

**Contributing to the elaboration
of the XIIIth National Five Year Plan
(2016-2020)**

Situation Analysis
[Topic 1.1.1]



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Research Report on Development of China's Old-age Insurance for the 13th Five Year Plan period

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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 our 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. This report puts forward the development targets, reform tasks, measures and suggestions for the development of old-age insurance scheme, on the basis of summarizing the achievements of reform and development during the 12th Five Year Plan period, analyzing the situation and major existing problems. It aims to serve as reference for the authority's efforts in formulating guidelines on social insurance development during 13th Five Year Plan period.

First, main achievements and experience for old-age insurance scheme during the 12th Five Year Plan period

From the onset of the 12th Five Year Plan period, while deepening economic reform, China paid great attention to the building of old-age insurance scheme. A

series of policies and measures have been formulated and issued, the development of old-age insurance scheme have been constantly promoted, the function and effects of old-age insurance have been given play, old-age insurance has played an important role in ensuring people's basic life, promoting economic development and maintaining social stability.

(1) Evaluation Criteria and Methodology

China established a basic old-age insurance scheme for employees of urban enterprises in 1997, which covered employees of urban enterprises and freelancers; pilot programs for new rural social insurance experiment and urban social old age insurance have been launched in 2009 and 2011 respectively, in the year of 2012, the two schemes have covered all of the country's population, in 2014, the two programs have been integrated as a unified basic old-age insurance scheme for urban and rural residents. In light of international experience and reality of China's old-age insurance, this evaluation plans to further explore the indexes including coverage of old-age insurance scheme, suitability in fund raising, adequacy of insurance and fund sustainability.

1, Coverage

Coverage criteria considers the coverage rate of old-age insurance for employees of urban enterprises, as well as urban and rural residents; the coverage rate of old-age insurance. See attached document one for implications and explanations of indexes concerned.

2, Suitability in Fund Raising

Suitability reflects the burdens of fund raising imposed on the two schemes and the coordination of the two schemes. Choose 1) actual contribution rate, coefficient of contribution burdens on enterprises; 2) increase of per capita old-age insurance contribution made by urban and rural residents, burdens on individuals.

3, Adequacy of Insurance. Choose replacement rate of pension as the measure of salary levels. The measure reflects the level of basic old-age insurance, which should not be too low or too high, and should be maintained within a proper range.

4, Sustainability of Funds. During the reform process of old-age insurance scheme for employees of urban enterprises, due to unspecified channel for cost payment, social pooling funds have used money from personal accounts, which is in reality still a pay-as-you-go system, only part of the provinces and cities had pilot programs in opening personal accounts. Therefore, accumulative surplus rate of basic old-age insurance fund for employees of urban enterprises, return on investment of personal accounts, return on investment of old-age insurance fund on personal accounts of urban and rural residents, the payment of financial subsidy have been chosen as sustainable measures.

(1) General Judgement and Evaluation

Based on the measures mentioned above and analysis on the condition of regions investigated, the following judgments have been made on the development of reform on China's old-age insurance scheme during the 12th Five Year Plan period:

1, An old-age insurance scheme covering urban and rural areas have been basically established and improved gradually

During the 12th Five Year Plan period, a series of supportive regulations and policies have been rolled out, which centered on the implementation of Social Insurance Law. The old-age insurance scheme that covers urban and rural areas has been further improved.

1) Launched urban social old age insurance pilot on top of the 2011 new rural social insurance experiment, the two schemes had covered all of China's population in 2012, and had been integrated into a unified old-age insurance scheme for urban

and rural residents in 2014, to that date, China had fully established an old-age insurance scheme covering urban and rural areas;

2) Launched old-age insurance reform on government organizations and public institutions in 2015, bringing more than 40 million employees of government organizations and public institutions into the old-age insurance scheme enjoyed by employees of enterprises. The establishment of the two basic old-age insurance scheme platforms for urban and rural residents signifies the basic establishment of a framework for China's old-age insurance scheme.

3) Further improved the social security policy for farmers whose land have been requisitioned, the work on social security of migrant workers and land-requisitioned farmers has been progressing steadily. Freelancers, migrant workers, land-requisitioned farmers and foreigners who work in china should participate in social insurance according to law. Old-age insurance scheme has covered all of the population;

4) A multi-layered old-age insurance scheme is improving. Policies on individual income tax of enterprise and occupational annuity, encouragement for social organizations, foundations and privately-owned units to establish enterprise annuity have been further clarified. Encouraging capable social organizations, families and individuals to participate in commercial insurance and individual savings;

5) Meanwhile, made concerted efforts to carry out research on top-level design of old-age insurance scheme, studied major issues related to reform and development of old-age insurance, including improvement of individual accounts of old-age insurance for urban employees, national comprehensive arrangement of basic old-age insurance plan for urban employees, investment and operation of old-age insurance foundations, pension adjustment mechanism and postponing of retirement age in a gradual way, raising social security funds through various channels. Opinions from various parties have been solicited, relevant policies will be released soon.

2, Fast Expanding Coverage

Coverage of old-age insurance scheme has been expanding from cities, towns to villages gradually, from state-owned enterprises to enterprises of various forms, from employees with stable jobs to jobless group, or group with unstable employment. By the end of December of 2014, 842.32 million people have participated in basic old-age insurance scheme, which was an increase of 134.3% or 482.45 million people. Basic old-age insurance for urban and rural residents, in particular, has seen 501.070 million people joined in just within 5 years since 2011, when the new rural social insurance experiment begun. See table 4 for the number of people participating in basic old-age insurance scheme between 2010 and 2014.

Table 1. Participation in basic old-age insurance from 2011 to 2014

Unit: thousand people

Year	Total number of people participating basic old-age insurance	Including	
		The number of urban employees	The number of urban and rural residents
2011	61573	28391	33182
2012	78797	30427	48370
2013	81968	32218	49750
2014	84231	34124	50107

In addition, a number of prominent problems left over by history have been resolved. Over 10 million people including land reclamation employees, retirees of enterprises who didn't participate in old-age insurance scheme, urban residents who used to work at state-owned enterprises during 1960s to 1970s and had not participated in basic old-age insurance scheme, and their families members who worked at the same enterprises with them without signing labor contracts with employers.

In 2014, Ministry of Human Resources and Social Security issued *Notice on Implementation of Registration Plan on Universal Coverage of Old-age Insurance Scheme*, (issuance No.[2014]40), which decides to gradually implement *Registration Plan on Universal Coverage of Old-age Insurance Scheme*. The plan is based on laws and regulations including *Social Insurance Law*, and aims to the universal coverage of social security. The plan, through measures including information comparison, household survey, centralized data management and dynamic updating, records, reviews and exercises standardized management on participation of various groups in social security scheme, so as to promote the campaign in ensuring employees, urban and rural residents to be fully covered, and continue to participate in old-age insurance scheme.

3, Level of Insurance steadily improved

During the 12th Five Year Plan period, old-age pension of enterprises' retirees have been adjusted constantly, in 2014, per capita pension reached 2,500 yuan, which was an increase of 36.3% compared with the end of the 11th Five Year Plan period. Currently, per capita pension exceeds 100 yuan for urban and rural residents across the country. More and more people have been enjoying the basic old-age insurance. By the end of 2014, 85.92 million retirees, 143 million urban and rural residents have received old-age pension, institutional arrangement for the basic life of urban and rural elderly have been mapped out.

4, Revenue and Expenditure of Funds is Expanding, Financial Strength

Improved

In 2014, revenue of the fund for basic old-age insurance (including urban and rural residents) reached 2.76 trillion yuan, expenditure reached 2.33 trillion yuan, cumulative surplus was 3.56 trillion yuan, which increased by 99.09%, 116.87% and 125.77% respectively compared with the end of 2011. From 2011 to 2014, the revenue of basic old-age insurance for employees increased by 20% annually. A fund raising mechanism incorporating the state, employers and individuals have been tentatively established. The anti-risk capability has been greatly strengthened.

Governments at all levels continue to increase investment in old-age insurance, direct financial subsidy for social security has increased year by year. Governments provide urban and rural residents participating in basic old-age insurance with an annual subsidy that is no less than 30 yuan per person. Senior residents aged above 60 living in urban and rural areas are granted with basic pension no less than 55 yuan per person each month. Since 2015, the standard has been raised to 70 yuan per person. In addition, central government offers financial subsidy for basic old-age insurance of employees at central and western regions. Meanwhile, financial channels have been expanding, which serves as necessary capital reserve for challenges of aging population peak. By the end of 2014, fund assets managed by China's National Social Security Fund reached 1.529 trillion yuan.

5, Continue to Strengthen Supervision on Fund, and Ensure Fund Safety

According to Social Insurance Law and relevant laws and regulations, guidelines and regulatory documents have been formulated and implemented, including management rules on Fund Supervision and Inspection Permit, opinions on pilot program of public supervision, Management Rules on Enterprise Annuity Fund, Disciplinary Rules on Staff of Social Security, local governments have been instructed to issue detailed rules on supervision, implementation, regulations on

supervision, inspection and law enforcement. Special inspections have been carried out in old-age insurance fund for urban and rural residents and operation of financial subsidy. Fund safety has been prominently enhanced by investigating and handling major cases, and taking precautionary measure while punishing people held accountable. Networking and application of fund supervision software has been progressing steadily, networking and application have been launched in 28 cities of provincial level and 294 cities of prefecture level. The market of enterprise annuity has been gradually standardized, with strengthening market regulation. relevant institutions have been organized to formulate and sign industry's self-discipline convention, in a bid to promote orderly competition in the market. Professional teams have been built up and strengthened, there have been more than 2,000 fund supervision agencies, over 5,000 staff members are working for the country's human resources and social security system, all of the supervisors at provincial level and two third of supervisors at prefecture or county level have received professional trainings, among which 2,702 have passed exams and have been granted with Fund Supervision and Inspection Permit.

6, Management and Service System Tentatively Established, Service Continue to Improve

Promote the social security management and service system and service networks, which have social security agencies at all levels as the backbone, banks and various kinds of designated service agencies as support, community labor security work platform as the basis, to gradually expand to villages and towns, administrative villages. Most of the country's villages and towns have set up labor security service stations. By the end of 2013, there had been 8,363 social insurance management agencies of various kinds, which were above county level across the country, the number of staff reached 177-thousand, and there had been more than 300-thousand people engaging in comprehensive public service at grass root level including social security work. Promote the establishment of Golden Social Security Project, realize

the integration of social security systems at central, provincial, and municipal level, the basic integration of application softwares and centralized management of data, a national unified technical supporting platform has been basically formed; carry out new modes of social security business, such as online management, self service; by the end of 2014, 712 million social security cards have been issued, with applied functions enhanced. A series of national and industrial standards on social security have been formulated, including social security terms and visual identification system, application of standardization has been promoted. Strengthen regulation and management of files on social security business, strengthened internal control mechanism building, promote standardization of business. Strengthen the building of professional teams. Steadily carry out social management, promote the integration of enterprises' retirees into community management, basic pension for enterprises' retirees have been fully delivered by social service institutions.

7, Increasing law-based system

Social Security Law, which was issued in July 1st of 2011, ended the age when China had no basic law in social security sector, this signifies that China's social security has become more law-based. On one hand, successful experience of pilot reforms in social security sector has been elevated to a legal height, on the other hand, the direction for the development of China's social security system has been made even more clear, the implementation of basic old-age insurance scheme should be carried out by integrating social pooling and individual accounts, with the fees collected from governments, enterprises, and individuals, basic old-age insurance for urban and rural residents is mostly paid by governments, with individual payment as support.

(2) Basic Experience

The experience of development of China's old-age insurance during the 12th Five Year Plan period is as followed:

1, Great attention paid by governments. During the 12th Five Year Plan period, governments have stepped up establishment of social security system covering urban and rural residents, which was an important work in promoting scientific development, social harmony, and improving people's life. The 17th National Congress of the Communist Party of China put forward the target of ensuring every citizen has access to social security, CPC's 18th National Congress, 3rd and 4th Plenary session of the CPC Central Committee further clarified that an overall plan should be drafted for social security development of urban and rural areas, and targets for more fair, sustainable reform and development should be set. A series of important rules and policies have been issued, greatly boosting reform of social security scheme. Top-level design of old-age insurance has been carried out, which ensures scientific and sustainable development of social security work.

2, Continue to Increase Financial Input, Promote Universal Coverage of Social Security System.

Social security issues left over by history, including urban residents who are not covered by old-age insurance, retirees of bankrupted and closed enterprises, retirees of collectively-owned enterprises who are not covered by social insurance scheme, people who suffered from work injuries before January 1st of 2014 when *Work-related Injury Insurance Regulations* took force, were resolved by universal coverage of social security system in an efficient way, including adjusting expenditure structure, increasing financial input, establishing old-age insurance system for urban residents, and improving relevant policies.

3, Continue to enhance fairness, adaptation to mobility, ensure sustainability. During urbanization process, some issues have been emerging, such as protection of social security rights during labor force mobility between urban and rural areas, between different management systems, and farmers' transition into urban residents. The transition track of social security system has been opened among different

regions, as well as between urban and rural areas, thanks to *Rules on Inter-provincial transfer and continuation of Employees' Basic Old-age Insurance* issued in 2010, *Rules on Inter-provincial transfer and Continuation of Employees, Urban and Rural Residents* issued in 2014, the two documents ensured that laborers' social security right could be accumulated instead of missed during mobile employment, which constantly promoted fairness in the development of social security, and free mobility of nation-wide human resources.

4, Strengthen Management and Service System Building of Social Security, Continue to Improve Management and Service Capability.

Continuing the reform of improving old-age insurance policy and paying attention to implementation of all policies. Standardization, professionalism and informationization are centerpieces, with capacity-building of management and service continued to be improved. Formulating a series of management and service standards in social security sector, adopting various forms of training for staff from management agencies at all levels, realizing full informationization of social insurance by focusing on Golden Social Insurance Project.

Third, Major Existing Problems

China made great achievements in social security during 12th Five Year Plan period, but there are also some prominent issues, including:

1, Lack of Fairness

1) There are still “void” in coverage, especially a number of migrant workers and freelancers have not participated in social security, who lack protection from the system. According to requirement of universal coverage as the target, basic old-age insurance should cover all of the employees at urban and rural areas, as well as residents at proper ages, there have been 840 million people covered by social

security, the target stands at whole population and 95% of participation rate, there have been nearly 200 million people who are not covered by social security, after ruling out groups including children and students, people uncovered by social security are mainly migrant workers, domestic helpers, self-employed people in cities and towns, disabled people, young rural residents, people engaged in cyber economy, part of poor population;

2) The level of social security benefits for urban and rural residents are relatively low, currently, the basic pension for urban and rural residents are generally lower than subsistence allowance. The scheme is not attractive enough for residents. Social security issues for land-requitted farmers, which is a problem left over by history, is still widespread.

3) Imbalanced development among regions. According to the share of employees' basic old-age insurance rate, the lowest contribution by units in regions such as Guangdong and Zhejiang is 13%, while it is 20% in most areas of central and west China; According to the balance sheets of employees' basic old-age insurance fund, imbalance among regions is serious. Currently, fund surpluses in Jiangsu, Zhejiang, Guangdong and Shandong exceed over 100 billion yuan respectively, while surplus in provinces and regions such as Hainan, Tibet Autonomous Region, and Xinjiang Corps are just around one billion yuan respectively.

2, Inadequant adaptation to mobility. The level of integration is still low, with different policies implemented in different regions. Capaility of management and service still calls for improvement, building of information systems progresses slower than anticipation, which led to many difficulties in ensuring cross-regional and cross-system mobility of participants. The coverage rate of mobile labor force is relatively low, suspension and overlapping in old-age insurance coexist.

3, Lack of sustainability. Against the backdrop of fast aging population, retirement age is relatively low, mechanisms on indentification of contribution,

benefits, and adjustment still need improving, risks of payment for old-age insurance and medical insurance funds in the future are growing. Stimulus mechanisms for participation and payment have not been given to full play. Investment channels are limited. Administrative power and financial power are not clearly defined between central and local governments, local governments receive a limited amount of financial subsidy. A multi-level social security system has not been effectively reformed, inadequate development has been seen in supplementary social insurance, which shows the trend of overdependence on governments, basic security systems face lots of pressure. Capability in management needs improving, which could not meet demands in the development of integrating social security systems in urban and rural areas.

Burden on employers and individuals are relatively heavy. Employers take relatively higher rate, social security burden for some enterprises, especially small and mini sized companies are heavy, refusal to payment, and payment evasion are widespread; relatively high contribution by freelancers, payment suspension are also serious.

4, Relative backwardness in legal system building of social security.

Particularly, there are difficulties in promoting law-based management, rules and mechanisms related to fund supervision and management, supervision and law enforcement need improving. Multi-department interaction mechanisms, mechanisms for coordination and cooperative investigation are not running smoothly, public oversight is not extensive, the force of supervision on social security fund is relatively weak.

5, Inadaptability of capability in social security management and service.

Service resources of social security management and service are dispersed, problems such as overlapping management and overlapping of functions in government departments; management and service platforms of social security at grass-root level

lack capabilities, which can't meet the demand of fast development in social security; IT system of social security is progressing slowly, isolated information island existed, new technical methods such as big data, cloud computing are not playing a part in social security.

Second, Main Situation Faced by Social Security Development during 13th Five Year Plan Period

The 13th Five Year Plan period is crucial in China's efforts of building itself into a moderately prosperous society and deepening reform in a comprehensive way, governments pay more attention to people's life, and social security; economy and society are developing fast, integration of urban and rural areas are accelerating, comprehensive national strength is strengthening, which lay down solid foundation and condition for deepening reform in social security sector. But China

1) Impacts By the Changes in Economic Pattern Transformation

China has entered into new normal period for its economic development. Economic growth rate is slowing down, profit-making capability of small and medium sized enterprises is worsening, unemployment of low-end labor force is increasing, which altogether lead to an increase of the population who suspend social security and contribution; upgrading of industrial structure, adjustment in employment structure, the increasing number of people engaging in service sector, the increasing flexible and diversified employment have all called for strengthening flexibility of social security policy; aging population and continuing increase in benefits, social security spending is increasing, and pressure in fund payment is growing.

(2) Reform Becomes More Difficult

China's has entered into a deep water zone in its reform, with growing difficulties in social security reform and interest adjustment, balance needs to be made during the comparison of salaries and benefits among groups, unification in

management system needs to be achieved by looking beyond sectional interests, level of overall planning should be enhanced by looking beyond regional interests, balance between fund raising and salaries should be ensured in economic new normal. Under the precondition of focusing on the present, and planning for the future, breakthroughs should be made in key issues and major difficulties.

3) Challenges Facing New Type of Urbanization

The 13th Five Year Plan period is crucial in China's urbanization drive, during the acceleration of new type of urbanization, more forms of employment will emerge, the change in people's identities and frequency of mobility will speed up, the number of cross regional business in social security will increase, which call for an accelerated unification of social security policies, management and standards, increased level of integration, strengthened financial transfer, so as to remove systematic obstacles that hamper smooth mobility of labor forces.

Forth, Fast Aging Population

Over the past 5 years, net increase of population above the age of 60 reached 41 million, aging rate increased by 2.74 percentage points. During the 13th Five Year Plan period, the trend of aging will continue, according to forecasts, by 2020, the number of people aged above 60 will reach 254 million. The number of employees will decrease, dependency ratio will increase, pressure of ensuring long-term balance of old-age insurance fund will increase, impact of aging population on social security will increase. At the same time, problems are becoming serious than before, for instance, investment channels for social security funds are limited, rate of return is low. How to tackle fast aging population, ensure sustainable development of social security system during peak time of aging population, is one of challenging issues faced with social security reform during the 13th Five Year Plan period.

Fifth, Full coverage of social security and increasing demand of people for social

security raise new and higher requirements for systematic building of social security and public service system building

With the awareness of rights protection in social security of the general public, people have more and higher demands for having access to more convenient and faster social security service. Comparison of benefits among different groups is growing, integration is becoming harder among different social security programs (such as pension and subsistence allowance). The gap between growing demand in social security of urban and rural residents, and limited supply has been even more acute, it's urgent to constantly improve social security system and policies, while paying more attention to the building of public service system, so people's growing demand for social security can be met, and different groups can fully enjoy achievements made by economic growth.

Third, Development Targets and Guiding Principles of Social Security System

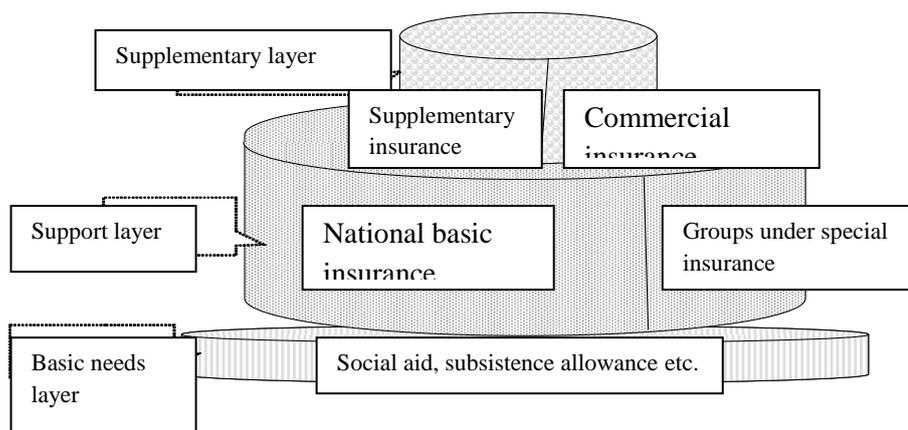
First, Main Targets

The main target for China's social security reform during the 13th Five Year Plan period is, centering on the target of building China's into a moderately prosperous society, efforts should be made to follow the policy of making coverage universal, ensure basic living needs met, offer multilevel and sustainable social security, focus should be put on strengthening fairness, adaptation of mobility and ensuring sustainability, so a more fair, sustainable social security system featured with basic systematic framework, improved mechanisms and systems, basically completed welfare items, increasing benefits, strengthened fund security, smooth and orderly coordination of systems, effective and convenient management and service, and universal coverage will be built.

Second, Specific Targets

1, Improved systems, sound operation mechanisms. A multi-level old-age insurance scheme with Chinese characteristics has basically taken shape, which includes three levels in its structure: “basic needs layer” is to solve issues for low-income and impoverished groups in urban and rural areas by providing them with social assistance and welfare (such as people receiving subsistence allowance and households enjoying “the five guarantees”); “support layer” has social security as the centerpiece, on the basis of five social insurance categories, to consolidate basic old-age insurance for employees and basic old-age scheme for urban and rural residents; “supplementary layer” focuses on the development of enterprise and occupational annuity, further improvement of policies such as supplementary medical insurance, medical aid system for serious disease, and fast development of commercial insurance. Efforts should be made to ensure basic insurance coordinates effectively with policies of subsistence allowance, social welfare, social assistance and commercial insurance.

Chart 1 shows structure of framework of China’s multi-level social security system



2, Realize universal coverage of old-age insurance basically. On the basis of consolidating existing number of participants, focuses will be put on bringing freelancers, migrant workers and low-income rural residents into coverage, coverage

rate of basic old-age insurance increases from current 85% to around 95%, which is around 1.05 billion people.

3, Steadily improve security level. Steadily improve employees and urban residents' basic old-age pension, meanwhile, make overall planning on adjustment of benefits of old-age insurance for urban and rural residents, so that all of the elderly aged above 60 could be lifted out of poverty, consumption could be expanded, consumption outlook would be stable, the strategy of boosting domestic demands should continue to be promoted.

Establish and improve regular adjustment mechanism of old-age benefits, economic growth, price levels, fund strength should factor in pension adjustment. Adjustment in old-age benefits of governments, public institutions, enterprises, urban and rural residents should be considered in a comprehensive way. It is needed to ensure elderly in urban and rural areas could enjoy achievements of social and economic development, with basic living guaranteed.

4, Further enhance the level of overall planning, promote proper personnel mobility. Implement overall planning of basic old-age insurance of enterprises' employees, properly define responsibilities of the central government and local governments in basic old-age insurance, further improve policies related to the coordination of old-age insurance among different regions for migrant population.

5, Improve the long-term mechanism for tackling risks brought about by the peak of aging population, and realize long-term balance of funds. Further strengthen stimulus measures featured with coordination of benefits with payment, keep actual contribution rate at a high level; properly increase the minimum terms required for payment, gradually postpone retirement age, improve dependency ratio; establish regulated social security budget, increase share of social insurance expenditure of governments at all levels in financial expenditure; carry out investment and operation of pension funds for maintenance and appreciation of values; open up new channels

for fund raising, expand scale of national social security fund, increase strategic preservation, which could be put into use during peak time of aging population.

6, Establish a management and service mechanism of social security featured with clearly defined responsibilities, scientific arrangement of insitutions, well regulated personnel management. Integrate management and service resources of the society, promote one-stop management and service for different insurances, actively study ways of service in government purchasement, out-sourcing of social security serive; basically complete the building of a public service network that covers the whole society for social security. The number of card holders reaches 1.2 billion; ensure all-in-one-card service of social security, which can be commonly used across the country. Comprehensively promote standarization, informationization and professionalization of social security management and service, offer effective, convenient and secure social security service for the people, realize the target of “recording, sacuring, servicing life” for participants.

Seond, Guilding Principles

The following rules should be observed in order to achive the target set for social security system building during the 13th Five Year Plan period:

1, Ensure balance between rights and responsibilities, integration of fairness and effectiveness. As a major way in redistribution of national income, fairness should be highlighted. Design of social security system should include arrangements featured with universal benefits, governments should take the responsibility of ensuring basic living standard of impoverished groups; a mechanism of defining benefits of social insurance for different groups and regular adjustment mechanism should be set up, so that interests of all parties could be properly adjusted for social harmony. Meanwhile, contributory social insurance should act as the core scheme in social security, with

functions of mutual support between social pooling account and individual account and risk diversification. Put emphasis on the balance of rights and obligations, namely benefits and payment, promote honest and hard work, avoid repeating setbacks which some countries have taken before, whose welfare systems unable to sustain due to excessive welfare.

2, Ensure basic systems taking shape and becoming stable. China's basic old-age insurance and basic medical insurance system featured with integration of social pooling and individual accounts are right choice made in light of basic national situation, and successful stories of other countries. The systems have been operating for many years, and gained acknowledgement from every walks of life. The basic system should be consolidated during deepening reform, and continue to make improvements, instead of rejecting the system and making repeated mistakes.

3, Unifying and standardizing basic policies. China's social insurance reform is promoted gradually on the basis of local pilot programs; it is inevitable that there are contradictions such as different policy standards, division of management rights in some regions during the development of the system. The basic direction of deepening social security system reform is unify basic policies, fund management, management and service process across the country, establish national integrated social security information protection system, so as to ensure the overall interests of people across the country. It is an inherent requirement of improving socialist market economy, and a key factor in ensuring market plays a decisive role in allocation of human resources.

4, Making overall considerations, progressing in a coordinated way. Realize balanced development by strengthening top-level design, coordinating economic and social policies, urban and rural development, relations between social security reforms and other reforms, considering relations among five social security reforms, in a bid to realize balanced development; enhance the the level of the rule of law, and law-based capability in management and service in a coordinated way, promote

building of a multi-level security system, so as to realize comprehensive development; coordinate development at present and in the future, properly define responsibilities taken by the nation, units and individuals in old-age insurance, activate enthusiasm of all parties, realize sustainable development.

5, Adhere to universal coverage, ensure every one enjoy social security.

universal coverage is the basis of ensuring every one enjoy social security. Universal coverage should be realized by focusing on resolving systematic loopholes, efforts in promoting the universal coverage. On the basis of consolidating the number of urban employees participating in social security, the coverage should be expanded continually, efforts should also be made in reforming and improving existing security systems, polices, and social security management service, so as to ensure small and midium sized enterprises, jobless urban residents, flexible employees and farmers all covered.

6, Adhere to the principle of moderate insurance, with the priority target of ensuring people's basic living needs. The level of China's productivity is generally low, development gap between urban and rural areas is relatively large, social security system should not transcede ojective conditions of economic development, its level should not be excessively increased, instead, it should match with the level of economic and social development, the progress and efforts should be properly made in reform process.

Fourth, the main content and policy suggestions for social security system building during the 13th five-year plan period

According to the development target and basic principles for social security during the 13th five-year period, the main contents of social security reform are as follows:

(1) Further improve retirement pension system

1. Promote urban and rural old-age insurance in a coordinated way to achieve a full coverage

Coverage rate is one of the basic measures to evaluate the effectiveness of the old-age insurance system. It is also the important task for China. Now the coverage rate for the developed nations in Europe and the US is around 90%. By 2020, China's total population will reach 1.434 billion. The basic old-age pension system should cover 1.05 billion. Targeting the 95% coverage rate, it should reach 1 billion people (workers basic endowment insurance 440 million people and residents old-age insurance 560 million people). Among them, people entitled for basic old-age insurance should be 286 million (workers basic old-age insurance 126 million and residents old-age insurance 160 million). Now the basic old-age insurance has covered 840 million people. To achieve a full coverage, it should cover another 160 million people in the future 5 years. Among them, workers basic old-age insurance should at least add 110 million. Considering 40 million staff at governmental and public organizations incorporated into workers basic pension system, at least 10 million should be added each year. Urban and rural old-age insurance system should add 50 million in total, and 10 million each year.

Regarding the difficulties for a full coverage, in towns, it falls on the migrant workers, internet economy employees, housekeeping personnel, self-employed people and the handicapped. Most of them work in non-public sector and micro businesses. Due to its small economic scale, flexible operational model and instable employment and low income, they lack the ability to pay for the premium. In rural areas, it mainly falls on young people who don't have the willingness to pay and some poor people who don't have the ability to pay. Targeting the conditions above,

we should gradually incorporate qualified people into the system by combing law enforcement and interests orientation, and policy improvement and promotion.

2.Improve insurance policy for residents and self-employed people.

We should further improve incentive mechanism of paying premium more and getting insured more, to mobilize the individually employed businesspeople, flexibly employed people and urban and rural residents to get insured. For residents who choose high-end premium and for a longer-period premium, we could appropriately increase government subsidy and give additional basic pension, guide by interests and step up insurance management to encourage consistent and longer premium. For the people living on minimum subsistence allowances and the handicapped, we should improve the policy of government-supported payment. Targeting the prominent issue of suspending premium by the low-income group and flexibly employed people, we should improve the statistical methods of social average salary, by including that of the private companies into calculation. Thus it could lower the payment base and increase the premium elastic range, by expanding the base from 60% to 300% of social salary, thus keeping consistent with enterprises workers premium range and facilitating them to choose how much to pay according to their own conditions.

3.Improve connection method of endowment insurance

At present, the policy of interprovincial transfer of workers basic pension and connection of workers basic old-age insurance and rural and urban residents social endowment has been carried out steadily. It solve the problem for trans-regional transfer of workers insurance (including migrant workers) and the connection between workers and residents insurance. But in actual condition, they still face

difficulties in transfer and connection and the high cost for the move and some of them even cannot transfer their insurance. We should speed up unifying operation process for transfer and connection and improve the nationwide unified information system of social security to curb enjoying repeated insurance and standardize and electronize transfer and connection to provide convenient service for insured people.

4.Improve individual account system of basic old-age insurance for urban workers

At the beginning of the century, the state council of China, while creating social security strategic reserve fund, was determined to carry out pilot of consolidating workers basic old-age insurance individual account to accumulate partial fund for future. Evaluating on the more than 10-year operation, these measures are of important strategic significance for coping with ageing of population and alleviate fund payment pressure under future accounting on the cash basis. But consolidating pilot program also faced with prominent problems. Some regions faced great pressure in ensuring current cashing. Companies were heavily burdened. Effective investment channels were lacked to preserve and increase value for consolidating fund. Various regions lack initiative to do it and to continue to expand the fund was faced with severe challenges. We need to adjust policy and make a directional choice. The main purpose of creating individual account was to clarify the old-age insurance responsibility between government and individuals. Only this function was played out, consolidating or not consolidating all can be a choice. It will not affect the basic model of accounting on cash and partial accumulation in general. On the condition that the strategic reserve fund has been created and continued to expand, we can choose not to deposit another sum of money to consolidate it. There have been different views on individual accounts in the international community. The International Labor Organization, and the International Social Security Association consistently oppose the accumulation system of personal savings without the function

of mutual aid. The World Bank, previously advocated strongly consolidating individual accounts, but recently it proposed that China could implement individual nominal accounts. Seeing from the different countries' practice worldwide, there are those who took individual accounts, while others nominal accounts. On comprehensive analysis and considering that China can hardly meet the condition to consolidate individual accounts in a long period of time (huge cost in payment system transition and difficulty in achieving good investment return for doing it), China could consider not to continue to consolidate the individual accounts of workers basic old-age insurance, rather it could take individual accounts as a incentive treatment. Suggestions: First, adhere to solid account accumulation for urban and rural residents old-age insurance individual account. This fund is from individual payment and has not burden of historical debt. It cannot be used for basic pension and must be invested standardized, and keep account according to actual investment earnings. Second, standardize workers pension individual account interest rate. Due to long-term capital nature of the premium, to maintain the replacement rate of the individual account endowment, the accounting interest rate should be set on comprehensively considering the growth of workers salaries and the factor of rising of commodities prices. It should be released by the nation annually. All these are to encourage people's incentives to get insured. Third, appropriately cut companies' premium rate and promote supplementary old-age insurance. Workers personal premium will be fully pooled into coordinated funds to ensure people get insured timely and to alleviate payment pressure for that purpose. Meanwhile, Companies' premium should be cut down appropriately and they are encouraged to use some of the money to build a supplementary pension so as to promote the building of a multi-level security system and reduce the future capital pressure.

5. Accelerate achieving a nationwide planning of workers old-age insurance on the basis of summarizing province-level planning experience.

Internationally, for the countries practicing a basic old-age insurance system, they all take uniformed system and policy nationwide and uniformed operation of funds. And rarely is there a phenomenon of different regions taking their own policies and managing their own funds. China took a path on which some regions engaged in pilot program at first, and then the country summarized the experience and gradually made it a standardized national policy. It played a positive role for exploring ways, improve policy and ensure people get insured timely at the initial stage. But there were problems such as not uniformed policy, regional segmentation and ambiguity of power and responsibility between central and local governments. At present, half of the balance of funds for workers old-age insurance are concentrated in very few eastern provinces. Different regions have different dependency ratio and premium for the companies, from 13% to 21%. In recent years, as the provincial planning system was put in practice, policy was uniformed and funds can be transferred for use within the province. And stimulus and constraint mechanism for localities by the provinces was also built. All these laid a foundation for nationwide planning.

According to the requirement of law of large numbers of social insurance, the objectives of the nationwide planning are to carry out unified system and policy and management process and information system across the country by stepping up central government's decision-making mechanism. The objectives also coordinate the use and management of the funds, balance regional burdens, strengthen the anti-risk capability of the funds and facilitate flow of the people got insured to promote the formation of a unified labor market and fair competitive market environment. The core is to clarify the financing and payment responsibility of the central and local governments on basic old-age insurance fund, clarify power and responsibility and mobilize the incentives of both central and local governments by combining the conditions of present finance management system and regional imbalanced economic development. The planning could consider starting from workers basic old-age insurance and followed by the one of the government and public organizations' staff.

The urban and rural residents' old insurance could not meet the condition to incorporate into national planning, because its system is different from the workers' basic old-age insurance, and their financing channels and treatment setting mechanism are also different.

It is not suitable to practice unified collection and allocation of funds by the state for the nationwide planning. We could consider taking partial planning for current funds collection and payment to create central planning funds. Through the adjustment by this fund can we effectively balance burdens between regions and alleviate the problem that in some places they have too much reserves while others lack money for payment so as to promote unified premium rates and leave rooms for reducing employers' rates.

6. Setting a criterion for financing and social security that commensurate with economic development to avoid insufficient security or excessive security.

Financing and treatment level concerns not only the healthy operation of the old-age insurance but also the economic burden of the employers and the individuals and the basic living condition of the people got insured. Thereby it affects the social and economic development. Therefore, we should set a criterion for financing and social security that commensurate with economic development.

1) Adjust properly the premium rates for the organizations in a timely manner

According to the ranking of 164 countries listed in Global Social Security, the sum of premium rate by both the organization and individual reached 28%, ranking the 13th. The rate is relatively high. It is mainly because the companies old-age insurance premium shoulders the system transition cost and state-owned enterprises reform cost. Because before the system transition, the old people have no individual account accumulation, the middle-aged people have no fund indemnity during the period

regarded as payment one and nearly 10 million people retired in advance during the SOEs reform period from 1998 to 2006, current payment mainly relied on payment from companies and individuals. Meanwhile, the low overall planning and imbalanced fund balance reduced the fund use efficiency. The huge gap between premium basis and salary statistics also caused the virtual-high of the premium rate (premium rate which is 20% in 2012, if calculated on the social average salary that included private companies, would be 16%). The relatively high premium rate made the financial burden for companies heavier and constrained the improvement for competitiveness. At the same time, it exacerbated the payment evasion and resulted into a vicious circle. Our studies show that the system transition has not ended yet, the payment for the period regarded as payment one will continue for about 20 years, and as the peak for ageing is coming, the total premium rate has no room for a big down-adjustment. Considering such factors as the government will continue to increase subsidy, more people will be get insured, premium salary base will be standardized, structural problem for fund will be solved by national planning and the capital use efficiency will be improved, we could properly adjust the employers' premium rate for old-age insurance. The rate for individuals will not be changed, as 8% is relatively suitable.

2) Properly setting the replacement rate of the basic old-age pension

The Social Security (Minimum Standards) Convention (No. 102) by International Labor Organization, which took effect in 1952, stipulates that the minimum old-age allowance for the people got insured for 30 years, should be no less than 40% of their average salary. The new standard in No. 128 Convention in 1967 was 45%. Among the over 160 countries that have old-age insurance system, about 78% of them have a comprehensive replacement rate (basic+supplement) over 60%. The rate for developed countries like France, Germany, Japan, UK was 62%, 52%, 49% and 47% respectively. Based on the above conditions, we believe that the average replacement rate for the primary treatment is better to keep between 45% and

70% due to the small share of the supplementary insurance in China. The target replacement rate for the urban and rural residents' pension should be set as 50% of the net income of farmers during last year, with basic pension and individual account taking half and half.

3) Setting a normal adjustment mechanism for basic old-age pension

Setting a normal adjustment mechanism for basic old-age pension is an important measure to guarantee the basic living standards for the retirees and also an important manifestation for them to enjoy the fruits of economic and social development. International experience told us that the countries with the system all had a growth mechanism for the pension standard in relation with the change of prices and salary growth. China has for several times, adjusted the basic old age pension for the retirees since it had the system. But a scientific and standardized mechanism has not been built yet.

The basic thinking for setting a sound mechanism is to improve the old-age pension adjustment mechanism for company employees, and based on that, to gradually build a sound one covering government, public organization, and company employees. The adjustment of basic old-age pension should be based on price fluctuation and growth of workers' salaries and the adjustment range should consider the salary growth rate and price index and the basic old-age insurance fund and the capacity of the fiscal support. To curb the situation that people stop to pay premium after a full 15 years, and try every possible way to retire in advance, we should continue the principle of paying more, getting insured more, and while adjusting basic pension, we should emphasize on premium duration and level. We should also reduce the range of quota for universal adjustment and increase the treatment for those who retired later. And in principle, we will not lean our policy on the group with special identity.

Meanwhile, the country should also adjust the minimum standard of the basic pension for rural and urban residents according to the economic development and price fluctuation.

7. Postponing retirement age in a gradual manner

Retirement age is an important factor affecting the old-age insurance system. The present practice that the male workers retired at 60, female leaders 55 and female workers 50, started since the 1950s. On the one hand, the retirement age is low and there are also some policies for retirement in advance. The actual age for getting pension was only 54, while the life expectancy for urban population already reached 78 and is becoming longer. On the other hand, the different retirement age for female workers and leaders resulted in conflicts in reality. At present, the threshold age for urban and rural residents to get pension has been the same, which is from 60. That for the individually insured was 55. As the economy and society develops and the average life span extends and people are receiving longer education, it is an inevitable trend to postpone retirement age. We should do it properly on considering the factors such as demand and supply of labor, education level, and life expectancy and fund balance. It could be done in two steps by starting from extending the retirement age for woman first and then for man. Firstly, we could adjust the retirement age for female workers from 50 to 55. Secondly, extending that for male and female workers simultaneously, from 55 to 60 and from 60 to 65 respectively. It is advised to release the plan during the 13th five-year plan period to solicit people's voice. And after amending and improvement, the plan is to put into practice during the 14th five-year plan period. We should give people an about 3 years preparatory period to arrange their career and life after retirement. Meanwhile, we should study and improve some supported policies on the retirement for those who did heavy manual work. We should cancel the policy on advanced retirement because of illness.

For those who lost their working ability, we could give them allowance according to related regulations and let them retire when they meet the age requirement. For those individually insured people, we should also adjust their retirement age in a timely manner and improve the policy to promote their employment and encourage employers to create posts suitable for old-aged people and guide them to work or start their own businesses.

8.Promote fund investment to preserve and increase its value

As the social insurance develops, the balance of old-age insurance fund increases rapidly. With the acceleration of urbanization, more and more will take part in the old-age insurance program in the future, so the fund will also increase and it is expected to reach an accumulation of nearly a trillion Yuan in the coming 10 years. Months ago, the Ministry of Human Resources and Social Security and the Ministry of Finance sought people's advice on the Regulation on Investment and Management of the Basic Old-age Insurance Fund. That means the balance fund will go to market for investment. The regulation stipulates the channels for fund investment and its capital quota. It should be put into practice as soon as possible after soliciting opinions. The old-age insurance fund in the world, whether it is full accumulation system or pay-as-you-go system, all take a strategy of diversified investment to preserve or increase its value. Some conservative investors, such as Singapore's central public reserve fund, began to gradually change their style. The fund account was only allowed to buy special state bonds before, but now it could go for market investment. Meanwhile, those fund, which was only used for market investment previously, such as the individual account of Chile, the DB, DC fund of the US, Canada's pension planning, and California's government employee retirement fund, all expand the quota of equity asset and are trying other investment channels. The fund from some countries also tried going global for investment. All these show that against the backdrop of ageing society, slowdown of economic development in many developed countries and the economic globalization, all countries actively use the

force of market and seek more returns by diversified investment to reserve and increase the value of their old-age insurance fund, relieve budget burden and improve its replacement level. However, practice proves that the marketed and diversified investment for the old-age insurance fund is not accomplished at one stroke. It all started by investing on fixed income products, and then as the capital market developed and improved, and the managing organization improved their ability to steer the capital market, they began to increase the quota of equity assets. The regulation on investment of China's old-age insurance fund, told us it takes time for related policies and management to improve, for the coordination and cooperation among decision-making, executing and supervising bodies, for the shaping and improvement of multi-layer capital market and for the investment organizations to improve their ability to cope with changing financial market. So all these determine that the marketed and diversified investment should be done in a gradual way. In light of the special nature of old-age insurance fund, safety and appropriate mobility are more important than its profits. At present, China's capital market indeed has the drawback like lack of financial products, unstandardized operation of listed companies and lack of a multi-layer and multi-structural market. Therefore, we advise to combine fund investment with regional economic development. Only the fund promotes social and economic development, can it be share the fruits of economic development and accumulate real and tangible purchasing power. On this, the international practice has given us rich experience. Singapore's central public reserved fund was invested in infrastructure building, the huge house-leasing program in particular to let everyone has a house to leave. The country's employees' reserved fund, after privatization, was used to support private economy. It promoted the infrastructure building such as power station, airport, highways and port by buying non-public bonds and direct loans, stimulating economic development as a result. The California's government retirement fund also put local investment a priority, and is always an important part of local economic system. All these show that the purpose of old-age insurance fund is not only for the increase on the accounting, but also for

promoting the regional economic development. The later is the root for preserving and increasing the value for the fund. China's capital market needs further improvement and standardization. This condition determines that the present investment focus for China's old-age insurance fund is to support real economy. On the one hand, it could be used to support infrastructure building through loans, purchasing state bonds or bonds issued by local government. It could be in particular used to support affordable house building program. On the other hand, we could increase its investment in private equity to help the development of small and medium companies with huge potential (like high-tech and bio-tech companies) to achieve a high return.

Risk accompanies investment. Therefore, we need a series of supporting measures and policies. One is to set up a system and mechanism to guard against risks. One of the important measures is to set up a system on investment evaluation and grading, information releasing and a mechanism on exit and access. On evaluation and grading system, emphasis should be put on evaluating and grading different investment products and the operation organizations. We advise to put the old-age insurance fund operation on the agenda of each year's Two-Sessions (National People's Congress and Chinese People's Political Consultative Conference) and release related information to the public. It is money for people's future use, so people's right to participate, to know and to supervise should be given a full play. Second is to improve legal system for pension fund investment and management. The State Council should step a management system for old-age pension fund to clarify related contents, regulate on related departments and behavior of the investment organizations. Third is to set up a supervision system for fund investment. We advise the Ministry of Human Resources and Social Security to set up an Investment and Supervision Bureau for Old-age Pension Fund. Their task is to supervise the investment of pension fund, enterprise annuity, occupational annuity and national social security fund. The role of social supervision and supervision by other

departments should be played out. Fourth is to clarify pension fund collection and distribution of investment returns. Fifth is to improve investment risk prevention and control mechanism. We should strictly limit investment scope and ratio. The fund should not be managed together with other types of capital. The investment organization should draw some money out of their management fee to compensate possible losses. Related organizations should set up system for internal control to earnestly step up risk management.

9. Fully implement the old-age insurance reform of government organizations and public institutions

The specific policies on reforming old-age insurance of the public and government organizations have been clarified and will be put into practice in 2015. The difficulties are as follows: First, how to guarantee a smooth transition for the middle-people (who work before reform and will retire after reform) in these organizations under current policy while ensuring their treatment not affected. Second, how to ensure the pension for those people who worked at public organizations but were not on their official payroll. Most of them are to retire soon. They cannot take part in old-age insurance scheme for public organizations and have not been in workers insurance scheme. Third, some public institutions are not fully reformed. They may face difficulties to pay premium, as the premium rate for them is 20% and individual, 8% and a further compulsory occupational annuity. We suggest related departments to carry out specific measures to solve these difficulties.

10. Set up a system of treatment for family members of the deceased and allowance for the sick and disabled

We should set up a system for treatment for family members of the deceased who got insured and allowance for the sick and disabled because of illness, to form an integrated security network.

1) Standardize the treatment policy for family members of the deceased

At present, the treatment for the family members of the deceased in government, public institutions and companies is with a huge gap and through different channel of payment. The basic thinking: First is to clarify the function of the system to alleviate the economic burden of the family of the deceased to arrange funeral and give certain but not too high material support for the family. Second is to clarify the items and payment ways for the treatment for family of the deceased, which should include funeral assistance and pension for the family and be paid one-off. Third is to standardize the payment channel. The treatment should be paid by the basic old-age insurance fund.

2) Set allowance system for the sick and disabled

According to present policies and regulations, workers could enjoy retirement treatment when they lost working ability because of sickness or disability. The social insurance law regulates that we should set up a unified and standardized system which links with old-age insurance system. The basic thinking: First is to aim at establish a separate and integrated illness and disability allowance and combine the policy of retiring from post and retiring because of illness into it. Second is to abide by the principle of enjoying allowance on the condition that they paid premium. We also should avoid the moral risk of getting insured after illness and differ the system from social relief and aid. Third is to reasonably set standard for treatment. On the one hand, we should consider the national condition and bearing capability of the fund to ensure people's basic living. On the other, we should connect they new system with the old and ensure they could enjoy regular pension after reaching their retirement age.

11. Extending minimum duration for premium

Judging from one person's life cycle, the period before age 24 is generally education stage and working stage between 25-60 and old-age life stage between 60-80. People should keep paying premium during the average 35 years of working period to accumulate rights and interest for old-age insurance after retirement. Considering factors that people may suspend work, the minimum duration for premium should be no less than 25 years. However, in 2012, the average duration was only 24 years (among it, average actual premium duration was 10 years and duration regarded as paying premium was 14 years). The advanced retirement ratio was 9% and suspending premium ratio was 15%. All these severely affected the balance of the fund and resulted in low pension for some of the retirees (especially the females). We advise to extend the minimum duration to 25 years. To keep a continuity of the policy, for the people who reach retirement age, but not pay premium for less than 25 years, we should extend their premium to full 25 years. We should consider adjusting the duration while amending social insurance law.

12. Vigorously develop company's occupational annuity to improve the multilayer system

Chinese workers' multi-layered old-age insurance system is composed of basic old-age insurance, enterprise annuity or occupational annuity and old-age insurance with personal savings nature. At present, the enterprise annuity develops slowly and covers less people, as there is only 6% of people take part in the program. Individual savings old-age insurance has not built yet and most of retirees rely on basic pension. The way for social security is simple and government bears heavy burden. The main problem affecting the development of supplementary old-age insurance is lack of

policy support and guidance and it needs to be improved. One is to accelerate expanding coverage of enterprise (occupational) annuity. We could properly lower the premium rates for companies and institutions by reforming and improving basic old-age insurance system to leave room for developing enterprise annuity. Second is to practice EET model for tax policy. In reference of international practice, we could further adjust the tax policy on enterprise and occupational annuity. Meanwhile, should study policies on tax support for individual savings old-age insurance. Third is to develop enterprise annuity pooling plan. Big enterprises, due to large number of employees and huge amount of capital, can design their own investment plan. But for SMEs and social organizations, it is difficult to do so because of small scale of money and high operation cost. Therefore, we should encourage them to pool their annuity together to reduce management cost and improve operational efficiency. Fourth is to integrate insurance system between different levels. We should do a good job in integrate basic old-age insurance with rural and urban subsistence allowances and related social welfare and relief and aid policies. We should continue to play the role of land security and family security. At present, the personal savings of Chinese residents have reached over 40 trillion Yuan and commercial life insurance also developed to a level. People with high income are encouraged to take part in commercial insurance to improve the life quality after retirement.

13. Improve social security fund supervision and management

1) Improve laws and regulations on social security fund supervision

We should promulgate an integrated regulation on fund supervision law-enforcement and fraud handling. Meanwhile, we should enforce it strictly to hold those who violates responsible.

2) Build a professional team for supervision organizations

The central, provincial and municipal government should exercise the rights of supervision and the top level should set sub-organizations to lower level to form a separate supervision system.

3) Create a system for prevention, investigation punishment, and evaluation

We should standardize decision-making, management process and improve internal control to prevent and control risks from the root. We should improve fund supervision information system to step up real-time supervision on fund collection, payment and management. We should step up law enforcement on fund supervision to punish those who violate laws and regulations such as embezzlement, fraud. We should implement the criminal law explanation by the CPC standing committee and step up coordination between police, and judicial departments to improve efficiency of punishing violations. We should also build fund safety evaluation and analysis system and achieve a quantitative analysis on fund risk to improve the accuracy of supervision. We should also release the punishment cases to the public to expand the right to know of the public and serve as warning education.

4) Improve the all-round supervision system combing administrative organs, CPC and society

We should actively play the role of the labor union, various organizations, public, media and social organs in supervision. We should ensure general public to exercise their right of supervision by improving decision-making rule and process, information releasing, public reporting and awarding system. We should improve mechanism on reporting and handling of the problems and integrate administrative and social supervision. All these is for the setting up of an all-round supervision system to secure the fund and improve people's livelihood.

14. Improving management and service system

1) Further integrate management and service resources

We should make it clear that the power to the management organization is to practice these functions well like executing policy, managing fund, and providing service. We should set up social security management and service bureau under Ministry of Human Resources and Social Security and the similar organs at provincial and municipal level and branch at country level. We should integrate the organizations handling workers basic old-age insurance, government and public institution employees old-age insurance and new rural insurance (urban and rural residents insurance) to improve operation and service network and grassroots public service platform.

2) Optimize operation model and service means

We should promote online operation of social insurance, expand public service channel and explore outsourcing services. We should accelerate informatization of social security to foster E-social security by relying on information technology and network coverage, implement accurate management by pooling and effective use of data, and achieve all be done on one integrated social security card.

3) Improve grassroots public service platform

We should integrate all network and service resources of the grassroots service organizations and social service organizations to build a employment and social security service platform at all sub-district and township levels and set up employment and social security station at all community and villages. We should set up a coordinator system at all villages. All is to improve service network for grassroots social security business with city (county) as core, sub-district (township) and community (villages) as basis.

4) Improve informatizing social security services

One is to fully use social security card. We should build a basic information data for social security cardholder, as the people will reach 1.2 billion at the end of 13th five-year plan and cover 90% of population. And we should reach the goal that the card can be used with multi-functions and across the country. Second is to pool social security information together and promote data sharing and business coordination. We should accelerate integration of management system with achieves system and improve digitalization and visualization of achieves to pave the way for achieves resource sharing across the country. We should build a unified information exchange and business coordination platform by improving cross-regional business handling. We should promote cross-business, cross-region, cross-level and cross-department information sharing and business coordination to form a unified platform. Third is to use big data and cloud computing technology in social insurance area. And we should explore supervision, information analysis and decision-making based on big data. We should continue to expand network monitoring. We should improve network supervision system, data collection, trimming and cleaning mechanism to improve data quality and analysis. We should improve business-monitoring model, fund supervision system and medical behavior monitoring system to explore informationized monitoring, gradually expand business application scope and improve decision-making support. Based on data storage technology, we should further improve decision-making support system, carry out theme analysis, data demonstration and warning and prediction and explore building of analysis model, to build a information-based statistics and surveying platform.

(2) Main Measure

1, Strengthen legal system of social insurance

Study and formulate basic old-age insurance regulations, social insurance handling management regulations, revise and improve social insurance premium collection and

payment provisional regulations, in order to formulate a legal system of laws, regulations and departmental rules supplementing and supporting each other.

2, Strengthen coverage, collection and payment in accordance with the law. According to Social Insurance Act, it is a legal obligation for employers and employees to participate in basic old-age insurance. Registration management needs to be strengthened, especially for non-public economic organizations and small businesses. Reporting and implementation of payment must be strengthened as well. At the same time, reporting and approval system must be standardized. Law enforcement need to be further strengthened. The audit of the number of employees and social insurance contribution base need to be strengthened the in accordance, in order to prevent evading social insurance coverage and payment of social insurance fee. Make sure to cover everyone that is legally eligible and collect all due fees. Improve the old-age insurance policy for farmers whose lands are expropriated. Include them in either basic pension insurance for enterprise employees or urban and rural old-age insurance, based on their own circumstances. Money collection comes after they are being covered in social insurance system.

3, Increase financial investment for basic old-age insurance. In China, money for basic old-age insurance is raised from national treasury, companies and individuals. China supports companies by preferential tax policies, it also takes financial responsibility for state-owned enterprises and government employees when they did not participate in basic old-age insurance but their years serving were identified as valid in terms of verifying how many years of insurance they have paid. The government has to subsidies, especially when basic old-age insurance fund does not have enough money. Although all levels of financial departments have continuously increase their spending on social insurance, the speed of increase in spending is still low than the increase of revenue income. The Third Plenary Session of the CPC Central Committee explicitly proposed to improve financial investment system for social insurance, and improve social security budget. It also proposed to improve

state capital budget operation system, and increase the ratio of state capital revenues turning into public finance. That ratio will be increased to 30% by 2020, to ensure more spending on improving livelihood. As basic old-age insurance almost covers all, governments at all levels should further adjust the structure of fiscal expenditure, increase capital investment, implement national co-ordination, improve social insurance budget, in order to achieve standardization and institutionalization of fiscal investment into basic old-age insurance fund.

4, Strengthen policy publicity and guidance

Firstly, strengthen publicity of social insurance law and regulation for owners of small and medium sized businesses who have low social insurance coverage, as well as owners of catering, construction businesses who have high labor mobility. Holding forum and regular training for private business owners to enhance their awareness of participating in social insurance and pay for relevant fees. Familiarize employers with relevant laws and the punishment regulated by law for not participating in social insurance and violation of employees' social rights. Guiding employers to positively participate in social insurance and pay relevant spending. Secondly, provide targeted guidance and training for employees and urban and rural residents. Persuade and educate those who are not willing to participate in social security, in order to stop short-sighted behavior and increase their awareness of risks. And handle the relationship between current interests and long-term benefits correctly. Make participants aware the relationship between paying for social security and get pension, encourage them to do payment in the long-term and pay more. Provide participants a foreseeable future, and enhance their enthusiasm to pay. Explain to migrant workers and other flexible employees the transfer of social security; make them confident to participate in social security. Try to achieve active inquiry and participation of service object from passive participation.

5, Strengthen the management of labor and employment norms, regulate insurance participation and payment

Link the following two things with insurance participation and payment. They are training for small and micro business operators and certification audit for operators and person in charge of high-risk industries. Rigorous exam the qualification of labor dispatch companies, in order to prevent them from not participating in social security in the name of dispatched employment; urge labor dispatch companies to get their dispatched labor covered, especially those domestic companies who dispatch their labor to foreign counties. For those who failed to do so, resolutely cancel their qualification to dispatch labor as a company. Meanwhile, inspection is needed to prevent the following from happening, companies turn employee into dispatched labor in order to avoid paying for employee' social security fee, as well as other actions that harm the legal rights of employees.

6, Continue to expand the National Social Security Fund.

In 2000, China founded Council of National Social Security Fund, and set up a national social security strategic reserve fund. The money was raised from financial allocation, transfer of state-owned shares and lottery income as well as many other ways. The fund adds value through market operations. Given that the National Social Security Fund is set up to cope with aging population, expanding the fund could be considered, in order to better cope with the financial risk of payment while aging population reached peak time. According to the spirit of the Third Plenary Session of the 18th CPC Central Committee, the work of transferring state-owned shares should get started as soon as possible. Invest some of the important national resources capital revenue into the fund, to enhance the reserve capacity of social security fund. As the population of middle-income class, especially high-income class is getting bigger; the levy of inheritance tax is becoming an important means to enhance future re-

distribution of recourses. Inheritance tax can improve intergenerational adjustment and social equity, and its revenue can be used to replenish the reserve fund.

7, Improve income verification system and statistical system of average income for employees

Implementation of standardized income verification system is the basis for the establishment of credit system. It is also a fundamental project to improve social security system. In developed countries, improving income verification system effectively prevented tax loopholes, it also enables the low-income group conveniently get social welfare. So far, China's income distribution system is not standardized yet, the level of income is neither real nor transparent. That resulted to false social contribution base. Management should further improved in terms of regulating total wages of enterprises and employees, fully implement real-name system for wages, and reduce cash payment, while monitor company behaviors in real time via inter-bank network.

So far, insured individuals have accounted for about 30% of all the insured population, and are continuing to increase. According to the current policy, the contribution base for self-employed laborer and flexible employment mainly refers to the average income for employees. The statistical data for that average income is mainly collected from above-scale enterprises and government organizations and institutions, the data from a large number of small and medium sized companies and individual businesses are not included. As a result, the data of average income is relatively higher than the real data. Many are saying their income is "artificially raised". That add to the burden for self-employers, thus huge number of them are unable to afford payment, and quit participation of social security system. Statistical methods of calculating average wage should be further improved in order to make sure the authenticity of the data get.

8, Establish actuarial system for pension

Currently, actuary is already widely used in most countries who have mature social insurance businesses, and has become an important sign to reflect the fund's management standardization and specialization. With the population aging and accelerated development of urbanization, there are many uncertainties for fund income and expenses; operational risk of institution is increasing. In order to maintain the sustainable development of the pension system, actuarial system for pension must be introduced, establish an actuarial reporting system, strengthen early warning forecast for the payment ability of the fund, and the monitoring operational risks, support policy making and funding arrangements in advance to ensure that basic pensions are fully released on time.

Periodic actuarial and analysis is important tool and mean to ensure the long-term balance of the pension fund. Since subsidy constitutes an important source of finance for China's pension system, it is necessary to analyst the financial ability of fiscal income in order to further judge the financial sustainability of the pension system. It is recommended that during China's 13th five-year plan, the determination of all the parameters regarding old-age insurance should be based on actuarial analysis. Otherwise, any determination or adjustment of the parameters regarding old-age social security is blind. That will be dangerous, and could affect the long-term balance and system sustainability of old-age social security.

9, Strengthen social dialogue, listen to various opinions and recommendations

Old-age insurance reform and adjustment affects interests of all sides, including employees, retirees, businesses, governments and other urban and rural residents, and therefore very sensitive. International experience shows that full and active social dialogue contributes to the formation of a more reasonable, equitable and sustainable old-age insurance reform plan. It also helped to get the understanding and support from all sectors of society as well as the smooth implementation of the reform program. Various stakeholders' participation and dialogue itself is a potential

balancing mechanism. In 2012, the International Labor made a special research on the role of social dialogue in old-age insurance reform during economic crisis. They observed a general phenomenon: old-age insurance reform plans were implemented smoothly with sustainability when full communication, consultation was carried out between government and social partners, other stakeholders, and all aspects of requirements were considered and balanced to reach a political consensus. In addition to listening to a wide range of opinions and suggestions from government, employees, businesses, foreign experts and scholars, social dialogue need to be expanded when old-age insurance reform involves others. That is to ensure the demands of other groups; especially the vulnerable group is fully reflected and took into consideration during old-age insurance reform. The participation of various forces can make old-age insurance reform plan more comprehensive, reasonable, fair and balanced.

10, Strengthen research and propaganda on social security

Enhance the social security research with focus on fairness and sustainability, in order to form a social security theory and policy system with Chinese characteristics. The research can also provide theoretical guidance and technical support to building a more equitable and sustainable social security system. Strengthen social security management system, technical standards and research on standardizing businesses. Innovative research methods and means, use cloud computing and big data processing technology to carry out deep collection and analysis of social security business data, social security policy assessment, analysis, forecasting and early warning; to deepen research on macro decision support systems, service monitoring system, fund monitoring system. Carry out actuarial studies; establish actuarial system to promote balanced analysis of the social insurance system. Promote scientific research applications. Raise fund via multiple channels to increase research funding. Strengthen social security policy advocacy and guidance of public opinions.

11、 Strengthen international exchanges and cooperation of Social Security

Strengthen bilateral and multilateral cooperation in the field of social insurance and promoting work on social security agreements, timely ratify the International Social Security Conventions that fit to the need of our country, and actively participate in the standard-setting of International Labor Organization conventions and Recommendations as well as other international standards. Use the opportunity of participation in the International Labor Organization (ILO), the International Social Security Association (ISSA) and other international organizations to strengthen international exchange of social security, to draw on the experience of the International Social Security reform and management services. Strengthen external propagation for social security, introduce China's experience and effective practices on social security, and promote the development of international social security.

Fifth, major project proposals for 13th five year plan

(1) Grass root employment and social security comprehensive service platform construction project

Continue to implement the grass root employment and social security comprehensive service platform construction project. Strengthen service facility construction at county and township levels; strive to provide service on social insurance registration, payment, checking and distribution of social security, transfer of social insurance as well as other services at grass-roots level facility. By 2020, employment and social security services platform should cover all counties, townships and administrative villages. The government will properly subsidize basic infrastructure construction.

(2) Social security card project

Take "a card has multi-purpose and can be used nationwide" as the overarching goal, cover services like card issuing, application, management and others, plan to build a comprehensive social security card service system as a whole which collaborate nationwide efforts, share resources, coordinate services, and is safe and efficient. That could make card use for the public to be easy and convenient, and achieve precise and standardized management, personalized service for human resources and social security services targets.

(3) Social Security Standardization Project

Based on the "Human Resources and Social Security Standardization Plan (2011-2015)", further improve the social insurance standards, develop and revise a number of social insurance national standards and industry standards. Implement work regarding the national "social management and public services standardization pilot" and national standardization pilot in key areas in the social insurance field, in order to fully implement social security standards.

(4) Transfer of social security and financial clearing platform project

Build a unified national platform to cover social insurance transfer, optimize information flow and capital flow for transfer of social security, and change from local agency transfer to national centralized clearing and convergence. Provide more convenient services for social security card holders, and enable them to inquiry, tracking their status.

Build a national fund settlement platform, serving national co-coordinating pension insurance, getting treatment from hospitals in another province or city that is different from permanent residency, and transfer of social security. Establish a central financial settlement center in order to achieve national coordinating pension fund management

for revenue and expenditure plan and final accounts; use the platform to allocate and collect regional basic pension and inter-regional treatment working fund.

(5) Social security big data project

Integrate existing basic data of social insurance scattered in different departments, including basic information of employers, basic personal information, income, participation and payment of insurance, policy parameter and many other information, in order to form a unified social security Big Data platform. Horizontally, realize data sharing and real-time exchange between various departments, including Ministry of Human Resources and Social Security, National Development and Reform Commission, Ministry of Finance, Ministry of Public Security, Ministry of Civil Affairs, National Health and Family Planning, National Bureau of Statistics, Administration for Industry and Commerce. Vertically, connect all platforms from grass-root level to county level, prefecture-level city, provincial to central level. Gather all the data to central social security data center, and establish sub-centers at provincial level. Use big data and cloud computing technology to develop social insurance-based big data applications. Solve the problem of information silos. Monitor behaviors of not participating in social security, participating social security at two different locations at the same time, receive double or multiple pension, and fraud of the Fund. Make sure data is consistent and accurate, get rid of obstacles to transfer social security across regions, achieve a mode of one center with several terminals. At the same time, try to provide service at Internet terminals, social security kiosks, mobile phones, WeChat and SMS. Try to achieve the goal of handling 80% of social security businesses via Internet by the end of the 13th five year plan; Establish a social insurance decision support and monitoring system based on big data to monitor the operation of social security. Compare information of participating companies to find false and inaccurate information, as well as adverse participating(参保人逆向参保); false contribution base, make false report, potentially fraudulent and other acts. Forecast the revenue

and expenditure of the fund for a certain period; make early warning to operational risk; provide comprehensive social insurance information application based on big data. Government, companies and the public could get public service on the social insurance big data platform.

Sixth, steps and main indicators of promoting the development of old-age insurance for 13th five year plan

(1) Steps taken

Reform and improve the pension system is a long process. In accordance with the principle of focusing on the current situation, aiming for the long-run, having an overall design, while implementing the plan step by step, strive to do the work well during the 13th five year plan, resolve outstanding contradictions and problems. Suggested steps to reform and develop old-age insurance during the 13th five year plan are in Table 2:

Table 2. China’s old-age insurance reform plan during the 13th five year plan

Time	Key tasks	Purpose
13th five year plan (Year 2016 – 2020)	1. Improve policy for self-employed laborer and flexible employment to participate in social security and pay	Expand the coverage, reduce interruptions of payment
	2. Fully implement operation rules for basic old-age insurance fund investment	Achieve to keep and increase the value of the fund, add to the fund

3. Establish system of providing allowance for the sick and the disabled	Improve the old-age insurance system for the old, family of the deceased and the disabled
4. Introduce policy on compensating family members of the deceased	
5. Fully implement reform on old-age insurance system in government organizations and institutions	Achieve the goal of almost full coverage of old-age insurance, realize social equity
6. Introduce national co-ordinating program	Improve anti-risk ability, divide central and local powers reasonably
7. Improve the mechanism for employees and residents to normally adjust basic pension	Guarantee basic living, share the results of social and economic development
8. Announce the scheme of gradually delay retirement age	Lead the whole society to achieve consensus
9. Implement the plan of register everyone for social insurance	promote universal coverage, promote government's social management and public service level
10. Research and formulate "Old-Age Insurance Act"	Achieve the legislation and standardization of old-age insurance law
11. Research to extend the payment period	Consolidate payment, increase the Fund's revenue

12. Research to implement the scheme of delaying retirement age	Improve current situation of high support ratio, fully take advantage of human resources
13. Improve multi-layer old-age insurance system	Play multi-level role in achieving risk-sharing
14. Research on methods to enrich old-age insurance fund from multi channels	Enrich the fund, enhance its sustainability
15. Research on the use of social security strategic reserve fund	Ensure the smooth operation of aging peak, achieve sustainability

Table 3 A list of main criteria for social security development by the end of the 13th five year plan

Code	Criteria	Content	Rate	Description of the criteria
1	Coverage rate of basic social security (%)	Coverage rate of basic old-age insurance for urban employees, government organizations and institutions, urban and rural residents	95%	(The number of people who actually participating in social security/ The number of people who should

				participate in social security) X 100%
2	Replacement rate for basic pension insurance of employees (%)	Pension level of employees in terms of basic old-age security	45% ~ 70%	(Average pension for statistical period / average wage for statistical period) X 100%
3	The number of Social Security Card issued	Refers to the number of cards that are currently active and held by participants (excluding reissued and lost cards)	1.2 billion	
4	The percentage of business conducted on the internet	Refers to the proportion of total business volume conducted by organizations and individuals via internet, cell phone, ATMs, telephone terminals. Businesses conducted include registration, payment and collect of pension.	80%	

Annex 1: China's evaluation criteria system for old-age insurance development

China's basic old-age insurance system is comprised by two parts, basic old-age insurance urban employees and basic old-age insurance for urban and rural residents. Old-age insurance index system comprised 15 indicators in four areas, coverage, moderate fund-raising, guarantee of adequate financing, and sustainability.

1, Coverage criteria

Coverage criteria picks basic old-age insurance participation and coverage rate for urban enterprise employees; urban and rural residents; total old-age insurance participation and coverage rate in urban and rural areas.

Basic old-age insurance coverage rate for urban enterprise employees: the number of urban enterprise employees who actually participated in basic old-age insurance / the number of urban enterprise employees who are obligated to participate in basic old-age insurance. The number of people who actually participated in basic old-age insurance equals the number of urban enterprise employees (within work age); the number of people who are obligated to participate in basic old-age insurance equals the total number of urban employment (excluding government organizations and institutions, military servants and students).

Basic old-age insurance participation rate for urban enterprise employees: the number of urban enterprise employees who are actually covered by basic old-age insurance / the number of urban enterprise employees who should be covered by basic old-age insurance. The number of people who actually covered by basic old-age insurance equals the number of urban enterprise employees who participate in basic old-age insurance plus the number of people who collect pension; The number of people who should be covered by basic old-age insurance equals the number of urban

employment (excluding government organizations and institutions) plus the number of company retirees.

Basic old-age insurance participation rate for urban and rural residents: the number of people who actually participated in basic old-age insurance / the number of people who should participate in basic old-age insurance. The number of people who actually participated in basic old-age insurance equals the number of urban and rural residents who pay for basic old-age insurance plus the number of people who can get pension. The number of people who should participate in basic old-age insurance equals the number of people who are registered as urban and rural residents minus the number of students and the number of urban and rural population who already participated in the basic old-age security for urban employees.

Total old-age insurance participation rate in urban and rural areas: the total number of enterprise employees plus the total number of urban and rural residents who actually participated in basic old-age insurance / the total number of them who are obligated to participate in basic old-age insurance

Total old-age insurance coverage rate in urban and rural areas: the total number of enterprise employees plus the total number of urban and rural residents who are actually covered by basic old-age insurance / the total number of them who should be covered by basic old-age insurance

2, Criteria of moderately fund-raising

This criterion reflects the financial burden and coordination between the two systems. The criteria are as follows: 1) actual contribution rate of basic old-age insurance for urban enterprise employees, enterprise contributions ratio; 2) individual contribution growth rate of basic old-age insurance for urban and rural residents, individual payment

Actual contribution rate of basic old-age insurance for urban enterprise employees: the average money paid by urban enterprises and employees / the average wage of urban enterprise employees. This criteria reflects the financial burden for enterprises and its employees, the determination of contribution rate need to ensure balance of payment for basic old-age insurance fund while inspire social vitality (which means stimulating the production enthusiasm of enterprises and workers), funding levels to high or too low are both not desirable.

Financial burden for enterprises in terms paying for basic old-age insurance for urban enterprise employees: money paid by enterprises for basic old-age insurance / total profits of the enterprises. This criterion reflects the crowding effects that old-age insurance payment has on corporate profits. As a result of increasing degree of internationalization and marketization for China's economy, competition became fiercer. The increase of labor cost can not be easily transferred by raising prices; the stronger the crowding effects old-age insurance payment has on corporate profits, the less favor that has on the long-term development of enterprises. That could also threat to the stability and sustainability of basic old-age insurance fund raising.

Individual contribution growth rate of basic old-age insurance for urban and rural residents: growth rate of payment made by urban and rural residents in terms of basic old-age insurance this year compared with payment made last year. Payment made by urban and rural residents in terms of basic old-age insurance include: the sum of total payment made by individuals, total financial aid, and collective subsidy (or financial aid given to individuals, social groups and others) / the total number of individuals who pay for basic old-age insurance. It reflects the financial burden for urban and rural residents.

Financial burden for urban and rural residents in terms of participating in basic old-age insurance: average individual payment / average net income of farmers per person. It reflects the financial burden for urban and rural residents.

3, Guarantee of adequate financing

For the criteria of pension distributed, we pick pension replacement rate to reflect the function of old-age insurance to ensure basic daily life. It can not be too low or too high, and should be kept between reasonable ranges.

Pension replacement rate for urban enterprise retirees: average pension for urban enterprise retirees/ average individual contribution wage for urban enterprises employees who participated in social insurance.

Pension replacement rate for urban and rural residents: average pension for rural and urban residents / net income for rural residents per person. The level of insurance that urban and rural residents get can refer to five indicators:

- 1) minimum living standard for urban areas;
- 2) minimum living standard for rural areas;
- 3) minimum living allowance for urban areas;
- 4) minimum living allowance for rural areas;
- 5) the per capita consumption expenditure of rural households.

Considering the level of insurance that urban and rural residents get is to protect the basic living standards, not the lowest cost of life, therefore, urban and rural minimum living standard is relatively low, and can not be used as the main reference criteria. However, the standard can be used as a minimum standard. The per capita consumption expenditure for rural residents is relatively reasonable, therefore, rural residents net income per person is used as the main reference criteria for judging the level of insurance that urban and rural residents get.

4、Sustainability of the fund

Because the process of reform on urban and rural enterprises employees old-age insurance system, channels of payment for transition costs were not specified, co-ordinated fund embezzle personal accounts, in fact, it is still pay-as-you-go, only some provinces (municipalities) take personal accounts as pilot project. Thus the following are chosen as main criteria for sustainability, urban enterprises employees' basic old-age insurance fund accumulated surplus rate, individual account investment yield, urban and rural residents' individual old-age insurance accounts investment yield and rate of realization of fiscal aid.

Urban enterprises employees' basic old-age insurance fund accumulated surplus rate: $\text{years of accumulated surplus for old-age insurance fund} / \text{total annual expenditure of social insurance funds}$. This criteria reflects the financial sustainability of the pension fund, and is generally considered appropriate when accumulated surplus rate ranges between 1 to 2. Too low, it means insufficient financing, the sustainability of pension is at risk; too high means that the funding levels are too high, and that will increase labor costs for enterprises, and in turn risk the sustainability of the system.

Individual old-age insurance account investment yield for urban enterprises employees: $\text{individual account investment profits (deduct investment operational costs)} / \text{total investments from individual account}$. This criterion reflects the investment performance of individual accounts. Investment yield too low could impact accumulation of personal accounts, and affect the old-age insurance pattern of "co-coordinating accounts with individual accounts"; investment yield too high means that fund investment is facing high risks, and could affect fund safety. Ideal investment yield equals to the average wage growth rate for urban enterprise employees.

Urban and rural residents' individual old-age insurance accounts investment yield: investment profits of urban and rural residents' individual old-age insurance accounts / total fund investment.

Rate of realization of fiscal aid: (central fiscal aid that are realized and funded for urban and rural basic old-age insurance during report period plus regional fiscal aid that are realized and funded during report period) / (central fiscal aid that should be realized and funded for urban and rural basic old-age insurance during report period plus regional fiscal aid that should be realized and funded during report period).

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