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TASK FORCE ON EMPLOYERS' RETIREMENT SCHEMES

Information Paper¹

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In its December 2004 meeting, the Advisory Expert Group (AEG) of the Intersecretariat Working Group on National Accounts (ISWGNA) asked for a task force (TF) to prepare further discussion on recording pension funds in the national accounts. The representatives of the agencies who had overseen the electronic discussion group (EDG) on this topic (the BEA and the IMF) took on to set up such a TF. The TF's aim would be to prepare a discussion paper for the AEG's meeting in December 2005 (now January-February 2006). This note provides a heads-up on the status of the TF.

With the consent of our employing agencies, we—the authors of this note—agreed to follow up on the AEG's demand. In February, we drafted a terms of reference (TOR) and circulated this for comments among the ISWGNA. After some discussion the ISWGNA agreed. With this agreed TOR we invited participants for the TF and asked them to draft discussion papers on the topics identified in the TOR.

As it stands, the list of topics and authors² is as follows:

Actuarial treatment of defined benefit retirement schemes (both funded and unfunded)

- Defining output of defined benefit pension schemes. Author: Peter Harper (ABS)
- Practical issues in developing actuarial estimates. Authors: Peter Harper (ABS); Karen Wilson, (StatCan), Reimund Mink (ECB)
 - How did countries come to use actuarial valuations in their national accounts? What information does one need for this?
 - What source data exist for using such valuations?
 - How might national accountants develop estimates of actuarial valuations if such data are not available?
 - What are the necessary key data?
 - What guidance should the 1993 SNA Rev. 1 provide on key assumptions?

Where and how should the national accounts record defined benefit retirement schemes?

- Core accounts, satellite accounts, parallel or additional accounts, memorandum items? Authors: Brian Newson (Eurostat), Francois Lequiller (OECD), Brian Donahue (IMF)

Implications of other issues that bear on recording defined benefit retirement schemes

- Existing accounting standards. Discussions with possible authors are underway.
- Implementation concerns specific to developing countries. Author: Ramesh Kolli (CSO India).

² As we do not have a complete list of co-authors, we only included the names of our direct contacts.

Institutional arrangements

- Distinguishing between employer retirement schemes and social security. Authors: Ole Berner (Statistics Denmark), Jaques Magniez (INSEE), Bo Bergman (Statistics Sweden).
- To what sector to allocate the net assets of defined benefit retirement schemes: Author: Peter Van De Ven (Statistics Netherlands).

Other participants for the TF are Anne Harrison (who also contributed a paper) and Ivo Havinga (UNSD). The TF will meet in Washington DC during September 21-23, 2005. If needed, we will schedule a second meeting in the fall of 2005.

A list of participants and the terms of reference of the TF are attached.

APPENDIX I: LIST OF PARTICIPANTS TASK FORCE ON EMPLOYERS' RETIREMENT SCHEMES

Bo Bergman (Statistics Sweden)
Ole Berner (Statistics Denmark)
Brian Donahue (IMF)
Peter Harper (ABS)
Anne Harrison
Ivo Havinga (UNSD)
Ramesh Kolli (CSO India)
Francois Lequiller (OECD)
Jaques Magniez (INSEE)
Reimund Mink (ECB)
Brian Newson (Eurostat)
Peter Van De Ven (Statistics Netherlands)
Karen Wilson (StatCan)

APPENDIX II: TERMS OF REFERENCE TASK FORCE ON EMPLOYERS' RETIREMENT SCHEMES

At the December 2004 meeting of the Advisory Expert Group (AEG) on national accounts, the group agreed that governments have a liability for pensions of their employees, regardless of whether the scheme is funded or unfunded. The AEG also suggested setting up a Task Force to further the discussion on outstanding issues. The US BEA and the IMF have undertaken to set up such a Task Force, and propose its terms of reference as below.

The Task Force will first concentrate its work on the appropriate treatment of defined benefit schemes. It will review the implications of the recognition of liabilities for all employers' retirement schemes on both flow and stock accounts. In particular, the ramifications of a change in the recorded value of compensation of employees for the full system of accounts will be examined in the accrual context of the System as a whole. Practical aspects of implementation will be considered. In a second step, the Task Force will address borderline issues with social security schemes, including notional defined contribution schemes, and consider possible extensions of the recognition of liabilities to certain social security schemes. Where appropriate in both steps, due consideration will be given to the six options suggested by Eurostat at the December 2004 AEG meeting.

Tasks

The Task Force will discuss the issues as detailed in the next section and prepare two position papers for discussion in the AEG. In preparation of this discussion, the Task Force's Chair will invite experts to conduct case studies and draft discussion papers.

Scope

The Task Force will address the following issues, divided in two steps:

Step 1. Principles of the treatment of defined benefit employers' pension schemes

1.1 Actuarial treatment of defined benefit employers' retirement pension schemes (both funded and unfunded)

- Defining output of defined benefit schemes
- Developing actuarial estimates
 - How are actuarial valuations derived? Based on what source data and methods?
 - How might national accountants use such actuarial valuations?
 - If these valuations are not available, what are the necessary key data to develop them?
 - What guidance should the *1993 SNA Rev.1* provide on key assumptions?
- Implementation concerns specific to developing countries.

1.2 Where and how should the system of national accounts record defined benefit retirement schemes?

1.3 Implications of other issues that bear on the treatment of defined benefit retirement schemes

- The sector to which the net assets of defined benefit retirement schemes should be allocated, including the treatment of over- and underfunding.
- Existing accounting standards.

Step 2. Borderline between employers' pension schemes and social security

2.1 Review existing borderline cases between employers' pension schemes and social security

- Examine special cases such as Sweden's "Inkomstpension," and propose practical solutions.

2.2 Other issues related to the borderline between employers' pension schemes and social security

- Treatment of transactions between employers' schemes and social security.
- Principles on how to deal with structural changes in schemes.

Composition

The Task Force should comprise national accounts experts from countries with a diverse institutional arrangements in regard on defined benefit retirement schemes, both from developed and developing countries. Further, it would be useful to also include actuarial experts.

The Task Force will be co-chaired by an IMF representative and a country representative. The country representative will be from the US Bureau of Economic Analysis. These agencies will also act as its secretariat and will take care of preparations and reporting. For communication of papers etcetera, the Task Force can use the site of the existing Electronic Discussion Group on Pension Schemes.

Time frame

The Task Force should aim to present a progress paper on the first step for information of the the July 2005 meeting of the AEG. For this to be feasible, the Task Force discussions will need to be undertaken electronically.

Discussion papers for the second step should be ready three months before the next AEG meeting, which is tentatively scheduled for December 2005. To achieve this deadline, the Task Force will need to physically meet in the third quarter of 2005. In general, participants

should be able to meet their own expenses, but the funding for participants from developing countries will be provided.

Invitations to prepare papers and to take part in the Task Force should go out by the end of March 2005.