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**Topic C. Actuarial Valuation Methods and Assumptions**

**Legal funding rules on DB plans in Japan and in the US**

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In this paper, I look into the legal minimum funding standards of defined-benefit corporate pension plans (henceforth "DB plans") in Japanese Defined Benefit Corporate Pension Law and in the US. brand-new Pension Protection Act of 2006. I also compare these minimum funding standards for considering the desirable minimum funding standard in Japanese DB plans.

In Japan, the Defined Benefit Corporate Pension Law was enforced in April, 2002, and it is almost 5 years since then. In the rider of the Defined Benefit Corporate Pension Law, reviewing and provision in 5 years are stated. Recently we are considering them thoroughly.

In the US, "Pension Protection Act of 2006" was enforced in August, 2006. It was approved because of the financial crisis of the PBGC, and it includes the provisions for the purpose of strengthening the funding rules of DB plans.

The Defined Benefit Corporate Pension Law doesn't have the pension benefit guarantee system like the PBGC. In the supplementary resolution of the National Diet at the Defined Benefit Corporate Pension Law enactment, it is said that "From the aspect of the protection of the right of participants and beneficiaries, we must consider the installation of the pension benefit guarantee system which has a function as a safety net with avoiding the moral hazard." At the same time of the amendment of the law, we consider whether we introduce the pension benefit guarantee system or not. I think there is no probability that the pension benefit guarantee system will be introduced in Japan.

Under the circumstances of no pension benefit guarantee system, the legal funding rules are essential for the protection of the right of participants and beneficiaries and early full funding of pension assets. However, too strict legal funding rules lead to the impediment of the spread of the DB plans, therefore we cannot generalize that we should strengthen the legal funding rules. Actually in Japan, many tax qualified pension plans\*, which plays an important role in the corporate pension plans, are terminating without transition the other pension plan. I am afraid of the issues of decreasing the number of corporate pension plans in Japan.

\*With the enforcement of the Defined Benefit Corporate Pension Law, the tax qualified pension plan has been decided to abolish by 2012. The legal funding rules of tax qualified pension plan is loose compared with the ones of the Defined Benefit Corporate Pension Plan.