

**Comments on draft SNA chapter:  
Chapter 8: The redistribution of income accounts**

**Deadline for comments: 12 March 2007  
Send comments to: [sna@un.org](mailto:sna@un.org)**

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Submission date:	<a href="#">Click here and enter your submission date</a>

This three-part template allows you to record your comments on draft chapter 8 easily and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any one, any two, or all of the three parts of the template.

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**Part I: General comments**

In the space below, please provide any general comments, such as about the clarity with which the new recommendations were incorporated (30 words or less).

*Comment:*

<p>Please see detailed comments.</p> <p>The numbering of subtitles from part B on is all wrong.</p>
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**Part II: Comments on specific draft paragraphs or passages**

In your review of draft chapter 8, you may wish to devote particular attention to the passages listed below. There is space after each issue for any comment you wish to make.

1. Do you have any comments on the extended discussion of the coverage on transfers in section B?

*Comment:*

Para. 8.31. " *The process is one of the insurance corporation managing funds on behalf of a named household.*" This sentence is hard to understand. It seems that the Editor wants to say that "*The process is one of the functions of the insurance corporation in managing funds on behalf of a named household.*"

Para. 8.32. This para. is a rewrite of para 8.30, however the SNA para is better in providing the reasons why the recording of pension in the system is different from life insurance and therefore it is better to use the original SNA para. First, the SNA states clearly that in principle pension should be treated in the same way as life insurance; which is not stated in the rewrite. Second, the SNA states that due to households' wide perception that pension benefits are income so they are recorded as such in the system but an adjustment is needed to ensure overall consistency of the system, which means that saving of households remain as it should be. These reasons are not stated in the rewrite. See also the original SNA para below:

SNA: Households participating in funded pension schemes also own the pension reserves so that, in principle, pension contributions and benefits should also be treated in the same way as life insurance premiums and benefits. However, because the payment of pension contributions and the receipt of pensions are widely perceived by the households concerned and others as being transfers, and to avoid treating them differently from state pensions received under social security schemes, they are recorded in the secondary distribution of income accounts as if they were current transfers. In consequence, it is necessary to introduce an adjustment item in the use of income account (see Introduction to chapter IX) in order to ensure overall consistency between the income accounts and the financial accounts of the System.

Rewrite: It could be argued that pension schemes function in a manner similar to life insurance schemes and that they should be treated as savings schemes of individual households. There are three reasons in the System why the designation of social insurance scheme is used to cover employment-related pensions, a designation that brings with it the recording of contributions and benefits as transfers. One reason is that some pension schemes are funded on a pay-as-you-go basis. parallel to a non-life insurance policy than to a life insurance policy. The second reason is that pensions provide a regular and stable source of funding post-retirement. In other economic applications, such as surveys of income and expenditure, pensions are regarded as income rather than dis-saving. The third reason for treating pensions as income rather than dissaving is that they frequently cease when the pensioner (or surviving partner) dies. In this pension entitlements are distinct from other financial assets that are unaffected by the death of the owner.

Para. 8.38. The table at the end of this para shows how the provision of goods and services free to NPISH in para. 8.38 is treated in the SNA is not correct. The production of these goods and services is correctly recorded with the enterprise. The resulting income received by the enterprise for an imputed purchase by benefactors is cancelled by an imputed current transfer from the enterprise to the NIPISH. Thus no cash (or any type of financial asset) is involved in the imputed transaction and therefore the financial accounts are not affected. No transactions should be imputed to the financial accounts of the NPISH and the enterprise. The current SNA also treats this as described above (SNA, para 8.36). This is similar to the treatment of social transfers in kind by the government as described in para. 8.42 and the associated table.

PART D

Para. 8.59: The definition of social insurance schemes should be made clearer. It should include the characteristics that social insurance schemes must be organized collectively for groups of workers or be available by law to all workers...mentioned later in para 8.63-8.64. The current definition in para. 8.59, standing alone, may allow for treating social assistance benefits as social benefits.

Para. 8.67 (a), second sentence "...Benefits under these schemes are often not related to levels of salary of the beneficiary or history of employment." "not related to" should be changed to "related but not proportional to".

Para. 8.67 (b) is incomplete. Social insurance schemes should also include life and nonlife insurance schemes in addition to pension as long as they satisfy the conditions of being social insurance schemes.

Para. 8.71. "These payments may be made by employees, self-employed persons or non-employed persons." Does the words "non-employed persons" contradict the term employment-related social insurance?

2. Classification of social contributions. Please see the note from the editor on the classification of social contributions as regards self-and non-employed persons. Do you agree that what is proposed is more practicable?

*Comment:*

The distinction between social security scheme and employment related social insurance schemes is acceptable, but the latter should be changed to other employment-related social insurance schemes since social security is also employment related.

3. Do you have any comments on the text on transfers in section G including the proposed heading for personal transfers?

*Comment:*

Click here and start typing.

*Note:* At present sections E and F relate only to pensions. There is discussion on other social insurance benefits in chapter 17. Eventually, some of the implications will be incorporated in chapter 8 (but leaving the main discussion in chapter 17).

### **Part III. Other specific comments**

You are welcome to make other comments. Please do so by using Adobe Acrobat Version 6 or 7 to comments directly on the PDF of the draft chapter.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make very detailed comments please send a message to [sna@un.org](mailto:sna@un.org) requesting to receive a version of the draft chapter permitting you to comment. To optimize your commenting tools please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>