Initiatives toward the elderly in Japan

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Demographic Change in Japan

Japanese population remained on the same level during recent years, but it is estimated to decline in the future. In 2060, Japanese population is estimated to be 90 million and the percentage of elderly people is estimated to be around 40%.

Fig. 1

Sources:
“Population Census,” Statistics Bureau, Ministry of Internal Affairs and Communications
“Population Projections for Japan,” (January 2012), National Institute of Population and Social Security Research
Aging of Baby Boomers

Considering the people born between 1947 and 1949 as baby boomers, they will become 65 years old in 2014, and thus the Japanese population aged between 60 to 64 will decrease while the population aged between 65 and 69 will increase.

International Comparison on the Progress of Aging

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage of population aged 65 or older (year attained)</th>
<th>No. of years required for attainment</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>2001 2026 2038</td>
<td>25</td>
</tr>
<tr>
<td>Germany</td>
<td>1932 1972 2016</td>
<td>40</td>
</tr>
<tr>
<td>Great Britain</td>
<td>1929 1975 2029</td>
<td>46</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>1942 2015 2050</td>
<td>73</td>
</tr>
<tr>
<td>Sweden</td>
<td>1887 1972 2020</td>
<td>85</td>
</tr>
<tr>
<td>France</td>
<td>1864 1979 2023</td>
<td>115</td>
</tr>
</tbody>
</table>

The figures prior to 1950 are based on “UN, The Aging of Population and Its Economic and Social Implications” (Population Studies, No. 26, 1956) and “Demographic Yearbook,” and those after 1950 are taken from “UN, World Population Prospects: The 2006 Revision” (medium variant assumptions). Figures for Japan are based on population data ([medium-fertility (medium-mortality)] estimates) based on “Census Return,” Statistic Bureau, Ministry of Internal Affairs and Communications and “Japan’s Future Estimated Population” (December 2006 estimates) by the National Institute of Population and Social Security Research. Figures prior to 1950 are interpolated from years for which data are known. The years in the chart show the first year in which the designated percentage of population was reached in the respective country. A dash (“—”) indicates the country is not expected to reach the percentage before 2050. The figures indicate the number of years that elapsed or are expected to elapse for the percentage to double from 7% to 14% or from 10% to 20% in the respective country. Countries are listed in ascending order of the years required for the percentage to double from 7% to 14%.
Establishing ‘The Community-based Integrated Care System’

By 2025 when the baby boomers will become age 75 and above, a structure called ‘The Community-based Integrated Care System’ will be created that comprehensively ensures the provision of health care, nursing care, prevention, housing, and livelihood support. By this, the elderly could live the remainder of their lives in their own ways in environments familiar to them, even if they become heavily in need for long-term care.

As the number of elderly people with dementia is expected to rise, creation of The Community-based Integrated Care System is important to support community life of the elderly with dementia.

The progression status will have regional differences; large cities with stable total population and rapidly growing population of over 75, and towns and villages with decrease of total population but gradual increase of population over 75.

It is necessary for the municipalities and prefectures that serve as insurers to create The Community-based Integrated Care System based on the regional autonomy and independence.

Prospect of elderly population in the Future

1. The no. of seniors over age 65 is predicted to reach 36.57 million by 2025 and reach a peak of 38.78 million in 2042. Additionally, the percentage of seniors over age 75 is expected to grow, surpassing 25% by 2055.

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of seniors 65 &amp; older (ratio)</th>
<th>No. of seniors 75 &amp; older (ratio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>29.48 million (23.0%)</td>
<td>14.19 million (11.1%)</td>
</tr>
<tr>
<td>2015</td>
<td>33.95 million (26.8%)</td>
<td>16.46 million (13.0%)</td>
</tr>
<tr>
<td>2025</td>
<td>36.57 million (30.3%)</td>
<td>21.79 million (18.1%)</td>
</tr>
<tr>
<td>2055</td>
<td>36.26 million (39.4%)</td>
<td>24.01 million (26.1%)</td>
</tr>
</tbody>
</table>


2. Among seniors over age 65, seniors with dementia will increase.

3. Individual/ couple-only households with householders over age 65 will increase.

4. The no. of seniors over age 75 will rapidly grow in cities and gradually grow in rural areas with originally high senior population. Tailored response according to regions is necessary as aging circumstances differ according to region.
Process for establishment of The Community-based Integrated Care System in local municipalities (Concept)

RAISING AWARENESS
Prioritizing the standpoint of persons with dementia and their families

Targets at 2025 when the baby boomers turn 75 years and older

Formulated by MHLW in collaboration with Cabinet Secretariat, Cabinet Office, NPA, FSA, CAA, MIC, MOJ, MEXT, MAFF, METI, and MLIT

Comprehensive Strategy to Accelerate Dementia Measures (New Orange Plan)
~To Realize Age and Dementia-Friendly Community~

Basic Concept
Realization of a society where persons with dementia can live with dignity in a pleasant and familiar environment as how they hope to be as long as possible.

- Formulated by MHLW in collaboration with Cabinet Secretariat, Cabinet Office, NPA, FSA, CAA, MIC, MOJ, MEXT, MAFF, METI, and MLIT
- Targets at 2025 when the baby boomers turn 75 years and older
- Prioritizing the standpoint of persons with dementia and their families

Seven Pillars of New Orange Plan

1. RAISING AWARENESS
Raising awareness and promoting understanding of dementia

2. INTEGRATED SERVICES
Providing health care and long-term care services in a timely and appropriate manner as the stages of dementia progress

3. EARLY ONSET DEMENTIA
Strengthening the measures for early onset dementia

4. CARER SUPPORT
Supporting those looking after people with dementia

5. COMMUNITY
Creating age and dementia-friendly community

6. RESEARCH & DEVELOPMENT
Promoting research and development and disseminating the results of prevention, diagnosis, cure, rehabilitation model, and care model for dementia

7. VIEWPOINT OF PERSONS WITH DEMENTIA
Prioritizing the standpoint of persons with dementia and their families
“Dementia Supporters” Training Program

- Voluntarily
- with proper knowledge and understanding
- in communities and work places

people of every generation, every occupation are becoming “Dementia Supporters”

already 6.7 million aiming at 8 million in FY 2017

Initial-Phase Intensive Support Team (IPIST)

Integrated community care support center

PIST

① Visit (assessment)
② Conference (planning)
③ Visit (guidance)
④ Visit (Intensive support)

Medical Care and Long-term Care specialists + Certified doctor

Team Conference

Person suspected to be with dementia

Medical Center for Dementia

Differential Diagnosis

Primary Care Doctors

Long-term care

Long-Term Care Support Specialists

Seamless Coordination

Medical care

Primary Care Doctors

Fig. 8

Fig. 9
**Ideal Social Model for Dementia**

- The Community-based Integrated care system
  - offer healthcare, long-term care, preventive long-term care, housing, and livelihood support services in a unified manner
  - continue living in familiar places

- **public long-term care insurance**

- **Age and Dementia-Friendly Community**
  - self aid, mutual aid, mutual legal assistance, and public assistance
  - restore local communities

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**Outline of Act on the Prevention of Elder Abuse, Support for Caregivers of Elderly Persons and Other Related Matters**  
* (Act No. 124 of November 9, 2005)

**Purpose**

In recognition of the serious situation of elder abuse and the importance of preventing elder abuse so as to ensure the dignity of elderly persons, this Act aims to contribute to the protection of the rights and interests of elderly persons by advancing policy measures including elder abuse prevention and support for elderly persons’ caregivers and by setting forth the responsibilities of the State and other parties to prevent elder abuse.

**Definition**

1. The term “elderly person” means a person who is 65 years of age or older (Disabled persons aged 65 years of age or younger housed in care facilities are included since October 2012).
2. The term “elder abuse” means: (1) elder abuse by a caregiver (without (2)); and (2) elder abuse by a care facility staff member, etc.
3. Typical elder abuse can be classified into 5 categories: (1) physical abuse; (2) neglect (significant care negligence); (3) psychological abuse; (4) sexual abuse; and (5) financial abuse.

**Abuse Prevention Measures**

<table>
<thead>
<tr>
<th>Elder abuse by a caregiver</th>
<th>Elder abuse by a care facility staff member, etc.</th>
</tr>
</thead>
<tbody>
<tr>
<td>[Responsibility of municipalities] Consultations, securing the accommodations and support for caregivers</td>
<td>[Responsibility of establishing body of a care facility, etc.] Implementation measures to prevent elder abuse by care facility staff members, etc.</td>
</tr>
<tr>
<td>[Responsibility of prefectures] Providing the assistance necessary for a municipality’s implementation of measures</td>
<td></td>
</tr>
<tr>
<td>[Scheme]</td>
<td></td>
</tr>
</tbody>
</table>

**Discovery of abuse**

- Report

  - [1] Fact confirmation (On-site inspections, etc.)
  - [2] Measures (Temporary protection, restrictions on visitation)

**Others**

1. The promotion of adult guardianship system is prescribed. 2. Enforced on April 1, 2006.
Reinforcement of Measures for Prevention of Elder Abuse

The matters to be addressed by municipalities and prefectures are reorganized based on: [1] Prevention of elder abuse; [2] Discovery of elder abuse at the early stages; and [3] Prompt and appropriate measures to elder abuse cases. Municipalities and prefectures are requested to launch steps by utilizing operations funded by the state, among others.

[1] Prevention
- Training of care facility staff members, etc.
  * Application of projects for promotion of rights of elderly persons, etc.
- Enlightenment of local residents
  * Application of projects for promotion of rights of elderly persons, etc.
- Appropriate utilization of long-term care insurance services
  * Application of projects for promotion of rights of elderly persons, etc.

[2] Early discovery
- Residents about the window for contact:
  * Consultation service at municipalities
  * Consultation service at Community General Support Center
- Building a network for early discovery and watch-out network
  * Council of Social Welfare
  * Commissioned welfare volunteers
  * Long-term care counselor
  * Neighborhood community associations
  * NPOs, volunteer organizations, etc.

[3] Prompt and appropriate measures
- Establishment of response system for initial-phase stage abuse:
  * Collaboration with Community General Support Center
- Building a support network with the involvement of health-care, medical and welfare services:
  * In-home long-term care support providers, long-term care service providers, health care centers, etc.
- Building a support network with the involvement of related specialized institutions:
  * Police, fire stations, lawyers, family court, consumer information center, medical institutions, etc.
- Reinforcing the response capabilities of municipalities:
  * Providing training to staff members of municipal governments and Community General Support Center, etc.
- Measures due to any unavoidable circumstances:
  * Separating the abused from caregiver, taking measures according to Act on Social Welfare for Elderly, exercising power under Long-Term Care Insurance Act, etc.

Municipalities’ efforts to develop a framework for dealing with elder abuse are monitored through prefectures to upgrade the level of such response.

Outline of Survey Results based on the Act on the Prevention of Elder Abuse (FY2013)

1 Number of consultations/reported cases of elder abuse and cases judged as abuse

<table>
<thead>
<tr>
<th>Abuse by a care facility staff member, etc.</th>
<th>Abuse by a caregiver</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image1" alt="Graph" /></td>
<td><img src="image2" alt="Graph" /></td>
</tr>
</tbody>
</table>

* Municipalities that have highly-developed abuse prevention frameworks in place tend to have a larger number of cases judged as abuse per elder population.

2 Key points of survey results

<table>
<thead>
<tr>
<th>Status of abuser</th>
<th>Abuse by a care facility staff member, etc.</th>
<th>Abuse by a caregiver</th>
</tr>
</thead>
<tbody>
<tr>
<td>A high proportion of abusers are male (51.8%)</td>
<td>41.0% are sons, 19.2% are husbands, and 16.4% are daughters of the abused.</td>
<td><img src="image3" alt="Increase of 226 cases (30.7%) from the previous FY" /></td>
</tr>
<tr>
<td>(Reference) Percentage of males among those involved in long-term care (21.4%)</td>
<td><img src="image4" alt="Increase of 1,467 cases (6.2%) from the previous FY" /></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Reporter/ Response after reporting</th>
<th>Abuse by a care facility staff member, etc.</th>
<th>Abuse by a caregiver</th>
</tr>
</thead>
<tbody>
<tr>
<td>34.9% are staff members of a care facility.</td>
<td><img src="image5" alt="Increase of 54 cases (26.4%) from the previous FY" /></td>
<td></td>
</tr>
<tr>
<td>It takes an average 4 days from reporting to start of fact confirmation and 13 days until confirmation of abuse (median).</td>
<td><img src="image6" alt="Increase of 226 cases (30.7%) from the previous FY" /></td>
<td></td>
</tr>
<tr>
<td>However, it took 28 days or more until the start of confirmation in 131 cases and until confirmation of abuse in 50 cases.</td>
<td><img src="image7" alt="Increase of 1,467 cases (6.2%) from the previous FY" /></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Analysis of major causes</th>
<th>Abuse by a care facility staff member, etc.</th>
<th>Abuse by a caregiver</th>
</tr>
</thead>
<tbody>
<tr>
<td>Problems associated with education, knowledge, long-term nursing care skills, etc. (66.3%)</td>
<td><img src="image8" alt="Increase of 54 cases (26.4%) from the previous FY" /></td>
<td></td>
</tr>
<tr>
<td>Problems associated with staff members’ stress or emotional control (26.4%)</td>
<td><img src="image9" alt="Increase of 226 cases (30.7%) from the previous FY" /></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relationship with nursing care level, dementia, etc.</th>
<th>Abuse by a care facility staff member, etc.</th>
<th>Abuse by a caregiver</th>
</tr>
</thead>
<tbody>
<tr>
<td>A high proportion of the abused have dementia. (The percentage among those with daily life independence level I or higher: 84.6%)</td>
<td><img src="image10" alt="Increase of 226 cases (30.7%) from the previous FY" /></td>
<td></td>
</tr>
<tr>
<td>Many cases of “physical abuse” are found among persons with dementia in facilities for long-term stay.</td>
<td><img src="image11" alt="Increase of 1,467 cases (6.2%) from the previous FY" /></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Others</th>
<th>Abuse by a care facility staff member, etc.</th>
<th>Abuse by a caregiver</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is no reported case of abuse, etc. resulting in death.</td>
<td><img src="image12" alt="Increase of 226 cases (30.7%) from the previous FY" /></td>
<td></td>
</tr>
<tr>
<td>31.2% of the cases occurred in Facilities Covered by Public Aid Providing Long-Term Care to the Elderly and 15.4% in Group Homes for Older Adults with Dementia, etc.</td>
<td><img src="image13" alt="Increase of 1,467 cases (6.2%) from the previous FY" /></td>
<td></td>
</tr>
</tbody>
</table>

* The severity of abuse tends to be lower among elders who take advantage of long-term care insurance services.

* The likelihood of “abandonment of nursing care, etc.” as well as the severity of abuse, increases among persons whose nursing care level, self-supporting level with dementia or bedridden level is higher.

* The proportion of elderly persons with daily life independence level 2 or higher with dementia among elderly persons certified as requiring long-term care: 70.4%.

* The likelihood of “abandonment of nursing care, etc.” as well as the severity of abuse, increases among persons whose nursing care level, self-supporting level with dementia or bedridden level is higher.
Frailty among the Elderly

What is Frailty?
Frailty refers to a state in which a person's physical and mental vitality (such as muscle strength and cognitive functions) declines with age, resulting in increased risk of impairment in daily living functions that may lead to long-term nursing care or death.

Changes that accompany aging
- Decline in appetite
- Lower activity volume (reduced social interactions)
- Decline in muscle strength
- Decline in cognitive functions
- Suffering from multiple diseases

Dangerous signs of aging (age-related symptoms)
- Low nutrition
- Falling and sarcopenia
- Urinary incontinence
- Mild Cognitive Impairment (MCI)

Multiple Aspects of Frailty
- Social:
  - Tendency to isolate oneself
- Physical:
  - Increased likelihood of low nutrition / falling
  - Decline in oral functions
- Mental:
  - Lower motivation, capacity for judgment and cognitive functions, depression

Appropriate intervention and support can maintain and improve the living functions of persons in the frail stage.

[Measures in future]
- Comprehensive measures that link medical care with long-term care should be examined to respond to the multiple aspects of frailty.
- Smooth transition from measures to combat metabolic syndrome to ones that address frailty is required.

Many elderly persons experience the intermediary stage (frailty) before gradually falling into a state that requires long-term care.

Fig.14 Changes in Average Life Expectancy and Healthy Life Expectancy

Fig.15 Frailty among the Elderly

<table>
<thead>
<tr>
<th>Estimates of Average Life Expectancy (2013-2022)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Age)</td>
</tr>
<tr>
<td>Male 2001: 78.07</td>
</tr>
<tr>
<td>2004: 78.64</td>
</tr>
<tr>
<td>2007: 79.19</td>
</tr>
<tr>
<td>2010: 79.55</td>
</tr>
<tr>
<td>2013: 79.40</td>
</tr>
<tr>
<td>2014: 79.47</td>
</tr>
<tr>
<td>2015: 79.33</td>
</tr>
<tr>
<td>2016: 79.42</td>
</tr>
<tr>
<td>2017: 79.55</td>
</tr>
<tr>
<td>2018: 79.65</td>
</tr>
<tr>
<td>2019: 79.75</td>
</tr>
<tr>
<td>2020: 79.85</td>
</tr>
<tr>
<td>2021: 79.95</td>
</tr>
<tr>
<td>2022: 80.10</td>
</tr>
</tbody>
</table>

(Source: “Japan’s Future Estimated Population” (January 2012 estimates) by the National Institute of Population and Social Security Research)

Subjects in oral care group had lower prevalence of fever than those in the control group during the test period.

A lower percentage of subjects in the oral care group developed pneumonia over 2 years compared with those in the control group.

Subjects: 366 elderly persons staying at Facilities Covered by Public Aid Providing Long-Term Care to the Elderly (excluding those who died of causes other than pneumonia)

- Method: Subjects in the oral care intervention group (184 persons/average age:82) and control group (182 persons/average age:82) were randomly assigned.

Prevalence of fever and pneumonia was surveyed over 2 years.

Control group: Nurses or care givers cleaned the patients' teeth with a toothbrush for a approximately 5 minutes after each meal.

Oral care group: In addition to the patients' teeth cleaning by nurses or care givers, dentists or dental hygienists administered professional care such as plaque and calculus control as necessary once a week for the oral care group.

Patients with fever: Patients who had a fever of 37.8°C or higher that stayed at that level for 7 days or more from the first day.

Patients with pneumonia: Patients who were hospitalized or died after developing major symptoms of pneumonia such as coughing, fever of 37.8°C or higher and breathing difficulty, after new pulmonary infiltrates are identified in an X-ray.

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8020 (Eighty-Twenty) Campaign

[Main Developments]

1989: The "8020 (Eighty-Twenty) Campaign," in which citizens were called upon to maintain 20 teeth or more of their own even at age 80, was advocated.

2000: Prefecture-led “8020 Campaign promote special projects” were launched. (Reference: Menu Programs for Integrated Subsidies (Fixed-sum Subsidy). All prefectural governments adopted this program)

2009: Starting in FY2010, the program was to place its focus on continued oral health care beyond the adult stage, which includes the enhancement of framework for dental check-ups and prevention of dental problems.

2015: The 8020 Campaign Promotion Support Program was separated from the Menu Programs for Integrated Subsidies and integrated with oral health promotion programs under the FY2015 budget (8020 Campaign / Oral Health Promotion Program).

(Reference) Changes in Percentage of People Having 20 or More Teeth

Source: Survey of Dental Diseases (Conducted every 6 years since 1957)
Supply Targets for Housing for the Elderly

**Basic Plan for Housing (National Plan)** [Cabinet decision made on March 15, 2011]

**Target 1:** Building a living environment that supports safe, secure and productive residential life

**[2]** Developing an environment where residents have access to services that support housing security

The Plan seeks to develop an environment in which various services that support housing security are offered and where residents have access to such services depending on their needs.

The services include those that provide a sense of reassurance to the elderly and handicapped and to younger households in having and raising children.

**[Indicators]**

**[Securing stable housing for the elderly]**

- Proportion of **housing for the elderly** among the elder population [0.9% (2005) → 3-5% (2020)]

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**Changes in Elder Population**

- **Elder Population (Left Axis)**
- **Housing for the Elderly (Right Axis)**

- **Source:** 1990-2010: Census
  - Medium-fertility (medium-mortality) estimates

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*1: The data for 3 facilities covered by long-term care insurance and Communals Daily Long-Term Care for a Dementia Patients, etc. are based on “Survey of Institutions and Establishments of Long-term Care” (as of October 1) (2000-2001) and “Survey of Long-term Care Benefit Expenditures” (Examination in October) (2002 and thereafter).
*2: The data for Facilities Covered by Public Aid Providing Long-Term Care to the Elderly are derived by adding the figures of billing offices for long-term care welfare facility services and community-based long-term welfare facilities for the elderly.
*3: The data for Communals Daily Long-Term Care for a Dementia Patients, etc. are shown for Group Homes for People with Senility for the years 2000-2004 and Group Homes for People with Dementia after 2005.
*4: The data Nursing Homes For the Elderly and Low-cast Homes for the Elderly are based on “Survey on Social Welfare Institutions” (as of October 1). However, the figures for 2009-2011 are based on the number of facilities surveyed, while those for 2012 and 2013 are based on basic survey forms.
*5: The data for Fee-based Home for the Elderly are based on survey results by Welfare Bureau for the Elderly, Ministry of Health, Labour and Welfare (as of July 1).
*6: The data for Housing with Service for the Elderly are based on “Information Provision System on Housing with Service for the Elderly” (as of September).
Elder persons in “single-member households/husband-and-wife households” tend to have anxieties over daily living and long-term care. To enable such persons to live with a sense of assurance in an area they know well, efforts are under way to popularize mechanisms that combine housing for elderly, including “Housing with Service for the Elderly” and “Fee-Based Home for the Elderly,” with long-term care services such as 24-hour “Regular visiting/on-demand services” and medical care provided by medical institutions and home-visit nursing care.

24-hour long-term/nursing care by home visits
“Regular visiting/On-demand services”

- Multifunctional long-term care in a small group home setting/multifunctional nursing care in a small setting
- Home visit service establishments (home visit long-term care/nursing, periodic visit, on-demand service)
- Outpatient Day Long-Term Care Centers
- Hospitals and clinics

Excess Concentration of Population in the Tokyo Area

Significantly excess number of people in their 20s are moving out of local areas into Tokyo.
### Illustrative Concept and Example: Yuimaru Nasu (Nasu Town, Tochigi Pref.)

- **Local characteristics:** Rural region type
- **Operating entity (community characteristics):** Joint stock company
- **Regional expansion:** Area type
- **Relocation:** Wide-area emigration type

**Overview of Yuimaru Nasu (Total area: 30,000 tsubo)**

Residents talk in the patio in front of Wing D at Yuimaru Nasu

**Exterior of Yuimaru Nasu**

The aim of this project is to create a community enriched with global culture with a focus on collaboration with International University of Japan. People who settle in the community are expected to interact with and support foreign students and their families while playing a role in the local education on English/international understanding. Communal facilities will be opened to the community for exchanges with local residents through activities that take advantage of the region’s resources (farming experience, hiking and ski). The goal is to create a “Second Life Valley” where people are able to achieve self- and goal-realization and social contribution, for instance, by starting a business utilizing IT, accompanying two-location living, working part-time or as a consultant, or participating in industry-academia collaboration.

### Operating Body / Residents

- Operating body: Community Net Co., Ltd.
- Start of operation: June 2008
- Start of occupancy: November 2010
- No. of houses in elderly housing: Total of 70
- Age: 60’s~90’s
- Previous place of residence: Tokyo (most common), Kansai, etc.
- Care level: Self-sustaining (not applicable), requiring long-term care
- In addition to full-time residence, occupants may choose to reside in 2 locations under the following scheme:
  - “Club Type”: Lifetime or 15-year contract. Facility can be used up to 24 days/year.

### Living and community building

- Living space per residence: 33.12 sq.m~66.25 sq.m
  - 1R~2LDK
- Barrier-free structure. Lease contract
- Detached-style, mostly one-story house furnished with natural materials
- The patio surrounded by residential buildings serves as a place for everyday communication among residents
- Residences are dotted on a large compound to enhance the feel of nature such as trees, plants and the sky.

### Activities

- Participants (residents and local citizens) can engage in various works, such as selling their own crafts, cooking sweets and preserved food and offering handmade buckwheat noodles. Interactions with local citizens are an option for the occupants.
- The compound borders a forested dairy livestock area where pastured cattle are kept. Some occupants feed the cattle or engage in other works as volunteers.
- Communal space including the library, music room and free room enables the occupants to engage in a variety of cultural activities such as calligraphy, physical exercise, gardening and cooking classes.

### Care

- A daycare service establishment is located on the compound, providing long-term care to occupants who may come to need such care.
- The facility offers services in collaboration with medical institutions for routine health checkup, home medical service and medical care until the end.

### Illustrative Concept and Example: Minamiuonuma City, Niigata Pref.

- **Local characteristics:** Rural region type
- **Operating entity (community characteristics):** Minamiuonuma City, educational institutions including International University of Japan, private institutions, financial institutions, etc.
- **Regional expansion:** Area type
- **Relocation:** Wide-area emigration type

**Support will be provided to senior citizens who wish to relocate towards the target of assisting about 400 people in 200 households to move into rural areas.**

**Main Gate, International University of Japan**

(Compiled from Yuimaru Nasu’s website and other sources.)

* Items inside the green frame are based on classification by “Town, People, Work Creation Office Secretariat, “Cabinet Secretariat.

The aim of this project is to create a community enriched with global culture with a focus on collaboration with International University of Japan. People who settle in the community are expected to interact with and support foreign students and their families while playing a role in the local education on English/international understanding. Communal facilities will be opened to the community for exchanges with local residents through activities that take advantage of the region’s resources (farming experience, hiking and ski). The goal is to create a “Second Life Valley” where people are able to achieve self- and goal-realization and social contribution, for instance, by starting a business utilizing IT, accompanying two-location living, working part-time or as a consultant, or participating in industry-academia collaboration.

### Promoting body/residents

- Minamiuonuma City, International University of Japan (IUJ), Kitasato Junior College of the Health and Hygienic Sciences and businesses in and out of the city, financial institutions, municipal officials, etc.
- Start of operation: August 2014
- Start of occupancy: November 2010
- Proposal made to the mayor in August 2014
- Study meetings and seminars were held since October 2014
- “Trial residence” and other programs implemented in 2015 projects

**July 2015**
- Promotion Council (Participants of the members of promoting body)
- Meeting were held four times until November to develop the basic concept
- Establishment of business research meeting as an external organization

**November 2015**
- Trial residence and other programs implemented in 2015 projects
- (Advanced Regional Innovation Programs)

### Living and community building

- New construction will take place near IUJ (size: about 1LD or 2LDK)
- Target: 200 residences for 400 occupants (target value for the immediate future)
- Medium/High-rise condominium or detached house with a kitchen garden, or a combination of the two
- A dormitory for families of foreign students, salon for English communication, and English nursery to be built inside the compound
- Establishment of restaurant/café for international cuisine and fitness club

### Activities

- Attending the lectures at IUJ and Kitasato Junior College as auditing students
- Supporting the daily living of foreign students and local education on English/international understanding
- Activities that take advantage of the region’s resources (farming experience, hiking and ski)
- Promotion of good health and prevention of need for nursing care
- Supporting local industry (cooperation to support business research based on industry-academia collaboration)
- Participation in “trial residence” from the planning stage.

### Care

- Nursing facilities and clinics will be built, while Uonuma Kikan Hospital and municipal hospitals are located nearby.
- Introduction of “Health and Contribution Activity Mileage” (utilization of services available in the community)
- Health improvement data will be sent to surrounding regions and city as feedback.

(Compiled on the basis of documents provided by Minamiuonuma City. Some of the content are still in the examination stage. Items inside the green frame are based on classification by “Town, People, Work Creation Office Secretariat, Cabinet Secretariat.”)
The program, being promoted as part of “important measures for the building of sound community,” comprehensively utilizes local resources: its proximity to the capital with a distance of 90km from the center of Tokyo; low land prices and hence reasonable dwelling cost; rich and plentiful nature (location near Mt. Fuji, the world heritage site, and abundance of spring water); and 3 universities based in the city (Tsuru University, Department of Nursing Care at Health Science University and Yamanashi Industrial Technology Junior College). Its objectives are: (1) job creation; (2) creation of local attractions; (3) strengthening of medical and nursing care; (4) measures to stop the decline in birthrate/support for childrearing; and (5) maintenance of ties in the local community.

**Local characteristics:**
- Rural region type

**Regional expansion:**
- Town type → Areas adjacent to universities, vacant lots in the city and employment promotion housing will be utilized
- University collaboration project
  - Establishment of “Health Mileage Programs,” etc.
  - Development of health-building program in collaboration with Health Science University, etc.
  - Creation of “health mileage programs,” etc.

**Operating entity (community characteristics):**
- Tsuru City, universities, community service organizations, local residents, community service organizations, universities, long-term care providers, financial institutions, etc.

**Program schedule (tentative):**
- October 2014 Establishment of “Tsuru City’s Town, People, Work Creation Headquarters”
- April 2015 Establishment of Tsuru City’s Town, People, Work Creation Headquarters
- May 2015 Announcement of “CCRC Concept, Tsuru City Version”
- July 2015 “CCRC” promotion activities launched by coordinators (team members) based on collaboration with supporting organizations utilizing “Regional Development Cooperation Team.”

**Relocation pattern:**
- Aira-type Model
  - “Joy Town Concept”

**Residence and community building:**
- About 400 residences will be provided by attracting private service providers to areas adjacent to universities. Employment promotion housing and vacant lots scattered around the city will be utilized to secure housing.
- Toward the objective of the building of an autonomous community, examination will take place on independent-type facilities that run on renewable energy such as photovoltaic power generation and small hydroelectric generation that takes advantage of abundant spring water in the region.

This program in Aira City, Kagoshima Prefecture examines the feasibility of CCRC (Continuing Care Retirement Community) that seeks to incorporate different functions into the hospital to be relocated (rebuilt). The “Joy Town Concept” works together with the construction of “Compact City Aira,” which is based on The Community-based Integrated Care system.
Elderly Medical Service System

- The universal health insurance system is based on two pillars, national health insurance and employee insurance programs. Many in the working generations, people with higher incomes and smaller medical expenditures, are members of employee insurance programs, while retirees, elderly people with lower incomes and larger medical expenditures, come into the national health insurance, a structural challenge. With a view to bucking up medical service for the elderly with the help of the entire society, two systems are in place: For people aged 75 and over, about 90% of medical expenditure is financed with aid from the working generations and public fund; For those aged between 65 and 74, financial adjustments are made between insurers.

- Taking into account the fact that the former Elderly Health Insurance System had been criticized as it left “the relationship between the young and elderly unclear in terms of how they share expenses,” a separate insurance system has been set up for people aged 75 and over to make clear how cost is shared between generations.

Medical Care System for the Elderly Aged 75 and Over

- **Coverage**
  - People aged 75 and over: about 16.1 million people
  - Medical Expenditure for the Latter-stage Elderly People: ¥16.0 trillion (FY2015 budget basis)
  - Benefits: ¥14.8 trillion
  - Copayment: ¥1.2 trillion

- **Premium (estimates for FY2014&2015)**
  - National average: approx. ¥5,670/month
  - For those receiving the basic pension only: approx. ¥370/month

- **Benefits**
  - 70% of medical expenditure

- **Premium**
  - Collected from pension accounts or bank transfer, etc.

Latter-stage Elderly Aid (premiums paid by the young): ¥6.2 trillion About 40%

- **Breakdowns of aid**
  - JHIA: ¥2.0 trillion
  - HIS: ¥1.9 trillion
  - Mutual: ¥0.6 trillion
  - Municipal NHI: ¥1.7 trillion

- Payments: JHIA ¥1.3 trillion; HIS: ¥1.3 trillion; Mutual: ¥0.5 trillion
- Grants: Municipal NHI: ¥3.1 trillion

- **Burden adjusted according to the number of members below age 75**
  - Municipal NHI etc.: ¥2.5 trillion (37 million people)
  - JHIA: ¥2.1 trillion (35 million)
  - HIS: ¥1.6 trillion (29 million)

Financial adjustment for the early elderly

- **Coverage**
  - People aged 65 to 74: about 16.3 million people

- **Early elderly benefits**
  - ¥6.7 trillion (FY2015 budget basis)

- **Financial adjustment**
  - Payments: JHIA ¥1.3 trillion; HIS: ¥1.3 trillion; Mutual: ¥0.5 trillion
  - Grants: Municipal NHI: ¥3.1 trillion
  - Mutual: ¥0.1 trillion
  - HIS: ¥0.3 trillion

- **Before adjusted**
  - Municipal NHI etc.: ¥5.6 trillion
  - JHIA: ¥5.6 trillion
  - HIS: ¥5.6 trillion

- **After adjusted**
  - Municipal NHI etc.: ¥2.1 trillion
  - JHIA: ¥2.1 trillion
  - HIS: ¥1.6 trillion
**Background to the Development of Public Pension System**

- In the past, it was common for people to live with their parents as they worked together in farming or family-operated business, and to support their parents as they got older.
- Today, many people move to the cities, living separately from their parents, to work in companies. With the longer average life expectancy and larger cost of supporting a parent, it has become increasingly difficult for many to support their own parents. It was amid these societal changes that the government developed the pension system as a framework for the whole society to help support the elderly.

   The public pension system provides a mechanism in which people of the working generation are able, by paying the pension premiums, to lead their lives without having to worry about the financial status of their aged parents individually.

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**Features of Public Pension System**

Even if you save up for the old age …

- You cannot know how long you will live (So you do not know how much you need to save)
- You can never predict how prices and wages will change in 50 years’ time (The value of your savings could decline in future)
- You will never know when you should suffer disability or lose your spouse (= lose income) when your child is small.

With public pension …

- You will receive lifetime pension benefits (until you die)
- You will receive pension benefits that are guaranteed in substantial value (*)
- You are entitled to disability pension and survivors’ pension

---

**Typical changes involving the family**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of 3 generation households</td>
<td>4.11 million</td>
<td>3 million</td>
</tr>
<tr>
<td>No. of elderly single households</td>
<td>130,000</td>
<td>3.87 million</td>
</tr>
<tr>
<td>No. of family members</td>
<td>4.47</td>
<td>2.56</td>
</tr>
<tr>
<td>Average life expectancy (age)</td>
<td>Male: 65.32</td>
<td>Male: 79.44</td>
</tr>
<tr>
<td></td>
<td>Female: 70.19</td>
<td>Female: 85.90 (2011)</td>
</tr>
<tr>
<td>Percentage of company workers (%)</td>
<td>53.4</td>
<td>87.3 (2010)</td>
</tr>
</tbody>
</table>

---

* Consumer price indexation and wage reassessment mechanisms are incorporated in the public pension system. Based on the macroeconomic indexation introduced in the 2004 Pension Plan Revision, the indexation adjustment rate is deducted from price inflation and wage growth for the duration of the adjustment period.
Scheme of our Public Pension System

- Each member of the working generation becomes insured under the National Pension. Upon reaching an old age, he/she receives Basic Pension benefits. (1st Floor Program)
- In addition to Basic Pension, a private-company or public employee participates and some others in a Welfare Pension Insurance and receives benefits proportional to his/her pensionable remuneration on top of Basic Pension benefits. (2nd Floor Program)

<table>
<thead>
<tr>
<th>Participants</th>
<th>Cat 1 insured</th>
<th>Cat 2 insured</th>
<th>Cat 3 insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>450,000</td>
<td>17,420,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>210,000</td>
<td>40,380,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5,050,000</td>
<td></td>
<td>9,320,000</td>
<td></td>
</tr>
<tr>
<td>7,820,000</td>
<td></td>
<td></td>
<td>67,120,000</td>
</tr>
<tr>
<td>3,630,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

National Pension Fund
- Defined-Contribution Pension (corporate type)
- Defined-Benefit Corporate Pension
- Welfare Pension Fund
- Defined-Benefit Pension (corporate type)

Welfare Pension Insurance
Participants 32,999,000

Retirement benefits in annuity※1
Public employees and some others
Participants 4,390,000

※1 With the consolidation of the welfare Pension system, starting from Oct. 1, 2015, public servants and private school teachers/employees also enroll in the welfare Pension. The portion of additional pension for specified occupations is paid even after Oct. 1 2015.

※2 “Cat 2 insured and some others” mean those covered by Employee Pension Insurance (including Cat 2 insured and those aged 65 and over or those entitled to pension benefits by reason of retirement).

Size and Role of Public Pensions

- Participants in public pensions (at the end of FY2014): 67,120,000
  - Cat 1 insured: 17,420,000
  - Cat 2 insured: 40,380,000
  - Cat 3 insured: 9,320,000

- Insured entitled to pension benefits (as of the end of FY2013): 39,500,000
  - Old-age Basic Pension Average monthly benefits: ¥57,000
  - Old-age Welfare Pension Average monthly benefits per person: ¥157,000

Pension Benefits
- ¥35.1 trillion (on the FY2015 budgetary basis)
  - Premium of National Pension: ¥15.590 (on and after April 2015)
  - Rate of Welfare Pension premium: 17.828% (in and after Sept. 2015)

National Pension System
- Retirement benefits in annuity

Pension System
- National Pension
  - Welfare Pension (Mutual Aid Pension is integrated in Welfare Pension from Oct. 2015)

State and Others
- State’s contribution to pension benefits
  - ¥12.2 trillion

Role of Pensions
- Pension benefits account for 70% of elderly households’ income
  - Income from property: ¥229,000 (7.8%)
  - Earned income: ¥35,000,000 (15.5%)

- 60% of elderly households live only on pension benefits

- All income comes from public pension and government pension benefits

Role to support regional economies (in some regions 20% of household consumption comes from pension benefits)

<table>
<thead>
<tr>
<th>Prefecture</th>
<th>Ratio of pension benefits to prefectural individual inhabitant’s income</th>
<th>Ratio of pension benefits to prefectural individual household’s final consumption expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shimane Prefecture (11.8%)</td>
<td>18.5%</td>
<td>24.9%</td>
</tr>
<tr>
<td>Tottori Prefecture (29.1%)</td>
<td>17.8%</td>
<td>20.9%</td>
</tr>
<tr>
<td>Kochi Prefecture (32.3%)</td>
<td>17.4%</td>
<td>20.1%</td>
</tr>
<tr>
<td>Nara Prefecture (27.8%)</td>
<td>16.3%</td>
<td>21.7%</td>
</tr>
<tr>
<td>Ehime Prefecture (20.8%)</td>
<td>16.3%</td>
<td>20.4%</td>
</tr>
<tr>
<td>Nagano Prefecture (29.2%)</td>
<td>16.2%</td>
<td>19.8%</td>
</tr>
<tr>
<td>Yamaguchi Prefecture (31.3%)</td>
<td>16.0%</td>
<td>22.3%</td>
</tr>
</tbody>
</table>

Ratio of elderly in Population Estimates, MIC (2014)
Total Pension Amount by Prefecture, provided by Work Planning Division Research Office, Pension Bureau, Ministry of Health, Labour and Welfare (FY2015)
Prefectural Income per Capita and Household Final Consumption Expenditure from Prefectural Economic Accounts, the Cabinet Office (FY2012)

(Note) Percentages shown in the two circular graphs have fractions rounded and they do not exactly add up to 100%.
### Burden of Insurance Premiums and Pension Benefits

**National Pension System**

- **¥15,590 per month (in and after April 2015)**
  - Being increased each year by ¥280 since FY2005
  - Will be fixed at ¥16,900 (FY2004 price) in and after 2017
  - The Insured may be exempt from insurance premiums if his/her income is below a certain level.

**Welfare Pension System**

- **Remuneration for the month x 17.828% (in and after September 2015)**
  - (equally contributed by Employee and Employer)
  - Being increased each year by 0.354% since FY2005
  - Will be fixed at 18.30% in and after September 2017

*Figures concern private employees (Category 1 insured)※ If the insured earns ¥340,000 per month he/she will pay ¥30,308 per month (¥340,000 x 17.828% x 1/2)

The Insured must meet the period required for qualifying for pension benefits (25 years)

- **(Old-age) Basic Pension payable to those aged 65 and over**
  - The amount of benefits is decided in accordance with the period during which the insured has contributed premium.
  - (full amount is a fixed amount)
  - ¥64,400 per month (full amount) × Number of months for which the Insured paid insurance premium / 480 months
  - Average amount: ¥57,000 per month

- **(Old-age) Welfare Pension payable to those aged 65 and over**
  - Amount of benefits is decided in accordance with the income earned by the Insured while in service and with the insured period (payable in proportion to pensionable remuneration)
  - Average standard remuneration × \( \frac{M_{5,481}}{1,000} \) × Insured period (number of months) / 12
  - Includes bonuses. Past wages are brought to present value (wages indexed to prices)
  - Average amount per Insured: ¥157,000 per month (including Basic Pension benefits)

### Functions Fulfilled by the Pension System in Economy Today

- The pension system underpins the stability of elderly people’s consumer activities as the aging of entire society progresses.

[Changes in GDP, final consumption expenditure of households and pension benefits]

![Graph showing changes in GDP, final consumption expenditure of households and pension benefits](Fig.32)


![Graph showing population distribution](Fig.33)
Role Played by Public Pension System in Redistribution

○ The pension system has a certain level of redistribution effect as the aging of entire society progresses.

![Gini coefficient chart]

![Poverty rate chart]

(Source) Compiled on the basis of recalculation of “Comprehensive Survey of Living Conditions” in a research by the National Institute of Population and Social Security Research” along the method adopted in OECD’s “Income Study Project.”

Realization the Efficient Leveling of Consumption by Public Pension System

○ While individual life span and economic fluctuations are difficult to predict,
  • Overestimation of the longevity risk may result in excess savings for the society as a whole.
  • Underestimation of the longevity risk or unforeseen fluctuations in the economy may result in inability to cover the expenses required in the old age.

![Diagram showing working years and retirement years with and without pension system]
Completion of Framework for Pension Finance as revised in FY2004 following the enactment of laws related to the Comprehensive Reform of Social Security and Tax

- Following the 2004 change made to the social security and tax system, a framework for pension finance was implemented aimed at ensuring a social security system that shall be sustainable into the future in an increasingly aging society with a low birthrate.
- Subsequent to the enactment of the laws related to the Comprehensive Reform of Social Security and Tax the modified 2004 framework for pension finance has been completed at an acceptable level.

**Fixed!**

1. Insurance premium income
2. Reserves
3. State contribution
4. Pension amount

### (1) Increasing insurance premiums under an established upper limit

- Level of premiums payable in and after FY2017 is fixed. (Level of premiums will be stipulated in the applicable law together with the process for increasing it)
  - For Welfare Pension: 18.30% (equally contributed by Employee and Employer) (Being raised annually by 0.354% since October 2004)
  - For National Pension: ¥16,900 * effective for FY2004 (Being raised annually by ¥280 since April 2005) * Currently effective premiums:
    - For Welfare Pension: 17.474% (applicable in and after September 2014)
    - For National Pension: ¥15,590 (applicable in and after April 2015)

### (2) Contribution by the state of the Basic Pension benefits will be raised to half

- In and after FY2009 the ratio of the State contribution to the Basic Pension benefits will be raised to half.

### (3) Utilization of National Pension reserves

- A system will be implemented aimed at achieving balanced budgeting over the next 100 years. Upon the termination of such period the state will have reserves set aside in an amount sufficient for covering pension benefits payable for a one-year period. The reserves will be applied to benefits payable to future generations.

### (4) A mechanism (macroeconomic indexation) was implemented that automatically adjusts the levels of benefits within the available financial resources.

- Levels of pension benefits will be adjusted in accordance with the decreasing population of working generations. Even in the future circumstance of the aging population with a low birthrate, the standard level of pension benefits at the time when the insured begin to receive them will exceed 50% of the average income earned by the household of a working salaried man (woman).

A mechanism (macroeconomic indexation) was implemented that automatically adjusts the values of pension amounts, thereby permitting pension benefits to be sufficiently financed within available financial resources in an increasingly aging society with a low birthrate.

Financial resource derived from consumption tax is secured by means of 2012 Comprehensive Reform of Social Security and Tax.

By the elimination in FY2012 of Special Levels applied to pension amounts (by means of modification of relevant laws) the prerequisites were satisfied in order for macroeconomic indexation to work.
Income replacement rate = Standard annual amount paid by Welfare Pension / Average after-tax income of the insured

Fluctuates according to: Percentage of wage increase – Rate of indexation (during adjustment period)

Time

Income replacement rate

Period of adjustment

The income replacement rate drops because of adjusted level of benefits

Adjustment via indexation will end at a stage where a sufficient amount of reserves is considered to be held generally 100 years later

Wages (prices)

Rate of indexation

Percentage of adjustment to pension amount

No modification will be made to pension amounts

No adjustment

Impact on the final income replacement rate due to differences in the period when macroeconomic indexation occurs

- How does the mechanism of macroeconomic indexation work? If the indexation occurs early, it will cause benefits to be adjusted from an early period. Consequently, the adjustment period will end early.
- As a result, current beneficiaries will have a lower level of benefits while future beneficiaries will enjoy a higher level of benefits. Conversely, if the indexation occurs late, it will cause current beneficiaries to have a higher level of benefits while future beneficiaries, a lower level of benefits.
- Special Levels will be eliminated in April 2015, and therefore, at latest in April 2015 macroeconomic indexation will begin to occur; however, it may presumably occur in a limited manner if prices fluctuate only slightly. In such a case, the indexation may cause an effect similar to the effect caused by a delayed occurrence of the indexation.
2. Extension of application of Employee Insurance

Extension of application of Employee Insurance to part-time workers

- Employee Insurance will be applied to non-regular workers who are employees that do not enjoy the benefit of Employee Insurance. The application will strengthen the safety net and correct the “gap” that exists in the treatment under social insurance.
- The mechanism in the social insurance system will be removed that works to favor those who do not work. The removal will promote the willingness to work particularly among women and get us prepared for the future depopulating society.
- Amid the Comprehensive Reform of Social Security and Tax the relevant law was enacted after a modification via a three-party discussion.

[How the law was modified]
Its application will be extended to part-time workers (effective in October 2016)

- 20 or more work hours per week
- Monthly wage ¥88,000 or more (annual income ¥1,060,000 or more)
- Have worked one year or longer in the same job
- Not applicable to students
- Companies having 501 or more employees (* )

Eligible workers: 250,000 approx

Subject to consideration within three years, based on whose result necessary measures will be taken. (Expressly stated in the law)

* Calculated on the basis of the number of insured to whom Employee Insurance will be applicable under the current requirements

Measures to ease the impact
- Special measures will be implemented to reduce the burden on the part of health insurance policyholders who have many low-wage workers including part-time workers and therefore bear a heavy burden of insurance premiums. The measures are intended to ease the burden, on the part of low-wage participants, of premiums for support of the extremely elderly and of contributions for elderly care broadly shared among all holders of Employment Insurance policies, thereby mitigating the burden imposed on policyholders by the extended application of Employee Insurance.

[Ref] Current application of Employee Insurance (Image)

- The currently applicable rule requires each insured to be classified in the following order:
  (1) Firstly, it is determined if the Insured is a Cat 2 insured (that is, if the insured’s prescribed work hours is three-fourths of those applied to regular employees)
  (2) Secondly, it is determined if the insured is a Cat 3 insured (that is, if the employee is a Cat 2 insured’s spouse and earns annual income less than ¥1,300,000)
  (3) An insured who is not a Cat 2 insured or Cat 3 insured shall be classified as a Cat 1 insured.
3. Employment of the elderly and their receipt of pension benefits

The pensionable age for Old-age Welfare Pension relating to the “fixed amount portion” has already been increased from 60 to 65 over the FY2001-FY2013 period. Relating to the “portion proportional to remuneration” the pensionable age is scheduled to gradually be increased to 65 over the current FY2013-FY2025 period (such increase being delayed by five years for women).

For coping with the increase in the pensionable age, the applicable law revised in 2004 obligates measures to be implemented for ensuring employment of the elderly people. The law revised in 2012 abolished the scheme that permitted restriction of people eligible for the continued employment plan.

[Measures for ensuring employment of elderly people]

1. For ensuring employment up to age 65, all companies that have in effect rules requiring employees to retire before reaching age 65 are obligated to implement one of the measures below starting in 2006:
   (1) Increase retirement age
   (2) Implement a continued employment plan
   (3) Abolish retirement rules

2. In April 2013, the scheme was abolished that permitted companies to restrict employees eligible for the continued employment plan. All those who want to continue to work after the retirement age have now become eligible for the continued employment plan.

   * A transitional measure is in place that permits the new rule to be utilized in favor of those who have already reached the pensionable age for Welfare Pension (portion proportional to remuneration)

[Current schedule for the pensionable age]

- In case of Males
  - Those born before April 1, 1941
  - Those born between April 2, 1945 and April 1, 1949

- In case of Females
  - Those born before April 2, 1941
  - Those born between April 1, 1945 and April 1, 1949
In a case where labor force participation increases and the economy continues growing, a 50% replacement rate will be secured.

* In case of the medium-variant population projection (Assumed for 2060: Birth rate 1.35; average life span: 84.2 for male and 90.9 for female)

**Fig.44**

<table>
<thead>
<tr>
<th>Income replacement rate</th>
<th>Economic premises</th>
<th>Case</th>
<th>Income replacement by Welfare Pension after benefits level has been adjusted</th>
<th>Fiscal year in which adjustment of benefits level ends</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td></td>
<td>Case C</td>
<td>51.0% (FY2043)</td>
<td>Basic: 26.0% (2043) Remuneration-proportional: 25.0% (2018)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Case B</td>
<td>50.9% (FY2043)</td>
<td>Basic: 25.8% (2043) Remuneration-proportional: 26.1% (2017)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Case A</td>
<td>50.9% (FY2044)</td>
<td>Basic: 25.6% (2044) Remuneration-proportional: 25.3% (2017)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Case D</td>
<td>50.8% (FY2043)</td>
<td>Basic: 26.0% (2043) Remuneration-proportional: 24.8% (2019)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Case E</td>
<td>50.6% (FY2043)</td>
<td>Basic: 26.0% (2043) Remuneration-proportional: 24.5% (2020)</td>
</tr>
</tbody>
</table>

↑ Case where labor force participation increases (corresponding to the case of economic regeneration in the tentative calculation made by the Cabinet Office)

↑ Case where labor force participation does not increase (corresponding to the reference case in the tentative calculation made by the Cabinet Office)

<table>
<thead>
<tr>
<th>Case F</th>
<th>50.0% (FY2040)</th>
<th>(Basic 22.6% (2050) Remuneration-proportional: 23.0% (2027))</th>
<th>0.1%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Case G</td>
<td>50.0% (FY2038)</td>
<td>(Basic 20.1 (2058) Remuneration-proportional: 21.9% (2031))</td>
<td>-0.2%</td>
</tr>
<tr>
<td>Case H</td>
<td>50.0% (FY2036)</td>
<td>(Basic 19.3% (2056) Remuneration-proportional: 20.1% (2031))</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>

* Represents the percentages resulting from the benefits level that has automatically been adjusted until the benefits and premium contribution have become balanced. In reality, in case the income replacement rate drops below 50%, adjustment to the benefits level will end at such income replacement rate. Then, we are supposed to consider what benefits to pay and what premium to collect.

**Fig.45**

**In case population premises change:**

Future trends in the falling birthrate and the aging population will substantially affect pension finances. Especially great is the impact of the birthrate which will cause the income replacement rate to move by 3% to 7%.

**Case where change occurs to premises about birthrate**

- Birthrate increases (high-variant birthrate) → Birthrate (2060): 1.60

  +3% to +5% (-5 years to -9 years)

- Birthrate remains unchanged (medium-variant birthrate) → Birthrate (2060): 1.35

  -4% to -7% (+4 years to +14 years)

- Birthrate continues (low-variant birthrate) → Birthrate (2060): 1.12

**Case where change occurs to the premises about mortality rate**

- Life span increases to a low degree (high-variant mortality rate) → Average life span (2060): Male: 83.22 Female: 89.96

  +2% to +3% (-3 years to -7 years)

- Life span increases to a moderate degree (medium-variant mortality rate) → Average life span (2060): Male: 84.19 years Female: 90.93 years

  -2% to -3% (+3 years to +7 years)

- Life span increases to a substantial degree (low-variant mortality rate) → Average life span (2060): Male: 85.14 Female: 91.90

**Note:** The effect likely to be caused in Case C, E or G of economic premises.
Issues subject to consideration relating to the public pension system in light of the FY2014 fiscal review results

<Summary of the fiscal review results>

It has been verified that if the regeneration of the Japanese economy and participation in the labor force make progress, it will ensure the 50% rate of income replacement in the future under the current pension system.

For an increased sustainability of the pension system and an ensured benefits level it is important to put the regeneration of the Japanese economy on track and create an environment that permits women and the elderly to work comfortably in peace and promote participation in the labor force, thereby securing the labor force necessary for growth.

At the same time, however, we see that various problems to be addressed will exist. For example: In the cases of the regeneration of our economy (Cases A through E) macroeconomic indexation-based adjustment of Basic Pension benefits will require nearly 30 years, causing the level of benefits to substantially fall in relative terms, while in the cases of low economic growth (Cases F through H) the rate of income replacement should drop below 50% in order for us to achieve balanced pension finances.

Results of the tentative calculations made for the first time on the basis of optional premises have shown that each of the three optional premises-based cases will positively work, increasing the sustainability of the public pension system and ensuring its benefits level.

Issues to be addressed from the perspective of contributing to the economic society that supports our pension systems (particularly for promoting labor force participation) [non-exhaustive]

- Extension of application of social insurance to part-time workers
  → Create an environment that permits people to work in diverse manners thereby promoting labor force participation
- Revision of insurance system applicable to Cat 3 insured and Pension System for Surviving Family
  → A system shall be designed that promotes activities of female workers and forges ahead with a reform of ways of working on the assumption that dual-earner households are the common way of living.
- Exemption of Cat 1 insured from payment of insurance premiums in the prenatal/postnatal periods
  → Consideration for the prenatal/postnatal periods during which the insured are unable to work
- The elderly’s employment and receipt of pension benefits, Revision of Old-age Pension for Working Elderly
  → A system should be designed to enhance the incentive of the elderly to work thereby promoting their employment

Tasks to be addressed for the purpose of enhancing the system’s sustainability and its safety net function [non-exhaustive]

- What the macroeconomic indexation should seek:
  → In a case of low growth in wages and prices, enhance the system’s sustainability and ensure the level of pension benefits for future beneficiaries.
- Extension of application of social insurance to part-time workers [reposted]
  → Ensure an appropriate security for part-time workers as employees. Realize fiscal stability by providing National Pension-based security to self-employed persons and Welfare Pension-based security to employees (particularly maintaining the level of Basic Pension)
- The elderly’s employment and receipt of pension benefits [reposted]
  → Ensure the level of pension benefits by extending the period of employment and the period for contribution of social insurance premiums as well as by widening the scope of choice of pension benefits.

The Investment of the Reserve Funds for Welfare and National Pensions

<The Basic Approach of the Investment of the Reserve Funds>

- The pension reserve funds shall be invested in a safe and efficient manner from a long-term viewpoint only for the benefit of the insured, according to the provisions in the Welfare Pension Insurance Act, the National Pension Act and others, as pension reserve funds are premiums collected from the insured and valuable financial sources for the payment of pensions in the future.
  - The total pension reserves (about 145.9 trillion yen as of the end of FY2014) are managed under the special account for pensions. ※ The amount of assets managed and invested by GPIF is about 137.5 trillion yen (as of the end of FY2014)
  - An independent administrative agency specialized in pension investment is responsible for the investment of the pension reserve funds with full professionalism and clear responsibility.

<The Approach of Risk-Returns>

- The goal of the pension reserve fund investment is to stabilize the operation of pension undertakings. These reserve funds shall be funded by premiums collected from pension contributors through compulsory coverage for pension payment, and the basic approach shall be to achieve investment returns necessary to finance pension benefits with minimum risks from a long-term perspective.
- As the costs for pension benefits fluctuate relative to nominal wage increases, in principle, the reserve funds need to aim at yielding returns in real terms (nominal investment returns - nominal wage increase rate) in response to the inflation rate of wages.

<The Basic Portfolio>

<table>
<thead>
<tr>
<th>(Before change)</th>
<th>Domestic bonds</th>
<th>Domestic stocks</th>
<th>Foreign bonds</th>
<th>Foreign stocks</th>
<th>Short-term assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>60% ±8%</td>
<td>12% ±6%</td>
<td>11% ±5%</td>
<td>12% ±5%</td>
<td>5%</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(After change)</th>
<th>Domestic bonds</th>
<th>Domestic stocks</th>
<th>Foreign bonds</th>
<th>Foreign stocks</th>
<th>Short-term assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>35% ±10%</td>
<td>25% ±9%</td>
<td>15% ±4%</td>
<td>25% ±8%</td>
<td>0%</td>
<td></td>
</tr>
</tbody>
</table>

※ Changes as of Oct. 31, 2014

- Alternative assets (infrastructure, private equity, real estate, and others decided following deliberation at the Investment Committee) shall be managed and invested in conjunction with the establishment of the reserve fund investment system, divided into domestic bonds, domestic stocks, foreign bonds, and foreign stocks based on their risk-return profiles, and constitute up to 5% of the entire assets.
- Moreover, considering the recent trends in the volatile economic and market environment, these alternative assets shall be invested in a flexible manner based on appropriate market prospects within the permissible range of deviation of the basic portfolio.

<The Investment of the Reserve Funds after Consolidation of Welfare Pensions>

- The Mutual Aid Association Pension is integrated with the Welfare Pension effective on Oct. 1, 2015. Regarding the investment of the reserve funds—which are the common financial base for the Welfare Pensions, management and investment institutions (namely, GPIF, the Federation of National Public Service Personnel Mutual Aid Associations, the Pension Fund Association for Local Government Officials, and the Promotion and Mutual Aid Corporation for Private Schools of Japan) shall cooperate in formulating model portfolios (in March 2015) based on the common basic guidelines for the reserve funds (promulgated on July 3, 2014), and each organization shall invest the reserves based on respective portfolios in accordance with the model portfolio.
<Investment scheme>
• For investment purposes, the Minister of Health, Labour and Welfare, who is responsible for pension finance, entrusts the fund reserves to an independent administrative agency specialized in pension investment, Government Pension Investment Fund (GPIF).
• GPIF then entrusts the fund reserves to principally domestic or foreign high-performance fund management agencies that were selected via a process of public invitations (37 agencies that manage 76 funds).
• Apart from the selection of fund management agencies, GPIF is engaged in investment management relating to the pension fund reserves including risk management and due diligence.
• GPIF has a staff of 78 people, some 40 percent of whom have experience in fund management in private financial institutions (and give lectures at universities and other institutions). (as of July 1, 2015)

<Size of investment>
• The latest value of assets administered/invested by GPIF stands at approx ¥137.5 trillion (at the end of FY2014), by far the greatest of all the pension.

Change in Employment Rate

(Data source) "Labour Force Survey," Ministry of Internal Affairs and Communications

Ages 60～64

April 2006
Required to have measures securing employment for older workers

Ages 65 & above
Older Japanese people show a very strong willingness to work. According to the “Survey of Awareness Concerning Participation of Older Persons in the Regional Society” (2013) by the Ministry of Internal Affairs and Communications, approximately 90% of respondents answered that they wanted to continue working to age 65 or beyond.

Until what age do you wish to work? (People age 60 & above)

- Until about 60: 11.8%
- Until about 65: 21.4%
- Until about 70: 23.6%
- For as long as I can: 29.5%
- Until about 75: 10.1%
- Until 76 or beyond: 2.7%
- No answer: 1.0%

Data source: “Survey of Awareness Concerning Participation of Older Persons in the Regional Society” (2013), Ministry of Internal Affairs and Communications
(Note) Survey of men and women ages 60 and above (n=1,999)

Mandatory Retirement System in Japan

- A mandatory retirement system is a system in which an employment contract is automatically terminated when the employee reaches a certain age.
- In the past, many companies tended to set a retirement age at 55, but an amendment of the Act on Stabilization of Employment of Elderly Persons in 1994 (enforced April 1, 1998) legally prohibited companies from setting a retirement age at below 60.
- Most Japanese companies are based on a mandatory retirement system; the percentages of companies that employ such a system is 93.3% for companies of all sizes, and 99.8% for companies with 1,000 or more employees (data source: 2013 General Survey on Working Conditions conducted by the Ministry of Health, Labour and Welfare).
- The traditional Japanese personnel system is characterized by long-term employment with a seniority wage system and a mandatory retirement system.

Reference: Act on Stabilization of Employment of Elderly Persons (Abstract)
- Article 8
  In cases where employers set the retirement age of their employees, such retirement age shall not be lower than 60. (The rest of this article is omitted.)
- Article 9, Paragraph 1
  In cases where employers set the retirement age (limited to those under 65 years old), the employer shall take any of the following measures to secure stable employment for their employees until the age of 65.
1. Raise the mandatory retirement age.
2. Introduce a continuous employment system (a system that requires the continuous employment of elderly employees beyond their retirement age if they so desire).
3. Abolish the mandatory retirement age.
Increase of the Eligibility Age for the Welfare Pensions

From April 2013, because of the increase of the eligibility age for old-age Welfare pensions, elderly persons who desire to continue working after their retirement age of 60 may be not employed with the exception of the continuous employment system as well as not receive pension.

Gradually Raising the Eligibility Age for the Welfare Pensions through the Pension Reform

Abolition of the Scheme to Limit the Elderly Person Covered by the Continued Employment System

- The current system of elderly employment under the Act on Stabilization of Employment of Elderly Persons prohibits the setting of a mandatory retirement age of lower than 60. (Article 8 of the Act)
- An amendment to the Act in 2004 obliges employers that have set a retirement age of lower than 65 to introduce any of the following measures (for the securement of elderly employment) so as to secure employment for employees until the age of 65. (Article 9 of the Act)

1. Raise the mandatory retirement age.
2. Introduce the continued employment system. (Criteria established through a labor-management agreement can exclude some persons from the system even if they desire to remain in employment.)
3. Abolish the mandatory retirement age.

The underlined provision will be abolished from April 2013. (Amendment to the Act in 2012.)

Implementation of any of the measures is already obligatory.

- Companies are obliged to adopt any of these measures as their system; they are not obliged to employ each individual employee.
- Raising the mandatory retirement age is one of the options and is not obligatory.

Percentage of companies that have introduced measures to secure elderly employment: 99.2%
(The calculation was made based on companies that had 31 or more employees as of June 1, 2015)
Promoting employment of older persons in communities to realize “a society in which people are active throughout their lives”

Expanding/strengthening support for re-employment of older persons

- Programs to realize a society in which people are active throughout their lives
- Subsidies for employment stabilization of older persons
- Consultations and assistance for employers through the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers

Expanding/strengthening support for re-employment of older persons

- Comprehensive support programs for employment of older persons
- Various subsidies, such as subsidies for employment development of specified job seekers
- Senior work programs

Securing employment until age 65 within companies/corporate groups utilizing the knowledge/experience of older persons

- Promotion of Silver Jinzai Center programs
- Programs to realize a society in which people are active throughout their lives

Obligation to take measures to secure employment for older persons

- Educational guidance from Hello Work employment centers, etc. for companies that have not taken measures to secure employment for older persons
- Consultations and assistance for employers through the Japan Organization for Employment of the Elderly, Persons with Disabilities and Job Seekers

Overview of Comprehensive Support Programs for Employment of Older Persons

- General consultation sections for older persons
  - General consultations related to support and employment support for older persons
  - General information and consultations related to measures/employment measures for older persons

- Employment support navigators
  - Devise work support plans based on life design employment planning
  - Occupational consultations/introductions and career consulting through system of assigning individual consultants
  - Re-employment preparation workshops and hands-on workshops for people worried about returning to work
  - Seek out individual job offers

Life-design employment planning based on individual needs

- Support menu based on plans including career consulting and going together to related organizations
- Employment support through cooperation with navigators and Silver Jinzai Centers, etc.
- Follow-up after starting work

General support from employment/life support advisors

- Liaison committee to promote employment of older persons
- Coordinate between support offered by local governments, etc. for older workers and support offered by Hello Work employment centers, and create comprehensive cooperation when running programs.

Older persons’ independence through securing stable living foundation and employment

Fig.54

Fig.55
The Silver Human Resource Centers offer community life-based jobs to elderly people hoping to get a temporary and short-term or light work after mandatory retirement, thus increasing employment opportunities for them, and contribute to revitalizing the community.

Business Structure
(1) Members
  Elderly persons aged about 60 and over in good health and who desire to work

(2) Description of business
  - The Silver Human Resource Centers are contracted community-based temporary and short-term work by households, corporations, and public organizations, and assign the job to its interested registered members.
  - The members receive work compensation based on their performance.

Examples of work offered at the Silver Human Resource Centers
  Cleanup, Weeding, Bicycle parking area management, Park management, Addressing letters/cards, Pruning garden plants, Papering shoji/fusuma, Tour guide, Welfare/housekeeping assistance services, etc.