Corporate and Individual DC
in Japan

How Contribution Limits Are Determined

A practical guide to
Defined Contribution pension plans (DC)

Before looking at the numbers

To understand DC contribution limits, it is essential to first understand the following:

- the structure of Japan’s public pension system
- the insured categories under the National Pension
- the types of DC plans available
- how DB plans affect DC contribution limits

Japan’s Pension System Overview

Public pensions

National Pension	The basic pension that covers all residents in Japan.
Employees’ Pension Insurance	Applies to company employees and civil servants, on top of the National Pension.

Private pensions

Corporate Pension	Provided by employers (DB or **DC**).
Individual Pension	Voluntary plans such as **iDeCo** and the National Pension Fund.

Insured Categories under the National Pension

Category

1. Self-employed and freelancers
2. Company employees and civil servants
3. Dependent spouses of Category 2

Coverage of Public Pension

	Category 1	Category 2	Category 3
National Pension	**Covered**	**Covered**	**Covered**
(Contributions)	**Required**	**Required**	Not required
Employees' Pension	Not covered	**Covered**	Not covered
(Contributions)	-	**Required**	-

DC Plans in Japan

Corporate DC

- Sponsored by the employer
- Contributions are made by the company

iDeCo (Individual DC)

- Joined individually
- Contributions are made personally

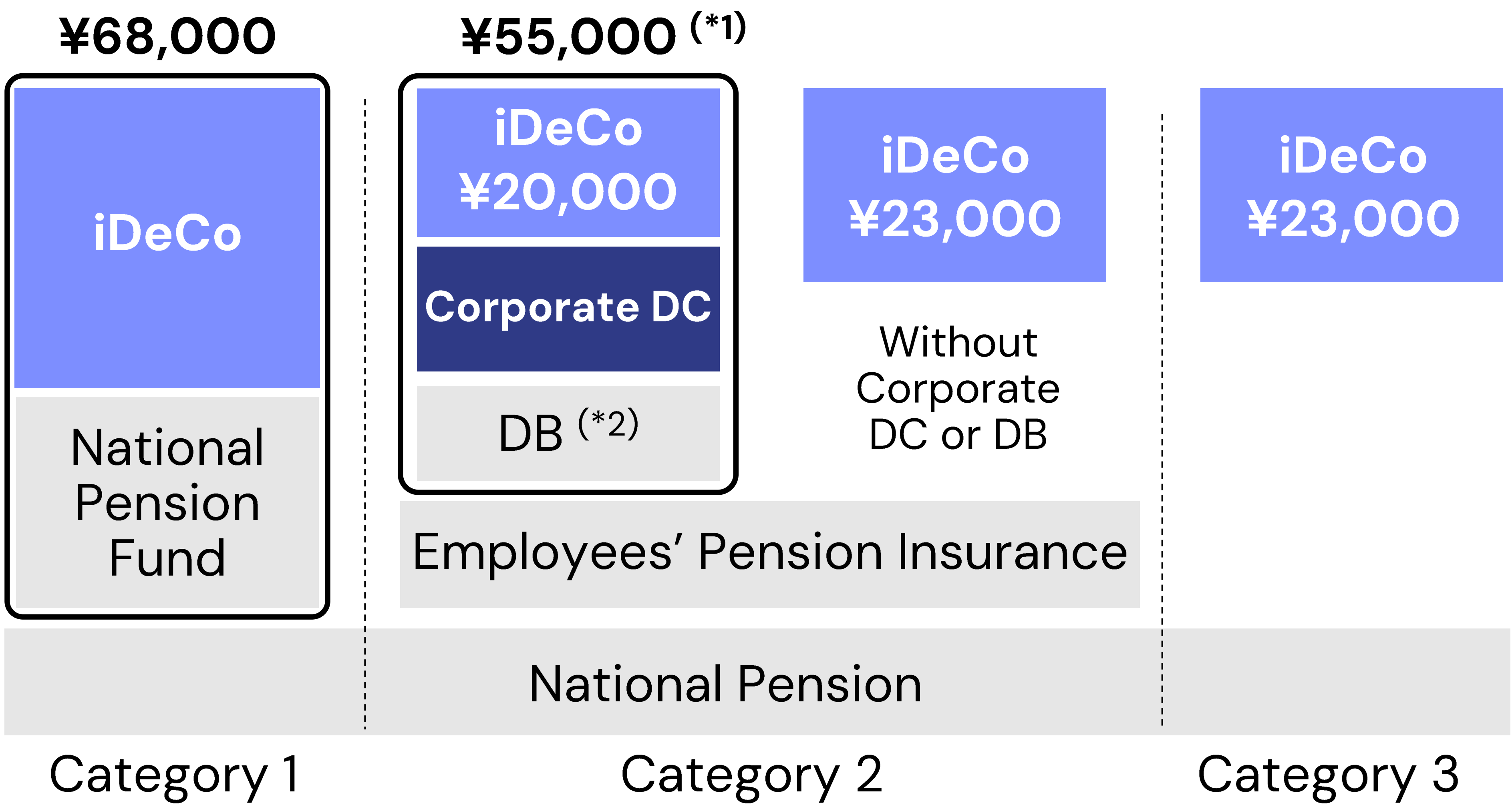
Even with a Corporate DC plan, employees may join iDeCo if they do not make additional contributions on top of employer contributions.

How DB Plans Affect DC Contribution Limits

Defined Benefit (DB) pension plans and DC can coexist, but the DC contribution ceiling becomes smaller.

The reduction is calculated as an **"equivalent contribution of other pension plans"**, which reflects the value of the DB plan based on each employer's design.

Monthly DC Contribution Limits



(*1) The contribution limit is consumed in the following order: **DB, Corporate DC, and iDeCo.**

(*2) For DC contribution limit calculations, the equivalent contribution amount is used for DB plans.

For global HR teams

Not sure how to set your DC contribution amount?

If you are reviewing your contribution strategy, we welcome the opportunity to discuss your current setup.

Contact us