

Some Indicators to Comparatively Evaluate the Financial Situations of Social Security Pension Plans

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In some cases, actuaries have to evaluate the financial situation of pension plan from outside of the plan. They are not accustomed to it because they usually evaluate the pension plan from inside, often from managerial viewpoint using the actuarial forecasting model. This approach needs a lot of data and time to operate the model; therefore it is not applicable to the evaluation from outside of the plan within a short time. Published data are usually not enough to evaluate the financial situation of plan using the actuarial forecasting model.

The Committee of Actuaries, Social Security Council, Prime Minister's Office, now The Committee of Actuaries, Social Security Council, Ministry of Health, Labor and Welfare faced the above situation. They had to evaluate the financial situations of separated eight social security pension plans in a few years in 1980s because the Japanese government aimed to unify all social security pension plans until 1995 after they introduced the common basic pension plan in 1985.

The Committee of Actuaries finally developed some indicators to evaluate the financial situations of pension plans and used them to compare the financial situations of eight pension plans. We will see how they work by using chronological data and indicators calculated of eight plans.

We will also discuss the possibility of those indicators to apply to social security pension plans in selected countries.