

**Strategy of integrating social security system
in urban and rural context
also through the portability of social insurance**

Situation Analysis

[Topic 1.4.3]



By:

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Research Report on the Integration of Urban and Rural Pension Insurance Systems

--From the Perspective of Transfer and Continuation of Pension Insurance Interest

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I. Overview on the Pension Insurance System of China

(I) History of reform in the pension insurance system

To adapt itself to the reform of the market economic system, China started to transform its conventional pension insurance system into a multi-level one in the 1980s.

The reform started from enterprises. In 1995, the State Council issued the *Notice of the State Council on Deepening the Reform in the Pension Insurance System for Enterprise Employees (No. 6 [1995] of the State Council)* on the basis of summarizing the experience of local reform pilots, carried out the pattern that combines social pooling with personal accounts and then kept improving the pension insurance system for urban enterprise employees.

Subsequently, the State Council promulgated the *Decision of the State Council on Establishing a United Pension Insurance System for Enterprise Employees (No. 26 [1997] of the State Council)* in 1997 and the *Decision of the State Council on Improving the Pension Insurance System for Enterprise Employees (No. 38 [2005] of the State Council)* in 2005.

Years later, on the basis of summarizing the experience of local pilots of rural pension insurance system construction, the State Council issued the *Guiding Opinions of the State Council on Implementing Pilots of New Rural Social Pension Insurance (No. 32 [2009] of the State Council)* in 2009, the *Guiding Opinions of the State Council on Implementing Pilots of Social Pension Insurance for Urban and Rural Residents (No. 18 [2011] of the State Council)* in 2011, and on the basis of combining both the foregoing systems, the *Opinions of the State Council on Establishing a Unified Basic Pension Insurance System for Urban and Rural Residents (No. 8 [2014] of the State Council)* in 2014, when a unified basic pension insurance system for urban and rural residents was established across China. Furthermore, the State Council circularized the *Notice on Issuing the Plan for the Pilot Program on the Reform of the Pension Insurance System for Employees of Public Institutions (No. 10 [2008] of the State Council)* and piloted the reform in the pension insurance system for public institutions in five provinces and municipalities, such as Shanghai and Guangdong, in 2008 and in 2015, it promulgated the *Decision on the Reform of the Pension Insurance System for Employees of State Organs and Public Institutions (No. 2 [2015] of the State Council)* and started to establish the pension insurance system for the state organs and public institutions throughout China.

Basic pension insurance has gone through an orderly and classification-based reform from urban state-owned enterprises to collectively-owned and private enterprises, from employees of normal entities to flexible employees, overall employees and residents, from cities and towns to villages

and from enterprises to state organs and public institutions. At present, China has built up a basic pension insurance system that consists of the basic pension insurance system for urban enterprise employees, the pension insurance system for urban and rural residents and the pension insurance system for state organs and public institutions.

In the meantime, improvements have been witnessed in the connection among the three basic pension insurance systems, the security for the rights and interests of the insured in the floating employment and the institutional fairness. Firstly, the *Interim Measures on the Transfer and Continuation of Basic Pension Insurance Credentials for Urban Enterprise Employees (No. 66 [2009] of the State Council 办公厅)* was promulgated in 2009, providing policy basis for the transfer and continuation of basic pension insurance credentials of the trans-regional flowing employees; Secondly, the *Interim Measures for the Integration of Urban and Rural Pension Insurance Systems (No. 17 [2014] of the Ministry of Human Resources and Social Security)* was issued in 2014, with stipulations on the transfer of credentials and integration of benefits between the basic pension insurance for employees and the one for urban and rural residents; Finally, the *Decision of the State Council on the Reform of the Basic Pension Insurance System for State Organs and Public Institutions* was promulgated in 2015, defining the measures to transfer and continue the pension insurance credentials of employees flowing among state organs and public institutions. The above-mentioned laws and regulations effect the provision that “a laborer shall be entitled to social insurance benefits and after his retirement, the pensions” as specified in the *Labor Law* and the provision that “an employee shall be entitled to participate in the basic pension insurance system and enjoy the pensions according to law. When an individual is employed in a different overall planning area, his basic pension insurance credentials shall be transferred accordingly. The state shall establish and improve the new rural social pension insurance system and the social pension insurance system for urban residents” as specified in the *Social Insurance Law*.

Meanwhile, China has established the enterprise annuity system and the occupational annuity system to encourage old-age insurance by personal savings and propel the establishment of the multi-level pension insurance system.

(II) Regulations of the basic pension insurance system

1. Regulations of the three basic pension insurance systems

According to the regulations of the basic pension insurance system for urban enterprise employees, (1) Employees of enterprises of all types and flexible employees in urban areas and foreigners employed in China shall be covered. (2) The institutional pattern that combines social pooling with personal accounts shall be implemented. (3) An enterprise shall pay the pension insurance premium at 20% of its gross payroll and an individual shall pay it at 8% of his wage. (4) The pooling fund shall be composed of entity payment and fiscal subsidy and personal account shall consist of individual payment and income from investment. (5) The pensions for retirees shall consist of basic pensions, transitional pensions and pensions of the personal account. The basic monthly retirement pensions shall be 1% of the mean value of the local average monthly wage for on-post employees in

the previous year and the retiree's index-linked average monthly wage, based on which the pension insurance premium was paid, for every full year of premium payment. The monthly pensions of the personal account shall be the deposit amount of the individual account divided by the number of months of pension payment, which shall be determined according to the average life expectancy for urban populations when the employee retires, the retirement age of the employee, interest and etc. The amount of pensions shall be adjusted year by year.

The basic pension insurance system for state organs and public institutions covers the institutions administered as per the civil servant law, the state organs (institutions) administered by reference to the civil servant law, public institutions and the staff members within their authorized sizes. The measures for premiums and benefits are basically as same as those of the basic pension insurance system for urban enterprise employees, with the major difference in the deadline of deemed years of payment and the index of deemed payment.

The basic pension insurance system for urban and rural residents: (1) Coverage: Urban and rural residents who are aged 16 or above (excluding students), not staff members of state organs or public institutions and beyond the coverage of the basic pension insurance system for employees may participate in the pension insurance for urban and rural residents in the place of registered residence. (2) Payment: The fund of pension insurance for urban and rural residents is composed of individual payment, collective allowance and government subsidy. There are 12 grades of yearly individual payment standard—100 RMB, 200 RMB, 300 RMB, 400 RMB, 500 RMB, 600 RMB, 700 RMB, 800 RMB, 900 RMB, 1000 RMB, 1500 RMB and 2000 RMB. The provincial, regional and municipal people's governments may add the grades of payment according to the actual situation. In principle, the maximum payment standard shall not surpass the annual premiums paid by local flexible employees to participate in the basic pension insurance for employees. Local people's governments shall provide subsidies according to the grade of individual payment, which shall be 30-60 RMB per person every year according to the state standard. (3) Pension benefits. The benefits of pension insurance for urban and rural residents consist of basic pensions and pensions in personal account and are paid for a lifetime. Local governments may increase the benefits on the basis of the minimum basic pensions as determined by the central government. Monthly pensions from personal account shall be the entire balance of deposit in the personal account divided by 139, when the insurant starts to obtain the benefits.

2. Regulations on the connection of the three basic pension insurance systems

Classification of transfer and continuation of pension insurance interest: (1) Seen from the type of system, the pension insurance interest may be transferred and continued between any two of the basic pension insurance for urban enterprise employees, the basic pension insurance for state organs and public institutions and the basic pension insurance for urban and rural residents. (2) Seen from the overall planning area, when an insurant is employed in a different overall planning area, basic pension insurance credentials will be transferred accordingly. Where the insurant is employed in a different overall planning area and a different insurance system, pension insurance credentials will be transferred accordingly as well.

(1) Transfer and continuation of basic pension insurance credentials for urban enterprise employees

According to the regulations on the transfer of basic pension insurance credentials when an urban enterprise employees, or a migrant worker, gets employed in an urban area in a different province as specified in the *Interim Measures for the Transfer and Continuation of Basic Pension Insurance Credentials for Urban Enterprise Employees* promulgated by the Ministry of Human Resources and Social Security and the Ministry of Finance:

(1) The social insurance agency at the place where the insurance is purchased (hereinafter referred as “social insurance agency”) shall issue the insurance premium payment certificate and the basic pension insurance relation shall be transferred to the new place. When an insurant meets the conditions for obtaining the basic pension insurance benefits, the number of years when insurance premiums have been paid shall be calculated on a consolidated basis, and the amount of deposit (including principal and interest, same below) in his personal account shall be calculated on a cumulative basis. Before reaching the age for obtaining the insurance benefits, no one may terminate the basic pension insurance relation or handle the insurance withdrawal formalities.

(2) During the transfer of basic pension insurance relation, the amount of deposit in the personal account to be transferred shall be the cumulative total of the principal and interest of personal payments before January 1, 1998 and the amount to be transferred shall be the total amount of deposit in the personal account after January 1, 1998. As for the transfer of pooling funds (payments made by the employer), the amount to be transferred shall be the total amount of 12% of the actual wage based on which the insurance premium is paid in each year after January 1, 1998.

(2) Transfer and continuation of basic pension insurance relation: If the insurant returns to the place (province, autonomous region or municipality directly under the central government, same below) of his registered permanent residence for employment and insurance, the local social insurance agency shall transfer and continue his pension insurance relation without undue delay. If the insurant doesn't return to the place of his registered permanent residence for employment and insurance, the social insurance agency of the new place shall transfer and continue his pension insurance relation without undue delay. But for a male aged 50 or above or a female aged 40 or above, his/ her basic pension insurance relation shall be kept at the place where he/ she purchases the insurance and a temporary basic pension insurance payment account shall be established at the new place to record all payments made by employer and individual. When the insurant gets employed again in another province or meets the requirements for obtaining the insurance benefits at the new place, the information of all payments in the temporary pension insurance payment account shall be transferred to the place where he purchases the insurance or to the place where he obtains the benefits.

(4) When the insurant meets the requirements for obtaining insurance benefits, the place where he shall obtain the benefits shall be determined in accordance with the following regulations. If the basic pension insurance relation is at the place of his registered residence, the place of registered residence shall be responsible for going through the formalities for the insurant to obtain benefits and enjoy the basic pension insurance treatment. If the basic pension insurance relation is not at the place of his registered residence and the insurant has made the payments at the place of the basic pension insurance relation for 10 or more years, the insurance shall go through the formalities for obtaining the benefits and enjoy the local basic pension insurance treatment there. If the basic pension insurance relation is not at the place of his registered residence and the insurant has made

the payments at the place of the basic pension insurance relation for fewer than 10 years, his basic pension insurance relation shall be transferred to the previous place, where the payment has been made for 10 or more years, and the insurant shall go through the formalities for obtaining benefits and enjoy the basic pension insurance treatment there. If the basic pension insurance relation is not at the place of his registered residence and the insurant has not made the payments for 10 or more years in any place, the basic pension insurance relation and corresponding funds shall be transferred to the place of his registered residence and the insurant shall go through the formalities for obtaining benefits and enjoy the basic pension insurance treatment at the place of his registered residence.

(5) If the insurant meets the conditions for obtaining benefits after the transfer and continuation of basic pension insurance relation, his basic pensions shall be calculated according to his wage, on which the premium payment is based in each year, number of years of premium payment and the average wage of on-post employees of the place, where the insurant obtains the benefits, for each year in accordance with the *Decision of the State Council on Improving the Basic Pension Insurance System for Enterprise Employees (No. 38 [2005] of the State Council)*.

(6) Procedures for transfer and continuation of basic pension insurance relation: After the insurant establishes a basic pension insurance relation and makes the payment in the new place where he gets employed, the employer or the insurant shall submit a written application to the new social insurance agency for transferring and continuing his basic pension insurance relation. The new social insurance agency shall check the application in 15 workdays. If the insurant meets the specified conditions, the new social insurance agency shall issue an acceptance letter and provide relevant information to the social insurance agency in the original place of his basic pension insurance relation. If the insurant fails to meet the specified conditions, the new social insurance agency shall issue a written explanation to the applicant. The social insurance agency in the original place of the basic pension insurance relation shall complete the procedures of transfer and continuation in 15 workdays upon receiving the acceptance letter. Then, the new social insurance agency shall finish going through related formalities and notify timely the confirmation to the applicant in 15 workdays after receiving the basic pension insurance credentials and funds transferred from the original social insurance agency.

(7) Where a migrant worker fails to keep the payment for suspending employment or returning home, the original social insurance agency shall reserve his basic pension insurance credentials and all records of his payments and his personal account and the interest shall be accrued continually for the deposit in his personal account. Where a migrant worker keeps the payment even though he returns home and gets employed in the place where he purchases the insurance or in another urban area, the number of years of premium payment shall be calculated on a cumulative basis and the amount of deposit in his personal account shall be calculated on a consolidated basis as per the above-mentioned provisions. When he meets the conditions for obtaining insurance benefits, the migrant worker shall be entitled to the basic pension insurance treatment as same as urban employees. If the migrant worker will never get employed in the urban area, all of the records of urban insurance payments and personal account shall remain effective and according to his actual situation, the migrant worker shall be entitled to the basic pension insurance treatment for urban employees when he meets the conditions for obtaining insurance benefits or be transferred into the

new rural social pension insurance system. The establishment of the unified basic pension insurance payment information inquiry service system is accelerated and the nationwide-applicable social security card is issued to provide efficient and convenient technical service for the insurants to inquire relevant information.

(2) Integration of urban and rural pension insurance systems

According to the provisions on the integration of pension insurance relations for those who have participated in both the basic pension insurance for urban employees and the basic pension insurance for urban and rural residents as specified in the *Interim Measures for the Integration of Urban and Rural Pension Insurance Systems*:

(1) Those who have participated in the basic pension insurance for urban employees and the basic pension insurance for urban and rural residents, reached the statutory retirement age of the former and paid the premium of the former for 15 or more years (or the extended payment for 15 or more years) can apply for transferring from the basic pension insurance for urban and rural residents to the one for urban employees and obtain the benefits as per the measures on the pension insurance for urban employees. Those who have paid the premium of the pension insurance for urban employees for fewer than 15 years can apply for transferring from the pension insurance for urban employees to the one for urban and rural residents and after meeting the conditions for obtaining benefits, enjoy the treatment as per the measures on the pension insurance for urban and rural residents.

(2) The insurant who need transfer between the pension insurance for urban employees and the one for urban and rural residents shall confirm and transfer his relation of pension insurance for urban employees to the place where he should obtain the benefits in accordance with the regulations on pension insurance for urban employees and then, go through the formalities for transferring the system. If the insurant applies from transferring from the pension insurance for urban and rural residents to the one for urban employees, the application shall be submitted at the place where he should obtain the benefits of pension insurance for urban employees. If the insurant applies for transferring from the pension insurance for urban employees to the one for urban and rural residents, the application shall be submitted in the place where he should obtain the benefits of pension insurance for urban and rural residents.

(3) If the insurant transfers from the pension insurance for urban and rural residents to the one for urban employees, the deposit of the personal account of the former shall be included totally into the personal account of the latter, but the number of years of premium payment of the former shall not be included or converted into that of the latter.

ion insurance for urban employees to the one for urban and rural residents, the deposit of his personal account of the former shall be included totally into the personal account of the latter and number of years of payment of the former shall be consolidated into that of the latter.

(5) If the insurant participates in both the pension insurance for urban employees and the one for urban and rural residents in a year, the number of years of payment for the latter alone shall be validated during the period (number of months, same below) of repeated payments and the

corresponding personal payments and collective subsidies for the pension insurance for urban and rural residents for the period of repeated payments will be refunded to the insurant.

(6) The insurant shall not obtain both the benefits from the pension insurance for urban employees and those from the insurance for urban and rural residents at the same time. If the insurant does it, his relation of pension insurance for urban and rural residents will be terminated and cancelled, the balance of his personal account, except government subsidy, will be refunded, and the basic pension for urban and rural residents obtained by the insurant shall be returned. If the insurant fails to return the said basic pension, the social insurance agency shall be responsible for deducting it from the balance of his personal account of pension insurance for urban and rural residents or the basic pension from the insurance for urban employees.

(7) Transferring between urban and rural pension insurance systems, the insurant shall abide by the following procedures. At first, the insurant shall submit a written application to the social insurance agency in the place where he obtains the benefits. Then, the social insurance agency shall accept and check the application. If the insurant meets the specified conditions, the social insurance agency shall issue a contact letter and provide relevant information to the social insurance agency in the original place of his relation of pension insurance for urban employees or for urban and rural residents in 15 workdays. If the insurant fails to meet the specified conditions, the social insurance agency shall give an explanation to the applicant. The social insurance agency in the original place of his relation of pension insurance for urban employees or urban and rural residents shall finish delivering insurance payment information and transferring funds in 15 workdays upon receiving the contact letter. Finally, the social insurance agency in the place where the benefits are obtained shall finish going through related formalities and notify timely the situation to the applicant in 15 workdays after receiving the said funds.

The unified basic pension insurance payment information inquiry system is established, the nationwide social insurance credentials transfer system is improved and the popularization of the nationwide applicable social security card is accelerated to provide efficient and convenient technical support for the insureds to inquire payment information and transfer between urban and rural pension insurance systems.

(3) Transfer and continuation of pension insurance for state organs and public institutions

If the insurant flows between different state organs or public institutions under a unified range of planning, his pension insurance relation, other than the insurance fund, shall be transferred. If the insurant flows between any two overall planning areas or between a state organ or public institution or an enterprise, the deposit in his personal account for pension insurance shall be transferred along with the pension insurance relation and the fund to be transferred shall be 12% of the total of his wages, on which the payment for premium is based, for the years after the reform. If the payment for premium has been made for less than one year, the fund to be transferred shall be calculated according to the number of months of actual payment. After the transfer, the number of years of payment for basic pension insurance premium (including the deemed number of years of payment) and the amount of deposit in the personal account shall be calculated on a cumulative basis.

A specific coverage is stipulated for each system. The basic pension insurance system for urban enterprise employees covers enterprises of all types and flexible employees that get employed in

urban areas and foreigners that get employed in China. The pension insurance system for state organs and public institutions covers the entities administered as per the civil servant law, organs (institutions) administered by reference to the civil servant law, public institutions and staff members within their authorized sizes. The basic pension insurance system for urban and rural residents covers urban and rural residents who are aged 16 or above (excluding students), and are not working in state organs or public institutions and not covered by the basic pension insurance system for employees.

Due to the stipulations on the coverage of each system, the types and number of people of transfer between different systems differ from those within a system. (1) Size control and identity management are applied to the basic pension insurance system for state organs and public institutions. There are few people transferred between it and the pension insurance system for urban enterprise employees or the one for urban and rural residents, including (a) those who are employed by state organs or public institutions and are participating or participated in the basic pension insurance for urban enterprise employees or urban and rural residents; (b) those who are dismissed or discharged by state organs or public institutions and are participating in the basic pension insurance for urban enterprise employees or urban and rural residents; and (c) Officials of state organs or public institutions who are assigned to work in enterprises or officials of enterprises who are assigned to work in state organs or public institutions. When the people mentioned above flow between different overall planning areas, their pension insurance will be transferred and continued between different systems and different overall planning areas. Meanwhile, transfer and continuation among different overall planning areas and within the pension insurance system for state organs and public institutions will be involved as well—as for a small number of staff members of state organs or public institutions who are transferred between different overall planning areas under the approval of organizational and personnel departments.

(2) There will be a year-on-year increase in the number of people transferred between the basic pension insurance system for urban and rural residents and the basic pension insurance system for urban enterprise employees. According to the regulations, a resident's pension insurance relation shall not be transferred or continued unless the resident has participated in both of the said insurance systems and reached the statutory retirement age for urban employees. As the pension insurance system for urban and rural residents was established not so long ago and only some mobile workers among the urban and rural residents close to the statutory retirement age for urban employees participated in the basic pension insurance for urban employees, few people have transferred between these two systems in recent years. As the pension insurance for urban and rural residents grows older, the people transferred will increase in the future. If they flow between different overall planning areas, their insurance relations will be transferred between different systems and overall planning areas as well. But such transfer will mainly take place during migration of population and the people involved will not be too many.

(3) There are many people transferred between different overall planning areas within the basic pension insurance system for urban enterprise employees. Due to rapid urbanization, the number of migrant workers was 242.23 million, 252.78 million, 262.61 million, 268.94 million and 273.95 million and the number of outgoing migrant workers was 153.35 million, 158.63 million, 163.36 million, 166.10 million and 168.21 million every year from 2010 to 2014 in China. From 2010 to

2014, the number of migrant workers participating in the basic pension insurance for urban enterprise employees was 32.84 million, 41.40 million, 45.43 million, 48.95 million and 45.74 million, with the insurance rate being 21.4%, 26.1%, 27.8%, 29.5% and % . As the laborers can choose jobs independently in the market economic system, most migrant workers get employed in different overall planning areas, leading to a huge number of migrant workers with transferred pension insurance relations. Thanks to the enlarged coverage and the enhanced collection of premiums of pension insurance for urban employees, there will be increasingly more migrant workers participating in the basic pension insurance for urban enterprise employees and transferring and continuing pension insurance relations.

II. Achievements from Establishment of Basic Pension Insurance System

(I) Establishment of system

A basic pension insurance system with Chinese characteristics has been established.

The social insurance pattern is applied to the basic pension system in the principles of combination of fairness and efficiency and correspondence between rights and obligations. The patterns of system are unified basically. In the basic pension insurance system for urban enterprise employees and the basic pension insurance system for state organs and public institutions, social pooling and personal account are applied, pooling funds are collected and paid in cash, social mutual aid and fairness are shown; funds in the personal account are accumulated partially and owned by the owner of the account. In the pension insurance system for urban and rural residents, for no payment is from employers, the basic pensions are borne by government finance and included in current budget of government and the pensions are adjusted at regular intervals. By virtue of statutory payment and financial aid financing, the basic pension insurance is shouldered by the state, the enterprise and the individual jointly, instead of the state alone. The reform of the measures for payment of basic pensions has intensified the incentive and constraint mechanism that connects the benefits from pensions with the years and the base of payment. Furthermore, improvements are realized in the link-up of policies, the security for the rights and interests of the insurants in floating employment and the institutional fairness.

Overall planning level has been raised gradually. The level of overall planning of the basic pension insurance for urban enterprise employees has been improved step by step. In the 1990s, the county-level or municipal-level planning was applied generally. At the end of the 20th century, it was changed gradually to prefecture-level or municipal-level planning and industrial planning was handed over to local government. In 2000, the provincial-level planning was launched and in 2007, the standard of “unified system, unified payment rate, unified pension payment items, unified pension payment measures, unified fund budget management and unified insurance agency management” at the provincial level was put forward. At the end of 2009, the provincial-level planning or adjustment system for pension insurance was built up in 31 provinces and Xinjiang Production and Construction Corps and provincial/ municipal-level planning was adopted in Beijing, Shanghai, Tianjin and Shaanxi. As for the basic pension insurance for urban and rural

residents, county, prefecture or municipal-level planning is being changed into provincial-level planning. As for the basic pension insurance system for state organs and public institutions, provincial-level planning has been implemented since the reform in 2015. Where the conditions are not met, the prefecture/ municipal-level planning is carried out and provincial-level fund adjustment system is established. The level of planning is improved to unify the systems to the largest extent, enhance fairness, strengthen the fund payment capacity and reduce the transfer of pension insurance relations incurred by flows among different overall planning areas.

The management service system has been improved gradually and the capacity of service has been strengthened further. By virtue of the social insurance agencies at all levels and the banks and various fixed service agencies and on the basis of the labor security platform of communities, the social insurance management system and the service network have stretched gradually to towns and administrative villages and labor security service stations have been built up in most towns and villages of China. By the end of 2014, there had been 8031 social insurance agencies at the county level or above, with 178,598 staff members, over 190,000 basic service stations in urban sub-districts, communities, countryside villages and towns and administrative villages and over 300,000 people providing social insurance and other comprehensive public service in basic service platforms. During the Twelfth Five-Year Plan, the construction of the Golden Insurance Project has been intensified, information technology has been improved significantly, interconnectivity, basic unification of utility software and centralized management of data resources of ministries, provinces and municipalities have been promoted and the channels for information exchange among human resource and social security departments at all levels have been established basically. By the end of 2014, the networked data of basic pension insurance (for urban enterprise employees and urban and rural residents) of 747 million people had been submitted and more regions had joined the ministerial-level cross-regional service system, providing efficient means for trans-regional coordination, such as transfer of pension insurance credentials and assistance for attestation of the qualification of those living non-locally for obtaining social insurance benefits. More social security cards have been distributed and the financial capacity has been improved. By the end of 2014, 712 million pension insurance cards had been issued. Service provision has been more normative and standard. During the Twelfth Five-Year Plan, nearly 20 social insurance standards have been issued, the pension insurance service regulations have been refined and regional standards have been promulgated in Beijing, Shanghai, Shaanxi, Zhuhai of Guangdong, Suzhou of Jiangsu and etc. Hence, technical platforms and convenience have been offered for the masses to access the services of social insurance.

(II) Operation of system

The mass retirees (the aged) have had full access to the achievements of social and economic development, thanks to the three basic pension insurance systems with steady operation, large coverage, huge flow of capital and stable increase in benefits.

In relation to the basic pension insurance for urban enterprise employees, the number of insurants (including some of the insured staff members of state organs and public institutions) in 2014 was 341.24 million, an increase of 19.06 million, namely 5.9%, over the previous year; the gross funds

collected and paid reached 4706.5 billion RMB, an increase of 591.5 billion RMB, namely 14.4%, over the previous year; total income from funds was 2531.0 billion RMB, total expenditure on funds was 2175.5 billion RMB and accumulative total of balance was 3180.0 billion RMB. The State Council has raised the basic pension for enterprise retirees by 10% averagely for the 10th year since 2005. In 2014, the per capita pension was 2061 RMB (4664 RMB for honored retirees), 190% higher than that during the first adjustment in 2005. The pension replacement rate was 67.5%, 1.5 percentage points more than the previous year and basically equivalent to that in 2010 (67.5%). The required number of years of payment for the basic pension insurance for urban enterprise employees is 15 or bigger while the number of years of work is from 30 to 40. Due to the insufficient publicity of policy, the insurants believe they may stop the payment after having made it for 15 years and the flexible employees, who shall pay 20% of the social average wages as premiums, usually stop it after 15 years of payment. As the interest rate of personal accounts is generally lower, from 2.5% to 5%, in all overall planning areas, more powerful cost-benefit incentives are needed to promote the payment after 15 years.

In relation to the basic pension insurance for urban and rural residents: the number of insurants in 2014 was 501.07 million, an increase of 398.30 million over the year 2010, with an annual average increase of 48.6%. Among them, the number of insurants aged below 60 was 353.66 million, accounting for 70.6%. The income from funds was 231.0 billion RMB, an increase of 185.7 billion RMB compared to 2010, with an annual average growth of 50.2%. The expenditure on funds was 157.1 billion RMB, an increase of 137.1 billion RMB over 2010, with an annual average growth of 67.3%. The accumulative total of balance was 384.5 billion RMB, an increase of 342.2 billion RMB compared to 2010, with an annual average growth of 73.6%. The monthly per capita pension for those obtaining insurance benefits was 90 RMB, of which the basic pension subsidy from the central finance had been increased from 55 RMB to 70 RMB.

The basic pension insurance system for state organs and public institutions is being reformed. State organs and public institutions, except those participating in the pension insurance system for urban employees, are under the transition to a new system. In 2012, the number of on-post employees was 31.44 million and 8.21 million, the number of retirees was 11.60 million and 3.82 million and the average monthly retirement pension was 3284 RMB and 3645 RMB respectively in state organs and public institutions. It is estimated that by the end of 2014, the number of on-post employees be 40.00 million, the number of retirees be about 16.00 million and the average monthly retirement pension be around 4000 RMB in state organs and public institutions.

(III) Gradually standardized transfer and continuation of pension insurance

1. Transfer and continuation of pension insurance for urban enterprise employees

The trans-provincial transfer and continuation of basic pension insurance have been carried forward orderly and steadily since the implementation of the measures on the transfer and continuation of basic pension insurance credentials for urban enterprise employees. **At first, more people have transferred and continued their insurance credentials between different provinces.** The person-times of transfer increased from 287,000 in 2010 to 1.56 million in 2013, an increase of 3.788 million person-times totally, accounting for a higher percentage. In 2012, 305,000 person-

times of migrant workers transferred their basic pension insurance credentials between different provinces, accounting for 26.6% of the trans-provincial transfer and continuation of China, which was then improved to 25.7% in 2013. Regional characteristics have been witnessed: 74.6% of the trans-provincial transfer and continuation took place in Guangdong, Jiangsu, Henan, Zhejiang, Sichuan, Beijing, Hubei, Anhui, Jiangxi, Fujian, Shanghai and Hunan. Accumulatively, 5.604 million person-times of transfer and continuation of pension insurance have been completed since 2010. **Furthermore, a huge scale of fund has been transferred.** 93.12 billion RMB has been transferred accumulatively since 2010. In 2013, the trans-provincial transferred fund reached 26.81 billion RMB, of which 14.96 billion RMB was pooling fund and 11.85 billion RMB was funds of personal accounts. **Additionally, the completion rate of transfer has been raised year on year,** from 35% in 2010 to 93.62% in 2012. **Finally, the operation management service system has taken its initial shape and the trans-regional transfer system has started to work.**

To implement the document No. 66 completely, the Ministry of Human Resources and Social Security has issued a series of specific procedures and regulations on transfer and continuation, unified and normalized the information sheets and essential data and enhanced the foundation of agency management. Besides, it has intensified the communication among local agencies, promoted the construction of social insurance information system throughout China and issued a group of documents on system construction, information technology standards and data interface codes and in November, 2010, started to use the “social insurance credentials transfer system” (hereinafter referred to as trans-regional transfer system), requiring local governments to finish transforming their service systems and joining the ministerial-level trans-regional transfer system within the prescribed time. By May 31, 2014, 30 provinces had officially joined the national transfer and continuation network platform and 310 prefecture-level cities and 2491 agencies had been allowed to provide service through the unified transfer and continuation platform of the information system. Increasingly more services have been provided through the network platform. By the end of 2013, the services provided online through the system had accounted for one third of the actual transfer services of China, of which the collected contact letters accounted for 41.2% and the sent received information sheets accounted for 19.1%. A significant increase has been witnessed in the services of system application and a normal mechanism where pension insurance credentials are transferred through the system has been formed in more regions.

2. Integration of urban and rural pension insurance systems

The measures on the integration of urban and rural pension insurance systems stipulate on the transfer and continuation between the basic pension insurance for urban enterprise employees and the basic pension insurance for urban and rural residents and thereby have secured the rights and interests to pensions of migrant workers who spend years away from hometown and participate in the basic pension insurance system for urban enterprise employees. From July to December, 2014, 112,000 people transferred from the pension insurance for urban and rural residents to the one for urban employees and most of them are migrant workers who had long got employed and insured away from hometown and paid the premiums for 15 or more years, as required by the pension insurance for urban enterprise employees; 43,400 people transferred from pension insurance for urban employees to the one for urban and rural residents and most of them are migrant workers who

had got employed and insured away from hometown for a short time and paid for the basic pension insurance for urban enterprise employees for fewer than 15 years and can enjoy the pension insurance benefits instantly after being transferred into the pension insurance for urban and rural residents.

III. Problems Confronting the Development of Basic Pension Insurance System

(I) The pension insurance system is to be improved.

At present, China's basic pension insurance system is classified into the basic pension insurance system for urban enterprise employees, the basic pension insurance system for state organs and public institutions and the basic pension insurance system for urban and rural residents according to the types of jobs and employers. On the one hand, the social insurance system is a product of economic development, industrialization and urbanization. The basic pension insurance system for urban enterprise employees and the basic pension insurance system for state organs and public institutions of China are derived from its traditional pension system and develop gradually in consistence with the reform of state-owned enterprises, management of civil servants and reform of public institutions during the reform of the market economic system. The above-mentioned systems are established respectively on the basis of the different employment systems, income distribution systems and reform time of employers of different types and in consideration of the system connection and smooth transition of benefits for retirees before and after the reform. On the other hand, as China's economic development level is not so high and urban and rural residents have no employer to pay the premiums for them, they have to follow the pattern of basic pension at a lower level and personal account.

From the perspective of development, the basic pension systems for urban enterprise employees, for state organs and public institutions and for urban and rural residents are still bothered by the following defects: (1) Though they are all employed groups, the staff members of urban enterprises and those of state organs and public institutions are included into different pension insurance systems, leading to the starting unfairness of the system. Besides, when an employee flows between two entities of different categories and need transfer and continue pension insurance credentials, difference will be incurred in the retirement benefits and operation management will get more expensive; (2) The social insurance system follows the principle of correspondence between rights and obligations, which means on the whole that the income of the employed groups should be higher than that of the unemployed groups. It is reasonable to establish the said systems on the basis of employment or not. However, there are also some urban and rural residents with higher household income are willing to participate in and capable to pay the premiums for the pension insurance for urban employees. In the present system, urban and rural residents are restricted to do so, leading to the unfairness in the starting of insurance. The foregoing problems are to be solved through the integration of urban and rural systems.

(II) The overall planning level of pension insurance is low.

Up to now, provincial-level planning, where the funds of basic pension insurance for urban enterprise employees are charged and paid uniformly, has been realized in several provinces only, such as Shaanxi and Jilin, while the pattern of budget management and fund adjustment is still applied in most regions. Local governments are still confronted with such problems as imbalanced funds and imbalanced financial burden. At the end of 2012, a surplus of over 100 billion RMB of basic pension insurance funds for enterprise employees and a bigger imbalance in the distribution of basic pension insurance funds were witnessed in Guangdong, Jiangsu, Zhejiang, Shandong and other provinces with developed economy and huge labor input. Among them, Guangdong had a surplus of 363.7 billion RMB, Jiangsu, Zhejiang and Shandong over 150.0 billion RMB, Tibet only 2.5 billion RMB, and Hainan, Qinghai, Xinjiang and other provinces or planning entities less than 10.0 billion RMB. As the nationwide planning has not been realized, funds cannot aid one another and enterprises in different regions are faced with unfair investment environment and competition due to the different rates. In 2012, the average rate of Tibet, Shanghai, Jiangsu, Liaoning and Heilongjiang was bigger than 20% and that of Sichuan, Chongqing, Shandong, Fujian and Zhejiang was smaller than 20%, the highest rate of Tibet was 23%, the lowest rate of Guangdong was 12%, the rate of Zhejiang was 13% and that of Fujian was 16%. Imbalance in regional economic development results in the huge gaps in payments and pensions of provinces and municipalities. For instance, the highest monthly average payment base is 4195 RMB in Tibet, followed by 4054 RMB in Beijing, while the lowest one is 1773 RMB in Fujian. The highest monthly average pension for retirees is 2853 RMB in Tibet, followed by 2566 RMB in Beijing while the lowest one is 1332 RMB in Jiangxi. All of these make the nationwide planning more difficult. The economic development of regions differs from one another, even in Guangdong and other provinces with developed economy. So they have surmounted numerous difficulties to establish provincial-level budget management. Besides, the vast number of planning entities increases the cost and workload of transfer and continuation of insurance credentials.

Presently, most basic pension systems for urban and rural residents are planned at the county level or the prefecture or municipal level. In the design of system, more autonomous rights regarding basic pensions and individual payments are granted to local governments.

Besides, regions differ greatly from one another in economic development. So, there are distinct differences in the basic pensions and individual payments for residents of different regions. For instance, in 2014, the per capita monthly basic pension of residents was 580 RMB in Beijing and merely 75 RMB in the underdeveloped provinces in western China. The gaps among pensions should be controlled reasonably and the overall planning level should be improved according to the gaps in regional economic development and the living needs of residents.

The reform of state organs and public institutions is being carried out. As local finance operates separately from the central finance and the financial resources are not corresponding to the powers of office.

(III) Policies on pension insurance transfer and continuation are to be improved.

The flow of labor force between urban areas and rural areas and among regions is a major feature of market economy and economic globalization. Presently, there are over 10 million rural people

getting employed or settled in urban areas and millions of migrant workers flowing frequently between urban areas and rural areas every year in China. The flow will continue for decades until the completion of urbanization. At present, China is still suffering from such problems as imbalanced interest in transfer and continuation, onerous formalities and high cost in connection.

Implementation of the policies on the transfer and continuation of pension insurance for urban enterprise employees is under the influence of the non-uniform local regulations. For instance, should the deemed years of payment as specified in the document No. 66 start “before the implementation of the individual payment system” or “before the establishment of the personal account”? Should the amount of payments prior to the establishment of the personal account be transferred or not? Should the total of interest of personal account sealed be distributed into each year or not? In some provinces and municipalities, individual quota payment was applied, without any record of payment base, before December 31, 1997, inconsistent with the provisions on payment base as specified in the document No. 66. Besides, should the places where the insurant should obtain benefits be placed in sequence or coordinately, according to the document No. 66? How to continue the pension insurance credentials when an entity is transformed as a whole? According to applicable policies, the accumulative total of 8% of personal account and 12% of pooling fund of pension insurance shall be transferred in the flow of employees and the rest shall be left to developed regions. Therefore, the transfer of pension insurance credentials is to the disadvantage of the fund balance of the destination, where the fund transferred in is much lower than the pension to be paid. In addition, it goes as well against the fund balance of the places providing higher benefits. With regard to the individuals who flow into regions with developed economy and higher pensions, their retirement pensions will be higher than those in economically undeveloped areas and they will benefit from the transfer. Particularly, employees who have paid the premiums for fewer years will benefit more from the transfer if the minimum pension standard is set up in developed regions.

According to the measures in force for the time being with regard to the integration of urban and rural pension insurance systems, (1) the insurants who transfer from the pension insurance for urban and rural residents to the pension insurance for urban employees will lose the qualification to obtain the basic pensions from the pension insurance for urban and rural residents and also have their years of payment for the same insurance decreased. It is to the disadvantage of the insurance of residents in rural-urban continuums, for most of them will become land-lost farmers or get employed in urban areas and to purchase pension insurance for urban and rural residents will not bring about insurance benefits and can be supplemented by increasing the payments for pension insurance for urban employees in the future; (2) When transferring from the pension insurance for urban employees to the one for urban and rural residents, the insurants are exchanging some pooling fund payments for pension insurance for urban employees and high basic pensions for lower basic pensions for urban and rural residents. In principle, the foregoing regulations are to encourage insurants to transfer from the pension insurance for urban and rural residents, with lower benefits, to the pension insurance for urban employees, with higher benefits. However, there are still defects in the policies.

With regard to the transfer and continuation of pension insurance between state organs and public institutions and enterprises, the measures supporting the reform of the pension insurance for state organs and public institutions should be taken into account to improve the measures on the

trans-overall planning area transfer of staff members from state organs and public institutions to the pension insurance for enterprise employees and realize the simultaneous transfer of fiscal subsidy during the deemed years of payment, with the aim of avoiding the disputes among regions incurred by the non-equivalence between powers and responsibilities.

(IV) Operation management capacity is to be improved.

Despite of its significant progress, the construction of pension insurance operation management service system is still left far behind the institutional improvement and the needs of the masses. There are still prominent contradictions and problems regarding the system and mechanism of operation management service.

Firstly, the management system is not smooth. The division of powers and responsibilities for social security between the central government and local governments at all levels is to be improved. The setup of social insurance agencies should be planned uniformly and scientifically and their names should be unified. The abundant branches of pension insurance agencies are to the disadvantage of reasonable utilization of administrative resources and make it inconvenient for the masses to handle affairs regarding social insurance.

Secondly, service security capability is inadequate explicitly. With the growing coverage of pension insurance, the objects and contents of service are increasingly more, accompanied by the prominent conflicts in the adequate staff members of agencies and supply of funds and the overload work of staff members. Surveys indicate in Hunan Province, the average number of basic-level platform staff (of whom 30% are part-time workers) for each town is 2.07, with each providing employment, social security and other human resources and pension insurance services for over 6180 registered people (over 5730 permanent residents), the ratio between staff members of social insurance agencies and the objects of service is as high as 1:25,000 and the conflict between increased services and unchanged staff members is increasingly prominent. For many basic-level social insurance agencies, the normal work expenditure can be hardly ensured, let alone the reward and punishment mechanism for payment expansion.

Thirdly, infrastructure is inadequate. Some social insurance agencies have no specific sites to provide service and the existing sites are small and less functional. Especially in the basic-level agencies in some regions in Midwest China, there are no sites, agencies and staff members to provide social insurance service. The lagged construction of basic public service platforms for social security can hardly meet the demand of actual work.

Finally, the transfer and continuation is to be normalized and its efficiency is to be raised. For instance, when a fund is transferred for several people or several funds are transferred for one people, the social insurance agency of the destination cannot confirm whether a fund of a specific insurant has arrived after receiving the information sheet from the place where the insurance is purchased. In remote areas short of financial facilities, the social insurance agencies cannot transfer all funds through bank and thus make the transfer in cash sometimes. No unified measures are formulated to deal with the errors in transfer, the coordination among inter-provincial social insurance agencies is to be improved, and service information is not connected with financial information in time. Some regions are suffering from high pressure of fund balance and no

accumulation of funds, so when an employee flows out, the pooling payment and individual payment of both current year and past years are transferred out, which imposes huge pressure of current fund payment on local agencies and make them less active about transfer-out. However, in economically developed areas with higher pensions, the transfer-in of females close to 40 and males close to 50 will increase the future payment pressure of local funds and thus is discouraged subjectively. The handling of transfer and continuation is less efficient. Seen from the regions surveyed, the time spent on trans-provincial transfer surpasses the prescribed time, though it has been reduced from 124 days in 2010 to 95 days in 2013 in average. Seen from financial cost, the average cost for the trans-provincial transfer of a person is less than 10 RMB and 1-5 phone contacts are made, 1.1-1.2 letters are sent and 8-10 documents are printed. As the communication among social insurance agencies is not unblocked and the phone numbers in the payment vouchers and information sheets issued by many agencies are invalid, the time-consuming transfer assistance letters alone can be adopted.

(V) Information construction is left behind operational need.

Information technology is left behind the need of improvement in the pension insurance system. Firstly, the operation management information system for every basic pension insurance systems is established independently, so the information can hardly be shared fully, in real time and accurately, which is inconvenient for the unified management of basic pension insurance services and effective prevention of repeated and ignored insurance and leads to wasting of resources. According to the two questionnaire surveys conducted by the Ministry of Human Resources and Social Security, the employees who are registered as agricultural populations and participate in two pension insurances account for 9.5% and those who are registered as non-agricultural populations and participate in two pension insurances account for 5%. Secondly, the information network platform construction is to be improved. Some underdeveloped regions and some basic-level communities and villages are not covered by network and manual operation is adopted mainly in some areas. Thirdly, the software system of the management information system is to be improved. Computer-based management has not been realized for all services, some functions of the existing management systems are to be improved and the quality of the data in the systems is to be enhanced. Among the historical data of the information systems of some regions, there are much incomplete and incorrect data, hindering the provision of service. Fourthly, the running information construction is left behind the rapidly growing operational need. The computers equipped for the basic-level social insurance agencies of many remote areas are aged generally and the service systems are outdated, imposing strong impacts on the efficiency of service. Finally, though widely issued, social insurance cards are not applied comprehensively and banking networking is not realized in some regions.

The defective information system platform is unable to support effectively the population flow and timely exchange and sharing of information across China. Firstly, most information is delivered manually and the information system doesn't work fully. Due to the lack of a real-time information exchange platform, insurance credentials are still transferred by sending and receiving letters, packing and unpacking documents and reviewing and auditing data manually, which takes a large amount of time and effort, incurs errors easily and reduces the efficiency and quality of work.

Secondly, because of the inconformity in formats and the systematic differences, the information transferred can hardly be entered into the ministerial-level trans-regional transfer systems. Thirdly, the trans-provincial transfer and continuation system is to be improved. For instance, the systems of some regions are less compatible and operate unsteadily and slowly. The computers in a same place cannot be logged in at the same time. Finally, the transfer information platform is used at a lower rate. Manual operation and information technology are applied jointly. Exchange of paper materials serves as the major method for trans-provincial transfer and continuation, incurring huge workload in sending paper notes and longer waiting periods. Social insurance information management systems differ from one another and the information management methods are outdated and operations are not normative in some regions, due to which the information in the transfer information sheets is incomplete, data is of poor quality and basic work is not sturdy.

IV. Policy Proposals for the Integration of Basic Pension Insurance Systems

(I) Overall thinking

Efforts should be made to implement the spirits of the Eighteenth National People's Congress and the Second, Third and Fourth Plenary Sessions of the Eighteenth Communist Party of China Central Committee, follow the overall requirements of comprehensive deepening of reform and comprehensive ruling by law, center on the overall objectives of building comprehensively a moderately prosperous society, adhere to the principles of nationwide coverage, basic security, and multilevel and sustainable development, focus on improving fairness, adapt to mobility and securing sustainability, advance the multilevel construction of pension insurance system, further integrate and improve the basic pension insurance system, improve the measures on pension insurance transfer and continuation, raise the overall planning level, enhance agency capacity building and establish a nationally unified pension insurance information system.

(II) Integrate basic pension insurance systems further

Efforts should be made to integrate the basic pension insurance system for urban enterprise employees and the pension insurance system for state organs and public institutions into a unified basic pension insurance system for urban employees, promote institutional fairness and remove the barriers between the said two pension insurance systems.

Basic assumptions: The staff members of urban state organs and public institutions, flexible employees and foreigners who get employed in China should be covered; The institutional pattern that combines "social pooling and personal account" should be implemented; Employers should pay 20% of the overall wage and individuals shall pay 8% of personal wage as pension insurance premium; The pooling fund should be composed of employer payment and fiscal subsidy and the personal account should be made up of individual payment and investment income; The pension for retirees should consist of basic pension, transitional pension and pension of personal account. The basic monthly pension for retirement should be 1% of the mean value of the local monthly average wage of on-post employees in the previous year and the personal index-based monthly average wage, on which the payment of premium is based, for every full year of payment. The monthly

pension of personal account should be the amount of deposit in personal account divided by the number of months of pension payment, which is determined according to the average life expectancy of urban populations at the retirement, the retirement age of the individual and the interest. The amount of pension should be adjusted year on year.

The measures on payment of transitional pensions as specified in the pension insurance system for state organs and public institutions and the pension insurance system for enterprise employees should remain unchanged.

The payments of staff members and the pensions of retirees of state organs and public institutions and enterprises (including flexible employees and contracted employees of state organs and public institutions) should be accounted independently in order to prevent the funds of pension insurance for state organs and public institutions from embezzling or occupying the surplus of funds of pension insurance for urban enterprise employees and to divide reasonably the payment and supplementation responsibilities of finance in the operation and management of pension insurance system for state organs and public institutions.

(III) Improve the policies regarding basic pension insurance

According to the *Social Insurance Law*, the government shall bear the basic pension insurance premiums payable during the deemed period of payment and the cost for transition of basic pension insurance for urban enterprise employees and state organs and public institutions shall be raised through various channels to facilitate institutional fairness. Efforts should be made to improve personal account policies and raise the interest for personal account to attract long-term individual payments. Besides, pension adjustment mechanism should be improved and the factor of payment years should be taken into consideration to make the insureds more active about constant payment. Age of retirement and the minimum number of payment years for obtaining pensions should be raised gradually. In addition, the following improvements should be made.

1. Promulgate policies to encourage urban and rural residents to voluntarily participate in the basic pension insurance for urban enterprise employees

Policies should be promulgated to encourage urban and rural residents to voluntarily participate in the basic pension insurance for urban enterprise employees. Urban and rural residents should be allowed to choose the basic pension insurance for urban employees according to their personal and household income and bearing capacity in the identity of flexible employees and to enjoy the fiscal subsidy for individual payment as per the policies on basic pension insurance for urban and rural residents.

2. Improve the policies on the integration of urban and rural pension insurance systems

Efforts should be made to safeguard the pension insurance interest of migrant workers and other employees flowing between urban and rural areas and improve the policies for connecting the basic pension insurance for urban enterprise employees and the basic pension insurance for urban and rural residents in the principle of fairness and convenience. Besides, the *Interim Measures on the Integration of Urban and Rural Pension Insurance Systems* should be adjusted. As for the people who participate in both the said insurance systems and have reached the statutory retirement age for

the pension insurance for urban employees: (1) If the insurant has paid the premium for the pension insurance for urban employees for 15 or more years (or the extended payment reaches 15 years) and transfers from the basic pension insurance for urban and rural residents to the basic pension insurance for urban employees, the deposit of personal account should be calculated on a consolidated basis and the number of years of payment for pension insurance for urban and rural residents should not be calculated on a cumulative basis; or the deposit of the personal account for the basic pension insurance for urban and rural residents may be converted, according to payments of flexible employees over the years, into the number of years of payment for pension insurance for urban employees and the personal account may be included into pooling fund and personal account respectively; or the pooling payments may be supplemented according to the insurance payment standard for flexible employees and the number of years of payment for pension insurance for urban and rural residents may be calculated on a consolidated basis. Pension should be paid according to the policies on the basic pension insurance for urban employees.

(2) If insurant has paid the premium of the basic pension insurance for urban employees for fewer than 15 years, the insurant may apply for transferring from the basic pension insurance for urban employees into the basic pension insurance for urban and rural residents, the entire deposit of the personal account for pension insurance for urban employees and 12% of employer payment over the years and its interest should be included into the personal account of pension insurance for urban and rural residents, the number of years of payment for pension insurance for urban employees should be converted on a consolidated basis into the number of years of payment for pension insurance for urban and rural residents. After meeting the conditions for obtaining the benefits of pension insurance for urban and rural residents, the insurant should obtain the benefits as per the measures on the pension insurance for urban and rural residents. If having paid the premium of pension insurance for urban employees for fewer than 15 years, the insurant may also convert the entire deposit in the personal account of pension insurance for urban and rural residents into the number of years of payment for pension insurance for urban employees according to the payment of a flexible employee over the years; or supplement the pooling payment according to the payment of a flexible employee over the years and calculate the number of years of payment of pension insurance for urban and rural residents on a consolidated basis. If the cumulative number of years of payment is smaller than 15, the payment can be extended for 5 or fewer years. If it is still smaller than 15 after the payment is extended for 5 years, the residual payment may be supplemented in a lump sum.

3. Improve the policies on transfer and continuation of credentials of basic pension insurance for urban employees

At first, the deemed years of payment should be normalized and defined further, the refund and disposal of repeated payments should be normalized and the measures on disposal of temporary payment accounts should be improved. Furthermore, in the transfer of funds, the accounts should consist with the actual funds and information flows should synchronize with fund flows. One fund should be transferred or a person and one fund for several people or one people with several funds should be avoided. Pooling fund should be transferred along with personal account. Finally, the measures on delayed payment, supplemented payment and prepayment should be improved.

Migrant workers who get employed in urban areas, native or not, should be allowed to participate in the pension insurance according to the policies applicable to individual business owners and flexible employees. After cancelling or terminating the labor relationship with their employers, the insurants should be allowed to continue paying insurance premiums as flexible employees and participate in the pension insurance for urban enterprise employees in the principle of free will.

(IV) Rise the overall planning level of basic pension insurance

Nationwide planning is the statutory objective as specified in the social insurance law as well as the objective need for building a unified labor force market, narrowing the gap of economic and social development among regions and equalizing public service. It can remove the problems regarding the pension insurance relation transfer and interest security of employees flowing among different regions and improve the bearing capacity and usage rate of funds.

Basic pensions of basic pension insurance for urban employees should be planned as a whole in China. Efforts should be made to divide reasonably the responsibilities between the central government and the local governments and classify the present basic pensions into national basic pension and regional additional pension. The national basic pension should consist of the fund raised by the central government according to the number of on-post employees of each province and the unified payment standards and the central government subsidy and be paid according to unified standards and the number of retirees of each province. The central finance should be responsible for the supplementation and the central government should control the budget of basic pensions. Regarding regional additional pension, local governments should raise the funds and pay and adjust the benefits and local finance should be responsible for the supplementation. The powers of office and finance of the central government and the local governments should be defined and the central government and the local governments should support jointly the steady operation of pension insurance systems and funds.

The overall planning level of basic pension insurance for urban and rural residents should be raised gradually. On the basis of promoting provincial planning, efforts should be made to realize national planning. At first, efforts should be made to facilitate the provincially unified management of basic pension insurance funds for urban and rural residents, centralize the data of the province, provide social insurance service locally, conduct supervision at provincial and municipal levels and realize provincially unified management of personal account funds. Then, efforts should be made to unify the levels of basic pensions and personal account subsidies gradually within every province, propel the nationally centralized management of basic pension insurance funds for urban and rural residents, centralize all data, provide social insurance service in every prescribed region, conduct supervision and central and provincial levels and realize nationally unified management of personal account funds.

(V) Improve the capacity of pension insurance operation management service

Pension insurance operation management regulations should be sorted and operation service resources should be integrated. Efforts should be made to integrate gradually the basic pension

insurance for urban enterprise employees, the basic pension insurance for state organs and public institutions and the basic pension insurance for urban and rural residents into one organization for management, steadily facilitate the vertical management of pension insurance and provide support for the integration of basic pension insurance systems and the raising of planning level. Active attempts should be made to administer vertically the pension insurance agencies below the provincial level and improve gradually relevant administrative measures as per the *Social Insurance Law* and in the principles of “safety, effectiveness and authoritativeness”. Furthermore, efforts should be made to start with the vertical management of service where the vertical management conditions are not met. First, the authority of administering the pension insurance funds and service data should be improved to the provincial level and the unified dispatching of funds and centralized management of data should be strengthened. Then, the vertical management at the provincial level should be promoted in due time.

The construction of basic-level public service platforms should be enhanced. Full play should be given to the governments and the society and efforts should be made to integrate and utilize the network and service resources of basic-level service organizations and social service institutions, establish employment and social insurance service platforms in all sub-districts, villages and towns of China, strive to set up employment and social insurance service stations in all communities and administrative villages and implement the social insurance assistant system generally in administrative villages; and improve the operation management service network with the focus on cities (including counties and districts) and on the basis of sub-districts (towns), communities (administrative villages) and other basic-level service network stations.

The standardization and normalization of pension insurance service agencies should be facilitated and the agency service for transfer and continuation of urban and rural pension insurance should be normalized. On the one hand, efforts should be made to reinforce further the foundation of the agency service, normalize the records of pension insurance interest, sort the archives of insureds and ensure the completeness and consistency of information. On the other hand, efforts should be made to establish provincial-level transfer and continuation service centers, transfer pension insurance credentials from a province to another. Problems of a province should be solved within it.

Efforts should be made to enhance social insurance supervision, normalize the purchase of insurance and encourage migrant workers to participate in pension insurance.

(VI) Strengthen the promotion of information technology

While the policies on the integration are improved, the nationally unified pension insurance information system should be advanced to realize electronic transfer and continuation.

Firstly, such infrastructure as the “Golden Insurance Project” should be promoted and utilized proactively, the construction of the national unified information system should be accelerated, the standards on pension insurance service data should be unified, the data should be sorted and a feasible data sharing mechanism should be formulated. Besides, social insurance card management should be realized, social insurance cards should be distributed to all objects of service and the multi-functional and generally used social insurance cards, through which the insureds can pay the premiums, inquire the payment information and obtain insurance benefits, should be popularized. In

addition, basic standards for “electronic social insurance” service should be formulated, the whole-people insurance registration system and the national service system for online inquiry of records of individual rights and interests as well as the trans-provincial pension insurance transfer and continuation system and the trans-regional pension insurance management system should be established. The function of comparing the trans-system repeated payments should be added to the information system. Secondly, promotion of regional access to network should be accelerated and the nationwide network for trans-provincial transfer and continuation should be realized as soon as possible. Thirdly, the application of the transfer and continuation information system should be propelled further and local service systems and trans-regional transfer systems should be connected closely to ensure service operation. Fourthly, existing functions of the system should be improved and functional defects should be rectified. Finally, intensified trainings should be provided to the staff members of social insurance agencies to have them familiar with the functions and operation of the transfer and continuation information platform.

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