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Implicit Pension Debt versus Government Debt

IACA Webinar

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10th April 2024

Implicit Pension Debt versus Government Debt. Are we ready to deal with both?

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IMPLICIT PENSION DEBT

- The implicit pension debt is an assessment of the future obligations of the government on account of its contractual obligation to provide pension benefits. Since pension liability cash-flows resemble typical bond with uncertain coupon, the term 'debt' is used.

About 35,100,000 results (0.33 seconds)

International Monetary Fund
<https://www.imf.org> > pubs > 1996/06 > pdf > kane | PDF

The Implicit Pension Debt - Finance & Development

The concept of the **implicit pension debt** (IPD) recognizes that workers and pensioners have claims on current and future **governments** that are not unlike those of ...

People also ask

- Is pension liability considered debt?
- What is implicit debt?
- What is the public pension debt in the UK?
- Do you include pensions in net debt?

Feedback

MDPI
<https://www.mdpi.com> > ...

Public Pensions and Implicit Debt: An Investigation for EU ...

by G Symeonidis · 2021 · Cited by 4 — Primarily, it is due to **the differences in the amount of implicit pension debt for pay-as-you-go pensions** in the two areas. The paper starts by ...

World Bank
<https://documents1.worldbank.org> > curated > pdf | PDF

Implicit pension debt

by R Holzmann · 2004 · Cited by 229 — Estimates of **Implicit Pension Debt and General Government Debt ... Public debt, pension spending and implicit pension debt** for 35 low...

ResearchGate
<https://www.researchgate.net> > figure > Estimates-of-impl...

Estimates of implicit pension debt and general government ...

It examines the concept of the **implicit pension debt** (IPD) and presents estimates for 24 developing countries based on a consistent methodology and assumptions.

What do people know / what are they researching regarding Implicit Pension Debt versus Government Debt?

About 2,930,000 results (0.26 seconds)

The IPD calculation is **based on a termination liability concept that measures the value, under certain assumptions, of the accrued pension wealth of contributors and pensioners at a given point in time.**

International Monetary Fund
<https://www.imf.org> > pubs > 1996/06 > pdf > kane | PDF

The Implicit Pension Debt - International Monetary Fund

About featured snippets Feedback

People also ask

- What is implicit debt?
- Is pension liability considered debt?
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Feedback

World Bank
<https://documents.worldbank.org> > documentdetail > imp...

Implicit pension debt: issues, measurement and scope in ...

It examines the concept of the **implicit pension debt** (IPD) and presents estimates for 35 low and middle income countries based on a consistent methodology and ...

MDPI
<https://www.mdpi.com> > ...

Public Pensions and Implicit Debt: An Investigation for EU ...

by G Symeonidis · 2021 · Cited by 4 — 4. Conclusions · This paper demonstrated that estimates of **implicit pension debt can be readily computed using publicly available projections**, ...

RePEc: Research Papers in Economics
<https://ideas.repec.org> > euf > qreuro

Taking stock of implicit pension liabilities

by B Deboeck · 2020 · Cited by 3 — Implicit pension liabilities (IPL) **measure governments' long-term commitments**. While IPL and conventional, explicit government debt differ...

Springer
<https://link.springer.com> > content > pdf

On the Economics and Scope of Implicit Pension Debt

by R Holzmann · 2001 · Cited by 49 — Abstract. This paper examines the concept and scope of **unfunded public pension liabilities**, or implicit pension debt (IPD), from an international ...

Explaining the differences

- **Explicit**
 - Refers to general government debt
 - Obligatory to report
 - Plays an important role in a country's borrowing capacity
- **Implicit**
 - Almost no one cares
 - Scarcely reported
 - Does not legally affect fiscal decisions
 - Markets do not evaluate it

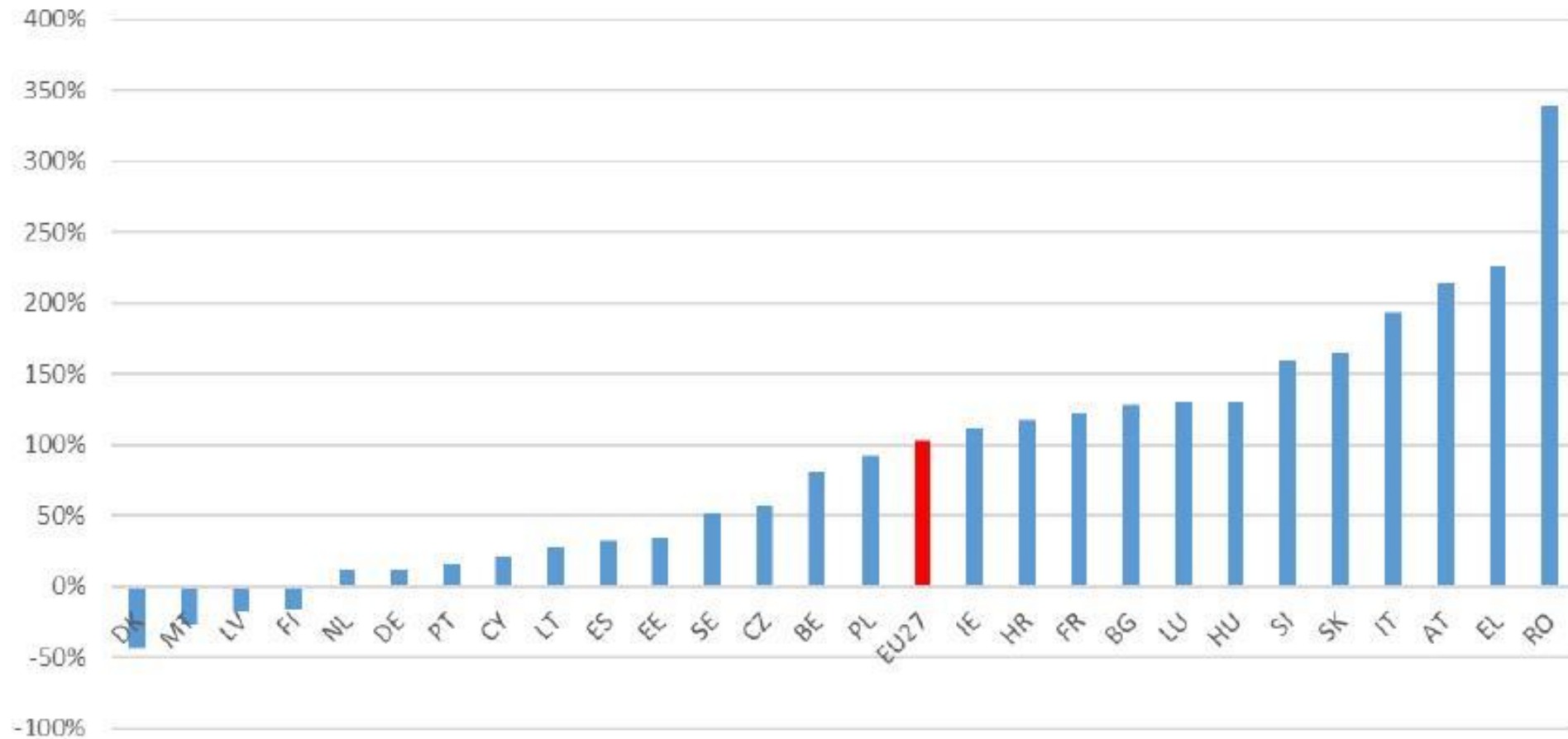
A case study of the EU

Methodology

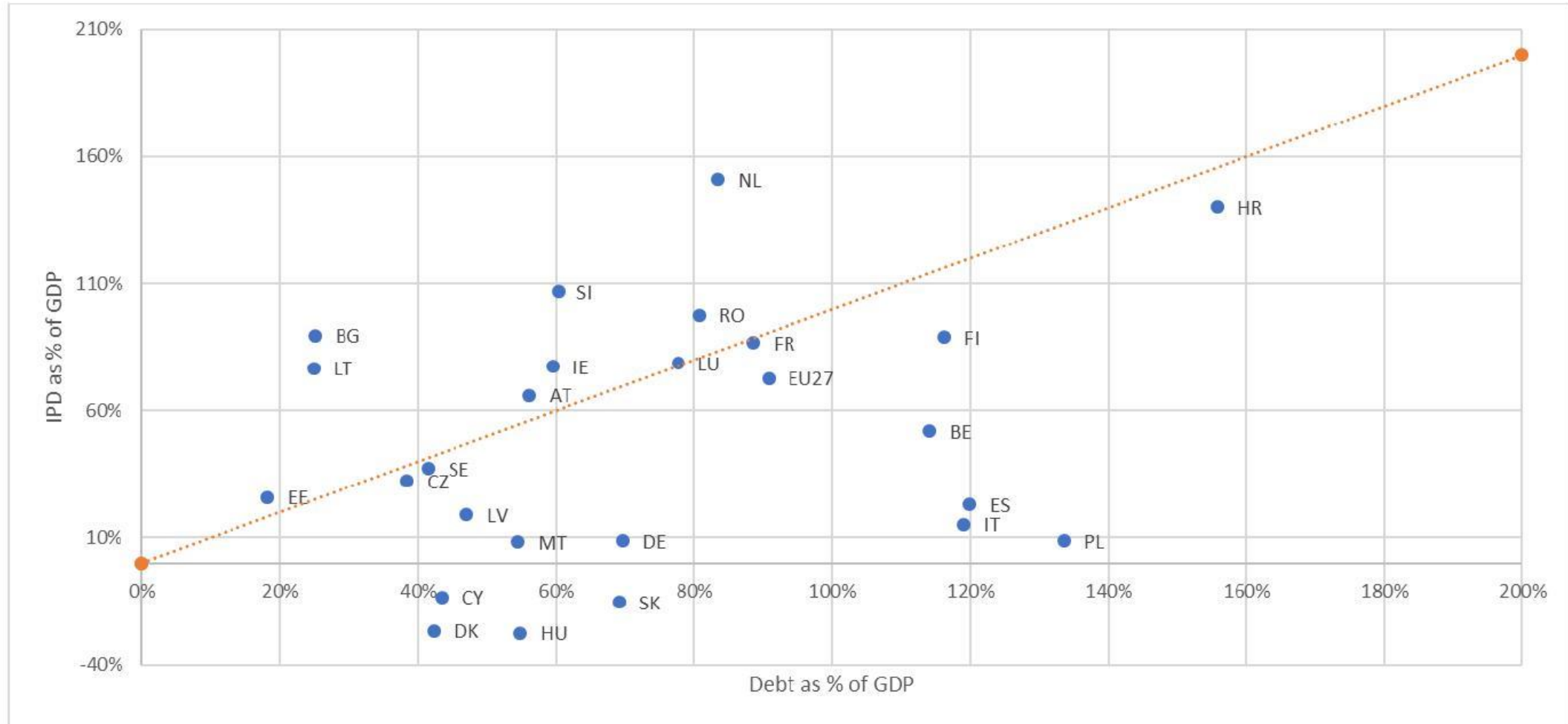
- Make use of pension projection results of the EU countries published by the commission every three years
- Correct inconsistencies / align results (Greece/Denmark/Finland/Belgium)
- Discount using a variety of rates (2% baseline)

Results (1) – Implicit Pension Debt over GDP

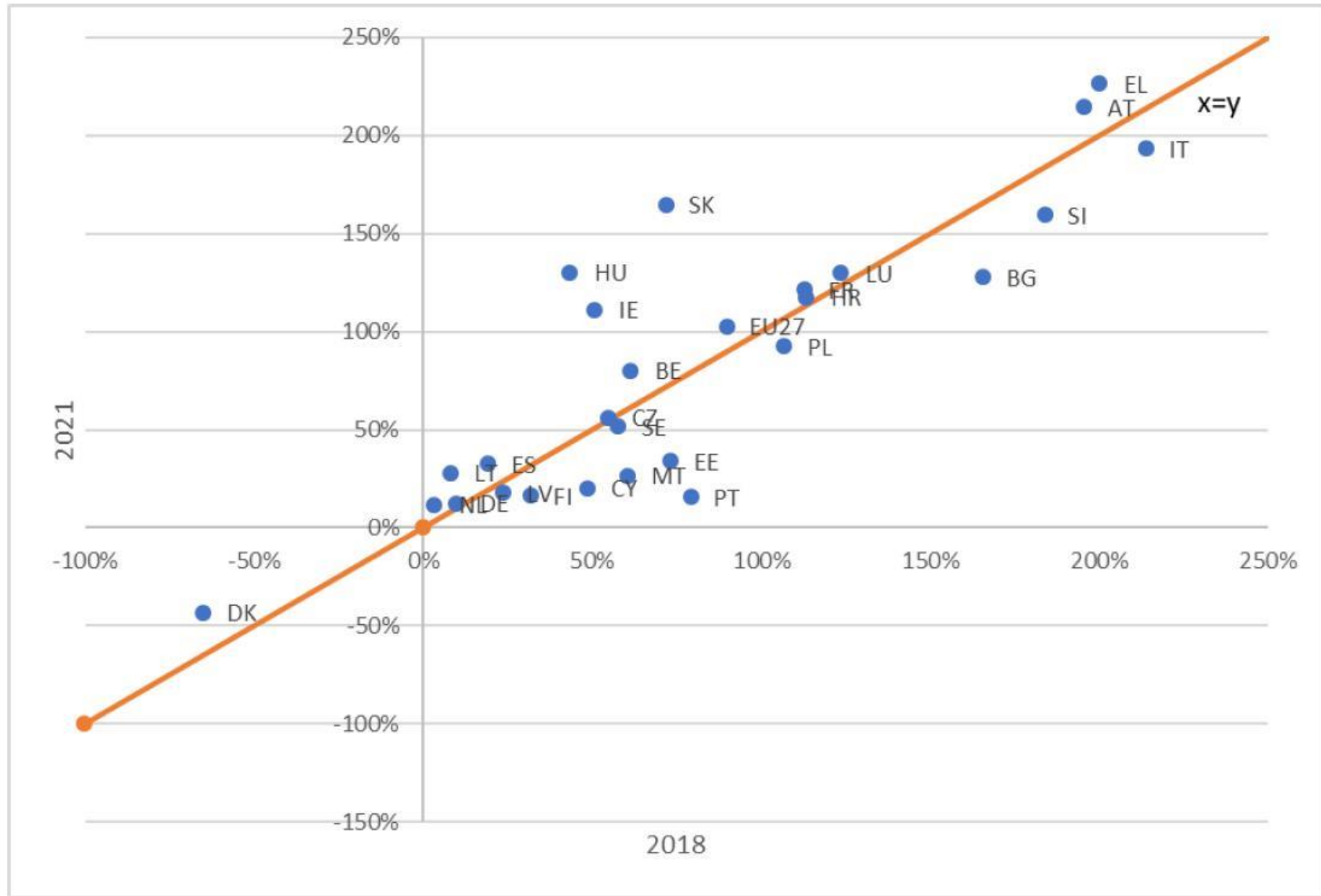
IPD 2020 to 2060 expressed as a share of 2020 GDP
(Round 2021 numbers)



Results (2) – Comparison between Government Debt and Implicit Pension Debt (over GDP)



Results (3) – Comparison between Ageing Report Rounds 2018 and 2021



Results and Thoughts

- IPD can be directly compared with measured national debt to glean an idea of total outstanding obligations
- Accumulating debt would be a risky strategy
- The projected future implicit pension debt, even with relatively optimistic assumptions, indicates an increasing burden that may cause instability at the pension systems and hence the macroeconomy
- The role of the International Public Sector Accounting Standards (IPSAS)

In anticipation of the next round of Aging Report

- The role of inflation
- Awaiting on the pension projections (actual) for 2022 (base year of the calculations) versus the projected ones in 2019 (base year of previous round)
- Certain reforms which affect certain member-states (e.g. France)
- Researcher's hunch?

Paper link:

<https://www.mdpi.com/2227-9091/9/11/190>

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Thank you!

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