Chapter 3  Structure of Public Pension System

Kinds of Benefit of the Public Pension System in Japan

Basically, pension benefits under the public pension system are provided in the following three cases:

1. When an insured person reaches an old-age.
2. When an insured person becomes disabled due to disease and/or injury.
3. When a pension recipient or an insured person (participant) is dead.

<table>
<thead>
<tr>
<th>Basic Pension</th>
<th>Old-Age (Retirement) Pension</th>
<th>Disability</th>
<th>Survivors’ Pension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees’ Pension</td>
<td>Old-Age Employees’ Pension</td>
<td>Disability Employees’ Pension</td>
<td>Survivors’ Employees’ Pension</td>
</tr>
<tr>
<td>Mutual Aid Pension</td>
<td>Retirement Mutual Aid Pension</td>
<td>Disability Mutual Aid Pension</td>
<td>Survivors’ Mutual Aid Pension</td>
</tr>
</tbody>
</table>

Here, the Basic Pension and the Employees’ Pension will be explained.

(1) The Old-Age Pension

1) Qualifying condition for pension benefit:
   - In principle, those with a participation period of 25 years or more in the National Pension are qualified for receiving Old-Age pension benefits.
   - Pensionable age is as follows:

   (Old-Age Basic Pension)
   - In principle, 65 years old.
   - The insured can receive this benefit when he/she becomes 60 years old, but, in this case, the amount of pension benefit is reduced.
   - The insured can delay the receipt of this benefit until he/she becomes 70 years old, and, in this case, the amount of pension benefit is increased.

<table>
<thead>
<tr>
<th>Age at the time of claiming for pension benefit</th>
<th>Reduction / increase rate, applicable to those born on or after April 2, 1941</th>
<th>Reduction / increase rate, applicable to those born on or before April 1, 1941</th>
</tr>
</thead>
<tbody>
<tr>
<td>60</td>
<td>30%</td>
<td>42%</td>
</tr>
<tr>
<td>61</td>
<td>24%</td>
<td>35%</td>
</tr>
<tr>
<td>62</td>
<td>18%</td>
<td>28%</td>
</tr>
<tr>
<td>63</td>
<td>12%</td>
<td>20%</td>
</tr>
<tr>
<td>64</td>
<td>6%</td>
<td>11%</td>
</tr>
<tr>
<td>65</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>66</td>
<td>8.4%</td>
<td>12%</td>
</tr>
<tr>
<td>67</td>
<td>16.8%</td>
<td>26%</td>
</tr>
<tr>
<td>68</td>
<td>25.2%</td>
<td>43%</td>
</tr>
<tr>
<td>69</td>
<td>33.6%</td>
<td>64%</td>
</tr>
<tr>
<td>70</td>
<td>42%</td>
<td>88%</td>
</tr>
</tbody>
</table>

(Note) The rate of reduction / increase applicable to those born on or after April 2, 1941, is calculated based on the number of months pension claims are brought forward / deferred.
- Reduction rate: 0.5% × “Number of months pension claims are brought forward”
- Increase rate: 0.7% × “Number of months pension claims are deferred”
At present, the insured can receive the benefit of the “Specially Provided Old-Age Employees’ Pension”, composed of the remuneration-based and fixed-amount portions, when he or she becomes 60 years old, and of the “Old-Age Employees’ Pension”, which is remuneration-based, from 65 years old.

The Amendment of 1994 has specified that the pensionable age for the fixed amount portion (the 1st tier) of the “Specially Provided Old-Age Employees’ Pension” shall be upward to 65 years old according to the date of birth-based formula as is indicated in the Tables below. This step is to be carried out from year 2001 till 2013.

The Amendment of 2000 presents to propose that, after 2013, the pensionable age for the remuneration-based portion of the “Specially Provided Old-Age Employees’ Pension” should be gradually raised to 65 years old.
The schedule for raising pensionable ages is as follows.

Until FY 2000:
- 60 years old: Old-Age Employees' Pension
- 65 years old: Old-Age Basic Pension

FY 2001 to FY 2003:
- 60 years old: Old-Age Employees' Pension
- 61 years old: Old-Age Basic Pension

FY 2004 to FY 2006:
- 60 years old: Old-Age Employees' Pension
- 62 years old: Old-Age Basic Pension

FY 2007 to FY 2009:
- 60 years old: Old-Age Employees' Pension
- 63 years old: Old-Age Basic Pension

FY 2010 to FY 2012:
- 60 years old: Old-Age Employees' Pension
- 64 years old: Old-Age Basic Pension

FY 2013:
- 60 years old: Old-Age Employees' Pension
- 65 years old: Old-Age Basic Pension

FY 2013 to FY 2015:
- 60 years old: Old-Age Employees' Pension
- 65 years old: Old-Age Basic Pension

FY 2016 to FY 2018:
- 60 years old: Old-Age Employees' Pension
- 62 years old: Old-Age Basic Pension

FY 2019 to FY 2021:
- 60 years old: Old-Age Employees' Pension
- 63 years old: Old-Age Basic Pension

FY 2022 to FY 2024:
- 60 years old: Old-Age Employees' Pension
- 64 years old: Old-Age Basic Pension

From 2025:
- 60 years old: Old-Age Employees' Pension
- 65 years old: Old-Age Basic Pension

* For men, those who were born on April 1, 1941, or earlier.

For women, those who were born after April 2, 1941, or later.
2) Standard amount of pension benefit (in the 2009 fiscal year)

(The Old-Age Basic Pension)

(Number of months for which premium was paid) + (Number of months for which premium was exempted) after Apr. 2009 \( \times \frac{1}{2} \) + (Number of months for which 3/4 of premium was exempted \( \times \frac{5}{8} \)) + (Number of months for which 1/2 of premium was exempted \( \times \frac{3}{4} \)) + (Number of months for which 1/4 of premium was exempted \( \times \frac{7}{8} \)) + ((Number of months for which premium was exempted) before Mar. 2009) \( \times \frac{1}{3} \) + (Number of months for which 3/4 of premium was exempted \( \times \frac{1}{2} \)) + (Number of months for which 1/2 of premium was exempted \( \times \frac{2}{3} \) + (Number of months for which 1/4 of premium was exempted \( \times \frac{5}{6} \))

\[
792,100 \text{ yen} \times 40 \text{ (the maximum participation year) } \times 12
\]

(The Old-Age Employees’ Pension)

- The amount of the Old-Age Employees’ Pension benefit for the insured persons aged between 60 and 64

  The fixed-portion ① + the remuneration-based portion ② + added pension ③

  ① The fixed-portion
  Date of birth based unit amount \( \times \) insured period \( \times \) Price Index

  ② The remuneration-based portion
  Average Standard Monthly Remuneration \( \times \) Birthday’s multiplication rate \( \times \) insured period \( \times \) Price Index

  ③ Amount of added pension (monthly)
  Wife, the first and the second children of the insured: 18,992 yen per person
  The third and subsequent children: 6,325 yen per person
  (“Children” means those who are children until the end of the fiscal year to which their 18 years old birthdays belong or the persons with disability degree I or II under 20 years old.)

* For those aged between 60 and 64 who are working, all or part of his/her pension benefits are cut according to his or her remuneration level as follows (monthly):

  i) Until the total amount of the monthly wage (including bonus; hereinafter the same) reaches 280,000 yen, the pension benefit of the insured is provided in full.
  ii) When the said total amount exceeds 280,000 yen, 1 of the benefit is decreased as against an increase in 2 of his or her wage before the amount of his or her wage becomes 480,000 yen.
  iii) When his or her wage exceeds 480,000 yen, the benefit amount equals to the increased amount of wage is stopped to be provided.

- The amount of the Old-Age Employees’ pension benefit after 65 years of age:
  The total amount of above-mentioned ② and ③.

Workers aged 65 and over shall be required to pay the premium as insured persons of the Employees’ Pension Insurance. For persons whose total amount of wage and Employees’ Pension Insurance benefit (the remuneration-based portion) exceeds 480,000 yen, adjustment