

Key theme

Corporate (private) post employment benefits

Title

Challenge of Japanese small and mid-sized companies' pension plans

Author(s)¹

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Abstract²

- In Japan, recent sharp economic deterioration that the collapse of sub-prime loan market triggered is inflicting serious damage on DB pension plans.
- Japanese pension plans , as well as those of the United States, experienced asset drop 3 years in a row 2000 through 2002.
- In 2003 and 2004, Japanese government enacted two important pension acts (DB Corporate Pension Act and DC Pension Act). These acts allowed companies to switch their retirement benefit into a new plan that had some resistance to the change of economic environment. Coupled with sound asset growth, DB plans could get back their energies again. However, since 2007 they have been facing a nightmarish asset drop again.
- DB Corporate Pension Act of 2001 requires plan sponsors (companies) to disuse their Tax Qualified Pension Plan (TQPP) because of its lack of indispensable privilege for participants and beneficiaries. Companies have to change it to other plan by the end of March 2012. But now, in the face of bear market some companies are hesitant to change their plans.
- Hence, in order to support such sponsors, especially small and mid-sized, some Japanese financial institutions (life insurers) started to offer ready-made plans. Their features are as follows.
 - Simple design that companies are able to handle their plans, and
 - Not easily influenced from the change of economic environment
- Also, some experts say multi-employer DB plans will be the key to solving the problem.
- However, in my view, it depends on sponsors' effort whether these new plans succeed or fail. Not to mention plan sponsors' carefulness, plan participants' concern and financial institutions' (plan suppliers') prudence can lead the plan to success.

In this paper, I would like to find some issues above-mentioned parties concerned should heed.

¹ Include affiliation(s) and contact details for corresponding author

² Maximum 300 words

Submit in English

Do not include graphics or diagrams

Define unfamiliar abbreviations and acronyms in full with first use

