

Overview of Pension System Revision

Basic Concept

- Respond to the diversification of work styles, lifestyles, and family structures
- Strengthen the functions of stable living and income security in old age for both current and future beneficiaries



Major Revisions



Expansion of social insurance coverage

Enable part-time workers at small and medium-sized enterprises and other similar workers to enroll in their employees' pension and health insurance system and enjoy benefits such as increased pensions.



Reviewing the old-age pension for active employees

Make the reduction of pension benefits less likely for elderly people who work while receiving a pension so that they can work more.



Reviewing pensions for surviving family

Eliminate the gender disparities in the employees' pension for surviving family system.
Ease restrictions and increase cases when children can receive the basic pension for surviving family.



Raising of the upper limit on wages used to calculate contribution and pension amounts

Enable people with a monthly income above a certain level to receive a pension more commensurate with their wages during their working years by having them pay contributions in accordance with their wages.



Other reviews

Review the additional pension for children, etc., and review the lump-sum withdrawal payment.
Review private pension systems, including raising the upper age limit for enrollment in iDeCo.

* As a result of deliberations in the Diet, a provision was added to take measures, based on assessment of future socioeconomic conditions, to simultaneously terminate the modified indexation[†] of the basic pension and the employees' pension if the benefit level of the basic pension is projected to decline.

[†] a mechanism to automatically adjust benefit level within scope of financial resources

Effective Date of Pension System Revision



Apr 2026

Apr 2027

Apr 2028

Apr 2029

Apr 2030

Apr 2031

Expansion of social insurance coverage

Abolition of the wage requirement
From the date that falls within three years of promulgation, as specified by a Cabinet Order

Expansion of the scope of covered unincorporated places of business that employ five or more workers on a regular basis
From October 2029

Support for those newly covered under the expanded coverage
From October 2026

Abolition of the enterprise size requirement in stages
From October 2027 for enterprises with 36-50 employees, from October 2029 for enterprises with 21-35 employees, from October 2032 for enterprises with 11-20 employees, and from October 2035 for enterprises with 1-10 employees

Reviewing the old-age pension for active employees

Raising of the income threshold for suspension (¥500,000)
From April 2026

Reviewing pensions for surviving family

Elimination of the gender disparities in the employees' pension for surviving family system
From April 2028 (in stages over 20 years)

Raising of in the upper limit on wages used to calculate contribution and pension amounts

Raising of the upper limit (¥650,000)

From ¥650,000 to ¥680,000, from September 2027
From ¥680,000 to ¥710,000, from September 2028
From ¥710,000 to ¥750,000, from September 2029

Additional pension for children

Expansion of the scope of pension beneficiaries eligible for increased additional pension for raising children
From April 2028

* For the time being, existing places of business will not be subject to the expansion of the scope of covered unincorporated places of business that employ five or more workers on a regular basis.

The expansion of the scope of children eligible for the basic pension for surviving family will come into effect in April 2028.

The raising of the maximum age for enrollment in iDeCo will be effective from the date that falls within three years of promulgation, as specified by a Cabinet Order. The review of the lump-sum withdrawal payment system will be effective from the date that falls within four years of promulgation, as specified by a Cabinet Order.

The simultaneous termination of the modified indexation[†] will be implemented if the basic pension benefit level is projected to decline based on the results of the next actuarial valuation (2029).

[†] a mechanism to automatically adjust benefit level within scope of financial resources

Expansion of Social Insurance Coverage (1)

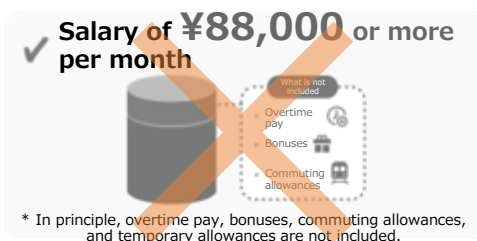
- ✓ The criteria for enrollment in social insurance (employees' pension and health insurance) will be made easier to understand.
- ✓ This will make it easier for individuals to choose their work style and enable them to receive benefits such as increased pensions in the future.

Review (1)

Review of enrollment criteria for part-time workers



* Students are not subject to this criteria.



Abolition of the wage requirement

The so-called 1.06-million-yen barrier, or threshold, will be eliminated.

This will be abolished within three years after assessing the progress of the nationwide minimum wage increase.



Abolition of the enterprise size requirement

Enrollment regardless of the size of the enterprise an individual works for

Covered enterprises will be increased in stages over 10 years.

Enterprises with 51 or more employees	Enterprises with 36 or more employees	Enterprises with 21 or more employees	Enterprises with 11 or more employees	Enterprises with 10 or fewer employees
Currently covered	From October 2027	From October 2029	From October 2032	From October 2035

A blue arrow pointing to the right, starting from the bottom of the first column and extending to the bottom of the last column.

* Enrollment is also possible based on a labor-management agreement without waiting for the period shown above.

Expansion of Social Insurance Coverage (2)

- ✓ The criteria for enrollment in social insurance (employees' pension and health insurance) will be made easier to understand.
- ✓ This will make it easier for individuals to choose their work style and enable them to receive benefits such as increased pensions in the future.

Review (2)

Expansion of covered unincorporated places of business

(Expansion of coverage including full-time workers)

Unincorporated places of business employing five or more persons on a regular basis

17 business types specified by law

Covered
(unchanged)

Business types other than the above (*)

Not covered ⇒ **Covered**

* Agriculture, forestry, fisheries, accommodation, food and beverage services, etc.

Unincorporated places of business with fewer than five employees

Not covered
(unchanged)

From October 2029

However, places of business that already exist as of October 2029 will be excluded for the time being.

Expansion of Social Insurance Coverage (3)

Support for part-time workers covered under the expanded social insurance coverage

- For part-time workers who become newly covered by social insurance (employees' pension and health insurance) due to reasons such as the review of the enterprise size requirement, **a special measure will be implemented to reduce the burden of social insurance contributions, under which the employers will bear an additional burden for three years.**
- **The full amount of the contributions** borne additionally by employers will be **supported by the system as a whole.**

Monthly wage (standard remuneration) (Annualized)	88,000 (1.06 million)	98,000 (1.18 million)	104,000 (1.25 million)	110,000 (1.32 million)	118,000 (1.42 million)	126,000 (1.51 million)	134,000 (1.61 million)
Burden on workers (Reduction rate halved in the third year)	25/50 of the full burden	30/50 of the full burden	36/50 of the full burden	41/50 of the full burden	45/50 of the full burden	48/50 of the full burden	50/50 of the full burden

* The above support measure will also be made available when social insurance is applied voluntarily based on a labor-management agreement.

Support for employers

- As support for employers, the government is considering measures such as: support for employers that increase workers' income upon enrollment in social insurance; support for administrative work related to the expansion of coverage; and support that contributes to productivity improvement, etc.

Expansion of Social Insurance Coverage (4)

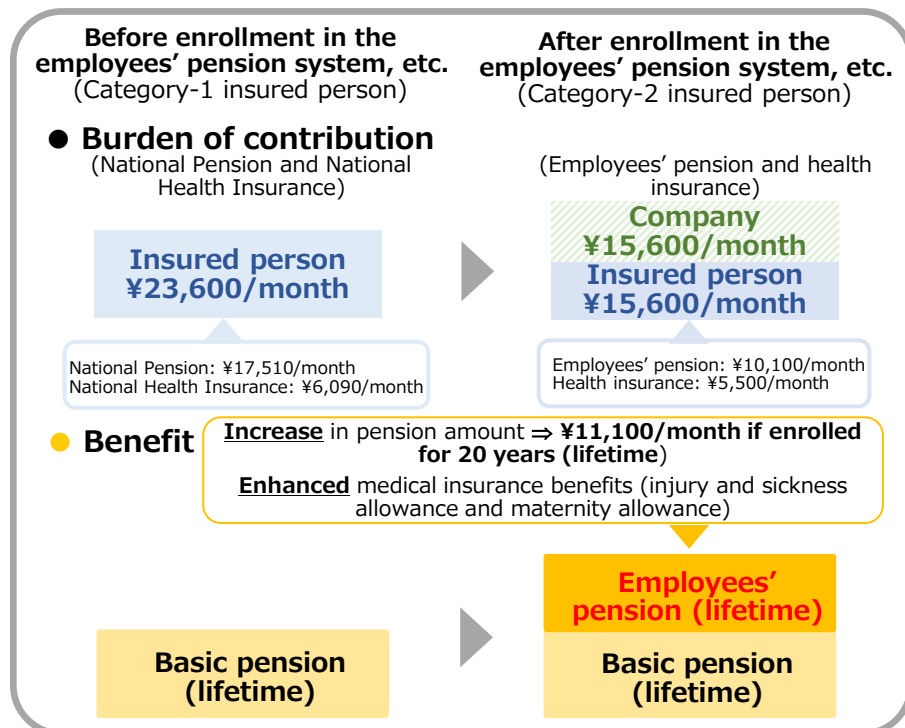
Effect of the expansion of coverage

- ✓ Approximately 900,000 workers will be enrolled in social insurance (employees' pension and health insurance), which will enable them to receive benefits such as increased pensions in the future.

Image of contributions and benefits when enrolling in social insurance

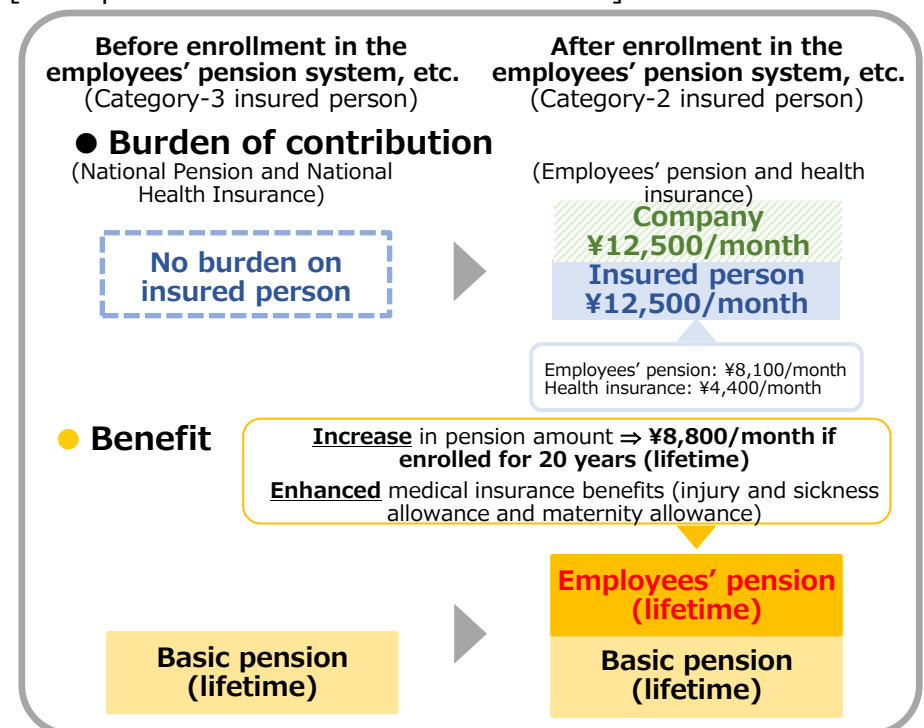
When **a non-dependent** (Category-1 insured person) enrolls:
Pension amount will increase while contributions will decrease (*)

[Example: Annual income of ¥1.3 million]



When **a dependent** (Category-3 insured person) enrolls:
Pension amount will increase while contributions will be incurred (*)

[Example: Annual income of ¥1.06 million]



(*) A special measure is also available to reduce the burden of social insurance contribution, under which employers will bear an additional burden for three years as support for part-time workers. (See page 5 for details.)

Reviewing the old-age pension system for active employees

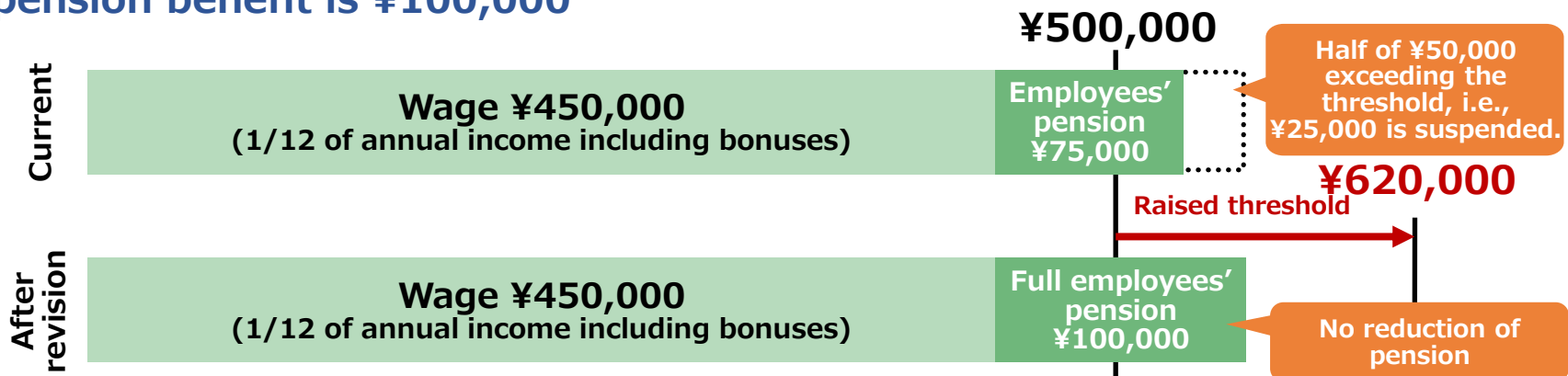
- ✓ If the combined amount of wages and the employees' old-age pension of elderly individuals who work while receiving a pension exceeds the threshold, the employees' old-age pension is reduced.
(This is an exceptional mechanism in social insurance, which provides benefits based on contributions.)
- ✓ This threshold will be raised from **¥500,000 to ¥620,000 per month**.
[From April 2026] *The above amounts are fiscal 2024 prices.



Effect of the review

- This will make it more likely for elderly individuals who work while receiving pension benefits to receive their full pension based on their contributions, **enabling them to work more without concern about a reduction in pension benefits**. (Approximately 200,000 additional people will become entitled to receive full pension benefits.)
- This is intended to mitigate **the tendency among elderly people to reduce working**, which has been noted in some industries, and thereby help **solve labor shortages**.
* This review has the effect of reducing the future benefit level under the employees' pension system as a whole. However, the overall benefit level will improve by this system-wide revision.

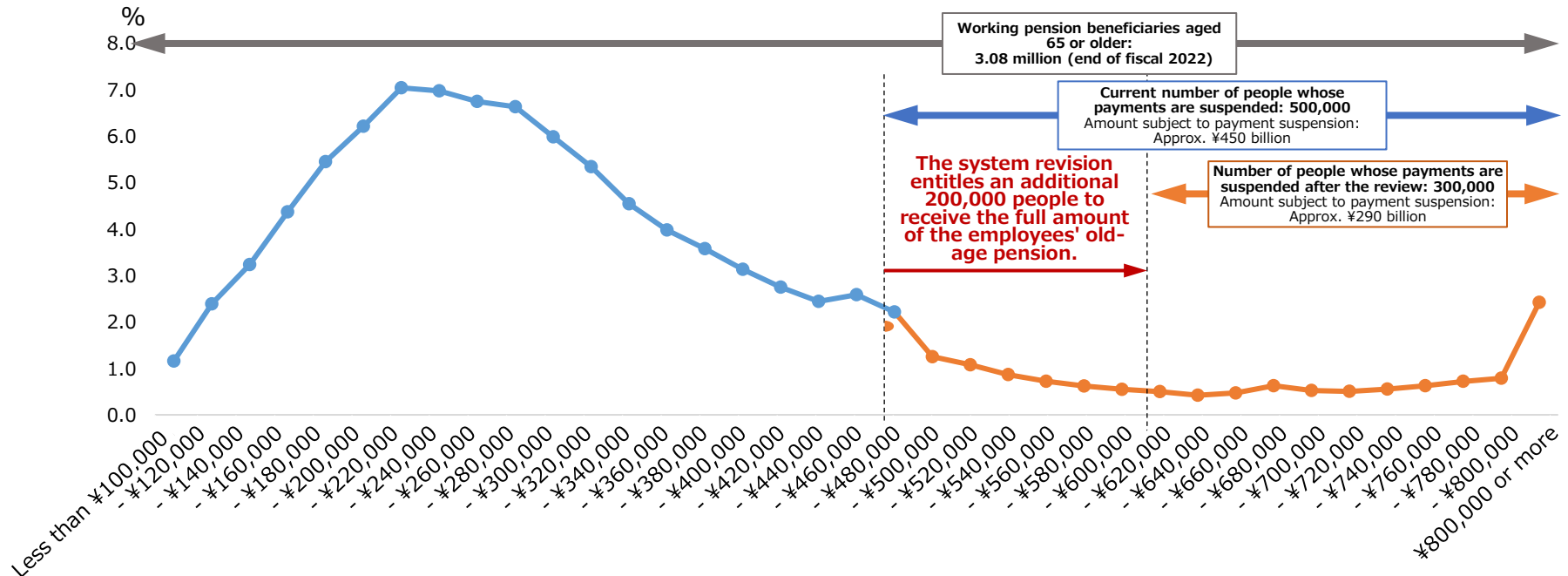
[Example] If the monthly wage is ¥450,000 and the monthly employees' pension benefit is ¥100,000



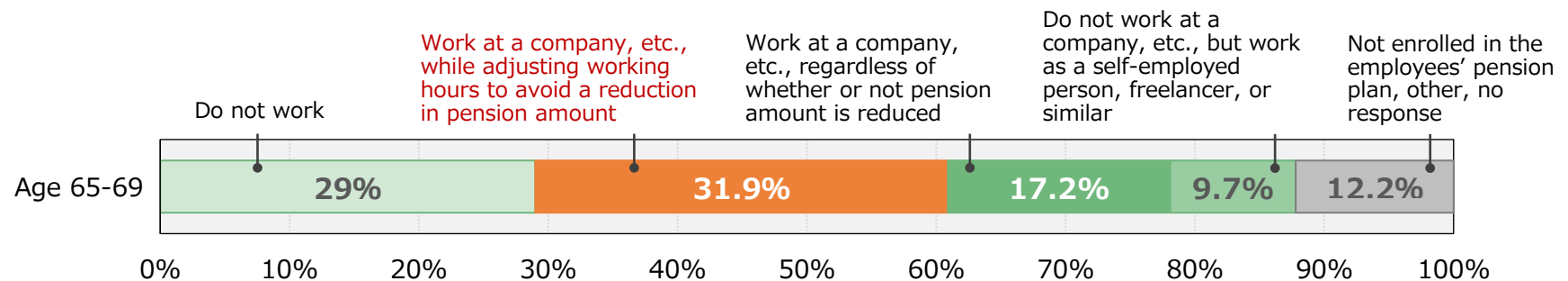
Reviewing the old-age pension system for active employees

Reference

1 Status of suspension of employees' old-age pension payment for persons aged 65 or older



2 Work styles when reaching the age to receive employees' pension benefits



Source: Public Relations Office, Cabinet Office, "Public Opinion Survey on Life Planning and Pensions" 2023

Reviewing the employees' pension for surviving family

- ✓ In response to the increase in the employment rate of women, etc., **the gender disparities in the employees' pension for surviving family will be eliminated.**

[Implementation will start in April 2028 for men and will be in stages over 20 years for women starting in April 2028.]

Current system

Women

Bereaved before age 30:
Five- year fixed-term benefits

Bereaved at or after age 30:
Lifetime benefits

Men

Bereaved before age 55:
No benefits

Bereaved at or after age 55:
Lifetime benefits from age 60

After the review

Both men and women

Bereaved before age 60:
Five-year fixed-term benefits in principle
Continuation of benefits beyond the fifth year if consideration is necessary

- The income requirement for fixed-term benefits (annual income of less than ¥8.5 million) is abolished.
- Increase in pension amount (additional fixed-term benefits, division by death)

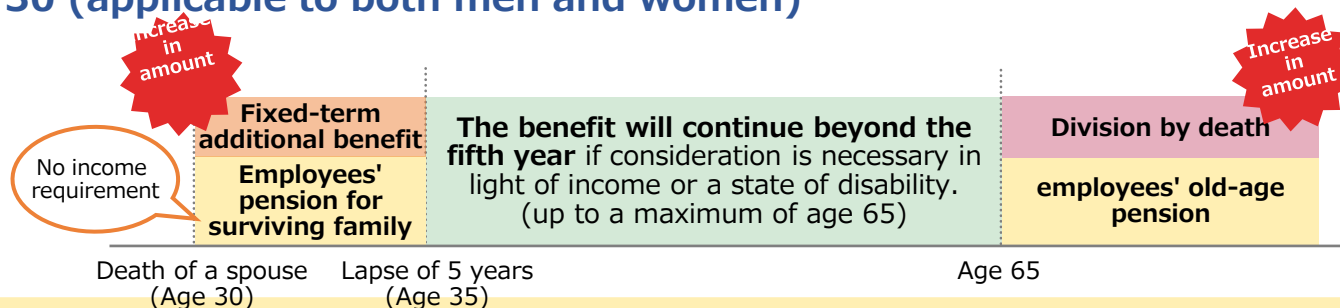
Bereaved at or after age 60:
Lifetime benefits (unchanged)

Both of the above are for the case where there is no child. (*A "child" refers to a person for whom the fiscal year *in which that person reaches the age of 18 has not yet ended, or who is under the age of 20 and is in a state of disability.

*Japanese fiscal year: April – March)

If there is a child, the same benefits as under the current system will apply until the child exceeds the age referred to above. After the child exceeds such age, the fixed-term benefit increased by the additional amount applicable for five years in principle and the continuous benefit will apply.

[Example] If a person without children loses his/her spouse at age 30 (applicable to both men and women)



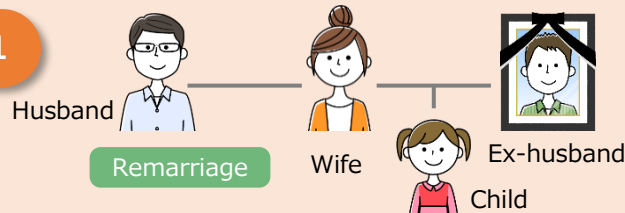
Persons to whom the same benefit as the current system applies

- Persons bereaved at age 60 or older
- Benefits for those who are raising a child (who falls under the above*)
- Persons who have been receiving the employees' pension for surviving family since before the revision
- Women who will be aged 40 or older in fiscal 2028

Reviewing the basic pension for surviving family

- ✓ This allows **children to receive the basic pension for surviving family** even if they share a livelihood with their father or mother.
(If their father or mother cannot receive the basic pension for surviving family.) [To be implemented from April 2028]

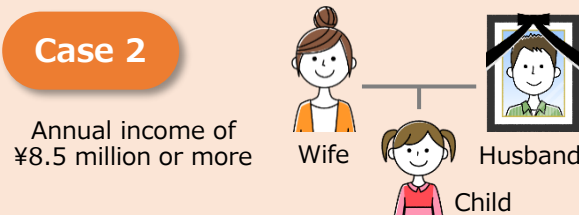
Case 1



The wife had been receiving the basic pension for surviving family after the death of her ex-husband, but she became ineligible to receive the basic pension for surviving family upon remarrying.

➡ **The child will become eligible to receive the basic pension for surviving family** even if he/she shares a livelihood with the wife (the child's mother).

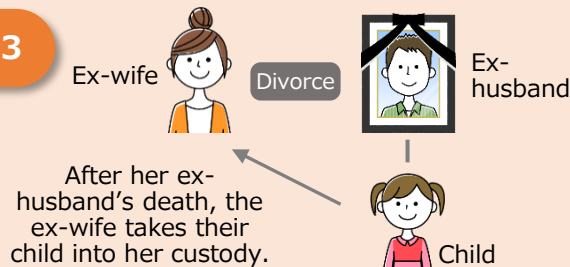
Case 2



After her husband's death, the wife is not eligible to receive the basic pension for surviving family because her income exceeds the income threshold.

➡ **The child will become eligible to receive the basic pension for surviving family** even if he/she shares a livelihood with the wife (the child's mother).

Case 3



The ex-husband, who had been raising the child after the divorce, died. In such a case, the ex-wife is not eligible to receive the basic pension for surviving family because they had divorced before the ex-husband's death.

➡ **The child will become eligible to receive the basic pension for surviving family** even if he/she is in the custody of the wife (the child's mother) and shares a livelihood with her.

Case 4

The child will become eligible to receive the basic pension for surviving family, even if he/she is adopted by a lineal relative by blood such as a grand father or grand mother (or by a lineal relative by affinity) and shares a livelihood with that relative.

* Father or mother: A lineal relative by blood or by affinity and including the case where he/she has adopted a child.

- Child: A person for whom the fiscal year[†] in which that person reaches the age of 18 has not yet ended, or who is under the age of 20 and is in a state of disability.

[†] Japanese fiscal year: April – March

* In the above examples, the same applies in the case where the wife dies and the husband receives the benefits.

Raising of the upper limit on wages used to calculate contribution and pension amounts under the employees' pension system, etc.

- ✓ The upper limit of wages used to calculate contribution and pension amounts under the employees' pension system, etc. will be raised **from ¥650,000 to ¥750,000 per month**.
[Raised in stages: to ¥680,000 in September 2027, ¥710,000 in September 2028, and ¥750,000 in September 2029]



Effect of the review

- As wages are being raised, those who earn more than ¥650,000 a month will be asked to pay contributions in accordance with their wages so that **they can receive pensions more commensurate with their wages during their working years**.
 - * On average, a monthly wage of ¥650,000 is equivalent to an annual income of ¥10 million, including bonuses.
 - * Approximately 10% of male company employees are subject to the upper limit of ¥650,000. When wages exceed the upper limit, contributions are kept relatively low, and the amount of pension is low accordingly.
- Furthermore, **the overall benefit level of the employees' pension system will rise**.

The contribution will remain unchanged for those with a monthly wage of ¥650,000 or less

[Example] Changes in contributions and pension amounts for those with a monthly wage of ¥750,000 or more

	Changes in contributions (borne by insured person) The employer pays the same amount.	Changes in pension amounts
Persons who earn ¥750,000 or more per month	+ ¥9,100/month (+ ¥6,100/month after the social insurance contribution deduction) ¥59,500/month ⇒ ¥68,600/month (9.15% of ¥650,000) (9.15% of ¥750,000)	If applicable for 10 years, + approximately ¥5,100/month (lifetime) (+ approximately ¥4,300/month after the taxation on pensions)

* The social insurance contribution deduction and the taxation on pensions are calculated based on certain assumptions.

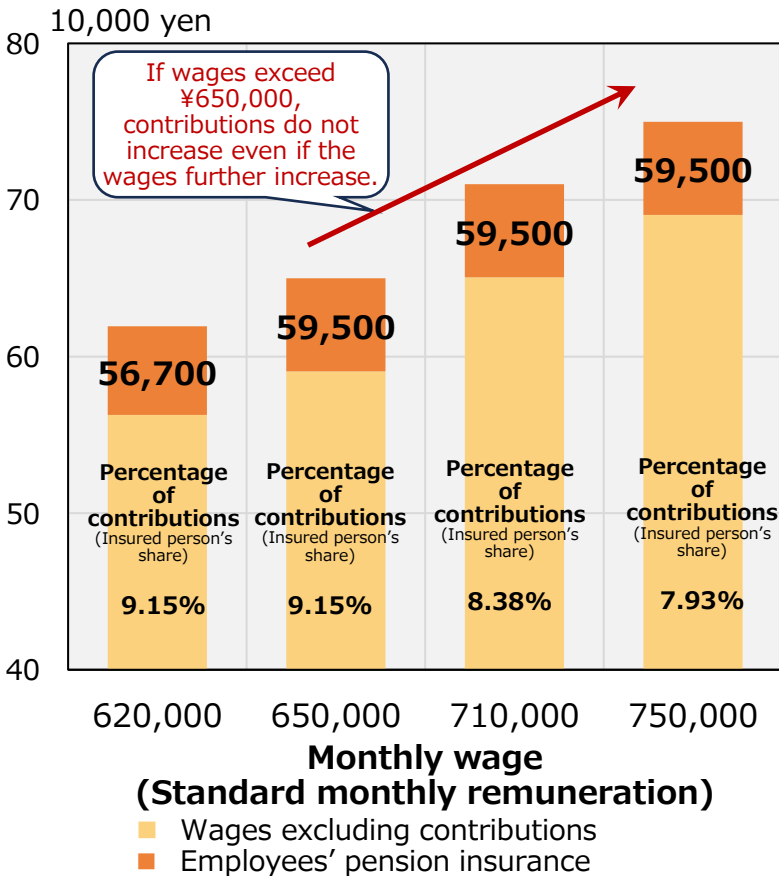
Raising of the upper limit on wages used to calculate contribution and pension amounts under the employees' pension system, etc.

Reference

1 Ratio of employees' pension contributions to wages (Insured person's burden)

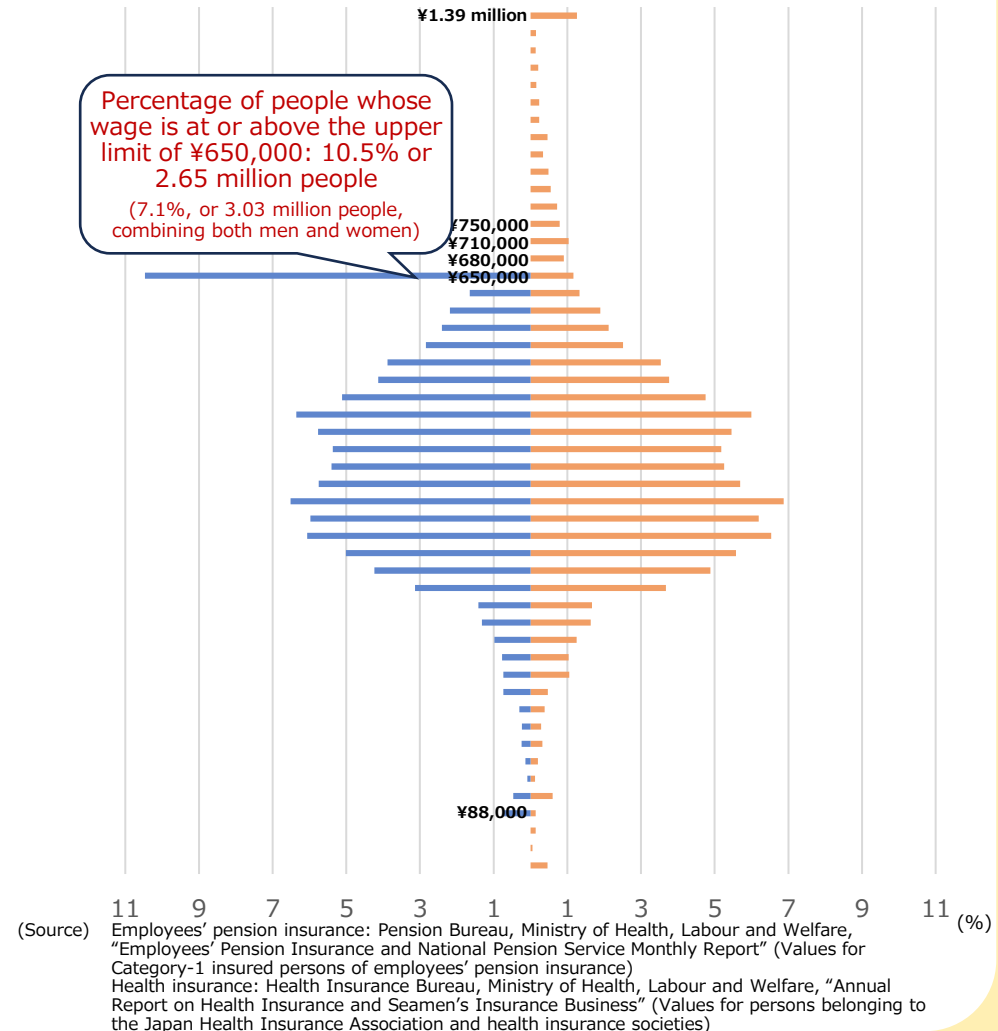
(Current system)

Currently, people whose monthly wage exceeds ¥650,000 (on average, annual income of approximately ¥10 million including bonuses) cannot receive pensions commensurate with their wages, as the ratio of contributions to their actual wages is low.



2 Distribution of the number of insured persons by wage (Men) (Standard monthly remuneration)

■ Employees' pension insurance (December 2024) ■ Health insurance (March 2023)



Reviewing Other Public Pensions

Reviewing the additional pension for children, etc. (from April 2028)

- ✓ **Additional pension for persons who are raising a child** while receiving a pension **will be enhanced**.
[Current] [After review]

	Old-age pension	Disability pension	Pension for surviving family
Employees' pension	First and second children ¥234,800 Third and later children ¥78,300	Additional pension for children Nil	Additional pension for children Nil
Basic pension	Additional pension for children Nil	First and second children ¥234,800 Third and later children ¥78,300	First and second children ¥234,800 Third and later children ¥78,300

	Old-age pension	Disability pension	Pension for surviving family
Employees' pension	Per child ¥281,700	Per child ¥281,700	Per child ¥281,700
Basic pension	Per child ¥281,700	Per child ¥281,700	Per child ¥281,700

Where both the basic pension and the employees' pension are received, the additional pension is applied only to the employees' pension.

- ✓ In light of the social advancement of women and the increase in dual-income households, **the additional pension for spouses** under the employees' old-age pension, which is paid only to beneficiaries supporting a younger spouse, **will be reviewed**. (Current amount: ¥408,100 ⇒ After the review: ¥367,200. For those who are already recipients, the current amount will remain unchanged.)

Reviewing the lump-sum withdrawal payment [To be implemented within four years]

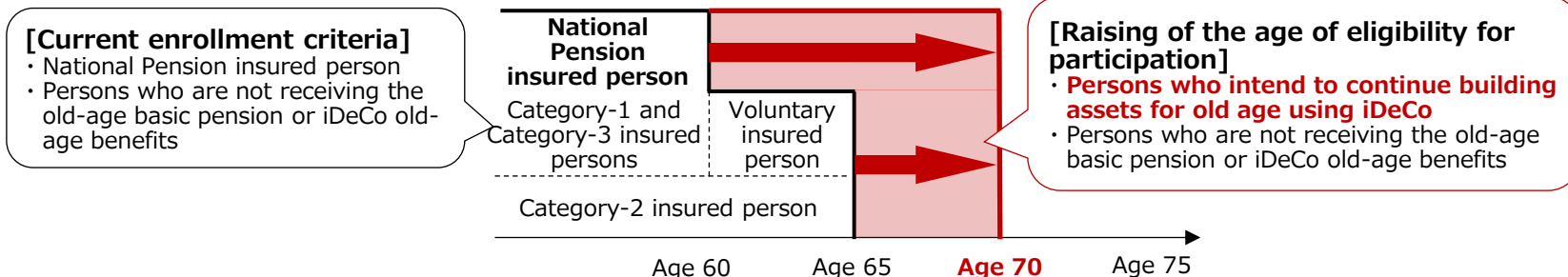
*All amounts above are fiscal 2024 prices.

- ✓ The lump-sum withdrawal payment system provides a lump-sum payment to foreign nationals who have stayed in Japan for a short period of time and are therefore not eligible to receive the old-age pension.
- ✓ **A lump-sum withdrawal payment will not be paid to a foreign national who leaves Japan with a re-entry permit as long as the permit is valid.**
- ✓ The upper limit of the provision of the lump-sum withdrawal payment **will be raised** from the current **five years to eight years**.

Reviewing Private Pensions

Raising of the upper age limit for enrollment in iDeCo [to be implemented within three years]

- ✓ This is intended to allow individuals to **participate in iDeCo until they turn 70** and to build assets for old age regardless of their work style.



* The upper limit of maximum contributions to iDeCo is planned to be raised in the future to ¥75,000 per month for Category-1 insured persons and ¥62,000 per month for Category-2 insured persons.

Expansion of the maximum contribution limit for corporate-type DC [to be implemented within three years]

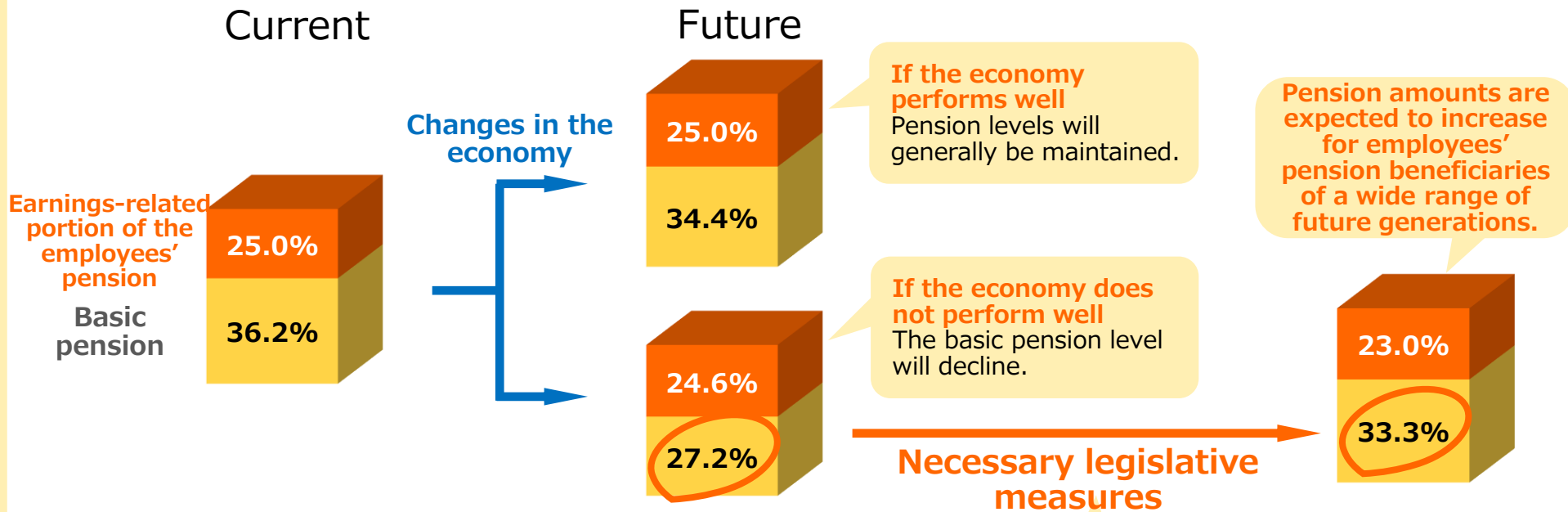
- ✓ **The restriction where a participant's contribution** that can be added to the employer's contribution **(matching contribution) cannot exceed the employer's contribution will be abolished** to allow full use of the maximum contribution limit.
- * The maximum contribution limit for corporate-type DC is planned to be raised from the current ¥55,000 to ¥62,000 per month.

Visualization of investments by corporate pension plans [to be implemented within five years]

- ✓ **The Ministry of Health, Labour and Welfare compiles and publishes information on the management status of corporate pension plans** to allow for comparisons with other companies and analysis, thereby enabling improvements in management in the best interests of participants and other stakeholders.

Response to Future Decline in Basic Pension Level

Measures to be implemented if the economy does not perform well
Concrete institutional design will be considered in the period ahead after assessing socioeconomic conditions.



- As prices and wages are rising and the economy is entering a new phase, the government will assess societal and economic changes and, if the level of basic pension benefits is projected to decline in the next actuarial valuation (scheduled for 2029), it will take **measures (*) to raise the future benefit level of the basic pension, which is also received by participants of the employees' pension plan**, while balancing benefits and burdens.
- If the implementation of such measures results in **a reduction in the total amount of the basic pension and the earnings-related portion of the employees' pension for any participants, measures will be taken to mitigate the impact.**

[These measures were added to the law by amendment in the House of Representatives.]

- In order to assess societal and economic changes, the measures to restrict the growth of pension amounts from the earnings-related portion of the employees' pension plan (modified indexation[†]) will continue through fiscal 2030. In doing so, the restriction on the growth will be moderated so that persons receiving the employees' pension will not be disadvantaged.

[†] a mechanism to automatically adjust benefit level within scope of financial resources

[Source] 2024 Actuarial Valuation : Financial Implications of the Reform Options(Expanded coverage (2))< Projection of past 30-year trends Case>

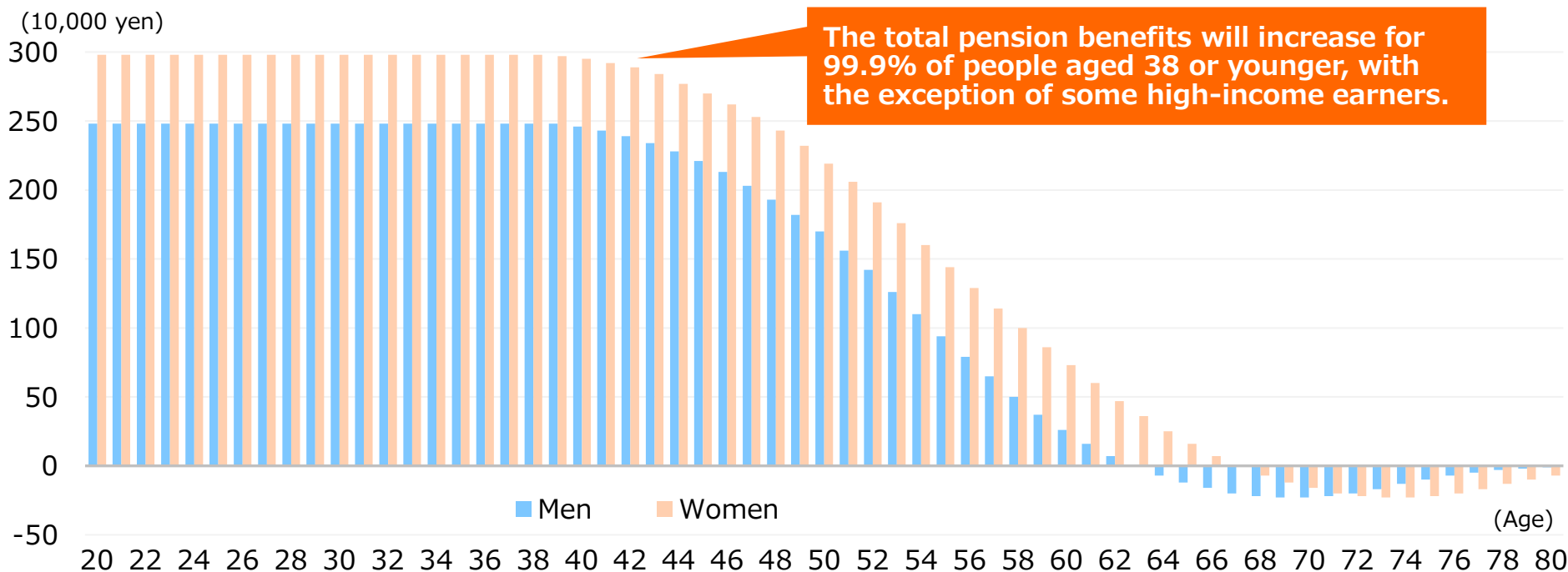
(*) As the implementation of these measures is expected to increase the government's fiscal burden in the future, it is necessary to secure stable financial resources to cover such an increase.

Impact on total pension benefits received by employees' pension beneficiaries in their lifetime (model pension benefits for one person)

Measures to be implemented if the economy does not perform well
Concrete institutional design will be considered in the period ahead after assessing socioeconomic conditions.

- Assuming the economy does not perform well and measures are taken to raise the level of future benefits of the basic pension, which is also received by employees' pension beneficiaries, a mechanical calculation, based on the 2024 actuarial valuation, of the model pension benefits for one person suggests that:
 - ✓ **Men aged 62 or younger and women aged 66 or younger are expected to receive higher total pension benefits over their lifetime.**
- If the pension amount falls below the amount that would have resulted without these measures, measures will be taken to mitigate the impact.

Model pension benefits for one person: Basic ¥67,000 + Earnings-related ¥46,000 (Total ¥113,000)



[Source] 2024 Actuarial Valuation : Financial Implications of the Reform Options(Expanded coverage (2))< Projection of past 30-year trends Case>

(*1) Age is as of fiscal 2025. The pension amounts are fiscal 2024 prices.

(*2) The Pension Amendment Act 2025 provides that, in the event that measures are taken to simultaneously terminate the modified indexation[†] of the basic pension and the earnings-related portion, if the pension amount combining the basic pension and the earnings-related portion falls below the amount that would have been paid had such measures not been taken, necessary measures shall be taken to mitigate the impact. Depending on the details of such mitigating measures, the decrease in the amount of the total lifetime pension benefit may vary.

[†] a mechanism to automatically adjust benefit level within scope of financial resources

(*3) As the implementation of these measures is expected to increase the government's fiscal burden in the future, it is necessary to secure stable financial resources to cover such an increase.