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Agenda item: 6.c

The SNA Supplementary Pension Table and Table on Household Retirement Resources

Introduction

The 2008 SNA introduced a supplementary table on pension in social insurance. Eurostat started to collect data for this supplementary table as of December 2017 and the OECD as of July 2018. This note provides an overview of the state of play with regard to these data collections. Furthermore, it discusses the state of play with regard to the development of a table on household retirement resources that should provide more insight in the financial situation of households with regard to their retirement.

This item is for information

1. Introduction

1. The 2008 SNA introduced a supplementary table on pensions in social insurance, in order to provide a full overview of social insurance pension liabilities in an economy, including employment-related schemes, social security schemes and so-called 'intertwined' schemes for which it is not straightforward to make this distinction. This supplementary table will provide a comprehensive overview of pension liabilities in an economy and lead to more comparable results across countries. Because of the importance of pension data in relation to the ageing society, Eurostat started to collect data for this supplementary table as of December 2017 and the OECD as of July 2018, focusing on results for reference year 2015 (and for other years on a voluntary basis).
2. In addition to this supplementary table, work also started on the development of a new table on household retirement resources to obtain more insight in the financial situation of households with regard to their retirement. The latter table will not only include information from the supplementary pension table, but also information on other types of assets that people may have set aside for their retirement. Work on this table is still on-going and data collection has not yet started.
3. This note provides an overview of the state of play with regard to the data collection of the supplementary pension table by Eurostat (Section 2) and the OECD (Section 3), and with regard to the development of the table on household retirement resources (Section 4).

2. Data collection by Eurostat

4. The supplementary table on pensions in social insurance includes information on both private and public pension schemes, including data on pay-as-you-go defined benefit schemes sponsored by the general government and social security pension schemes, the entitlements of which are not included in the central framework according to the ESA 2010¹. Social assistance pensions, i.e. pensions paid irrespective of their contributory history, are excluded from the supplementary table.
5. Pension figures rely on a number of assumptions about the future, including discount rates and life expectancies. Being calculated in terms of accrued-to-date liabilities (ADL), and thus excluding future accruals by the current and future populations, the supplementary pension table does not provide information about the sustainability of the pension schemes themselves and conceptually should preferably not be directly linked to countries' debt.
6. The supplementary table on pensions in social insurance presents social insurance pension liabilities accrued by the end of a reporting period by the current workforce and retired persons broken down by:
 - Type of pension scheme: defined contribution schemes and defined benefit schemes;
 - Institutional sector and type of pension manager: private sector and government;

¹ Please note that the 2008 SNA and ESA 2010 are not fully consistent in this respect. Whereas both international standards exclude entitlements for social security pension schemes from the central framework, they differ with regard to defined benefit schemes sponsored by general government. The 2008 SNA states that these may be excluded from the central framework in case they are intertwined with social security, while the ESA 2010 excludes all liabilities of unfunded defined benefit schemes sponsored by government (see ESA 2010, para. 17.48).

- Type of recording: pension schemes recorded in the national accounts framework and schemes only recorded in the supplementary table.
7. Eurostat started to collect data for the supplementary table as of December 2017. Due to the heterogeneity of national pension systems, a number of interesting methodological issues arose during the compilation of the table, including:
- The existence of pension schemes on the border between employment-related and individual schemes. The former should be included in the supplementary table and the latter excluded;
 - The difficulty (impossibility in some cases) to distinguish between the contributory and the non-contributory part of minimum pensions. In this case, the supplementary table may also include some elements of social assistance.
8. Since each national pension system has its own history and its own uniqueness, results published so far show substantial heterogeneity across Europe in terms of both the levels and composition of future pension entitlements (where levels refer to total pension entitlements as percentage of a country's GDP and composition refers to the share of private pensions in total pension entitlements).
9. At present, 26 EU countries and 3 EFTA countries have published data for the supplementary table on pensions in social insurance². As of 19 November, data are not yet published for Greece and Luxembourg.

3. Data collection by the OECD

10. The OECD has started to collect pension data for the supplementary table from non-European member states of the OECD as of July 2018, based on a table that is similar to the one used by Eurostat. In addition to collecting information on pension liabilities from the point of view of the various types of pension schemes, the OECD table also includes columns to obtain insight in the pension entitlements from the viewpoint of resident households³.
11. Another difference with the Eurostat table concerns the guidance on the discount rate that needs to be applied in compiling the relevant entitlements. Whereas Eurostat proposes a fixed discount rate for all EU countries (of 3% and 5% nominal) to arrive at comparable results across countries, such a fixed discount rate does not seem appropriate for non-European OECD countries. To arrive at comparable results across non-EU countries, the guidelines recommend to determine the discount rate on the basis of the market yields on long-term government bonds, high quality corporate bonds and/or another financial instrument which is deemed to provide the best proxy (also taking into account the discount rates used for schemes for which the results have been obtained from business accounts or supervisory data).
12. As it concerns a new table that will collect detailed information on various types of pension schemes for the first time, the OECD data collection also includes a metadata file to get a better

² <https://ec.europa.eu/eurostat/web/pensions/other-information>.

³ For that purpose, the OECD table includes additional columns to collect information on pension entitlements of non-resident households vis-à-vis resident pension schemes, pension entitlements of resident households vis-à-vis non-resident pension schemes, and total pension entitlements of resident households.

understanding of the content of the tables and on the cross-country comparability of the results. This metadata includes questions on what is covered under the various columns in the table and what type of assumptions have been used to arrive at the results, such as the discount rate used, wage growth assumptions, and demographic assumptions.

13. At present, two countries have provided information for the supplementary pension table. It is expected that more countries will provide data near the end of 2018 or early 2019.

4. Table on household retirement resources

14. More detailed information on pension entitlements is not only important for assessing the financial situation of pension schemes, but also for analysing the resources that households have set aside for their retirement. The latter is particularly important in times of an ageing society. For that reason, a table is being developed focusing on household retirement resources, containing not only information on social insurance entitlements as covered in the supplementary pension table, but also including information on other retirement assets, such as social assistance pension benefits, life insurance and other private (saving or investment) schemes. To obtain more insight in the importance and feasibility of collecting this additional type of information, a consultation conducted at the end of 2017 in relation to the supplementary pension table, also included questions on this new table on household retirement resources.

15. The consultation showed that, whereas more than half of the respondents think that it is important to have separate information on household retirement resources, the number of countries that think they can complete such a table in the short run is low, as there are still many questions with regard to the table. It was underlined that it is important to clearly distinguish and delineate the specific household retirement resources to be included in the table to arrive at comparable results across countries, also taking into account that the importance of various types of household retirement resources will differ across countries. Furthermore, specific attention should be paid to the inclusion or exclusion of social assistance pension schemes. If they are included, more guidance is needed on how to estimate their entitlements and how to account for the accrual of these entitlements.

16. In response to these results, it was decided to further explore the possibilities of a separate table on household retirement resources in the future, but to focus on the compilation of results for the supplementary pension table in the short run.

REFERENCES

Eurostat, European Central Bank (2011), Technical compilation guide for pension data in national accounts.

https://www.ecb.europa.eu/pub/pdf/other/techn_comp_gd_pens_dt_nat_accts_201201en.pdf

OECD (2018), Guidelines for the OECD table on Social Insurance Pension Schemes.

<http://www.oecd.org/statistics/data-collection/nationalaccounts.htm> (see 'Questionnaires 2008SNA' under the heading 'Annual National Accounts').

OECD (2018), Consultation on the compilation of a supplementary table on social insurance pension schemes by non-European OECD member countries, and on the need for a table on household retirement resources compiled by all OECD member countries: summary of the results and main outcomes.