

## How to calculate retirement benefit

### 1. Summary of calculation of retirement benefit

The value of legal retirement benefit, in accordance with the Worker's Retirement Benefit Guarantee Act, is determined at a rate of an average of 30 days' wage per number of continued service years (365 days). An average wage according to the Article 2, Item 1, Clause 6 of the Labor Standard Act means an amount of which the total wages paid to the worker is divided by the total number of days for 3 months prior to the date the retirement benefit is calculated. Because the calculation of an average wage should be calculated by dividing the total wages for 3 months by the total number of days worked for the same period, even though the wage and the working days are the same, depending on the retirement date, the retirement benefits amount may differ.

#### A. Calculation of the value of legal retirement benefits according to the Worker's Retirement Benefit Guarantee Act

After calculating the daily average wage by dividing the total amount of wage paid for 3 months by the total number of days of the same period,

Legal Retirement Benefit = (An average wage for 30 days) \* total number of days worked/365 days

#### B. An example of the calculation for the retirement benefits according to the service period (With the same number of days worked, but different retirement date)

##### 1) Period worked: 1/1 - 12/31 (365 days)

- ① Monthly wage: One million KRW
- ② Wage for 3 months: Three million KRW (Final 3 months) (Final 92 days)
- ③ One days' average wage: Three million KRW/92 days = 32,608 KRW
- ④ Average wage for 30 days: 32,608KRW \* 30 days = 978,240 KRW
- ⑤ Legal Retirement Benefit: 978,240 KRW \*365/365 = 978,240 KRW

##### 2) Period worked: 5/3 - 5/2 (of next year) (365 days)

- ① Monthly wage: One million KRW
- ② Wage for 3 months: 2,993,068KRW

Calculate the days for each months (One million KRW/Number of days per month)

- a. February 3 - March 2: Portion for February (928,564KRW) + portion for March (64,516KRW) = 993,080KRW
- b. March 3 - April 2: Portion for March (935,482KRW) + portion for April (66,666KRW) = 1,002,148KRW
- c. April 3 - May 2: Portion for April (933,324KRW) + Portion for May (64,516KRW) = 997,840KRW

- ③ An average wage for a day: 2,993,068KRW/89days = 33,629KRW
- ④ An average wage for 30 days: 33,629KRW \* 30days = 1,008,870KRW

⑤ Legal Retirement benefit: 1,008,870KRW \* 365/365 = 1,008,870KRW

## 2. Pertinent laws

**Workers Retirement Benefit Guarantee Act (Effective July 26, 2012) (Law No. 10967, General revision on July 25, 2011)**

### A. Article 4 (Establishment of Retirement Benefit Scheme)

① An employer shall set up at least one retirement benefit schemes in order to pay benefits to workers who retire: Provided that this shall not apply to workers whose consecutive service period is less than one year and workers whose average weekly working hours over a four-week period is less than 15hours.

② If a retirement benefit scheme is set up pursuant to paragraph (1), no differentiation shall be made within the same business with regard to the application, etc., of the methods of calculating benefits and contributions.

③ If an employer intends to set up a retirement benefit scheme or change a retirement benefit scheme set up into a different one, he/she shall, if there is a trade union joined by a majority of workers, receive the consent of the trade union, and if there is no such trade union, receive the consent of the majority of workers(hereinafter referred to as "workers' representative").

④ If an employer intends to change the details of a retirement benefit scheme set up or changed pursuant to paragraph (3), he/she shall hear opinions from the workers' representative: Provided that if the employer intends to make a change unfavorable to workers, he/she shall receive the consent of the workers' representative.

### B. Article 8 (Establishment, etc., of Retirement Pay System)

(1) An employer who intends to set up a retirement pay system shall set up the system that makes it possible to pay a retiring worker 30 days or more of the average wages for each year of his/her consecutive service as retirement pay.

(2) Notwithstanding paragraph (1), an employer may, if a worker requests the payment for any of the reasons prescribed by the Presidential Decree, such as housing purchases, etc., pay the worker the amount of retirement pay corresponding to his/her consecutive service period earlier than his/her retirement. In such cases, the consecutive service period to be used for the calculation of the amount of retirement pay accumulated thereafter shall be reckoned anew from the time when the balances are settled.