IIC PARTNERS

Point-Based

Retirement Benefit Plans in Japan

The Most Common Design for Retirement Benefits in Japan

The Shift

from Salary-Based plans

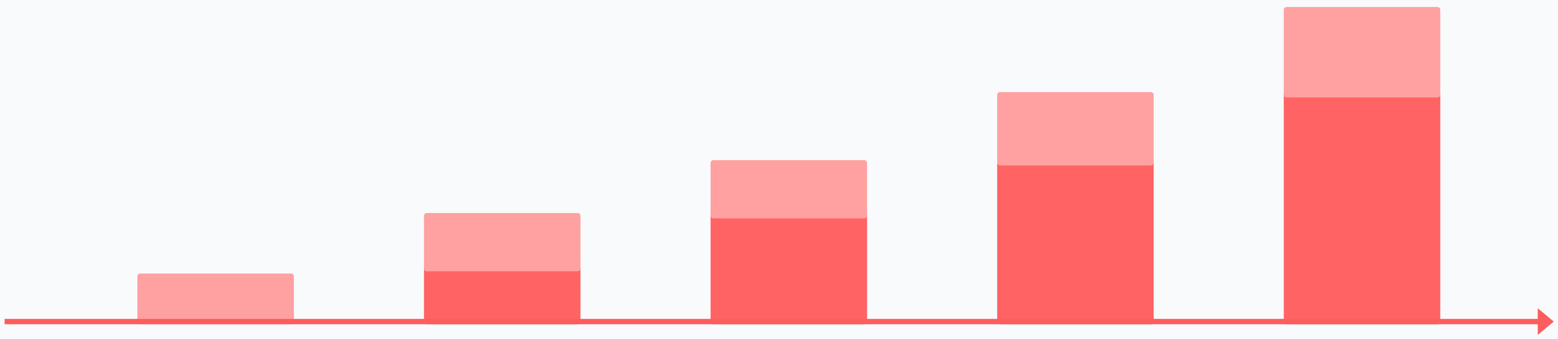
- Traditional plans linked retirement benefits directly to final pay
- Companies needed to reflect performance and separate retirement benefit costs from base salary
- Point-based plans began to be widely adopted in the 1990s

Now the **Modern Standard** *in Japan*

- Industry surveys indicate that point-based plans now exceed final-salary designs in prevalence
- The standard model for large enterprises — adopted by over 70% of major companies in Japan
- A uniquely Japanese design, distinct from Western salary-based approaches

How the Point plan **Works**

- Points are accumulated annually or monthly throughout an employee's career
- Calculation formula:
  Retirement Benefit Amount
  = Total Accumulated Points × Point Unit Price



Key Components

- Points are awarded based on several predefined factors
- Companies can customize the weighting of each factor to align with their HR strategy

Key Factors

Tenure

Grade

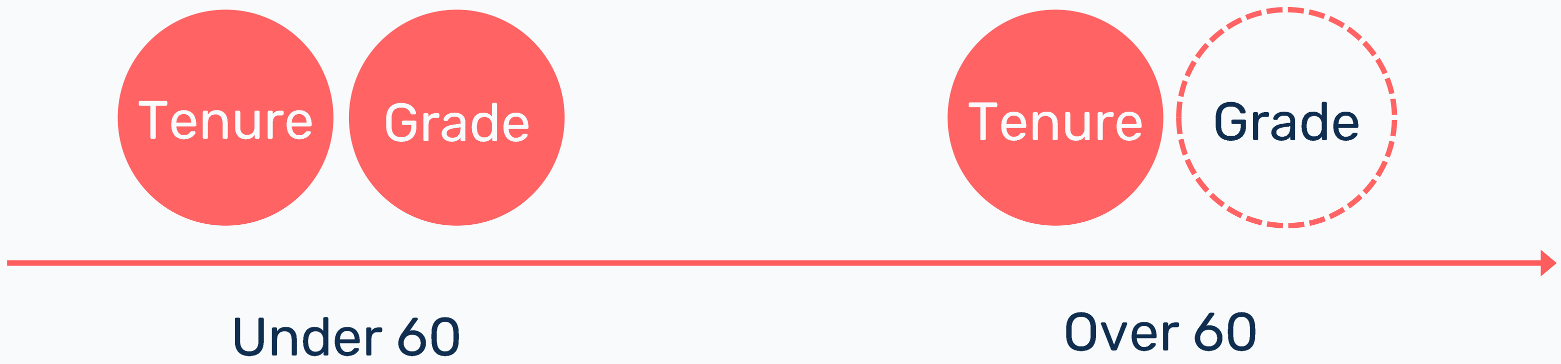
Position

Performance

Point Accrual **Freeze** *at a Certain Age*

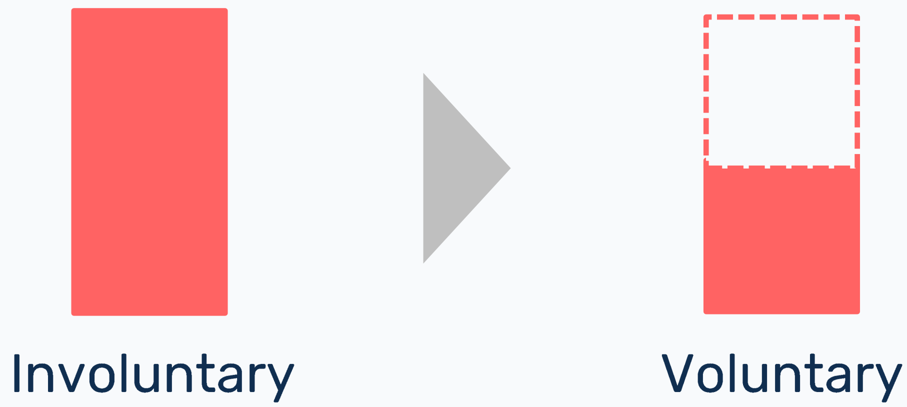
- Some companies stop awarding certain types of new points at age 55 or 60 (past retirement ages), even if employment continues
- This design controls retirement benefit costs during mandatory retirement age extensions (to 65+)

Example



Reduction Rates
for Voluntary Resignation

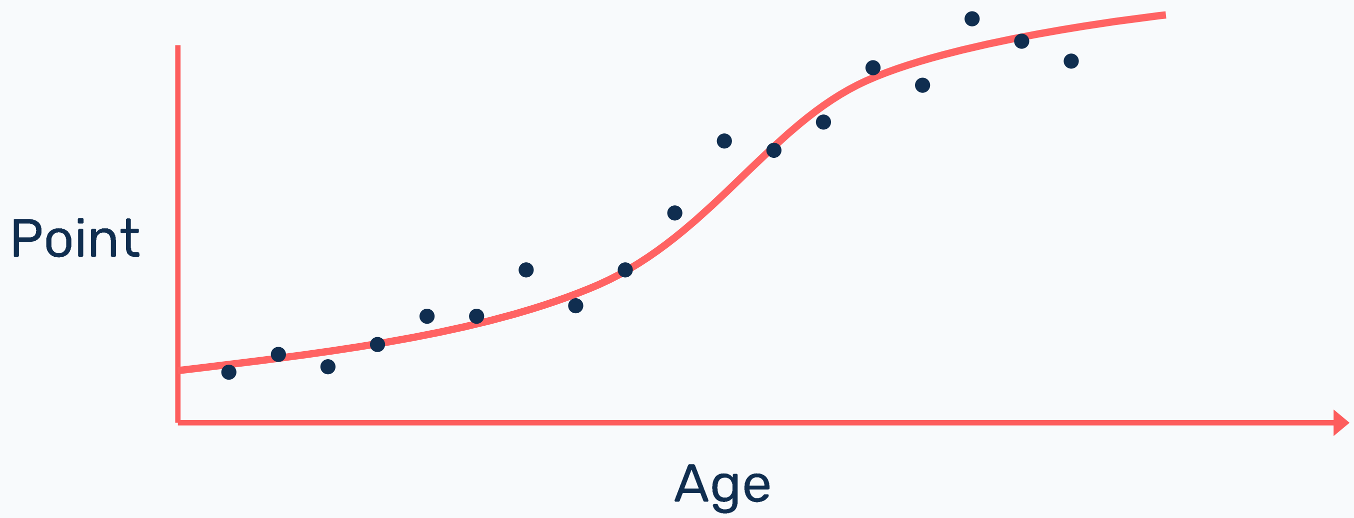
- For voluntary mid-career departures, companies typically apply reduction rates to accumulated points
- Example:
  50% payout at 5 years, 80% at 10 years
- This design promotes retention and helps control future liabilities



Pension Liability

Calculation Considerations

- Actuaries apply salary increase assumptions to annual or monthly point grants to project future point accumulation
- Tenure points are projected based on expected years of service from hire date, rather than salary increase assumptions



Administrative *Requirements*

- Companies must maintain accurate point balance records for each employee in a centralized database
- Annual point statements to employees are recommended to improve transparency and engagement

For Global HR

Need help *designing your retirement benefit plan in Japan?*

New plan setup, point-based transitions, actuarial valuations — we help you navigate Japan's retirement landscape.

Contact us