

Law & Policy Group

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Japan enacts defined contribution plan reforms

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Effective 1 Dec 2024, companies in Japan that currently sponsor funded defined benefit (DB) pension plans will have to calculate a monthly DB-equivalent contribution to determine the maximum contribution payable into defined contribution (DC) plans. Under the new law, DB plan actuaries will calculate the monthly DB-equivalent contribution using actuarial assumptions per plan basis (not individually).

The current total monthly contribution limit for DC plans is JPY 55,000, but if a company has funded DB and DC plans, the DC monthly contribution limit is halved (JPY 27,500), regardless of DB plan benefits. The changes are intended to make the DC contribution limit fair — especially when DB plans are funded at a low benefit level.

The new DC contribution monthly limit will be the difference between JPY 55,000 and the DB-equivalent contribution. For example, if a DB-equivalent contribution is JPY 10,000, then the new DC limit will be JPY 45,000. If a DB equivalent contribution is JPY 35,000 then the new DC limit will be JPY 20,000.

The impact of these changes will vary. If the DB plan is funded at a low benefit level, the sponsor could contribute more to the DC plan. However, if the DB plan is funded at a high benefit level, the sponsor company could not make any DC contributions. The changes also could affect the contribution limit that employees can pay into their individual-type DC plans (iDeCo).

A transitional measure will maintain the current JPY 27,500 limit until companies amend their plans. However, future amendments are unpredictable so companies should consider the impact of these changes now.

Related resources

- [Information on DC plan reforms](#) (Japanese) (Ministry of Health, Labour and Welfare)

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