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Current Status and Challenges for Designated Operation Methods of Defined Contribution Pension Plans

It is necessary to establish a system that encourages employers to introduce investment trusts and supports the selection of investment trusts.

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Summary

- In principle, a defined contribution pension plan (DC) is invested by the participants themselves with investment instructions. However, there are some participants who find it difficult to invest their assets by themselves. Supporting all subscribers to implement long-term diversification is an important policy issue from the point of view of poverty prevention in old age.
- The designated operation method based on the revised DC Law, which began in May 2018, is a system that allows DC subscribers who do not give investment instructions to automatically operate their assets with pre-designated investment products if they are introduced under an agreement between labor and management. Prior to the revision of the law, the investment method using default products could be set based on the notice of interpretation of laws and regulations. The statutory positioning and the responsibilities of employers have been clarified.
- Approximately a quarter of corporations introducing company-type DCs have utilized designated operation methods in fiscal 2020, but non-utilizing operators will have un-instructed persons, so it is necessary to encourage their introduction. In doing so, it is important to provide information that reduces the burden on employers that introduce designated investment methods.
- In addition, even if the designated investment method has been introduced, the proportion of selected principal-secured products remains high, and it is necessary to promote the selection of balanced investment trusts. Consideration will be required, for example, to adopt an authorization system for investment products that are appropriate to the designated investment methods in accordance with the Tsumitate (dollar-cost-averaging) NISA, which is a system to support long-term funded diversification investments, and to impose a disclaimer that employers will not be responsible for investment results if labor and management choose from among them.

Attention

This report is a summary translation. The official document is only in Japanese.