

# The Financial Stability of Notional Account Pensions

Salvador Valdes-Prieto

First published: 17 December 2002

<https://doi.org/10.1111/1467-9442.03205>

Citations: 68

## Abstract

A number of European countries are reforming their pension benefit formulas by adopting 'notional' accounts. These accounts are used to determine individual benefits, but pay-as-you-go financing is retained. This paper addresses the belief that by choosing adjustment rules cleverly, notional accounts can provide automatic financial equilibrium in the short run. If this were true, it would be a valuable advantage in terms of insulating the government budget from demographic pressures, while insulating the pension budget from fiscal pressures. It is shown that notional account benefit formulas cannot provide automatic financial equilibrium in the short run. The paper also suggests that if indexing rules are chosen in a particular way, and shocks revert rapidly to a mean, the pension institution may achieve financial stability in the *long* run. However, long-run stability is unlikely to be valuable because political interference occurs in the short run.

## Citing Literature



[Download PDF](#)

### ABOUT WILEY ONLINE LIBRARY

[Privacy Policy](#)

[Terms of Use](#)

[About Cookies](#)

[Manage Cookies](#)

[Accessibility](#)

[Wiley Research DE&I Statement and Publishing Policies](#)

[Developing World Access](#)

### HELP & SUPPORT

Contact Us  
Training and Support  
DMCA & Reporting Piracy

**OPPORTUNITIES**

Subscription Agents  
Advertisers & Corporate Partners

**CONNECT WITH WILEY**

The Wiley Network  
Wiley Press Room

Copyright © 1999-2025 John Wiley & Sons, Inc or related companies. All rights reserved, including rights for text and data mining and training of artificial intelligence technologies or similar technologies.

**WILEY**