

Section 3. Building a Sustainable and Secure Pension System

1. Issues after the Revision in 2004

(1) Unification of Employees' Pension Schemes and Expanding Application of Employees' Pension to Part-Time Workers

With regard to the remaining issues of the 2004 revision of the pension system, namely unification of public pension schemes and expanding application of employees' pension to part-time workers, the "Draft Law to Amend Employees' Pension Insurance Law for the Unification of Employees' Pension Schemes" to unify Employees' Pension schemes (employees' pension and Mutual Aid Pension for public officers and such) and expand application of employees' pension to part-time workers, whose work styles are similar to that of regular workers, was presented at a regular Diet session on April 13, 2007 and is currently still under examination.

Unification of Employees' Pension schemes aims at raising public reliability of all public pensions through improving the stability of the system by expanding the scope of pension finance and securing fairness between private employees and public officers in coping with the maturity of the Employees' Pension system and further progress in the birth rate decline and aging. Therefore, the same premium and the same payment between private employees and public officers will be realized through application of the Employees' Pension Insurance Law to public officers. In addition, disparities between the private and public sectors will be eliminated through discontinuation of the job area portion (3rd floor portion) of the Mutual Aid Pension and the financial balance will then be integrated into a national account.

With regard to application of employees' pension to part-time workers, as part-time workers' roles and weights are increasing in the social economy, improving their pension security as well as putting place a labour policy to secure equal treatment, are an urgent political issue for preventing disparities in the future from expanding or being fixed. In addition, it has been pointed out that the current application criteria for employees' pensions are not neutral with regard to the style of employment. Hence, in consideration of this, application of employees' pensions will be expanded to include part-time workers that meet the requirements of "weekly prescribed working hours of 20 hours or more", "monthly wage of 98,000 yen or more", and "period of employment of 1 year or more".

(2) Raising the National Subsidy Ratio for Basic Pensions

In 2004 revision of the pension system stipulated that the national subsidy ratio shall be raised from 1/3 to 1/2. Also in its Supplementary Regulations, it was stated that raising the national subsidy portion to 1/2 will be completed by FY 2009 after fundamental reformation of taxation to

ensure stable financial resources.

During the period of FY 2004 to FY 2007 the national subsidy ratio was gradually raised in accordance with this road map. The “Draft Law to Amend the Law to Amend the National Pension Law” to raise the national subsidy ratio to the value 40/1000 added to 1/3 (approximately 37.3%) was presented at a regular Diet session in 2008 and is currently still under examination.

(3) For Financial Inspections in FY 2009

Since the introduction of the method of fixing premium levels in the 2004 revision of the pension system, conventional actuarial revaluations are no longer being conducted. However, financial inspections will be conducted at least every 5 years. At present discussions on general matters are being made by a Subcommittee for Pension Reform of the Social Security Council and discussions on specialized and technical matters regarding economic assumptions made by the “Special Committee on Economic Assumptions” of the same subcommittee.

2. Management and Operation of Pension Fund

In order to impose specialty and improve clarification of responsibilities, a Government Pension Investment Fund (hereinafter referred to as management operation organization) was established in April 2006 to manage and operate the pension fund.

The ratio of bonds and stocks (portfolio) and concrete operating plans that were conventionally formulated by the Minister of Health, Labour and Welfare will be formulated by the management operation organization itself after taking into consideration mid-term goals set by the minister. In addition, an operating committee consisting of economic and financial experts is being placed within management operation organization to monitor deliberations on mid-term plans and the situation with the pension fund.

3. Response to Globalization

Efforts are being made to conclude bilateral agreements with foreign countries with the aim of preventing Japanese workers abroad from participating in pension systems in both countries as well as using the total of periods of contribution in both countries. Agreements with Germany, United Kingdom, Korea, United States, Belgium, France, and Canada have been effective, and agreements were signed with Australia in 2007 and the Netherlands and the Czech Republic in 2008. At present, government-level negotiations with Spain and Italy are being conducted and agency-level negotiations being conducted with Ireland, Hungary, Sweden, and Switzerland with the aim at stepping up to the government-level. In addition, it has been agreed to conduct agency-level negotiations with Luxembourg with a view to concluding the agreement (see Figure 7-3-1).

In order to accelerate concluding agreements in the future, the “Act on Special Provisions of the Employees' Pension Insurance Law upon the Enforcement of the Social Security Agreements” with the aim of establishing national legislation capable of coping with agreements with any country was presented at a regular Diet session in 2007, approved on June 19 the same year, and enforced on March 1, 2008.

4. Situation of Corporate Pensions

The situation in which corporate pensions are being operated has been examined, mainly defined contribution pensions and defined benefits corporate pensions by the Study Group on Corporate Pension that has been held since October 2006 and the “Evaluation Report of Operation Situation of Corporate Pension” was compiled in July 2007.

Figure 7-3-1. Situation with Social Security Agreements

As of July 2008

