



HIGHLIGHTS FROM THE
International Private Pension Systems Conference
LAW AND PRACTICE

22 APRIL 2016 | BEIJING



中国证券投资基金业协会
Asset Management Association of China



投資公司協會(環球)



CISS CASS
中国社科院世界社保研究中心

ICI Global is the international arm of the Investment Company Institute (ICI). It serves a fund membership that includes regulated funds publicly offered to investors in jurisdictions worldwide, with combined assets of US\$19.9 trillion.

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This publication is fifth in a series of reports about ICI Global's retirement savings events.

Previous publications include:

Insights from the 2015 Global Retirement Savings Conference:

The Role of Private and Public Pension Provision

Paris

24 June 2015

Insights from the 2015 Global Retirement Savings Summit:

Japanese and International Experiences

Tokyo

23 April 2015

Insights from the 2014 Global Retirement Savings Conference:

Common Principles for a Diverse World

Geneva

17–18 June 2014

Insights from the 2013 Global Retirement Savings Conference:

The Role of Investment Funds

Hong Kong

26–27 June 2013

These reports are available at www.iciglobal.org/retirementpublications.

ABOUT THE HOSTS

ICI Global

The international arm of the Investment Company Institute, ICI Global serves a fund membership that includes regulated funds publicly offered to investors in jurisdictions worldwide, with combined assets of US\$19.9 trillion. ICI Global seeks to advance the common interests and promote public understanding of regulated investment funds, their managers, and investors. Its policy agenda focuses on issues of significance to funds in the areas of financial stability, cross-border regulation, market structure, pension provision operations, and cybersecurity. ICI Global has offices in London, Hong Kong, and Washington, DC.

Investment Company Institute

The Investment Company Institute (ICI) is a leading global association of regulated funds, including mutual funds, exchange-traded funds (ETFs), closed-end funds, and unit investment trusts (UITs) in the United States, and similar funds offered to investors in jurisdictions worldwide. ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. ICI's US fund members manage total assets of US\$18.4 trillion and serve more than 90 million US shareholders. Members of ICI Global, the international arm of ICI, manage total assets of US\$1.5 trillion.

ICI has a deep interest in the retirement system and retirement policy. In the United States, mutual funds manage roughly half of the US\$14 trillion in assets in defined contribution (DC) plans and individual retirement accounts (IRAs). The Institute has a large and active research programme on retirement trends, economics, and policy issues, and is the primary source for statistical data and research on retirement plans and the role of mutual funds in helping investors save for retirement.

Asset Management Association of China

Established on 6 June 2012, the Asset Management Association of China (AMAC) is a national, industry-oriented, nonprofit organisation that was started voluntarily by several institutions within the asset management industry. AMAC is subject to the guidance, supervision, and administration of the China Securities Regulatory Commission (CSRC) and the Ministry of Civil Affairs of the People's Republic of China.

AMAC's main duties include:

- » Organising and educating its members about abiding by laws and administrative regulations, as well as protecting the legitimate interests of investors
- » Protecting the legitimate interests of its members, and reporting members' suggestions and requests
- » Developing and implementing self-regulatory rules, supervising and inspecting the business conduct of its members and their employees, and taking disciplinary actions according to regulations against those who violate self-regulatory rules or AMAC statutes
- » Developing standards and business rules for the industry, organising licensing exams, and managing qualification and professional training for management employees
- » Providing services for its members; organising investor education; collecting, processing, and releasing data and other information about the industry; developing industry research and promotions; developing member and international communications; and promoting innovation within and development of the industry
- » Disputing fund business resolution between members or members and their clients
- » Organising the registration and filing of private funds
- » Carrying out related works according to the laws, regulations, or authorisation of the CSRC

As of 31 December 2015, AMAC had 2,105 members. Total assets under management under self-regulation of AMAC was RMB39.38 trillion.

The Centre for International Social Security Studies at the Chinese Academy of Social Sciences

The Centre for International Social Security Studies (CISS) at the Chinese Academy of Social Sciences (CASS) was established in May 2010 as a nonprofit academic institute under the administration of CASS. It aims to take advantage of the multidisciplinary academic research of CASS and its superior information resources. CISS tries to construct a network of international social security scholarship and a platform for relevant academic exchange through its cooperation with relevant international communities, domestic government departments, and social security administration agencies. CISS seeks to conduct research about the experiences and lessons of various social security models adopted by different countries and areas, introduce new social security theories, and trace the reform trend of international social security cases. Consistent with the core principle of linking rights to obligations in social security systems, CISS strives to explore a social security system that is suitable for China's circumstances and traditional culture, by pursuing a system design that can adapt to demographic changes and has the character of simplicity and transparency to promote the rapid development of Chinese social security systems.

TO LEARN MORE

Visit www.iciglobal.org/grsc to access all the materials from the 2016 International Private Pension Systems Conference and from ICI Global's previous retirement savings conferences, including reports, speaker biographies, and video testimonials.

Contact Anna Driggs, ICI Global's associate chief counsel, retirement policy, at anna.driggs@iciglobal.org with questions about this report or about global long-term savings and retirement.

Go to www.ici.org/retirement to read more about ICI's retirement research.

ABOUT THE CONFERENCE

“The Chinese will get old before they get rich” is a familiar refrain, as China’s population ages at a rate that appears likely to outpace the country’s economic growth. Facing the prospect that their retirement system may be unsustainable, Chinese policymakers are reassessing China’s current pension policies and turning to other countries’ pension systems and development for ideas.

In this environment, ICI Global, the Asset Management Association of China (AMAC), and the Centre for International Social Security Studies at the Chinese Academy of Social Sciences (CISS CASS) came together to host an event in Beijing focusing on pensions. The **International Private Pension Systems Conference: Law and Practice**, which took place on 22 April 2016, brought policymakers, industry experts, and academics from Canada, Germany, the United Kingdom, and the United States to meet with their Chinese counterparts. Some 200 participants attended the event, where they learned about different countries’ experiences with pension reform and the role that funds can play in helping build retirement savings.



Li Chao, vice chairman of the China Securities Regulatory Commission, highlights the importance of reforming China’s pension system and the role that investment funds can play in building retirement savings and developing China’s capital market.

The conference continued an international dialogue that ICI Global has pursued since 2013. Through events in Paris (in partnership with the OECD), Tokyo, Geneva, and Hong Kong, ICI Global has brought together international stakeholders to discuss pension system design and how governments can help individuals build adequate resources for retirement. These events have yielded many important insights into how different countries are addressing their retirement savings challenges, and the Beijing conference built upon that record.

THE CHINESE SYSTEM: AT A CROSSROADS

The Chinese retirement system is complex. The conference focused on reforms that could supplement two key elements. The first element is a mandatory public pension component for urban workers that is supported by pay-as-you-go funding and individual accounts, which speakers referred to as Pillar I. The second element is a small, voluntary employer-based system, known as the Enterprise Annuity, which speakers referred to as Pillar II. Given the demographic challenges facing China, the government is undertaking measures to reform these two components and make them more robust.

At the same time, Chinese thought leaders are considering other ideas that could help citizens save for retirement. One of these ideas involves adding a new pillar: a framework that would allow individuals to save in tax-advantaged personal retirement accounts that could be invested in mutual funds, among other possible instruments. Personal retirement accounts are an appealing concept for China because:

- » they could help strengthen retirement savings, and
- » depending on permitted investments, they could contribute to developing and deepening capital markets.

Given Chinese thought leaders’ interest in personal retirement accounts, the conference specifically focused on different countries’ experiences with establishing and reforming private pension systems with individual accounts.

The Beijing event featured four senior representatives from key Chinese agencies and ministries:

- » Li Peilin, vice president of the Chinese Academy of Social Sciences (CASS);
- » Li Chao, vice chairman of the China Securities Regulatory Commission (CSRC);
- » Hu Xiaoyi, chairman of the China Social Insurance Association (CSIA); and
- » Wang Zhongmin, vice chairman of the National Council for Social Security Fund, PRC (SSF).

Each speaker emphasised the need for pension reform. Following their remarks, Professor Zheng Bingwen, director of CISS CASS, detailed the challenges facing China and ideas for potential reforms. Experts from the United States, United Kingdom, Canada, and Germany then introduced their respective retirement systems and reforms.

INTERNATIONAL EXPERIENCES WITH PENSION REFORM

UNITED STATES. The US presentation focused on the Pension Protection Act of 2006 and how it helped improve the country's defined contribution system by making it easier for employers to use automatic enrolment, automatic escalation, and default investment vehicles for retirement savers who fail to elect their own savings options. The US speaker also described the role—and the evolution—of individual retirement accounts in America's pension system.

UNITED KINGDOM. Recent reforms in the United Kingdom to mandate automatic enrolment for all employers took centre stage in the UK presentation. At the heart of the presentation was a discussion about the National Employment Savings Trust (NEST), a government-supported savings plan that is required to accept all employers as members. The presentation detailed how NEST works, its emphasis on behavioural economics, and its performance.

CANADA. The Canadian speaker examined the forces that shaped that country's three-pillar approach and then focused on the third pillar—a tax-advantaged private savings framework that consists of registered retirement savings plans and tax-free savings

accounts. The presentation also outlined the four factors that have contributed to the success of the country's third pillar: robust securities regulation; stable, well-regulated markets and institutions; comprehensive product disclosure; and the strong sense of trust that investors have in financial advisers.

GERMANY. Conference attendees learned how Germany is moving from a single-pillar system to a multi-pillar system, and about some of the hurdles associated with the move, such as the need for institutions and individuals alike to recognise the importance of private savings. The speaker also discussed Riester private pensions—tax-advantaged voluntary individual savings accounts that also provide subsidies to low-income households—and how the government incentivises people to participate in them.

ROUNDTABLE

The conference ended with a roundtable, during which all of the speakers reflected on the insights from the different presentations. Key topics of conversation included:

- » the importance of saving incentives;
- » the challenge of creating a mindset for long-term savings;
- » the role that behavioural economics plays in increasing participation; and
- » the value of tools that take advantage of behavioural economics, such as auto-enrolment, auto-escalation, and target date funds.

The speakers also agreed that private savings systems must have proper regulatory oversight and governance to succeed.

MORE INFORMATION

For more information about the conference, please visit www.iciglobal.org/beijingconference, where you will find videos with insights from the conference, and commentaries from our guests and speakers. A conference book with all the presentation materials also is available upon request from **Anna Driggs** (anna.driggs@iciglobal.org).

PROGRAMME

22 April 2016

09:00–09:55

REMARKS BY VIP GUESTS AND HOSTING ORGANISATION REPRESENTATIVES

- » Asset Management Association of China (AMAC)
Hong Lei
Chairman and Conference Chair
AMAC

- » Chinese Academy of Social Sciences (CASS)
Li Peilin
Vice President
CASS

- » China Securities Regulatory Commission (CSRC)
Li Chao
Vice Chairman
CSRC

- » China Social Insurance Association (CSIA)
Hu Xiaoyi
Chairman
CSIA

- » National Council for Social Security Fund, PRC (SSF)
Wang Zhongmin
Vice Chairman
SSF

- » ICI Global
Dan Waters
Managing Director
ICI Global

09:55–12:15

MORNING PROGRAMME

Programme Chair

Zhong Rongsa
Vice Chairman
AMAC

09:55–10:15

Overview of the Three Pillars of the Chinese Pension System

Dr. Zheng Bingwen
Director
The Centre for International Social Security Studies at the Chinese Academy of Social Sciences
(CISS CASS)

10:15–10:25

Tea Break

10:25–12:15

Overview of US Pension Systems and Tax Incentive Schemes

Panel 1: US Pension Protection Act (PPA) and Its Impact on US Defined Contribution Plans

Dennis Simmons
Principal, Global Retirement Savings Policy
Vanguard International

Panel 2: US Individual Retirement Accounts (IRAs)

Anna Driggs
Associate Chief Counsel, Retirement Policy
ICI Global

12:15–13:55

LUNCHEON

Luncheon Chair

Qiumei Sophie Yang
CEO, Asia Pacific
ICI Global

Strategic Asset Allocation for Pension Investment

Charles Lin
Head of Greater China
Vanguard Investments, Hong Kong

Lunch sponsored by Vanguard



Vanguard

14:00–17:15

AFTERNOON PROGRAMME

Programme Chair

Qiumei Sophie Yang
CEO, Asia Pacific
ICI Global

14:00–15:00

Overview of the Framework of the UK National Employment Savings Trust (NEST) System

Will Sandbrook
Executive Director, Strategy and Public Policy
National Employment Savings Trust (NEST)

15:00–15:15

Tea Break

15:15–16:15

Overview of the Framework of the Canadian Registered Retirement Savings Plan (RRSP) and Tax Free Savings Account (TFSA)

Calvin Chiu
Vice President, Pensions, Greater China
Manulife

16:15–17:15

Overview of the Framework of the Mandatory State Pension System in Germany (Gesetzliche Rentenversicherung) and the Voluntary Occupational Pension Insurance (Betriebliche Altersvorsorge)

Richard Wolf
Head of Pension Investment Research
Allianz Asset Management AG

17:15–18:00

ROUNDTABLE: DESIGN OF THE CHINESE PRIVATE PENSION SYSTEM

Roundtable Chair

Zhong Rongsa
Vice Chairman
AMAC

Roundtable participants:

Zheng Bingwen, Dennis Simmons, Anna Driggs, Will Sandbrook, Calvin Chiu, Richard Wolf

18:00

CONCLUDING REMARKS

Zhong Rongsa
Vice Chairman
AMAC

Note: The conference provided simultaneous translations of Chinese and English.



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