

Outline of Employees' Pension Insurance Act

(tentative translation)

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



Employees' Pension Insurance

The Employees' Pension Insurance is a system aiming at providing insurance benefits for employees against insurance accidents such as old age, disability or death, and contributing to the stabilization of standard of living of the employees and the survivors, and the improvement of their welfare.



Management of the Employees' Pension Insurance

- Employees' Pension Insurance is managed by the Government.
- Social Insurance Offices provide ranges of services.



Insured Person

An insured person under Employees' Pension Insurance is also covered by National Pension as a Category insured person, that is to say, he/she is covered by two pension schemes.



Scope of Insured Person (1)

1. A person under age 70 shall be compulsorily an insured person if he/she is employed at compulsory covered workplace (including a ship) or a voluntary covered workplace.

An employee in the workplace abroad is insured providing he/she is employed by the covered workplace in Japan and receives any remuneration.



Scope of Insured Person (1)

(cont.)

Compulsory covered workplace

- National and local public entities and workplaces of a company which have employees all the time, and workplace which employs at least 5 persons.
- A Workplace performs a business expect primary industry like agricultural, timber or animal industry and service industry like restaurant or barber shop.
- Ships and vessels with more than 5 gross tons, and fishing vessels with more than 30 gross tons.

Voluntary covered workplace

- A workplace which is not a compulsory covered workplace, and whose employer has been approved by the Commissioner of Social Insurance Agency after having performed procedures with a majority agreements of the employees.



Scope of Insured Person (1)

(cont.)

Workplace of foreign capital

- A workplace is covered, even if it is foreign-capital-affiliated company, provided it meets a requirement for covered workplace.



Scope of Insured Person (2)

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2. In addition to 1, an employee aged under 70 at a workplace, which is not a covered one, can become an insured person upon the agreement of his/her employer and the approval of the Commissioner of Social Insurance Agency. [Voluntary and Individually Insured Person]



Scope of Insured Person (3)

3. A person aged 70 and over and employed at a covered workplace but not entitled to receive any old-age pension benefits under public pension schemes for employees may become an insured person upon submitting an application to the Commissioner of Social Insurance Agency. [Aged and Voluntary Insured Person]



Types of Insured Persons

1. male insured persons other than miners and seamen
2. female insured persons
3. miners and seamen



Exemption From Coverage (1)

1. Employees employed by the National Government, municipalities or corporations and covered by the Mutual Aid Associations



Exemption From Coverage (2)

2. Temporary employees falling under the following categories:
 - (1) Daily workers who are not continuously employed for more than one month.
 - (2) Employees who are employed for not more than two months, and is not continuously employed beyond prescribed periods.



Exemption From Coverage (3)

3. Employees at workplaces the addresses of which are not fixed.



Exemption From Coverage (4)

4. Seasonal employees (excluding seamen) who are not continuously employed for more than four months.



Exemption From Coverage (5)

5. Employees employed at temporary workplaces and are not employed continuously more than six months.



Qualification and Disqualification (1)

1. A person becomes an insured person of Employees' Pension Insurance from the day when the person starts to be employed at a covered workplace or the day when the person ceases to be exempted for any reasons.



Qualification and Disqualification (2)

2. An insured person is disqualified on the following day after his/her date of death, discharge by a covered workplace or falling under any of the exemptions.



Qualification and Disqualification (3)

3. An insured person is disqualified on the next day when he/she reaches age 70.



Introduction of "Whole Wage System" (1)

- From April 2003, bonuses will be included in the covered earnings so that pension benefit will be calculated based on total earnings of that year.
- The amount of contributions will be calculated by multiplying total earnings by new contribution rate.



Introduction of "Whole Wage System" (2)

1. Contribution rates and benefit rate

A. Contribution rate (Up to March 2003 to current)

from 17.35% to 13.58%

(miners and seamen : from 19.15% to 14.96%)

B. Benefit rate

From 7.125/1000(Up to March 2003) to

5.481/1000(current)



Introduction of "Whole Wage System" (3)

2. Bonus shall be included in the covered earnings which will be the basis of calculation of the amount of contribution as well as monthly earnings (rounded off under ¥1,000), and the ceiling of the covered earnings will be set at ¥1,500,000.



Standard Remuneration

- 1 . Scope of remuneration under Employees' Pension Insurance Act
- 2 . Grades of standard remuneration
- 3 . Calculation of monthly remuneration, determination of standard remuneration, etc



Scope of Remuneration Under Employees' Pension Insurance Act

- Under Employees' Pension Insurance, earnings are classified into the following three categories:
 - A. Payment for every period not exceeding 3 months - Remuneration
 - B. Payment for every period exceeding 3 months - Bonus, etc.
 - C. Temporary payment



Grades of Standard Remuneration

There are 30 grades of Standard Remuneration ranging from ¥98,000 to ¥620,000, which are used for calculating the amount of contributions and benefits.



Calculation of Monthly Remuneration, Determination of Standard Remuneration, Etc. (1)

1. Regular Determination

The Commissioner of Social Insurance Agency determines Standard Remuneration of insured persons based on their monthly remuneration between April and June, every year



Calculation of Monthly Remuneration, Determination of Standard Remuneration, Etc. (2)

2. Occasional Revision

The Commissioner of Social Insurance Agency can revise the Standard Remuneration of insured persons, if the gap between average monthly amount of their remuneration for consecutive three months and his/her current Standard Remuneration becomes two grades higher or lower.



Contribution

1. Amount of Contribution
2. Contribution of members of Employees' Pension Fund
3. Exemption from contributions during Child-Nursing Leave



Amount of Contribution (1)

Under Employees' Pension Insurance, the amount of contribution, which can be found out from Standard Remunerations multiplying contribution rate, shall be equally shared between employees and employers.



Amount of Contribution (2)

Contribution rate from 1 April 2003

13.58% (miners and seamen : 14.96%)



Exemption From Contributions During Child-nursing Leave

During the period of leave for nursing a child aged under one year old, the parent and his/her employer shall be exempted from payment of contributions to Employees' Pension Insurance.



Types of Benefits

1. Old-age Employees' Pension and Specially Paid Old-age Employees' Pension for persons aged between 60 and 64
2. Disability Employees' Pension and Disability Allowance
3. Survivors' Employees' Pension
4. Lump-sum Withdrawal Benefit



Benefits

- Since insured persons of Employees' Pension Insurance are automatically covered by National Pension, when insurance accident occurs, they can also receive one of Old-age, Disability or Survivors Basic Pensions.
- In principle, pension benefit of Employees' Pension Insurance shall be, therefore, paid in addition to respective basic pension.
- Yet, there is an independent payment by Employees Pension Insurance when no pension benefit is paid by National Pension.

Old-age Employees' Pension

(1)

1. Applicable persons

Persons born on or after 2 April 1926, excluding those who were entitled to receive old-age pension provided by previous Employees Pension Insurance Act etc. prior to 1 April 1986



Old-age Employees' Pension (2)

2. Qualifying conditions.

Persons who meet the following conditions shall receive pension benefits from Employees' Pension Insurance:

- (1) He/she must be an insured person of Employees' Pension Insurance.
- (2) Total insurance period must be at least 25 years.
- (3) Transitional measures for shortening the periods are the same as those of Old-age Basic Pension.



Old-age Employees' Pension (3)

3. Amount of pension benefit

Amount of pension benefit will be the sum of

- (1) remuneration-related pension benefit,
- (2) transitionally added amount, and
- (3) additional amount.

Old-age Employees' Pension

(4)

3. Amount of pension benefit (cont.)

(1) Amount of remuneration-related pension : (a) + (b)

(a) $A \times 7.125/1000 \times B$ (up to April 2003) $\times C$

(b) $A' \times 5.481/1000 \times B$ (after April 2003) $\times C$

A: Average Monthly Standard Remuneration (AMSR)

A': Average Standard Remuneration (ASR)

B: Number of insured months

C: Indexation Rate



Old-age Employees' Pension (5)

3. Amount of pension benefit (cont.)

(2) Transitionally added amount

If there is balance after calculation by detecting (a) from (b) indicated below, transitionally added amount shall be paid.

Old-age Employees' Pension

(6)

3. Amount of pension benefit (cont.)

(2) Transitionally added amount (cont.)

(a) $\text{¥}1,676 \times \text{Rate determined depending on the date of birth fixed by an ordinance} \times \text{Number of insured months (444 at maximum)} \times \text{indexation rate}$

(b) $\text{¥}794,500 \text{ (for the fiscal year 2004)} \times \text{Number of insured months under EPI} / \text{Number of months in which an insured can contribute to EPI}$

Old-age Employees' Pension

(7)

3. Amount of pension benefit (cont.)

(3) Additional Amount (for the fiscal year 2004)

If a person has at least 20 years of insured period under Employees' Pension Insurance, the additional amount is payable when he/she has a spouse under 65 or a child before the first 31 March after the child become 18 (in the case of Disability Class 1 or 2, under 20) whose livelihood is supported by the person upon the entitlement to receive Employees' pension benefits:



Old-age Employees' Pension (8)

3. Amount of pension benefit (cont.)

(3) Additional Amount (cont.)

Spouse:	¥228,600
First and second child:	¥228,600 each
Other child:	¥76,200 each



Old-age Employees' Pension (9)

4. Introduction of the Scheme of Old-age Pension during Employment

From April 2002, the following new calculating rule was introduced for Old-age Employees' Pension with regard to the adjustment of the amount of Remuneration-related portion of the Old-age Employees' Pension for people aged between 65 and 69 and having wages.



Old-age Employees' Pension (10)

4. Introduction of the Scheme of Old-age Pension during Employment (cont.)
 - Unless the sum of current Standard Remuneration and Old-age Employees' Pension (Remuneration-related Portion) benefit exceeds ¥370,000, the beneficiary can receive full amount of pension benefits.
 - Yet, if he/she earns more than the amount above, the amount of Old-age Employees' Pension (Remuneration-related portion) will be reduced by half of the increase in Standard Remuneration.



Old-age Employees' Pension (11)

4. Introduction of the Scheme of Old-age Pension during Employment (cont.)
 - The person can, in any cases, receive full amount of Old-age Basic Pension.



Old-age Employees' Pension in the First Half of 60s (1)

1. Applicable persons

The same as Old-age Employees'
Pension



Old-age Employees' Pension in the First Half of 60s (2)

2. Qualifying conditions

Old-age pension benefit is paid to those who aged between 60(*) and 64, provided that they meet the qualifying conditions of Old-age Basic Pension and have at least one year of insured period.

(*)This age is currently increasing.



Old-age Employees' Pension in the First Half of 60s (3)

3. Amount of pension

Total amount of pension benefit consists of the following three portions:

- (1) Flat rate portion
- (2) Remuneration-related portion
- (3) Additional Amount



Old-age Employees' Pension in the First Half of 60s (4)

4. Suspension of Payment

(1) Old-Age Pension during Employment

With regards to Old-age Employees' Pension for people aged between 60 and 64, if an insured person is covered by the Employees' Pension Insurance, the following rules to suspend part of pension benefits will be applied.



Old-age Employees' Pension in the First Half of 60s (5)

4. Suspension of Payment (cont.)

(1) Old-Age Pension during Employment (cont.)

(a) While a person is employed, 20 percent the pension benefits shall be suspended. However, the sum of earnings and 80% of pension benefit shall be paid up to ¥220,000.



Old-age Employees' Pension in the First Half of 60s (6)

4. Suspension of Payment (cont.)

(1) Old-Age Pension during Employment
(cont.)

(b) If the earnings exceeds the above mentioned limit, pension benefits shall be suspended by half the amount of the increase in wage.



Old-age Employees' Pension in the First Half of 60s (7)

4. Suspension of Payment (cont.)

(1) Old-Age Pension during Employment
(cont.)

(c) If the earnings exceeds ¥370,000,
pension benefits shall be suspended
by the amount of the increase in wage.



Old-age Employees' Pension in the First Half of 60s (8)

4. Suspension of Payment (cont.)

(1) Old-Age Pension during Employment (cont.)

(d) If additional amount is paid, items from (a) to (c) above shall be applied to the portion other than the additional amount and, if payment of such portion is fully suspended, payment of additional amount shall be suspended as well.



Old-age Employees' Pension in the First Half of 60s (9)

4. Suspension of Payment (cont.)

(2) Relationship with early payment

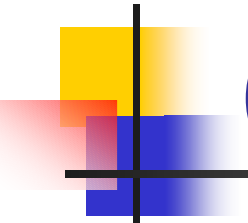
Benefits of Old-age Employees' Pension provided to persons aged between 60 and 64 shall be suspended while the entitled person is receiving early payment of Old-age Basic Pension.



Old-age Employees' Pension in the First Half of 60s (10)

4. Suspension of Payment (cont.)
 - (3) Relationship with the Employment Insurance
 - Adjustment due to Unemployment Benefits (basic allowance)
 - Adjustment due to Benefits for Continuous Employment of Old Persons

Disability Employees' Pension



(1)

1. Qualifying conditions

- (1) If the disability due to an injury or disease, which was first diagnosed during the insured period under Employees' Pension Insurance, is classified as Disability Class 1 or 2, Disability Employees' Pension shall be paid in addition to Disability Basic Pension.
- (2) If the disability is classified as Disability Class 3, only Disability Employees' Pension shall be paid.



Disability Employees' Pension (2)

2. Amount of Pension : (a) + (b)

(a) $A \times 7.125/1000 \times B$ (up to April 2003) $\times C$

(b) $A' \times 5.481/1000 \times B$ (after April 2003) $\times C$

A: Average Monthly Standard Remuneration (AMSR)

A': Average Standard Remuneration (ASR)

B: Number of insured months

If the number of insured months is less than 300 months, a tentative amount of pension is calculated on the basis of each period of (a) and (b). Then the total amount is increased to the standard of 300 months by multiplying a number given 300 being divided by the number of insured months by that tentative amount .

C: Indexation Rate

Disability Employees' Pension (3)

2. Amount of Pension (cont.)

Disability Class 1

$((a) + (b)) \times 1.25 + \text{Additional Amount}$

Disability Class 2

$((a) + (b)) + \text{Additional Amount}$

Disability Class 3

$(a) + (b)$

If the amount for a person with Disability Class 3 is less than ¥596,000, ¥596,000 shall be guaranteed.



Disability Allowance (1)

1. Qualifying conditions

- (1) An injury or disease first diagnosed during the insured period is cured within 5 years from the first date of medical consultation and the person has certain level of disability on that date of recovery, and,
- (2) The person meet the requirements of contributions under Disability Basic Pension.



Disability Allowance (2)

2. Amount of benefit

$((a) + (b)) \times 2$ before being multiplied by Indexation rate.

(based on the calculation formula for Disability Employees' Pension)

However, if the amount of benefit figured out by the above mentioned formula is less than ¥1,192,000, ¥1,192,000 shall be guaranteed as minimum Disability Allowance.



Disability Allowance (3)

3. Disability Allowance shall not be paid to any of the following persons.
 - (1) A person entitled to receive Old-age, Disability or Survivor's Employees' Pension.
 - (2) A person entitled to receive pension benefits from National Pension or Mutual Aid Associations.
 - (3) A person who can receive disability compensation, etc. under Labor Standards Law or Labor Accident Compensation Insurance Law, etc.

Survivors' Employees' Pension

(1)

1. Qualifying conditions

Survivors' Employees' Pension is payable to a person who meets any of the following conditions:

- (1) When an insured person dies
- (2) When a person dies due to injury or disease first diagnosed during insured period within 5 years from the date of diagnosis, after disqualified as an insured person.
- (3) When a person entitled to receive Disability Employees' Pension as Disability Class 1 or Class 2 dies
- (4) When a person entitled to receive Old-age Employees' Pension or who meets period of entitlement dies



Survivors' Employees' Pension (2)

2. Applicable survivors

The following persons whose livelihood was supported by the insured persons at the time of his/her death.

- (1) Wife
- (2) Unmarried child or grandchild until the end of the fiscal year when the child become 18 or, in the case of having Disability Class 1 or 2, under age 20.
- (3) A husband, parents or grandparents of aged 55 or over (Benefits to be paid from age 60)
- (4) A husband, parents or grandparents, in case of having Disability Class 1 or Class 2 (only in the case the insured died on or before 1 April 1996)

Survivors' Employees' Pension

(3)

3. Amount of benefit : (a) + (b) + D

(a) $A \times 7.125/1000 \times B$ (up to April 2003) $\times 3/4 \times C$

(b) $A' \times 5.481/1000 \times B$ (after April 2003) $\times 3/4 \times C$

A: Average Monthly Standard Remuneration (AMSR)

A': Average Standard Remuneration (ASR)

B: Number of insured months

If the number of insured months is less than 300 months, a tentative amount of pension is calculated on the basis of each period of (a) and (b). Then the total amount is increased to the standard of 300 months by multiplying a number given 300 being divided by the number of insured months by that tentative amount .

C: Indexation Rate

D: Additional Amount

Survivors' Employees' Pension

(4)

4. Patterns of Survivors' Employees' Pension

(1) When a wife who has a child receives:

Survivors' Employees' Pension

+

Survivors' Basic Pension

Survivors' Employees' Pension

(5)

4. Patterns of Survivors' Employees' Pension (cont.)

(2) When a wife who is 65 years old or over receives:

(a) Survivors' Employees' Pension + Old-age Basic Pension

or

(b) Old-age Employees' Pension \times $\frac{1}{2}$ + Survivors' Pension \times $\frac{2}{3}$ + Old-age Basic Pension

or

(c) Old-age Employees' Pension + Old-age Basic Pension

Survivors' Employees' Pension (6)



4. Patterns of Survivors' Employees' Pension (cont.)
(3) When a child receives:

Survivors' Employees' Pension
+
Survivors' Basic Pension

Survivors' Employees' Pension

(7)

4. Patterns of Survivors' Employees' Pension (cont.)

(4) When other person receives:

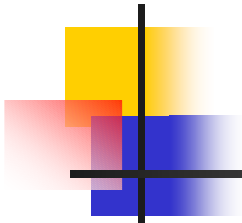
Survivors' Employees' Pension

+

Additional amount

(in the case of middle-aged or
aged, childless wife, etc.)

Lump-sum Withdrawal Benefit



(1)

1. Qualifying conditions

Lump-sum Withdrawal Benefit is payable to a foreigner who has more than 6 months of insured periods under Employees' Pension Insurance and who cannot receive pension, if the person claims for the benefit within two years after his/her leave from Japan.

Lump-sum Withdrawal Benefit (2)

Insured period under EPI	Amount of benefit
Between 6 and 11 months	(*) x 0.4
Between 12 and 17 months	(*) x 0.8
Between 18 and 23 months	(*) x 1.2
Between 24 and 29 months	(*) x 1.6
Between 30 and 35 months	(*) x 2.0
36 months and more	(*) x 2.4

(*)
 (Sum of MSR before Apr. 1, 2003 x 1.3 + Sum of MSR + Sum of SB, after Apr. 1, 2003) / Number of insured months



Indexation

1. If the National Consumer Price Index on annual average basis changes, the amount of pension shall be revised from the following April based on the rate of such change. (An automatic indexation has been implemented since April 1990.)
2. The amount of pension has been reduced, because the National Consumer Price Index in the year 2002 is -0.9 per cent.

The accumulative decline of 1.7 per cent from year 1999 to 2001 hasn't been reflected as a special treatment.



Reevaluation of Wage

1. When the amount of pension benefit is determined, Average Monthly Standard Remuneration is reevaluated and raised using a prescribed multiplier to take account of increase in earnings levels during the period concerned.
2. The rate of reevaluation is revised once in every five years at the time of financial recalculation.



Period of Payment and Due Months

1. Pension benefits shall be paid from the month following the month of entitlement through the month of disentitlement

2. Pension benefits shall be paid six times a year (February, April, June, August, October and December)



Others (1)

1. If a person, who is entitled to receive insurance benefits, dies and there is unpaid benefits to that person, applicable survivors may request to receive such unpaid benefit.



Others (2)

2. If a person is entitled to receive more than two pension benefits such as old-age benefit and disability benefit originated from different conditions, this person must choose one of the benefits.



Others (3)

3. If a person is entitled to receive benefits under Labor Standards Law due to injury, disease or death caused by occupational accident, payment of Disability Employees' Pension and Survivor's Employees' Pension shall be suspended for six years.



Employees' Pension Fund (1)

Employees' Pension Fund may be established by employers, who employ at least 500 persons, upon agreement of their employees and labor unions as well as upon the approval of the Minister of Health, Labour and Welfare.



Employees' Pension Fund (2)

- (1) All of the insured persons at workplaces where funds are established have to join the funds. Furthermore, the contribution rate for the public pension system shall be reduced in accordance with the benefits to be provided by those funds.
- (2) The funds must pay benefits whose amount of benefits is at least more than the benefits under the public pension system on the basis of such reduced contribution and the contributions from the enterprises and participants.



Contribution of Members of Employees' Pension Fund

- With regards to members of Employees' Pension Funds, the Funds partially pay benefits on behalf of Employees' Pension Insurance, and the cost of operation for payment which is financed by contributions from members shall be exempted from paying to the government.
- This exempt contribution rate shall be determined by the Minister of Health, Labour and Welfare ranging from 2.4% to 3.0%.