

# **Fiscal Year 2016**

## **Annuity Retirement Benefit Adjustment Fund Review of Operations**

---

**(Pension Fund Association for Local Government Officials)**



**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
<b>【 Section 1 Administration and Investment of Funds in FY2016 】</b>	
▪ 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
<b>【 Section 2 Systems and Activities Concerning Administration and Investment of Funds 】</b>	
▪ Basic Approach to Investment.....	P14
▪ Governance.....	P15
<b>【 Section 3 Reference Data 】</b>	
▪ 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

[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: +0.29% \*Realized return  
(FY2016) (book value basis)

Investment income: +¥32 million \*Realized income  
(FY2016) (book value basis)

Value of investment assets: ¥19.9 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.

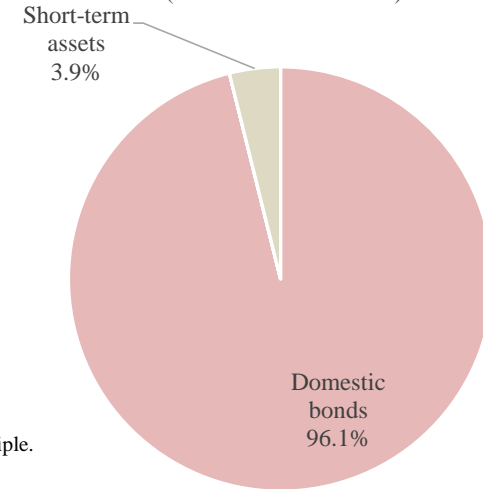


## Fiscal Year 2016 Asset Mix

(Unit: %)

	FY2015	FY2016			
	End of FY	End of Q1	End of Q2	End of Q3	End of FY
Domestic bonds	86.8	96.2	100.0	100.0	96.1
Short-term assets	13.2	3.8	0.0	0.0	3.9
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.

### ○ Asset mix

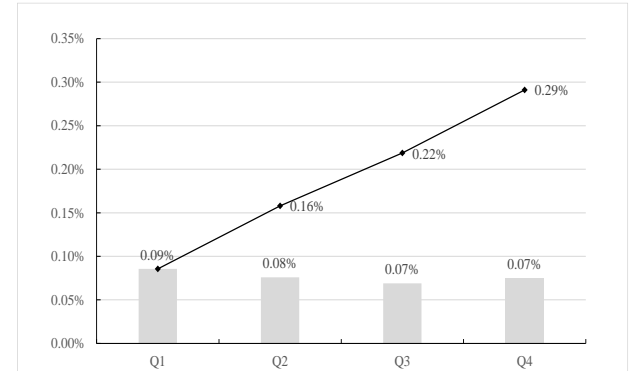
	Domestic bonds
Asset mix	100%

## Fiscal Year 2016 Investment Return

- The realized return (book value basis) for FY2016 was 0.29%.
- Domestic bonds held by the Annuity Retirement Benefit Adjustment 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)	0.09	0.08	0.07	0.07	0.29
Domestic bonds	0.09	0.08	0.08	0.08	0.32
Short-term assets	0.00	0.00	0.00	0.00	0.00

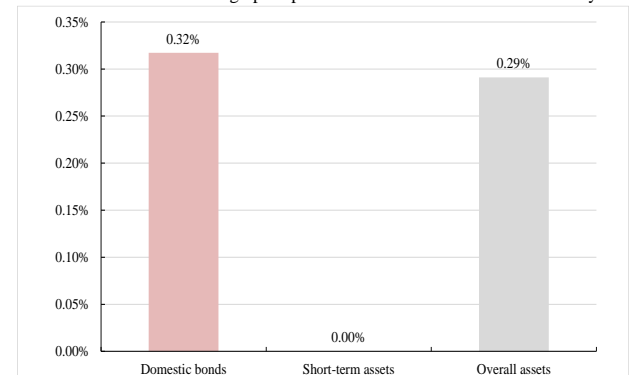


\* The bar graph represents the return (the period rate) in each quarter.  
The line graph represents the cumulative return in fiscal year 2016.

(Reference)

(Unit: %)

	FY2016				
	Q1	Q2	Q3	Q4	FY total
Return (market value basis)	3.98	-1.98	-2.03	-0.43	-2.01



\*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.

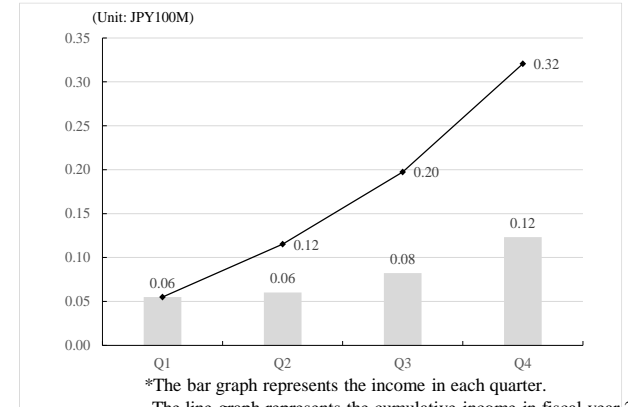
(Note 4) The return (market value basis) represents the realized return (book value basis) adjusted for the effects of changes in valuation profits/losses that would arise if the assets are evaluated based on market value.

## Fiscal Year 2016 Investment Income

- The realized income (book value basis) for FY2016 was ¥32 million.
- Domestic bonds held by the Annuity Retirement Benefit Adjustment Fund were evaluated based on book value on the premise of continued holding until maturity.

(Unit: JPY100M)

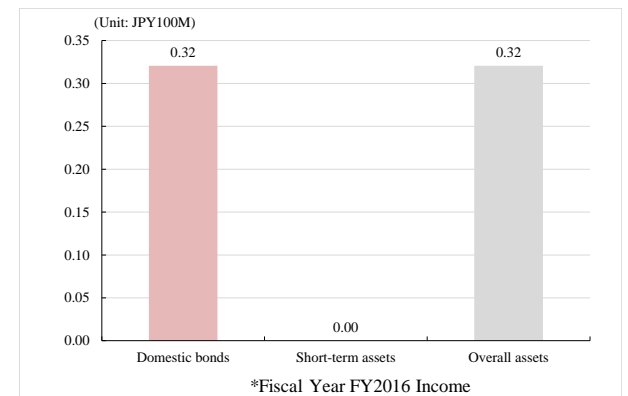
	FY2016				
	Q1	Q2	Q3	Q4	FY total
Realized income (book value basis)	0.06	0.06	0.08	0.12	0.32
Domestic bonds	0.06	0.06	0.08	0.12	0.32
Short-term assets	0.00	0.00	0.00	0.00	0.00



(Reference)

(Unit: JPY100M)

	FY2016				
	Q1	Q2	Q3	Q4	FY total
Investment income (market value basis)	2.55	-1.62	-2.44	-0.70	-2.21



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

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

(Note 3) The total investment income (market value basis) represents the realized income (market value basis) 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	62	64	2	85	85	1	132	130	-2	191	189	-3
Short-term assets	2	2	0	0	0	0	0	0	0	8	8	0
Total	64	67	2	85	85	1	132	130	-2	199	196	-3

(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.

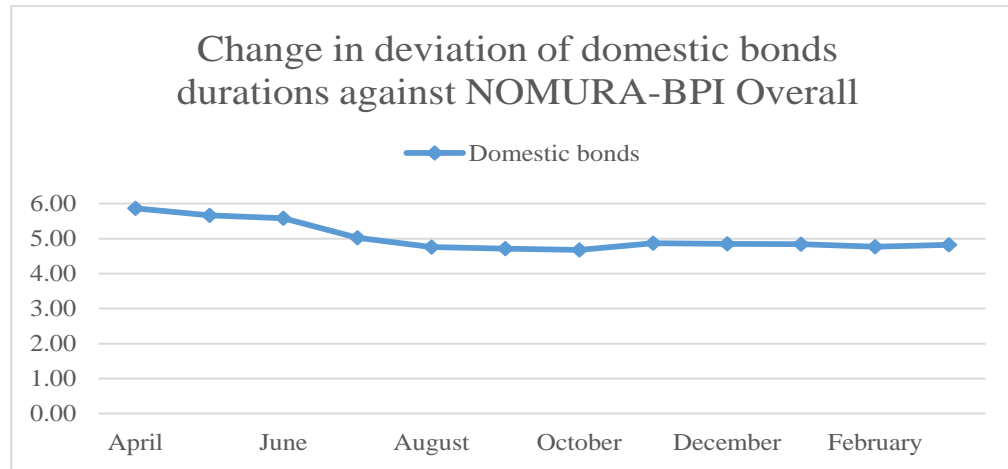
(Note 3) Starting in fiscal year 2016, short-term assets held by each fund were classified into relevant asset classes in principle.

## Fiscal Year 2016 Fees

There are no fees related to investment because the full amount of funds of the Annuity Retirement Benefit Adjustment 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 Adjustment Fund is invested in domestic bonds.
- The duration deviation from NOMURA-BPI Overall ranged from 4.6 years to 6.0 years.



## Investment management institution

The full amount of funds of the Annuity Retirement Benefit Adjustment 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.

### Basic Policy for Annuity Retirement Benefit Adjustment Fund (Extract)

#### 1. Basic Policy

The Association shall manage the ARB adjustment 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

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))) will be generated with the minimum risk.

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

## Governance ①

### (1) Organization

As of April 1, 2017, the Association had 12 executives, consisting of the president, eight Executive Directors (one full-time executive responsible for administration and fund investment and another responsible for pensions, and six part-time directors), and three auditors (one full-time auditor and two part-time auditors), as well as 70 employees.

The organization consists of the General Affairs Department (General Affairs Division, Planning and Research Division, Audit Office), the Fund Management Department (Fund Planning and Administration Division, Fund Management Division 1, Fund Management Division 2, Risk Management Division), and the Pension Management Department (Pension Division, Actuarial Division, Adjustment Division, Information Systems Division, Information Management Division).

The Auditing Office conducts audits of non-financial activities in cooperation with the auditors.

### (2) Governing Council

Members of the Governing Council are appointed by the Minister of Internal Affairs and Communications from among association members. The Minister of Internal Affairs and Communications must appoint members from among individuals who possess broad knowledge concerning matters pertaining to the operations of individual mutual aid associations, the National Federation of Mutual Aid Associations for Municipal Personnel and the Pension Fund Association for Local Government Officials. In this case, half of all members must be representatives of members of individual mutual aid associations.

Revision of the articles of incorporation, the formulation and revision of the rules of operations, annual business plans, budgets and account settlement, disposal of important assets and assumption of significant debt are subject to deliberation by the Governing Council.

Meanwhile, the Governing Council is empowered to investigate and deliberate important matters pertaining to the operations of the Pension Fund Association for Local Government Officials upon request from the President and to present proposals to the President with respect to the matters for which the need to do so is recognized.

### (3) Fund Management Committee of Pension Fund Association for Local Government Officials

To study expert matters pertaining to the administration and investment of each adjustment fund based on the Basic Policy for Annuity Retirement Benefit Adjustment Fund (established on October 1, 2015), etc., the Association has established the Fund Management Committee of Pension Fund Association for Local Government Officials, which is comprised of individuals who possess academic knowledge or practical experience in areas such as economics, finance, and fund management.

## Governance ②

### (4) Asset Management Committee

The Association has established the Asset Management Committee, which is chaired by a full-time director responsible for fund management, in order to conduct preliminary deliberation when the President makes important decisions concerning management of the investment status of the Employees' Pension Insurance Benefit Association Reserve Fund, the Annuity Retirement Benefit Association Reserve Fund and the Transitional Long-term Benefit Association Reserve Fund and the administration and investment of the Employees' Pension Insurance Benefit Adjustment Fund, the Annuity Retirement Benefit Adjustment Fund and the Transitional Long-term Benefit Adjustment Fund.

In principle, the Committee shall hold a regular weekly meeting and shall also meet as necessary. The chairperson shall promptly report to the President on the status of discussions at the Committee.

### (5) Investment Risk Management Committee

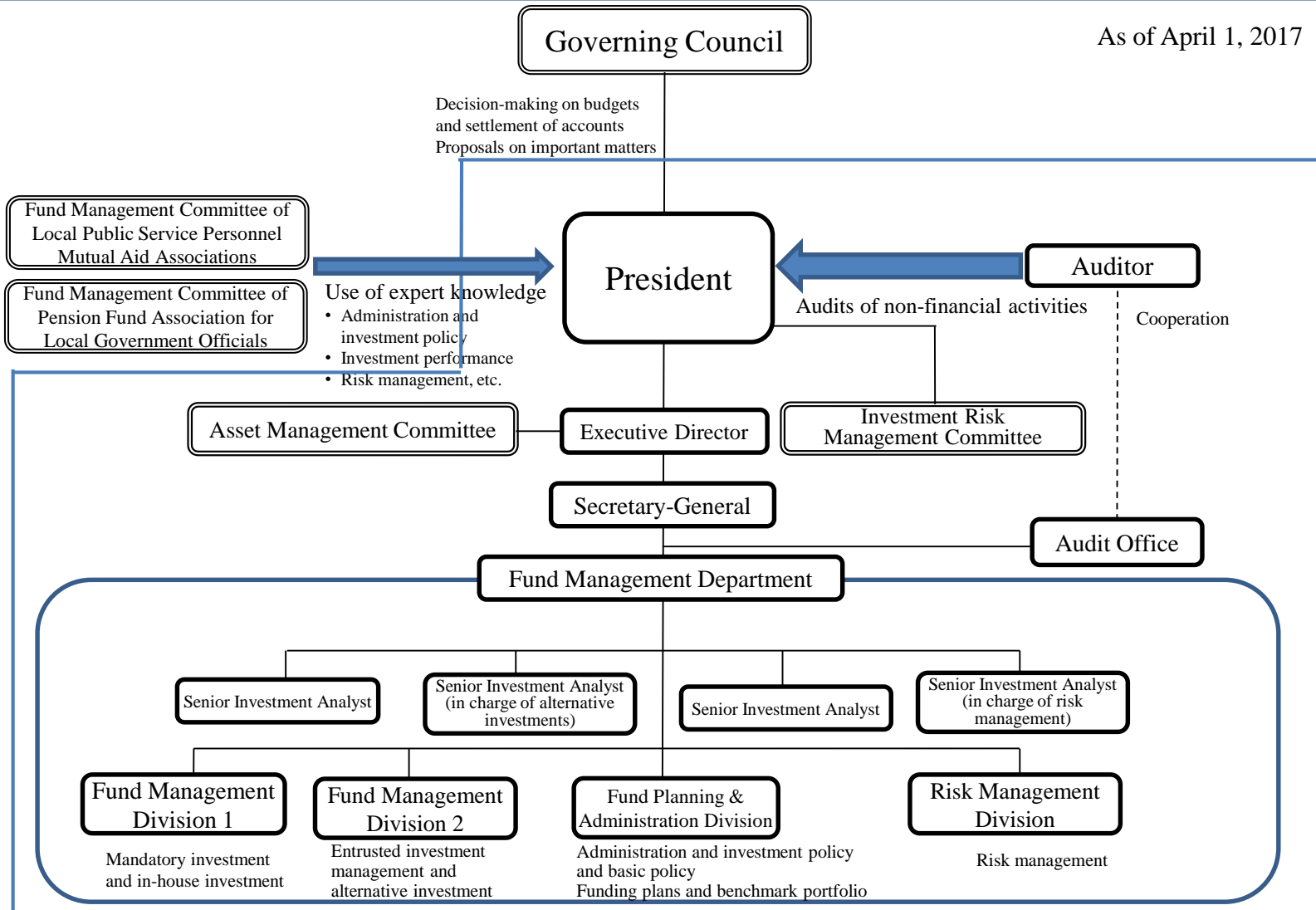
The Association has established the Investment Risk Management Committee, which is chaired by the President, in order to deliberate matters pertaining to the risk management of investment of the Employees' Pension Insurance Benefit Fund, the Annuity Retirement Benefit Fund and the Transitional Long-term Benefit Fund and the risk management of investments of the Employees' Pension Insurance Benefit Adjustment Fund, the Annuity Retirement Benefit Adjustment Fund and the Transitional Long-term Benefit Adjustment Fund so that the risk management can be appropriately conducted.

Unlike the Asset Management Committee, this committee is under the direct control of the President in order to ensure mutual checks and balances between the risk management side and the investment side. In principle, the Investment Risk Management Committee shall hold a regular quarterly meeting and shall also meet as necessary.



# Governance ③

As of April 1, 2017



## Governance ④ (Fund Management Committee of Pension Fund Association for Local Government Officials)

### ○ Fund Management Committee of Pension Fund Association for Local Government Officials

To study expert matters pertaining to the administration and investment of each adjustment fund based on the Basic Policy for Employees' Pension Insurance Benefit Adjustment Fund (established on October 1, 2015), the Basic Policy for Annuity Retirement Benefit Adjustment Fund (established on October 1, 2015) and the Basic Policy for Long-term Benefit Adjustment Fund (established on October 1, 2015), the Association has established the Fund Management Committee of Pension Fund Association for Local Government Officials, 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

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

Hitoshi Takehara Professor, Waseda Business School (Graduate School of Business and Finance)

Kazuyo Hachisuka Managing Director, Japan Economic Research Institute Inc.

Kumi Fujisawa President, Think Tank SophiaBank

- Committee deliberation matters
  - ① Matters concerning formulation and revision of the basic policy
  - ② Matters concerning formulation and revision of risk management implementation policy
  - ③ Matters concerning formulation and revision of investment policy for new investment instruments
  - ④ Matters concerning formulation and revision of flexible investment policies
  - ⑤ Matters concerning formulation and revision of the selection criteria for entrusted investment management institutions, etc.
  - ⑥ Matters concerning the revision, etc. of the Corporate Governance Principles and the Guidelines for Exercising Shareholders' Voting Rights Matters
  - ⑦ Other expert matters concerning the administration and investment of each adjustment fund
- Committee reporting matters
  - ① Investment performance
  - ② Status of risk management
  - ③ Investment status of new investment instruments
  - ④ Status of selections of entrusted investment management institutions, etc.
  - ⑤ Status of stewardship activities
  - ⑥ Status of training and nurturing of expert personnel
  - ⑦ Other matters required by the committee concerning the administration and investment of each adjustment 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 adjustment 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 accordance with the implementation policy for risk management concerning investment of the Annuity Retirement Benefit Adjustment Fund 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 Annuity Retirement Benefit Adjustment Fund (excerpt)

#### 1. Basic approach concerning risk management

The Association appropriately conducts risk management related to the investment of adjustment funds in light of the following matters.

- ① Manage adjustment funds safely and efficiently from a long-term perspective.
- ② A benchmark portfolio should be developed and investment of adjustment funds should be made based on it.
- ③ In the investment of the adjustment funds, consideration should be constantly given to the relationship between the liabilities related to the Annuity Retirement Benefits operations and the funds in the future in light of the characteristics of a cash-balance pension plan, whose benefit level is linked to the government bond yield and other benchmarks.

## 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 Association keeps 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 Association requires 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 Association also checks 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 Association reports on the status of risk management and improvement measures implemented to the Investment Risk Management Committee, the Fund Management Committee of Pension Fund Association for Local Government Officials 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 table below shows the top 10 bond issues held through mandatory and in-house investment as of the end of March 2017, classified by issuer.

### ○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	178
2	Hyogo Prefectural Government	5
3	Aichi Prefectural Government	3
4	Gunma Prefectural Government	2
5	Tokyo Metropolitan Government	2
6	Fukuoka Prefectural Government	1
Total	6 issuers	191

(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.

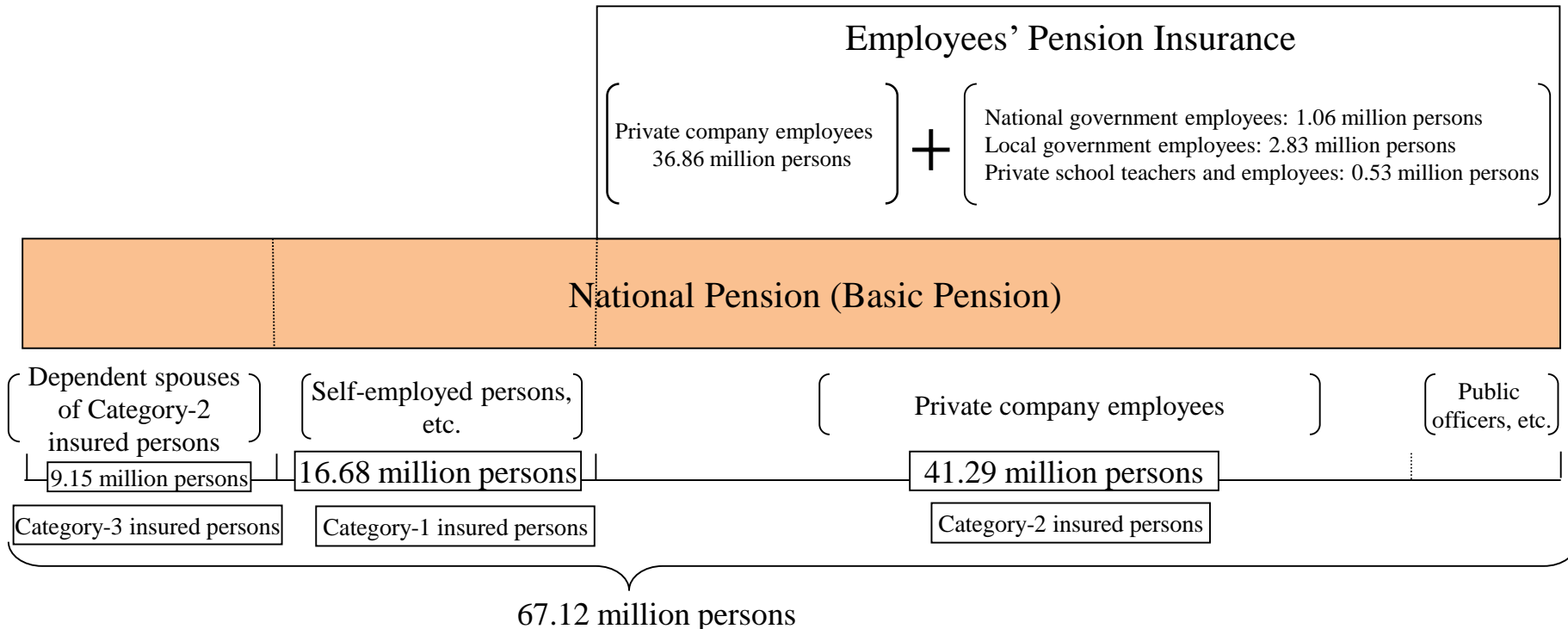
(Note 2) The book value of bonds is an aggregated figure calculated for each issuer by the Association based on data registered in the T-STAR/GX system of the Nomura Research Institute.

## 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 Adjustment Fund, the Annuity Retirement Benefit Adjustment Fund, and the Transitional Long-term Benefit Adjustment Fund, since October 2015.

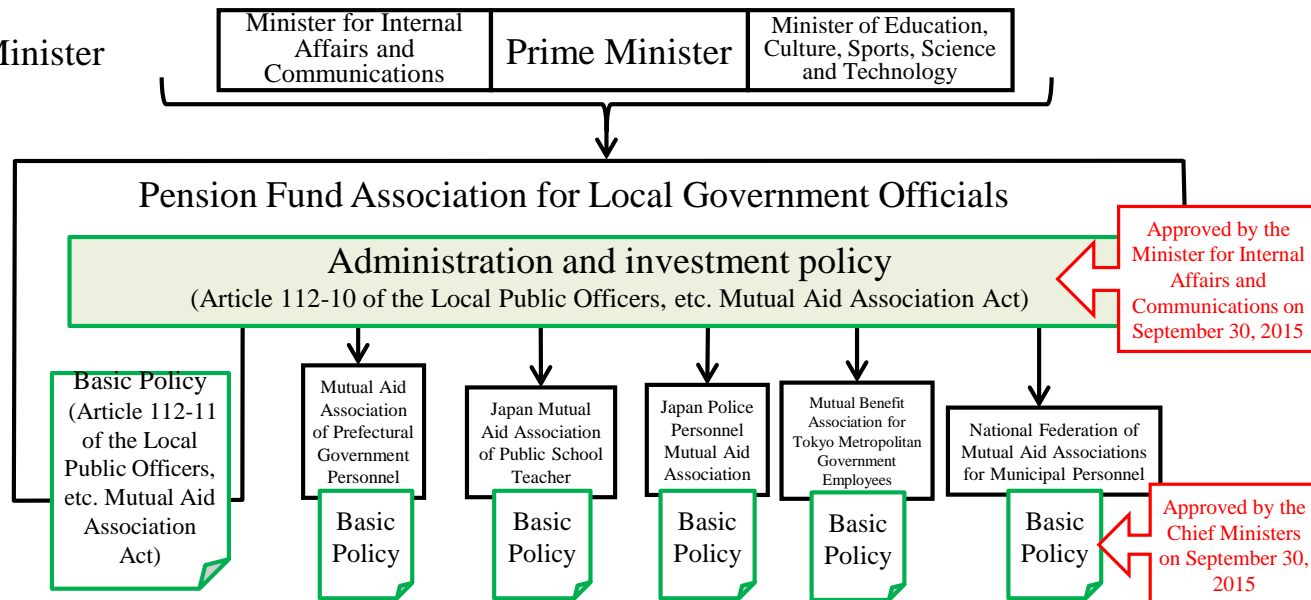
## ○Administration and investment policy and basic policy

- 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)

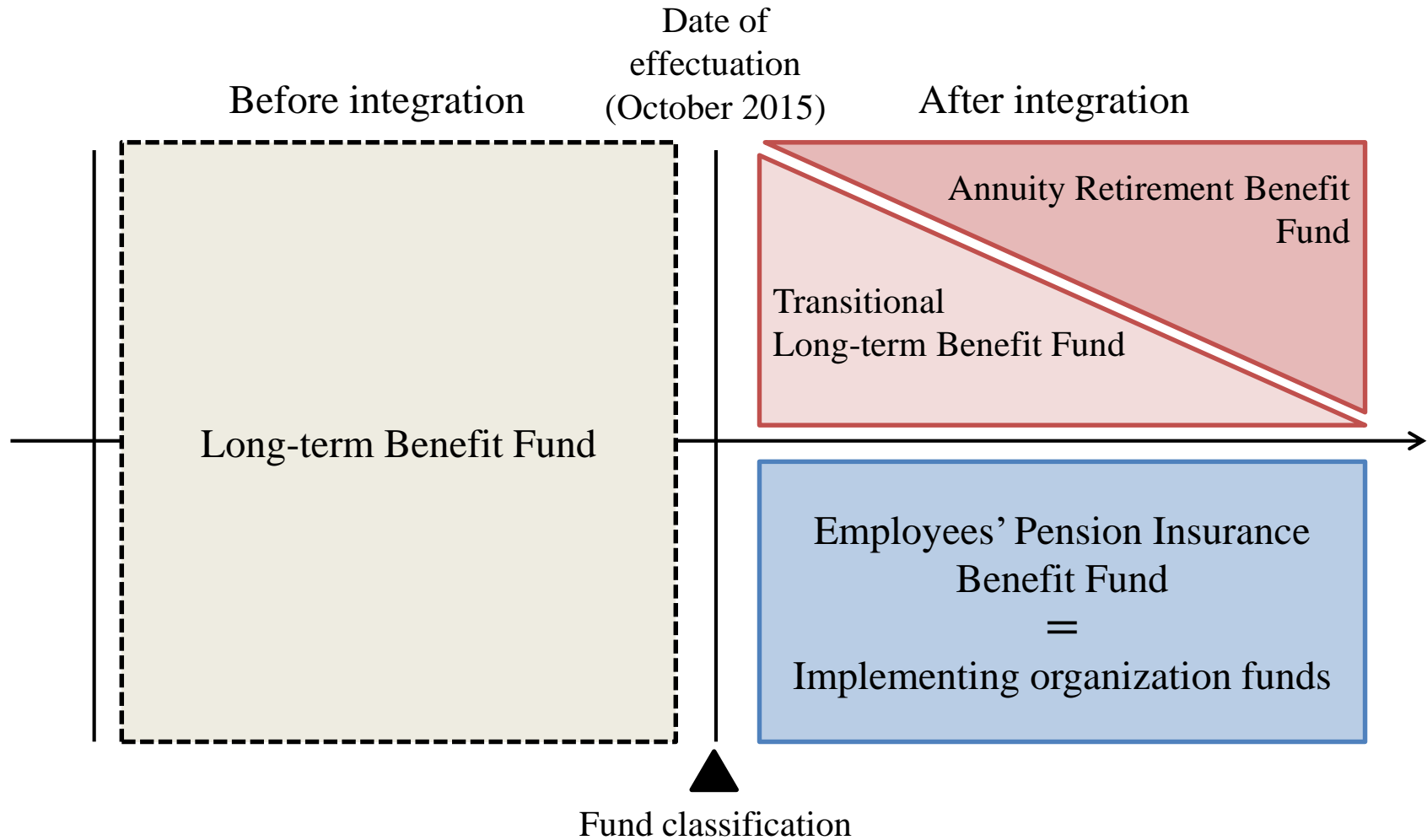
### Mechanism of Fund Investment after Integration of Employee Pension Plans

Administration and investment organizations

Chief Minister



## 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 Adjustment Fund

This is a pension fund which is administered and managed by the Association and which was established at the time of the integration of employee pension plans as a fund representing the former occupational portion of the plans. When an individual mutual aid association faces a shortage of financial resources to cover transitional long-term benefit payments, this fund provides the necessary amount.

### ○ Employees' Pension Insurance Benefit Adjustment Fund

This is a pension fund administered and managed by the Association. It was established to represent the employee pension portion of employee pensions plans after the integration of the plans. When an individual mutual aid association faces a shortage of financial resources to cover employees' pension insurance benefits payments, this fund provides the necessary amount.

### ○ Annuity Retirement Benefit Adjustment Fund

This is a pension fund administered and managed by the Association. It was established to represent private-sector corporate pensions that were newly created at the time of the integration of employee pension plans. Its benefits form part of retirement benefits. When an individual mutual aid association faces a shortage of financial resources to cover retirement, etc. benefits payments, this fund provides the necessary amount.

### ○ Long-term Benefit Fund

This is a pension fund which was administered and managed by the Association 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.