



For Immediate Release

ACCJ Urges Reform of the Defined Contribution Pension System For Japan's Future Retirees

July 27, 2006 – The American Chamber of Commerce in Japan (ACCJ) today issued a Viewpoint entitled, "For Japan's Future Retirees Reform Rules for Defined Contribution Pension Plans".

As the Ministry of Health, Labor and Welfare prepares to review the defined contribution (DC) pension system later this summer, ACCJ calls for the following changes to help the DC pension system realize its crucial role in helping Japan's future pensioners adequately prepare for retirement:

1. Permit contributions from employees in addition to employers
2. Increase limits on tax deductible contributions
3. Allow withdrawals before age 60 under certain conditions
4. Investment advice is an important service offered by employers
5. Introduce a DC pension program for public workers

ACCJ Financial Services Committee Co-Chair Jonathan Schuman commented, "the government of Japan's commitment to review the DC pension system in October affords an excellent opportunity to transform DC pensions into a vehicle that empowers Japanese workers to take charge of their retirement futures."

The primary goals of the DC pension system were to support the "autonomous endeavor" of people to secure their retirement incomes, broaden the adoption of private pensions among small and medium-sized companies, enhance labor mobility and the overall flexibility of Japan's labor market, and reduce the vulnerability of private pensions to company performance.

Five years after its inception, corporate adoption of DC pension programs has been disappointing. MHLW reports that as of March 2006, DC pension plans covered less than three percent of Japan's labor force, and the amount of assets only about two percent of corporate pension assets.

Granting individuals power over their retirement savings is increasingly important. During the 1990s, Japanese households enjoyed a reputation for strong individual saving habits. OECD data released in June of 2006, however, show that the household savings ratio in 2005 was only 2.4%, falling dramatically from the 15% ratio reported in 1991.

In addition, today's generation of workers saves much less than workers about to retire. McKinsey Quarterly reported last year that when current retirees were 35, they saved 26 percent of their disposable income. Today, 35 year-olds save 6% and accumulate debts at a much faster rate than previous generations. From its status as a "nation of savers", ACCJ is concerned that Japan may be headed toward becoming a "nation of borrowers."

By adopting the reforms recommended in this Viewpoint through a transparent process, the government of Japan has the opportunity to make meaningful changes to the DC pension system to help achieve the DC pension law's original goal of helping participants to gain greater responsibility for their retired lives, while reducing pressure on government and employers.

The full text of this viewpoint is available as attached and or at www.accj.or.jp/document_library/Viewpoints/VP_DC_Pension.pdf

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About the ACCJ

The mission of the American Chamber of Commerce in Japan (ACCJ) is to further the development of commerce between the United States of America and Japan, promote the interests of U.S. companies and members, and improve the international business environment in Japan. Established in 1948 by representatives of 40 American firms, the ACCJ has grown into one of the most influential business organizations in Japan, with close to 3,000 individual members representing more than forty countries and 1,400 companies.

ACCJ PRESS CONTACT: Media Relations Officer Mina Takahashi (phone: 3433 6542; email: mtakahashi@accj.or.jp).