

KEY THEME: SOCIAL SECURITY

MODELS OF THE ACTUARIAL BALANCE OF THE PAY-AS-YOU-GO PENSION SYSTEM. A REVIEW AND SOME LESSONS¹

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ABSTRACT**

This paper reviews the two main methods used by government Social Security departments to draw up the so-called actuarial balance of the pay-as-you-go pension system, focusing especially on their results, methodology and actuarial issues. The specific models studied are those in Sweden, the United States and Japan. The authors suggest that it would be interesting and potentially productive politically for official information on these two types of actuarial balance to be provided on an annual basis for all public pension systems in order to improve their transparency, credibility and solvency. In this respect ISSA, the World Bank, the OECD and other international organisations (for example, the Pension Benefits and Social Security (PBSS) section of the International Actuarial Association) could be supportive in developing and enforcing international accounting and actuarial valuation standards for pay-as-you-go pension systems.

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Key words: Japan, Notional accounts, Public pensions, Retirement, Sustainability, Sweden, USA.

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