Chairman summary on session STCPM01: 
The recording of pension liabilities 
in the national accounts

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Mr Reimund Mink’s (ECB) paper described the economic consequences of ageing as they relate to the pension obligations of European governments, and the progress that has been achieved in the current revision of the system of national accounts in terms of recording pension obligations. Based on work carried out in Europe, the paper took a fresh look at the measurement of implicit pension obligations, which are not recognised in the present system of national accounts. A new presentation would enable users to have a dataset of macroeconomic variables that included all government pension obligations and all household pension “assets”. The paper dealt with the dynamics of government-sponsored pension schemes in Europe, most based on the pay-as-you-go principle, whereby current contributions finance current benefits. The paper first examined the ageing of the population in Europe and demographic projections by country. Secondly, it described what we know about the institutional context of pension schemes in Europe. Finally, it discussed progress made, to date, on new statistics dealing with general government pension obligations in Europe.

Mr Henk Lub (Senior Economist of De Nederlandsche Bank) also spoke about the effect of the new rules on national accounts, on the Dutch pension system and on administrative decisions regarding transactions in pension liabilities, with respect to measuring a government’s deficit or surplus and measuring government debt. The paper discussed the European national accounts approach to the recording of pension funds, in relation to the criteria for measuring the deficit/surplus of governments in Europe. It also provided clear insight into the features of the Dutch pension system and the changes that have been made to address the consequences of ageing. The Dutch pension system has some special characteristics, the most striking of which is the large share of funded pension schemes, for which government employees are also eligible. Recently, a number of changes, including greater dependence on average pay pensions, have been introduced in order to help the pension system cope with the ageing of the Dutch population. The paper briefly described both structural aspects of the situation and recent changes, focusing on the treatment, in the national accounts, of pension schemes for (semi-) government employees. It also covered the proposed changes in the revised version of the 1993 SNA, and Eurostat’s decisions on transactions in pension liabilities with respect to EDP notifications.

Ms Dominique Durant (Head of the Financial Accounts Division of the Bank of France) presented model calculations (referred to in Reimund’s paper) designed to provide initial estimates of French social security pension liabilities, allowing for a new assessment of pension entitlements and providing a fascinating comparison of the savings and wealth of French and American households. Following an institutional review of the two countries’ pension schemes, statistics were compiled showing that French households hold more real estate and implicit pension assets, while American households hold more financial assets. After taking implicit pension assets into account, the savings rate among French households is dramatically higher, with French households saving more than their American counterparts.

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1 ECB.
despite the fact that funded pension schemes play a larger role in the United States than in France. Given that the assumptions associated with different estimates of pay-as-you-go pension entitlements are highly significant, one must be cautious in drawing conclusions. However, these entitlements may be estimated to represent approximately 50% of French households’ total assets, as compared with 30% for real estate.

Mr Peter Harper (Deputy Australian Statistician of the ABS) welcomed the enhanced treatment of unfunded pension liabilities in the updated system of national accounts. As Peter pointed out, Australia has in fact been recording government’s unfunded pension liabilities as actual government liabilities since 1998. The boundary between social security and government employee pension schemes was not at issue. The paper provided a valuable review of the data available for actuarial estimates of unfunded employee pension schemes, and an assessment of the harmonisation achieved by the ABS with regard to public accounts and official government finance statistics. The paper described how unfunded pension funds are recorded in Australia’s macroeconomic statistics, and discussed the availability of data from government accounts, as well as the question of what data would be required to estimate liabilities for unfunded schemes and associated flows, if the information were not available from government accounts.

Ms Cláudia Braz (Head of the Public Finance Unit, Bank of Portugal) explained in her paper on Fiscal Policy and Pension Expenditure in Portugal that, at the beginning of 2007, legislation reforming the general social security system was passed, and that this is expected to substantially reduce the long-term risk that, without extraordinary measures, public finances will be unsustainable.

Discussion centred on international comparability, calculations, methodology, dynamics of institutional arrangements, and a strong plea by the IMF that employee pension schemes be recognised as government liabilities.