Stephanie Ortbals-Tibbs, Director, ICI Media Relations: It’s really exciting today to hear Chinese regulators considering so many innovative approaches to retirement savings. One of the things they wanted to look at, as a part of today’s dialogue, is retirement savings accounts. In particular, they want to know about the IRA [individual retirement account] market in the US, and understand why that’s been such a success. What did you hope to highlight in your presentation about the success of that system?

Anna Driggs, ICI Global Associate Chief Counsel: Well, first, it was a good opportunity to highlight that the system is successful and to emphasise the fact that it is successful as a part of a multi-layered system. We cannot just look at IRAs or occupational plans and say they are successful by themselves. They’re successful because they are a part of a comprehensive system that has Social Security, occupational plans, and IRAs.

Also, it was helpful to highlight that it takes time for a system to mature and develop. Our [IRA] system was established in 1974—42 years ago—and we’ve had several reforms. Some tweaking is always required to get the system just right. Some adjustments need to be made to accommodate new demographic and economic developments.

One of things I emphasised today is that simplicity really matters. If rules are too complicated, especially for individual accounts, it’s hard for people to understand them. And if people don’t understand them, then they don’t use them as much or they use them in a way you don’t want them to. So I did emphasise that as the Chinese are considering creating these accounts, they need to make sure they create rules that are simple to understand.

Ortbals-Tibbs: In addition to simplicity, you also talked about the importance of trust and that these are trusted savings vehicles.

Driggs: We spent a lot of time talking about tax rules—how to structure them and how to incentivise people to save. But none of that matters if people don’t trust the system. An investor has to have confidence in the financial institution that they trust with their money. For example, people that have an individual account have to trust that once they turn over their money, it will be there for 40 years and it will be growing according to the agreements. So I think having a proper regulatory framework and robust regulation, like mutual funds have, is a very important element of creating third-pillar products.