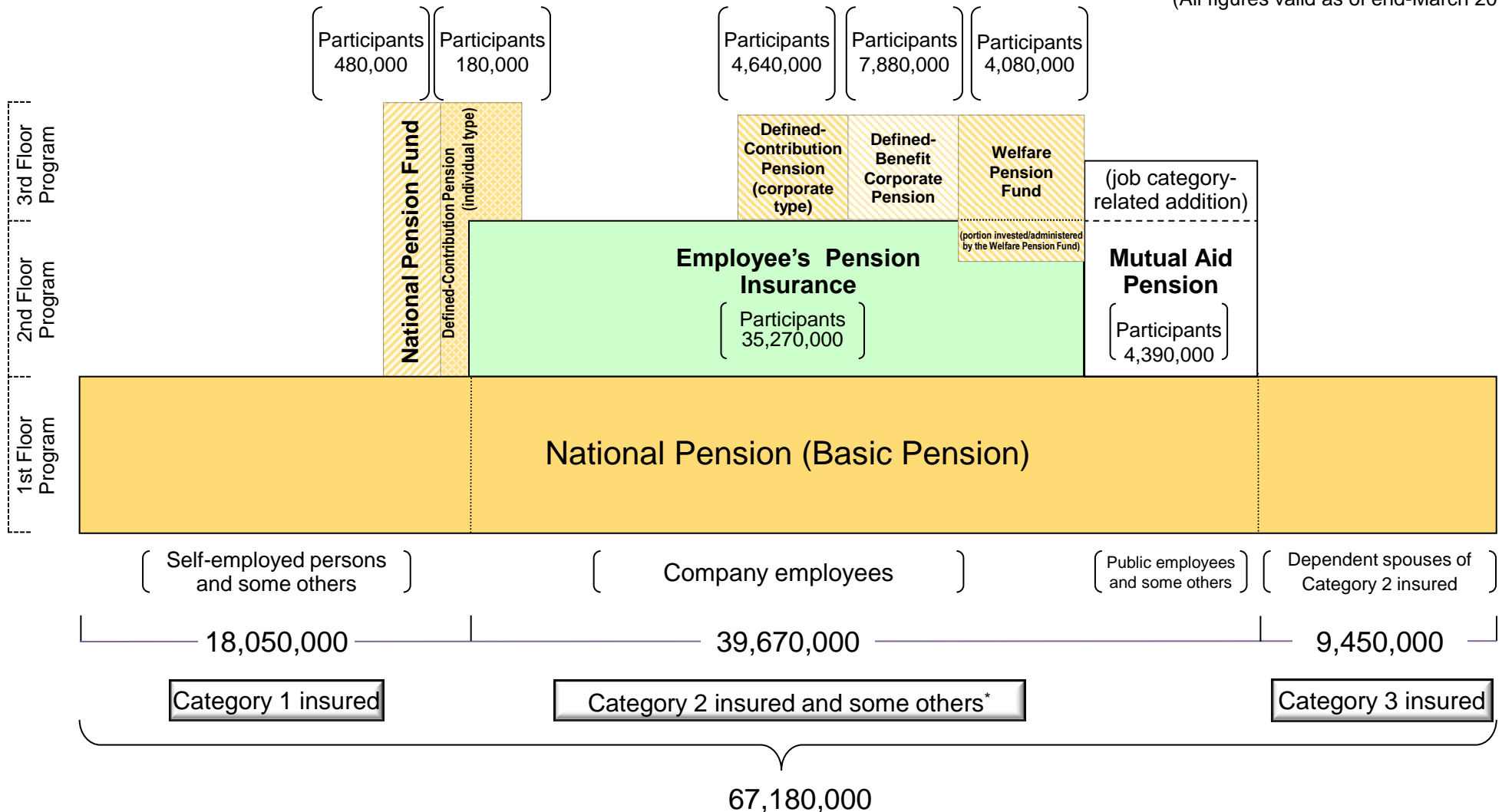


Overview of Japanese Public Pension System

Scheme of Japanese Public Pension System

- **Each member of the working generation becomes insured under the National Pension.** Upon reaching an old age, he/she receives Basic Pension benefits. (1st Floor Program)
- In addition to Basic Pension, a private-company or public employee participates in an **Employee's Pension Insurance or Mutual Aid Pension** and receives benefits proportional to his/her pensionable remuneration on top of Basic Pension benefits. (2nd Floor Program)

(All figures valid as of end-March 2014)



* "Cat 2 insured and some others" mean those covered by Employee Pension Insurance (including Cat 2 insured and those aged 65 and over or those entitled to pension benefits by reason of retirement).

Size and Role of Public Pensions

Nation

○ Participants in public pensions (at the end of 2013): 67,180,000

Cat 1 insured



18,050,000

Cat 2 insured



39,670,000

Cat 3 insured



9,450,000

○ Insured entitled to pension benefits (as the end of FY2013): 39,500,000

- Old-age Basic Pension (FY2013)
Average monthly benefits: ¥55,000
- Old-age Employee's Pension Insurance
Average monthly benefits per person: ¥157,000 (includes Basic Pension)



Insurance Premium

¥34.3 trillion (on the FY2014 budgetary basis)

Premium of National Pension:
¥15,590 (on and after April 2015)

Rate of Welfare Pension premium:
17.474% (in and after Sept. 2014)
(contributed equally by Employee and Employer)

Example) Insured who receives standard monthly remuneration of ¥340,000 will contribute a monthly insurance premium of ¥29,706 (¥340,000 x 17.474% x 1/2).

Pension Benefits

¥53.9 trillion (on FY2014 budgetary basis)

Ref) National general expenditure
¥56.5 trillion (FY2014 budget)

Pension System

National Pension

Employee's Pension Insurance
Mutual Aid Pension

Amount of public pension reserve assets
(National Pension, Welfare Pension)

(At the end of FY2013)

¥160.4 trillion
(market value)

* Includes the portion invested/administered by the Welfare Pension Fund

State and Others

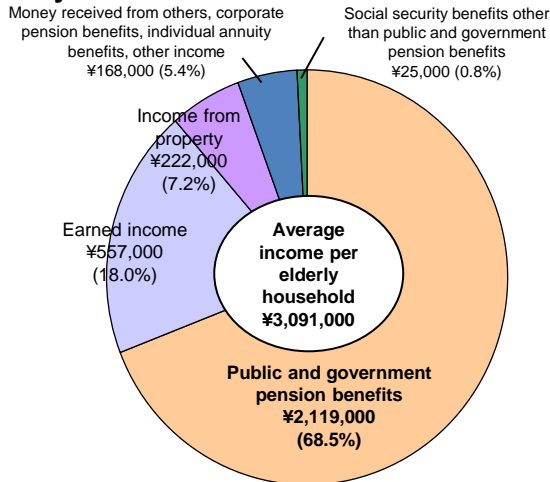
State's contribution to pension benefits

¥11.8 trillion

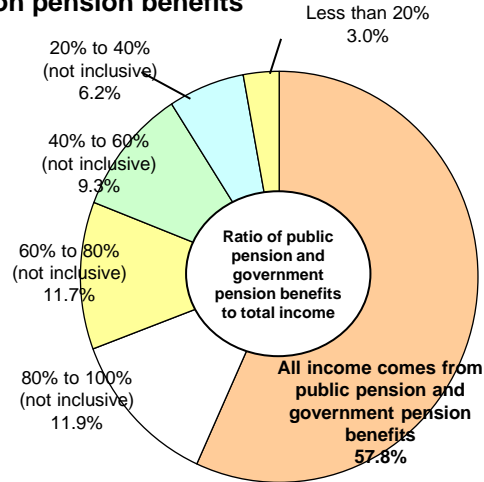
(On FY2014 budgetary basis)

Role of Pensions

Pension benefits account for 70% of elderly households' income



60% of elderly households live only on pension benefits



Role to support regional economies (in some regions 20% of household consumption comes from pension benefits)

(7 top-ranking prefectures in terms of the ratio of pension benefits to prefectural individual inhabitant's income)

Prefecture (Ratio of elderly)	Ratio of pension benefits to prefectural individual inhabitant's income	Ratio of pension benefits to prefectural individual household's final consumption expenditure
Shimane Prefecture (30.9%)	18.0%	24.9%
Tottori Prefecture (28.2%)	17.5%	20.7%
Kochi Prefecture (31.1%)	17.4%	19.2%
Akita Prefecture (31.6%)	16.4%	18.5%
Yamaguchi Prefecture (30.2%)	16.0%	22.0%
Nara Prefecture (26.7%)	15.9%	20.8%
Yamagata Prefecture (29.1%)	15.5%	19.4%

Source: 2013 Comprehensive Survey of Living Conditions (MHLW) Source: 2013 Comprehensive Survey of Living Conditions (MHLW)

(Note) Percentages shown in the two circular graphs have fractions rounded and they do not exactly add up to 100%.

Ratio of elderly in *Population Estimates*, MIC (2013)
Total Pension Amount by Prefecture, provided by Work Planning Division Research Office, Pension Bureau, Ministry of Health, Labour and Welfare (FY2011)
Prefectural Income per Capita and Household Final Consumption Expenditure from *Prefectural Economic Accounts*, the Cabinet Office (FY2011)

Burden of Insurance Premiums and Pension Benefits (National Pension, Employee's Pension Insurance)

○ Pension amounts are calculated in accordance with the period of premium payment made by the Insured (number of months) and the amount of pensionable salary paid to the Insured while he/she was in service (standard monthly remuneration)

	National Pension System	Employee's Pension Insurance System
Burden of Insurance Premium	<p style="text-align: center;">¥15,590 per month (in and after April 2015)</p> <p>→ Being increased each year by ¥280 since FY2005 → Will be fixed at ¥16,900 (FY2004 price) in and after 2017</p> <p>* The Insured may be exempt from insurance premiums if his/her income is below a certain level.</p>	<p style="text-align: center;">Remuneration for the month x 17.474% (in and after September 2014)</p> <p>(equally contributed by Employee and Employer)</p> <p>→ Being increased each year by 0.354% since FY2005 → Will be fixed at 18.30% in and after September 2017</p> <p>* If the Insured earns ¥340,000 per month he/she will pay ¥29,706 per month (¥340,000 x 17.474% x 1/2)</p>
<p>The Insured must meet the period required for qualifying for pension benefits (25 years)</p>		
Pension benefits	<p>(Old-age) Basic Pension payable to those aged 65 and over</p> <p>The amount of benefits is decided in accordance with the period during which the Insured has contributed premium. (full amount is a fixed amount)</p> <p>¥64,400 per month (full amount) × $\frac{\text{Number of months for which the Insured paid insurance premium}}{480 \text{ months}}$</p> <p>* For each of the months in which the Insured is totally exempt from payment of insurance premium the Insured will receive only 1/2 or 1/3 of the benefits that should be payable if the Insured fully pays the premium.</p>	<p>(Old-age) Welfare Pension payable to those aged 65 and over</p> <p>Amount of benefits is decided in accordance with the income earned by the Insured while in service and with the insured period (payable in proportion to pensionable remuneration)</p> <p>Average standard remuneration × $\frac{5,481}{1,000}$ × Insured period (number of months) ÷ 12</p> <p>Includes bonuses. Past wages are brought to present value (wages indexed to prices)</p>
Average amount: ¥55,000 per month		Average amount per Insured: ¥157,000 per month (including Basic Pension benefits)