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SYNOPSIS

Topics in Calculating Unfunded PBOs of Japanese Private Pensions

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Various discussions about unfunded Projected Benefit Obligations (PBOs) have been provoked among regulators, accountants, certified pension actuaries and other practitioners since April 2000, when the new pension accounting rules were enforced in Japan. One of the themes of the discussion is the calculation of the unfunded PBOs of the substitutional portion of Employees Pension Funds (EPFs), the typical Japanese private pensions (i.e. the part which is a substitute for social security benefits). More debate will be provoked by the recent amendment of the Japanese pension laws.

Regarding the above argument, I suggested, in a paper presented to the AFIR international colloquium in 2000, that an investor could beat the market by calculating Pension Obligations more rigorously than the PBOs under the rules stipulated in the accounting principles which are adopted by almost all market participants. In this paper I present some ideas to calculate “rigorous” unfunded PBOs of Japanese private pensions.

Keywords:

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