

Pension Formula for the Pension Plan Financing

$$C + I = B + E:$$

Contributions (C) + Income (I) = Benefits (B) + Expenses (E).

Contributions

Income

Benefits

Expenses

Employers and Employees **contribute** to a fund in regular intervals. The fund invests these contributions and earns a return on that investment. Return from investments (fixed income, equity, mutual fund, etc.) are considered **income**. Contributions and Income combine to add to the fund.

Retirement plans pay **benefits** to members who have met plan requirements. Retirement plans also pay **expenses** for maintaining the plan: administrative, investment, auditing, etc. Benefit payments and expenses combine to decrease the amount in the fund.