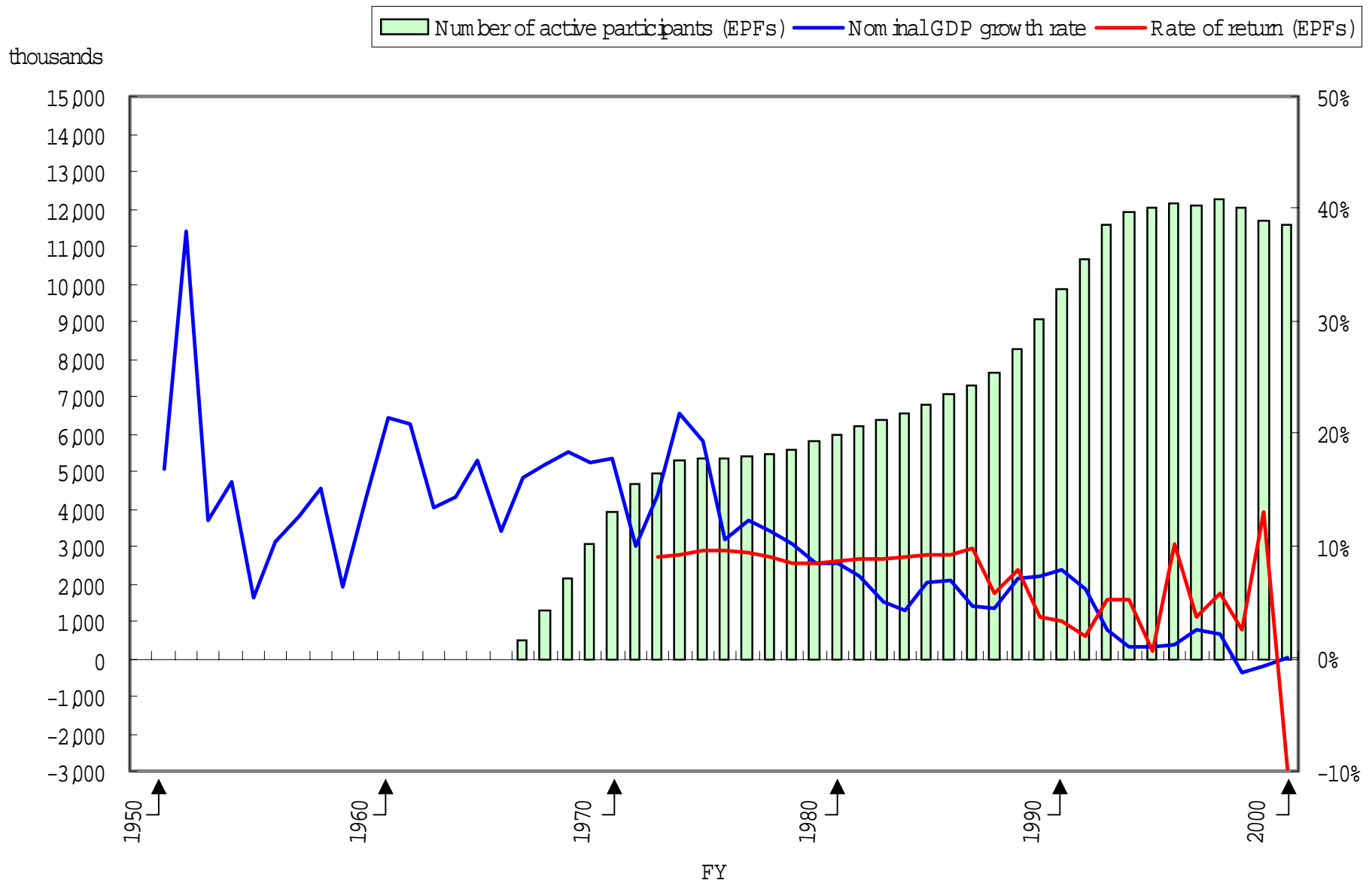


# Some Indicators Related to Corporate Pension Plans in Japan



# Financial Status of EPFs (2000)

1. Is your EPF Necessary to Increase the Contribution Rate on the Continuous Basis? (%)

	Established Year of the EPF			Total
	• 1974	1975• 1984	1985•	
No	28.7	7.8	43.8	80.3
Yes	15.0	1.7	3.1	19.7
Total	43.6	9.5	46.9	100.0

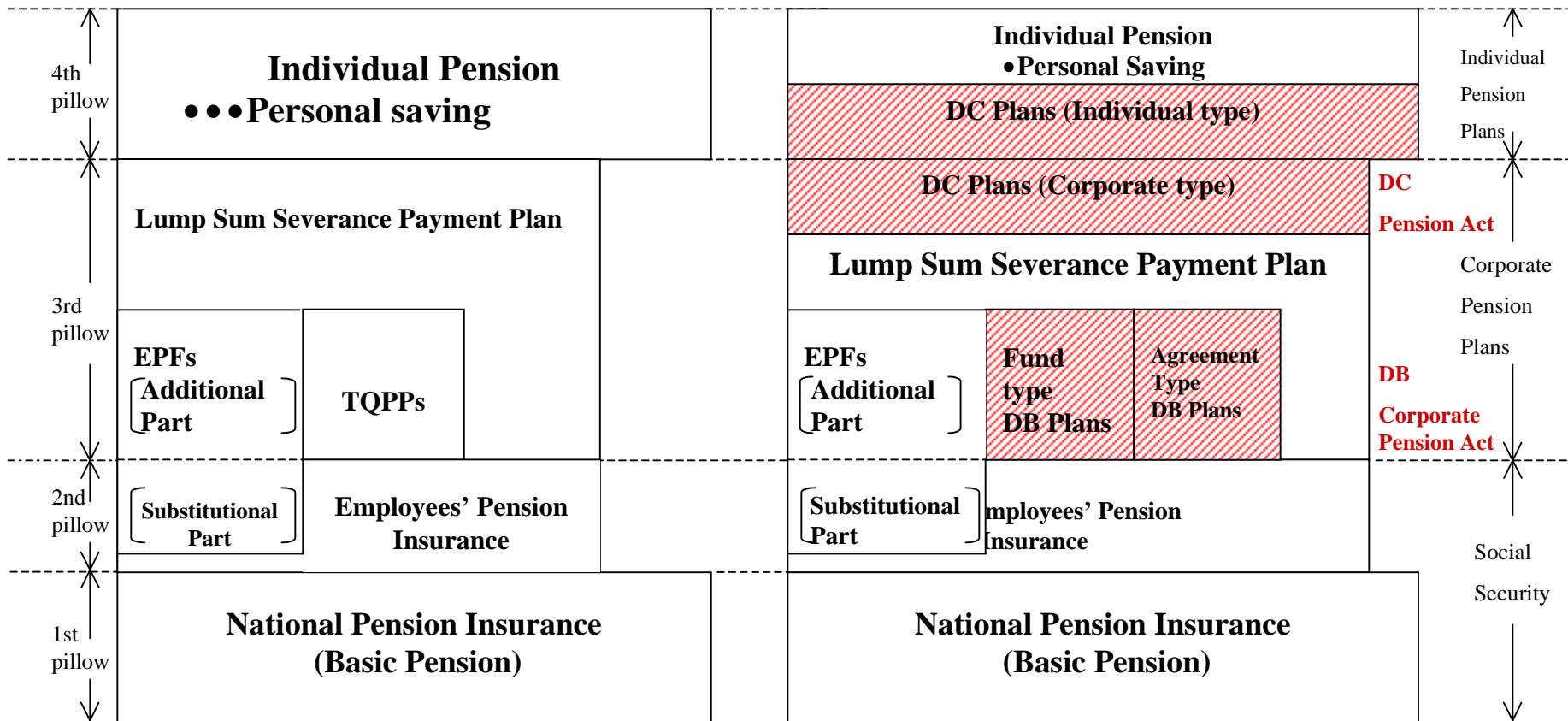
2. Is your EPF Necessary to Make a Plan to Recover Funding Level on the Discontinuous Basis ? (%)

	Established Year of the EPF			Total
	• 1974	1975• 1984	1985•	
No	7.0	4.4	34.2	45.6
Yes	36.6	5.0	12.7	54.3
Total	43.6	9.5	46.9	100.0

# Pension Plan system in Japan

<Before June 2001>

<After June 2001>



# Change of Funding Standards (Main Ideas)

## 1. Asset vs. Liability – Allowable carry-over deficit (Continuous Basis)

<Allowable carry-over deficit>

$$\text{Payroll} \times 5/1000 \times \overline{a}_{20|} \quad \Rightarrow \quad \begin{array}{l} \textcircled{1} \text{ Payroll} \times 10/1000 \times \overline{a}_{20|} \\ \textcircled{2} \text{ Liability} \times 15/1000 \\ \textcircled{3} \text{ Min ( } \textcircled{1} , \textcircled{2} \text{ )} \end{array}$$

## 2. Asset vs. Minimum Funding Standard (Discontinuous Basis)

<Recovery Plan>

100% — 7 years

$$\Rightarrow \quad \begin{array}{l} \textcircled{1} \text{ 100\% — 7 years} \\ \textcircled{2} \text{ 80\% — 5 years} \\ \quad \text{90\% — 10 years} \\ \quad \text{100\% — 15 years} \end{array}$$

# Comparison of Minimum Funding Standards on the Discontinuous Basis

	UK	U S A	Japan
N a m e	M i n i m u m F u n d i n g R e q u i r e m e n t	A d d i t i o n a l F u n d i n g R e q u i r e m e n t s	M i n i m u m F u n d i n g S t a n d a r d s (D i s c o n t i n u o u s B a s i s)
B e n e f i t s	A c c r u e d B e n e f i t s	A c c r u e d B e n e f i t s	M i n i m u m S e c u r e d B e n e f i t s ( A c c r u e d B e n e f i t s)
D i s c o u n t r a t e	E q u i t y a n d G u i l t	30 y e a r T B (p a s t 4 y e a r s)	20 y e a r G B (p a s t 5 y e a r s)
R e c o v e r y p e r i o d	90% \ 1 y e a r 100% \ 5 y e a r s [ 5 y e a r s a n d 10 y e a r s r e s p e c t i v e l y ]	90% \ C o n t r i b u t i o n o f c e r t a i n a m o u n t o f d e f i c i t (30% ~18% )	80% \ 5 y e a r s 90% \ 10 y e a r s 100% \ 15 y e a r s

Source : Ono, JSCPA meeting

# Concluding Remarks

- To pay a benefit is of primary importance, to keep up a funding level is of secondary importance.
- Both measures to evaluate funding level on the continuous and discontinuous basis are necessary.
- Insolvency insurance is necessary to secure the pension right in full.
- It costs too much to have all the equipments to secure the pensions rights.
- Further discussion is necessary.