

# Financial Report on the Public Pension System Fiscal Year 2009 (Summary)

## 1. Fiscal Revenue and Expenditure

### □ The Financial Status of Public Pension Plans as a whole

The financial status of public pension plans as a whole for FY2009 reveals that 28.2 trillion yen of revenue was income from contributions and 10.8 trillion yen was from subsidies by state etc., while 48.2 trillion yen of the expenditure was for pension benefits. The reserve at the end of FY2009 was 178.4 trillion yen at book value and 178.3 trillion yen at market value (Figure 1, Figure 2-1-1 in the report).

### □ Contributions – All Decreased Except PSP

Contributions of Employees' Pension Insurance (EPI) were 22.2 trillion yen, those of National Public Service Personnel Mutual Aid Association (NPSP) were 1.0 trillion yen, Local Public Service Personnel Mutual Aid Association (LPSP) were 2.9 trillion yen, Mutual Aid Corporation for Private School Personnel (PSP) were 0.3 trillion yen and National Pension (NP) were 1.7 trillion yen (Figure 2-1-4 in the report). Having risen since FY2004, contributions to public pension plans as a whole declined 2.0% in FY2009. Broken down by plan, contributions to all except PSP decreased.

### □ Pension Benefits – Increased significantly for EPI and Basic Pension

Benefits<sup>1</sup> of EPI were 23.8 trillion yen, those of NPSP were 1.7 trillion yen, LPSP were 4.5 trillion yen, PSP were 0.3 trillion yen, NP's National Pension Account were 1.5 trillion yen, and NP's Basic Pension Account were 16.4 trillion yen (Figure 2-1-12 in the report). In FY2009, pension benefits rose particularly significantly under EPI and Basic Pension. The rise under EPI appears to have been due to a combination of growth in the total pension amount and the effect of special provisions on extinctive prescription of pension benefits.

*Note 1:* Benefits for each pension plan include the equivalent to benefits of Basic Pension (the partial amount of benefits under the old law regarded equivalent to Basic Pension). The benefits paid by the National Pension Account are mainly those under the old National Pension Law. The benefits paid by the Basic Pension Account are those of Basic Pension.

**Figure 1 Financial Status (FY2009)**

Classification	Public pension plans as a whole
	100 million yen
<b>Total revenue (book value)</b>	470,891
Contributions	282,483
Subsidies by state etc.	108,293
Subsidies for "bestowals" payments of prior period	13,015
Investment income (book value)	7,142
(Remittances from the Government Pension Investment Fund)	(-)
Payment of the cost for the occupational portion exceed EPI	2,015
Payment of the cost for contracting back in to EPI of EPFs	1,905
Welfare and Medical Service Agency payment	4,150
Transfer from the reserve	37,549
Others	※ 14,338
<b>Total expenditure</b>	486,078
Benefits	481,557
Others	4,521
<b>Balance of revenues and expenditures (book value)</b>	△ 15,187
<b>Reserve at the end of fiscal year (book value)</b>	1,784,106
<b>YoY change in reserve at end of fiscal year (book value)</b>	△ 55,525
(For reference)	
<b>Revenue from investments (market value)</b>	122,737
<b>Reserve at the end of fiscal year (market value)</b>	1,783,247
<b>YoY change in reserve at end of fiscal year (market value)</b>	61,885

Note: To calculate revenue and expenditure in consolidated base, the following contributions and corresponding revenue are excluded from both revenue and expenditure summation because those contributions and income are paid from one public pension plan to other public pension plan: contribution to Basic Pension, contribution to the equivalent to benefits of Basic Pension (old law (pension law effective before FY1986)), contribution representing inter-plan fiscal adjustments between NPSP and LPSP and contribution to support JT MAA, JR MAA and NTT MAA that consolidated to EPI. Additionally the amount of transfer from the surplus of previous year (1,592.2 billion yen) in Basic Pension Account is excluded from "Others" (\*) in revenue.

## □ Reserve

Reserve<sup>1</sup> of EPI was 119.5 trillion yen (120.8 trillion yen), that of NPSP was 8.4 trillion yen (8.3 trillion yen), LPSP was 38.9 trillion yen (37.6 trillion yen), PSP was 3.4 trillion yen (3.4 trillion yen), NP's National Pension Account was 7.5 trillion yen (7.5 trillion yen) and NP's Basic Pension Account was 0.7 trillion yen. (Figure 2-1-15 in the report). Note that the reserve of EPI does not include that of the substitutional part of the Employees' Pension Fund.

*Note 1:* The values are at book values. The values in parentheses are at market values. The method for market value assessment is as presented in Figure 2-1-17 in the report.

## □ Adjusted Financial Status to observe the events related to the present year

Adjusted financial status to observe the events related to the present year is compared and analyzed in a cross-sectional way from the viewpoint of pension finances by Actuarial Subcommittee, and is divided into "balance of revenues and expenditures on the adjusted financial status base excluding investment income" and "investment income." The total amount of revenue on the adjusted financial status base excluding investment income for public pension plans as a whole was 42.6 trillion yen and the total amount of expenditure was 48.4 trillion yen, resulting in a negative balance of 5.8 trillion yen, while investment income came to 12.3 trillion yen at market value. The reserve at the end of the fiscal year at market value for public pension plans as a whole consequently came to 178.3 trillion yen, up 6.2 trillion yen from the previous fiscal year (Figure 2, Figure 2-1-3 in the report).

A breakdown by plan shows that employee pension plans and NP had negative balances of revenues and expenditures on the adjusted financial status base excluding investment income and positive investment income (at market value). As a result, the reserve at the end of the fiscal year rose on a market value basis (Figure 3, Figure 2-1-3 in the report).

**Figure 2 Adjusted Financial Status to observe the events related to the present year (FY2009)**

"The table compared and analyzed in a cross-sectional way from the viewpoint of pension finances by Actuarial Subcommittee"

Classification		Public pension plans as a whole
		100 million yen
<b>Revenue (adjusted financial status base)</b>	<b>Total amount</b>	426,200
	Contributions	282,483
	Subsidies by state etc.	108,293
	Subsidies for "bestowals" payments of prior period	13,015
	Payment of the cost for the occupational portion exceed EPI	2,015
	Payment of the cost for contracting back in to EPI of EPFs	1,905
	Welfare and Medical Service Agency payment	4,150
	Others	14,338
<b>Expenditure (adjusted financial status base)</b>	<b>Total amount</b>	484,264
	Benefits	481,557
	Others	2,707
<b>Balance of revenues and expenditures on an adjusted financial status basis excluding investment gains (losses)</b>		△ 58,063
<b>Gains (losses) from investments (market value)</b>		122,737
<b>Gains (losses) from investments (market value)</b>		61,885
<b>Reserve at the end of fiscal year (market value)</b>		1,783,247

Note: "Adjusted financial status to observe events related to the present year" represents a cross-sectional comparison and analysis of the financial state of public pension plans from the viewpoint of pension finances, and is calculated by excluding "revenue from investments," "revenue from reserves" of EPI and NP (National Pension Account), and "revenue from previous fiscal year's surplus" in the Basic Pension Account on the revenue side, and "losses on sale of marketable securities" of NPSP, LPSP, and PSP from "Others" on the expenditure side. The difference between total revenue and total expenditure is the "balance of revenues and expenditures on an adjusted financial status basis excluding investment gains (losses)."

**Figure 3 Adjusted financial status to observe events related to the present year of public pension plans (FY2009)**

	EPI	NPSP	LPSP	PSP	NP (National Pension Account)
	100 million yen				
Balance of revenues and expenditures on an adjusted financial status basis excluding investment gains (losses)	△ 45,333	△ 3,300	△ 10,036	△ 103	△ 2,254
Gains (losses) from investments (market value)	86,258	4,385	24,130	2,542	5,296
Reserve at the end of fiscal year (market value)	1,207,568	83,230	376,161	33,963	75,079

Note: There are amounts under the Basic Pension Account in addition to the above.

## 2. Insured Persons

### □ Number of Insured Persons –Increased for PSP and Decreased for Other Plans–

The total number of insured persons by employee pension plans was 38.68 million: 34.25 million by EPI, 1.04 million by NPSP, 2.91 million by LPSP and 0.48 million by PSP. In addition, the number of insured persons by NP Category-1 was 19.85 million and by NP Category-3 was 10.21 million. These brought the total number of participants in public pension plans as a whole to 68.74 million (Figure 2-2-1 in the report). In FY2009, the total number of participants in employee pension plans as a whole decreased 0.6% despite an increase in PSP. The number of NP Category 1 insured persons declined 0.8%, and the total number of participants in public pension plans as a whole decreased by 0.9%.

### □ Standard Remuneration per Capita – Large Declines for All Employee Pension Plans

Standard monthly remuneration per capita (not including employee bonuses) was 304,000 yen for EPI, 410,000 yen for NPSP, 436,000 yen for LPSP and 368,000 yen for PSP (Figure 2-2-5 in the report). On the other hand, standard remuneration per capita including employee bonuses (total remuneration base; amount per month) was 359,000 yen for EPI, 539,000 yen for NPSP, 568,000 yen for LPSP and 479,000 yen for PSP (Figure 2-2-6 in the report). For NPSP and LPSP, the differences of remuneration between male and female insured persons were smaller than those for EPI and PSP.

All plans saw large declines in FY2009 in comparison with past years (Figure 2-2-7 in the report).

*Note:* Extension of remuneration calculations to cover bonuses began in FY2003.

## 3. Beneficiaries

### □ Number of Beneficiaries – Continued to Increase for all Public Pension Plans

There were 30.58 million beneficiaries in EPI, 1.14 million beneficiaries in NPSP, 2.65 million beneficiaries in LPSP, 0.35 million beneficiaries in PSP and 28.29 million beneficiaries in NP (both Basic Pension under the new law and National Pension under the old law) (Figure 2-3-1 in the report). The total number of people having pension benefit eligibilities for some sort of public pension was 37.03 million. The number of beneficiaries is continuing to increase for all public pension plans.

**□ Average Monthly Amount of Old-age pension (for Long-Term Contributors)**

The average amount of old-age (for long-term contributors)<sup>1</sup> per month<sup>2</sup> (including the amount of the old-age basic pension) was 154,000 yen for EPI (including portion paid by Employees’ Pension Fund on behalf of EPI), 199,000 yen for NPSP, 210,000 yen for LPSP, 196,000 yen for PSP and 54,000 yen for NP (old-age basic pension benefits under the new law and old-age pension benefits of NP under the old law) (Figure 2-3-8 in the report). The average monthly amount declined under all employee pension plans from FY2008. The growth in NP benefits, on the other hand, continues (Figure 2-3-11 in the report).

*Note 1:* “Old-age (for long-term contributors)” is the one under the new law that requires fulfilment of the eligible period in one plan stipulated in the old-age basic pension (25 years; including 20 years of contributions in the interim measure and 15 years of contributions in the special measure for the middle and older age), as well as the one under the old law.

*Note 2:* At the comparison, besides that the Mutual Aid Associations (MAAs) has the “occupational portion exceed EPI”, it is necessary to bear in mind that there are differences on male-female ratio and average contribution period by the plan compared.

**4. Financial Indicators**

**□ Pension Support Ratio – Higher for PSP, lower for NPSP and LPSP. Ratio decreased for all Public Pension Plans**

The pension support ratio<sup>1</sup> continued to decline for all plans, falling to 2.47 for EPI, 1.53 for NPSP, 1.60 for LPSP, 4.32 for PSP, and 2.45 for NP (Figures 2-4-1 and 2-4-2 in the report). PSP with higher pension support ratio may be considered less mature than EPI. Conversely, NPSP and LPSP with lower pension support ratios are considered mature plans.

*Note 1:* The ratio of insured persons to beneficiaries (only old-age (for long-term contributors)).

**□ Comprehensive Cost Rate**

The comprehensive cost rates<sup>1</sup> were 19.2% for EPI, 19.9% for NPSP, 19.9% for LPSP, and 12.6% for PSP, which were all higher than the corresponding contribution rates (Figure 4 and Figures 2-4-7 and 2-4-8 in the report).

In FY2009, the rates rose for EPI, held steady for NPSP, and fell for PSP. In every case, the increase in the rate of subsidies by the state, etc. for the Basic Pension served to bring down the comprehensive cost rate.

*Note 1:* The rate of real expenditure for which the plan must provide its own resources to the total standard remuneration. The comprehensive cost rate for EPI is calculated on the account base and does not include the portion paid by Employees’ Pension Fund on behalf of EPI. If this portion is included, the rate works out at 20.2% (estimated actual values).

**Figure 4 Changes in comprehensive cost rates**

FY	EPI	NPSP	LPSP	PSP
	%	%	%	%
2003	17.3	17.4	14.4	11.3
2004	17.8	17.1	15.4	11.5
2005	17.8	16.7	16.2	11.8
2006	17.9	17.6	16.8	12.0
2007	17.9	18.7	17.6	12.4
2008	18.2	19.9	19.2	12.7
2009	19.2	19.9	19.9	12.6

## 5. Comparison of Actual Values and 2004 Actuarial Valuation

### □ Analysis of the Difference in Reserves

Actual reserves in FY2009 fell short of future projections in the case of all employee pension plans (Figure 5 below and Figure 3-2-1 in the report).

**Figure 5 Differences between actual reserves in FY2009 and future projections of the 2004 actuarial valuation**

Category	EPI trillion yen	NPSP & LPSP 100 million yen	NPSP 100 million yen	LPSP 100 million yen	PSP 100 million yen
End FY2009 Reserve Actual	[150.3]	472,912 [459,390]	83,658 [83,230]	389,255 [376,161]	34,073 [33,963]
Future projection	156.7	486,685	88,809	397,875	35,539
Difference (= actual - future projection)	[△ 6.4]	△ 13,773 [△ 27,295]	△ 5,152 [△ 5,580]	△ 8,621 [△ 21,715]	△ 1,466 [△ 1,576]
Proportional difference (actual value / future projection - 1) (%)	[△ 4.1]	△ 2.8 [△ 5.6]	△ 5.8 [△ 6.3]	△ 2.2 [△ 5.5]	△ 4.1 [△ 4.4]

- Notes:
1. Values in square brackets are at market value.
  2. Actual reserves of employee pension funds are estimated actual reserves including minimum actuarial reserves for EPI, etc.
  3. Values for future projections were processed to reflect the increase in subsidies by the State, etc. for the Basic Pension resulting from revisions in 2004, and were estimated by the Actuarial Subcommittee.
  4. Actual values for “NPSP & LPSP” were estimated by the Actuarial Subcommittee.

A breakdown of the factors giving rise to the differences occurring since FY2005 shows the nominal rate of return on investment to have had a major impact. The nominal rate of return on investment was considerably below the future projection in FY2008 in particular, and actual reserves fell short of future projections in FY2009 too. The nominal wage growth rate was also less than the future projection, which acted to push actual reserves below the future projection (Figure 3-2-4 in the report).

### (Financial Status “in Real Terms”)

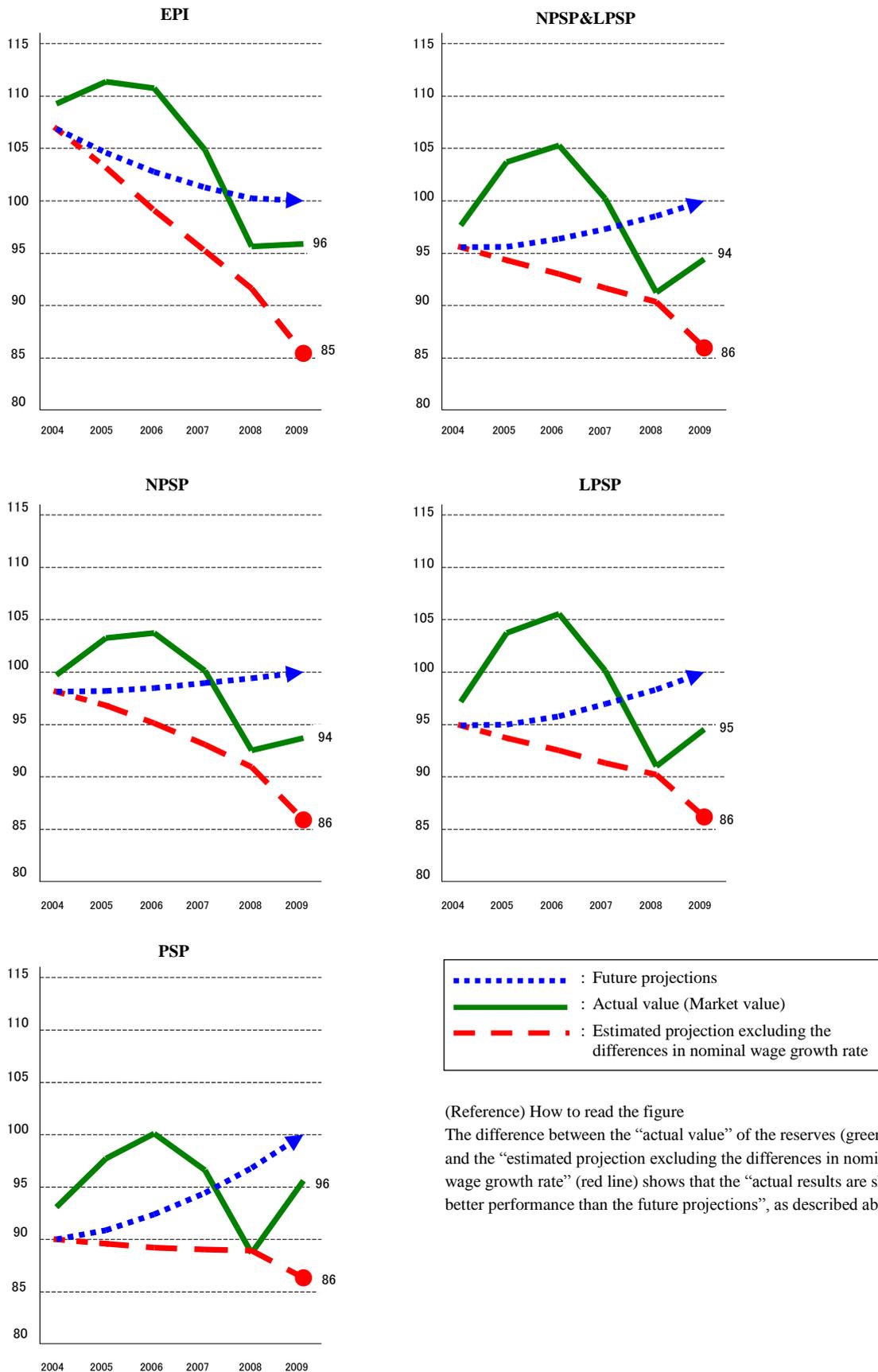
In public pension plan, both revenues (such as contributions) and expenditures (such as benefits) generally increase and decrease in response to the nominal wage growth rate over the long term. Therefore, even if the actual value and the future projection of the reserves diverge due to differences in the nominal wage growth rate as described above, the overall scale of pension finances will only similarly increase or decrease provided that the real wage growth rate, etc. remains the same, and the impact on financial status will be minor over the long-term.

Estimates<sup>1</sup> excluding differences in the nominal wage growth rate were calculated for reserves and compared with actual reserves. This showed that all plans’ actual reserves in FY2009 exceeded the estimated values excluding differences in the nominal wage growth rate (Figure 6, Figure 3-2-7 in the report).

*Note 1:* The future projections in the 2004 actuarial valuations are estimated values calculated by replacing the nominal wage growth rates used in the original valuation with actual values.

**Figure 6 Difference between Actual Reserves and Future Projections of 2004 Actuarial Valuation (at market values)**

[expressed using the future projection at the end of FY2009 as the standard (= 100)]



(Reference) How to read the figure  
 The difference between the “actual value” of the reserves (green line) and the “estimated projection excluding the differences in nominal wage growth rate” (red line) shows that the “actual results are showing better performance than the future projections”, as described above.