

Expanding the Next-Generation Fosterage Support (relation between the benefit of employees' pension and contribution)

[From April 2005]

The revised pension system will expand the following next-generation fosterage support measures until a child grows to three years old:

- ① Expanding premium exemption system during child-care leave (including leaves pursuant to child-care leave)
- ② Introducing an institutional system that calculates pension benefits based on the wage before childbirth for a person who continues to work under shorter working hours after a baby is born.

[Child age]		Prior to childbirth	Birth	One year old	Three years old	
<Measure ①>	[Working conditions of parent]		Child-care leave	Leaves pursuant to child-care leave		
	[Wage]		None or decreasing			
	[Premium]		Exempted			
	[Standard remuneration]		↑ Regarded as prior level ↑			
<Measure ②>	[Working conditions of parent]		Measure to shorten working hours			
	[Wage]		Decreasing			
	[Premium]		Levied according to wage			
	[Standard remuneration]			Regarded as prior level		

<Mechanism of Child-Care Leave>

[0 to one year old] Child-care leave or measures such as shortening working hours

[1 to 3 years old] Leave pursuant to child-care leave or measures such as shortening working hours

What is the "measure of shortening working hours"?

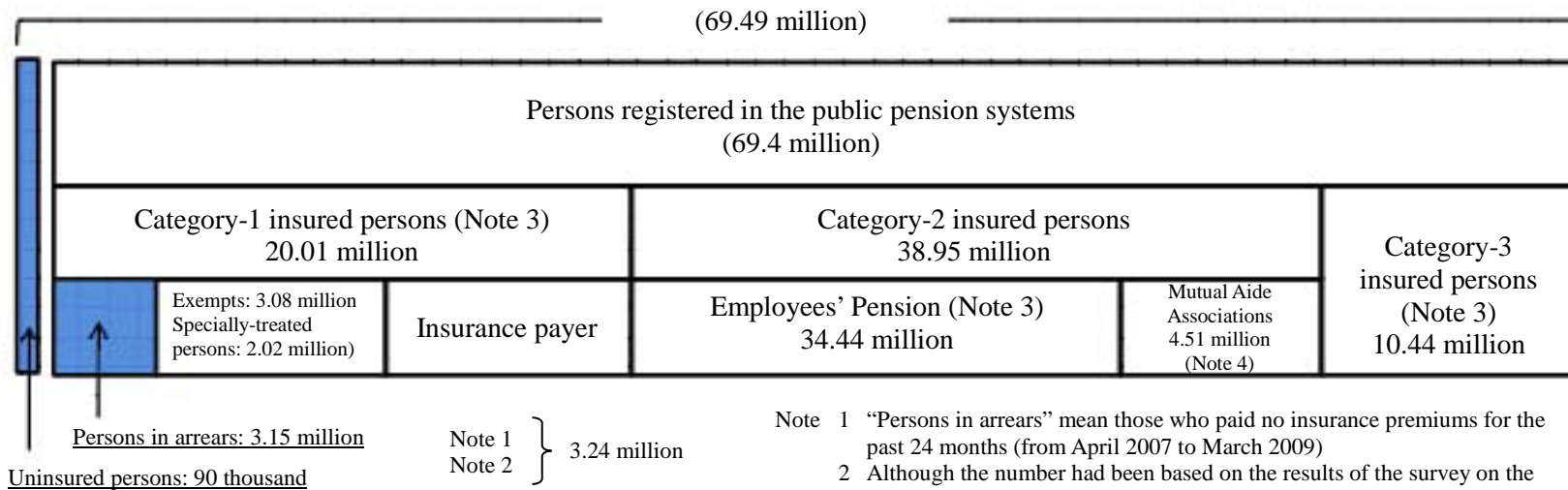
- ① Short working hour system
- ② Flex time system
- ③ Starting at a later time and leaving at an earlier time
- ④ Exempting extra work
- ⑤ Setting up and operating a nursery, etc.

1. Pension payment status in FY2008

(1) Whole situation of the public pension systems

- Approximately 95% of the entire persons to be registered in the public pension systems (including exempted persons) have paid insurance premiums.
- The person in arrears (approximately 3.15 million (Note 1)) and the uninsured persons (approximately 90 thousand (Note 2)) account for 5% of the entire person in the public pension systems.
- * The national subsidy ratio for the basic pension was raised to 1/2 to further stabilize pension finance.

The number of persons registered in the public pension system



- Note 1 "Persons in arrears" mean those who paid no insurance premiums for the past 24 months (from April 2007 to March 2009)
- Note 2 Although the number had been based on the results of the survey on the status of participation in public pension systems, because the survey was not conducted in FY2007, the number for FY2007 was a provisional one based on a linear distribution of the results in FY2006.
- Note 3 As of the end of March 2009. No.1 insured persons include voluntary insured persons (350,000 persons).
- Note 4 As of the end of March 2008

The Interim-Organization by the Committee of Pension, the Social Security Council (November 2008)

The Committee of Pension of the Social Security Council has discussed the following matters as future tasks after the 2004 revision and compiled this interim-organization.

- (1) Reviewing pension benefits for people with a low pension/low income
 - [Pension with a minimum security]: A certain amount of pension benefits should be guaranteed for low-pension recipients of the Basic Pension System.
 - [Premium Reduction Support System]: According to the amount of income that an insured person has when he/she pays his premium, part of the premium will be reduced when necessary. The insured must continue paying the reduced premium and the reduced portion will be paid by public funds.
 - [Additional pension benefits for the single low-income elderly, etc.]: Regardless of the insured's eligibility for full benefits of the Basic Pension, supplemental payment will be added to the basic pension benefit for the elderly who are single with an extremely low income.
 - [Pension financed from tax revenue]: Introducing a new tax system to fully finance the Basic Pension System.
 - Continuous discussion is required from a mid/long-term perspective.

- (2) Reviewing the total insurable period (25 years) for the Basic Pension
 - Premiums that have been paid must be reimbursed to the insured as pension benefits as much as possible. When taking this into consideration, the total insurable period may be shortened, for example, to 10 years.

- (3) Introducing the system of starting to pay premiums again after 2 years of nonpayment

- (4) Reviewing the enrollment age for the National Pension Plan
 - When considering the increasing rate of students who pursue higher education as well as the purpose of increasing the rate of premium payment, the enrollment age for the National Pension Plan may be delayed to 25-65 years old. However, this matter requires continuous discussion.

- (5) Expansion of the Employees' Pension coverage for part-time workers, etc.
 - The bill of the integration of the Employees' Pension System must be passed soon. After the functions of the Basic Pension are enhanced, such as the security of the minimum benefits, the environments surrounding the pension systems will be drastically changed. Then, further expansion of the pension coverage must be discussed.

- (6) Exemption from paying premiums during the period of child-care, etc.
 - This exemption system is limited to the insured of the Employees' Insurance. Expanding this system to self-employed people who participate in the National Pension System must be discussed.

- (7) Reviewing the system of the Old-Age Pension for Active Workers
 - While balance of the burden that the working generations carry and the effects on the pension finance must be considered, the starting point of pension suspension, ¥280,000, can be eased to a certain extent.

- (8) Reviewing the standard monthly remuneration
 - In order to have the people with higher-incomes whose standard monthly remuneration exceeds the upper limit carry a burden that matches up to their actual remuneration, raising the present upper limit can be considered.

When additional funds are required for the pension systems, it is important to discuss whether they are to be financed by the contribution of premiums or by tax revenues.

The Democratic Party of Japan's Manifesto 2009 (excerpt)

A unified and fair pension system

[Policy goals]

- Regain the people's trust in the public pension system.
- Create a system that matches the current period, such as increasing mobility of employment, and one that is transparent and easy to understand.
- Create a system that guarantees more than ¥70,000 monthly pension benefit, which will stabilize the lives of the elderly and remove anxieties among working generations.

[Specific measures]

- Acts that will stipulate the following frameworks of the new pension system must be established by 2013.

<Frameworks of the new pension system>

- The pension system must be unified: everyone participates in the same pension system and there will be no troublesome procedures required when the insured changes his/her jobs.
- "If the insured persons have the same amount of income, they pay the same amount of premiums." The system of the "Income Proportional Pension" in which pension amount is calculated according to the total amount of premiums paid by the insured must be established.
- The "Minimum Guaranteed Pension" must be established, financed by the consumption tax. This will allow each person to receive a monthly pension benefit of ¥70,000 or higher. Those who can receive more than a certain amount of the "Income Proportional Pension" benefit will have the reduced "Minimum Guaranteed Pension" benefit.

The Democratic Party of Japan's Policy Index 2009 (excerpt)

Create a new pension system that is fair

We will change the present pension system, which is in critical condition, to a system that is fair and easy to understand. In order to gain people's trust in the pension system, we will establish laws that stipulate the following frameworks of the new pension system by 2013.

- (1) The pension system must be unified: everyone participates in the same pension system and there will be no troublesome procedures required when the insured changes his/her jobs.
- (2) "If the insured persons have the same amount of income, they pay the same amount of premiums." The system of the "Income Proportional Pension" in which pension amount is calculated according to the total amount of premiums paid by the insured must be established. With this system, we will be able to gain people's trust in the pension system that assures the paid premiums to be surely reimbursed.
- (3) The "Minimum Guaranteed Pension" must be established, financed by the consumption tax. This will allow each person to receive a monthly pension benefit of ¥70,000 or higher. With this system, everyone can receive at least the minimum amount of pension benefit and people can enter their elderly period without anxiety. Those who can receive more than a certain amount of the "Income Proportional Pension" benefit will have the reduced "Minimum Guaranteed Pension" benefit.
- (4) All the amount that is equivalent to the revenue from 5% consumption tax will be used to finance the "Minimum Guaranteed Pension," which will also stabilize the pension financing.