

POLICY REVIEW



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POLICY PROMOTES PRIVATE PENSIONS

Scheme seen as viable supplement to State-run program

By CHENG SI
chengsi@chinadaily.com.cn

In a new guideline focusing on the management of private pensions, the Chinese government has outlined plans to develop a multitiered, sustainable social security system to benefit its aging population.

The guideline, which was launched by five central departments, including the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration, states that a private pension is a supplement to the public pension system and is supported by government policies.

Under the guideline, workers at Chinese companies covered by the State pension system can join a private pension plan voluntarily.

Those who wish to do so should first open an account at a State-run social security platform and register their personal information; the government will use this account to verify their information and offer consultation and other services. Then, the individual should open a private pension account at an authorized commercial bank or financial institution.

Account holders are allowed to deposit up to 12,000 yuan (\$1,650) per year into their accounts, and payments can be made monthly, yearly or by other structured installment plans. They can also take advantage of tax reductions

and other supporting policies.

The guideline said that the accounts covered by private pension plans are governed by closed-loop performance management, and pensioners can begin making withdrawals once they meet the age requirements — 60 for men and 55 for women — or in the event they lose the ability to work or they migrate outside of China.

They can also purchase financial products using money from their private pension accounts at their discretion, but financial institutions should inform them of the risks involved.

Xie Yongcai, an associate professor at the School of Sociology at the Huazhong University of Science and Technology, told the Chinese online news portal ThePaper.cn that the latest private pension policy was implemented as the country grapples with a declining fertility rate and increased life expectancy.

The aging population has put great pressure on the social security fund as seniors' needs for services, such as healthcare, grow after retirement.

In response, the central government has worked to develop a multitiered social security system, with the basic pension system covering most domestic residents.

President Xi Jinping, who is also general secretary of the Communist Party of China Central Committee, delivered a report to the 20th National Congress of the Commu-

12,000 yuan

The maximum amount individuals can deposit into their private pension accounts per year

nist Party of China on Oct 16. The report said that the central government will improve the multitiered social security system with the aim of extending it to cover the entire population and ensure that it is fair, unified, reliable, well-regulated and sustainable.

The latest figures from the Ministry of Human Resources and Social Security show that by the end of September, about 1.05 billion people were covered by the basic State-run pension system. Enterprise annuity insurance, a supplementary plan for company employees, covered about 72 million people by the end of March.

Li Zhong, vice-minister of human resources and social security, said at a recent news conference that private pensions are significant as they provide individuals with another source of income after retirement to help them enjoy a better quality of life.

Lie Mingjun, director of the ministry's pension security department, said that in addition, the closed-loop management style can help pensioners accumulate capital and avoid withdrawing money early.

He added that the private pension scheme also has a notable tax reduction advantage.

On Nov 3, the Ministry of Finance and State Taxation Administration released a notice on personal income tax incentives for people joining the private pension scheme.

For example, individuals can deposit a maximum of 12,000 yuan per year into their private pension accounts, and that money is exempt from income taxes during the year.

The notice said that tax incentives are applicable from Jan 1 of this year in some pilot cities that have begun implementing the private pension scheme. A list of these cities will be published in the near future by the Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration.

In 2020, the 14th Five-Year Plan (2021-25), a blueprint for national efforts to develop into a modern socialist country, stated that China planned to establish a multitiered pension system. The plan was also mentioned in the government work reports last year and this year.

In April, the State Council, China's Cabinet, released a guideline on the development of a private pension scheme that outlined how the scheme would run, what pensioners would need to do to qualify and how they could make deposits and withdrawals. The guideline set the tone for the scheme's implementation and future regulation.

Banks picked to offer retirement accounts

By CHENG SI

China's finance regulator announced the first batch of banks and insurance institutes participating in the new private pension scheme, designed as a supplement to the national social security system.

In a notice released on Friday, the China Banking and Insurance Regulatory Commission said that 23 banks and 11 insurance institutions, including the Bank of China, the Industrial and Commercial Bank of China and the Agricultural Bank of China, have been given permission to open and run personal accounts under the private pension scheme.

According to the notice, commercial banks can offer services such as opening, canceling or transferring personal accounts for pensioners and help manage their capital. They can also sell financial products, which are regulated by the government, on a commission basis.

The commission said that as the private pension scheme is in its infancy and may be of critical importance to the retirement plans of the average person, participating institutions are being held to very high standards in terms of business operations, customer service, risk management and social responsibilities.

For example, the net tier 1 capital — an index measuring whether a financial institution has sufficient capital — of selected banks had to have reached over 100 billion yuan (\$14 billion) by the third quarter of this year.

Dong Ximiao, chief researcher of Merchants Union Consumer Finance Company, based in Shenzhen, Guangdong province, said in an interview with people.cn that the participating institutions have more capital and offer more services than other banks. They also have many branches and larger pools of customers who can help drive the sustainable development of the private pension scheme.

Dong said that the banks can develop more products by focusing on traditional means such as investments and savings.

According to the regulatory commission, the banks are required to report their plans for system implementation, personnel structure and product management to government bodies within 10 days of offering private pension services. The commission said it will constantly monitor operations and risks.

It also said that these institutions have already begun offering such services in pilot cities, which have not yet been published, and that the scheme will be extended to other cities in the near future.

Policy Digest

Action plan takes aim at ozone, air pollution

China is set to eliminate heavily polluted air, contain the increase of ozone concentrations and make significant progress in reducing diesel truck emissions by 2025.

An action plan issued by as many as 15 ministries and State-level authorities, including the Ministry of Ecology and Environment, said the country will enhance scientific research to help simultaneously curb ozone concentrations and PM2.5 particulate matter, particulates with a diameter of 2.5 micrometers or less, by 2025.

Local authorities should press ahead with efforts to reduce carbon emissions while tackling air pollution, the plan said, urging them to improve the industrial structure, energy consumption and modes of transportation.

The country will focus on promoting collaboration among cities and provinces in key areas to control air pollution. These areas include the Beijing-Tianjin-Hebei area, the Yangtze River Delta and the plain along the Fenhe and Weihe rivers, which covers part of Shanxi, Shaanxi and Henan provinces, the plan said.

The ministries asked provincial-level regions to come up with practical timetables and road maps, and to be sure to fully implement all measures designed to improve air quality.

System helps public learn about companies

The public can now look up information about companies by searching the State-owned assets watchdog's inquiry system.

People can log onto the system, which was launched on the website of the State-owned Assets Supervision and Administration Commission of the State Council earlier this month, and input a company's name or unified social credit code to see if it is subordinate to any central State-owned enterprises, the commission said.

They can also look up other basic information about the company, including its registered address, its largest central SOE stakeholder and the ratio of the share the SOE is holding.

The system helps the public better scrutinize the operations of central SOEs and increases transparency, the commission said, adding that it also serves as an important way to crack down on companies that falsely identify themselves as State-owned.

The commission advised people to heighten awareness if they fail to obtain information about the company about which they are inquiring in the system.

The system, which is currently in the middle of a trial run, will be upgraded to better meet the needs of the public, the commission said.

COVID-19 rules eased for some vessels

Five central government bodies, including the Ministry of Transport, issued a notice on Friday to optimize COVID-19 prevention measures for vessels planning to switch their operations from international to domestic waters.

According to the notice released on the ministry's website, the quarantine period for vessels to berth at ports of entry before they can operate domestically has been shortened from seven days to five days.

Also, the number of nucleic acid tests the crew must take during the quarantine period has been reduced from five to four, among other changes.

In another development, the public service department of the Ministry of Culture and Tourism released updated prevention and control guidelines for public libraries and cultural centers on Friday.

The department stressed that local authorities must understand that the release of the new guidelines, which were last revised in November last year, does not mean they should relax their prevention and control efforts.