Pension Terms

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I. Introduction

1. Several terms are used in the description of social insurance schemes and pension schemes but are not defined sufficiently precisely or are used with more than one meaning.

2. OECD recently compiled a Pensions Glossary and distributed a paper, “Revised Taxonomy for Pension Plans, Pension Fund and Pension Entities,” that develops a set of definitions and classifications for pensions. Both documents are posted on this electronic discussion group. It is desirable, to the extent possible, to coordinate that effort with the terms used in System of National Accounts 1993 (SNA), and other macroeconomic statistical manuals.

II. Discussion

A. Fund, funds, funded, unfunded, underfunded

3. The word “fund,” its various inflected forms, and closely related words are used throughout the SNA. The various meanings are not always clearly stated. In particular, it is not clear whether the past tense of the verb form—funded—refers to the existence of assets or liabilities. In addition, the verb can be used to describe an action related to the noun, which may be confusing. For example, one can describe a fund as funded.

1. USES OF FUND AND FUNDED

4. Fund can be a noun or a verb. As a noun, it is used in everyday life and in the SNA to mean a quantity of money or financial resources closely related to money. It can be used in the singular to refer to a specific quantity of money or other type of financial resource, but more often it is used in the plural either as a collective noun or to refer to multiple, nonspecific sources of money. For example:

- In the singular form: “While the concept of factor income is no longer used in the System, gross value added at factor cost could be interpreted as measuring the value of the fund out of which so-called "factor incomes" can be paid.” [SNA 6.232]¹

¹ References to the SNA will identify the chapter and paragraph numbers. For example, SNA 4.111 refers to paragraph 111 of chapter 4 of the SNA. “An” will be used to refer to annexes. For example, “An4” refers to Annex IV.
As a collective noun: “The production of such services has to be organized collectively by government units and financed out of funds other than receipts from sales, namely taxation or other government incomes” [SNA 6.49]

As a plural noun: “Thus, operating leasing and financial leasing are treated as totally different kinds of activity, the one being a process of production while the other is a method by which funds are channelled from a lender to a borrower. [SNA 6.119]

5. Of more interest here are the specialized statistical uses, especially those related to pensions.

A fund can mean a sum of money or other assets set apart for a specific objective. For example: “Pension funds consist of the reserves held by autonomous funds established by employers and/or employees to provide pensions for employees after retirement.” [SNA 7.127]

A fund can be an institutional unit, which in the SNA is an economic entity that can own assets, incur liabilities, and engage in transactions with other economic entities. Social security funds and autonomous pension funds are two types of institutional units. In this usage, a fund is a legal form of organization, such as a corporation, trust, or government administrative unit. It is labeled a fund because its primary activity is to hold financial assets and distribute them in an orderly fashion. In addition to assets, however, an institutional unit may incur liabilities so that this usage is broader than a fund as a collection of assets.

A fund can be a proper noun, as International Monetary Fund.

Fund can mean a type of financial asset or liability. The Flow of Funds tables in chapter XI of the SNA tabulate transactions in financial assets and liabilities, classified by the two parties and the type of instrument involved in the transaction.

6. Fund is also used as a verb to mean the act of providing funds to a person or entity or to place financial resources in a fund (used as a noun). As a past participle, the verb can be used as an adjective. Frequent reference is made in the SNA to social insurance or pension schemes and the benefits paid by them as being funded or unfunded.

There are three types of social insurance schemes: private funded social insurance schemes, unfunded schemes, and social security schemes [SNA 8.63].

All three types of social insurance schemes can be pension schemes. Reference is made to private funded pension schemes [SNA 9.14], non-autonomous funded pension schemes [SNA 9.6], unfunded occupational pension schemes [SNA 13.88], and funded and unfunded social security schemes. [SNA An4.13]
Two of the several types of social benefits are **private funded social benefits** and **unfunded social insurance benefits** [SNA 8.77].

7. Although the passages cited and other statements in the SNA make it clear that social insurance and pension schemes are either funded or unfunded, it is less clear what the characteristics of a funded or unfunded scheme are. The most common interpretation is that a scheme has been funded if “funds” have been provided to the scheme, which is equivalent to saying that there are assets restricted to being used to carry out the operations of the scheme. Alternatively, it has been suggested that a scheme is funded if provision has been made to reserve assets for the payment of social benefits, including pensions, in accordance with the rules of the scheme. This could mean only that a portion of what otherwise would be the net worth of the scheme has been reserved as a liability for the payment of social benefits. In either case, there is a question of whether a scheme must be fully funded to be called funded. That is, must the assets of the liabilities be equal to the benefits that are required to be paid by the scheme?

2. **DEFINITION OF RESERVES**

8. Funded is not directly defined in the SNA. Its definition can be deduced only as the opposite of unfunded. The closest statement of a definition of unfunded is given in paragraphs 11 to 13 of Appendix IV. Paragraph 11 states: “Private social insurance schemes may be arranged with an insurance corporation as a group policy or series of policies or they may be managed by the insurance corporation in return for a fee. Alternatively, the schemes may be managed by an employer directly on his own behalf. Schemes arranged via an insurance corporation are always funded. Those managed by employers themselves may be funded or unfunded. An **unfunded scheme is one where there are no identifiable reserves assigned for the payment of benefits.** In such cases, benefits are paid from the receipts of contributions with any surplus or deficit going into, or being drawn from, the scheme manager's other resources.” The interpretation of this definition depends on the definition of reserves.

9. According to the dictionary, economic meanings of reserve include (a) money or its equivalent kept in hand or set apart, usually to meet liabilities; (b) the liquid resources of a nation for meeting international payments; (c) a stock of material goods set aside for a particular purpose, use, or reason, such as fuel reserves or strategic reserves; (d) land set apart for a particular purpose, such as a nature reserve. Meaning (a) is the most common usage in the SNA, but it is not clear whether this meaning refers to assets or liabilities. A sample of uses of reserve with meaning (a) include: “the property income earned on the reserves of certain life insurance funds [SNA 3.27],” “[insurance] is also a form of financial intermediation in which funds are collected from policyholders and invested in financial or other assets which are held as technical reserves [SNA 6.135].” Both of these references imply that reserves are assets. On the other hand: “reserves against outstanding claims are...considered to be assets of the policyholders or beneficiaries and liabilities of the insurance enterprises” [SNA 11.98], “liabilities in the form of insurance technical reserves” [SNA 12.53], and “Dividends may occasionally take the form of an issue of shares, but issues
of bonus shares which represent the capitalization of own funds in the form of reserves and undistributed profits are not included.” [SNA 7.114] In these citations, reserve is used to mean a liability. Finally, insurance technical reserves is a category of financial assets that can also be a category of liabilities.

3. DEFINITION OF PROVISIONS

10. Paragraph 12 of Annex IV states “Cover other than for pensions may be provided via an insurance scheme or from an unfunded scheme. If an employer manages his own scheme in respect of non-pension cover, it is treated as unfunded because no reserves have to be established, as is the case for pensions. On the other hand, employers not infrequently manage their own pension schemes. These may be funded or unfunded. Funded schemes are divided into those that are autonomous, that is they constitute separate institutional units operating on their own behalf, classified in the insurance corporation and pension fund sub-sector, and those where the funds are segregated from the rest of the employers’ own funds but are not autonomous. These remain classified in the same institutional sector as the employer. In both these cases, the funds are regarded in the System as being the property of the beneficiaries of the schemes and not of the employers. *Schemes where the pension provisions are not even segregated from the employers' own funds are regarded as unfunded pension schemes. In this case there are no separately identified funds to which the beneficiaries can lay claim.* Often an unfunded pension scheme will be non-contributory for the employees, but this is not invariably so.” This definition of unfunded requires a definition of provisions, another ambiguous term.

11. The International Accounting Standards Board defines a provision as a liability of uncertain timing or amount. More generally, a provision can mean (a) a measure taken beforehand to deal with a need or contingency, (b) the fact or state of being prepared, (c) the act or process of preparing or supplying, or (d) a stock of needed materials or supplies. Usage elsewhere in the SNA includes: “Provisions for bad debt are treated as book-keeping entries that are internal to the enterprise and do not appear anywhere in the System” [SNA 10.140], and “Sums set aside in business accounting to provide for transactors' future liabilities, either certain or contingent, or for transactors' future expenditures generally are not recognized in the System. (The only "provision" recognized in the System is accumulated consumption of fixed capital.) Only actual current liabilities to another party or parties are explicitly included. When the anticipated liability becomes actual - for example, a tax lien - it is included.” [SNA 13.22] Both of these references deal with liabilities.

12. Other SNA references are: “As compared with other privately funded benefits, the recording of transactions concerned with the provision of privately funded pensions contains two further complexities,” [SNA An4.47] which could be interpreted as the build up of assets to pay pensions, and “The second feature that affects pensions but not other privately funded social benefits is that only pension provision leads to the build-up of reserves that represent equity belonging to households. These reserves increase due to the payment of actual contributions and contribution supplements by households (excluding the cost of the services payable) and are decreased by the payment of pensions to households,” [SNA An4.48] which
could refer to the accumulation of assets by pension providers or an increase in the liability of a pension scheme.

4. DEFINITION OF FUNDED

13. In paragraph 13 of Annex IV, it is stated that “Social security schemes may be either funded or unfunded. Even where separate funds are identified, they remain the property of the government and not of the beneficiaries of the schemes.” Here a funded scheme is identified with property of the government, which implies the existence of assets. Moreover, the fact that social security schemes can be funded and that liabilities for social security pensions are not recognized in the SNA suggests strongly that a funded scheme is one for which assets exist.

14. It is not clear whether the identifying characteristic of a funded pension scheme is the existence of assets or liabilities, but the preponderance of evidence suggests assets. In the interview with Anne Harrison posted on this discussion site, she reinforces this view by stating that a funded scheme is one with assets that “are attributable to the beneficiaries of the schemes and inalienable from them.”

15. The definition in the OECD glossary is also consistent with the notion that assets are necessary: It defines a funded pension plan as “A pension plan that has accumulated dedicated assets (may be identified reserves in the plan sponsor’s balance sheet and/or segregated assets) to pay for the pension benefits.” This definition of funded is consistent with the conclusions reached here, but it would be clearer if the phrase in parentheses were deleted. In particular, the meaning of reserves is not clear. The OECD definition of an unfunded pension plan is “a pension plan financed directly from contributions from the plan sponsor and/or the plan member.” This definition is not clear, especially regarding the meaning of contributions. Does it include imputed contributions as in the SNA, or only actual contributions? A funded scheme could easily be thought of as being financed by contributions. It would be better to define an unfunded pension plan as any plan that is not funded to make it clear that there is not a third possibility.

16. None of the definitions or references to “funded” and “unfunded” pension schemes or plans is definitive. Many refer to reserves or provisions equally unclearly. While the general meaning of funded is clear, a more rigorous use of terms would improve the clarity. The following is suggested as a definition of a funded pension scheme: A pension scheme is funded if there exists assets whose use has been restricted to the payment of social benefits or administrative costs in accordance with the regulations of the scheme. A pension scheme with no such assets is unfunded. Because “reserves” can apply to assets or liabilities, the term should not be used unless the meaning for that specific use is clear. Making the usage clear will usually mean that the explanation itself can be substituted for using reserves and its use can be avoided. Similarly, it would be best to avoid using “provisions,” but if used, the term should refer only to liabilities.
17. The definition of funded proposed in the previous paragraph says only that some restricted-use assets must exist. If liabilities are recognized, then the value of the assets can be much less or much more that the value of the liabilities and the scheme is still considered funded.

5. FUNDING LEVEL

18. The relationship between the assets of a funded pension scheme and its liabilities, or its funding level, is referred to in the SNA only in passing in paragraphs 13.78 and 13.83. In the OECD glossary, the funding level of a pension scheme is “the relative value of a scheme’s assets and liabilities, usually expressed as a percentage figure.” The glossary also defines overfunding as “the situation when the value of a plan’s assets is more than its liabilities, thereby having an actuarial surplus.” Conversely, underfunding is “the situation when the value of a plan’s assets is less than its liabilities, thereby having an actuarial deficiency.” These definitions are quite clear and consistent with SNA usage. Whether a pension scheme is funded or not is an organizational question; it should not depend on the funding level.

B. Sponsor, member, participant, policyholder

1. MEMBER, BENEFICIARY

19. A second area in which terms are not well established or not clear is the various units that have an interest in a pension scheme. The organization and management of pension schemes can be complicated and references to the various parties may not be obvious.

20. The organization of a pension scheme must be centered on an individual who gradually acquires the right to future pension benefits, but the recipient of the benefits may not be the person who originally acquired the rights to the benefits. The person who originally acquires the rights to the pension benefits is a member (also fund member, pension plan member, pension fund member, or participant) in the scheme, who is defined by OECD as “an individual who is either an active (working or contributing, and hence actively accumulating assets) or passive (retiree, and hence receiving benefits), or deferred (holding deferred benefits) participant in a pension plan.” Thus, depending on the status of the member, he/she can be referred to as an active member (a pension plan member who is making contributions (and/or on behalf of whom contributions are being made) and is accumulating assets), a passive member (a plan member that is receiving benefits from the plan), or a deferred member (a pension plan member that no longer contributes to or accrues benefits from the plan but has not yet begun to receive retirement benefits from the plan) [All OECD definitions]. The definition of a member is not entirely satisfactory as it only says that a member is a participant in a pension plan. Some additional indication that a member is acquiring or already has acquired rights to future pension benefits would be beneficial.

21. Depending on the applicable law or regulations of a pension scheme, the member’s spouse or other related person, usually a dependant of the member, may acquire a right to a portion of the benefits as they are being acquired by the member or the member’s rights can
be inherited by a spouse or other survivor. Thus, according to the OECD glossary, a beneficiary is “an individual who is entitled to a benefit (including the plan member and dependents),” and a dependant is “an individual who is financially dependent on a (passive or active) member of a pension scheme.” Both definitions have some unnecessary complications. Someone other than a member or a dependant could be a beneficiary. A beneficiary is simply someone entitled to a benefit. Any supplemental words might refer to the contingent nature of some entitlements. References to dependants are common, but generally unnecessary or inaccurate. A spouse or other person usually acquires the rights to pension benefits without necessarily being financially dependant. Thus, references to beneficiaries usually are sufficient and more accurate.

2. SPONSOR, ADMINISTRATOR, ASSET MANAGER

22. A pension scheme is created and structured by a unit that wishes or is responsible for providing pensions to the members and other beneficiaries of the scheme. Usually this unit is an employer or a government, but a trade union or other type of unit is possible. For individual plans, usually created because there are tax implications, the unit responsible for the scheme is the individual member. In general, according to the OECD glossary, the pension plan sponsor (or plan sponsor or just the sponsor) is “an institution (e.g. company, industry/employment association) that designs, negotiates, and normally helps to administer an occupational pension plan for its employees or members.” For use in the SNA, social security schemes should be included and the reference to an occupational pension plan could be dropped.

23. Although the sponsor organizes the pension scheme, it does not necessarily have any operational responsibility. The administration of a pension scheme is the operation and oversight of a pension fund and the administrator (or pension fund administrator) is the unit ultimately responsible for the operation and oversight of the pension plan. The administrator could be an insurance enterprise or other type of money manager. That administrator generally will receive the contributions to the scheme and oversee the payment of benefits. The unit that undertakes the day-to-day investment of the assets of a pension scheme, or the asset manager, is “the individual(s) or entity(s) endowed with the responsibility to physically invest the pension fund assets. Asset managers may also set out the investment strategy for a pension fund.” [OECD Glossary] The administrator may also be the asset manager or may contract with a specialized asset manager. Money manager or investment manager are equivalent terms, but use of asset manager is favored as a more accurate description. The unit actually holding the assets of a pension scheme could be yet another unit. This unit, the custodian, is “the entity responsible, as a minimum, for holding the pension fund assets and for ensuring their safekeeping.”

24. Pension schemes are often insurance schemes, which have their own specialized terms. The International Accounting Standards Board defines an insurance contract as a “contract under which one party (the insurer) accepts significant insurance risk by agreeing with another party (the policyholder) to compensate the policyholder or other beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder or
other beneficiary.”

Thus, if the pension scheme is also an insurance scheme, then the plan sponsor is the insurer, the member is the policyholder, and retirement, reaching a specific age, or some similar event is the insured event.

C. Schemes, plans, funds, and entities

25. References to pensions could be to pension schemes, pension plans, pension funds, and/or pension entities and possibly similar terms. They sometimes appear to be used interchangeably, but usually they have different meanings.

26. A pension plan or scheme [OECD glossary] is “a legally binding contract having an explicit retirement objective (or—in order to satisfy tax related conditions or contract provisions—the benefits cannot be paid at all or without a significant penalty unless the beneficiary is older than a legally defined retirement age). This contract may be part of a broader employment contract, it may be set forth in the plan rules or documents, or it may be required by law. In addition to having an explicit retirement objective, pension plans may offer additional benefits, such as disability, sickness, and survivor’s benefits.” The OECD glossary prefers pension plan, but the SNA uses scheme. The terms pension arrangement, retirement income scheme, retirement income plan and retirement income arrangement are equivalent. Thus, a scheme is a description of the organization, which may include how contributions will be made, when pension payments will be made, how the amount of the payments will be determined, and how any pension assets will be invested.

27. In the SNA, there are three main types of social insurance schemes, each of which can be a pension scheme. “The first consists of social security schemes covering the entire community, or large sections of the community, that are imposed and controlled by government units. The second type consists of private funded schemes. There are two categories of private funded schemes. The first consists of schemes in which the social contributions are paid to insurance enterprises or autonomous pension funds that are separate institutional units from both the employers and the employees. The insurance enterprises and autonomous pension funds are responsible for managing the resulting funds and paying the social benefits. The second consists of schemes in which employers maintain special reserves which are segregated from their other reserves even though such funds do not constitute separate institutional units from the employers. These are referred to as non-autonomous pension funds. The reserves are treated in the System as assets that belong to the beneficiaries and not to the employers. The third type consists of unfunded schemes in which employers pay social benefits to their employees, former employees or their dependants out of their own resources without creating special reserves for the purpose.” [SNA 8.63; italics added by the author]

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28. Pension schemes are also classified in the OECD glossary by the type of sponsor. A *public pension scheme* includes “social security and similar schemes where the general government (that is, central, state, local governments, including social security institutions) administers the payment of pension benefits.” The SNA does not use public pension scheme. Instead all schemes sponsored by a government for the general population are social security schemes or social assistance schemes depending on whether or not there are contributions. A *private pension scheme* is “a pension plan where an institution other than general government (that is, central, state, local governments, including social security institutions) administers the payment of pension benefits…A pension plan for public sector workers can be a private plan.” The qualification about public sector workers in the definition of a private pension scheme should be added to the definition of a public pension scheme. A *personal scheme* is a scheme in which “individuals independently purchase and select material aspects of the arrangements without intervention of their employers. The employer may nonetheless make contributions to personal pension plans.”

29. Closely related to private pension schemes are *occupational pension schemes*, which are defined in the OECD glossary as schemes in which there is “an employment relationship between the plan member and the entity that establishes the plan (the plan sponsor). Occupational plans may be established by employers or groups of employers (e.g. industry associations), sometimes in conjunction with labour associations (e.g. a trade union).” *Company pension schemes* and *employer’s pension schemes* are equivalent terms.

30. Pension schemes can be classified by who contributes to the scheme. In the OECD glossary, a *contributory pension scheme* is “a pension scheme where both the employer and the members have to pay into the scheme.” A *non-contributory pension scheme* is “a pension scheme where members do not have to pay into the scheme.” These definitions are incomplete in that schemes in which only members contribute are neither contributory nor non-contributory. It seems obvious, however, that they should be contributory schemes. More important is defining what is meant by a contribution. In the SNA, all contributions are deemed to be made by members. Contributions that are in fact made by employers are considered first to be paid by employers to employees as part of their compensation and then paid by employees to the pension schemes. In classifying schemes as contributory or non-contributory, only the SNA concept of employees’ social contributions [SNA code D.6112] and social contributions by self- and non-employed persons [SNA code D.6113] should be considered.

31. Yet another way to classify pension schemes is according to the way that benefits are determined. According to the OECD glossary, a *defined contribution plan* is “a pension plan by which benefits to members are based solely on the amount contributed to the plan by the sponsor or member plus the investment return thereon. This does not include plans in

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3 Annex V, part 1 of the SNA lists the classification codes of transactions, other flows, and stocks.
which the employer that sponsors the plan guarantees a rate of return.” A **money purchase plan** is “a type of defined contribution plan where the pension benefit has to be paid in the form of an annuity.” A **defined benefit plan** is “any pension plan other than a defined contribution plan, including all plans in which the financial or longevity risk are borne by the plan sponsor. Benefits to members are typically based on a formula linked to members’ wages or salaries and length of employment.” In the SNA, defined contribution schemes are not mentioned, but money purchase schemes are mentioned with the meaning of defined contribution in the OECD glossary. Defined contribution has come into general use and should be adopted in the SNA. The concept of a money purchase plan as defined in the OECD glossary is not needed in the SNA and should not be used.4

32. Instead of pension schemes, one can analyze pension funds. A pension fund is a somewhat amorphous concept that is concerned with the assets and liabilities of a pension scheme and the transactions and other economic flows associated with the scheme. More than one institutional unit can be involved so that it may not be possible to describe a pension fund as a unit or a part of a unit. Nevertheless, it is sensible to analyze the funding level of a pension fund and the types of assets owned by the fund. As defined in the OECD glossary, a pension fund is a “pool of assets, including employer’s assets in the case of some occupational plans, that are bought with the contributions to a pension plan or that are assigned by law or contract as pension plan assets.” Missing from this definition is the concept of a pension fund having liabilities.

33. Depending on how the pension scheme is organized, various types of institutional units may be involved. A social security scheme is the simplest. There may be a separate institutional unit, a social security fund, created to be the administrator, or a government unit with more general responsibilities may administer the scheme.

34. Private funded schemes offer a variety of possibilities. The sponsor may contract with an insurance enterprise or other money manager to administer the scheme. If it is a defined benefit scheme, the functions assumed by the insurance enterprise may be only the investment advice and management functions with the risk retained by the sponsor or the risk could be transferred to the insurance enterprise.

35. In the SNA, autonomous pension funds are defined as “separate funds (i.e., separate institutional units) established for purposes of providing incomes on retirement for specific groups of employees which are organized, and directed, by private or public employers or jointly by the employers and their employees. These funds engage in financial transactions on their own account on financial markets and make investments by acquiring financial and non-financial assets.” [SNA 6.141] In the OECD glossary, if the pension scheme is an

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4 The distinction between defined contribution and defined benefit schemes is discussed in more detail in a separate contribution to this electronic discussion group (posting by John Pitzer on June 30, 2003).
occupational scheme, then an autonomous pension fund is “a pension fund that is legally separated from the plan sponsor taking the form of either a special purpose legal entity (a pension entity) or a separate account managed by financial institutions on behalf of the plan/fund members. Pension funds that support personal pension plans are by definition autonomous. Plan/fund members have a legal or beneficial right or some other contractual claim against the assets held in the fund.” The OECD conditions appear to be somewhat more stringent than the SNA conditions because of its references to legal entities and contractual claims against the asset of the fund. It would be beneficial to develop a definition that would satisfy both the SNA and the OECD glossary.

36. In the OECD glossary, a non-autonomous pension fund supports an occupational plans and “is not legally separated from the plan sponsor. The pension assets may form a reserve in the plan sponsor’s balance sheet ("book reserves") or they may be held in legally separated vehicles but are the property of the plan sponsor ("financial reserves"). Pension plan members have no legal claim on the assets of a non-autonomous pension fund.” This description correlates well with the SNA description, but the use of reserves in two meanings without clear definitions is troubling.

37. With an unfunded pension scheme, the only unit involved is the sponsor. In the SNA 1993, “an unfunded scheme is one where there are no identifiable reserves assigned for the payments of benefits.” [SNA An4.11] “In this case there are no separately identified funds to which the beneficiaries can lay claim.” [SNA An4.12] In the OECD glossary, an unfunded pension scheme is “a pension plan financed directly from contributions from the plan sponsor and/or the plan member. Unfunded plans may have associated reserves for liquidity purposes. For the two definitions to be the same, payments of benefits by the sponsor from its general funds must be considered contributions, but such contributions would differ from the imputed contributions included in the SNA 1993. In addition, the existence of reserves for liquidity purposes in the OECD definition must not be considered reserves in the SNA. Such reserves constitute a technical, but not a substantive difficulty. In SNA An4.12, it is stated that social insurance schemes managed by employers that provide benefits other than retirement benefits, such as health benefits, are considered unfunded because reserves are not necessary even if they exist. That is, small amounts kept on hand in dedicated accounts for liquidity purposes do not constitute reserves, just as in the OECD definition.

III. Conclusions

38. The term “funded” should be defined positively rather than as any scheme that is not unfunded. The definition suggested in paragraph 16 is: A pension scheme is funded if there exist assets whose use has been restricted to the payment of benefits in accordance with the regulations of the scheme. An unfunded pension scheme is any scheme that is not funded.

39. The terms “reserves” and “provisions” should be avoided because it is probably not possible to construct definitions that cover all possible statistical uses and will be clear in each specific use. If unavoidable, their meaning within the specific context should be made quite clear.
40. The definitions in the OECD glossary should be utilized as much as possible. For example, the terms member, beneficiary, sponsor, and administrator could be incorporated into the SNA.

41. The term “contributory” should be avoided or defined in the SNA. Its use does not appear to be needed. The notion that all social insurance schemes involve contributions, but only some are contributory is inherently confusing.

42. The term “defined contribution” should be used instead of “money purchase.”