

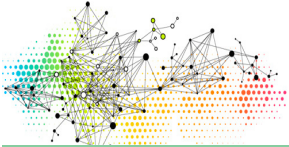


# **GFSAC 2017**

## **Pension Liabilities – Challenges and Alternative Analytical Measures**

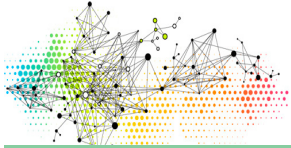
March 14, 2017

Phil Stokoe (STA Government Finance Division)

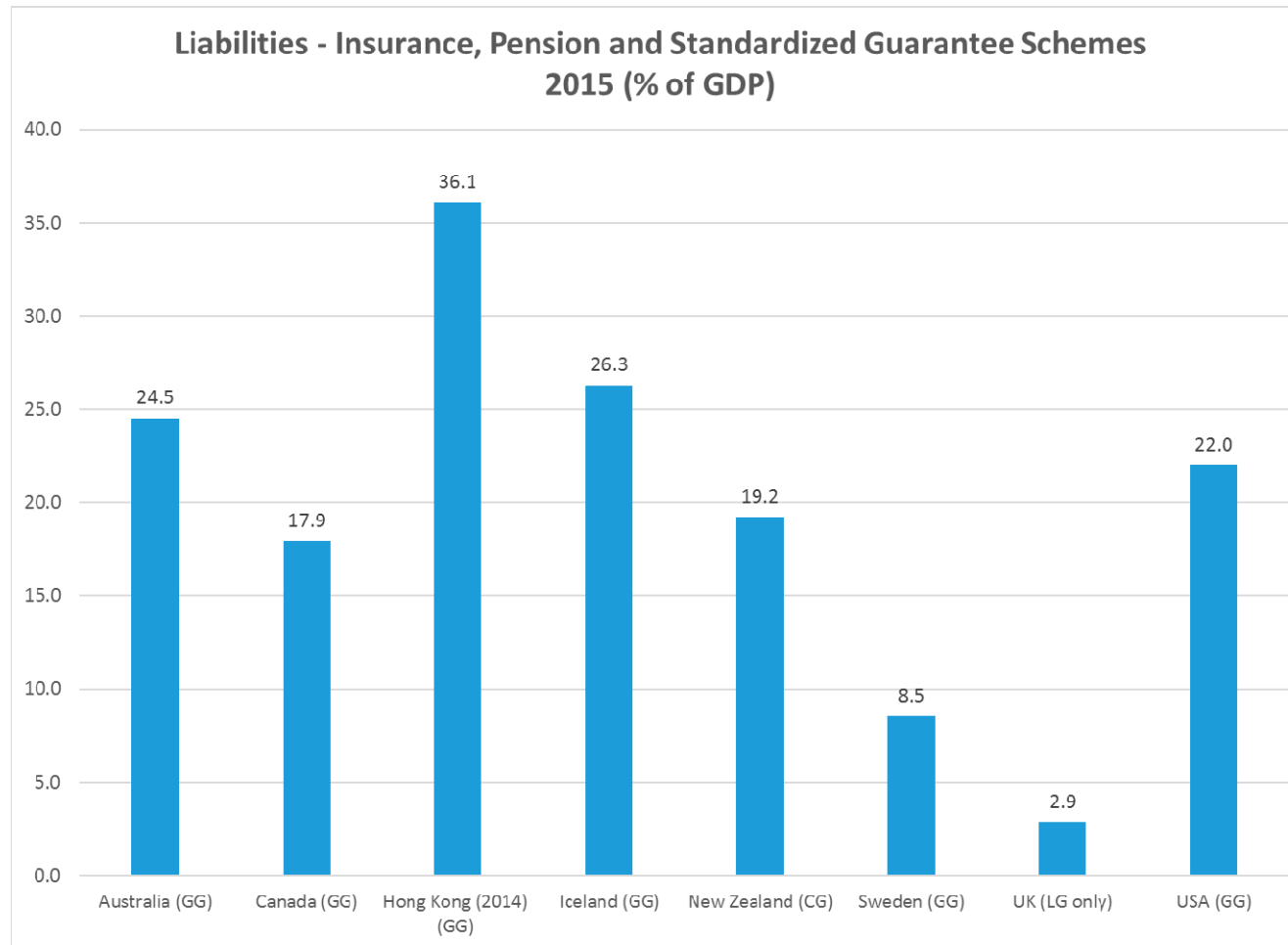


# Current Guidance and Data Reporting

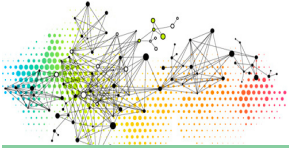
- IMF manuals (GFSM 2014 and Public Sector Debt Statistics Guide) aligned with SNA 2008 – but no flexibility option
  - Employment-related pensions give rise to on balance sheet liabilities (accrued-to-date basis)
  - Social security funds do not give rise to liabilities – but memorandum item encouraged “net implicit obligations for future social security benefits” (GFSM 2014 §7.261)
- Pension entitlements / claims of pension funds on pension managers already estimated by a growing number of countries and reported in annual GFS data provided to IMF / STA or disseminated nationally
- Critical mass of advanced economies will have published the pensions supplementary table by the end of 2017



# IPSGS Liabilities – Selected Countries

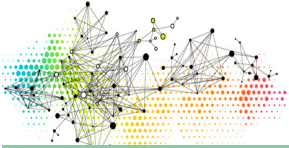


Source: IMF GFS Yearbook



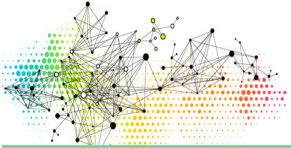
# Ongoing Challenges

- Progress much more limited in developing / lower income economies – but employment-related pensions still in widespread existence
- Developing actuarial estimates poses a significant challenge for countries with lower capacity
- Ongoing issues with the appropriate discount rate – across countries and over time
- Some further asset boundary issues – supplementary table stops short of social assistance pensions
- Highly political numbers – accrued to date liabilities typically significant % of GDP



# Wider Issues

- Major concerns among the actuarial community of potential for accrued to date liabilities for unfunded schemes (social security funds or unfunded government pensions) to be misused
- By design, these schemes are financed on a pay-as-you-go basis
- “Assets” to repay liabilities are future contributions
- Accrued to date liabilities not a good indicator for the health / sustainability of an unfunded scheme – but significant potential to be misused in this way
- Strong preference amongst actuarial community for “open group approach”



## Points for discussion

- What support can be provided to LICs to compile reliable estimates of pension / SSF liabilities?
- Is accrued-to-date the appropriate measure for policy makers (even if its correct from a National Accounts and accrual perspective)?
- How should accrued-to-date numbers be presented – metadata and interpretative guidance?
- What additional memorandum items should be included in presentations of pension liabilities?
- How can the actuarial community be more widely included in discussions on this issue?