Overview of Pension System 1

General Affairs Division, Pension Bureau, Ministry of Health, Labour and Welfare
Roles of pension (1)

1) Pension makes up 70% of aged population’s household income

- Public pension: 2,116,000 yen (70.8%)
- Working income: 505,000 yen (16.9%)
- Assets income: 176,000 yen (5.9%)
- Allowance, corporate pension, private pension and other incomes: 166,600 yen (5.5%)
- Social security benefits other than public pension: 25,000 yen (0.8%)

Average income per aged population household: 2,989,000 yen

Source: National Livelihood Survey 2008 (MHLW)

2) Pension is the only source of income for 60% of all aged population households

- Below 20%: 2.8%
- 20% to 39%: 5.9%
- 40% to 59%: 8.2%
- 60% to 79%: 10.0%
- 80% to 99%: 11.8%
- 90% to 99%: 10.0%
- 100%: 61.2%

Public pension is the only source of income for 61.2%

Source: National Livelihood Survey 2008 (MHLW)
3) In the aged life design, 70% of the population depend on a pension

4) One out of every four people receives a pension

Source: poll on pension system (Cabinet Office, 2003)

Source: overview of social insurance service (Social Insurance Agency)
5) Support to local economies
- Pension supports 20% of Consumption of Households in some areas

Seven prefectures with the largest pension ratio in Prefectural Income

<table>
<thead>
<tr>
<th>Prefecture (Population aging rate)</th>
<th>Pension ratio in Prefectural Income</th>
<th>Pension ratio in Consumption of Households</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shimane (27.1%)</td>
<td>15.2%</td>
<td>22.4%</td>
</tr>
<tr>
<td>Kochi (25.9%)</td>
<td>15.4%</td>
<td>18.4%</td>
</tr>
<tr>
<td>Ehime (24.0%)</td>
<td>14.5%</td>
<td>20.8%</td>
</tr>
<tr>
<td>Yamaguchi (25.0%)</td>
<td>13.7%</td>
<td>22.7%</td>
</tr>
<tr>
<td>Nagasaki (23.6%)</td>
<td>14.2%</td>
<td>21.0%</td>
</tr>
<tr>
<td>Tottori (24.1%)</td>
<td>14.7%</td>
<td>18.1%</td>
</tr>
<tr>
<td>Okayama (22.4%)</td>
<td>13.7%</td>
<td>19.8%</td>
</tr>
</tbody>
</table>

6) Total pension value reaches 47.7 trillion yen, making up 12.7% of National Income

Source: overview of social insurance service (Social Insurance Agency)
Meaning of Public Pension

The public pension system is aimed at making up for a decrease in working income due to aging, disability, bereavement or other reasons, thereby securing the lives of the aged, disabled and bereaved in terms of income.
Basic concept of public pension

Public pension is …
A scheme for inter-generation support
= Support by younger generations
= Socialized family support
= Financial management based on premium imposition
What is inter-generation support?
## Strengths and weaknesses of inter-generation support

### Strengths
- Capable of preparing for unexpected risks
  - Changes in living standards (wage and prices)
  - Length of aged life
- Income transfer scheme operated under the government’s responsibility = No risk of collapse
- There is also a disabled pension and bereaved family pension

### Weaknesses
- Lower birth rate & aging population
  - Must review the burden on supporting generations and the benefit to supported generations