



Social Protection Reform Project
中国欧盟社会保护改革项目
Component 1

REPORT ON A PANEL DISCUSSION MEETING
- TOPICS 1.1.1, 1.3.2, 1.3.4 -
HELD ON TUESDAY, 28 JULY 2015
IN CHINA PALACE HOTEL, BEIJING

1. Some 25 participants attended the meeting – see list attached as Annex I – which was chaired by Ms. Ji Ning, Counsel, NDRC Department of Employment and Income Distribution, Project Leader for Component 1. The programme of the meeting is attached as Annex II.
2. The meeting started with welcome speeches by Ms. Ji Ning from NDRC and Mr. Lars Gronvald on behalf of the EU delegation.
3. Ms. Ji Ning noted that after 30 years of experimentation and implementation, China's social security system had made great progress. It has formed a pension system both for urban workers and for urban and rural residents. But operation of the system also encountered problems and contradictions. Which model was the best for the most populous country in the world? How to operate the system in a healthy way? What international experience is more adapted to China's national conditions? These were all the questions we needed to answer. We chose three topics for this first round of work, namely the preparation for the XIIIth Five-Years Plan, the combination between social pooling and individual accounts, the design of a multi-tier pension system with research entrusted respectively to Mr. Tan, Mr. Song and Mr. Dong. Ms. Ji Ning hoped NDRC would get inspiration and gain more knowledge from the papers, the European experience expressed during the meeting and discussions among participants.
4. Mr. Lars Gronvald hoped everyone would benefit from this panel discussion. This discussion would help us to understand the EU experience. With the development of China's "new normal" economy the EU might make an even greater technical contribution to China. Our previous project was in 2011, but today's project was more complex and deeper. Mr. Gronvald stressed that today's discussion was very far reaching, which was a very good sign. Getting help by European experts will hopefully be very useful for the Chinese research. At the end of this year or early next year there would be a larger workshop to confirm future trends in reform. It is expected that the results achieved under the project framework by NDRC will be shared and discussed openly and thoroughly with all other interested partners. Mr. Gronvald expressed thanks to NDRC, the Chinese experts, the EU experts, and hoped to continue to participate in such meetings as part of the project future activities.

5. Mr. Tan Zhonghe presented his report about the development of China's Old-age Insurance for the 13th Five Year Plan period. From the onset of the 12th Five Year Plan period, a social security system covering urban and rural residents has been tentatively established, with expanding coverage, growing participants, and enhanced the social security. Significant stride has been made in the undertaking of social security, which laid a solid foundation for the development of social security during the 13th Five Year Plan period. The 13th Five Year Plan period is a critical stage in reforming the Chinese social security system, and a key period in integrating social security systems for urban and rural residents. Old-age insurance scheme is one of the most important components of China's social security system, and was among the earliest for reform among China's social security programs during China's transition from planned economy to socialist market economy. Although an old-age insurance scheme covering urban and rural areas has been basically established, there are still prominent problems, such as unsound policies and mechanisms, unbalanced development, and unsustainability. Mr. Tan's report puts forward the development targets, reform tasks, measures and suggestions for the development of old-age insurance scheme, on the basis of the achievements of reform and development during the 12th Five Year Plan period, analyzing the situation and major existing problems. Mr. Tan expressed the hope that his work could be used as a reference for the authorities' efforts in formulating guidelines on social insurance development during 13th Five Year Plan period.
6. Mr. Song Xiaowu's presented his report about improving the urban basic pension insurance. On the basis of Chinese basic pension insurance system evolution analysis and learning from international experience, the report holds the view that, to further improve the basic old-age insurance system, we should guarantee its solidarity, and therefore can not expand the size of individual accounts to the detriment of the pooled part of the system. As to personal accounts, whether they should be "real" or "notional" is the second problem. The reporter believes that the solution to be preferred is to create conditions to gradually "make the accounts real". But there may be some practical problems in the reality that may justify small NDC accounts. Mr. Song stressed that the basic old-age insurance social security system is an important project, which should match the stage of a country's economic and social development. After 30 years of reform and opening up, China's social and economic life has changed dramatically thanks to the miracle of rapid economic development but at the same time has gradually accumulated a lot of issues, notably the fact that the income distribution gap is too big. This is the founding layer of the pension system, and the introduction of personal accounts carries over the primary distribution into the secondary distribution, focusing on breaking the egalitarianism in a completely different environment. In the new stage

of development however, China is facing a distribution gap that is too big, basic social protection programs should therefore enhance fairness and solidarity, so as to stabilize the gap once assigned.

7. Mr. Dong Keyong presented his report about the design of a multitier pension system. He stated that in its current features the Urban employees pension system had difficulties in coping notably with the challenge of China's ageing crisis. Hence the reform proposals for the establishment of China's three-pillar pension model. In Mr. Dong's view, on the basis of combination of social pooling and individual accounts, the separation of existing social pool and personal accounts are to be converted into first and second pillar. The first pillar basic pension would be based on an actuarial basis PAYG system related to the collection of contributions based on individual workers salary base with tax collection and national coordination, paying attention to the burden on enterprises. Benefits should in a way be linked to contributions but at the same time should avoid regressive redistribution mechanism and establish normal pension adjustment mechanisms in order to achieve the basic functions in the first pillar. To turn the personal account into the second pillar, the fact that individual workers currently pay 8% into the funds forms a solid basis for the establishment of this pillar, investment returns leading to improve pension income replacement rate. Mixed ownership economic reform provides the opportunity, through the reduction of state-owned assets, to replenish the currently empty personal accounts and to reduce the implicit pension debt. To accelerate the enterprise annuity system while achieving a fair system, organizations and institutions should be subject to mandatory occupational pension system, while annuity coverage rate is only about 7% currently. The introduction of preferential policies to accelerate the construction of enterprise annuity is therefore necessary. To achieve the implementation of voluntary private savings system, tax incentives should be developed to speed up the trial of voluntary private savings policies. The system should focus on solving the pension issues for those who are not covered by employer pension or occupational pension. Mr. Dong added that the considered mechanisms to improve pension operations represented an opportunity to promote the construction of China's capital market, to achieve pension collaborative development with the said markets.
8. After these three authors' presentation, the EU experts gave their comments. The purpose of the EU-China protection project is for European experts to exchange information and experience with their Chinese counterparts. As the emphasis of component I lies on the preparation of an important pension reform in China within the framework of the XIIIth Five-year plan, Koen Vleminckx, a research director at the Belgian federal Ministry of Social Security and an initiator of pension reform in Belgium, was selected to provide the support requested. He prepared himself by

collecting background information on social security in China and pension reform in particular. He provided information to the Chinese experts on their request or, in some cases where he thought it to be useful on his own initiative, but he respected their academic freedom. He also situated each expert within the context of the broader pension reform debate in China.

9. On the basis of the reports drafted by the Chinese experts, Mr. Vleminckx selected relevant issues for which he selected relevant 'best practices' in the EU member states. He also referred to EU level activities and networks where this was useful for China's perceived needs. As the topics of the authors partially overlapped, particularly as far as the reform of the second tier individual accounts system was concerned, he put the emphasis on the issues that were particularly well developed and emphasized in the respective papers.
10. Mr. Vleminckx noted that in his report "China's XIIIth Five-year Plan and the development of pension security, Professor Tan Zhonghe particularly stressed the need to enhance the governance of China's social security system and its pension system in particular. He wants to improve China's legal and regulatory framework of social security, its management and servicing system, communication and training of employers and employees, the contribution base and compliance, He also stressed the need to improve the actuarial system, modeling, and enhancing social security research, a point which was also stressed by Koen Vleminckx as this had been essential during his experience with the preparation of pension reform in his own country, Belgium. Koen Vleminckx provided best practices for each of these issues.
11. In his report "Evaluation of the combination of social pooling and individual accounts techniques schemes for urban employees" Professor Song Xiaowu mainly addressed the reform of the second tier individual accounts for urban workers, believed to be one of the main issues of the XIIIth Five-year plan. He wants to maintain the current pension structure for urban workers, including the repartition of funding (20/8), but he wants to improve and modernize the individual accounts system. He identified two options for the modernization of the individual accounts: 1) reinforcing the funding of the individual accounts, or 2) replacing the funded individual accounts with notional individual accounts, in line with the NDC model. Professor Song prefers the first option and motivated his choice in his report. Koen Vleminckx provided European best practices for both options. Upon Prof. Song's request he also provided best practices on pension calibration and indexation.
12. In his report "The Chinese pension system in transition: current challenges and reform path", Professor Dong Keyong presented his viewpoint on the institutional restructuring of the Chinese pension system for urban workers. His main proposal is to merge the second tier individual accounts with the

second pillar occupational pension plans that are currently underdeveloped in China. The second pillar would become mandatory and tax subsidized. The first pillar's basic pension would be reserved for social pooling. This structure reminds us of the Dutch pension system. Professor Dong also suggests to further developing the third pillar as these are more individual and flexible and could thus provide a solution for covering freelance workers etc. that could not be covered by the second pillar. The development of the third pillar would be supported by tax incentives. Koen Vleminckx provided best cases on the regulation of investments by pension funds, on tax incentives for occupational pension plans, on the portability of occupational pension plans, and on tax incentives for individual pension plans.

13. During his last intervention Mr. Koen Vleminckx summarized his experience during his one-month mission in China. It had been a very busy, but very interesting period with very interesting exchanges with the Chinese authors and other Chinese experts and civil servants. He confirmed that he had selected 12 issues for which he provided one or more European best practice case. These will be presented in a report, which will be verified and further complemented by the consortium members. NDRC might also add issues that they believe to be relevant. These would then provide a basis for further technical cooperation within the framework of the EU-China project. Annex 3 presents a table summarizing these findings.
14. Following each of the authors' presentations and comments by European experts, participants expressed their own views, comments and suggestions on the reports. This formed a very rich and lively debate, which the authors said would greatly help them when finalizing their papers.
15. Mr. Jean-Victor Gruat, EU Resident Expert for Component 1, then presented the main aspects of the Component plan of activities for the rest of the year 2015. After this very interesting and dynamic exchange between eminent Chinese scholars, European and NDRC experts, C1 component of the EU-China Social protection project has reached one of its critical targets. Future activities will of course build on this sequence. Two more topics will supplement the technical range of 2015 programme, namely the integration of urban and rural pension schemes – focussing on migrant workers' rights vesting and portability – and the practical issues implied in the decision made at the end of 2014 to henceforth include public officials in the mainstream of the urban workers pension scheme in China. Also under this heading, a ten days study visit for high level responsible NDRC official is being planned to three European countries. Two other major events abroad of interest to component 1 were already held in 2015, namely a high level technical meeting in February in Brussels around the issue of reforming pensions for public officials, and a

two-weeks high-level training course in June in France on multi-tier pension schemes. The second half of the current year will also be devoted, as far as the project is concerned, to the elaboration of proposals for activities to be launched in 2016. Mr. Gruat expressed his thanks to his colleagues from C1, to the French member of the consortium leading the project, to NDRC and to the EU delegation in China for their support.

16. On behalf of the EU Delegation in China, Ms. Yi Xiaolin expressed the view that this meeting was very successful, and represented the first milestone of the whole project. Also, she expressed her thanks to NDRC and to the famous Chinese experts who contributed their time and research to the project. She hoped in the project could continue to meet the real needs of China's development.
17. On behalf of NDRC, Ms. Tan Ling made a summary of the meeting. She hoped in the future the EU experts could give more examples of a broad range of the European countries.
18. Ms. Ji Ning concluding the meeting by saying that in her view the three topics of today's discussion were mature. She drew a lot of inspiration from the discussion. She was looking forward to the next discussion and she expressed her thanks to everyone participating in the meeting.

Wang Qingqing / Jean-Victor Gruat, 3 August 2015 (v.1)

ANNEX I - LIST OF PARTICIPANTS FOR PANEL DISCUSSION MEETING

Unit	Names	Title
Department of Employment and Income Distribution, NDRC	Ji Ning	Project leader, C1
	Zhang Xinmei	Division Director
	Tang Ling	Project coordinator C1
	Zheng Jinhua	Official
	Niu Ming	Official
	Li Xiaoliang	Official
International Cooperation Center, NDRC	Chang Hao	Project coordinator C1
	Wang Yue	Project assistant C1
EU Delegation	Lars Gronvald	Counselor
	Yi Xiaolin	Project officer
Authors	Tan Zhonghe	CN Expert
	Dong Keyong	CN Expert
	Sun Bo	Assistant to DKY
	Wang Gengyu	Assistant to DKY
	Song Xiaowu	CN Expert
	Zhang Luqin	Assistant to S XW
	Xing Wei	Assistant to S XW
	Guan Bo	Assistant to S XW
SPRP	JV Gruat	C1 Resident expert
	Koen Vleminck	EU Expert
	Fang Lianquan	Main Expert (Research)
	Wang Qingqing	Component assistant
	Lin Guowang	Interpreter
	Zhao Qing	Interpreter

ANNEX II – PROGRAMME OF THE PANEL DISCUSSION MEETING

Chairperson: MS. JI NING, COUNSEL,

DEPARTMENT OF EMPLOYMENT AND INCOME DISTRIBUTION, NDRC

09.00 – 09.15	<p>Welcome speeches</p> <ul style="list-style-type: none"> - Ms. Ji Ning, NDRC - Mr. Lars Gronvald, EU Delegation
<p>First Session: Topic 1.1.1 - Social insurance administration systems reform [contributing to the elaboration of the XIIIth National Five Years Plan (2016-2020)]</p>	
09.15 – 09.45	Draft Report presented by Mr. Tan Zhonghe, Short term expert
9.45 – 10.15	Comments submitted by European expert Mr. Koen Vleminckx and colleagues
10.15 – 10.45	Comments submitted by NDRC and general discussion
<i>10.45 – 11.00</i>	<i>Coffee – Tea break</i>
<p>Second session: Topic 1.3.2 - Social pooling of the basic pension component (Evaluation of the combination of social pooling and individual accounts techniques in pension schemes for employees)</p>	
11.00 – 11.30	Draft report presented by Mr. Song Xiaowu
11.30 – 12.00	Comments submitted by European expert Mr. Koen Vleminckx and colleagues
12.00 – 12.30	Comments submitted by NDRC and general discussion
<i>12.30 – 14.00</i>	<i>Lunch break</i>
<p>Third session: Topic 1.3.4 - Multi-tiered design of pension systems (public pension, enterprise annuity and individual pension)</p>	
14.00 – 14.30	Draft report presented by Mr. Dong Keyong
14.30 – 15.00	Comments submitted by European expert Mr. Koen Vleminckx and colleagues
15.00 – 15.30	Comments submitted by NDRC and general discussion
<i>15.30 – 15.45</i>	<i>Coffee – Tea break</i>
<p>Fourth session: Work ahead, and conclusions</p>	
15.45 – 16.30	<ul style="list-style-type: none"> - Tentative identification of most suitable European best practices by European Expert Mr. Koen Vleminckx - Work plan and forthcoming activities by EU C1 Resident expert Mr. Jean-Victor Gruat - Remarks by the representative from EU Delegation in China - Recommendations by NDRC C1 Coordinator Ms. Tang Ling - Conclusions

ANNEX III – SUMMARY TABLE OF MOST RELEVANT EUROPEAN BEST PRACTICES
(SUBMITTED TO KOEN VLEMINCKX FOR VALIDATION)

#	IDENTIFIED NEEDS	EUROPEAN BEST PRACTICES
1.	IMPROVED MANAGEMENT AND SERVICES	Be, Sp
2.	IMPROVED ACTUARIAL SYSTEM (MODELING, SOCIAL SECURITY RESEARCH)	European WG on Actuarial modeling; European WG on Pension adequacy
3.	COMMUNICATION TO ENTERPRISES AND EMPLOYEES	Sw, Be, Cz, Sp
4.	IMPROVEMENT IN CONTRIBUTIONS BASE AND COMPLIANCE	F, Be
5.	SECOND TIER FUNDED DC BENEFIT	Sw, Pl (clearing house); Cz, I (Regulatory) EIOPA (European Insurance and Occupational Pensions Authority)
6.	INDIVIDUAL ACCOUNTS LINKED TO NDC	Sw (social corrections), I, Pl Ge point system F (link public & private; occupational pension plans)
7.	CALIBRATION OF PENSIONS	Incentive to later retirement: B + NDC countries Link to life expectancy: Ge (point system), NDC countries
8.	INDEXATION METHODS	Cz
9.	INVESTMENT REGULATIONS FOR PENSION FUNDS	All countries OECD regulations UNJSPF
10.	TAX INCENTIVES, INVESTMENT	All countries EET (Exempt contributions, Exempt accumulations, Taxable withdrawals)
11.	PORTABILITY	Look at European level (forthcoming directive) Pan-European pension plan
12.	TAX INCENTIVE FOR 3 RD PILLAR	Be, I, Sp