

**Title:** *The Pension System in Canada: What are its components? How it is treated in the Canadian System of National Accounts? How does this relate to the implementation of the SNA93 Update? A proposal for a Pension Satellite Account.*

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In Canada there is a range of savings vehicles and social security schemes designed to provide funds to retired or aged citizens to pay for their consumption expenditures. There are tax-sheltered-retirement plans held by individuals, there are employer – sponsored defined-benefit and defined-contribution plans, there are employee/employer funded government-sponsored funds that border on social security plans and there are pure social security plans funded out of general tax revenue.

This paper examines the attributes of all of these types of retirement funding schemes and outlines their treatment in Canadian System of National Accounts. The discussion will focus on a revision to the treatment of unfunded employer sponsored defined benefit schemes in the year 2000 which lines up with the proposed treatment of such schemes in the SNA93 rev.1 update. The discussion will relate the problems of the previous treatment in relation to economic analysis of household saving/consumption behaviour and demonstrate the benefits of the new treatment – both from an economic and an economic accounting perspective. The paper will also outline some issues with fully implementing the proposed treatment in SNA93 rev.1, including questions on the borderline between employer-sponsored and social security schemes and the full set of stock and flow transactions between the sectors. Options are explored for the treatment of the pension scheme investment income flows to the household sector as opposed to the currently suggested addenda item of pension fund equity (the famous D8 adjustment). The paper will also explore of the treatment of large contributions (or withdrawals) by employers to meet actuarial obligations of employer-sponsored funds (compensation of employees versus capital transfers). Finally, the paper will argue that although the new SNA treatment provides a fully consistent treatment of pension schemes, much more detail is needed in the articulation of flows and stocks to meet users needs to analyse the situation that currently exists in many countries of an aging population and serious questions around the capacity of the retirement fund schemes to meet the needs of the future. Since pension flows in and out of big pensions schemes are largely reflected in net saving of the household sector, there is a need to articulate the gross flows in and out to explain the consumption/saving behaviour of that sector as the retirement age group becomes the dominant population group in the economy. It will present some work currently underway at Statistics Canada to prepare a “Pension Satellite Account” which presents, in matrix form, the stock and flow entries of the whole range of pension and social security schemes.