

**Directorate C: National and European Accounts**

Luxembourg, 18 -11- 2011  
ESTAT/C-3/FL/LA/DB/dm D(2011) 1347003

M Carlos Coimbra  
Director of National Accounts  
Instituto Nacional de Estatística  
Avenida António José de  
Almeida, 2  
P – 1000-043 Lisbon

**Subject: Preliminary opinion of INE on the possible transfer of some assets and responsibilities of the banking sector's Pension Funds to General Government**

Dear Carlos,

I would like to thank you for the documentation you have sent to us on the envisaged transfer of some pension obligations to government.

On this basis, Eurostat agrees with the main features of the position of INE on this issue.

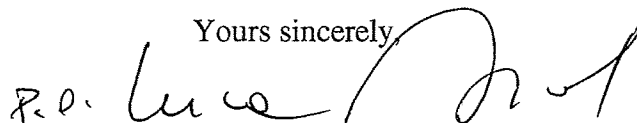
1. Eurostat takes note of the neutrality principle which the Portuguese government intends to implement, i.e. matching the value of the lump sum (whatever the nature of the assets transferred) with the actuarial value of the pension obligations to be transferred to government. If this was not the case, the capital transfer to be recorded as received by government should not be in excess of this actuarial value.
2. Obviously, to be used for statistical purposes, any evaluation, both for the actuarial value of the obligations and the value of the assets transferred as a counterpart, should be carried out by bodies independent from government, the pension fund and the sponsoring corporation (bank). Such bodies should have evident expertise in such an evaluation.
3. Eurostat agrees with the interpretation of the Manual on Government Debt and Deficit by INE as regards the fact that "existing employees" could cover both "past and current" employees, thus including beneficiaries of a pension paid by the fund at the time of the transfer.
4. Eurostat confirms that, when calculating the statistical impact, the transfer can cover only some categories of pensioners or employees covered by the fund and not the total obligations incurred by the fund.

5. Eurostat also agrees that the obligations to be included in Statistical recording may also include some specific benefits other than pension that may be paid by the fund as part of its contractual obligations.
6. For lump sum payments made with financial assets other than currency, Eurostat requests an evaluation at market price, or if no price is quoted, based on usual methods for un-listed financial instruments. Preferably, this market valuation should not be based on a spot price which may be influenced by exceptional factors, but rather on an average on some weeks or several months, as most appropriate.
7. As far as the pattern of the payment of the lump sum is concerned, the fact that the instalments are foreseen to take place over no more than three years, together with the fact that the first payment will represent more than 50% of the total lump sum, will result in recording in national accounts a capital transfer (equal to the value of the transferred pension obligations), with an impact on government revenue, fully in the year which the transfer effectively takes place.
8. Eurostat takes note that after the transfer of the obligations, general government will not be responsible for the regular update of the pensions in line with wage negotiations in the corporation. This is a feature which has not been observed in past cases in other Member States. Eurostat understands that this is linked to the fact that only obligations to current pensioners will be transferred, together with a direct link between adjustment in wages and revaluation of pensions. In addition, in the current case, there will be no liquidation of the Fund as it will still be active for the current employees.
9. However, Eurostat would like to know whether this means that the fund would continue to pay directly the adjustment to pensioners or whether government will receive regularly from the fund a specific revenue (transfer of new assets) for this element. In the latter case, Eurostat considers that government will hold a contingent asset not to be recorded in national accounts. In addition, Eurostat would also like INE to confirm that the net present value of these additional pension obligations resulting from the update will be estimated on the basis of a similar actuarial rate as the initial transfer.

This preliminary opinion of Eurostat is based on the information provided by INE. If the implementation of the envisaged transfer of pension obligations differs in some way from the information presented, Eurostat reserves the right to reconsider its view.

We would like to remind you that Eurostat is committed to adopting a fully transparent framework for its decisions on debt and deficit matters in line with the Council Regulation (EC) No 679/2010. Eurostat publishes all official methodological advice (ex-ante and ex-post) given to Member States, on the Eurostat website. In case you have objections on this, we would appreciate if you let us know before 2nd of December 2011.

Yours sincerely,



François Lequiller  
Director