a diversity of opinion concerning the type of flows being impacted for specific events (such as: change in benefit structure, change in life expectancy hypothesis, COLA adjustments and granting of additional rights), as well as for the recording of transfers of pension rights/entitlements. This calls for an in-depth review of the SNA recording of such events at the occasion of the SNA Review, and for recommending more detailed guidance.

4. The SPQ shows that respondents are rather divided on their understanding of what "funded" and "segregated reserves" mean in *1993 SNA*.

5. The responses show differences in opinion regarding the recognition of pension obligations of social security schemes as a liability.

6. The responses show differences in opinion regarding the classification of schemes and the delineation of social insurance.

[1] http://www.imf.org/external/np/sta/ueps/index.htm

II. Background to the Questionnaire

7. On September 17, 2003 the Moderator sent the SPQ to the 26 contributors of the EDG. The SPQ was circulated to other EDG members as well as to other experts, including within the Statistics Department of the IMF.

8. The reason for circulating the SPQ at this juncture was the observation that:
   a) The on-going Review process of the *1993 SNA* would probably require preliminary findings of the various established Electronic Discussion Groups sooner than initially anticipated, with the view to send "recommendations" sufficiently early to the Advisory Expert Group (AEG). The AEG was recently created to assist the ISWGNA during the process.
   b) The EDG would benefit from a more comprehensive exchange of views between EDG members, commenting on each other. So far, contributions had tended to focus on one aspect or the other of the large pension field. The width of the field made it unlikely that quick results be achieved. The SPQ was conceived as a way to allow contributors and other interested parties to express their views on the entire field, but in a quick and synthesized way.
   c) There was a need to obtain a more systematic idea of the existing consensus on the main EDG issues, to allow the Moderator to make a presentation at the OECD National Accounts Expert Group meeting on October 7, 2003 (see the "notes" taken by the Moderator, also posted on the EDG).

9. To ensure rapidity, the SPQ questions were designed to be "closed" questions and were often cross-referenced to the Interim Report, as posted on the EDG. Further elaboration in writing by respondents, under the relevant box, was welcome. Respondents were also encouraged to use the SPQ flexibly: by passing difficult or "incomprehensible" questions, or by providing more than one answer to questions with multiple solutions.

10. The SPQ was rather detailed, encompassing 95 elementary questions grouped into 21 main questions further grouped into six topics: employer insurance (28 elementary questions), terminology (12), defined-contribution versus defined benefit schemes (6), social security schemes (32), social insurance (11) and other (6).

11. Responses to the SPQ were to be treated confidential and were conceived to be experts' opinion rather than views of institutions. The SPQ questions had been quickly written, and were not without default. Comments and suggestions for future changes were welcome.

12. The Moderator received 35 answers. The respondents are listed in the Appendix I. The aggregated results to the SPQ are shown in the Appendix II; for confidentiality reasons, an "e" indicates where less than three respondents selected the item in question. Most received written comments are edited and regrouped, under each question, in the Appendix III.

III. RESULTS

*The results to the individual questions appear in brackets. As an example: Q.1.1—23*9*3 indicates that for question 1.1, there were 23 responses for "strongly support", 9 for "somewhat support" and 3 for "do no support". Readers can also refer to the Appendix II.*

Employer insurance

13. The Respondents overwhelmingly support recognition of unfunded schemes' pension obligations as liabilities [Q.1.1—23*9*3]. Amongst reasons for support: the funded/unfunded delineation is irrelevant [Q.1.2.3—16*8*4], accounting (or actuarial) information would be available [Q.1.2.1—17*14*e], the claim would be financially solid [Q.1.2.2—13*16*e] and the fiscal accounts would gain in transparency [Q.1.2.4—12*14*3]. Respondents reject the notion that the deterioration of public accounts, that such a recognition would entail, should be considered for decision [Q.1.2.6—e*5*18]. Interestingly, respondents tend not to put a substantial weight on improving the recording of transfers of pension rights in SNA [Q.1.2.5—6*10*11] (see also below).

14. The question on financial solidity may have lacked clarity. It could refer either to the economic solidity or to the legal solidity, a distinction that should be made in the future (see next paragraph).

15. Respondents are rather divided as to whether there is a need for pension obligations to have a legal character. A majority believes this is what the current SNA entails [Q.2.1—14*7], although there is a non-negligible opposing minority and many non-respondents. A majority believes this should not be the case any more in a reviewed SNA [Q.2.1—12*18]. In particular, a clear majority supports the extension of the economic asset boundary to encompass "constructive obligations" for pensions [Q.2.2—11*13*6].

16. A very large majority strongly or somewhat supports a change in the way defined benefit schemes ought to be recorded, if obligations of unfunded schemes are recognized [Q.3.0—16*4*4]. There is support for allocating the net assets of the autonomous scheme to the sponsor (the employer) [Q.3.1—17*13*3] and using actuarial amounts for recording employer contribution [Q.3.2—18*9*4] as well as property income payable to households [Q.3.3—19*9*4]. A majority would accept that, hence, such schemes would generate saving [Q.3.4—18*10]. In case schemes' net savings would be maintained at zero, the adjustment for the net property income would be imputed according to some on the sponsor (8 responses), and to others on the scheme's assets (5 responses). Respondents are divided as to whether the net position of the sponsor against the scheme, now recognized as a financial instrument, should give rise to property income or not [Q.3.5.1—11*10]; if yes, this ought to be on the basis on the discount rate used by the actuary (for 9 respondents).

17. The respondents are much more divided on the recording of specific events that impact the actuarial value of defined benefits obligations. On average only 6 respondents abstain from answering (29 responses out of 35), showing noticeable interest for these questions.

However, the questions did not specify whether they related to the current SNA or the reviewed SNA, which makes the interpretation of answers more difficult.

a) The granting of additional rights (i.e. additional pension entitlements) [Q.3B.1] is predominantly viewed as a transaction (20) but some consider it an Other change in volume (OCV) (8).
b) Opinions are more divided on the recording of the change in benefit structure [Q.3B.4]: 14 consider it an OCV, 12 a transaction and 4 a revaluation.
c) Changes in life expectancy hypothesis [Q.3B.3] are viewed predominantly as an OCV by 17, as a transaction by 7 and a revaluation by 5.
d) Cost of living adjustments (COLA) [Q.3B.2] are considered a revaluation by 14, a transaction by 11 and an OCV by 3.

18. A majority supports extending output recording for nonautonomous funds [Q.4.2.1—10*9*10] or even, but less so, for unfunded schemes [Q.4.2.2—9*7*12], although a substantial opposition remains.

19. A small majority opposes including holding gains and losses in the measurement of income, but a substantial minority would agree or somewhat agree [Q.4.3—15*e*4*7].

20. On the dual recording, a slight majority proposes dropping it, while a substantial minority opposes [Q.5.1—12*7*11]. Opponents provide particularly powerful comments (see Appendix III). Respondents massively recommend the provision of additional information to allow bridging data between various systems with and without dual recording, in case the dual recording is maintained [Q.5.2—18*9*e].

Terminology, defined contribution versus defined benefit

21. Respondents are rather divided as to the meaning of "funded", that is of "segregated reserves", in the current SNA (and even more so in a reviewed SNA) [Q.6.1]. 9 respondents (8 in a reviewed SNA) consider that "funded" refers to the existence of scheme's (economic) assets, 5 (7) consider that it refers to the existence of liability entries in the balance sheet of the scheme's own account, and 11 (12) consider that it is both. The latter option was not satisfactorily crafted, as "both" could have meant "either/or" or, alternatively, "and simultaneously".

22. Respondents are divided as to the meaning of "segregated" [Q.6.2]: legal, administrative or accounting. The question was not properly crafted as some answers may not be exclusive. Some respondents chose to select more than one response (which were counted as full responses rather than being pro-rated: the potential total responses were therefore 105=35*3). Those who selected accounting segregation was as numerous as those who selected legal segregation (16) in the current SNA, while the former took a net advantage in a reviewed SNA (22 to 14). Few agreed that administrative segregation was sufficient.

23. Respondents massively supported the view that overfunded (underfunded) does mean in SNA an excess (shortage) of the market value of assets over the actuarial value of liabilities

[Q.6B.1.1—22*e], or should mean that in a reviewed SNA [Q.6B.1.2—27*e]. A large majority agreed that underfunded had a different meaning than partially funded [Q.6B.2—25*7]. "Partially funded" would mean cases where contributions are calculated in a way that the scheme is structurally underfunded [Q.6B.3—20*6].

24. Respondents have mixed feelings regarding the importance of the financial solidity, by reference to schemes invested in the liabilities of the sponsor. This is considered important, but many "somewhat agree" only [Q.7.0—14*10*5]. Respondents tend not to support distinguishing civil servants (employer) schemes from non civil servant employer schemes in the current SNA, and all the more so in the future SNA [Q.7.1.1—13*5*3 and Q.7.1.2—18*10*e].

25. Respondents overwhelmingly read SNA 4.98 as meaning that schemes invested in the liabilities of the sponsor are non-autonomous funds rather than unfunded [Q.7.2—20*e].

26. Respondents have mixed feelings regarding the defined contribution versus defined benefit plans delineation. This delineation is considered important, but many "somewhat agree" only [Q.8.1—20*9*4]. Respondents overwhelmingly indicated that a scheme where benefits will be paid out of the accumulated contributions with their investment restricted to government assets, is and should remain classified as defined contribution in SNA [Q.8.2.1—20*e and 26*e]. The question may have been misleading as the question was originally meant to cover schemes invested in sponsors' assets (i.e. here: civil servants' schemes). Notional defined contribution (NDC) schemes are considered mainly as defined contribution, although a noticeable number of respondents disagree and view those as defined benefit in the current SNA or the revised SNA [Q.8.2.2—14*7 and 17*9, respectively]. The question may have been misleading, as footnote 30 erroneously referred to PAYG schemes, which can hardly be defined contribution at all[2].

27. Respondents upheld the SNA implicit view that "defined contribution schemes are always funded" (SNA 13.88), although some have doubts [Q.9—18*8*7].

Social security schemes

28. Respondents tend to be open to the idea of recognizing pension obligations of social security as liabilities, although there is a noticeable opposition [Q.10.1—12*13*6]. The recognition on balance sheet of social policy obligations by the accounting community (IFAC PSC) would be an important, but not decisive, factor [Q.10.2—5*21*3].

29. The existence of accounting or actuarial information on those obligations is often viewed as an important consideration [Q.11.1—14*10*4] particularly by proponents of

[2] Otherwise contribution rates for each year would depend on the benefits payable during the period, themselves being established by a fixed formula. This would seem an implausible arrangement (as inherently unstable).

recognition. Other reasons are more balanced: presence or absence of legal claims [Q.11.2—8*13*7], the ability of government to change benefits at will [Q.11.3—7*15*4] or the improvement of fiscal transparency [Q.11.7—8*11*6] are areas rather systematically outlined by opponents of recognition, as being important, important and unimportant, respectively.

30. Interestingly, the difficulty in practice for government to change benefits finds no very strong support in general [Q.11.4—e*13*9], and, predictably, none by opponents to recognition. In addition, respondents do not consider that the argument that liability recognition would be tantamount to recognizing future taxes [Q.11.6—e*7*17] is important (presumably because this is not tantamount to that), even amongst opponents to recognition. Similarly the problem of extending liability recognition to other social risks does not appear as driving answers [Q.11.5—4*14*9], including amongst opponents to liability recognition. The question of the improvement of the recording of transfers of pension rights appears not to be a very important consideration overall [Q.11.8—3*7*14]. Overwhelmingly, the deterioration of fiscal accounts in case of liability recognition is not viewed as an important consideration for decision [Q.11.9—e*e*18].

31. Respondents are divided as to whether an arrangement where individuals invest their contributions via independent money-managers could be viewed as social security or not: 6 answer it can, 8 it can in rare circumstances, and 9 it cannot [Q.12]. In addition, [Q.13.1] arrangements covering a large part of the population, imposed and controlled by government, and where individuals hold notional accounts are nonetheless widely seen as social security schemes in current SNA (23 to e) or in a reviewed SNA (23 to 3). In such arrangements (when classified as social security), respondents overwhelmingly recognize [Q.13.2] no liability in current SNA (19 to e) but would recognize a liability in a reviewed SNA in the form of insurance technical reserves (20 to 5).

32. For the definition of social security schemes [Q.14.1], respondents feel the criteria of collective (22*5*e) and of coverage (large section of the community—20*10*e) are particularly important as well as the criteria of control (22*6*3) and, slightly less so, of imposed (18*7*5). The criterion of financed is not seen as important (7*4*16), as it is perceived by many as somewhat a circular criterion [Q.14.4—6*17*4].

33. Respondents are divided as to whether "imposed" means necessarily compulsory (12) or not (15)[Q.14.2]. Respondents define control as meaning necessarily [Q.14.3] control of contributions (25*e) and of benefits (26*3) but not necessarily of assets (11*18). Respondents tend not to agree that control of contributions and of assets gives automatically control of benefits [Q.14.3.1—21*8].

34. Respondents tend to consider that the "recognition bonds", issued by some governments in the context of pension reform, are economic assets, but more certainly so in a reviewed SNA [Q.15.1.2—14*15*e] than in the current SNA [Q.15.1.1—5*17*e]. The economic asset character is established because of the recognition in accounting [Q.15.2.1—22*8*e] rather than by the fact that the entity bears "interest" [Q.15.2.2—3*7*16] or is tradable [Q.15.2.3—

e*5*18]. The two last results appear astonishing and may reflect an incomprehension of a question that was probably insufficiently well drafted: interest bearing and tradability seem sufficient conditions for economic assets but are by no mean necessary conditions (see also comments in Appendix III).

Social insurance

35. Respondents overwhelmingly feel the social insurance boundary requires revisiting (27*e), but are divided as to the extent, 15 preferring marginal changes only (Q.16.0). The notion of social insurance should not be dropped [Q.16.1—25*e] and its coverage kept roughly unchanged (15) though 7 favor extending it and 4 reducing it (Q.16.2).

36. Respondents are divided as to whether defined contribution pension schemes ought to be excluded of social insurance (12) or kept included (15) (Q.16.3). They are divided as to the usefulness of floating a second concept or not [Q.16.3.0—11*10], such as social protection, which would allow encompassing social assistance [Q16.3.1—13*e] but not necessarily private insurance [Q.16.3.2—9 against 7 in favor].

37. Social insurance is viewed as necessarily collective [Q.16.4.1—16*9*e], targeting a social risk [Q.16.4.2—18*9*e] and compulsory, but to a lesser extent [Q.16.4.3—13*5*7]. Respondents are divided regarding the need for such schemes to be redistributive [Q.16.4.4—6*9*11].

Other issues

38. Only half of the respondents provided answers regarding the recording of the transfer of pension rights (entitlements), an area where the SNA has to improve substantially. The questions were also not completely clear, as they may be referring to the current SNA or to views on a reviewed SNA. Respondents are considerably divided. There seems to be a preference for the financial transaction recording (in insurance technical reserves) in case one employer scheme is involved at least (funded or unfunded), although the option of Other Change in Volume also attracts interest. The solution of a transfer (current or capital) does not gather much support. The solution of booking the liquidation of rights as a benefit followed by a social contribution attracts interest in the case of transfers of rights in between social security schemes.

	Financial transaction	OCV	transfer	Benefit and contribution
Q.17.1 between funded and unfunded employer schemes	10	8	e	3
Q.17.2 between a funded employer scheme and a social security/assistance scheme	7	7	3	e
Q.17.3 between an unfunded employer scheme and a social security/assistance scheme	6	3	4	e
Q.17.4 between social security/assistance schemes	3	5	4	6
Total of answers	26	23	11	9

39. Respondents support treating the transfer of rights for individuals identically as the transfer of whole schemes, although a minority suggests treating those differently [Q.18—17 *6]. See also comments in Appendix III.

40. Overwhelmingly, respondents consider that when SNA indicates that the employer social contributions of unfunded schemes are measured using an actuarial techniques, this supposes measuring discounted future flows rather than undiscounted flows or another method [Q.19—20*e*e].

APPENDIX 1—LIST OF RESPONDENTS TO THE MODERATOR STRAW POLL QUESTIONNAIRE

Ascoli, Luca (Eurostat B.4)	
Barbeau, Richard (Statistical Institute of Québec—Canada)	
Bergman, Bo (Statistics Sweden)	
Besnard, Denis (Eurostat B.4)	
Borges, Paula (Eurostat B.4)	
Borowski, Remigiusz (Ministry of Economy, Labor and Social Policy—Poland)	
Donaghue, Brian (Consultant)	EDG Contributor
Durand, Rene (Industry Canada)	
Golland, Jeff (Consultant—ECB)	
Gruber, Betty (IMF—Statistics Department)	
Hagino, Satoru (IMF—Statistics Department)	
Harper, Peter (Australian Bureau of Statistics)	EDG Contributor
Harrison, Anne (OECD)	EDG Contributor
Johnson, Tony (Australian Bureau of Statistics)	
Kucera, Jaroslav (IMF—Statistics Department)	
Macario, Carla (IMF—WHM)	
Mantcheva, Maria (IMF—Statistics Department)	
Marie, Vincent (IMF—Statistics Department)	
Merris, Randall C. (IMF—Statistics Department)	
Nagayasu, Jun (IMF—Statistics Department)	
O'Connor, Kevin (Consultant)	
O'Hagan, Patrick – Statistics Canada	EDG Contributor
Olley, Heather (Australian Bureau of Statistics)	
Pitzer, John (Consultant)	EDG Contributor
Pritchett, David (IMF)	EDG Contributor
Rivas, Lisbeth (IMF—Statistics Department)	
Rother, Philipp (Directorate general Economics—ECB)	
de Rougemont, Philippe, Moderator (IMF—Statistics Department)	EDG Contributor
Semeraro, Gabriele (Banca d'Italia)	
Steurer, Anton (Eurostat)	EDG Contributor
Tanase, Florina (IMF—Statistics Department)	
Vebrova, Ludmila (Statistical office—Czech Republic)	
de Vries, Gabe H. (Consultant)	EDG Contributor
Walton, John (Consultant)	EDG Contributor
Yermo, Juan (OECD)	EDG Contributor

APPENDIX 2— RESULTS OF THE MODERATOR STRAW POLL QUESTIONNAIRE (9.17.2003)

Questions relate both to your interpretation of the (current) 1993 SNA, and your preferences for a reviewed SNA. Cross-references to the Draft 1 of the Interim Report of the Moderator (as posted on the EDG on August 25, 2003) are indicated in parenthesis: as an example,* (1.IR-101) *indicates its 101th paragraph.

Employer insurance [3](1.IR-101 to 111)

Q.1 The *Government Finance Statistics Manual (GFSM 2001)* recognizes employer unfunded schemes' obligations as liabilities (as if funded), in contrast to SNA.
Q.1.1 In a reviewed SNA, do you support recognizing employer unfunded schemes' obligations as liabilities (as if funded)? (1.IR-101)

23 Strongly support   9 Somewhat support   3 Do not support

Q.1.2 Select below the elements that are main, important, or unimportant considerations for your answer to Q.1.1 (for or against obligation recognition) ? (1.IR-101)[4]

	Main	Important	Not Important
Q.1.2.1 Existence of accounting (or actuarial) information on the outstanding obligations	*17*	*14*	*e*
Q.1.2.2 Financial solidity of the claim the household (would) have	*13*	*16*	*e*
Q.1.2.3 The funded/unfunded delineation is artificial and promotes inequality of treatment	*16*	*8*	*4*
Q.1.2.4 Recognition would improve statistical transparency of fiscal accounts	*12*	*14*	*3*
Q.1.2.5 Recognition would improve the statistical recording of lump-sums paid and/or received by schemes, when employees transfer their entitlements from one scheme to another	*6*	*10*	*11*
Q.1.2.6 Recognition would deteriorate the public deficit	*e*	*5*	*18*
Q.1.2.7 Other considerations:			

Q.2 Pension obligations are often not legal obligations. Business accounting nonetheless recognizes such obligations on-balance sheet, even when not legal obligations (constructive obligations). (1.IR-34-35)
Q.2.1 Do you think recognition of pension liabilities does/should suppose a legal obligation exists in current/reviewed SNA? (1.IR-102,57)

	Current SNA	Reviewed[5] SNA
Legal obligation necessary	14	12
Legal obligation not necessary	7	18

Q.2.2 Should the definition of "economic asset" be extended in a Reviewed SNA to cover the equivalent of "constructive obligation" (1.IR-102)

11 Strongly support   13 Somewhat support   6 Do not support

Comments:

Q.3 The *1993 SNA* indicates that defined-benefits schemes exhibit a non-zero net worth. Furthermore, in SNA, stocks of pension liabilities are compiled using actuarial estimates while contributions are recorded using actual amounts and property income receivable by policyholders is recorded using

[3] See in particular EDG posting by ABS (1.IR-73), by Lequiller (1.IR-76), by O'Hagan (1.IR-79), Harrison (1.IR-81-82) and her interview (section 3) (1.IR-78).
[4] More than one "main" reason may be selected.
[5] "Reviewed SNA" means in the forthcoming SNA.

property income receivable by the pension fund. This leads to anomalous entries in the Other economic flows. ***(1.IR-54,55)***

Q.3.0 Some advocate that recognizing unfunded pension obligations implies, for consistency reasons, to change the way transactions are recorded for pension funds. (1.IR-103)

16 Strongly agree 4 Somewhat agree 4 Do not agree

Q.3.1 In a reviewed SNA, should the net worth of the scheme be allocated to the sponsor (i.e. the employer)? (1.IR-104,81,70)

17 Strongly support allocation 13 Somewhat support 3 Do not support

Q.3.2 In a reviewed SNA, should employers' contributions to pension funds be measured using actuarial[6] amounts as in GFSM 2001 and business accounting (at least imputing the difference from actual amounts)? (1.IR-111,81)

18 Strongly support 9 Somewhat support 4 Do not support

Q.3.3 In a reviewed SNA, should the property income receivable by policy holders reflect actuarial amounts as in GFSM 2001 and business accounting (= reflect the effect of the passing of time)? (1.IR-105,106,81)

19 Strongly agree 9 Somewhat agree 4 Do not agree

Q.3.4 Assuming the property income receivable by policy holders will reflect actuarial amounts (see Q.3.3) in a reviewed SNA:
Q.3.4.1 Should property income payable by the scheme be allowed to differ from property income receivable by the scheme? *10* No 18 Yes
Q.3.4.2 ***If no in Q.3.4.1****, who should be the counterpart of that difference in property income: the sponsor or the debtor of assets held by the fund/scheme? (1.IR-105,106,81)*

8 Impute on the sponsor 5 Impute on the scheme assets e Other option

Q.3.5 Assuming the net worth of the scheme would be allocated to the sponsor in a reviewed SNA:
Q.3.5.1 Should the created asset/liability be imputed a property income? *10* No 11 Yes
Q.3.5.2 If yes in Q.3.5.1, what would be its basis: using the discount rate applicable, or as in Q.3.4?

9 Using the discount rate e As in Q.3.4.2 (first answer) e Other method

Comments:

Q.3B The ***1993 SNA*** **is not completely explicit about the treatment of changes of the present value of obligations due to various events. The treatment could be income/financial transactions (FIT) or revaluation (REV) or other changes in the volume of assets (OCV) or not considered (NOC). In your view, the following...... should be treated (in the accounts of the pension scheme) as.....:**

Q.3B.1 Granting of additional rights	20 FIT	e REV	8 OCV	e NOC
Q.3B.2 Cost of living adjustment of pensions	11 FIT	14 REV	3 OCV	e NOC
Q.3B.3 Changes in life expectancy assumptions	7 FIT	5 REV	17 OCV	e NOC
Q.3B.4 Changes in benefit structure	12 FIT	4 REV	14 OCV	e NOC

Comments:

[6] Actuarial amounts are the values calculated by actuaries for the stocks of obligations as well as for the interest on those obligations and for the additional entitlements due to work done by employees during the period.

Q.4 In SNA, pension schemes are being allocated an output if they are autonomous pension funds. The formula excludes holding gains and losses. In a Reviewed SNA:

Q.4.1 Is the measure of autonomous pension funds' output satisfactory as it is? (1.IR-58)

7 Fully satisfactory 12 About satisfactory 7 Not satisfactory

Q.4.2 Do you support extending output recording to other pension schemes? (1.IR-109,58)

Q.4.2.1 To non-autonomous pension funds

10 Strongly agree 9 Somewhat agree 10 Do not agree

Q.4.2.2 To unfunded schemes

9 Strongly agree 7 Somewhat agree 12 Do not agree

Q.4.3 It has been suggested holding gains and losses on pension assets be treated as income (1.IR-106)

7 Agree 4 Somewhat agree e Somewhat disagree 15 Disagree

Comments:

Q.5 The *1993 SNA* follows a dual recording for retirement funded schemes: it books flows both as non financial transactions, as well as financial transactions. An adjustment entry (D.8) keeps *net lending / net borrowing* (B.9) balanced.[7] *(1.IR-110,53)*

Q.5.1 In your opinion, should this dual recording kept in a reviewed SNA?

12 Strongly support 7 Somewhat support 11 Do not support

Q.5.2 Where the dual recording is kept, additional information on the elements constituting D.8 should be provided so to allow a bridge with GFSM 2001 government revenue and expense (or in BPM):

18 Strongly support 9 Somewhat support e Do not support

Comments:

Terminology

Q.6 The *1993 SNA* defines funded schemes as those that keep "segregated reserves". In your opinion:[8]

Q.6.1 The interpretation of "reserve" is: the existence of assets held by the scheme, or the existence of liabilities entry in the own accounts of the scheme, or both? (1.IR-43,44,78,91,94)

	Current SNA	Reviewed SNA
Existence of assets	9	8
Existence of a liability entries	5	7
Both	11	12

If other criteria, please explain:

[7] See Lequiller contribution (1.IR-76), ABS paper (1.IR-74), Anne Harrison (1.IR-74)

[8] See Anne Harrison interview (section 3.1) (1.IR-78), Pitzer (1.IR-91), Eurostat (1.IR-94)

Q.6.2 The interpretation of "segregated" refers to: a legal, an administrative, or an accounting delineation.

	Current SNA	Reviewed SNA
Legal	16	14
Administrative	7	4
Accounting	16	22

If other criteria, please explain:

Comments:

Q.6B SNA indicates that pension schemes can be funded or unfunded. It has also been argued that some schemes are "partially funded". In addition, SNA indicates that whilst defined contribution schemes net worth is always zero, defined benefits schemes can be underfunded or overfunded. (1.IR-41,47,123)

Q.6B.1 The terms underfunded/overfunded does indicate or should indicate that the scheme's assets measured at market value are below/above liabilities (actuarial estimates)

Q.6B.1.1 Does indicate *22 Agree* *e Disagree*

Q.6B.1.2 Should indicate *27 Agree* *e Disagree*

Q.6B.2 The term partially funded should have a different meaning than the term underfunded

25 *Agree* *7 Disagree*

Q.6B.2 The term partially funded would mean schemes where contributions are calculated in a way that the scheme is <u>structurally</u> underfunded

20 *Agree* *6 Disagree*

Comments:

Q.7 It is argued that the *1993 SNA* emphasizes the financial solidity of the potential claim by households regarding pension entitlements[9]. (See SNA 4.98) (1.IR-45)

Q.7.0 Do you agree with this view?

14 Strongly agree 10 Somewhat agree 5 Do not agree

Q.7.1 On this basis, a 1993 SNA interpretation or change should clearly distinguish the case of government employer schemes from other private company employer because government obligations are more likely to be fulfilled.

Q.7.1.1 In the Current SNA

3 Strongly support 5 Somewhat support 13Do not support

Q.7.1.2 In a Reviewed SNA

e Strongly support 10 Somewhat support 18 Do not support

Q.7.2 Does SNA 4.98 imply that pension "funds" invested in the liabilities issued by the sponsor are unfunded or simply are not autonomous funds? (1.IR-78,96)

e Unfunded 20 Non-autonomous funds

Comments:

[9] See Anne Harrison interview section 3.2 (1.IR-78)

Defined-contribution versus defined-benefit schemes.[10]

Q.8 The *1993 SNA* distinguishes between defined-contribution and defined-benefit schemes. *(1.IR-41)*

Q.8.1 This distinction is useful and the two categories constitute a partition of pension schemes

20 Strongly support 9 Somewhat support 4 Do not support

Q.8.2 Schemes where benefits (will) derive from contributions invested and managed by a money manager are "defined-contribution", whereas schemes that promise to pay benefits as a % of past (last) salaries and depend on the number of years of service or other indicators are "defined-benefits". <u>However:</u>

Q.8.2.1 Schemes where benefits will be paid only from contributions accumulated in individual accounts but invested in a fund managed by <u>government</u> and invested <u>only</u> in the liabilities of government would/should be viewed in the SNA as: (1.IR-125)

	Current SNA	Reviewed SNA
Defined-contribution	20	26
Defined-benefit	e	e

If necessary, please indicate other considerations:

Q.8.2.2 Schemes where benefits will be paid from individual "notional"[11] accounts and where contributions' return is indexed on GDP, on a price index, or on a government bond yield, would be: (1.IR-125,120)

	Current SNA	Reviewed SNA
Defined-contribution	14	17
Defined-benefit	7	9

If necessary, please indicate other considerations:

<u>Comments:</u>

Q.9 The *1993 SNA* indicates (para 13.88) that contribution-defined are always funded. By reference to question Q.6.1 and Q.8.2 above, do you agree? (1.IR-78)

18 Strongly agree 8 Somewhat agree 7 Do not agree

<u>Comments:</u>

Social security schemes.[12]

Q.10 The *1993 SNA* does not recognize retirement obligations of social security schemes in its balance-sheets. Work is being done in the context of IFAC on the issue (Social Policy Obligation Steering Committee).[13] (1.IR-37)

Q.10.1 Do you support liability recognition for social security schemes in a Reviewed SNA (1.IR-112)***?***

12 Strongly support 13 Somewhat support 6 Do not support

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[10] See Anne Harrison interview section 2 (1.IR-78)

[11] Case of Pay As You Go systems: notional refers to the fact that contributions are not transferred in a segregated fund, but give rise to well determined "contributions-based" entitlements.

[12] The *1993 SNA* distinguishes social security schemes from social assistance schemes on the sole basis of the contributory nature of the former.

[13] See the document by Brian Donaghue (1.IR-72) and Sutcliffe/Hamidi-Ravari (1.IR-93).

Q.10.2 Do you think recognition by the accounting community (work by IFAC PSC on SPO) of a social security/assistance liability would be for your answer to question Q.10.1 (1.IR-114):

5 Decisive 21 Important but not decisive 3 Not important

Comments:

Q.11 Are the elements below main, important, or unimportant considerations for your position for or against liability recognition of social security retirement obligations in Q.10?

	Main	**Important**	**Not important**
Q.11.1 Existence of accounting (or actuarial) information on the outstanding obligations (1.IR-114)	*14*	*10*	*4*
Q.11.2 Presence or absence of legal claims by household	*8*	*13*	*7*
Q.11.3 Government can in principle change benefits at will	*7*	*15*	*4*
Q.11.4 Government in practice hardly can change benefits, owing to political considerations	*e*	*13*	*9*
Q.11.5 Liability recognition of retirements obligation could be extended to other obligations (health, education)	*4*	*14*	*9*
Q.11.6 Liability recognition of retirements obligations is tantamount to asset recognition of future taxes	*e*	*7*	*17*
Q.11.7 A change would improve statistical transparency of fiscal accounts	*8*	*11*	*6*
Q.11.8 A change would improve the statistical recording of lump-sums paid and/or received by schemes when employees transfer their entitlements from one scheme to another	*3*	*7*	*14*
Q.11.9 A change would deteriorate the public deficit	*e*	*e*	*18*
Q.11.10 Other considerations:			

Q.12 In the *1993 SNA,* can arrangements where individuals invest their contributions via (independent) money-managers be nonetheless classified as social security schemes.

9 Cannot 8 May be in rare circumstances 6 Can

Comments:

Q.13 In some arrangements that cover a large part of the population and are imposed and controlled by government, individuals hold notional accounts[14] from which benefits will be calculated.

Q.13.1 Those arrangements:

	Current SNA	Reviewed SNA
Can/should be social security schemes	23	23
Cannot/should not be social security schemes	e	3

If necessary, please indicate other considerations:

[14] See Q.8.2.2 – Arrangements may encompass:

- "notional assets" systems where the scheme does not accumulate assets but where future payments are paid on the return of actual contribution, as if they had been invested on a fund;
- "notional contributions" systems where contributions (on which benefits will be calculated) are not paid but are booked as a % of wage.

Q.13.2 In those arrangements that are considered social security schemes, retirement obligations:

	Current SNA	Reviewed SNA
Are not to be recognized on balance sheet	19	5
Are to be recognized as securities or loans (liability of the scheme)	e	e
Are to be recognized as insurance technical reserves (liability of the scheme)	e	20

If necessary, please indicate other considerations:

Comments:

Q.14 Social security schemes are collective arrangements designed to provide protection against social risks to large sections of the community, and which are imposed, controlled and financed by government. (1.IR-121,95)

Q.14.1 In this definition, which are the elements that are essential ?

	Essential	Important	Not important
Collective arrangement	22	5	e
Large sections of the community	20	10	e
Imposed by government	18	7	5
Controlled by government	22	6	3
Financed by government	7	4	16

Q.14.2 Does "imposed" necessarily mean that the scheme is compulsory, or could it more flexibility mean: created, set up, or arranged? (1.IR-95)

12 necessarily compulsory 15 generally, but not necessarily, compulsory

Q.14.3 "Control" means necessarily controlling (direct or indirect):

	Necessary	Not necessary
Contributions	25	e
Benefits	26	3
Assets management	11	18

Please indicate other considerations:

Q.14.3.1 Control of contribution and assets management is sufficient, as it give indirectly control over benefits:

8 *Agree* 21 *Disagree*

Q.14.4 Some argue that the criteria "Financed" is largely circular (1.IR-121)

6 Strongly support 17 Somewhat support 4 Do not support

Comments:

Q.15 Some countries have embarked into social security reforms including involving "privatization". In some cases, government obligations to workers (former contributors) have been recognized in the form of "recognition bonds". (1.IR-115)

Q.15.1 Are such obligations economic assets in SNA, or should there be in a Reviewed SNA?

Q.15.1.1 Current SNA: 5 Economic assets 17 Perhaps economic assets e Not economic assets

Q.15.1.2 Reviewed SNA: 14 Economic assets 15 Perhaps economic assets e Not economic assets

Q.15.2 What would be a main criterion/consideration for economic asset recognition?	Main	Important	Not important
Q.15.2.1 The obligation is recognized by government / accountants…………………………………	*22*	*8*	*e*
Q.15.2.2 "Recognition bond" bears interest… ……………………………………………………………	*3*	*7*	*16*
Q.15.2.3 "Recognition bond" is tradable…… ……………………………………………………………	*e*	*5*	*18*

Other:

Comments:

Social insurance

Q.16 Some argue (such as *GFSM 2001*) that defined contribution schemes are not social insurance because it is not insurance. In contrast, others think that individual pension contracts, which tend to multiply, should be covered by social insurance. (1.IR-116 to 121)

Q.16.0 Should insurance be revisited?

12 Should be revisited 15 May be revisited with marginal changes e Should not be revisited

Q.16.1 Should the notion of social insurance be dropped? 25 No e Yes

Q.16.2 Do you favor extending or reducing in SNA the scope of social insurance?

7 Extending 15 Keep roughly unchanged 4 Reducing

Q.16.3 Should defined contribution schemes be within social insurance? (1.IR-125) 12 No 15 Yes

Q.16.3 Should a second notion be introduced in addition to social insurance to allow for differences in scope—as an example "social protection" ? 10 No 11 Yes

Q.16.3.1 Social protection would include social assistance[15] e No 13 Yes

Q.16.3.2 Social protection would include individual insurance 9 No 7 Yes

Q.16.4 What should be the main criteria for social insurance (old age pension)	Main	Important	Not important
Q.16.4.1 Scheme is collective (with specific exceptions)……………………………………………………….	*16*	*9*	*e*
Q.16.4.2 Scheme targets a social risk (old age)…………………………………………………………………	*18*	*9*	*e*
Q.16.4.3 Scheme is compulsory ……………………………………. ………………………………………………	*13*	*5*	*7*
Q.16.4.4 Scheme is redistributive ………………………………………………………………………………	*6*	*9*	*11*

Comments:

Q.17 Transfers of pension rights between pension schemes give rise to lump sum payments.
In case of transfers in between employer funded schemes, the event is a financial transaction. How to record the event if one of the scheme is not a employer funded schemes? Nonetheless a financial

[15]Like *GFSM 2001*.

transaction (with appearance and/or disappearance of an asset via the other change in volume account), an other change in volume, a transfer from one scheme to the other, a benefit (liquidation of rights) and a contribution? (1.IR-59,129)

Q.17.1 Between funded and unfunded employer pension schemes

10 Financial transaction   8 Other change in volume   e transfer   3 benefit+contribution   e Other method

Q.17.2 Between a funded employer and social security/assistance pension schemes

7 Financial transaction   7 Other change in volume   3 transfer   e benefit+contribution   e Other method

Q.17.3 Between an unfunded employer and social security/assistance pension schemes

6 Financial transaction   3 Other change in volume   4 transfer   e benefit+contribution   e Other method

Q.17.4 Between social security/assistance schemes

3 Financial transaction   5 Other change in volume   4 transfer   6 benefit+contribution   e Other method

Comments:

Q.18 Pension schemes may merge with other pension schemes. This involves the liquidation of all obligations against the transfer of assets. Do you think such events would necessarily be treated similarly as individual transfers, or differently (likely to be an other change in volume):

17 Should be treated generally the same   6 Should be treated generally differently

Comments:

Q.19 In the *1993 SNA* as it is, it is recommended that imputed contributions be calculated using the same actuarial considerations as would be applicable for a funded scheme, but it is accepted that a contribution be set equal to benefits. In case imputed contributions would be measured using actuarial considerations, should one use a discounted flow or an undiscounted flow (the later solution is akin to recording a property income but classifying it as compensation of employee)? (1.IR-56,128)

20 Discounted flow   e Undiscounted flow   e Other method

Comments:

APPENDIX 3—COMMENTS RECEIVED FROM RESPONDENTS TO THE SPQ

Comments by questions

Q1.2.1
Respondent—The lack of existence of sources and the possibility of codifying/interpreting a number of elements of these sources is what concerns me.
Q.1.2.2
Respondent—The lack of financial solidity is a determining factor of my skepticism.
Q.1.2.7
Respondent—Does this question relate to the scheme of government-employer or to employers in general? I believe the solidity of employers differs by employer; the state (or government in general) certainly is not in all aspects the most solid employer. With respect to the probability of bankruptcy the chance government will go bankrupt is small but government could easily increase or decrease future rights, depending on policy considerations (esp. the tightness of the budget and the need to assist the elderly).
The main aspect whether non-funded schemes should be considered to create liabilities depends on the character of the scheme's obligations. Where they are (more or less) intensions of the sponsor no real obligations exist whereas they should be considered as liabilities if the obligation is an undeniable right of the households involved.
The accounts of pension institutions should reveal transfers of lump sums; these are major amounts influencing the institution's obligations. I would expect all accounting standards would necessitate the institution to show the amounts involved (maybe netting receipts and payments).
Respondent—Only questions 1.2.1 and 1.2.2 seem fully relevant for the issue.
Respondent—I argued and wrote papers during the SNA revision that unfunded schemes that gave quite certain and legal claims (such as those that are run by government) give real assets to participants that determine their consumption and saving behavior.

Q.2.2
Respondent—The concept of "legal obligation" needs further attention in my perception. This could relate to the active participant, the former active participant, the beneficiary, the employer. The character of the liability of the scheme to the participants is a further aspect. Could the scheme's Board decide to amend the obligation against the various classes of participants unilaterally?
Respondent—No firm opinion at this stage.
Respondent—Not sure it needs changing to encompass constructive obligation.
Respondent—This is a tricky area. I do not believe it is the case that pension obligations "are often not legal obligations" except in the case of social security pensions. There are many cases where obligations are not contractual, but are nonetheless legal. Implicit contractual rights are recognized in many jurisdictions; there is no specific contract but the arrangements are nonetheless legally binding, because they have been maintained over a long period. I would be very much in favor or including implicit contractual arrangements, but not the type of constructive obligations that many consider social security pensions.
Respondent—The current SNA requires contractual obligation, which is something more than simple business accounting practices. Any extension in the reviewed SNA on this subject may cause increase of uncertainty in the accounts.
Respondent—Data on constructive obligations should be available in order to be recorded as liability. The 1993 SNA allows presenting this liability as a memorandum item to the balance sheet.

Q.3
Respondent—Funded and unfunded schemes differ is various aspects. When this only concerns the administrative procedures of the pension institution they should not be reflected in the NA (this means that administrative procedures and economic reality differ: NA should depict economic reality). In my perception, the non-funding of pension institution reflects more in many cases. The "Country X" state pension scheme is non-funded but there is no non-reversible right to receive a certain amount of pensions in future. Government might decide to change the pensions upward or downward.
We should discuss severely on the ownership of the free reserves of pension schemes. Is the sponsor (the employer) or the future beneficiary the owner?
Respondent—See my Note addressed to these questions (attached to separate message). To use actuarial values for "flows", which would then include the actuarial equivalent of holding gains and losses, would complicate the financial account and the achievement of articulation in the primary distribution of income account.
Respondent—Not clear what the question is as the question may confuse stock of assets and income flows.
Respondent—Net worth cannot be recorded for unfunded scheme; it supposes that the scheme is voluntary; property income does not generate. As to funded scheme - it depends - if the institutional unit is market producer or government unit (social security fund).
Respondent—The way transactions are recorded for pension funds would change for unfunded and non-autonomous pension schemes only. The net worth of non-autonomous pension schemes should be allocated to the employer. Actuarial amounts would be used if they are available.
Q.3.0:
Respondent—Depends on scheme!
Q.3.2
Respondent—If immediate recognition is the rule, then 'do not support'.
Q.3.5
Respondent—Find these last too complex to answer yes/no.

Q.3B
Respondent—Different reasons cannot be separated in practice, so there should be one single answer.
Respondent—It may be difficult to identify separately these items.
Respondent—I think these issues are not as straightforward as David Pritchett's paper implies. Granting of additional rights without actuarial compensation by reducing other benefits is a transfer—it is providing an asset without a quid pro quo. Is the cost of living built into the actuarial assumptions of the plan, or is it a non-regular decision. In the former case it is nothing—it is simply part of the formula for calculating the defined benefit. In the latter case it is a transfer—once again the provision of value (assets) without return. If it is a higher than actuarially expected increase, it appears to be more of a revaluation than OCV event. A change in benefit structure that is actuarially neutral is probably nothing as net worth will not change. A change in benefits due to a change in law that affects all pensions is OCV. A change in law that affects only government pensions calls into question if it is even a non-autonomous fund at all.
Respondent—Q.3B.2 could be a revaluation, if the actuarial value changes; Q.3B.5 on change in actuarial estimate to add; granting of additional rights (who is the recipient of the transfer?).
Respondent—If the cost of living adjustment of pensions is index-linked, it was agreed before the beneficiary joined the scheme, and it is made regularly, this adjustment could be considered property income as in the case of indexed securities. However, if this adjustment was not previously agreed and it is not made regularly, it would be a revaluation of assets/liabilities. This is not an easy topic; further discussion will be needed.

Q.4
Respondent—Should in that case not be limited to pension assets.
Respondent—Depends on general decision on holding gains in next SNA.
Respondent—Somewhat agree in Q.4.2 only if the administrative sources allow or to impute output through an additional algorithm.
Respondent—Somewhat agree on Q.4.3 as actuarial amounts allow for expected net holding gains.
Respondent—A case can be made for treating the activity of managing a non-autonomous fund as secondary rather than ancillary, but it could also be made for other typical ancillary activities. By definition, the output of an ancillary activity is not meant for use outside the enterprise. By nature these activities could also be supplied by other enterprises and would thus be measured as output of those enterprises. I would prefer to see the ancillary/secondary activity boundary reviewed globally before deciding that pension management should be a secondary activity. Is it really suitable for delivery outside the producing unit (SNA 5.8)? Does a business set itself up to produce pension services? If it is a government fund, does it make any difference as we are measuring output at cost. If it is deemed a market activity, the total output is still measured at cost.
Respondent—Measure of property income on shares and other equity ought to be revisited.
Respondent—It depends if the scheme is social security scheme or not. Government unit (social security fund) can be autonomous pension fund.
Respondent—This change in the treatment of holding gains (losses) could imply inconsistency with the treatment of the holding losses (gains) for the counterpart sectors. It is not enough clear the advantage of a non harmonized (ad hoc) treatment of holding gains within the national accounts.
Respondent—In order to extent output recording to non-autonomous pension schemes, data on separate production costs would be needed. The 1993 SNA considers the costs of managing the funds of non-autonomous pension funds in the same way as the costs of ancillary activities since separate cost data are not available.

Q.5
Respondent—Important to distinguish savings in collective schemes in the household sector.
Respondent—By then GFSM 2001 may well have changed also.
Respondent—Q.5.1: for all its complications, 'dual recording' has the important feature of facilitating the link between macro and meso/micro data of both household disposable income and household consumption expenditure; or, in a word, it accords with the perspective of the "man in the street". The difficulty of relating macro to micro data of household disposable income is continually criticized in non-official circles (e.g. IARIW), so to remove dual recording would be a highly retrograde step. Q.5.2: it is not clear to me where the problem lays - taxes on pensions, or on the income of pension funds, if these exist? Unless the elements needed for reconciliation are substantial, they could be done in a satellite table. Likewise, for reconciliation with the BoP - presumably this is due to pensions paid by employer schemes to previous employees who have become non- resident, usually not very significant.
Respondent—The meaning and composition of D.8 has caused widespread confusion.
Respondent—The dual recording was introduced in the 93SNA to produce income and saving figures that conform to micro- and meso-economic reality, and not treat pension benefits as dis-saving. It was a big improvement to linking national accounts data to household income data.
Respondent—Households perceive pensions as a fixed income (transfers). Pensions are not perceived as a withdrawal from equity. Households make consumption and saving decisions taking into account disposable income. If social benefits are not included in the secondary distribution of income account and then recorded as an adjustment for the change in net equity of households on pension funds in the use of disposable income account, disposable income and savings will be distorted. When employees

retire, their final consumption expenditures are financed with pensions, property income, disposals of assets and incurrence of liabilities.

Q.6
Respondent—Non-autonomous pension funds must consist of a segregated set of accounts that show both the assets accumulated as "reserves" to meet pension liabilities, and the insurance technical reserves that are the liabilities. They are full sets of pension accounts, but the entity does not have the complete set of accounts or other elements of separation from the owner to qualify as an institutional unit. The SNA full sequence of accounts shows insurance technical reserve liabilities for nonfinancial corporations to cover this. Without both elements, the scheme would be unfunded.
Q.6.1
Respondent—For revised SNA, they should be either assets or liabilities.
Q.6.2
Respondent—Revised SNA should be any of the above.
Respondent—Segregated reserves do not constitute separate institutional units from the employer, but they belong to the beneficiaries.

Q.6B
Respondent—My problem in 6B11 is 'market value' (i.e. 'fair value') which produces high swings that impair other uses of the accounts. Partially funded is a scheme that consists of two components that cannot be fully segregated (else, there would be two, one unfunded and one fully or partially funded). In practice they should be either separated or treated using a predominance principle.
Respondent—Q6B.1: To my mind, a scheme is fully funded when actuarial assets equal actuarial liabilities and when the risk of premature wind-up, at a time when there is a deficit on the market values basis, has been reinsured. If these conditions are fulfilled a scheme is not under-funded just because the market value of assets falls short of their actuarial value.
Respondent—Not the only interpretation of partially funded.

Q.7
Respondent—See the question of reinsuring "solvency".
Respondent—The SNA is totally agnostic about the risk profile of any type of pension fund. As long as it meets the specified criteria for an autonomous fund or non-autonomous fund, the SNA accepts it as a fund regardless of the quality of assets held by the fund. A participant has a financial claim in the form of insurance technical reserves (net equity of households in pension funds). The SNA does not address the risk of this asset any more than it assesses the risk of a loan or deposit.

Q.8
Respondent—Q.8.2.2 is unclear because of 'contribution return'. Could be anything.
Respondent—There can be mixed systems combining DC and DB features. In particular, lower bound guarantees and maximum benefit caps blur the distinction between DC and DB.
Respondent—Q8.2.1 and Q8.2.2 are de facto identical arrangements. Sponsors have no obligation other than accumulated contributions and a return. The fact that they chose to issue debt to the fund instead of to the public at large is not particularly relevant.
Q.8.2.1
Respondent—DC in a reviewed SNA, as long as liabilities are government securities. DB-DC split should be made from the perspective of government's role as guarantor of returns or benefits.
Respondent—Not sure about what the current SNA says.
Respondent—The method of notional accounts is an award formula. In the defined contribution schemes as described in the current SNA, what is relevant is the existence of a segregate fund,

financing the future benefits, and not the award formula. Moreover, the parameters of the award formula (then, the notional accounts) are subject to revisions over time, depending on the current fiscal policy. Whereas in the case of the true defined-contributions schemes, there is a definite claim on a certain (existing) amount.

Q.8.2.2

Respondent—Defined benefit in a reviewed SNA as the last answer is justified by the fact that in a defined contribution scheme, benefits depend on the financial performance of the assets invested as counterpart of the contributions, which would not be the case.

Respondent—Both parts of the question - I assume that these situations do not define benefits in the way stated in the preamble to the question, by merely give a degree of guarantee to the investment return.

Respondent—If the employer is at any risk to meet payments above what is in the employees account because of indexation, it is a defined benefit scheme.

Respondent—Only DC if return is a government bond yield or wage sum growth (in which case the DC contract is complete). Otherwise, it is only partially complete.

Respondent—Not enough info to answer this question.

Respondent—In Q.8.2.2 benefits are not totally dependent on the assets of the Fund (Pay As You Go System) since contributions of working generations finance the benefits of retired generations.

Q.9

Respondent—Can be 'notionally' funded.

Respondent—Do not agree; we do have DC part in our pension system which is generally not funded.

Respondent—Defined contribution plans are always funded if funded means existence of assets and if defined contribution supposes the existence of a money manager.

Respondent—Do not agree. At issue is the interpretation of "funded".

Q.10

Respondent—I don't believe there is an administrative source to calculate these figures and we should allow for different structures. Social security does not constitute a non-reversible right to receive a certain amount of pensions. They don't constitute a formal future right.

Respondent—I always fall back on the actual or implicit legal claim for a specific set of benefits; such a claim does not exist for social security.

Q11.1

Respondent—The lack of existence of sources and the possibility of codifying/interpreting a number of elements of these sources is what concerns me.

Q 11.6

Respondent—Recognition of a liability does not depend on recognition of an asset.

Q.11.10

Respondent—To argue that social security "liabilities" do not belong in SNA or GFS statistics does not mean that estimates of social security burden should not be a prominent feature of fiscal analysis and policy.

Q.12

Respondent—Can: only if individuals are not formal owners.

Respondent—More information needed.

Respondent—Can in rare circumstances, but should be changed to allow this more often!

Respondent—We have such a system and definitely it's a social security scheme.

Respondent—Doubt it.

Q.13.2

Respondent—They should be presented anyhow, but of course they are not loans neither technical reserves.
Respondent—They certainly should be recognized to the extent that government liabilities are broadly linked to "contributions".
Respondent—Don't wish to comment, given my answer to Q.10.1.

Q.14

Respondent—The same problem is with the criteria "controlled" and "imposed".
Respondent—I am sorry, I do not understand this question.
Respondent—In this definition, all the elements of the definition are presumably important, otherwise they would not be in the definition. Are you instead asking whether they should be considered important or not?

Q.14.3

Respondent—Control of contribution, of benefits and of asset management not necessary. Control means regulate as a social security programme.

Q.15

Respondent—If a "recognition bond' bears interest or is tradable then this would make it an asset. But it should not be necessary to have either of these attributes for it to be an asset. 15.2.1 is the key to recognition.
Respondent—The issue is whether these recognition bonds are "entities over which ownership rights are enforced and from which owners can derive benefits by holding them or using them." What is critical to being an asset is that they have demonstrable value. What is important for being a financial asset is that they be the liability of some unit and, generally, unconditional. If they have value only if certain events occur, they may be contingent positions. Tradability affects liquidity but not whether it is an asset.
Respondent—The main criterion should be that the government obligation is established by law and identified by amount.
Respondent—Not familiar with this arrangement.

Q.16

Respondent—The additional criterion should NOT be social protection (which excludes individual pension schemes and includes means-tested assistance). It should be the scheme targets old-age and also requires the benefits to be taken mainly in the form of an annuity rather than as a capital sum (unless this is used to buy an annuity from a different financial institution - known here as the open market option).
Respondent—Any old age pension system is created to ensure insurance against old age risk. That is why the thesis presented in Q16 is not true.

Q.17

Respondent—The preamble: OK, transfers between funded employer schemes are financial transactions, but it is none the less important at a practical level that they should be excluded from the flow figures (if derived from stocks) for the increase (decrease) in liabilities to current (past) members, in the output calculation, if this is done 'top down' as SNA recommends. Q17.1: (transfer) because the liabilities of unfunded schemes should be recognized. Q17.4: (financial transaction)

depends on whether the liabilities of social security schemes are recognized or not. No view on Q17.2 and 3.
Respondent—Would these ever arise in actuality?
Respondent—Who is doing the transferring? (1) Households? If so, they only have a claim in 17.1 and 17.2. Withdrawal of funds and new contributions; (2) governments? Then financial transactions across the board.
Respondent—If a decision is made that social assistance schemes cannot recognize pension liabilities, how can there be a transfer of pension rights from other schemes that recognized pension liabilities to these schemes?
Q.17.2
Respondent—OCV, assuming that there is no previous liquidation of the funded scheme and conversion into an unfunded employer scheme.
Q.17.3
Respondent—On-going CMFB consultation (FT or transfer).

Q.18
Respondent—The capital transfers might be with Rest Of the World, both in the case of individuals who take up employment in another country, and in the case of a merger/demerger. If sub-sectors of S.125 could be recognized, such transfers of outstanding obligations and assets might take place between autonomous pension funds and insurance corporations.
Respondent—Re-organizations are typically OCV.
Respondent—The transaction would be recorded in other changes in volume.

Q.19
Respondent—Not entirely clear to me what is meant by your description of an "undiscounted flow". Since there is no actual investment, the question would arise whether the real rate of return assumed on the nominal investment of notional assets (accumulated contributions and accumulated notional property income) should exceed the real discount rate.

General remarks received

Respondent—Please, find my answers to the questionnaire. I had no time to study all references you mentioned in the footnotes though they would deserve to be studied carefully to get proper answers. I think the questionnaire give a marvelous overview of all subjects to be studied with respect to old age pensions in the NA. It would be worth to dedicate a comprehensive paper on this subject to describe the various options, their pro’s and con’s and their implications. This study should take on board the arguments in the various papers produced so far. I don’t know whether you, as the moderator of this EDG, intend to write such a paper. I would certainly be prepared to perform this study. Please let me know if you believe this would be a sensible option.

Respondent—I haven't had time to look at in detail, but I think the important factor here is whether there is a genuine obligation, or whether it is contingent on events. I think contingent liabilities should be kept out of the accounts (since most are unquantifiable), but shown as a memo item (or satellite account) if they aid economic interpretation. For example pension liabilities are usually quantifiable by actuarial techniques so would be a useful memo item.

Respondent—I am sorry that we have been unable to respond to your questionnaire. We have been very busy......, and I am afraid that our intention to participate fully in the pensions EDG has slipped as we have been forced to work on other priorities.
I looked at the questionnaire and skimmed the interim report of the moderator and concluded that the issues are very complex and it would take us quite a while to come up to speed on the issues. Also, the necessary coordination with colleagues for a large agency such as ours would be considerably in excess of the 2 to 3 hours that you have estimated. Therefore, I do not believe we can provide answers to the questionnaire within the time frame that you need.
Thank you for efforts to include us, and we are sorry that we have not been able to contribute so far. We note from your proposed timetable that additional opportunities may be available for us to provide input. We hope to be able to contribute to the discussion in the future.

Respondent—I send the questionnaire on pension funds. It was very difficult to fill it......
Pension scheme is one part of the social protection scheme; it is treated as funded scheme; they organized only as social insurance, i.e.
- pension insurance scheme, which is based on compulsory social insurance paid by employers, employees and voluntary paid by self-employed persons (classified in S.13)—defined-benefits scheme;
- supplement pension insurance scheme, based on voluntary pension insurance with the state allowance—defined-contribution scheme; it is administered by private autonomous pension funds, which are classified in S.125.
No pensions are paid from un-funded scheme (by employers) or as social assistance (granted by the local government budget, outside social insurance).

Respondent—As explained, I did not answer most of the questions. Doing so would be like throwing darts, something I cannot do. Unfortunately, I do not have a sufficient mastery of the SNA, or the SNA with me to provide you with well thought-answers. Also, answering your very comprehensive questionnaire would require much more time than I had last week or have at present. Always willing to discuss further with you.
My general reaction is this. The traditional analysis of prospective pension/social security developments can continue to be easily, and effectively, carried out on the basis of forecasts based on expected benefits/contributions and demographics. In fact, the mere existence on new types of liabilities will not eliminate the need to use this traditional type of analysis. Just as the introduction of new balances (net worth) will not replace in the foreseeable future traditional balances.
Pension/SS related liabilities will be difficult to estimate and, more importantly, the estimates will be subject to a variety of alternative hypotheses. The possibilities for "cooking" or embellishing the figures would be endless. Would these liabilities be part of the definition of debt? If yes, I would think that the traditional measure of debt would be retained for most analysis (Maastricht?).
While for the purpose of the SNA, the main conceptual reference, it may be useful to pursue all sorts of advance, yet difficult subject, I think that for GFS purposes, we should be careful to get drawn in areas fraught with difficulties and uncertainties. Just as I would be very careful before getting very much involved in the estimation of fixed assets and CFC, I would also avoid getting caught pension/SS and constructive liabilities issues. This is also, at the time being, a question of priorities. Let's get right what we can do now, notably as traditional tools exist to deal with some of the questions at hand.