

# Financing Pensions

**DAILY NIKKEI**, 28th September 2002

Should it be PAYG or funded? - Recently Prof. Noriyuki Takayama's research group released a report on financing pensions, a topic of world-wide debate.

It has been pointed out in Japan and elsewhere that the PAYG system will face financial difficulties. In reaction to such debates, the World Bank put forward a new funded system in 1994. Ever since, financing pensions has been a hot topic among pension experts and international organizations but according to the said report, there is a growing consensus that financially speaking, funded and conventional PAYG schemes are essentially not so different. This is because investment performance of the funded reserve will ultimately become restricted by demographic or financial situations. Further, during the transition period the current working generation must bear a twice burden.

The point of focus has thus moved from financial to political aspects. The report then focuses on a new system of the *notional* defined contribution plan, the Swedish model. "It is better than the parametric reforms of the Japanese system. In the NDC, rules are set including those on how to revise the system, thus winning more trust of the participants." (Prof. Takayama)

According to the survey released by the Ministry of Health, Labor and Welfare earlier this month, 80% of over 60 years old are satisfied with the current pension system whereas 40% of under 30 years old are against it. Increasing attention is paid to pension studies.

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