<table>
<thead>
<tr>
<th>項目</th>
<th>内容</th>
</tr>
</thead>
<tbody>
<tr>
<td>タイトル</td>
<td>新しい企業年金制度の開発において日本における</td>
</tr>
</tbody>
</table>
**Figure 1: Current Retirement Systems in Japan**

*Number of participants in parentheses*

- **1st tier**
  - Basic Portion
  - National Pension (Kokumin-nenkin) (70 million)

- **2nd tier**
  - Portion proportional to compensation
  - National Pension Fund (0.9 million)
  - Employee’s Pension Insurance (Kosei-nenkin) (33 million)
  - Mutual Aid Pension (5.8 million)

- **3rd tier**
  - Corporate-Sponsored
  - Employee’s Pension Fund (Kosei-nenkin-kikin) (12 million)
  - Qualified Pension Plan (Tekikaku-nenkin) (10 million)

- **4th tier**
  - Individual Savings
  - Individual Annuity (20 million)
  - Property Accumulation Pension Saving (Zaikei-nenkin) (3 million)

- **Category 1 insured persons**
  - Self-employed (20 million)
  - Category 1

- **Category 2 insured persons**
  - Spouses of category 2 (12 million)

- **Category 3 insured persons**
  - Private Employee (33 million)

- **Public Employee**
  - (5 million)
**Figure 2: Existing DB Schemes in Japan**

<table>
<thead>
<tr>
<th></th>
<th>Employee’s Pension Fund</th>
<th>Qualified Pension Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regulatory Body</strong></td>
<td>Ministry of Health, Labor and Welfare</td>
<td>Ministry of Finance</td>
</tr>
</tbody>
</table>
| **Substitution of Social Security** | Yes  
A portion of Employee’s Pension Insurance (social security) benefits which are proportional to your pay is provided by Employee’s Pension Fund | No                                           |
| **Plan Management**  | Plan sponsors must establish a separate entity, Employee's Pension Fund, to manage plans | Plan sponsors make a contract with providers, such as life insurance companies and trust banks, to manage plans |
| **Form of Benefit**  | Life annuities must be provided                                  | Life annuities are not necessarily required |
| **Contribution**     | - Employer contribution: deductible (no limit)  
- Employee contribution: deductible as Social Security Premium Deduction (no limit) | - Employer contribution: deductible (no limit)  
- Employee contribution: deductible as Life Insurance Premium Deduction (¥ 50,000 annual limit) |
| **Taxation**         | - No tax on investment earnings                                  | - No tax on investment earnings              |
|                      | - Special Corporate Tax is NOT imposed on the asset balance up to the certain limit  
<Taxation is suspended until March 2003> | - Special Corporate Tax (1.173%) is imposed on the asset balance.  
<Taxation is suspended until March 2003> |
| **Benefit**          | - Annuity: taxable, but Deduction for Annuity Payments applies  
- Lump-sum: taxable, but Deduction for Lump-sum Payment applies & separately taxed | |

*Substitution of Social Security: Yes*
### Money Purchase Plans
Contributions are fixed regardless of company profits.

### Profit Sharing Plans
Contributions can be changed at employers’ discretion.

### 401(k) Plans
Employees choose whether to participate and how much to contribute from their pay.

Employees make matching contributions.

### IRA (Individual Retirement Account)
Individuals make contributions at their discretion.

---

**Figure 3: U.S. DC Plans vs. Japanese DC Plans**

<table>
<thead>
<tr>
<th></th>
<th>U.S.</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employer-sponsored Type DC</strong></td>
<td>Employer makes contributions fixed regardless of company profits.</td>
<td>Employer and employees can make contributions in any amount.</td>
</tr>
<tr>
<td><strong>Individual Type DC</strong></td>
<td>Employees choose whether to participate and how much to contribute from their pay.</td>
<td>Employees cannot make contributions.</td>
</tr>
</tbody>
</table>

---

Who is the main contributor?

- **Employees**
- **Employers**

---

Who can make contributions?

- **Employer-sponsored Type DC**
  - Employer
  - Employees

- **Individual Type DC**
  - Employees

---

Switchable pay from: Wages to a retirement plan.
Figure 4: Eligibility and Contribution Limits

- **Spouses of category 2 (Category #3 insured)**
- **Self-employed and other individuals (Category #1 insured)**

**National Pension Fund**
- Contribution Limit: 68,000 yen/month (minus contribution to National Pension Fund)

**Employee of the company without DB plan nor Employer-sponsored DC plan**
- Contribution Limit: 15,000 yen/month

**Employee of the company without DB plan**
- Contribution Limit: 18,000 yen/month

**Employee of the company with DB plan**
- Contribution Limit: 36,000 yen/month

**DB Plan**
- Employees Pension Fund & Qualified Pension Plan, etc

**Individual Type DC**
- Self-employed

**Employer-sponsored Type DC**
- Employee of the company without DB plan nor Employer-sponsored DC plan

**Not eligible for DC**

**National Pension**
- Portion Paid by employer
- Mutual Aid Pension
- Employee's Pension Insurance

**Not eligible for DC**

**Public Employee**
- Employee of private corporation, etc

**Employee of the company with DB plan**
- Not eligible for DC

**Employee of the company without DB plan**
- Not eligible for DC
**Figure 5: Eligibility of DC Plan -Flow-chart-**

- **Employee of Private Corporation**
  - <less than 60 years old>
    - Employer DOES run any DB Plan
      - Employer DOES run Employer-Sponsored DC
        - Participate in Employer-Sponsored DC
          - 18,000yen/month
      - Employer DOES NOT run Employer-Sponsored DC
        - Not Eligible for either Employer-sponsored DC or Individual DC
          - No Eligibility
      - Employer DOES NOT run any DB Plan
        - Employer DOES NOT run Employer-Sponsored DC
          - Eligible for Individual DC
            - 15,000yen/month
        - Employer DOES run Employer-Sponsored DC
          - Participate in Employer-Sponsored DC
            - 36,000yen/month
  - Employer DOES NOT run any DB Plan
    - 68,000yen/month (Net of the contribution to National Pension Fund)

- **Self-employed**
  - <less than 60 years old>
    - Eligible for Individual DC
      - 68,000yen/month (Net of the contribution to National Pension Fund)

- **Public Employee**
  - House-wives
    - Not Eligible for either Employer-sponsored DC or Individual DC
      - No Eligibility
Figure 6: Who Play What Kind of Roles in Employer-sponsored Type DC?

Plan Sponsor

- Employee A
- Employee B
- Employee C

Plan Administrator

- Investment Directions
- Recordkeeping
- Gather each Investment Directions
- Provide Plan Information
- Provide Information related to Investment Products

Beneficiary

- Benefit Claim Forms
- Benefit Payment

Trustee

- Investment Manager A
- Investment Manager B
- Investment Manager C
- Investment Manager D
- Investment Manager E

Either all or part of plan administrator's role could be handled by plan sponsor.
Figure 7: Who Play What Kind of Roles in Individual Type DC?

- Self-employed A
- Self-employed B

Application/Contribution

National Pension Fund Association

Outsourced Financial Institutions

Plan Sponsor

Payroll Deduction «Basic Arrangement»

Individual Investment Direction

Plan Sponsor

Plan Administrator A
- Gather investment directions
- Recordkeeping
- Present investment options line-up
- Provide information of investment options

Plan Administrator B

Plan Administrator C

Selection

Investment Directions

Investment Manager “A”

Investment Manager “B”

Investment Manager “C”

Investment Manager “D”

Investment Manager “E”

Beneficiaries

Benefit Claim Forms

Benefit Payment

Benefit Payment Instructions

Investment Manager “A”

Investment Manager “B”

Investment Manager “C”

Investment Manager “D”

Investment Manager “E”
Figure 8: Tax on Defined Contribution Plans

Contributions

< Employer-sponsored Type >
Employers can deduct contributions
Employees are not taxed on contributions

< Individual Type >
Individuals can deduct contributions from their taxable income

Investment Earnings

- Deferred until benefit payments
- Special Corporate Tax (1.173%) on the assets balance is levied
  - However, it is suspended through March 31, 2003

Benefit Payments

- Old Age Benefit
  Taxable. However, different deductions apply respectively for annuity payments and lump sum payment in calculating taxable income.

- Disability Benefit
  Tax-free

- Survivors Lump Sum
  Subject to inheritance tax

- Early Withdrawal Lump Sum
  Subject to income tax
Appendix 1: Deductions for Benefits

1. Deductions for annuity payments

- When receiving in the form of annuities, the following deductions apply.
- All annuities from social securities, DB plans, DC plans are combined before applying the deductions.

<table>
<thead>
<tr>
<th>Amount of Annuities</th>
<th>Deductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 2.6 mil yen</td>
<td>1.4 mil yen</td>
</tr>
<tr>
<td>2.6mil - 4.6mil yen</td>
<td>Amount times 25%+0.75mil yen</td>
</tr>
<tr>
<td>4.6mil – 8.2mil yen</td>
<td>Amount times 15%+1.21mil yen</td>
</tr>
<tr>
<td>More than 8.2mil yen</td>
<td>Amount times 5%+ 203mil yen</td>
</tr>
</tbody>
</table>

Age 65 or more

<table>
<thead>
<tr>
<th>Amount of Annuities</th>
<th>Deductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1.3 mil yen</td>
<td>0.7mil yen</td>
</tr>
<tr>
<td>1.3mil - 4.1mil yen</td>
<td>Amount times 25%+0.375mil yen</td>
</tr>
<tr>
<td>4.1mil – 7.7mil yen</td>
<td>Amount times 15%+0.785mil yen</td>
</tr>
<tr>
<td>More than 7.7mil yen</td>
<td>Amount times 5%+ 1.555mil yen</td>
</tr>
</tbody>
</table>

Less than 65 Years Old

<table>
<thead>
<tr>
<th>Amount of Annuities</th>
<th>Deductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 20 years</td>
<td>Years times 0.4mil yen</td>
</tr>
<tr>
<td>Beyond 20 years</td>
<td>Years over 20 times 0.7mil yen + 8mil yen</td>
</tr>
</tbody>
</table>

2. Deductions for lump-sum payment

- When receiving lump-sum payment, the following deductions apply.
- All lump-sum money from retirement benefits, DB plans, DC plans are combined before applying the deductions.

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Deductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to 20 years</td>
<td>Years times 0.4mil yen</td>
</tr>
<tr>
<td>Beyond 20 years</td>
<td>Years over 20 times 0.7mil yen + 8mil yen</td>
</tr>
</tbody>
</table>

<Examples>
- If you work for 10 years  □ 4 mil yen (10 x 0.4mil)
- If you work for 20 years  □ 8 mil yen (20 x 0.4 mil)
- If you work for 30 years  □ 15 mil yen ((30-20)x0.7+8 mil yen)

- The amount remaining after the deductions should be divided by 2 to reach the taxable income.
- Separately taxed.
## Appendix 2: Benefit Projection

**Assumptions:**
You receive the maximum contributions from the start of your employment (age 22) until age 60

<table>
<thead>
<tr>
<th>Contribution Amount</th>
<th>Investment Return</th>
<th>Assets at Age 60</th>
<th>Comparison with the average benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>18,000 Yen per Month (216,000 Yen per Year)</td>
<td>3%</td>
<td>15.28 Million Yen</td>
<td>55%</td>
</tr>
<tr>
<td></td>
<td>4%</td>
<td>19.23 Million Yen</td>
<td>69%</td>
</tr>
<tr>
<td></td>
<td>5%</td>
<td>24.45 Million Yen</td>
<td>87%</td>
</tr>
</tbody>
</table>

Note: Salary and retirement benefit data is from Japan Federation of Employers Associations research of September 1998.
### Appendix 3: Comparison of U.S. 401(k) and Japanese Employer-Sponsored DC

<table>
<thead>
<tr>
<th></th>
<th><strong>United States 401(k)</strong></th>
<th><strong>Japanese Employer-Sponsored DC</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Who May Contribute</strong></td>
<td>• Employees &amp; Employers (matching contributions / discretionary contributions)</td>
<td>• Employers Only</td>
</tr>
<tr>
<td><strong>Annual Contribution Limit</strong></td>
<td>• Pre-tax Employee Contribution Limit: $10,500 (in 2001)</td>
<td>• Employer Contribution Limit: 432,000 yen for employer without DB plan 216,000 yen for employer with DB plan</td>
</tr>
<tr>
<td></td>
<td>• Aggregate DC Contribution Limit: Lower of $35,000 or 25% of pay</td>
<td></td>
</tr>
<tr>
<td><strong>Eligibility</strong></td>
<td>• All employees 21 years or older with at least 1 year of service must be allowed to join a plan. Maximum age requirements are prohibited</td>
<td>• To be determined by plan rules</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Participants must be less than 60 years old</td>
</tr>
<tr>
<td><strong>Vesting</strong></td>
<td>• Employee contributions: immediately 100% vested</td>
<td>• Minimum requirement: 100% vesting after 3 years.</td>
</tr>
<tr>
<td></td>
<td>• Minimum requirement for employer contributions: 100% vesting after 5 years or graded vesting in 20% increments from 3rd through 7th year)</td>
<td></td>
</tr>
<tr>
<td><strong>Investment Options</strong></td>
<td>• ERISA 404(c) plans require minimum of 3 options with different risk/return (company stock may also be an option but does not count toward one of the 3 options) &amp; Switching among investment options must be allowed at least every three months.</td>
<td>• Minimum of 3 options (company stock may also be an option but does not count toward one of the 3 options)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Switching among investment options must be allowed at least every three months.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• At least one option must be a capital guaranteed product.</td>
</tr>
</tbody>
</table>
## Appendix 3: Comparison of U.S. 401(k) and Japanese Employer-Sponsored DC (continued)

<table>
<thead>
<tr>
<th>Benefits Distribution</th>
<th>United States 401(k)</th>
<th>Japanese Employer-Sponsored DC</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Separation from service, Normal retirement age, At 59.5 years old, Death, and Disability. Minimum distribution rule: You must begin receiving benefits when you reach 70.5 years old (unless continue working)</td>
<td>At 60 years old, Death, and Disability You cannot receive benefits when you leave company unless you are 60 years old or older. You must begin receiving benefits at 70 years old.</td>
</tr>
<tr>
<td>Loans and Financial Hardship Withdrawals</td>
<td>Yes (hardship withdrawal subject to income tax and 10% penalty tax)</td>
<td>Not allowed</td>
</tr>
<tr>
<td>Portability &amp; Rollover</td>
<td>Discretionary rollover to new employer’s 401(k) plan or IRA. You may leave your assets with the old employer’s plan. No tax on rollover assets.</td>
<td>Mandatory rollover to new employer’s DC plan or Individual Type DC. You cannot leave your assets with the old employer’s plan. No tax on rollover assets</td>
</tr>
<tr>
<td>Tax</td>
<td>Contributions: tax deductible Investment Earnings: not taxed Benefits: subject to income tax</td>
<td>Contributions: tax deductible Investment Earnings: not taxed Special Corporate Tax: 1.173% on account balances Old age benefits: taxable but some deductions apply Disability benefits: tax-free Death benefits: subject to inheritance tax</td>
</tr>
</tbody>
</table>
Figure 9: Two New DB Plans Introduced by DB Bill

**Contract Type**

- Employer
  - Plan Document
  - Union
    - <Or anyone representing 50% or more employees>
  - Beneficiary
    - Benefit Payment
  - Contribution
  - Contract
  - Direction for Benefit Payment

**Fund Type**

- Employer
  - Agreement
  - Executive Committee
  - Board
  - Plan Document
  - Benefit Claim Forms
  - Trust Banks
  - Life Insurance Companies
  - etc
  - Benefit Claim Forms
  - Benefit Payment

- Union
  - <Or anyone representing 50% or more employees>
  - Plan Document
  - Contribution
  - Contract
**Figure 10: Plan Sponsors can Switch among New Pension Schemes**

**Current Pension System**
- Employees Pension Fund
- Qualified Pension Plan

**New Pension System**
- Employee’s Pension Fund
  - Fund type Pension
    - Employee’s Pension Fund
      - without substitutions component
  - Contract type Pension
    - More strict protection on vesting rights compare to existing Qualified Pension Plan.
- Defined Contribution Plan