



South Korea enacts ERSA pension reforms

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Changes to South Korea's Employee Retirement Benefit Security Act (ERSA) passed parliament in March 2021, and an enforcement decree was disseminated on 22 Apr 2021. The reforms, which include increased minimum funding requirements for defined benefit (DB) plans and new reporting and governance requirements for pension providers, generally will take effect on 14 Apr 2022.

Highlights

- DB plans must be 100% funded from 1 Jan 2022 — postponed from 1 Jan 2021. The current funding requirement is 90%. Employers should review their DB asset allocation to minimize the impact of the additional funding requirements.
- Pension providers will have to report at least annually on DB plan funding to employers and employee representatives. The pension provider or employer faces fines of up to KRW 10 million for breaches.
- Companies with more than 300 employees will have to publish an Investment Policy Statement (IPS) for their DB plan, and a pension fund management committee should be established to oversee the IPS. The IPS should include investment objectives, target rate of return, and the performance evaluation process, etc.
- Under a presidential decree with the aim of providing pension education to pension providers and plan members, a specialized pension education institution will be introduced as an option.
- A pension fund for small companies with fewer than 30 employees has been established by the Korea Worker's Compensation & Welfare Service.

Potential upcoming reforms

Other pension reforms flagged in the original bill were not included in the final act and include the mandatory adoption of DB or defined contribution (DC) plans, the introduction of a default investment option for DC plans, linking the pension provider's fee to the services provided and plan performance, and the introduction of trust-based pension management.

Related resources

Non-Mercer resource

- [Employee Retirement Benefit Security Act \(Korean\)](#) (National Assembly, 24 Mar 2021)

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- [South Korea slates retirement act reforms to take effect 30 Apr 2020](#) (4 Nov 2019)

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