

The Cabinet order and the Ordinance with regard to Defined Contribution Pension Plan: An Introduction of Matching Contribution

The Support Act on Securing Pension Payments, issued on August 10, 2011, allows employees to make pre-tax contributions to the employer-sponsored defined contribution plan. The related Cabinet order and the Ordinance were promulgated today, November 28, 2011. This pension letter explains the employee contributions (matching) to an employer-sponsored defined contribution plan.

1. Amendments to Defined Contribution Laws

The following revisions were made in the Support Act with regard to defined contribution pension plan.

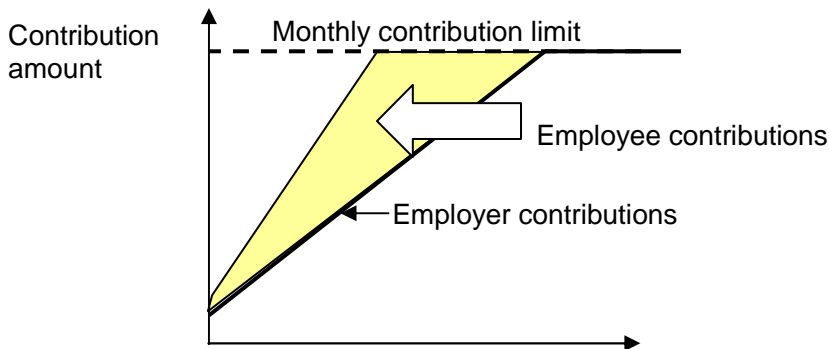
Content	Effective Date
Strengthen fiduciary responsibility for providing continuous investment education to participating employees	August 10, 2011
Outsource services to collect the records of participating employees, etc	same as above
Introduce employee matching contribution	January 1, 2012
Relax requirements to receive early lump-sum withdrawal payments	The day specified by the Cabinet Order within 2.5 years after August 10, 2011
Extend participation eligibility to age 65 (currently age 60)	same as above
Automatically determine the benefit amount upon age 70 for those whose privately managed assets were transferred to the national pension fund association	same as above

2. Matching contribution

Previously, corporate DC plans were non-contributory, but from January 2012 onward employees can start making contributions to the employer-sponsored defined contribution plan when certain requirements are met.

- (1) Amounts of employee contributions
 - A) Employee contributions cannot exceed employer contributions
 - B) The total amount of employer contributions and employee contributions cannot exceed the existing monthly contribution limits.

(Monthly contribution limits: 51,000 yen if there is no DB plan in place, 25,500 yen if there is DB plan in place)



- (2) Procedures to set up employee contributions

- a) An employee can determine and change the amount of employee contributions based on the method as specified in the plan provision.
- b) The employer must pay employee's monthly contributions to the asset management company by the end of the following month.
- c) The employer can deduct the previous month's employee contributions from the salary. The employer must prepare the contribution statement and notify the employees of its content.

3. Details

- (1) Items to be specified in the plan provision:
 - a) The methods to determine and change the amount of employee contributions.
 - b) Employee contributions cannot be paid in advance or shall be paid no later than the monthly payment due.
 - c) Except in the following cases, employees are allowed to change the amount of employee contributions once a year.
 - The amount of employee contributions exceeds the amount of employer contributions when the employer raises the amount of employer contributions.
 - The amount of employee contributions exceeds the amount of employer contributions when the employer lowers the amount of employer contributions.
 - The amount of employee contribution needs to be reduced when the total amount of contributions exceeds the contribution limit as a result of the changes made in the method to determine the amount of the employee contributions
 - The amount of employee contributions is changed to zero
 - The amount of employee contributions is changed from zero
 - d) Employees should be able to make decisions on the matching contributions autonomously.
- (2) Record of participating employees etc. (Record Keeping Companies)
The record of participating employees etc. should contain the total amount of employee contributions in the past and the amount of monthly employee contributions.
- (3) Notification to the record keeping companies
An employer must notify the amount of employee contributions to the record keeping company
- (4) Notification to participating employees from a record keeping company
Record keeping companies should notify the amount of employee contributions to the participating employees

4. Summary

An employee can determine the amount of employee contributions based on the method as specified in the plan provision. For administrative purpose, an employee can choose from the range of the amount of employee contributions (rounded off to 1,000 yen) as specified in the plan provisions.

In principle, an employee is allowed to change the amount of employee contributions once a year. However, such restrictions do not apply when the amount of employee contributions is changed to zero, or from zero.

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