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Eurostat Task Force on the SNA review — financial accounts and government finance statistics

Contribution to the EDG on pensions

1. The Eurostat *Task Force on the SNA review (financial accounts and government finance statistics)* met on 15 September in Luxembourg and examined the progress made by various task forces or Electronic Discussion Groups (EDG) reporting to the Advisory Expert Group (AEG), and notably by those of the EDG on pensions (retirement pensions).¹
2. It is the unanimous opinion of the task force participants (listed below) that the debate on a review of the SNA treatment of pensions cannot at this stage come to closure, at the November 2004 AEG meeting, as this is currently envisaged.²
3. The Task Force noted the considerable implications for European government finance statistics (GFS) that such a move would entail. European GFS are fully integrated in the *ESA 1995* and are the basis for the Excessive Deficit Procedure (EDP), a process central to the multilateral fiscal surveillance in European Union (Stability and Growth Pact). Major changes in national accounts have, for Europeans, direct implications for fiscal policy assessment and policy making. European statisticians consider essential that the ESA be aligned with the SNA, and that care ought to be taken to prevent a situation of major departure.
4. In this context, improvements in accounting standards, whilst welcome in general, have to follow “due process” that needs some time, and would require the meeting of some criteria: notably, improvement in comparability, reliability in estimates, and timeliness of data (GFS reporting are required in European Union for general government accounts by 1st March in a summary form and 1st April in a more comprehensive form).
5. In this context, we are not convinced that the EDG moderator is in a position, at this stage, to conclude decisively. In particular, the two-steps approach followed by the

¹ Activities of the EDG on pensions are observable at: <http://www.imf.org/external/np/sta/ueps/index.htm>

² See United Nations Statistics Department web site, at:
<http://unstats.un.org/unsd/nationalaccount/AEG/IssueList.pdf>.

- EDG (treating as a first step unfunded employer schemes, and as a second step social security)³ may not necessarily fit the European situation. In the SNA93, promises to pay future pension benefits are not recognized as liabilities of social security schemes and unfunded employer schemes. The Task Force will investigate the analytical relevance of recording these liabilities in the national accounts and, if appropriate, formulate recommendations regarding their valuation and measurement. The review will also formulate proposals to reconcile the recommendations of SNA93 and the IMF Government Finance Manual regarding the treatment of unfunded employer pension schemes.
6. The Task Force was particularly impressed by the oral report made on the OECD June 4, 2004 workshop, as described in the EDG contribution of François Lequiller *Lessons from the OECD Workshop "Accounting for implicit liabilities"*.⁴ The Task Force will check on the recording based on the concept of constructive obligations and on the assumptions on future entitlements and whether a process of continual and substantial revision should indicate treatment outside the system in satellite accounts.
 7. In addition, we note that the Public Sector Committee (PSC) of the International Federation of Accountant (IFAC) has established a Sub-committee on Social Policy Obligations (SPO). An invitation to comment (by June 30, 2004) has been posted by the Sub-committee with its chapter 8 dealing with old age (social security) pensions.⁵ Whilst para 8.47 would seem to refer to a majority view⁶ against extending widely liability recognition, it does not articulate the reasons why civil servants unfunded employer schemes should be treated differently (i.e., treated as pension funds) from social security. It is noted that the International Public Sector Accounting Standards (IPSAS) of the PSC does not include guidance yet on the recording of civil servants pensions; it is sometimes assumed that the International Accounting Standards Board (IASB)'s standard on pensions (IAS 19) applies (see the EDG contribution by IFAC PSC staff)⁷. However this would need to be clarified, as various other claims have been heard during the OECD Workshop. At the same time, the IASB is in process of reviewing IAS 19, with an exposure draft by end July 2004.⁸ In these circumstances, there would seem to be an advantage to take time to try consolidating views of the statistical sphere with those of the accounting sphere, as the latter are prime source provider to the former.
 8. The Task Force feels that trying to come to closure at this stage would create a particularly difficult situation in Europe, which could lead to the rejection of the proposal and may have the potential to derail the whole process. The EDG propositions are not without merit, as they come closer to private accounting standards, address 1993 SNA conceptual weaknesses and start correcting the 1993 SNA inability to appropriately allow the measurement of a major phenomenon: the greying of the population. However, more time is needed to assess the plausibility of a global package of the statistical treatment on all pensions.

³ See para 10 of the Moderator Report at: <http://www.imf.org/external/np/sta/ueps/2003/122303a.pdf>

⁴ See <http://www.imf.org/external/np/sta/ueps/2004/070704.pdf>.

⁵ <http://www.ifac.org/Guidance/EXD-Details.php?EDID=0031>

⁶ Majority for option 1, detailed in 8.12-8.13 notably, over option 3, detailed in 8.25-8.30

⁷ <http://www.imf.org/forum/Message2.asp?forumid=10&messageid=355&threadid=355>

⁸ http://www.iasb.org/uploaded_files/documents/8_38_EDIAS19.pdf

9. We therefore, request a postponement of the final views of the EDG to the AEG. We also note that whilst the IMF chairs the EDG, it would usefully gain from appointing a moderator or co-moderator amongst other institutions or member states. We invite the EDG Chair at the Eurostat Financial Accounts Working Party (FAWP) meeting (November 18-19, 2004) where conceptual and compilation issues on GFS, as well as financial accounts, are discussed.

10. List of Task Force participants contributing to this contribution:

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