

# Actuarial Considerations in Establishing Gradual Retirement Pension Plans

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## **Abstract**

Traditional pension plans assume that at a certain age, the participant will cease active employment for the plan sponsor and will start receiving a retirement pension either immediately or at the normal retirement age. In this paper, we propose a new type of pension scheme where the retirement of the employee is a gradual event, increasing from 0 to 100% and active employment correspondingly decreases from 100% to 0. We look at the actuarial implications of such a retirement scheme from the employer's point of view in terms of the normal cost and also from the employee's side, the total income (revenue and retirement) he would receive under various gradual retirement scenarios. We discuss the advantages and disadvantages of this new type of plan and new issues the actuary will face.