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PENSION ADEQUACY AND FINANCIAL HEALTH STATUS OF A PAYG DEFINED CONTRIBUTION PENSION SYSTEM

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ABSTRACT

This paper aims to jointly address both the financial health status of a pay-as-you-go pension system and the pension adequacy issues. Specifically, we intend to measure how both political reforms aimed at recovering financial sustainability by means of increasing the pension eligibility requirements and individual postponing retirement decisions, taken in order to improve the pension adequacy, affect the financial health status of a pay-as-you-go defined contribution pension system in terms of current pension expenditure and contribution rate capacity.
To this aim we formalize a rigorous mathematical-actuarial model for the Italian pension system and provide a financial health status indicator of a pay-as-you-go pension system on the basis of the Asymptotic demographic equilibrium theorem.

Classification JEL: *C02, H55, J10, J11*
Keywords: *pay-as-you-go, pension adequacy, financial health status indicator, contribution rate capacity, asymptotic demographic equilibrium.*

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