The Status Quo and Future of the Public Pension System in Japan

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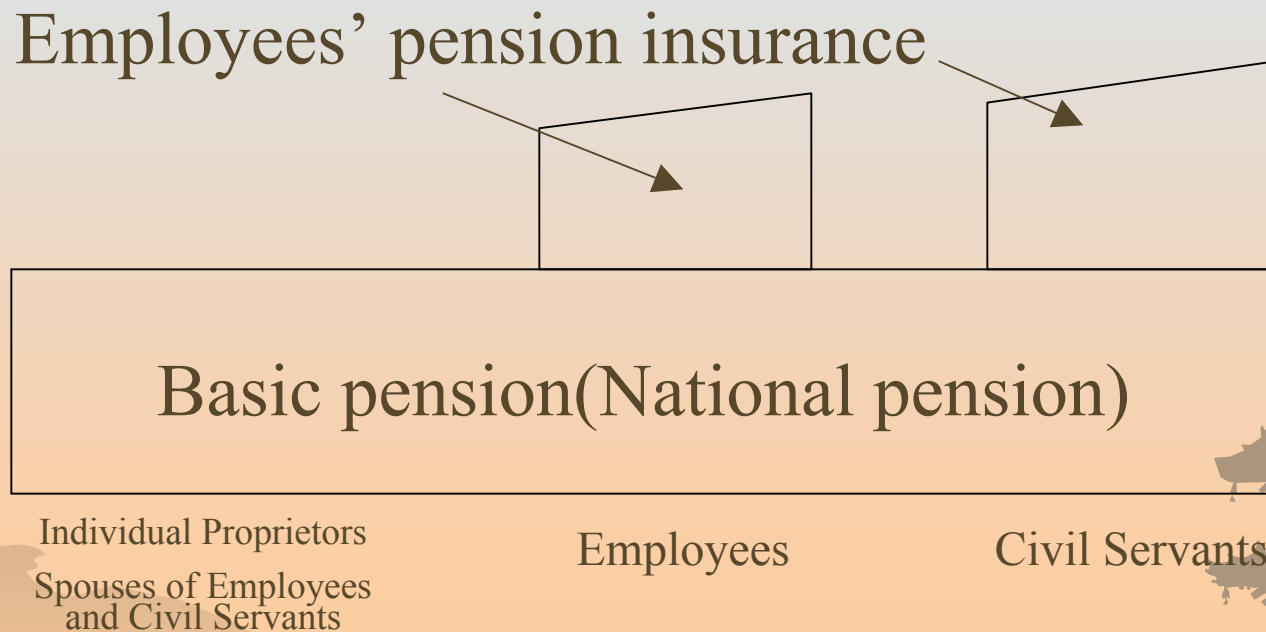I.A.J.

Outline

- ❀ The Status Quo & Peculiarities
- ❀ Current Challenges
- ❀ Future Directions
- ❀ Review on Financing Method

The Status Quo 1

❧ Benefits

Employees' pension insurance

Basic pension(National pension)

Individual Proprietors

Spouses of Employees
and Civil Servants

Employees

Civil Servants

The Status Quo 2

❖ Premiums

– All employees are insured, and every premium is collected without omission

– The non-insured and defaulters in the national pension system

Peculiarities 1

✤ Pension for All Residents in Japan

 – The equitable cost by all people in the national pension system

Peculiarities 2

- Social Insurance Premium Method
  - Function to allot for the income from people of high-income to those of low-income
  - The public pension is compulsory and government-run

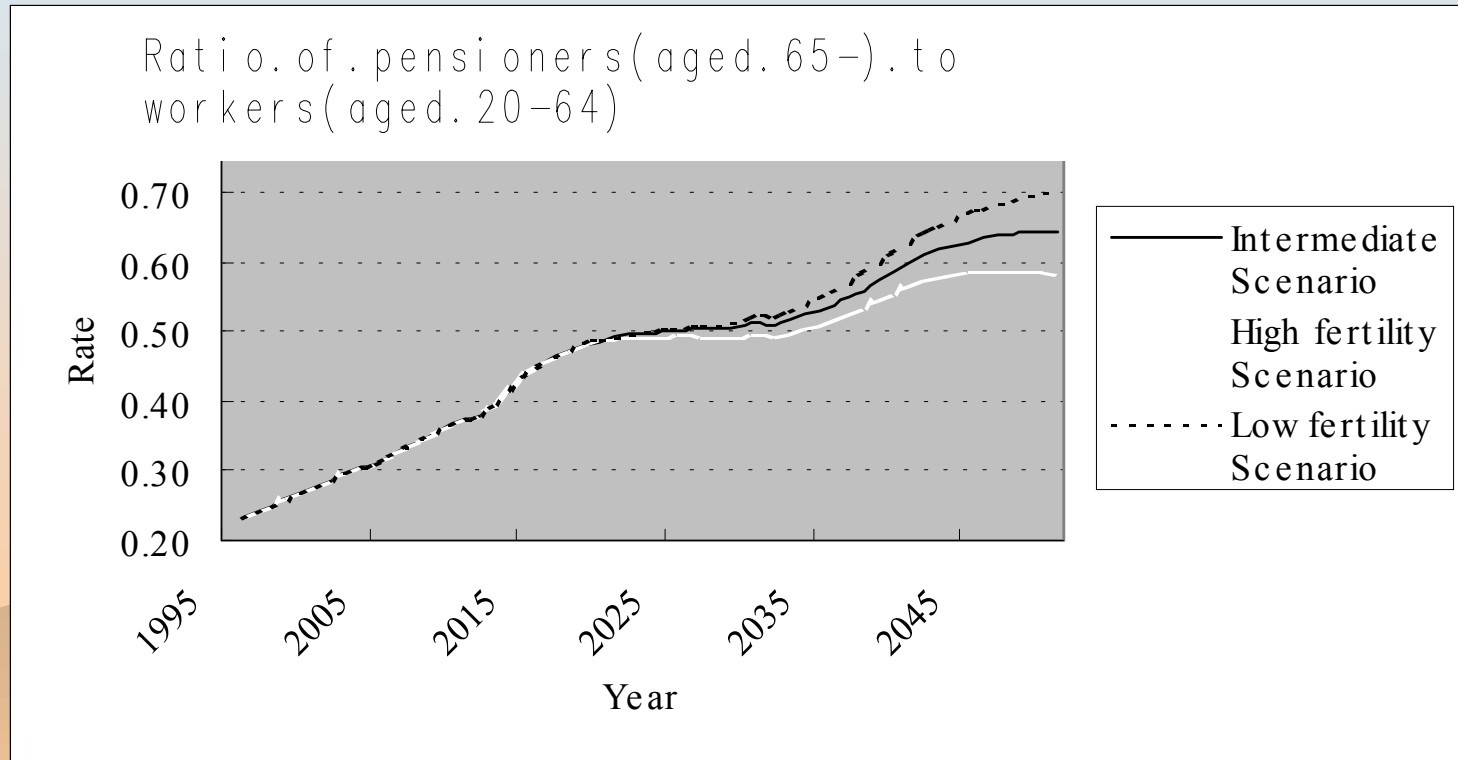# Peculiarities 3

- Support between Generations
  - In the beginning, the reserve funding method
  - At present, the element of a "pay-as-you-go " system

Birth Rate and Aging Society

– Senior People / Working People
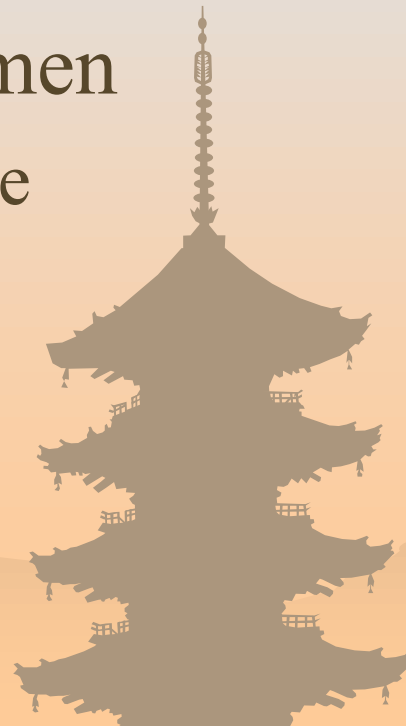
Ratio.of.pensioners(aged.65-).to
workers(aged.20-64)

Complaint from the Current Contributors

- ❖ Incredible pension system
  - – Anxiety for the roll-back of the benefits
  - – Potential increase in the future premium
- ❖ Increase of non-insured and defaulters

Aging of the Pension System

- ❂ Variable employment
  - – Increase of temporary staff
- ❂ Feeling of unfairness of working women
  - – Assimilation of women in working place

Roll-back of the Benefits

- ❀ Benefit cuts

- ❀ Deferment of the pensionable age

- ❀ Revision of the tax system

Future Directions / Contributions

- Premium Method ⇨ Tax Method

- Assessment Method

  ⇨ Reserve Fund Method

Review on Financing Method / Premises

❧ Insured forecast :
  Government's projection of the population

❧ Premium : Reviewed every 5 years

❧ Benefits : Fixed

❧ Others

  •Wage increase : 2.5%   •Price increase : 1.5%
  •Yield : 4.0%   •Reviced pension rate : 2.5%

Result & Conclusion

– Result

	Low		**Intermediate**		**High**
Phase-in-Method	**30.0%**	⟵ 2.4%	**27.6%**	-2.1%	**25.5%**
	⬇ -3.9%		-2.5%		-1.6%
Reserve Fund Method	**26.1%**	1.0%	**25.1%**	-1.2%	**23.9%**

– Superiority of the reserve fund method