Japanese firms withdrawing from occupational pension funds

By Editor Test *Thu, Jan 3, 2013*

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A growing number of publicly traded companies in Japan are withdrawing from industry-wide employee pension funds, citing a lack of control over their portfolios and the insufficient disclosure of retirement benefit obligations, according to a report by IPE.com.

Both factors make it difficult for listed companies to provide accurate financial information to shareholders. The firms also complain of large annual premium debt, and worry that their earnings and finances could be adversely affected by the maturation of the funds in the future or by poor portfolio performance.

The board of Sato Shoji, a metals trading firm, voted in November to quit the Tokyo Metal Industry Employees Pension Fund and introduce a defined contribution pension system. Fujikyu, a major craft shop, similarly decided that it would leave the Naori Employee Pension Fund. Both companies plan to seek approval at shareholders meetings in February and permission from the Welfare Ministry.

The board of Tokai Electronics, a trading company specializing in electronic materials and devices, voted in September to leave the Naori EPF. In October, Kyoto-based Kaneshita Construction decided to depart from the Kyoto Prefecture Construction Industry Pension Fund, and clothing and accessories trader Kawabe is pulling out of the Tokyo Jitsugyo EPF.

Kawabe announced a fund shortage at Tokyo Jitsugyo EPF of ¥64.6bn ($769m), which represents the difference between pension assets and benefit obligations as of end-March 2012. Its pension obligations were ¥184.8bn. The shortfall was 5% higher than the amount disclosed in its securities report of late June.