

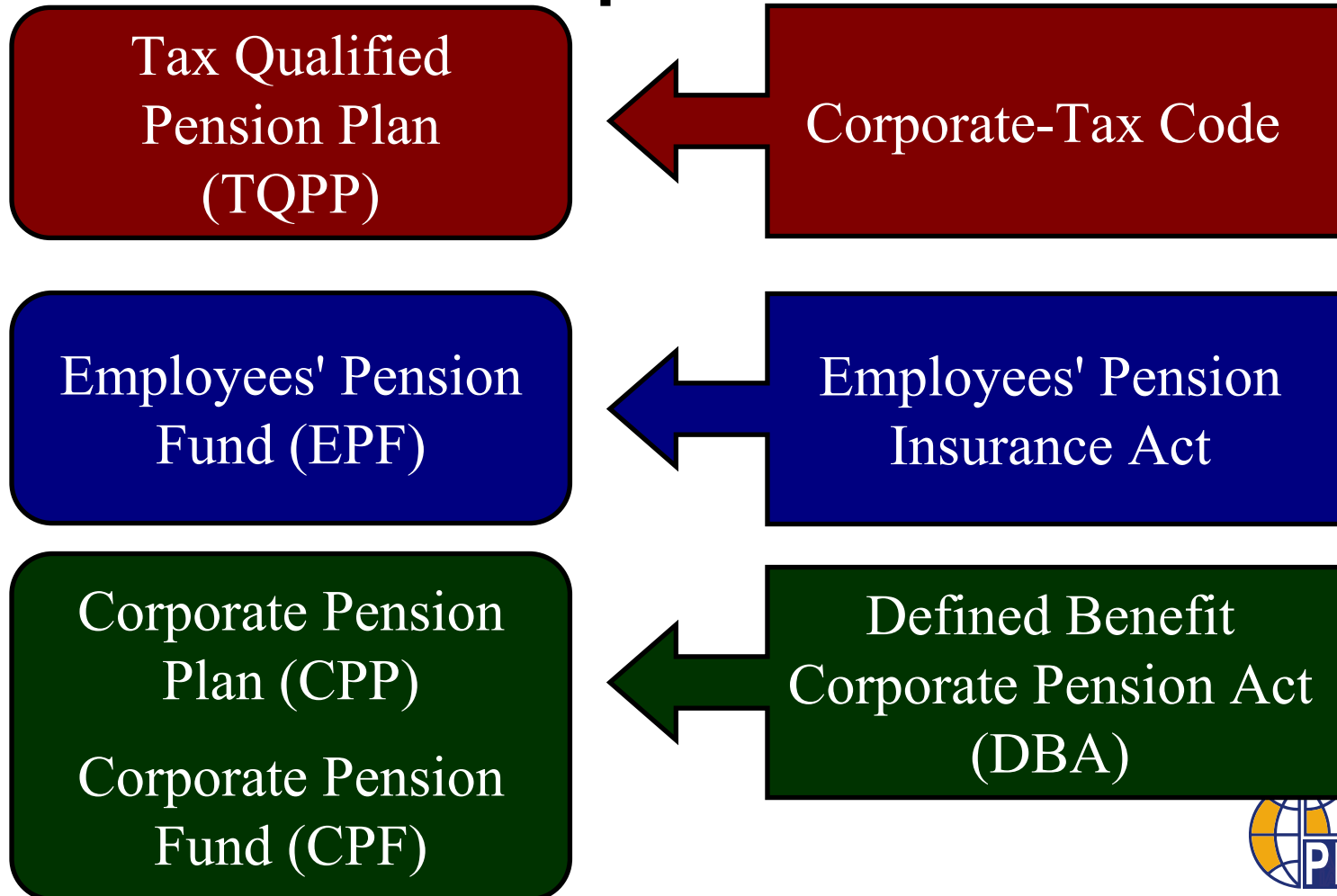
Funding Standards and Protection of Benefit Rights in Japan

PBSS2007 in Helsinki
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Ryo Matsubara
Certified Pension Actuary (Japan)



Qualified Defined Benefit Corporate Pension Plans in Japan



Funding Requirements of Qualified DB Corporate Pension Plans in Japan

Tax Qualified
Pension Plan
(TQPP)

Almost Nothing

Employees Pension
Fund (EPF)

Corporate Pension
Plan (CPP)

Corporate Pension
Fund (CPF)

"On-Going":
Actuarial Liabilities

"At-Risk":

Minimum Funding Standards

==> Additional Contributions
are required.

Structure of Protection of Benefit Rights under DBA

Protection of
Benefit Rights

Minimum Funding
Standards (MFS)

To keep Funding Level

Typical Plan Design in Japan

Retirement Allowance Plan

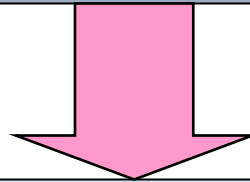
(a Fundamental Promise, provides only Lump Sum)

Funding Vehicles

RAP is partly/fully funded through
Qualified Corporate Pension Plans
such as EPF, TQPP, CPP and CPF

Typical Plan Design in Japan

Define Lump-sum Benefits at Resignation First



Then Define Annuity Benefits Option

**You can easily define
the amounts of “Walk-away” Benefits.**

Structure of Protection of Benefit Rights

~ My Thought ~

Protection of Benefit Rights

Demand the plan sponsor to take necessary actions

**Plan Sponsor
(Employer)**

**Pension
Committee
Funding Policy
Investment
Policy**

Participants

Both Parties are well informed.
Each Party should have a
budget to employ their own
advisers.

Thank you!
Any Questions?

Minimum Funding Standard (MFS) under DBA

MFS =

Present Value of Minimum Benefits

Minimum Benefits

Type A;

Current Benefit

(including lump-sum benefit), but only payable at Normal Retirement Age

Age

Minimum Benefits

Type B;

Current Benefit $\times f(X)$

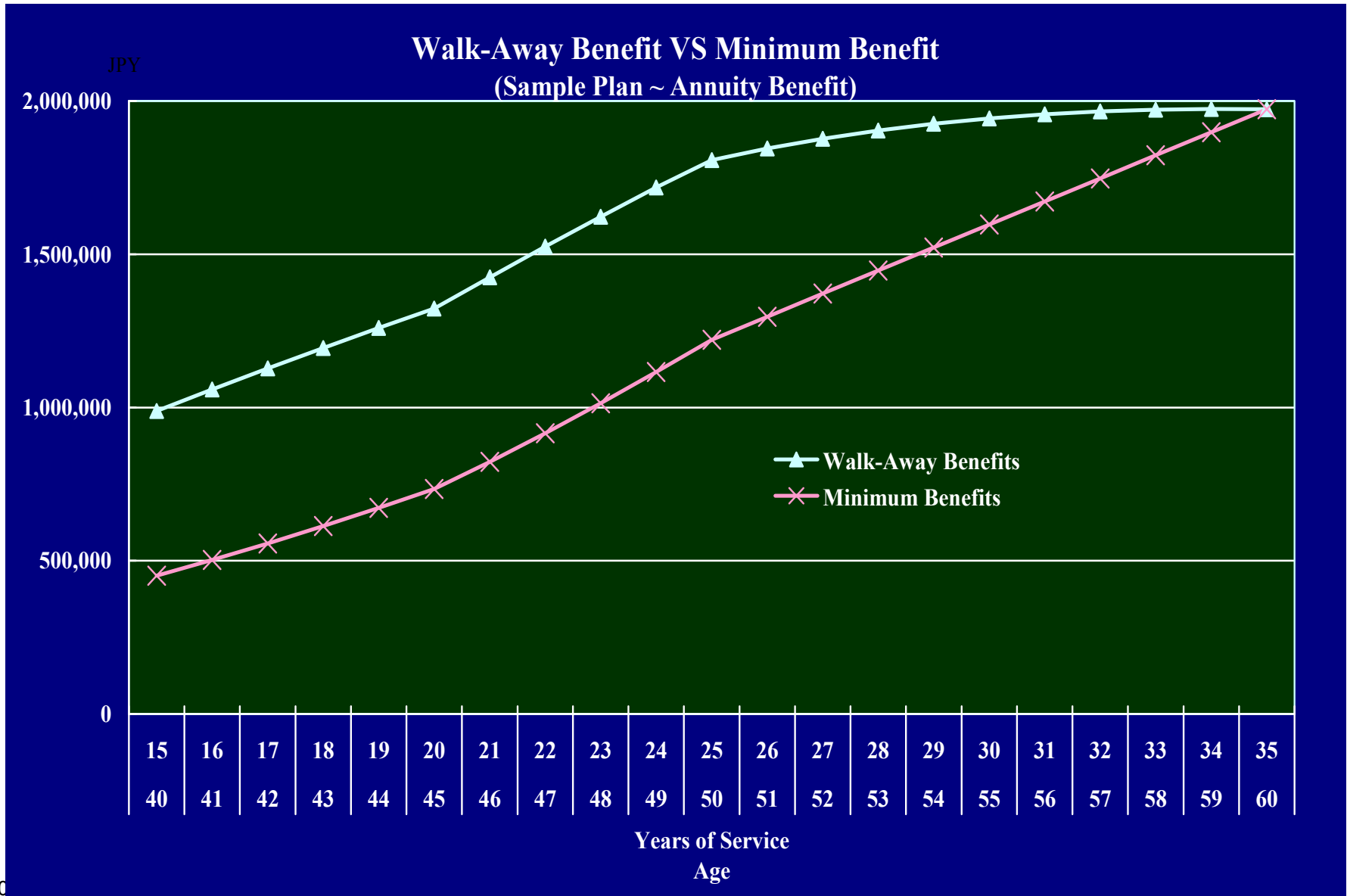
where $f(X)$ is a ratio determined by current age.

Example of Type A

~ Lump Sum Benefit ~

- Participant X: Age 35, 10 years of service and monthly salary of 350,000 Yen
 $A(10) = 6.5$, $A(35) = 44.6$
- Minimum Benefit of X
 $= 350,000 \times A(35) \times \{A(10)/A(35)\}$
 $= 350,000 \times A(10) = 2,275,000$ Yen
 - This amount is equal to the amount of walk-away benefit. However it is only payable at age 60, while the walk-away benefit is payable now.

Comparison of Walk-Away Benefits and Minimum Benefits (Type A, Annuity)



Comparison of Walk-Away Benefits and Minimum Funding Standards

2nd PBSS COLLOQUIUM
Helsinki, Finland 21-23 May 2007

Walk-Away Benefit VS Minimum Funding Standard Sample Plan ~ Lump Sum Benefit

