

# Corporate Pension Plans, etc.

## Overview

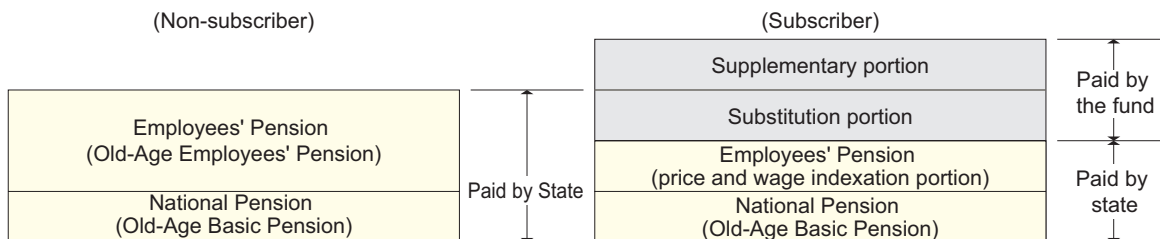
### Outline of Corporate Pension Plans, etc.

#### [Employees' Pension Funds]

The Employees' Pension funds are special corporations established with the approval of the Minister of Health, Labour and Welfare. The funds substitute a part of the Old-Age Employees' Pension (the portion excluding the indexed and sliding Pay scale portions) and pay their own supplementary benefits. Figure 1 shows the benefit to be provided to a subscriber of the Employees' Pension fund, compared to that to be paid to a non-subscriber.

Contributions necessary for benefits are collected by employers and borne by employers and subscribers. The employers who have established Employees' Pension funds are exempt from payment to the government of the premium of Employees' Pension insurance corresponding to the substitute benefits. The employers pay contributions necessary for benefits to be paid by the fund including the substitution portions.

**Figure 1: Structure of Employees' Pension Fund Benefits**



#### [Defined Benefits Corporate Pensions]

There are two forms of corporate pension plans: contract-type pensions and fund-type corporate pensions. Under Contract-type pensions, Pension funds are managed and invested outside of the mother company by concluding contracts between the employer and trust and life insurance companies, on the basis of mutual agreement between labour and management. Under fund-type Pension Plans, pension funds are managed and invested by the fund, with the benefits paid from the fund. (The fund will not substitute Employees' Pension businesses.)

The Defined Benefits Corporate Pension Law stipulates the following Provisions for the Protection of eligibility.

- Reserve obligations: A certain level of Pension assets has to be accumulated. Actuarial revaluation and validation is required. When there is a shortfall in pension reserves, this shortfall must be made up.
- Obligations of the trustee: In relation to the administrators and investment managers such as business owners, responsibilities to Participants and clear principles on actions are stipulated.
- Disclosure: The business owner is required to disclose the situation regarding investments to participants and to report the same to the Minister of Health, Labour and Welfare.

#### [Defined Contribution Pensions]

Under defined contribution Pension Plans, the contributions paid are clearly defined for each individual, assets are managed personally by a participant and the amount of benefits is determined according to the investment returns.

This system consists of two types of Pension funds: The corporate-type pension funds managed by employers for their employees and the personal-type pension funds managed by the National Pension Fund Federation for the self-employed and employees of companies without corporate-type Pension plans.

The employers pay contribution installments under corporate-type Pension schemes, whereas individual participants pay the installments under Personal-type pension schemes within the limits set for contribution. Contributions paid shall be accumulated for each participant and the Participants Personally give instructions on investment of the contributions. The amount administered of benefits is determined according to the amount of contribution and the investment returns. Benefits are paid in the forms of old-age benefits and disability benefits.

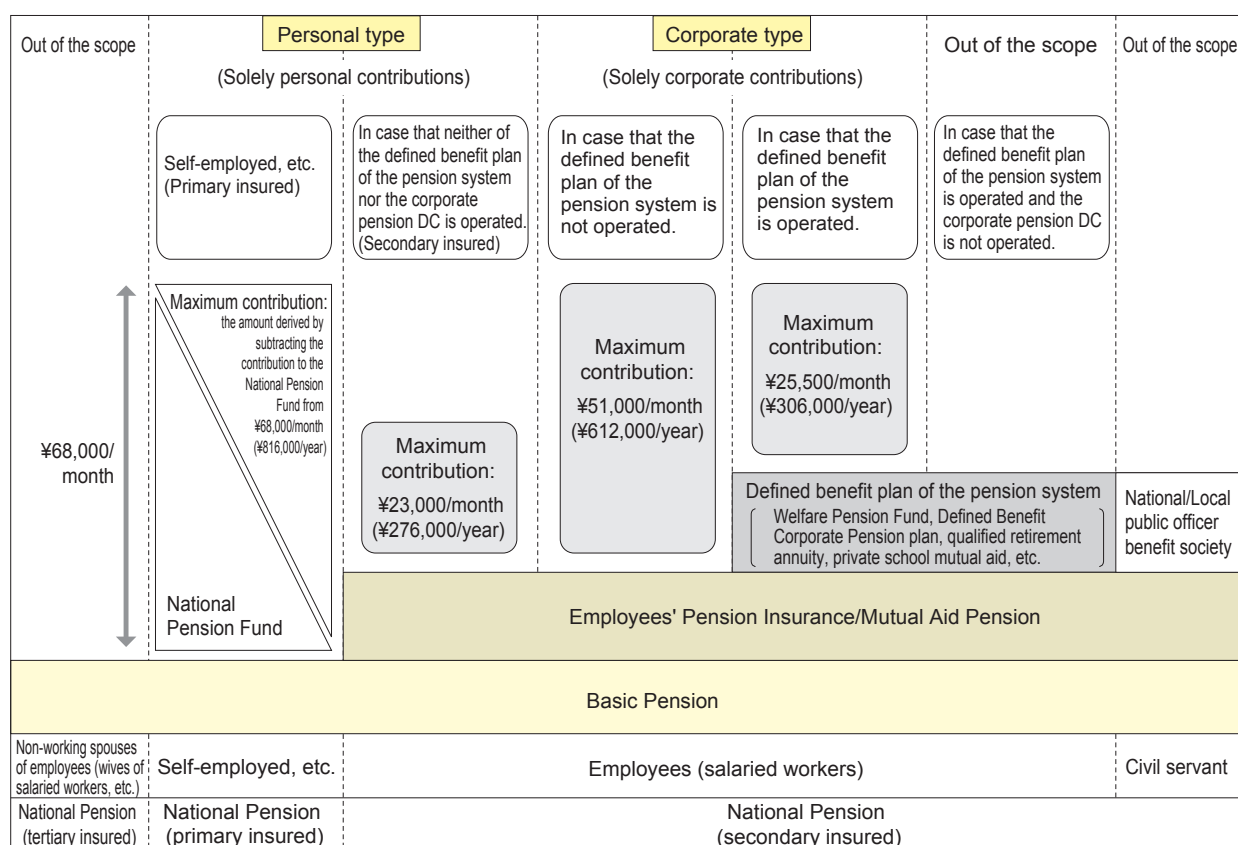
#### [Tax-Qualified Pension Plan]

The Tax-Qualified Pension Plan was established in 1962 as a system to use in pension benefits being provided to employees after having obtained approval from the Director General of the National Tax Agency that any contracts concluded between an employer of a company and trust and life insurance companies satisfy certain requirements. Pursuant to the Defined-Benefit Corporate Pension Act enforced in 2002 no new contracts will be approved and existing contracts must be transferred to other schemes such as defined benefits corporate pension plans within the next 10 years.

#### [National Pension Funds]

The system under which self-employed persons voluntarily pay extra on the national pension premium to expand their income security after retirement was established as the National Pension Fund pursuant to the law revision in 1989 and has been implemented since April 1991. No.1 insured persons of the National Pension Plan are eligible to participate in the National Pension Fund, categorizing into 2 types - the regional fund established in each region by the organization of those who live in the same prefecture and the vocational fund (one fund in the country) established by the organization of those who are engaged in the same type of industry or occupation.

**Figure 2: Defined Contribution (DC) Pension Participants and Contribution Limit, and Its Relationship with Existing Pension Plans**



**Detailed Data 1 Changes in Number of Funds and Participants of the Employees' Pension Fund**

FY	Number of funds	Number of participants (1,000 persons)	Assets (¥1 trillion)
2001	1,737	10,871	57.0
2002	1,656	10,386	51.2
2003	1,357	8,351	48.6
2004	838	6,152	36.8
2005	687	5,310	37.3
2006	658	5,221	38.8
2007	626	4,782	32.8
2008	617	4,663	25.6
2009	608	4,562	29.0
2010	595	—	27.9

Source: Pension Bureau, MHLW

(Note) 1. Assets are evaluated at market value.

2. Asset balance includes the assets of the Employees' Pension Fund Association.

**Detailed Data 2 Number of Defined-Benefit Corporate Pension Plans**

FY	Contract-based	Fund-based
2002	15	0
2003	164	152
2004	478	514
2005	833	597
2006	1,335	605
2007	2,480	619
2008	4,397	611
2009	6,795	610
2010	9,440	613

Source: Pension Bureau, MHLW

(Note) The Defined-Benefit Corporate Pension Act was enforced in April 2002.

**Detailed Data 3****Changes in Numbers of Contracts Approved and Participants of Defined Contribution Pension Plans**

FY	Number of corporate-type plans approved	Number of participants in corporate plans (1,000 persons)	Number of participants in private plans (person)
2001	70	88	443
2002	361	325	13,995
2003	845	708	28,225
2004	1,402	1,255	46,066
2005	1,866	1,733	63,303
2006	2,313	2,187	80,081
2007	2,710	2,711	93,036
2008	3,043	3,110	101,201
2009	3,301	3,404	111,056
2010	3,705	3,713	124,906

Source: Pension Bureau, MHLW

(Note) The Defined Contribution Pension Act was enforced in October 2001. Private-type DC pension plans was introduced in January 2002.

**Detailed Data 4****Changes in Number of Contracts and Participants of Tax-Qualified Pensions**

FY	Number of contracts	Number of participants (1,000 persons)	Assets (¥1 trillion)
2001	73,582	9,167	22.7
2002	66,741	8,586	21.4
2003	59,162	7,779	20.7
2004	52,761	6,549	17.2
2005	45,090	5,687	17.3
2006	38,885	5,069	15.6
2007	32,826	4,434	11.7
2008	25,441	3,494	8.1
2009	17,184	2,501	6.4
2010	8,051	1,261	3.1

Source: "Survey on Contracts of Tax-Qualified Pensions", The Life Insurance Association of Japan / Trust Companies Association of Japan / The National Mutual Insurance Federation of Agricultural Cooperatives

(Note) Assets are at book value until FY2003 and at market value from FY2004.

**Detailed Data 5****Changes in Number of Funds and Participants of the National Pension Fund**

FY	Number of funds	Number of participants (1,000 persons)	Assets (¥1 trillion)
2001	72 (25)	787 (127)	1.5
2002	72 (25)	772 (124)	1.4
2003	72 (25)	789 (126)	1.8
2004	72 (25)	751 (121)	2.1
2005	72 (25)	727 (117)	2.7
2006	72 (25)	693 (112)	2.9
2007	72 (25)	648 (106)	2.7
2008	72 (25)	615 (103)	2.2
2009	72 (25)	577 ( 97)	2.6

Source: Pension Bureau, MHLW. The figures in parentheses are included in the numbers on the left and represent the numbers of occupation-type funds.

(Notes) 1. Assets are evaluated at market value.

2. Asset balance includes the assets of the National Pension Fund Federation.