

## Annual Actuarial Report on the Public Pension Plans in Japan Fiscal Year 2021 (Key Points)

The “Annual Actuarial Report on the Public Pension Plans in Japan” is a compilation of the results of cross-plan analyses and assessment of the financial status of Japan’s public pension plans each fiscal year. This report is submitted from a professional perspective by Pension Actuarial Subcommittee of the Social Security Council, based on the reports from each pension plan and implementing organization.

### 1. Financial Status of Public Pension Plans

(See page 168-173 in the full text of the annual report)

Looking at the public pension system as a whole, in FY2021, the total amount of revenues, excluding investment income, was JPY 54.0 trillion and the total amount of expenditures JPY 53.7 trillion. As a result, the annual balance of revenues and expenditures excluding investment income was JPY 0.3 trillion. Furthermore, as investment income amounted to JPY 11.9 trillion, the reserve fund at the fiscal year end was JPY 246.1 trillion, an increase of JPY 12.2 trillion compared to the previous fiscal year end.

### Adjusted financial status (FY2021)

Classification	Whole Employees' Pension Insurance	National Pension		Public pension plans as a whole
		National Pension Account	Basic Pension Account	
	JPY trillion	JPY trillion	JPY trillion	JPY trillion
Reserves at the previous fiscal year end (a) (on a market value basis)	219.3	10.3	4.2	233.9
<b>Revenues</b> (adjusted financial status basis)				
Total amount	51.1	3.4	25.4	54.0
(of which) Contribution income	38.6	1.3	•	39.9
(of which) National and local government subsidies etc.	11.4	1.9	•	13.3
(of which) Subsidies from Basic Pension	0.3	0.2	•	(*1)
(of which) Revenue of the contribution to Basic Pension	•	•	25.4	(*2)
<b>Expenditures</b> (adjusted financial status basis)				
Total amount	51.3	3.7	24.6	53.7
(of which) Benefit disbursements	29.0	0.3	24.1	53.4
(of which) Contribution to Basic Pension	22.1	3.3	•	(*2)
(of which) Benefits equivalent to Basic Pension (Subsidies from Basic Pension)	•	•	0.5	(*1)
Annual balance of revenues and expenditures excluding investment income (b)	△ 0.2	△ 0.3	0.8	0.3
Investment income (c) (on a market value basis)	11.4	0.5	0.0	11.9
Others (d) (on a market value basis)	0.0	0.0	-	0.0
Reserves at the fiscal year end (a + b + c + d) (on a market value basis)	230.6	10.6	5.0	246.1
Change in reserves from the previous fiscal year end (on a market value basis)	11.2	0.2	0.8	12.2

Note 1: To observe whole Employees' Pension Insurance (EPI) and the fiscal revenue and expenditure situation for EPI as a whole, “give-and-take” exchanges between EPI implementation organizations are excluded from both revenues and expenditures. In the same way, “give-and-take” transactions within the public pension plans (\*1) and (\*2) are excluded from both revenues and expenditures for the public pension plans as a whole.

Note 2: Whole EPI and public pension plans as a whole do not include the substitutional portion for Employees' Pension Funds (EPFs).

Note 3: The amount recorded as “Others (d)” is “Transfer to reserves from the Business Account” in EPI Account and the National Pension Account of NP.

## 2. Evaluation of the actuarial status for the Public Pension Plans

(See page 286 in the full text of the annual report)

The evaluation is not only based on a comparison of actual performances up to 2021 with the assumptions and future projections of the 2019 actuarial valuation, but also the perspective of long-term financial equilibrium.

- It was confirmed that the number of NP Category-1 insured persons continues to be lower than the future projections of the actuarial valuation, and the number of insured persons for Whole EPI continues to exceed the future projection.

In addition, the actual fertility rate in 2019-2021 was roughly in the middle of the assumed intermediate fertility rate and the assumed low fertility rate in the 2017 population projections, but the deviation from the assumed intermediate fertility rate has widened compared to 2019.

- Should these deviations from future projections continue over the medium to long term, rather than temporarily, the impact on finance of public pensions would be significant.
- From the perspective of finance of public pensions, we should pay attention to the long-term trend of actuarial status, regardless of the short-term change, including those of demographic and economic factors.

- \* The financial equilibrium of public pension plans is achieved by the total financial resources of future contribution income, future national and local government subsidies, etc. the current reserve, and future benefit disbursements.

### Conceptual diagram of the financial equilibrium of public pension plans

