REPORT

CHINA

I. Overview

Exchange rate : U.S. $ 1.00 equals 8.28 (CNY)

1. Data

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<td><strong>Macroeconomic Data</strong></td>
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<tr>
<td>Gross domestic product (yuan renimbi billions)</td>
<td>451.8</td>
<td>1854.8</td>
<td>5847.8</td>
<td>8206.7</td>
<td>8946.8</td>
<td>9731.5</td>
<td>10479.1</td>
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<tr>
<td>GDP growth (%)</td>
<td>7.1</td>
<td>8</td>
<td>7.3</td>
<td>8</td>
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<td>GDP per capita (US $)</td>
<td>206</td>
<td>312</td>
<td>581</td>
<td>788</td>
<td>856</td>
<td>911</td>
<td>966</td>
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<tr>
<td>Domestic saving</td>
<td>34.1</td>
<td>38.7</td>
<td>42</td>
<td>39.4</td>
<td>38</td>
<td>38.6</td>
<td>38.7</td>
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<td>Consumer food price index (previous year 100)</td>
<td>...</td>
<td>102.1</td>
<td>114.8</td>
<td>97</td>
<td>98.5</td>
<td>100</td>
<td>99.4</td>
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<td><strong>Population Data</strong></td>
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<tr>
<td>Total population (millions)</td>
<td>987.1</td>
<td>1143.3</td>
<td>1211.2</td>
<td>1259.1</td>
<td>1267.4</td>
<td>1276.3</td>
<td>1284.9</td>
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<tr>
<td>Population aged 15-64 (% total)</td>
<td>59.8</td>
<td>66.9</td>
<td>66.6</td>
<td>68.4</td>
<td>70.2</td>
<td>70.4</td>
<td>69.5</td>
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<td>Population aged 65 and over (% total)</td>
<td>4.7</td>
<td>5.4</td>
<td>6.7</td>
<td>7.6</td>
<td>7</td>
<td>7.1</td>
<td>7.4</td>
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<td>Dependency Ratio (65/15-64)</td>
<td>7.8</td>
<td>8</td>
<td>10</td>
<td>11.1</td>
<td>9.9</td>
<td>10</td>
<td>10.6</td>
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<td>Crude birth rate (per 1000)</td>
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<td>Crude death rate (per 1000)</td>
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<td>Population growth rate (%)</td>
<td>1.2</td>
<td>1.4</td>
<td>1.1</td>
<td>0.8</td>
<td>0.8</td>
<td>0.7</td>
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<td>Life expectancy (Male)</td>
<td>...</td>
<td>68.6</td>
<td>67 ...</td>
<td>...</td>
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<td>69</td>
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<tr>
<td>Life expectancy (Female)</td>
<td>...</td>
<td>71.8</td>
<td>71 ...</td>
<td>...</td>
<td>...</td>
<td>73</td>
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<tr>
<td>Population employed (millions)</td>
<td>423.61</td>
<td>639.09</td>
<td>679.47</td>
<td>705.86</td>
<td>711.5</td>
<td>730.25</td>
<td>737.4</td>
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<td><strong>Financial Market Data</strong></td>
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<td>Bond Market as % GDP</td>
<td>33.3</td>
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<td>Equity Market as % GDP</td>
<td>37.4</td>
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<td>Bank Lending as % GDP</td>
<td>167.6</td>
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<td>Size of pension fund assets (US $ billions)</td>
<td>3.1</td>
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<td>Size of life insurance assets (US $ billions)</td>
<td>27.4</td>
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<td>Size of mutual fund assets (US $ billions)</td>
<td>14.8</td>
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<td>Pension funds as % of GDP</td>
<td>0.25</td>
<td></td>
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<tr>
<td>Pension funds as % of bond market</td>
<td>0.8</td>
<td></td>
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<tr>
<td>Pension funds as % of equity market</td>
<td>0.7</td>
<td></td>
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<tr>
<td>Pension funds as % of bank lending</td>
<td>0.2</td>
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Source: United Nations Economic and Social Commission for Asia and the Pacific / Asian Development Bank

2. Status quo

China has a highly fragmented pension system, primarily confined to urban workers in the state sector and large collective enterprises. The present system operates under the regulation of State Council Document 26 issued in July 1997. This established a multi-layer retirement benefit system, composed of:

- a basic mandatory public pension system at the provincial level made up of a PAYG component funded by employer contributions (with a government subsidy in case of shortfalls) and (theoretically) fully funded individual accounts financed by combined employer and employee payroll tax

- supplementary voluntary private occupation pension schemes funded through individual accounts

- personal pension schemes based on individual savings
In addition, civil servants are covered by a separate and more generous pension system and a special voluntary old-age insurance scheme was put in place for rural workers.

Even after the reforms of 1997, the pension system in China only covers around 25% of the total urban and rural labour force and is largely limited to urban workers in the state-owned sector of the economy. Less than 50% of the total urban workforce was receiving any coverage as of 2002. Although the government has undertaken efforts to extend pension coverage to foreign funded and private enterprises as well as to individual business, the participation of private sector workers remains very low, with only 6% receiving any coverage as of 2002. In some provinces and cities, local authorities are trying to increase participation in the provincial pools by decreasing the contribution rates for private business and migrant workers, but they have so far met with only limited success due to the high cost of participation and concerns over the precarious nature of the system as a whole. The pension system for civil servants covers another 10% of the urban labour force. Rural workers are excluded from the basic pension system and rely primarily on family for support in old-age, with only 11% enrolled in the voluntary rural insurance pension scheme established by the Ministry of Civil Affairs.

**Basic pension system (social security scheme):**

The basic pension system in China is highly fragmented, largely due to institutional and regulatory segregation between rural and urban areas. Central government has left much of the interpretation, implementation and enforcement of pension reforms to the provinces, creating a wide dispersion in pension designs. In addition, the 1997 system was meant to introduce pooling at the provincial level, yet as of 2000, only 5 of the 31 provinces had achieved this objective, leaving most pensions to be pooled only at the city level (so that portability problems remain). Fragmentation also comes into the system at the enterprise level. 11 special state-owned industrial sectors (such as electricity, railway, telecom, mining and banking) manage their own operationally independent pension systems, separate from the provincial pooling system. These schemes cover 20% of the 81 million workers at state-owned enterprises (SOE).

The contribution rate to the basic pension system is generally set at 24% of payroll, with significant variations at regional and city levels as mentioned. Contributions to the provincial pools are divided into two parts: 13% paid by the enterprise is credited to the social security pool supplying PAYG benefits; the remaining 11% is financed jointly by the employer and employee (currently 6% by employer and 5% by employee) and is credited to individual accounts. Enterprise contributions should not exceed 20% of total payroll tax, whilst individual workers contribute 5% of wages. Although individual accounts are meant to be fully funded, they remain largely notional and contain no real assets as the accumulated funds are being used to pay current retirees’ unfunded liabilities. Social pools and individual accounts are publicly administered by municipal and provincial social securities bureaus as outsourcing of pension funds to independent asset managers is not authorised under the current regulation. Funds accumulated in individual accounts may be invested in government bonds or bank deposits, with only a limited level of equity investment authorised. The targeted replacement ratio is 58.5% of the local average wage, made up of 20% from the benefits provided by the public pools and 38.5% from individual accounts (after 15 years of contribution). Enterprises still perform a number of administration tasks, such as record keeping and pension payment, as well as providing other financial support to retirees, including housing and healthcare. The official retirement age is 55 for women and 60 for men. In practice, most of the workers retire even earlier, some enterprises offering early retirement for women at 40 and to men at 50.

**Civil servants scheme:**

The pension scheme covering employees in government and public institutions provide benefits that are linked directly to years of service, not to contributions. The average replacement rate for civil
servants is almost 90% of final salary, and the central government is directly responsible for all pension benefits of government employees.

Rural workers schemes:

From 1986 onwards the Chinese government started to develop a pension insurance system to cover rural areas, where 70% of total population lives. The system relies entirely on voluntary, beneficiary-financed personal retirement accounts. These rural pensions are highly unregulated and are facing important challenges due to very limited coverage (just 11% of the rural labour force participated in the scheme as of 2002), a low level of contributions and consequently a low level of benefit payments (50 or less CNY). As with individual accounts in the urban employees’ basic pension system, rural accounts are administrated and managed by local social security bureaus. In addition to the rural pension system, there are other government rural relief programs that provide financial assistance to the frail and disable elderly, but these programs are also very small.

Enterprise Annuities

Since 1991, state owned enterprises, foreign funded and private companies have been able to establish voluntary private occupational pension schemes in addition to the mandatory contributions required for the basic public pension scheme. These schemes, known as Enterprise Annuities, may be set up following a joint decision by the employer and employees, providing the employer’s contributions to the basic public pension scheme are up to date and the enterprise is financially sound. These are defined contribution pension plans with fully funded individual accounts, but no fund choice is offered to the members of the scheme. Both the employer and employees can contribute to the scheme, but employees are not required to do so. Employers can contribute up to 4% of payroll, whilst the combined company and employee contribution should not exceed one-sixth of the employees total salary expenses for the previous year. Companies are required to appoint four groups of qualified professional service providers to administrate and invest these pension funds: trustees, individual annuity account managers, custodian banks and investment managers. To manage the assets of these supplementary pensions, enterprises can select either a national financial institution or can run the funds in house. In some case, enterprise annuities programs are administrated by local social security bureaus. Schemes are allowed to invest in state treasuries, bank deposits and the domestic equity markets. A workers unit must be established which participates in the management and supervision of the supplementary scheme. Benefits should not exceed one-twelfth of the employee’s wage in the preceding year. Accumulate funds are fully portable and may be paid out in the form of a lump sum or via regular instalments when employees reach the official retirement age.

Personal pension arrangements:

In 1995 the State Council issued ‘Rules of Reforming Pension of Enterprise’s Employees’, which also encouraged individuals (aged between 12 and 50) to participate in personal pension saving schemes. Individuals have choice over the amount and timing of contributions (monthly, quarterly or one off deposits), as well as the age at which to receive benefits (currently 50, 55, 60, 65). Benefits can be received in the form of an annuity or as a lump sum.

3. Trends and expected reform measures

Over the past two decades the government of China has undertaken gradual reform of the pension system. This was mainly triggered by financial unsustainability and poor management performance of the basic pension system, combined with the problem of a rapidly aging population (given rising life expectancy and the one child policy). Initially, (during the 1980s), limited reform programs were introduced at the provincial level, with the central government encouraging provinces to test various initiatives to shift the emphasis from enterprise-based pension schemes to a social insurance type structure (including the pooling of pension costs at the regional level). During the 1990s the reform
project expanded to the introduction of a multilayer system, with individual contributions to the basic pension, voluntary occupational pension schemes and individual pension plans being introduced. Recent reforms aim to expand this multi-layer system further.

However, the new system still has problems, as evasion and high contributions mean that nearly half of urban employees are still not covered, and farmers and migrants are almost totally excluded. The new system has been hampered by taking on the liabilities of the old, so that to pay retirees from the old system local governments often use the money that should be going into personal accounts (it is estimated that these have accumulated less than a quarter of the funds they should have done). Only 6 or 7 of the 31 provincial governments are thought to have pension funds which are in the black. It is estimated that China’s current pension liabilities are equal to half of the country’s gross domestic output and amount of more than 500 billion CNY, with underfunded pensions and social security adding up to 8% of GDP. Problems also arise from the fact that the current social insurance system is highly decentralised and fragmented in terms of pension fund collection and administration, which makes it even more difficult to finance pension liabilities and to ensure consistent enforcement of pension regulations. In addition, the lack of developed capital markets restricts pension fund investment and prevents the generation of adequate rates of return.

The government has made moves to tackle these challenges. In September 2000 the National Social Security Fund (NSSF) was set up, administered by the State Council (the central government having to become involved as some provinces could not meet the transition costs of moving from the old to the new pension system). The NSSF acts as a last resort back up fund for 1st and 2nd pillar obligations, raising money from the central government budget, privatisations (10% of SOE IPO proceeds) and lottery ticket sales. During 2001, the system was tested in the Liaoning Province, an industrial region in the North East of China with a population of 40 million, which was facing particular transition problems. Targeted 1st pillar benefits were raised to 30% of local wages, with all employer contributions going to this basic pension. 2nd pillar occupational pensions were to be funded totally by employee contributions at 8%, in real assets rather than notional accounts. The government installed a computer management system to administer individual accounts, centralized the collection, management and payment of benefits, and developed a reemployment centre. Yet this experiment itself faced difficulties within a few months (SOEs could not afford the contribution levels and a lack of enforcement meant many did not participate), with funding shortfalls requiring extra government funds. Progress has been made since, with many retirees now receiving their basic pension through banks, showing that the distribution system is feasible. However, concerns remain that the NSSF is too small to provide much reassurance, particularly given that the government contributions to the fund have been cut back (from 40bn CNY in 2002 to zero in 2003) so that it is unlikely to meet its targeted size (1tn CNY by 2005-2010 vs. the current size of around 150bn CNY). In order to successfully transition to the new system, it is said that the government may need to take on the burden of the old system and transfer the administration of personal accounts to independent asset managers, allowing investment of these funds in domestic and foreign capital markets.

Civil servant and rural pensions are also expected to be reformed in the near future.

Reform measures for occupational pension schemes have been passed during 2004, focusing on the development of supplementary voluntary occupational private pension schemes. Although the new regulations contain a general outline of requirements for employers to establish voluntary enterprise annuity schemes and provides a broad framework that regulates the operation and management of corporate pension funds, more specific rules and guidelines are expected to be elaborated by the government in the near future. Current investment regulations are being revised with a view to broaden the scope of asset allocation. Plans will be able to invest up to 30% of their net assets in stocks, investment-type insurance products and equity mutual funds under the new rules. 20% of assets must remain in money-market and other liquid funds, with up to 50% allowed to be invested in corporate, convertible and other bond funds. A minimum of 20% must remain in Treasury bond holdings. The government is also working to improve the governance structure of corporate private pensions and the supervisory oversight over the system as a whole. The success of these pension
reforms is closely linked to effective restructuring within the state sector and the effective acceleration of reforms related to financial capital markets, labour market mobility, tax structures, legal system and other areas. The success of the Enterprise Annuity scheme will also depend critically on measures for tax relief provided for contributions, which are likely to vary city by city. Many tax bureaus at the regional level have indicated that tax relief will be given for schemes, but only around a dozen provinces have so far confirmed this.

II. Market Data & Opportunities

1st and 2nd pillar assets were estimated to be around 125bn CNY ($15bn) at the end 2002. The NSSF is projected to have assets worth 160bn CNY by the end of 2004, whilst recent estimates for Enterprise Annuity assets had grown to 90bn CNY. Pension assets are expected to increase at rate of 30% year and could reach $1.8tn by 2030. It is estimated that the voluntary occupational pension market will expand by 100bn CNY each year once the market mechanisms are fully launched, with tax incentives and other policy supports provided.

Given the potential size and growth rate of its asset markets, the appeal of China to foreign asset managers is clear. The Chinese are prodigious savers (c40% of disposable income), and are estimated to hold around $1bn in low interest bank accounts. Large amounts of funds are also said to be managed in the unregulated grey market in China, often by securities firms. Within the pension fund market, provincial governments currently manage 1st and 2nd pillar funds as well as some Supplementary Pension Plans. Participants and employers have no say in the investment of their pension funds, which have mostly been invested in low yielding bank deposits and treasury bonds. Only where a supplementary plan is arranged through a with-profit or unitized pension product will there be partial indirect investment in equities. Asset allocation is however, on the brink of broadening, as mentioned. The National Social Security Fund (NSSF) is leading the way in terms of overseas investment, with around US$500m – US$1bn (c5% of total assets) of funds targeted initially for investment in the Hong Kong market. Equity allocations are anticipated to rise from 5% in 2003 to 15%.

Funds are also starting to be outsourced to qualified fund management companies. Again the NSSF has set an example, appointing external managers from 2002. With China’s entry into the WTO in 2001, a number of international fund managers have established joint ventures with domestic fund managers or securities companies, with the overseas partner allowed to hold up to a 50% stake. Examples of Sino-Foreign partnerships include JP Morgan Fleming Asset Management + Hua’an Fund Management; Fortis and Hai Tong; ABN AMRO and Changsheng; State Street and Boshi. Many of these already had alliances via technical arrangements before the WTO accession (these being agreements where by the international fund manager provides training to the domestic manager on all aspects of a progressive fund management operation). Functional service providers (trustees,

1 Current asset allocation of NSSF: total assets as of October 2004 (CNY) 149.2bn; 13.6bn stocks; 114.5bn bonds; 21.1bn in other assets.

2 The first round of 6 managers chosen in late 2002 was China Southern Fund Management, Boshi Fund Management, China Asset Management, Penhua Fund Management, Changsheng Fund Management and Harvest Fund Management. They had their mandates to manage a total of 14bn CNY renewed in 2004. The second round of managers recently selected in 2004 to manage mandates of an estimated 1bn CNY are E Fund Management, China Merchants Funds, Guotai Asset Management and China International Capital Corporation. The NSSF invited 29 institutions to tender for mandates in the 2004 of outsourcing. These include 11 local fund houses, 6 Sino-foreign joint ventures and 12 local brokerages. Some surprise has been expressed at the appointment of CICC (owned 43.35% by China Construction Bank, 34.3% Morgan Stanley Dean Witter as well as Singapore and Hong Kong interests), as they are not a registered fund management company. It is not known if this will lead to more brokerages being appointed by the NSSF.
administrators, custodians, fund managers) are forming strategic alliances in order to offer a full one-stop shop to clients. However, the absence of many of the top-tier global firms amongst early entrants to China’s asset management business has been noted. Reasons given are high entry requirements (including stringent capital requirements\(^3\)), the difficulty with finding suitable partners and the dislike of the minority share ownership restriction. Until recently these joint ventures were mostly limited to the mutual fund market, but from spring 2004 fund management companies have been given the green light to access the supplementary corporate pension fund pool, though service providers are still waiting for follow-up legislation from the government detailing licensing requirements and legal obligations. Domestic and international fund management companies will be able to run occupational funds from December 2004. After a sluggish start, the fund management industry in China is said to be picking up momentum (after the passing of the asset management law in June 2004, accompanied by legislation from the CSFC regulatory body). This has made the operation of a fund management company easier, the administration process clearer etc. Media reports suggest that the independent industry pools run by sectors such as aviation, post and telecom, railways will be the first to award pension mandates to the fund management industry, whilst the power sector has taken it upon itself to establish a voluntary supplementary pension system under the recently released pilot rules. Agreements have been signed with 4 commercial banks\(^4\). Insurers, trust companies, fund managers and banks are all keen to participate in the Enterprise Annuity market, given assets are expected to grow by around 100bn CNY a year to reach 1tn CNY (US$130bn) in 10 years time. Consultants estimate that the battle for Enterprise Annuity market share is likely to have three phases: initial, intense competition between bank branches and insurance agents (both distribution channels hoping to be the 1\(^{st}\) to capture funds); a battle between administrators (with the most efficient winning out); and a final battle between fund managers, with poor performers loosing ground to those able to build up a strong track record. Activity will build up during 2005, once financial institutions start marketing their products. Currently occupational pensions still cannot pool their investments, but there may be scope in future, especially through the use of multi-employer funds.

\(^3\) To qualify as a plan trustee, an entity such as a pension management company or enterprise annuity council must have minimum registered capital of 100m CNY, and net assets of 150m CNY. Custodian banks require net assets of 5bn CNY, whilst to qualify as investment managers, full-service securities brokers must have at least 1bn CNY or registered capital and similar net assets. For mutual fund managers, trust companies and other investment firms the requirements are 100m CNY.

\(^4\) Industrial and Commercial Bank of China, China Construction Bank, Bank of China and Bank of Communications.
III. Voluntary Occupational Pension Plans

1. Regulatory Framework
2. Plan Profile
3. Institutional Framework
4. Coverage
5. Financing / Investment
6. Benefit provisions
7. Protection of Rights
8. Tax Treatment
9. Regulatory and Supervisory Authorities
1. **Regulatory Framework**

2004: “Provisional Measures on corporate pensions”: provide provisions for establishment of voluntary occupational private pension schemes, Enterprise Annuities (EA);

2004: “Provisional Measures on management of corporate pension funds”, regulates the operation and management of corporate pension funds;

2002: Draft legislation: “Trial Measures” define employer-sponsored pension plans and conditions for operation;

1995: Temporary legislation on Establishment of Corporate Annuity System;

2. **Plan Profile**

   **Plan sponsors**

Enterprise Annuities (EA) can be established on a voluntary basis by state-owned enterprises, foreign funded and private companies following a joint decision reached by employer and employees. In order to set up supplementary private pension plans, the enterprise should contribute to the public basic pension scheme and to be financially sound.

   **Types of plans**

In order to establish an EA plan, an employer must adopt a plan document that includes provisions describing eligibility, funding, administration, fund management, accounting, benefit payment options, plan management and supervisory process and circumstances under which contributions can be suspended. Plan provisions and plan changes must be approved by the employees, the plan document should be filed and confirmed by the Labour Security Department in the province. Large state owned enterprises are required to file their pension plans directly with the Ministry of Labour and Social Security.

3. **Institutional Framework**

All schemes must be established under a trust and must appoint custodian, account administrator and investment manager.

A trustee can be an EA Council composed of employer and employee representatives or a licensed, qualified external organisation. If the trustee is an EA Council, employee representatives should compose one-third of the Council members. The Council may as well include market professionals. The trustee is responsible for selection of investment manager(s); account administrator and a fund custodian. The account administrator should be licensed by the Ministry of Labour and Social Security.

In some case, enterprise annuities programs are as well being administrated by local social securities bureaus.

The workers unit should be established which will participate in managing and supervising of supplementary pension schemes.

4. **Coverage**
Include information about categories of employees covered by the plans described in section 2 (e.g. all employees, all private sector employees, employees in one particular industry etc.).

Mention if other categories of workers (public sector, self-employed etc.) are covered by specific occupational complementary pension plans which are not included in section 2. (Public sector may be mentioned here, but the specific characteristics of public sector plans will not be presented in later sections.)

The regulation or practice concerning “discrimination” in coverage should also be noted (concerning at least 4 kinds of discrimination: sex, age, categories of workers and full time/ part-time workers). Any other conditions for affiliation (e.g. contract of certain length, minimum level of earnings) should also be included.

EA covers state, foreign funded and private sector employees.

Employer can define the plan eligibility requirements (age, years of service, performance target as well as other criteria as job level and salary).

Trial employees (those who have been employed for a period less than to three to six months, depending on labour contract terms) are not eligible to become members of EA.

5. **Financing / Investment**

*Sources of funds*

**Employee contributions**

Employee contributions are permitted up to a certain ceiling.

**Employer contributions**

Employer contributions are permitted up to a certain ceiling. The employer contribution can vary based on employee age, years of service, job category and other criteria. Employer can contribute up to 4% of payroll to voluntary employer-sponsored enterprise annuities. Maximum employer contribution is limited to one month’s average wage in the preceding year.

Maximum total contribution of employer and employee should not exceed the total of two month’s average wages in the previous year.

**Other sources of funds**

*Methods of financing*

Fully funded.

*Asset management*
Assets can be managed by qualified national financial institutions or be managed in-house by a sponsoring company. Asset managers include licensed mutual fund companies; trust companies and securities companies that are authorised to manage separate accounts.

Asset may be invested in permissible investments which include bank deposits, bonds and stock with asset allocations subject to defined minimum and maximum ceilings.

Of total assets of any one constituent fund invested:

- A minimum of 20% can be invested in money market instruments;
- A minimum of 20% and a maximum of 50% can be invested in fixed income securities;
- A maximum of 30% can be invested in equities (stock and stock funds);
- A maximum of 20% can be invested in stock.

Employee investment choice is not specified by the current regulations, but may be possible.

6. **Benefit Provisions**

*Acquisition and maintenance of rights*

**Waiting period**

**Preservation, portability, transferability**

Employee contributions are fully vested. The current regulations do not specify vesting provisions for employer contributions.

Individual accounts are portable from one company to another if employee changes work. In case if employees leave their employer to continue education, join army; leave labour force or join a new employer who does not offer EA plans, they can keep their retirement accounts with their former employer’s EA or plan administrator. Employees who permanently leave China are required to withdraw their accumulated funds and close their individual retirement account.

**Retirement benefits**

**Benefit qualifying conditions**

Benefits are payable at the statutory retirement age which is currently set at 55 for women and 60 for men for white-collar employees and five years earlier for blue-collar employees), emigration or death.

**Benefit structure / formula**

Voluntary occupational private pension scheme is a defined contribution pension plan with fully funded individual accounts.

At retirement, benefits can be paid in form of a lump sum or regular payments. In case of death or permanent emigration, the account balance is payable as a lump sum.

7. **Protection of Rights**

Detailed implementation rules to be published within 2005.
8. **Tax Treatment**

Current regulations do not contain provisions as regarding the tax treatment of EA schemes. Expectations are that employer contributions up to 4% of payroll will be tax deductible and employee contributions will be post-tax. On distribution, employee will be taxed on employer contributions and investment returns.

**Taxation of employee contributions**

Detailed implementation rules to be published within 2005.

**Taxation of employer contributions**

Detailed implementation rules to be published within 2005.

**Taxation of investment income**

Detailed implementation rules to be published within 2005.

**Taxation of benefits**

Detailed implementation rules to be published within 2005.

9. **Regulatory and Supervisory Authorities**

Detailed implementation rules to be published within 2005.

IV. **Details of Voluntary Personal Private Pension Arrangements**

Individuals between the ages of 12 and 50 may contribute to a personal savings plan. Individuals have choices over the amount and timing of contributions (monthly, quarterly or one off deposits) as well as the age at which to receive benefits (50, 55, 60, and 65). Benefits can be received in the form of an annuity or a lump sum. The 1995 State Council issued ‘Rules of Reforming Pension of Enterprise’s Employees’ also included encouragement for individuals to participate in personal pension saving schemes.