

## **Component 1**

1. The second 2015 panel discussion for Component 1 was held on 13 November 2015 in Jindiya hotel, Beijing. It was covering topics 1.1.1 – Public sector pension reform – and 1.4.3 - Integration of social security systems in urban and rural contexts – retained as part of the Component Plan of activities for 2015.
2. The programme and list of participants are attached. Ms. Ji Ning, NDRC Inspector and national Project leader chaired over session 1 (Public sector pension reform), and the EU Resident expert for Component 1 Mr. Jean-Victor Gruat over session 2 (Integration of urban and rural schemes).
3. NDRC had invited to attend representatives from the pilot sites visited by a project delegation in September 2015 in Guangdong and Sichuan province. These representatives presented the current situation in their provinces concerning the implementation of the public pension reform. A case study concerning rural urban integration (Huizhou district, Guangdong province) was also presented by academics from Sun Yat Sen University, Guangzhou.
4. Other participants included officials from NDRC and its ICC, a representative from the EUD Beijing, Chinese experts authors of the reports to be discussed, namely Ms. Zhang Yinghua for Public sector pension reform and Mr. Wang Zeying for the Integration of rural and urban pension schemes, the EU ST Expert on Best practices Mr. Koen Vleminckx for his second mission and the project C1 technical team. More than 30 participants took part in the meeting, for which NDRC had foreseen interpretation services – the project interpreter also taking part – and a full set of documents to be presented.
5. The first presentation came from the Chinese expert Zhang Yinghua. Her topic was public sector pension reform. Government officials and Public institutions – GOPI -pension system evolved along unified-separate-reunified with Urban Enterprise's. Reform in January 2015 was caused by three main factors: First is the no longer tolerated pension difference not less than 2 times between public and private sectors; the second is labour mobility between public and private sectors was blocked because of losing all pension if leaving original workplace; the third is the exorbitant dependency rate of GOPI pension system which will never be fiscally sustainable, with as a result making local governments dependent to central government to higher extent. Actuarial results show that in next 75 years, GOPI pension funds will incur deficit in 2050 but exhausted in 2080 due to 7% rate of interest, and a dynamic pension divisor helps solving longevity risk no longer needing fiscal assistance. The bookkeeping method is adopted in GOPI Occupational Pension. It exists an accounting interest rate problem. The replacement rate is higher 70 percentage points in the case of 7% accounting interest rate rather than 2% for a 30-year contribution. So, a qualified real rate of interest and a reasonable accounting interest rate are critical to sustainability of GOPI Basic Pension system and supplement of GOPI Occupational Pension system respectively. The

policy proposals include: First is the whole remuneration should be calculated into contribution base and be supervised by participants; the second is the accrued pension rights of immigrants should be secured and the pension should be calculated separately and paid in one place; the third is to adjust system parameters such as taking floating contribution rate, adopting dynamic pension divisor, pooling GOPI pension funds with Urban Enterprise Basic Pension funds, cancelling the ceiling of contribution, and raising the minimum contribution years; the forth is to establish a dependent agency to be appointed to invest the GOPI Basic Pension funds, and to evaluate investment performance on a long term basis, and give participants a limited investment option for their Occupational Pension funds and a guaranteed ROI is necessary

6. Local officials introduced the actual operation of the case. First was the official coming from Guangdong province. Guangdong was the pilot in the reform of public pension system. To carry out the reform, the officer said they had conducted several special investigations. There was heavy workload to develop calculation analysis software. A third aspect of their work was to hold forums and discussions to collect suggestions from different parts. A fourth aspect of their work is policy propaganda. Finally, they also developed the scheme of reform and issued social security card. The reform was without much difficulty. But implementation issues will arise in the future: For example, the scope of government departments and institutions was hard to define. It is difficult to distinguish who is suitable for the new institution. There was no detail about how to invest the pension; new regulations need to have information in this area. Furthermore, there was no specific institutional management, like how to manage investment income. Central government did not have the policies about how to join the private and public sectors; this was the common problem in all local governments. The suggestion of these problems was put up according to the problems themselves, details and implementation issues should be addressed by the central government as soon as possible.
7. Next was the presentation on the current progress, difficulties and suggestion on public pension reform in Sichuan. Sichuan has achieved some progress in public pension reform, which was the establishment of the organs and institutions of staff pension system reform leading group and new institutions. Also, Sichuan has accelerated the introduction of relevant supporting documents study and improved the social insurance management. But there were some difficulties, like the supernumerary staff insured greater contradiction, pay gap leads to unbalanced treatment, disposable retirement subsidy rules not clear, funeral treatment standards not unified and disposable retirement subsidy rules not clear. To solve the problems and difficulties, six measures were discussed. First, at the national level, there should have relevant guidance documents as soon as possible, particularly in connection transferring pension, occupational pension and other benefits calculated and specific measures. The second is to study and formulate the basic wage and the basic pension normal adjustment mechanism. Thirdly, the introduction of a one-time retirement subsidies for the implementation details as soon as possible, while focusing on convergence with the relevant laws and regulations. Fourthly, there should be pay-calibre research and improvement. Fifthly, we should study and solve the insurance problem supernumerary staff, especially for some difficult, remote non-staff positions, considering their individual contributions and the value of work. Last but not least, we need to increase financial resources on the part of the poor provinces finance special transfer payments in order to alleviate these places especially

at the grassroots level by the implementation of the new system and the new expenditure pressures.

8. In the afternoon session, first was the report presentation by Mr. Wang Zeying about the integration of social security systems in urban and rural contexts. The presentation summarized achievements, regulations, transfer and continuation, operation of the basic pension insurance, system. It analysed problems on its development below: the pension insurance system to be improved; the overall planning level of pension insurance low; policies on pension insurance transfer and continuation to be improved; operation management capacity to be improved; information construction behind operational need. It proposed the suggestions on the integration of basic pension insurance systems: (1) 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. (2) To promulgate policies to encourage urban and rural residents to voluntarily participate in the basic pension insurance for urban enterprise employees. To improve the policies on the integration of urban and rural pension insurance systems. To improve the policies on transfer and continuation of credentials of basic pension insurance for urban employees. (3) To raise the overall planning level of basic pension insurance, Basic pensions of basic pension insurance for urban employees should be planned as a whole in China. The overall planning level of basic pension insurance for urban and rural residents should be raised gradually. (4) To improve the capacity of pension insurance operation management service. Pension insurance operation management regulations should be sorted and operation service resources should be integrated. The construction of basic-level public service platforms should be enhanced. 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. Efforts should be made to enhance social insurance supervision, normalize the purchase of insurance. (5) To strengthen the promotion of information technology. The nationally unified pension insurance information system should be advanced to realize electronic transfer and continuation. 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. The application of the transfer and continuation information system should be propelled further. Existing functions of the system should be improved. 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.
9. Next was the presentation on Huizhou case by Peng Haoran, professor from Sun Yat-sen University. The specific regulations of Huizhou case including: determine Migrant Workers issued to pension benefits; unify Migrant Workers transferring pension handling procedures; Migrant Workers meeting the standards in the city issued can apply for retirement benefits in Huizhou; flow interface between urban and rural employment pension system. The number of transferring for Migrant Workers in Huizhou was increasing in the past years. The "Interim Measures" in favour of the introduction of balanced funds pressures of the regional co-ordination, to a certain extent, promote the rational flow of labour. But in the actual implementation, the policy effects would still be constrained by the low level of co-ordination, financial "eating in separate kitchens" and other objective factors. At last, five

measures for perfection of Chinese Migrant Workers transferring pension were discussed. First, we need to eliminate of obstacles to the household registration, to allow the flow of employment in rural hukou household registration in order to participate as flexible employment pension insurance enterprise workers. Second, we can use the "sub-computing, unified payment" principle when faced with the employment mobility shift in urban basic old-age insurance. Thirdly, if the participation in the worker's pension is less than 15 years, it also need to calculate the basic pension equity segment corresponding to the insured person during the insurance payment service, after its retirement by social pooling fund for payment. Fourthly, the government should increase subsidies for urban and rural residents basic pension of old-age insurance, and gradually narrow the gap between the basic pension for enterprise employees, urban and rural pension insurance system to create favourable conditions for convergence. Finally, the government should strengthen the basic pension insurance of positive publicity, encourage and create conditions for Migrant Workers Employment live in urban areas, and to participate in corporate employee pension insurance, employees enjoy pension benefits after retirement.

10. Professor Yue Jinglun from Sun Yat-sen University also expressed his ideas. He thought the reasons for the problem of the pension system were the floating population shift connection, one was between the regimes, and the other one was on space. Suggestions can be based on these two dimensions. Firstly, to improve the system and reduce trouble, the easiest way was to reduce system level and make institutional consolidation. We should improve the system in terms of co-ordination on the basis of the national pension. Secondly, we need to improve the overall management level, which can reduce problems. It was better to achieve the provincial level and these provinces can learn from the EU mechanism. Furthermore, to solve the problem technically, we need to know how to reduce the differences in household registration, how to make the inflow of migrant workers have sufficient resources to survive, how to set up the new urbanization and shift connection link. And a lot of people did not participate in the social security system; their pension was the biggest challenge.
11. Participants as well as NDRC expressed their satisfaction with the work accomplished. The Best practices examples provided by the EU short-term expert as well as the information received on the European mechanisms for coordination of legislation were considered as particularly relevant.
12. Documents presented at the meeting are to be found under  
<http://www.jvgruat.com/SPRP/C1reports/analysis/2ndPanel13Nov2015/>

Report prepared by Wang Qingqing and Jean-Victor Gruat, 20 November 2015.



From left to right, NDRC Ms Ji Ning (Project leader), Zhang Xinmei (Division director), Tang Ling (Project coordinator), EUD Beijing Ms Yi Xiaolin



# EU-China Social Protection Reform Project

## The Second Panel Discussion of C1

13<sup>th</sup>, November, 2015 Beijing Jindiya Hotel

(No.5 Sanlihe North Street, Xicheng District)

### Programme

Morning Session		
Chairman : Mme. Ji Ning, Director General, NDRC		
09:00-09:30	Report presentation on Public sector pension reform	Ms Zhang Yinghua, CN Expert
09:30-10:00	European comments and best practices	Mr. Koen Vleminckx, EU Best practices Expert
10:00-10:20	Discussion and Communication	EU &CN experts
10:20-10:30	Break	
10:30-11:00	Presentation on the current progress, difficulties and suggestion on Public Pension Reform in Guangdong	Mr. Zhuo Qiang, DHRSS, Guangdong Province
11:00-11:30	Presentation on the current progress, difficulties and suggestion on Public Pension Reform in Sichuan	Mr Zhong Ling, Sichuan DRC
11:30-12:00	Discussion and Communication	
12:00-13:10	Working Lunch	
Afternoon Session		
Chairman : Mr. Jean-Victor Gruat, the EU Resident Expert of C1, SPRP		
13:10-14:00	Report presentation Integration of social security systems in urban and rural contexts	Mr. Wang Zeying, CN Expert
14:00-14:30	Presentation on Huizhou Case	Mr. Peng Haoran, Zhongshan University, Guangzhou
14:30-15:00	European comments and best practices	Mr. Koen Vleminckx, EU Best practices Expert EU &CN experts
15:00-15:50	Discussion and Communication	
15:50-16:00	Wrap-up and conclusion	

## Name list of Participants

Unit	Name	Position
The Department of Employment and Income Distribution, NDRC	Ji Ning	C1 Project Leader
	Zhang Xinmei	Division Director
	Tang Ling	C1Project Coordinator
	Niu Ming	Official
	Deng Jie	Official
	Zhu Qing	Official
	Xu Youhai	Official
International Cooperation Centre, NDRC	Chang Hao	C1Project Coordinator
	Wang Yue	C1Porject Assistant
	Wang Yingsi	C1Porject Assistant
	Liu Wei	Official
The EU Delegation to China	Yi Xiaolin	Program Official
C1 Chinese Short Term Experts	Wang Zeying	Expert
	Zhang Yinghua	Expert
SPRP Beijing Project Office	Jean • Victor • Gruat	C1 EU Resident Expert
	Koen • Vleminckx	C1 EU Short-term Expert
	Fang Liqanquan	Chinese Expert (Research)
	Zhang Guoqing	Chinese Expert (Operations)
	Wang Qingqing	Project Assistant
	Lin Guowang	Intepreter
Guangdong Provincial DRC	Yu Jixiao	Deputy Division Director
	Zhang Xiaoling	Official
Guangdong Department of Human Resources and Social Security	Zhuo Qiang	Deputy Division Director
Huizhou Municipal DRC	Chen Lihua	Deputy Director
Huizhou Municipal Bureau of Human Resources and Social Security	He Chenghong	Deputy Director
Zhongshan University	Yue Jinglun	Vice dean, Professor
	Peng Haoran	Associate Professor
Sichuan Provincial DRC	Zhong Ling	Official
Sichuan Chengdu Municipal Bureau of Social Security	Lu Jingzhong	Deputy Division Director
Sichuan Luzhou Municipal DRC	Zhang Yixian	Deputy Director
	Lai Weidong	Deputy Section Chief
Sichuan Luzhou Municipal Bureau of Human Resources and Social Security	Huang Dali	Deputy Director
	Wang Qiuyan	Section Chief