Annual Actuarial Report on the Public Pension Plans in Japan Fiscal Year 2024 (Key Points)

The "Annual Actuarial Report on the Public Pension Plans in Japan" is a compilation of the results of cross-plan analyses and evaluation of the financial status of Japan's public pension plans each fiscal year. This report is prepared from a professional perspective by the Pension Actuarial Subcommittee of the Social Security Council, based on reports from each pension plan and implementing organization.

1. Financial status of public pension plans

(See pages 130-135 in the full text of the annual report)

Looking at the public pension plans as a whole, in FY2024, total revenue excluding investment gains or losses was JPY 55.7 trillion, and total expenditures were JPY 55.8 trillion. As a result, the annual balance of revenues and expenditures excluding investment gains or losses was negative JPY 0.1 trillion. Investment gains amounted to JPY 2.0 trillion on a market value basis.

Accordingly, reserves at the end of FY2024 increased by JPY 2.0 trillion from the end of the previous fiscal year to JPY 306.0 trillion on a market value basis.

Adjusted financial status (FY2024)

Classification		Whole EPI	National Pension		Public pension plans as a whole
			National Pension Account	Basic Pension Account	
		JPY trillion	JPY trillion	JPY trillion	JPY trillion
Reserves at the end of the previous fiscal year (a)	(market value basis)	287.6	12.5	3.9	**304.0**
Revenues (adjusted financial status base)	Total amount	52.5	3.4	23.2	**55.7**
	(of which) Contribution revenue	41.7	1.4	・	**43.1**
	(of which) National and local government subsidies etc.	10.1	2.0	・	**12.1**
	(of which) Basic Pension grants	0.2	0.1	・	**(*1)**
	(of which) Revenue from contributions to the Basic Pension	・	・	23.2	**(*2)**
Expenditures (adjusted financial status base)	Total amount	49.7	3.7	25.7	**55.8**
	(of which) Benefit expenditures	29.7	0.2	25.5	**55.3**
	(of which) Contributions to the Basic Pension	19.7	3.4	・	**(*2)**
	(of which) Benefits equivalent to Basic Pension (Basic Pension grants)	・	・	0.2	**(*1)**
Annual balance excluding investment gains or losses (b)		2.8	−0.3	−2.6	**−0.1**
Investment gains or losses (c)	(market value basis)	1.9	0.1	0.0	**2.0**
Others (d)	(market value basis)	0.0	0.0	-	**0.0**
Reserves at the end of the fiscal year (a + b + c + d)	(market value basis)	292.4	12.3	1.3	**306.0**
Change in reserves from the end of the previous fiscal year	(market value basis)	4.8	−0.2	−2.6	**2.0**

Note 1: Adjusted financial status is based on settlement figures.

Note 2: To present the fiscal revenue and expenditure position of EPI as a whole, exchanges between EPI implementing organizations are excluded from both revenues and expenditures. Similarly, to present the fiscal revenue and expenditure position of the public pension plans as a whole, internal transfers among the plans—Basic Pension grants ((*1), JPY 0.2 trillion) and contributions to the Basic Pension ((*2), JPY 23.2 trillion)—are excluded from both revenues and expenditures.

Note 3: Whole EPI and public pension plans as a whole do not include the substitutional portion for Employees' Pension Funds (EPFs).

Note 4: The amount recorded as "Others (d)" is "Transfer to reserves from the Business Account" in EPI Account and the National Pension Account of NP.

2. Evaluation of the actuarial status of the public pension plans

(See pages 237 and 238 in the full text of the annual report)

The evaluation is based not only on a comparison of actual performances up to FY2024 with the assumptions and future projections of the FY2024 actuarial valuation, but also on **the perspective of long-term financial equilibrium**.

・FY2024 is the first fiscal year for which actual results can be compared with the projections of the FY2024 actuarial valuation. In this report, the following points were confirmed regarding the actual results for FY2024.

① The actual numbers of **both NP Category-1 insured persons and EPI insured persons** exceeded the projections. This is considered to be partly attributable to the actual amount of net migration of foreign nationals exceeding all the assumptions in the 2023 population projections*. In addition, the actual **life expectancy at age 65** was broadly in line with the high mortality assumption in the 2023 population projections. These factors have a positive effect on public pension finances.

② On the other hand, the **total fertility rate** has continued to decline since 2016, and the actual rate in 2024 was broadly in line with the assumed low fertility rate in the 2023 projections. In addition, the **real wage growth rate (relative to prices)** was below the assumptions for all cases in the FY2024 actuarial valuation. These factors have a negative effect on public pension financing.

③ Regarding **reserves**, partly because the actual amount at the end of FY2023 had exceeded the projections, the actual amount at the end of FY2024 also exceeded the projections. It should be noted that most of the excess at the end of FY2023 was attributable to the use of smoothed reserve amounts in the projections.

④ In FY2024, while **benefit levels were adjusted through the modified indexation**, **real wage growth** was negative as wage growth failed to keep pace with price increases. As a result, unlike in FY2023, there was no effect of restraining the growth of already awarded pensions relative to wage growth.

・**Should these deviations from projections continue over the medium to long term, rather than being temporary, the financial impact on public pensions would be significant.** In particular, the total fertility rate in 2024 declined from its 2023 level and was broadly in line with the low-fertility assumption in the 2023 population projections. If this trend continues, the operation of the pension plan will be greatly affected in the future. The Pension Actuarial Subcommittee will continue to closely monitor the annual trends in the pension system administration from the said perspective as well.

・From the financial perspective of public pensions, **we should pay attention to the long-term trend of actuarial status**, regardless of short-term changes, including demographic, economic, and other factors.

* Population Projections for Japan (2023 revision) by the National Institute of Population and Social Security Research.

* The long-term financial equilibrium of public pension plans is achieved by balancing total financial resources—future contribution revenue, future national government funding, and current reserves—against total future pension benefits.

Conceptual diagram of financial equilibrium in public pension plans

