

**11th Meeting of the Advisory Expert Group on National Accounts,
5-7 December 2017, New York, USA**

Agenda item: 2.3

Table on household retirement resources

Introduction

In order to obtain more insight in the financial situation of households and in the assets they have set aside for their retirement, a table has been developed on household retirement resources, in addition to the supplementary pension table. This paper presents the most recent version of this table and raises some questions regarding the content of the table as well as with regard to guidance on how to estimate and record the accrual of social assistance pension entitlements. The AEG is asked to provide feedback on these issues as well as to share other views they may have regarding the table.

Documentation

A paper on: **Discussion on the table on household retirement resources**

Main issues to be discussed

The AEG is requested to reflect upon the following questions:

- What is your opinion of the household retirement resources table? Does the table provide the relevant information to answer user/policy needs? Do you think it is important to have a separate table in addition to the supplementary table on social insurance pensions?
- Do you agree with the current design of the table in terms of which retirement resources are identified and the flows to account for the changes in the assets?
- Since social assistance pension benefits are usually financed on the basis of general funds, how should the accrual of these entitlements be accounted for in the table? Should there be an imputed social contribution to account for the accrual of these entitlements? And if such an imputation is made, should it be equal to the pension benefits or equal to the accrual of new entitlements in the recording period?
- Should the OECD Secretariat take into account other issues in finalising the table on household retirement resources and in drafting guidance for its completion?

1. INTRODUCTION

1. In order to obtain more insight in the financial situation of households and in the assets they have set aside for their retirement, it was suggested at an OECD-ABS Workshop in 2013 to develop a table on household retirement resources, in addition to the supplementary table on social insurance pension liabilities. This was deemed important to show information from the viewpoint of resident households and, in addition to social insurance pensions, to also include other retirement resources. This additional information was regarded particularly relevant in times of an ageing society and was expected to meet user demands.

2. In response to this suggestion, the OECD developed a table on household retirement resources, of which a first version was presented at the 2014 meeting of the Advisory Expert Group (AEG). Since then, the table has undergone some changes on the basis of feedback from the AEG as well as from other groups. An updated version was recently presented at the 2017 OECD Working Parties on Financial Statistics and National Accounts. During that meeting it was agreed to conduct a consultation to obtain more specific feedback from countries with regard to the desirability and feasibility of this table. In addition, the OECD Secretariat would also like to collect feedback from the AEG on their general impressions of the table as well as on some specific methodological issues in completing the table.

3. Section 2 presents the outline of the proposed table on household retirement resources. Section 3 raises some conceptual and methodological issues with regard to the estimation and recording of the relevant amounts. The paper concludes with some question for the AEG in Section 4.

2. OUTLINE OF THE TABLE ON HOUSEHOLD RETIREMENT RESOURCES

4. The proposed table on household retirement resources aims to cover the various types of resources that households have set aside for their retirement. In addition to social insurance entitlements (as covered in the supplementary pension table) it also includes information on other retirement assets, such as social assistance pension benefits, life insurance and other private schemes. In the table, all information reflects the viewpoint of resident households, so covering all their entitlements regardless of the counterpart being a resident or non-resident pension scheme. This section explains the outline of the table. The table itself is presented in Annex 1.

5. Column A of the table covers the social insurance pension entitlements of resident households. This information can be obtained from the supplementary pension table provided that it includes a breakdown of domestic pension liabilities into resident and non-resident policy holders, and information on social insurance pension entitlements of resident households held abroad. For now, it is proposed to only include the total of social insurance pension entitlements, but a further breakdown can be envisaged into employment-related and social security schemes, as well as into defined benefit and defined contribution schemes. This would provide more insight in the strength and the degree of risk that is related to the various types of pension entitlements. However, although the amounts will be close to the ones included in the supplementary table on social insurance pensions, it has to be borne in mind that some adjustments will have to be made to exclude the part of these liabilities that do not relate to resident households and to include those entitlements that resident households may have accrued

abroad. As these adjustments are expected to be rather challenging, it is decided to refrain from that for now.

6. Column B records social assistance pension schemes. These schemes differ from social security schemes, in that no dedicated social contributions are collected to finance (part of) the benefits, the benefits usually being financed on the basis of more generic types of taxes. Several countries have (partly) set up their state pensions in this manner. As with social security schemes the (implicit) entitlements related to social assistance schemes are not covered in the central framework of the national accounts. However, whereas social security schemes are covered in the supplementary pension table social assistance pension schemes are not. Section 3 discusses some issues with regard to their estimation and recording of the underlying flows.

7. Columns C, D, E and F focus on retirement assets that are not related to social insurance or social assistance. Columns C and D concern (individual) life insurance, broken down into annuities and other policies. Although the relevant assets may not always be related to retirement, most of the individual life insurance policies are comparable with social insurance type of pension schemes, providing income after retirement or to survivors. Column E represents private retirement savings schemes which are linked to tax incentives often offered by governments to encourage households to save for retirement. Examples are the Individual Retirement Account (IRA) in the United States and the registered retirement savings plan (RRSP) in Canada (Van de Ven, 2014). Finally, column F represents country-specific individual (savings) schemes that are not covered under columns A to E, such as dwellings which may be used to compensate for a lack of income by providing additional dis-savings. For reasons of interpretation and international comparability, countries are requested to specify the various types of assets that are covered under this item. Furthermore, for the AEG's consideration, specific retirement resources could be explicitly distinguished to ensure more comparability.

8. The rows of the table on household retirement resources are broadly in line with the ones in the supplementary pension table, although some of them have a slightly different coverage in the sense that the entitlements are regarded from the viewpoint of resident households and may also include amounts related to other household retirement resources. The table distinguishes the following rows:

- Opening stock of household retirement resources (row 1).
- Net social contributions paid (row 2).
- Other (actuarial) accumulation of pension entitlements in social security and social assistance schemes (row 3).
- Social insurance and social assistance pension benefits received (row 4).
- Adjustment for the change in pension entitlements (row 5), compiled as sum of net social contributions (row 2) and other actuarial changes (row 3) minus pension benefits (row 4).
- Changes in entitlements due to transfers of entitlements (row 6).
- Changes in entitlements due to negotiated changes in scheme structure (row 7).
- Additions to less withdrawals from individual schemes not related to social insurance or social assistance (row 8). This row refers to the schemes covered in columns C to F and is new in comparison with the supplementary pension table. The amounts included in this row are equal to the related

amounts recorded in the financial accounts¹. As the amounts are the result of additions and withdrawals, the possibility is also provided to report these underlying flows separately (rows 8.1 and 8.2).

- Changes in retirement resources due to other economic flows (revaluation and other changes in volume – rows 9 and 10).
- Closing stock of household retirement resources (row 11).

9. On the basis of all this information, total household retirement resources can be obtained in Column G, with a breakdown of its change over time into underlying flows.

3. CONCEPTUAL AND METHODOLOGICAL ISSUES

10. As previously noted, not all information for the table on household retirement resources is included in the central framework of the national accounts or in the supplementary pension table. This is the case for social assistance pension entitlements. It raises questions on how to derive the relevant data and how they should be recorded.

11. The first question with regard to social assistance pension schemes is how countries should derive the value of the entitlements. In our view, this should be done similar to social security pension schemes, i.e. on the basis of actuarial estimates of the projected future pension benefits, although it is not clear whether these amounts will always be available. If not, countries should try to come up with best estimates.

12. A second question concerns how to account for the accrual of these social assistance pension entitlements. In our view, there are two possibilities to account for this accrual. As the benefits are usually being financed on the basis of general funds, a first possibility would be to not show any contributions or funding, but only record the pension benefits and report all other changes in the entitlements as ‘other actuarial accumulation of pension entitlements’ (row 3). An alternative would be to make an imputation for the funding of these schemes, either by imputing social contributions equal to the pension benefits or equal to the accrual of new entitlements in the recording period, and record this amount as social contributions (in row 2). If one wanted to be consistent with how social contributions are estimated and recorded for social insurance pay-as-you-go schemes, the option to impute an amount equal to the social assistance pension benefits would probably make the most sense². In that case, the ‘other actuarial accumulation of pension entitlements’ (row 3) would only show the residual change in the entitlements.

13. For all the other types of household retirement resources, the accrual of the assets looks rather straightforward as the underlying amounts are all included in the central framework. However, the AEG is requested to reflect upon the table and provide

¹ An alternative would have been to record their changes in rows 2 and 3, but it has been opted to include a separate row to have a closer alignment with the data recorded in the central framework of the national accounts, and to avoid having to change the terminology of rows 2 and 3 as used in the supplementary pension table.

² Please note that whereas in funded schemes there is often a direct link between the amounts of the pension contributions and the accrual of entitlements, this link is usually not as strong for pay-as-you-go systems. In the latter schemes current contributions are used to pay for the benefits of current retirees, whereas at the same time entitlements accrue on the basis of criteria that often relate more to demographic circumstances than to contribution payments. As a consequence, the size of the pension entitlement accrual may differ from the amount of current contributions, especially in times of demographic changes.

feedback whether they think additional guidance would be needed for specific cells to assist countries in correctly filling out the table and to ensure comparability of results.

4. QUESTIONS FOR THE AEG

14. This paper has presented the proposed table on household retirement resources and raised a couple of questions regarding the outline of the table as well as with regard to the estimation and recording of the accrual of social assistance pension entitlements. The AEG is asked to provide feedback on these issues as well as to share other views regarding the table. The OECD Secretariat will use this input to finalise the table and to draft guidance for its completion.

15. The AEG is requested to reflect upon the following questions:

- What is your opinion of the household retirement resources table? Does the table provide the relevant information to answer user/policy needs? Do you think it is important to have a separate table in addition to the supplementary table on social insurance pensions?
- Do you agree with the current design of the table in terms of which retirement resources are identified and the flows to account for the changes in the assets?
- Since social assistance pension benefits are usually financed on the basis of general funds, how should the accrual of these entitlements be accounted for in the table? Should there be an imputed social contribution to account for the accrual of these entitlements? And if such an imputation is made, should it be equal to the pension benefits or equal to the accrual of new entitlements in the recording period?
- Should the OECD Secretariat take into account other issues in finalising the table on household retirement resources and in drafting guidance for its completion?

Bibliography

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ANNEX 1: Proposed table on household retirement resources

		Social insurance pension entitlements	Social assistance pension entitlements (entitlements do not appear in the core national accounts)	Life insurance				
				Annuities	Other (individual) life insurance policies			
		A	B	C	D	E	F	G = A to F
Opening balance sheet								
1	Total household retirement resources							
Transactions								
2	Net social contributions/funding relating to social insurance and social assistance pension schemes							
3	Other (actuarial) accumulation of pension entitlements in social security and social assistance schemes							
4	Pension benefits							
5 = 2 + 3 - 4	Adjustment for the change in pension entitlements							
6	Change in pension entitlements due to transfers of entitlements							
7	Change in entitlements due to negotiated changes in scheme structure							
8 = 8.1 - 8.2	Additions to less withdrawals from individual schemes not related to social insurance or social assistance							
8.1	Additions							
8.2	Withdrawals							
Other economic flows								
9	Revaluations							
10	Other changes in volume							
Closing balance sheet								
11	Total household retirement resources							

Empty cells show where entries appear in the main ("core") accounts.

Black cells show where no entry is appropriate.

Grey cells show where information is provided in the supplementary table only.

Green cells show which information can be obtained from the adjusted Table 17.10.

Orange cells show where information slightly differs from the adjusted Table 17.10.

Yellow cells show which rows have been added in comparison with the adjusted Table 17.10.