

Key theme

Corporate (private) post employment benefits

Title

Cash Balance Pension Plan in Japan –Current Situation and Future–

Author(s)¹

Takeshige Ota

F.I.A.J

Mitsubishi UFJ Trust and Banking Corporation, Tokyo, Japan

Telephone: +81-3-5547-7525

E-mail:takeshige_ota@tr.mufg.jp

Abstract²

Recent years, corporate pension plan sponsors and stakeholders have confronted serious economic crisis in Japan. Suffering from severe investment environment, they have tried to manage and control a variety of risks involved in pension plans in order to minimize deficit and mitigate fluctuation of cash flow. Particularly, market risk, by which plan assets cannot be secured enough for corresponding obligation, would be one of the most important factors because of its significant impacts on financial management of pension plans.

Cash balance pension plan was first introduced to Japan in 2001. As a form of hybrid pension plans, it has function to control obligation and cash flow in accordance with social economic conditions by sharing interest risk with plan participants. Consequently a lot of sponsors have switched their plans to cash balance pension plans.

This paper outlines the feature of cash balance pension plan in Japan and its current situation in terms of application and operation. In addition, to control the market risk more efficiently, some possible modifications of current cash balance pension plan are proposed along with consideration of their effects and problems.

¹ Include affiliation(s) and contact details for corresponding author

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Define unfamiliar abbreviations and acronyms in full with first use

