

Research on the Development of Pension Finance in China

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Abstract

China has quickly entered the aging society, facing a lot of pressure and challenges. In the silver economy era, pension financial development has a very important significance for China's pension industry. Establish a good pension system; it needs government, market and society, and other multi joint efforts. Innovative pension financial products and services, the steady development of China's pension industry has a positive role in promoting.

Keywords: *China; pension finance; path research*

1. The Definition of Pension Finance

Pension finance is a new subject in the field of pension and financial field. Pension finance is to invest in the financial sector, the realization of the multi-channel pension investment operations. Its essence is finance; the purpose is to provide for the aged. Therefore, the theory and practice of finance is also applicable to pension finance.

2. The Current Situation and Problems of China's Pension Finance

2.1 Current Situation of China's Pension Finance

In the two sessions held in March 2012, Whether pensions should enter capital markets had a controversy; on the 20th, the issue of pension funds into the capital markets settled, billion pension in Guangdong determined to enter the market. March 2015, approved by the State Council, Shandong province determined the 100 billion yuan pension insurance fund balances commissioned by the National Council for social security fund investment operation, batch transfer, the first batch of 10 billion yuan has been transferred in place, the remaining funds are regulated.

In August 17, 2015, the State Council issued the "basic old-age insurance fund investment management approach", the management approach is implemented from the date of issuance. The regulation stipulates, investment stocks, equity funds and hybrid funds, the proportion of equity pension products, the total may not exceed 30% of the net asset value of the pension fund. At the same time, the state-owned key enterprises restructuring, listing, pension funds can be carried out equity investment. Endowment insurance fund is people's endowment money, to achieve a safe and efficient value preserving and increasing the value of each person is of great significance.

This shows that China's pension industry is currently in the initial stage. Some financial institutions in the pension financing, providing pension financial products and other pension funds to do a certain exploration, but the pension financial products and services is still relatively simple. No matter from financial institutions to invest in financial institutions or pension, pension industry management perspective to judge, Pension finance is in a fragmented state, has not started the development of the system, and there is no model can develop pension finance business Sustainably.

2.2 Problems of China's Pension Finance

Analyze problems mainly from the following aspects:

2.2.1 Three pillar of China's Endowment Insurance Development is not perfect

The three pillar of China's endowment insurance have some problems. Such as: basic pension co-ordination is no national, individual account pension operate with empty account, social security fund investment ways is less, so that funds face devaluation risk; enterprise annuity management is not standardized, it is difficult to achieve value preservation and appreciation; personal savings commercial pension insurance development level is low. Correspondingly, there are some shortcomings in the development of China's pension finance.

From the current pension financial development can be seen, the excessive dependence on the first pillar of the basic old-age insurance, leading to the "top-heavy" situation. China's enterprise annuity is not mandatory, so many companies still do not want to pay enterprise annuity. Second pillar in the three pillar of the proportion is very small, leading to now basically no pension insurance companies only rely on corporate pension can achieve profitability.

In addition, from the "Chinese residents endowment report" (2015.11.06) can be obtained, sample size is currently not yet retired respondents, N=2046, 75% of the respondents family held personal insurance products in current, however, people who held commercial pension annuity insurance accounted for 21%, from this, we can see that the development of commercial pension insurance needs to be improved.

The Proportion Accounted for Financial of No Retirement Respondents in 2015 (Sample size: N=2046)

Deposit :91%	Personal Insurance :75%	Investment :70%
RMB / foreign currency live: 75%	health insurance: 43%	stocks, bonds, fund financial products :64%
Foreign currency deposit :71%	RMB / live: 42%	pure investment real estate with critical illness insurance :15%
	lifelong / regular / endowment insurance :28%	investment with foreign exchange: 12%
	commercial pension annuity insurance :21%	collection :7%
	investment linked / universal insurance: 15%	trust and tailor-made wealth heritage products :2%

Data Sources: the full text of the report "the Chinese people's retirement pension" (2015.11.06)

2.2.2 China's Pension Financial Lack of Top-level Design

The endowment insurance system's setting in the unceasing exploration, and has already made the old age financial policy is very deficient. At present, the pension policy and financial policy is not connected. In August 17, 2015, the State Council issued the "basic old-age insurance fund investment management approach", but in the financial sector to support the pension industry without the introduction of the overall approach. There are no specialized institutions to invest in pension finance operations, and professionals are rarely. Due to the lack of cultural atmosphere of the old age finance and social credit system in China, there exists some problems in the process of pension financial design products.

2.2.3 Types of Tension Financial Products is relatively simple

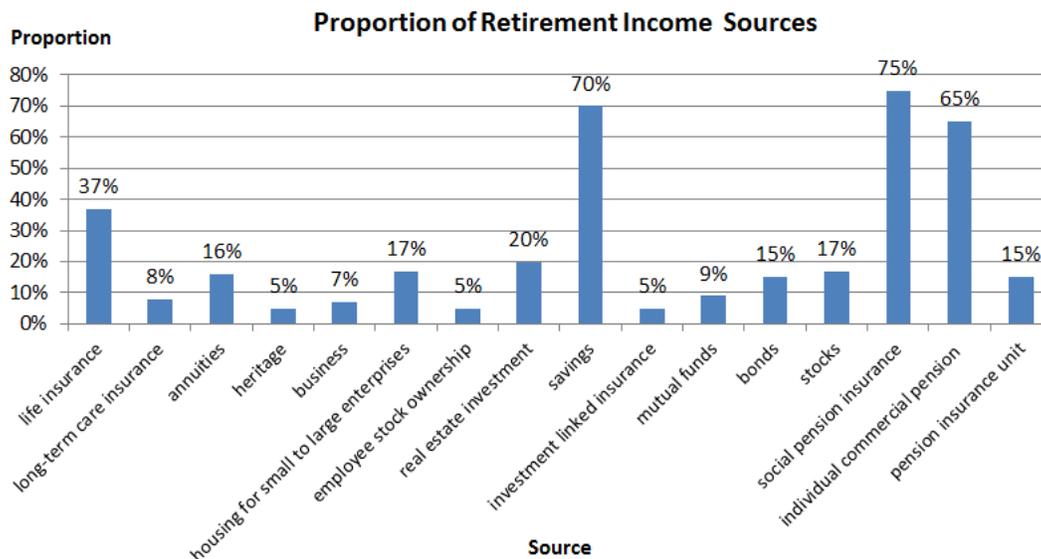
Although some of the insurance institutions have been involved in pension financial products, but relatively speaking, the commercial banks involved in the pension industry products and services is still relatively small, there is no a complete pension financial business model. Pension financial products and services are mainly embodied in three aspects: most of the old people put the balance of funds in the bank.

The bank is focused on behalf of pension, entrusted with the management of enterprise annuity, pension insurance companies to provide the product properties of commercial endowment insurance. Now the pension financial products and services targeted is weak, more passive to meet the needs of the elderly. The existing pension financial products and some low risk products bundled together, these pension financial products tend to be tedious but the storage period is short, the investment, and the long-term sustainability of the pension investment does not match.

2.2.4 Older People Care More Traditional Concept

In developed countries, people's awareness of buying insurance is very strong, everyone has at least a basic old-age insurance policy. But in our country, most of the elderly more traditional ideas, accept new things and the ability to adapt is weak, they are not willing to sacrifice the life level of the cost to do some things grasp the income, some elderly people are more reluctant to balance funds to a higher risk of the financial sector, so far, China's old-age pension model is mainly based on the family pension, the majority of the elderly through their own savings or through their children to support the pension. Even if they invest their money in the financial sector, they are sensitive to the price of pension products, and they lack the ability to distinguish different pension financial products. Some factors affect their choice of considering about financial products: whether it is safe, the operation of the agency's reputation weather is good, how to gain, whether it can preserve and increase value, whether it is trustworthy. They are very concerned about the extent of how much income.

September 2013, the State Council issued a number of opinions on accelerating the development of the pension service industry, and put forward the development of the elderly housing reverse mortgage endowment insurance pilot". However, most of the elderly from the psychological is not easy to accept this new style of pension, more willing to leave the house to future generations. In 2015, the Chinese people's retirement Readiness Index Research Report shows: the sources of retirement income are not only a single but very traditional, the most widely used financial instruments are basic pension insurance and bank savings. As can be seen from the following: social pension insurance, savings and personal business pension insurance as the main way to retire, and the use of stocks, bonds, funds and other financial means of the proportion of respondents is low.



Data source: Chinese residents' retirement "Readiness Index Research Report 2015"

In short, the traditional concept of our elderly is still dominant, their understanding of the social and commercial pension service system is not enough, the power to buy pension financial products is still lacking. In addition, Chinese people's awareness of pension finance is not enough, mostly used to rely on their own savings to deal with the future of pension and other aspects of the risk, therefore, we develop the pension financial industry has a long way to go, need the joint efforts of the government, society, commercial banks and insurance institutions, together to create a sustainable development of pension finance industry.

2.2.5 Deficiencies of Pension Financial Investment Operations Management

(1) Pension into the Financial Sector with a High Threshold

Some financial products and services to support the development of the pension industry, such as: pension trust, pension funds, pension financial and personal housing reverse mortgage loans are bound by relevant laws and regulations. In addition, the pension agency is permitted to enter into the field of financial evaluation, pension institutions is difficult, many pension institutions are not allowed to become a loan subject.

The difficulty lies in the identification of assets mortgage, which is rooted in the standards of access, the management mechanism, the market norms and the supervision of the market is not perfect. Moreover, the pension finance professionals lacks corresponding technology and experience, lack of pension services credit personnel, existing products, credit approval mechanism, the loan amount, duration can't meet the financing needs. In addition, pension assets more pursuit of security benefits and other affected by many factors, the pension is facing the situation of the development of power shortage.

(2) Lack of Sound Investment Mechanism

There is no classification of the balance fund, and also there is no investment in accordance with its nature. This can't meet the different requirements of risk appetite, investment field, investment cycle, investment principles, so that the fund's investment is in a fragmented state.

Most banks have no complete framework of pension financial business. They put the pension finance business under the trust business, anchored in the company's business or retail business department, no construction of independent business sector. This makes a lot of pension financial related products and services, scattered in a number of departments within the bank, such as the company's business department manages the deposit of the social insurance fund, personal financial sector engaged in social security card issued on behalf of pension, enterprise annuity, debit card and so on, the financial department is responsible for the exclusive financial.

The real pension financial sector is only engaged in corporate pension business and pension financial products sales (individual bank account management and trust respectively belong to different departments). The financial sector in the development of pension products, usually need to negotiate a number of departments in line with the existing cooperation, complex business processes, communication and consultation of high cost, long development cycles and other issues, it is difficult to adapt to changes in the market and meet customer needs.

(3) Lack of a Complete Financial Supervision System

Pension financial industry involves cooperation and management of various departments, if the relevant duties without clear pension financial industry departments, the corresponding regulatory responsibility will lead to confusion of pension finance business and faces long regulatory dilemma. Pension finance involved in the Department of human resources and social security, Ministry of finance, China Banking Regulatory Commission, the Commission and other departments, is likely to lead to multiple regulatory issues.

In the pension financial business of the regulatory agencies, the most typical is the enterprise annuity business. The ministry of human resources and social security is responsible for the development of enterprise annuity policy, eligibility access, information disclosure and business supervision, etc. The CBRC is responsible for bank custody, account management business norms. The commission is responsible for the operation and supervision of pension investment, China Insurance Regulatory Commission is responsible for pension insurance companies involved in the link. In contrast, the banking regulatory authorities in the enterprise annuity regulatory system is limited, the commercial bank is also in a relatively weak position in the operation of the system.

3. The Choice to Develop China's Pension Finance

3.1 Straighten Out the Basic Old-age Insurance Fund Management System

To straighten out the management system of the basic old-age insurance system has two conditions: one is the basic pension to achieve national co-ordination; the other is to fund the individual account. The overall level of the basic pension is low, and the economic reason is the difference of regional development. The third Plenary Session of the 18th CPC Central Committee adopted the "CPC Central Committee on deepening reform of the overall number of major issues of the decision" clearly put forward the implementation of the national co-ordination of basic pension. The insurance funds and personal accounts are thoroughly separated, and fund the individual account is a prerequisite for investment; the personal accounts need to be clear at all levels of government responsibility, and then make up the history of debt.

3.2 Government Needs to Introduce Relevant Policies, Clearly the Scope of Supervision

The perfection of the pension finance needs to be formed by the government, the market, and the society. The function of the government in the field of pension finance is reflected in three aspects: financial support, system design, and financial supervision. The introduction of relevant policies, can effectively promote the standardization of the industry.

The government needs to support the introduction of relevant policies to guide and encourage financial institutions to participate in pension finance, while the introduction of relevant preferential tax policies to reduce the cost of entry of financial institutions, efforts to reduce barriers to entry. Make up pension financial business qualification short board, and actively seek preferential policies. Bank regulators, commercial banks should strengthen the management of pension funds and the department of communication, strive for the complete management qualification, especially the pension investment management qualification. The government should actively introduce insurance, funds and other financial products for the elderly to stabilize the purchase of regulatory laws and regulations to protect the most basic pension for the elderly living.

Improve the listed state-owned equity transfer fund institution, and increase the national social security fund designated in the proportion of listed central enterprises in some countries holding high proportion of equity of state-owned capital operating income to enrich the national social security fund policy. Under the guidance of the government to actively develop personal and group pension insurance business, encourage and support enterprises to establish a multi-level pension plans through commercial insurance, timely conduct personal tax deferred pension insurance pilot. The business model of pension and pension financial products is running, the government should strictly regulate and financial subsidies, reduce its operational risk, and realize its effective value added. The development of the pension industry not only to establish market standards and industry access system, but also the establishment of the corresponding land, taxation and financial policies, a clear pension industry management institutions and supervision institutions.

A number of departments of civil affairs, construction, finance, taxation, office on aging, medical and other needs, clear responsibilities of various departments, breaking fragmentation, perfect the way of supervision to mixed operation, encourage financial innovation in financial industry. Because of the high risk and the overall characteristics of the pension finance, the strict supervision must be carried out. Regulators must strive to improve the financial market environment, to seek the best mode of supervision, to play a good financial market allocation of resources, to create a healthy financial market. This is the only way to build a perfect pension finance industry.

3.3 Innovative Pension Financial Products

Supply of pension financial products and services can meet the diverse needs of pension financial services. The proper release of insurance licenses, lower commercial banks to set up pension insurance subsidiary threshold, relax market access qualifications of pension finance business; to guide more market players to participate in pension financial innovation and development, should be encouraged to promote commercial banks with the conditions to explore the use of integrated financial platform, the integration of medical and health care, real estate and other industrial organizations cross-border cooperation, comprehensive use of credit, investment banking, asset management, equity investment, debt financing, industry funds, trust plans, implementation of investment loan linkage, the combination, to provide "bundling" and "one-stop" comprehensive financial support for the pension industry development, realizing the better integration of the supply and demand of the old age service. Define the development strategy of the pension finance and improve the structure of the pension finance.

Most people like to have a stable investment return of financial investment products, which makes the development of funds, bonds and other types of fixed income products to become the pillar of the pension market. Pension financial need to have a variety of models and ensure the effective supply of products. In asset securitization, financial derivatives, zero coupon bonds, options and long-term contracts and other financial innovation, the pension played a key role in promoting.

Pension financing should be a long term and low threshold, but the current bank launched the product in the threshold, risk, duration and income with the existing product is very different, it's lack of innovation. We not only need to strengthen the financial product innovation, but also in health management, property protection, legal consulting, and other aspects of service innovation. On the basis of the pension insurance products and the pension community, it can extend the advantages of insurance in the pension community, including liability insurance, long-term care insurance, and medical insurance. Trust has some irreplaceable functions, such as bankruptcy isolation mechanism, the protection mechanism of the beneficiary. In addition, we can also develop the heritage services, trust services and reverse mortgage business, etc.... Currently trust products mainly financial trust, real estate property, land and other resources, should further reform the pension trust products and expand investment in the field. We can develop financial products from the silver price, rate of return, convenience and so on.

3.4 Corporation Operation Mode

In the early stage, we can take the mode of pension finance business department, and with the release of national policy, we gradually turn to the operation mode of pension finance specialized company. In the business model, we can use the "business logic of customer-centric management, strengthen the whole process of the integration of collaborative customer service, combined with strict risk management, to provide professional services for customers of financial endowment.

On the one hand, commercial banks should strengthen the horizontal exchange pension financial practitioners and other lines of business personnel, improve the comprehensive quality of financial services employees, as soon as possible to develop a reasonable structure and good quality of pension finance personnel; on the other hand, commercial banks should be through exchanges and cooperation, external employment, form an external team of experts IT system, risk management, asset management, pension laws and other aspects of the industry, to provide support for the pension financial business development.

Commercial banks as the main body of China's financial institutions, have strong capital strong and high risk management ability, if the combination of capital strength of commercial banks and insurance companies, it will bring a new breakthrough in the pension industry. In the operation, establish a dedicated pension investment operation, through professional investment managers in different periods of the asset portfolio to avoid risk.

In summary: to improve the pension system and expand the scale of pension finance, it's need the effort of government, market and society, etc...

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