

Characteristics and Trend of Severance and Retirement Benefits in Japan

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In Japan, before the introduction of tax-qualified pension plans (TQPPs) in 1962, all severance and retirement benefits sponsored by corporations were paid by lump sum, which were not funded outside of the companies. After the introduction of TQPPs and employees pension funds (EPFs), book reserved lump sum benefits were partly converted to funded pension benefits. All of these lump sum and pension benefits were DB type in the last century.

When DC and hybrid plans were introduced in the beginning of this century, many people said that DB type would be changed to DC or hybrid type.

I review the characteristics of severance and retirement benefits in Japan, which were originally DB Type. And I also consider the future trend of DB, DC and hybrid plans in my country.