

## **Longevity and Pension Plan Finance**

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The present paper is composed of two parts. The first part deals with the algebra of pension plan finance. It is shown that the finances of a pension scheme are very sensitive to the economic assumptions made, like investment returns and inflation. They are far more sensitive to economic conditions than to actuarial condition like mortality rates and other decrement rates.

The second part deals with some basic characteristics of both pension finance systems pay-as-you-go and capital reserve. The major question mostly asked is whether funding does matter and if so, which conditions have to be fulfilled. Funding generally does not transfer the pension burden over time, opposed to frequent usual thinking. Apart from stimulating national savings and investments the major advantage of funding is that it provides the best way of securing pension liabilities and an adequate mechanism for solving the distributional problem of national product between the retired and non-retired by the ownership of (part of) the capital stock.