

Fiscal Year 2016

Annuity Retirement Benefit Fund

Review of Operations

(Local Public Service Mutual Aid Associations)



地方公務員共済組合連合会

Pension Fund Association for Local Government Officials

Table of Contents

▪ Fiscal Year 2016 Investment Results (Overview).....	P 3
【Section 1 Administration and Investment of Funds in FY2016】	
▪ Fiscal Year 2016 Market Environment.....	P 5
▪ Fiscal Year 2016 Asset Mix.....	P 6
▪ Fiscal Year 2016 Investment Return.....	P 7
▪ Fiscal Year 2016 Investment Income.....	P 8
▪ Fiscal Year 2016 Value of Assets.....	P 9
▪ Fiscal Year 2016 Fees.....	P10
▪ Status of Risk Management.....	P11
▪ Entrusted Investment Management Institutions.....	P12
【Section 2 Systems and Activities Concerning Administration and Investment of Funds】	
▪ Basic Approach to Investment.....	P14
▪ Governance.....	P15
【Section 3 Reference Data】	
▪ Pension Fund System for Local Government Officials.....	P22
▪ Issues Held.....	P23
▪ Integration of Employee Pension Plans.....	P24
▪ Investment of funds after the integration of employee pension plans.....	P25
▪ Comparison of Characteristics of Benefits after Integration of Employee Pension Plans.....	P27
▪ Glossary.....	P28

* Review of Operation is an overview of management and investment of the Local Public Service Mutual Aid Associations.
[DISCLAIMER] When there are any discrepancies between the original Japanese version and the English translation version, the original Japanese version shall prevail.

Fiscal Year 2016 Investment Results (Overview)

Investment return: +0.55% *Realized return (book value basis)
(FY2016)

Investment income: +¥1.5 billion *Realized income
(FY2016) (book value basis)

Value of investment assets: ¥411 billion
(End of FY2016)

As pension investment funds are intended for long-term investment, the investment status must be judged from the long-term perspective.

(Note 1) The return and income represent figures after the deduction of fees, etc. settled within the relevant period.

(Note 2) Realized income represents the sum of trading profits/losses and interest and dividend income, etc.

Section 1 Administration and Investment of Funds in FY2016

Fiscal Year 2016 Market Environment (Domestic Bonds)

○Domestic Bond Market

The yield on the 10-year government bond stayed at around -0.10% from the beginning of fiscal year 2016 because of the effects of the Quantitative and Qualitative Monetary Easing with a Negative Interest Rate, which was announced by the Bank of Japan (BOJ) on January 29, 2016 (applied from February 16 of the year), but it declined to around -0.30% in July amid expectations for additional monetary easing by the BOJ. However, following the BOJ's announcement of a plan to conduct a comprehensive assessment of the economic conditions in late July, the yield rose as uncertainty grew over the future course of the monetary policy, and afterwards, it mostly stayed range-bound between -0.10% and 0.00%.

In September, the yield rose before falling back as various speculations over the possibility of additional monetary easing circulated ahead of a Monetary Policy Meeting. After a new framework of monetary policy (Quantitative and Qualitative Monetary Easing with Yield Curve Control) was announced, the yield rose temporarily but stayed at around -0.05% thereafter as the effects of the BOJ's policy change filtered through the market.

After the U.S. presidential election in November, the Japanese yield went up in line with a rise in U.S. interest rates and stayed close to 0.05% around the turn of the year. After the beginning of 2017, the yield declined at times due to concerns over European political risks related to the announcement of the United Kingdom's decision to go ahead with withdrawal from the EU (Brexit) and the French presidential election. However, the yield remained range-bound as the yield decline was moderated by concerns about possible reduction of government bond purchases by the BOJ.

On a fiscal year basis, the yield on the 10-year government bond rose (the bond price dropped) from -0.03% at the end of the previous fiscal year to 0.07% at the end of the current fiscal year.

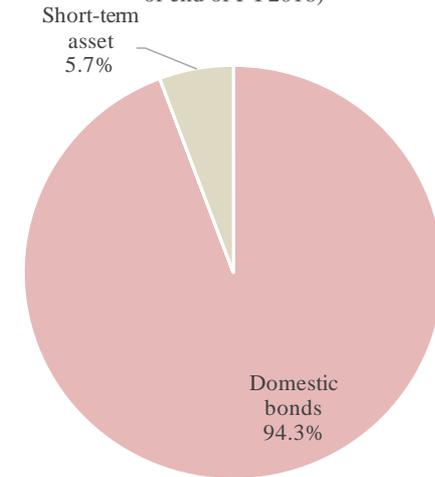


Fiscal Year 2016 Asset Mix

(Unit: %)

	FY2015	FY2016			
	End of FY	End of Q1	End of Q2	End of Q3	End of FY
Domestic bonds	80.5	85.5	94.3	91.1	94.3
Short-term assets	19.5	14.5	5.7	8.9	5.7
Total	100.0	100.0	100.0	100.0	100.0

Composition by Investment Asset Class (as of end of FY2016)



(Note 1) Due to rounding, the total sum of individual figures may not necessarily add up to 100%.

(Note 2) Starting in fiscal year 2016, short-term assets held by each fund were classified into relevant asset classes in principle.

(Note 3) Loan, etc. are included in domestic bonds.

○ Asset mix

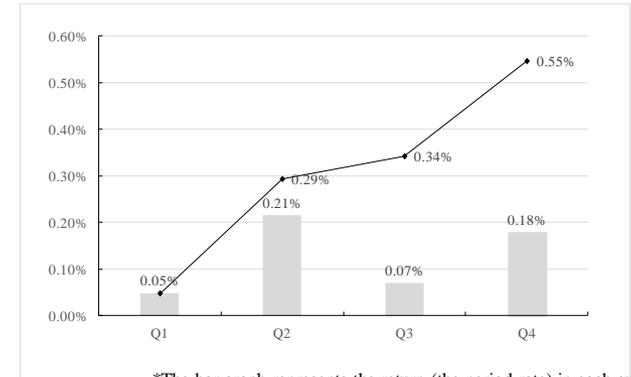
	Domestic bonds
Asset mix	100%

Fiscal Year 2016 Investment Return

- The realized return for FY2016 was 0.55%.
- Domestic bonds held by the Annuity Retirement Benefit Fund were evaluated based on book value on the premise of continued holding until maturity.

(Unit: %)

	FY2016				
	Q1	Q2	Q3	Q4	FY total
Realized return (book value basis)	0.05	0.21	0.07	0.18	0.55
Domestic bonds	0.05	0.24	0.08	0.19	0.59
Short-term assets	0.00	0.00	0.00	0.00	0.00

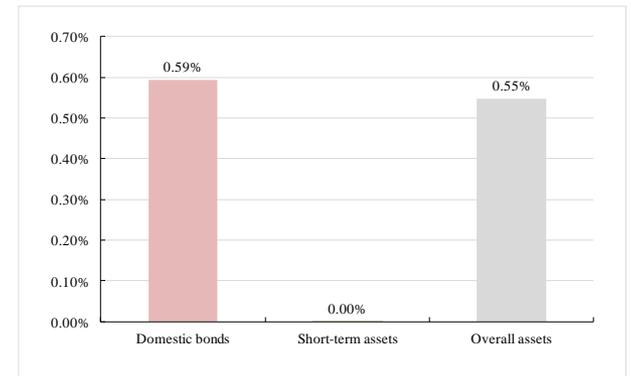


*The bar graph represents the return (the period rate) in each quarter.
The line graph represents the cumulative return in fiscal year 2016.

(Reference)

(Unit: %)

	FY2016				
	Q1	Q2	Q3	Q4	FY total
Return (market value basis)	3.34	-2.03	-1.72	-0.38	-2.23



*The return in FY2016 (the period rate)

(Note 1) Unless otherwise specified, the return (market value basis) refers to the modified total return. (The same shall apply hereinafter.)

(Note 2) The return in each quarter is the period rate.

(Note 3) The return represent figures after the deduction of fees, etc. settled within the relevant period.

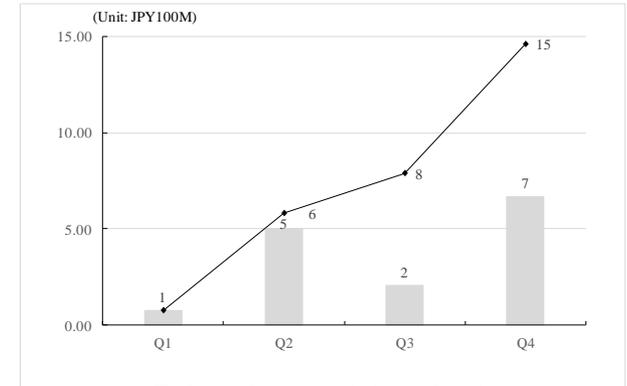
(Note 4) The return (market value basis) represents the realized return (book value basis) adjusted for the effects of changes in valuation profits/losses that would arise if the assets are evaluated based on market value.

Fiscal Year 2016 Investment Income

- The realized income for FY2016 was ¥1.5 billion.
- Domestic bonds held by the Annuity Retirement Benefit Fund were evaluated based on book value on the premise of continued holding until maturity.

(Unit: JPY100M)

	FY2016				
	Q1	Q2	Q3	Q4	FY total
Realized income (book value basis)	1	5	2	7	15
Domestic bonds	1	5	2	7	15
Short-term assets	0	0	0	0	0

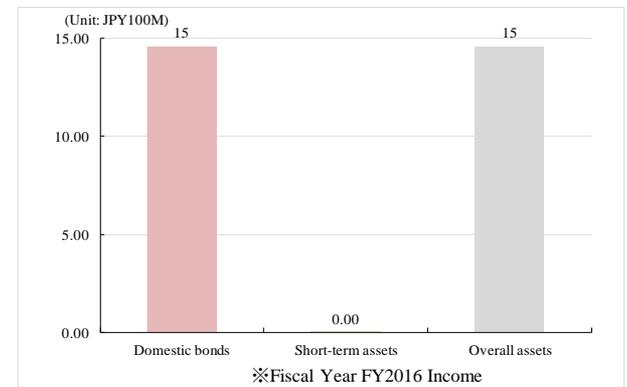


*The bar graph represents the income in each quarter.
The line graph represents the cumulative income in fiscal year 2016.

(Reference)

(Unit: JPY100M)

	FY2016				
	Q1	Q2	Q3	Q4	FY total
Investment income (market value basis)	55	-50	-52	-14	-60



※Fiscal Year FY2016 Income

- (Note 1) The income represent figures after the deduction of fees, etc. settled within the relevant period.
 (Note 2) Realized income represents the sum of trading profits/losses and interest and dividend income, etc.
 (Note 3) The total investment income represents the realized income adjusted for the effects of changes in valuation gains/losses based on market value.
 (Note 4) Due to rounding, the total sum of individual figures may not necessarily add up to the FY total.

Fiscal Year 2016 Value of Assets

(Unit: JPY100M)

	FY2016											
	End of Q1			End of Q2			End of Q3			End of FY		
	Book value	Market value	Valuation gains/losses	Book value	Market value	Valuation gains/losses	Book value	Market value	Valuation gains/losses	Book value	Market value	Valuation gains/losses
Domestic bonds	1,692	1,783	91	2,490	2,528	37	3,076	3,062	-14	3,876	3,836	-39
Short-term assets	288	288	0	151	151	0	299	299	0	234	234	0
Total	1,980	2,071	91	2,641	2,678	37	3,375	3,361	-14	4,110	4,071	-39

(Note 1) Due to rounding, the total sum of individual figures may not necessarily add up to the Total.

(Note 2) The market value and valuation profits/losses are indicated here for reference. The valuation profits/losses were tentatively calculated based on the market value.

(Note 3) Starting in fiscal year 2016, short-term assets held by each fund were classified into relevant asset classes in principle.

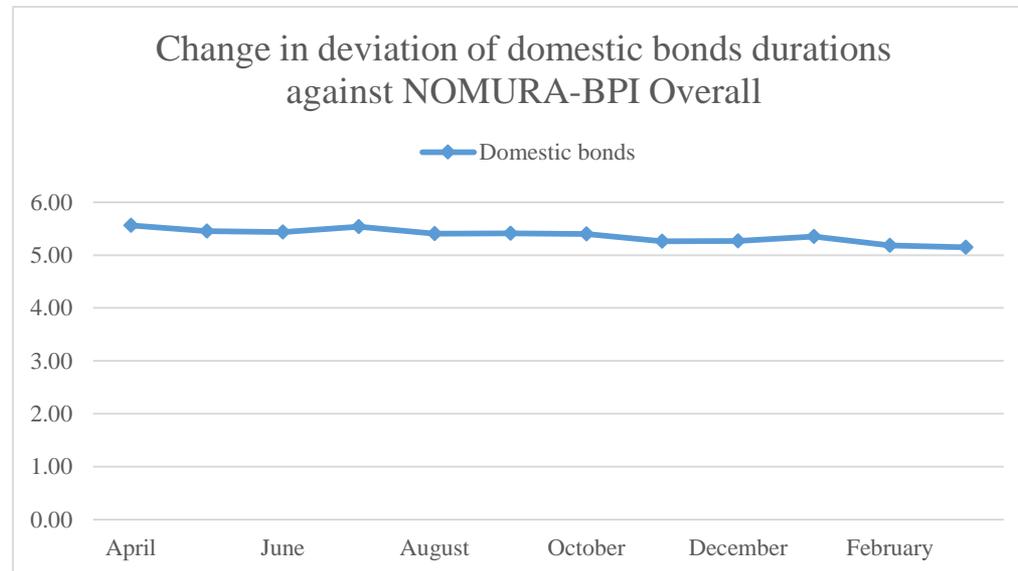
(Note 4) Loan, etc. are included in domestic bonds.

Fiscal Year 2016 Fees

There are no fees related to investment because the full amount of funds of the Annuity Retirement Benefit Fund is invested in domestic bonds through in-house investment, etc.

Status of risk management

- The full amount of funds of the Annuity Retirement Benefit Fund is invested in domestic bonds.
- The duration deviation from NOMURA-BPI Overall ranged from 5.1 years to 6.0 years.



Investment management institution

The full amount of funds of the Annuity Retirement Benefit Fund is invested through in-house investment, etc.

Section 2 Systems and Activities Concerning Administration and Investment of Funds

Basic Approach to Investment

- As a basic policy, funds shall be invested for the purpose of contributing to the stable management of pension benefits operations in light of the characteristics of a cash balance-type pension program, whose benefit level is linked to the government bond yield or other benchmarks.
- The benchmark portfolio shall be determined and appropriately managed so as to secure the necessary investment return (meaning the assumed return (the assumed return as stipulated in Article 28, Paragraph (5) of the Ordinance for Enforcement of Local Public Officers, etc. Mutual Aid Association Act)) at the minimum risk.

Administration and Investment Policy for Annuity Retirement Benefit Adjustment Fund (excerpt)

(1) Basic Policy

The Association shall manage the Annuity Retirement Benefit Adjustment Fund and Annuity Retirement Benefit Fund (hereinafter referred to as the "Annuity Retirement Benefit Fund") with the objective of contributing to the stability of the ARB plan operations based on the characteristics of a cash-balance pension plan whose benefit level is linked to government bond yields.

Accordingly, the Association shall administer and invest the ARB adjustment fund by establishing an asset mix from the long-term perspective (the "Benchmark Portfolio").

(2) Investment target, risk management, etc.

① Investment target

The investment of the ARB adjustment fund, which has the characteristics of a cash-balance pension plan, shall be managed appropriately by establishing the Benchmark Portfolio so that investment returns needed for the fund (i.e., assumed return (meaning the assumed return stipulated in Article 28, Paragraph (5) of the Ordinance for Enforcement of the Local Public Service Mutual Aid Association Act (Cabinet Order No. 352 of 1962)); the same applies hereinafter) will be generated with the minimum risk.

In doing so, attention shall be paid not to distort, among other things, price formation in the market and private sector investment activities.

Governance ①

1. Local Public Service Mutual Aid Associations

(1) Organization

The Pension Fund Association for Local Government Officials is comprised of the Mutual Aid Association of Prefectural Government Personnel, the Japan Mutual Aid Association of Public School Teachers, the Japan Police Personnel Mutual Aid Association, the Mutual Benefit Association for Tokyo Metropolitan Government Employees, and the National Federation of Mutual Aid Associations for Municipal Personnel.

The Pension Fund Association for Local Government Officials provides the associations, etc. with technical and expert knowledge, and reference materials related to the administration and investment of funds. In addition, it keeps track of the activities of the associations, etc., including surveys and research, and exchanges information with and acts as a liaison and coordinator for them.

In addition, the Pension Fund Association for Local Government Officials and the associations, etc. are engaging in such cooperation activities as mutually providing necessary information concerning the implementation of activities related to investment of the implementing organizations' funds.

(2) Fund Management Committee of Local Public Service Personnel Mutual Aid Associations

To study expert matters pertaining to the administration and investment of funds (meaning administration and investment of the Managed Fund, administration and investment of Annuity Retirement Benefit Adjustment Fund (including administration of the investment status of Annuity Retirement Benefit Association Reserve Fund of the associations, etc.) and the administration and investment of Transitional Long-term Benefit Adjustment Fund (including administration of the investment status of Transitional Long-term Benefit Association Reserve Fund of the associations, etc.), the Pension Fund Association for Local Government Officials established the Fund Management Committee of Local Public Service Personnel Mutual Aid Associations, which is comprised of individuals who possess academic knowledge or practical experience in areas such as economics, finance and fund management.

Governance ②

2. Implementing Organizations

(1) Governing Council

To amend the articles of incorporation and operating rules, and study and discuss the business plans, budgets, and settlement of accounts for each business year and other important operating matters, governing councils and other committees have been established at the Pension Fund Association for Local Government Officials and the associations. These matters are to be decided through deliberations by the governing councils, etc.

The designations, etc. of the governing councils and other committees at Local Public Service Mutual Aid Associations are as follows.

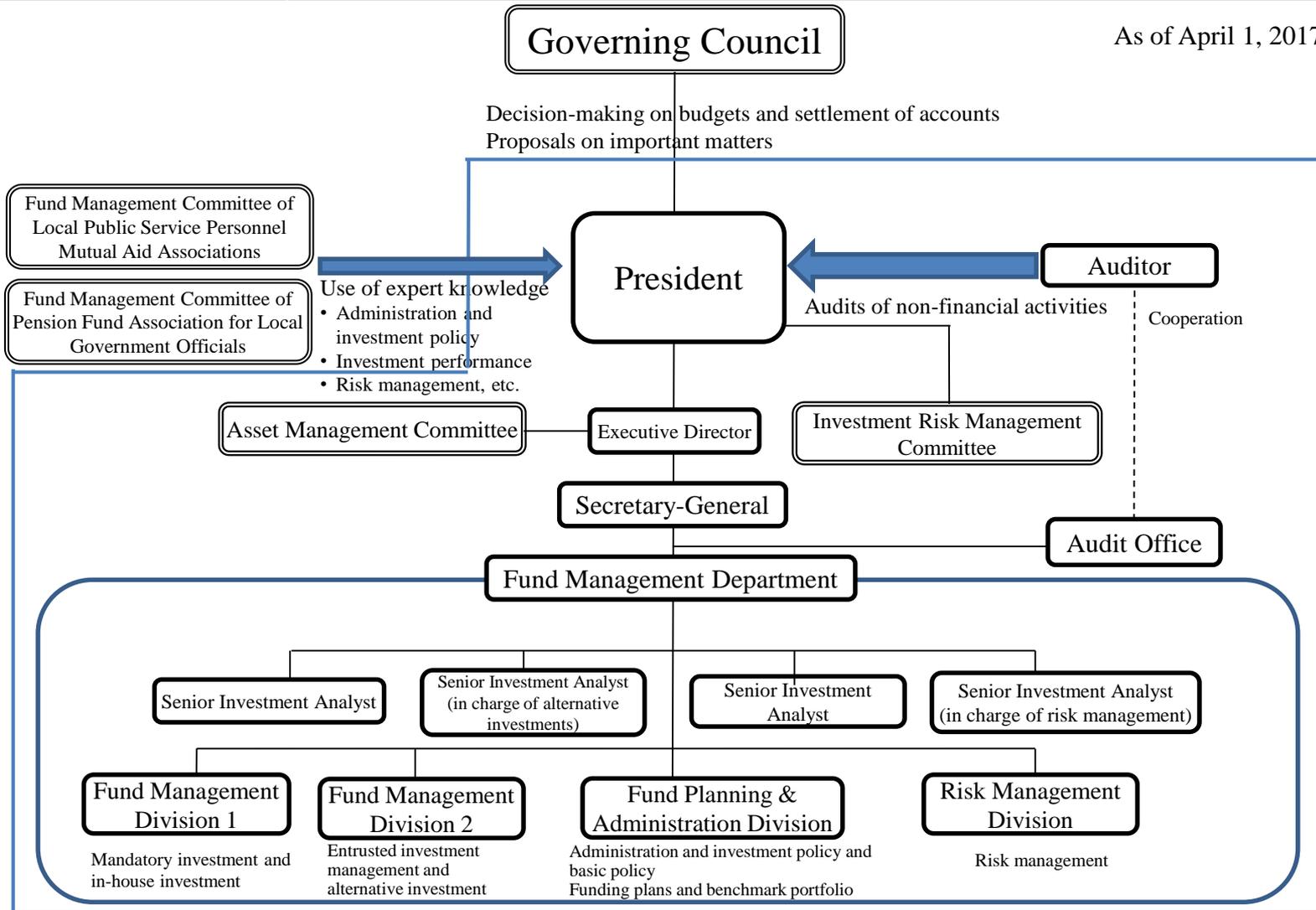
- Governing Council (Articles 38-4 and 38-5 of the Local Public Officers, etc. Mutual Aid Association Act)
Pension Fund Association for Local Government Officials
- Governing Council (Articles 6, 7, and 8 of the Local Public Officers, etc. Mutual Aid Association Act)
Prefectural Mutual Aid Secretary Office of the Mutual Aid Association of Prefectural Government Personnel
Japan Mutual Aid Association of Public School Teachers
Japan Police Personnel Mutual Aid Association
- Associations Committee (Articles 6, 9 and 10 of the Local Public Officers, etc. Mutual Aid Association Act)
Mutual Benefit Association for Tokyo Metropolitan Government Employees, Mutual Aid Associations for Designated City Municipal Personnel, Mutual Aid Associations for Municipal Personnel (other than Tokyo and designated cities), Mutual Aid Associations for City Municipal Personnel
- General Committee (Articles 30, 31 and 32 of the Local Public Officers, etc. Mutual Aid Association Act)
National Federation of Mutual Aid Associations for Municipal Personnel
- Management Board of Trustees (Articles 144-5, 144-6 and Article 144-7 of the Local Public Officers, etc. Mutual Aid Association Act)
Group Mutual Aid Department of Prefectural Mutual Aid Association

(2) Utilization of a committee of specialists

For expert matters pertaining to the administration and investment of implementing organization funds, including the formulation and revision of basic policy, Local Public Service Mutual Aid Associations utilize committees of experts comprised of individuals who possess academic knowledge or practical experience in areas such as economics, finance and fund investments.

Governance ③ (Reference: Governance Structure for Pension Fund Association for Local Government Officials)

As of April 1, 2017



Governance ④ (Fund Management Committee of Local Public Service Personnel Mutual Aid Associations)

○ Fund Management Committee of Local Public Service Personnel Mutual Aid Associations

To study expert matters pertaining to the administration and investment of each fund (meaning the administration and investment of managed fund, the administration and investment of the Annuity Retirement Benefit Adjustment Fund (including administration of investment status of Annuity Retirement Benefit Association Reserve Fund of the Mutual Aid Association of Prefectural Government Personnel, the Japan Mutual Aid Association of Public School Teachers, the Japan Police Personnel Mutual Aid Association, Mutual Benefit Association for Tokyo Metropolitan Government Employees, and National Federation of Mutual Aid Associations for Municipal Personnel) and administration and investment of the Transitional Long-term Benefit Adjustment Fund (including administration of the investment status of Transitional Long-term Benefit Association Reserve Fund of the associations, etc.)), based on the Administration and Investment Policy for the Managed Fund for Employees' Pension Insurance Schemes (established on October 1, 2015), the Administration and Investment Policy for the Annuity Retirement Benefit Adjustment Fund (established on October 1, 2015) and the Administration and Investment Policy for Transitional Long-Term Benefit Adjustment Fund (established on October 1, 2015), the Fund Management Committee of Local Public Service Personnel Mutual Aid Associations has been established, which is comprised of individuals who possess academic knowledge or practical experience in areas such as economics, finance, and fund management.

List of Committee Members (As of April 2017)

Chairperson	
Takaaki Wakasugi	Executive Director, Michigan University-Mitsui Life Financial Research Center
Eisaku Ide	Professor, Keio University Faculty of Economics
Hidetaka Kawakita	Kyoto University, Professor Emeritus
Konosuke Kita	Russell Investments Japan Co., Ltd. Executive Consultant/Director, Consulting
Yoshiko Takayama	J-Eurus IR Co., Ltd. Managing Director Professor, Waseda Business School (Graduate School of Business and Finance)
Hitoshi Takehara	Professor, Waseda Business School (Graduate School of Business and Finance)
Katsuyuki Tokushima	NLI Research Institute Pension Research Center, Financial Research Department, Chief Fixed Income Analyst
Toshino Masashi	Professor, Seikei University, Faculty of Economics
Kazuyo Hachisuka	Managing Director, Japan Economic Research Institute Inc.
Kumi Fujisawa	President, Think Tank SophiaBank
Masahiro Morimoto	All-Japan Prefectural and Municipal Workers Union General Manager, Central Executive Committee Bureau of Labor

• Deliberation Matters

- ① Matters concerning formulation and revision of the model portfolio
- ② Matters concerning formulation and revision of administration and investment policy
- ③ Matters concerning formulation and revision of risk management implementation policy
- ④ Matters concerning formulation and revision of investment policy for new investment instruments
- ⑤ Other expert matters concerning the administration and investment of each fund

• Reporting matters

- ① Investment performance
 - ② Status of risk management
 - ③ Investment status of new investment instruments
 - ④ Status of training and nurturing of expert personnel
 - ⑤ Other matters required by the committee concerning the administration and investment of each fund
- The committee can express its opinions on important matters upon request from the President concerning expert matters related to the administration and investment of each fund.

Governance ⑤ (Approach to Risk Management)

- Generally speaking, "risk" refers to the possibility of an incident that could have a negative impact on an organization's goals and objectives. In the field of asset investment, interest rate risk, price fluctuation risk, credit risk, liquidity risk and other factors are viewed as "risks" in some cases, while the possibility that the required yield cannot be ensured may be viewed as a "risk" in other cases. Therefore, for asset investment, it is important to consider various risks commensurate with investment from a long-term perspective.
- The Pension Fund Association for Local Government Officials appropriately implements risk management for investment in consideration of the following points: that investment of funds should be made safely and efficiently from a long-term perspective and the characteristics of a cash balance-type pension plan that links the benefit level to the government bond yield or other benchmarks.

Implementation policy for risk management concerning investment of the fund (excerpt)

1. Basic approach concerning risk management

The Mutual Aid Association of Prefectural Government Personnel, the Japan Mutual Aid Association of Public School Teachers, the Japan Police Personnel Mutual Aid Association, Mutual Benefit Association for Tokyo Metropolitan Government Employees, the National Federation of Mutual Aid Associations for Municipal Personnel, and the Pension Fund Association for Local Government Officials appropriately conduct risk management related to the investment of their funds in light of the following matters.

- ① Investment of funds should be made safely and efficiently from a long-term point of perspective.
- ② A benchmark portfolio should be developed and investment of funds should be made on the principle of managing funds through appropriate diversification across multiple asset classes with different risk/return profiles and other characteristics (hereinafter referred to as "diversified investment") and manage the funds based thereon.

2. Risk management implementing entities and subjects of management

(1) Omitted

(2) Annuity Retirement Benefit Fund

- ① The Pension Fund Association for Local Government Officials conducts risk management for investment of the Annuity Retirement Benefit Adjustment Fund and the Annuity Retirement Benefit Association Reserve Fund (hereinafter referred to as "Annuity Retirement Benefit Fund").
- ② The Associations, etc. conduct risk management for investment of the Annuity Retirement Benefit Association Reserve Fund (in the case of the Pension Fund Association for Local Government Officials, the Annuity Retirement Benefit Adjustment Fund).

Governance ⑥ (Approach to Risk Management)

Management of the deviation of the asset mix

- Investment based on the benchmark portfolio requires the management of various risk factors. Therefore, in order to secure profits in line with the benchmark portfolio from the long-term perspective, it is important, in particular, to manage the degree of deviation of the asset mix of the actual portfolio from that of the benchmark portfolio.
- Specifically, for its assets as a whole, the Local Public Service Mutual Aid Associations keep track of and manages the status of the deviation of the actual portfolio from the benchmark portfolio in terms of the asset mix.

Management of individual asset administration institutions

- The Local Public Service Mutual Aid Associations require asset administration institutions to improve systems to fulfill the fiduciary responsibilities and ensure compliance and appropriately manages them by keeping track of their status of asset administration.

Verification of the benchmark portfolio

- It is necessary to periodically verify the benchmark portfolio, which is formulated in consideration of long-term economic forecasts, by checking its assumptions, for example. In the verification, the Local Public Service Mutual Aid Associations also check whether the existing benchmark portfolio is appropriate from the viewpoint of ensuring safe and efficient investment over the long term.

Reporting on the status of risk management and improvement measures implemented

- The status of risk management and improvement measures implemented are reported to the committee of specialists and the Governing Council.

Section 3 Reference Data

Pension Fund System for Local Government Officials

○ Pension Fund System for Local Government Officials

The pension fund system for local government officials was established in December 1962 as a system to comprehensively manage the long-term benefits program, short-term benefits program and welfare services program for local government employees and their families, for the purpose of providing mutual aid for local government employees.

• Article 43 of the Local Public Service Act

"A mutual aid system shall be implemented in order to provide appropriate benefits in cases of employees' illness, injury, childbirth, involuntary leave, calamity, retirement, disability or death, or their dependents' illness, injury, child birth, death or calamity."

• Article 1 of the Local Public Officers, etc. Mutual Aid Association Act

"This act is intended to contribute to the improvement of the stability of lives and welfare of local public officers and bereaved families and also to efficient management of the performance of public duties by establishing a mutual aid system to provide appropriate benefits in cases of illness, injury, childbirth, involuntary leave, calamity, retirement, disability or death of local public officers, or illness, injury, childbirth, death or calamity of their dependents and by prescribing necessary matters concerning these benefits and welfare services to be provided under the system. In addition, the act prescribes matters concerning the pension system etc. for employees of local government-related entities.

○ Establishment of the Pension Fund Association for Local Government Officials

The Pension Fund Association for Local Government Officials was established on April 1, 1984, in order to stabilize the foundation of pension finance by integrating the pension funding units and to ensure appropriate and smooth management of operations related to long-term benefits of mutual aid associations so that sound management of the pension system can be maintained. It is a federation comprising all local public service mutual aid associations (64 associations and the National Federation of Mutual Aid Associations for Municipal Personnel as of March 31, 2016).

Issues Held

The tables below shows the top 10 bond issues held through mandatory and in-house investment as of the end of March 2017, with bond issues classified by issuer name (For information concerning bonds ranked 11th or lower, see the website of the Pension Fund Association for Local Government Officials).

○ Domestic bond issues held by issuer (in order of total market value)

No.	Names of issuer	Book value balance (Unit: JPY100M)
1	Japan Finance Organization for Municipalities	2,111
2	Government of Japan	256
3	Joint LGB	57
4	Osaka Prefectural Government	55
5	Yokohama City Government	54
6	Tokyo Metropolitan Government	47
7	Hyogo Prefectural Government	42
8	Niigata Prefectural Government	41
9	Kyoto Prefectural Government	39
10	Fukuoka Prefectural Government	38
Total	56 issuers	3,313

(Note 1) The names of bond issuers are those provided by the T-STAR/GX system of the Nomura Research Institute and by Bloomberg as of May 2017.

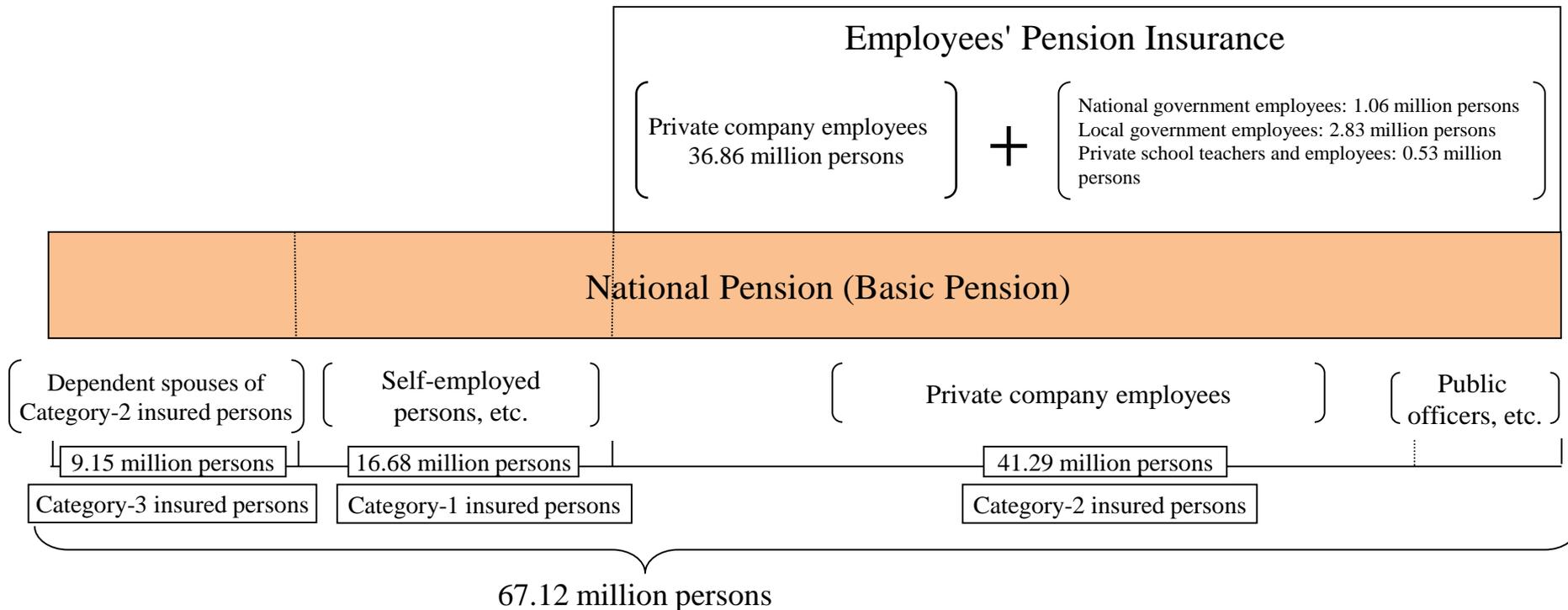
(Note 2) The book value of bonds is an aggregated figure calculated for each issuer by the Local Public Service Mutual Aid Associations based on data registered in the T-STAR/GX system of the Nomura Research Institute.

Integration of Employee Pension Plans

As a result of the integration of employee pension plans, mutual aid pensions were abolished and integrated into the Employees' Pension Insurance plan.

Local government officials and private school teachers and employees joined the Employees' Pension Insurance plan, resulting in the realization of universal insurance premiums and benefits (elimination of differences across different systems).

(The figures are as of the end of March 2016).



(Note) The number of people who are members of corporate pension plans among those who are members of the Employees' Pension Insurance plan is 15.97 million.

(Breakdown: Employees' Pension Fund : 2.54 million people; defined-benefit corporate pension plans: 7.95 million people; defined-contribution pension plans (corporate type): 5.48 million people)
Meanwhile, the number of members of defined-contribution pension plans (individual-type) is 260,000 people and the number of members of the National Pension Fund is 430,000 people.

Investment of Funds after the Integration of Employee Pension Plans ①

○ Investment of funds after the integration of employee pension plans

In order to ensure efficient administrative processing after the integration of employee pension plans, mutual aid associations continue to be responsible for management of pension records of association members, determination and revision of standard compensation, collection of insurance premiums, determination of pension benefits, and provision of pension benefits.

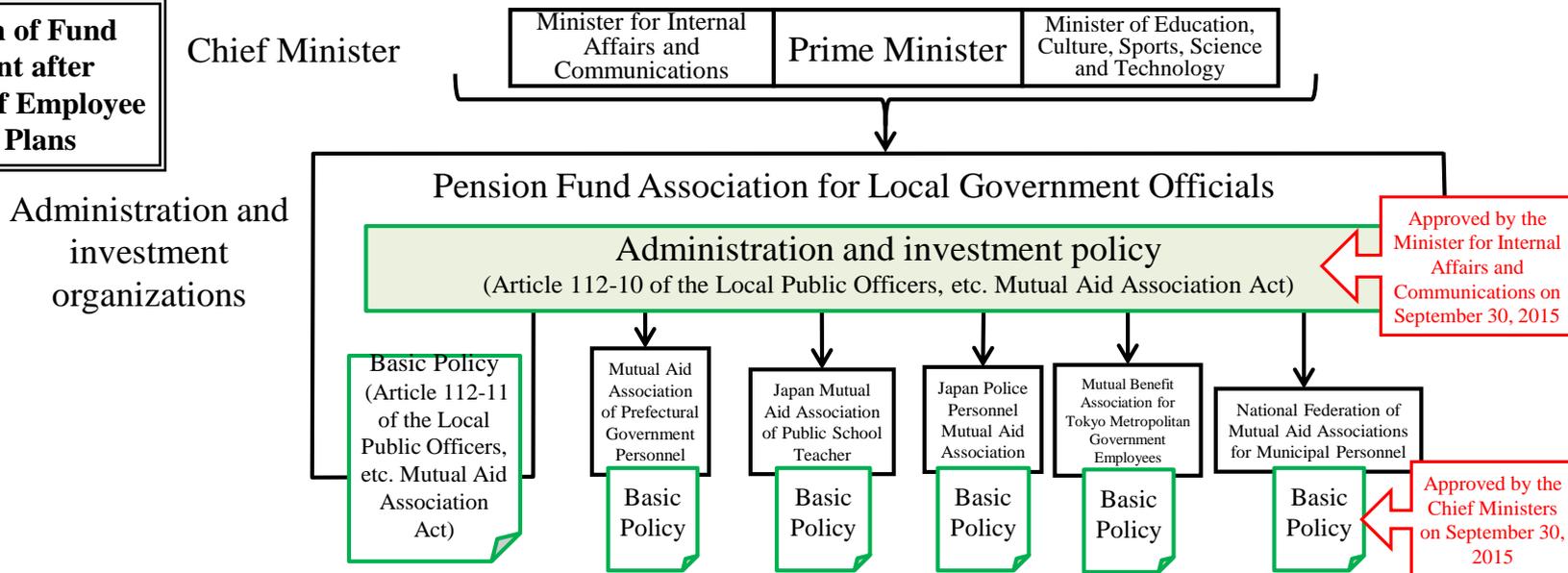
Mutual aid associations also continue to be responsible for administration and investment of funds.

As a result of the integration of employee pension plans, the Long-term Benefit Fund, which has until now been the only funding source for long-term benefits, has been replaced by the following three funds: the Employees' Pension Insurance Benefit Fund, the Annuity Retirement Benefit Fund, and the Transitional Long-term Benefit Fund, since October 2015.

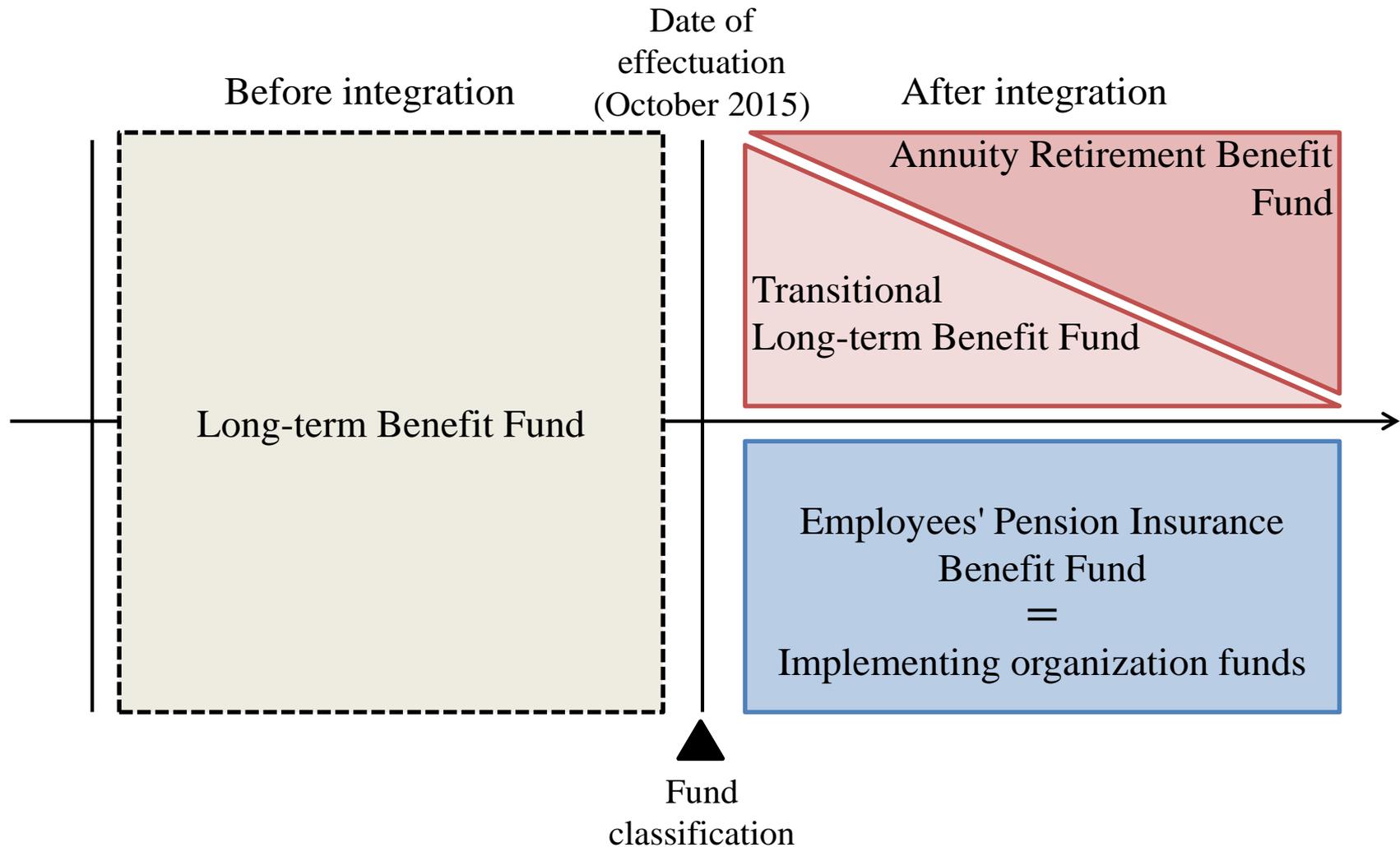
○ Administration and investment policy and basic policy

- ① The Pension Fund Association for Local Government Officials formulates Administration and Investment Policy (Including the Portfolio at Local Public Service Mutual Aid Associations), which serves as the common policy for organizations such as Local Public Service Personnel Mutual Aid Associations (the implementing organizations). (Article 112-10 of the Local Public Service Mutual Aid Associations)
- ② A Basic Policy (Including the benchmark portfolio) pertaining to administration and investment of funds is formulated at Local Public Service Personnel Mutual Aid Associations, etc. so as to conform to the Administration and Investment Policy set by the Pension Fund Association for Local Government Officials. (Article 112-11 of the Local Public Service Mutual Aid Associations Act)

Mechanism of Fund Investment after Integration of Employee Pension Plans



Investment of Funds after the Integration of Employee Pension Plans ②



Comparison of Characteristics of Benefits after Integration of Employee Pension Plans

	Employees' Pension Insurance Benefits	Transitional Long-term Benefits	Annuity Retirement Benefits
Pension characteristics	Employee Pension Insurance as public pension insurance [Part of the social security system]	Benefits retained against the backdrop of expected rights concerning parts of mutual aid pensions as public pensions	Part of retirement benefits [Corresponds to private-sector corporate pensions]
	Benefit amount linked to inflation		Benefit amount not linked to inflation
	Macroeconomic adjustment applied		—
	Actuarial valuation every 5 years	Preparation of the current funding status and forecast every 5 years	Actuarial valuation every 5 years
Funding system	Pay-as-you-go system	Closed pension plan	Advanced funding method
Benefits design	Defined benefit type (scheme that sets the benefit level as a percentage of the compensation during the active service period)		Cash balance-type (scheme that links the benefit level to the government bond yield, among other factors)
Premium rate	Has been increased in stages. Will remain fixed at 18.3% for public officials from 2018 onwards. (Will remain fixed at 18.3% for the Employee Pension Insurance from 2017 onwards.)	No new contributions will be made because this is a closed pension plan.	To be set in consideration of factors such as the entitlement rate, with the maximum insurance premium rate set at 1.5%.

Glossary

○ Administration and investment organizations

The four management and investment entities are the Government Pension Investment Fund, 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.

○ Transitional Long-term Benefit Fund

Fund comprising the following funds: (i) the Transitional Long-term Benefit Association Reserve Fund administered and invested by individual mutual aid associations and the National Federation of Mutual Aid Associations for Municipal Personnel (hereinafter referred to as "Associations, etc.") after the integration of employee pension plans for the payment of benefit pertaining to the former occupational portion of the plans (transitional long-term benefit), and (ii) the Transitional Long-term Benefit Adjustment Fund set aside by the Pension Fund Association for Local Government Officials for the payment of the necessary amount in case of a shortage of fund for transitional long-term benefit of individual Associations, etc.

○ Employees' Pension Insurance Benefit Fund

Fund comprising the following funds: (i) the Employees' Pension Insurance Benefit Association Reserve Fund administered and invested by individual Associations, etc. after the integration of employee pension plans for the payment of employee's pension insurance benefit, and (ii) the Employees' Pension Insurance Benefit Adjustment Fund set aside by the Pension Fund Association for Local Government Officials for the payment of the necessary amount in case of a shortage of fund for employees' pension insurance benefit of individual Associations, etc.

○ Annuity Retirement Benefit Fund

Fund comprising the following funds: (i) the Annuity Retirement Benefit Association Reserve Fund set aside, administered and invested by individual mutual aid associations and the National Federation of Mutual Aid Associations for Municipal Personnel for the payment of retirement pension benefit (hereinafter referred to as "Associations, etc.") after the integration of employee pension plans, and (ii) the Annuity Retirement Benefit Adjustment Fund which is to be set aside by the Pension Fund Association for Local Government Officials for the payment of the necessary amount in case of a shortage of fund for pension benefit of individual Associations, etc.

○ Long-term Benefit Fund

This is a pension fund which was administered and managed by the Pension Fund Association for Local Government Officials before the integration of employee pension plans. Through it, funds were set aside to prepare for possible shortage of funds to cover pension benefit payments by mutual aid associations.