

Outline of National Pension Law

(tentative translation)

August 2004

Office for Planning of International Pension Affairs
Ministry of Health, Labour and Welfare



National Pension

National Pension was established in November 1959, as the base of the public pension system which provides insurance benefits against old-age, disability, death for all of the Japanese, in order to prevent deterioration of the stability of the livelihood of the people through national solidarity and thus to secure and improve the decent standard of living of the people



Management of National Pension

- National Pension is managed by the National Government.
- Social insurance offices and municipal governments provide face-to-face services to people living in Japan.



Insured Persons

- All persons living in Japan (including foreigners) shall be, in principle, covered by National Pension.
- As a result, National Pension is a universal system for all people and provides Basic Pension.



Category Insured Persons

- Persons living in Japan aged 20 and over but under 60, and
- Neither the persons covered by Employees' Pension Insurance and Mutual Aid Pensions nor spouses of Category insured persons



Category Insured Persons

Persons covered by Employees' Pension Insurance or Mutual Aid Pensions (Pension Systems for Employees)



Category Insured Persons

- Dependent spouses of Category insured persons, aged 20 and over but under 60
- A standard for the dependent spouses is an income of less than 1.3 million yen per year



Contributions

- Insured persons must pay contributions every month.
- Those months are recognized as insured periods.



Contribution of Category Insured Persons

- Persons, who are obliged to pay contributions, are primarily insured persons themselves.
- Yet, householders and spouses of insured persons also have the responsibility to pay contributions for the insured persons.



Amount of Contribution

- National Pension is operated under the principle of “fixed contribution” and “fixed benefit”.
- Yet, in order to ensure the financial balance in the future, contribution of National Pension is regularly revised at least once every five years.
- The amount of contribution is fixed at 13,300 yen per month for the fiscal year 2003.



Method of Contributions

- Contributions must be paid through financial institutions (banks, post offices) with the payment bills sent by the Commissioner of Social Insurance Agency.

(It has been implemented since April 1, 2002)



Contributions of Category 1 and Category 2 Insured Persons

- Category 1 insured persons and Category 2 insured persons need not pay contributions to National Pension.
- However, certain amount of the contributions from Category 2 insured persons to Employees' Pension Insurance is transferred to the National Pension.



Category Insured Person

A Category insured person is required to submit an application form, and they are supported by the employees' pension schemes.



Exemption of Contributions

- If Category insured persons cannot pay contributions under the certain conditions, they could be exempted from payment of contributions.
- However, when they claim for old-age pension benefits, the exempted periods will be evaluated as one-third of period of contributions.



Statutory Exemption

1. Beneficiaries of the Disability Basic Pension and other disability pensions under the pension schemes for employees
2. Persons who receive livelihood assistance under the Public Assistance Law or receive equivalent aids under the Law to Abolish Hansen's Disease Prevention Law
3. Persons admitted to the Hansen's disease sanatoria, the national spinal disorder sanatoria and other national sanatoria



Exemption by Application(1)

1. The person having no income.



Exemption by Application(2)

2. A case in which at least a member of household of the person applying for exemption receives livelihood assistance under the Public Assistance Law or receives equivalent aids under the Law to Abolish Hansen's Disease Prevention Law.



Exemption by Application(3)

3. A person who is regarded as physically disable, mentally retarded, wounded in the war, or widowed based on the criteria in the Local Tax Law, and has annual income of less than 1,250,000 yen.




Exemption by Application(4)

4. Other than the above-mentioned conditions, a person for whom it is extremely difficult to pay contributions.




Half Exemption

- Category insured persons with low income of certain range can submit applications to be exempted from paying half of the contribution.
- When the Old-age Basic Pension is calculated, the half-exempted period will be evaluated as two-thirds of periods of contributions.



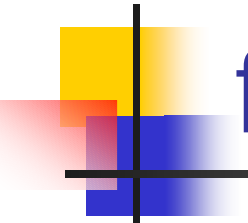
Special Provision of Exemption for Students(1)

- Students, who are Category insured persons and whose earnings are less than the certain amount, can be exempted from paying contributions based on the application from those students.




Special Provision of Exemption for Students(2)

- Persons who are exempted to pay contributions from this provisions can choose to pay each exempted contribution within 10 years from the month of exemption.



Special Provision of Exemption for Students(3)

- The exempted periods during student are not counted for their pension benefits to be received in the future, but this period is counted as the period for entitlement.



Special Provision of Exemption for Students(4)

- If students become disabled during the exempted period, they may receive full amount of disability pension benefit depending on the level of their disability.



Retrospective Payment of Contribution

If a person, who was exempted from payment of contributions, becomes able to pay contributions, he/she is allowed to pay contributions retrospectively up to 120 months (10 years) so that he/she will be able to receive higher old-age pension benefits in the future.



Types of Pension Benefits and Lump-sum Benefits

- Common under the public pension schemes:
 - 1) Old-age Basic Pension
 - 2) Disability Basic Pension
 - 3) Survivors' Basic Pension
- Provided to Category insured persons only:
 - 1) Additional Pension to OABP
 - 2) Widow's Pension
 - 3) Lump-sum Death Benefit
 - 4) Lump-sum Withdrawal Benefit



Determination of Pension Benefit

- The Commissioner of the Social Insurance Agency determines the right of pension benefits based on the claim from insured persons.
- Determination is an administrative action in order to make sure the pension right requested by insured persons for their pension benefits.



Period of Payment and Due Date of Pension Benefits(1)

- Pension payment shall start from the following month after the month when insured person obtained a pension right and shall stop being paid in the month when the pension right is terminated.
- If payment of pension benefits needs to be suspended for any reason, the payment shall be suspended from the following month after such reason occurs.



Period of Payment and Due Date of Pension Benefits(2)

- Pension is paid every two month(February, April, June, August, October and December).



Price Indexation of Pension Benefits

- The amount of benefits of National Pension is revised at the time of the financial recalculation (every five years).
- In addition, the amount is automatically indexed to the change in Consumer Price Index between the financial recalculation.



Details of Pension Benefits

1. Old-age Basic Pension
2. Disability Basic Pension
3. Survivors' Basic Pension
4. Additional Pension to the Old-age Basic Pension
5. Widow's Pension
6. Lump-sum Death Benefit
7. Lump-sum Withdrawal Benefit



Old-age Basic Pension (1)

1. Minimum qualifying period

At least 25 years including period of contributions, contribution exempted period and complementary period



Old-age Basic Pension (2)

2. Pensionable age

- 65 years of age
- Early payment (between age 60 and 64)
- Delayed payment(after age 66)



Old-age Basic Pension (3)

3. Amount of pension benefit(for year 2004 and after)

$$\text{Amount of Old-age Basic Pension} = 794,500\text{yen} \times (A + B \times 2/3 + C \times 1/3) / (D \times 12)$$

A: periods of contributions (based on month)

B: contribution half-exempted periods (based on month)

C: contribution-exempted periods (based on month)

D: insurable years



Old-age Basic Pension (4)

4. Disqualification

Death



Disability Basic Pension (1)

1. Qualifying Conditions

- (1) Persons must be insured persons of National Pension or be aged between 60 and 64 and residing in Japan at the time of the first medical consultation of that sickness or injury (General requirement)



Disability Basic Pension (2)

In case (1),

- The total period of contributions or contribution-exempted period of claimant must be at least two-thirds of the insured period until two months before the month containing the first day of medical consultation: or
- The person must pay contributions without fail for a year until two months before the month containing the first day of medical consultation ,unless fills the requirement above. If he/she is under 65 on the first day of medical consultation which is before April 1, 2006.
- The claimant must be assessed as class 1 or 2 of disability at the recognized date of disability.



Disability Basic Pension (3)

1. Qualifying Conditions (cont.)
 - (2) Persons who suffer from permanent disability before reaching 20 years of age (Disability before 20 years of age)



Disability Basic Pension (4)

In case (2),

- The entitlement period is not considered
- A person must be disabled at the date of recognition of the disability



Disability Basic Pension (5)

2. Subsequent increase of disability

In the case that insured persons cannot meet qualifying conditions for both general requirements and those for disability before 20 years of age, the person still may claim for Disability Basic Pension if the level of disability increases and reaches class 1 or 2 of disability before 65 years of age



Disability Basic Pension (6)

3. Timing of entitlement

(1) General requirement

Date of recognition of disability



Disability Basic Pension (7)

3. Timing of entitlement (cont.)

(2) Disabled before 20 years of age

If the date of recognition of disability is before 20 years of age, the date when the person reaches 20 years of age. If the date of recognition of disability is after 20 years of age, date of recognition of disability



Disability Basic Pension (8)

3. Timing of entitlement (cont.)

(3) Subsequent increase of disability

The date when a person claims for the Disability Basic Pension



Disability Basic Pension (9)

4. Suspension of payment of pension benefits

(1) Payment of pension benefits will be suspended for 6 years when the person receives disability compensation due to the same reason for the Disability Basic Pension under the provisions of Labor Standards Law



Disability Basic Pension (10)

4. Suspension of payment of pension benefits (cont.)

(2) If the person recovers from the disability, payment of pension benefits will be suspended during the period that the person is not classified as a disabled person



Disability Basic Pension (11)

4. Suspension of payment of pension benefits (cont.)

(3) Regarding disability before 20 years of age, there are some provisions for suspension of payment of pension benefits as follows:

- If the person can receive other public pension benefits
- If annual income of the previous year of the person exceeds certain amount
- If the person does not have an address in Japan



Disability Basic Pension (12)

5. Amount of pension benefit (for the year 2004 and after)

Class 1: 993,100 yen ($794,500 \text{ yen} \times 1.25$) + additional amount for child

Class 2: 794,500 yen + additional amount for child



Disability Basic Pension (13)

5. Amount of pension benefit (for the year 2004 and after) (cont.)
 - (1) The amount of Disability Basic Pension is fixed.
 - (2) If a person has a child who is under 18 years of age (a child under 20 years of age if disabled), 228,600 yen is paid to the first and second child and 76,200 yen for third and other child respectively as additional amount.



Disability Basic Pension (14)

6. Disqualification

(1) Death of beneficiaries

(2) Reaching the age of 65 when the degree of disability is improved and does not meet conditions for Class 3 disabled under the Employees' Pension Insurance. (When three years have passed since the degree of disability is improved and does not meet conditions for Class 3 disabled, if three years have not yet passed since the time of improvement at the age of 65.)



Survivors' Basic Pension (1)

1. Qualifying conditions

(1) When an insured person dies during his/her insured period or a person aged between 60 and 64 living in Japan dies after the withdrawal from the National Pension.



Survivors' Basic Pension (2)

In case (1),

- The total period of contributions or contribution-exempted period of claimant must be at least two-thirds of the insured period until two months before the month of death: or
- The person must pay contributions without fail for a year until two months before the month of death, unless fills the requirement above. If he/she is under 65 on the day of death which is before April 1, 2006.



Survivors' Basic Pension (3)

1. Qualifying conditions (cont.)

(2) When a beneficiary of Old-age Basic Pension dies

- As the person has already met qualifying conditions, any other conditions are not required.



Survivors' Basic Pension (4)

2. Applicable survivors

The following persons whose livelihood was supported by the dead person.

- (1) A wife who lives with her child aged under 18 (20 if disabled)
- (2) A child of the deceased (until first 31 March after the child becomes 18 years old)



Survivors' Basic Pension (5)

3. Timing of entitlement

The date when the insured or those who were insured died



Survivors' Basic Pension (6)

4. Suspension of payment

- (1) When the survivor receives the survivors' compensation under the Labor Standards Law, payment shall be suspended for 6 years.
- (2) Survivors' Basic Pension to a child shall be suspended during the period when the wife receives such pension or if the child shares livelihood with his/her father or mother.



Survivors' Basic Pension (7)

5. Amount of Pension Benefit (for the year 2004 and after)

(1) When a wife receives:

794,500 yen + additional amount
for child

(2) When a child receives:

$(794,500 \text{ yen} + \text{additional amount})$
/ number of children



Additional Pension to Old-age Basic Pension (1)

Category insured persons may select to pay additional contributions apart from ordinary contributions.



Additional Pension to Old-age Basic Pension (2)

1. Amount of contribution for Additional Pension to Old-age Basic Pension

400 yen per month



Additional Pension to Old-age Basic Pension (3)

2. Qualifying conditions

There is no qualifying period for additional pension. When Old-age Basic Pension is paid, additional pension is paid to beneficiary in addition to Old-age Basic Pension.



Additional Pension to Old-age Basic Pension (4)

3. Amount of benefit per month

200 yen x period of contributions for
Additional Pension

4. Period of benefits

Exactly the same as Old-age Basic
Pension



Widow's Pension (1)

If a Category insured person dies, the wife of that person receives Widow's Pension until she starts to receive her own Old-age Basic Pension.



Widow's Pension (2)

(1) Qualifying conditions

If a person, who has more than 25 years of insured period as a Category insured person, dies, his wife who has been supported by her husband at the time of his death and has been married for ten years or more may receive Widow's Pension from 60 years old to 65.



Widow's Pension (3)

(2) Amount of benefits

Three-fourths of Old-age Basic Pension of the Category 1 insured persons.



Lump-sum Death Benefit (1)

1. Qualifying conditions

(1) If a Category insured person, who has paid contributions for more than 36 months, dies and there is nobody who can receive Survivors' Basic Pension at the day of his/her death, Lump-sum Death Benefit is paid to persons who have been sharing the livelihood with the person.

(2) The applicable survivors and their order:

Spouse, children, parents, grand children, grand parents, brothers and sisters.



Lump-sum Death Benefit (2)

2. Amount of benefits

<i>Period of contributions</i>	<i>Amount of benefit</i>
<i>Between 36 and 179 months</i>	<i>120,000 yen</i>
<i>Between 180 and 239 months</i>	<i>145,000 yen</i>
<i>Between 240 and 299 months</i>	<i>170,000 yen</i>
<i>Between 300 and 359 months</i>	<i>220,000 yen</i>
<i>Between 360 and 419 months</i>	<i>270,000 yen</i>
<i>420 months and over</i>	<i>320,000 yen</i>

A flat rate of 8,500yen is added to an amount above, if you pay additional contributions for more than three years.

Lump-sum Withdrawal Benefit

(1)

1. Qualifying conditions

- A Category insured person, who has contributed to National Pension for more than 6 months and does not have Japanese nationality, may request to receive Lump-sum Withdrawal Benefit.

Lump-sum Withdrawal Benefit (2)

- However, if the person meets the following conditions, he/she cannot receive Lump-sum benefit:
 - (1) When the person has an address in Japan
 - (2) When the person has received disability pension benefits
 - (3) Two years has passed since the person last disqualified as an insured person under National Pension

Lump-sum Withdrawal Benefit (3)

2. Amount of benefits

<i>Period of contributions</i>	<i>Amount of benefit</i>
<i>Between 6 and 11 months</i>	<i>39,900 yen</i>
<i>Between 12 and 17 months</i>	<i>79,800 yen</i>
<i>Between 18 and 23 months</i>	<i>119,700 yen</i>
<i>Between 24 and 29 months</i>	<i>159,600 yen</i>
<i>Between 30 and 35 months</i>	<i>199,500 yen</i>
<i>36 months and over</i>	<i>239,400 yen</i>

The amount above is paid in accordance with the total of an insurance period and the half-exempted period for Category 1 insured person.