

## 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.

	Old-Age (Retirement) Pension	Disability Pension	Survivors' Pension
Basic Pension	Old-Age Basic Pension	Disability Basic Pension	Survivors' Basic Pension
Employees' Pension	Old-Age Employees' Pension	Disability Employees' Pension	Survivors' Employees' Pension
Mutual Aid Pension	Retirement Mutual Aid Pension	Disability Mutual Aid Pension	Survivors' Mutual Aid Pension

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.

Rate of reduction / increase when pension claims are brought forward / deferred

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

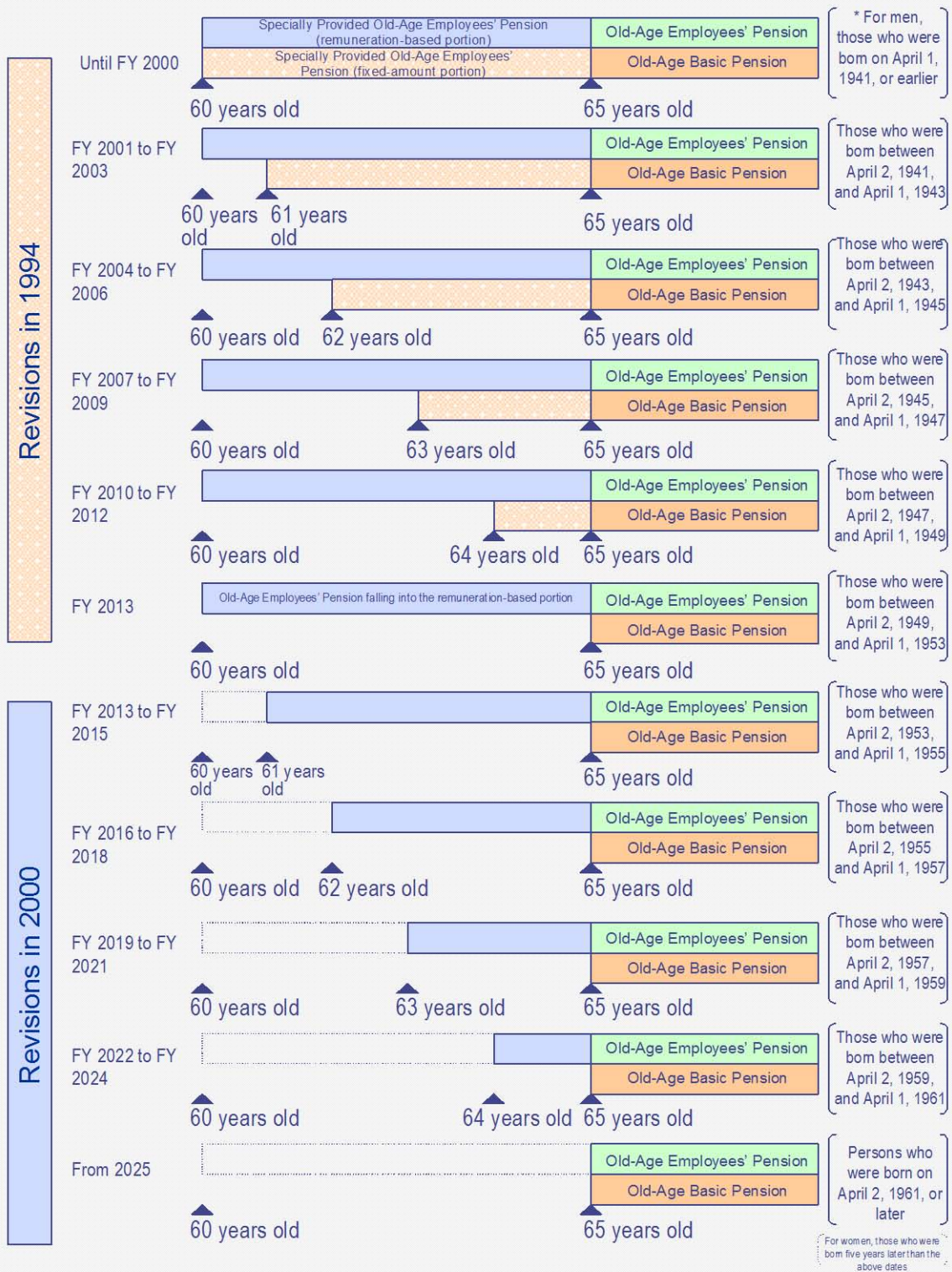
(Note) The rate of reduction / increase applicable to those born on or after April 2, 1941, is calculated based on the number of months pension claims are brought forward / deferred.

- Reduction rate:  $0.5\% \times$  "Number of months pension claims are brought forward"
- Increase rate:  $0.7\% \times$  "Number of months pension claims are deferred"

(The Old-Age Employees' Pension)

- 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.



2) Standard amount of pension benefit (in the 2009 fiscal year)

(The Old-Age Basic Pension)

$$792,100 \text{ yen} \times \frac{(\text{Number of months for which premium was paid}) + (\text{Number of months for which premium was exempted}) \text{ after Apr. 2009} \times \frac{1}{2} + (\text{Number of months for which } \frac{3}{4} \text{ of premium was exempted} \times \frac{5}{8}) + (\text{Number of months for which } \frac{1}{2} \text{ of premium was exempted} \times \frac{3}{4}) + (\text{Number of months for which } \frac{1}{4} \text{ of premium was exempted} \times \frac{7}{8}) + ((\text{Number of months for which premium was exempted}) \text{ before Mar. 2009}) \times \frac{1}{3} + (\text{Number of months for which } \frac{3}{4} \text{ of premium was exempted} \times \frac{1}{2}) + (\text{Number of months for which } \frac{1}{2} \text{ of premium was exempted} \times \frac{2}{3}) + (\text{Number of months for which } \frac{1}{4} \text{ of premium was exempted} \times \frac{5}{6})}{40 \text{ (the maximum participation year)} \times 12}$$

(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 × insured period × Price Index

② The remuneration-based portion

Average Standard Monthly Remuneration × Birthday's multiplication rate × insured period × 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