

Key theme: _

3. Corporate (private) post employment benefits

Title:

The simulation of a deficiency on a plan termination basis in defined benefit pension plans

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Abstract²

In Japan, many Tax Qualified Pension Plans (TQPPs) will shift to the new corporate pension plans such as Defined Contribution (DC) plans and Defined Benefit (DB) plans and many other TQPPs will be terminated due to the abolishment in March, 2012. And the introduction of the new accounting standard for the post-employment benefits in 2000 has also worked to increase DC plans. Furthermore the regulatory burden of DB plans may be one reason why DC has increased. And this tendency is strengthened when the investment environment becomes unstable.

However, I think it leads to problems to shift to DC plans easily in the following circumstances of our country.

- Most TQPPs are used to pay benefits as the part of the retirement lump sum plans and the employers have always taken responsibility for the post-employment benefits for the purpose of assuring the long-term service of talented employees.
- It is hard to think that the employees who are almost amateurs of the investment can invest well in DC plans when even the expert can't do well in DB plans.

One of the main reasons why the employers avoid DB plans and select DC plans is likely that they can't forecast how much money will be necessary in the worst case.

In particularly unstable circumstances in which the DB plan sponsors can't help terminating the plans, their responsibilities to pay the benefits balanced to past services are heavy. Therefore it is important for them to simulate a deficiency on a plan termination basis in the future.

Such a simulation is not popularly used except in several large plans in our country but it may be more important in small plans.

This paper spotlights the idea of the simulation but does not describe its techniques in detail.

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

² Maximum 300 words

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Define unfamiliar abbreviations and acronyms in full with first use

