Investment Risk-taking and Benefit Adequacy under Automatic Balancing Mechanism in Public Pension System in Japan
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This study investigates future risk and return of the Japanese public pension system measured by the reserve-expense-ratio (RER) and replacement ratio (RR) according to stock weight (SW) in the reserve fund, under the automatic balancing mechanism and fixed premium.

Our 90,000 simulation results show the complicated tradeoff between return and risk of RER and RR: a higher return and limited downside risk going into the red zone (RER < 0 & RR < 40) for SW = 25-75%, by virtue of the automatic balancing mechanism.