

Abstracts

Corporate Pension Reform and Role of Public Pension in Japan

Yoshimi Kikuchi (Waseda University)

This paper explores the theoretical implications of recent corporate pension reforms from the perspectives of the social security system and social security act. Looked at in terms of a paradigm shift in the social security act, it is necessary to place considerations of corporate pensions within its bounds. The recent reductions in public pensions indicate the strong necessity for positioning corporate pensions in legal terms as a specific aspect (post-retirement income security) of the social security act. In terms of the author's "freedom-based" theory of this act, recent corporate pension reforms should essentially be evaluated positively, but it is possible to foresee problems with certain aspects including the payment guarantee system.

Employer-sponsored Pension Plans and Financial Education: Empirical Studies in the U.S. and Their Implications for Japanese 401(k)

Takashi Oshio (Tokyo Gakugei University)

This paper reviews key empirical studies about the effects of employer-based financial education in the U.S., to obtain policy implications for a Japanese version of 401(k). In the U.S., it is empirically shown that financial education enhances participation in and contributions to 401(k), whereas workers are "passive" decision-makers; automatic enrollment raises 401(k) participation significantly and a substantial fraction of participants retain "default" contribution rate and fund allocation. Those findings imply that in the case of an employer-based type of Japan's 401(k), which effectively has automatic enrollment and provides employees with limited initiatives, employer-sponsored education is unlikely to affect participants' behavior except for decisions about fund allocation. By contrast, in the case of an individual based type, which depends much on an individual's initiatives, financial education can be expected to have some effects. It is possible, however, that financial education can change people's behavior towards 401(k) more substantially than implied in the U.S. cases, since the Japanese people are much less financially illiterate and have more limited experience in investing in risky financial assets.

The Evaluation of New Type of Occupational Pensions in Changing Labour Market

Masaharu Usuki (NLI Research Institute)

Retirement benefits in Japan, including defined benefit pensions, have fulfilled a coherent role in managing such employment-related issues as duration of tenure up to 50, the timing of subsequent retirement, and the prevention of scandals/shirking. However, changes in long term employment practices, with diversifying careers and increased mobility have led to demands for a new pension system. The defined contribution pension and cash balance plans approved as of 2001, have responded to this imperative by introducing various amendments so that accrued benefits are no longer seniority-based. However, several issues remain to be solved, since there is still little scope for personal choice as compared to the US 401(k) plan, and the transfer of assets between different systems has not been approved. Moreover, in terms of the tax system, issues such as the establishment of neutral, tax-exempt personal accounts available to all systems/plans require future investigation.

Let's Give up Using the Term "Kigyo-nenkin"

Seiyo Kojima (Osaka Gakuin University)

The establishment of two new occupational pension systems — the Fixed Benefit Corporate Pension Law and the Fixed Contribution Pension Law — has made many options available to labor and management parties in Japan, including the current system of the Employees' Pension Fund. The new system of the Fixed Benefit Corporate Pension is similar to the Employees' Pension Fund. However, there is an essential difference between the two systems: the former is one type of retirement pay, the latter belongs to public pension systems. However, to date the term "Kigyo-nenkin (corporate pension)" has frequently been used unconsciously. This is a golden opportunity to give up using this inaccurate term.

The Future of the Corporate Pension Reform in Germany : Concerning the Share of the Role of Public Pension and Private Pension

Kinuko Watanabe (Tokyo University)

Large-scale pension reform was recently undertaken in Germany. Due to the necessity of scaling down the role of public pensions, the reforms focused on advancing the dissemination and promotion of corporate and private pensions. Such policies have induced major changes in the corporate pension legislation that serves to supplement existing public pensions. This paper looks at how the German reforms have attempted to resolve the myriad problems that beset corporate pensions, and investigates the nature of the changes to the pension system that have resulted from the perspective of the regulations that center around safeguarding benefit rights. Reference is also made to public and private pension reforms in so far as they pertain to corporate pensions.