

International Private Pension Systems Conference Law and Practice

The Importance of a Well-Designed Third Pillar in China

Zheng Bingwen, Director of the Centre for International Social Security Studies at the Chinese Academy of Social Sciences (CISS CASS): There are some important issues that needed to be discussed during today's seminar.

The purpose of organising [the International Private Pensions System Conference], in cooperation with ICI and with AMAC, is to provide a good introduction of this third pillar of individual pensions to China.

The reform and opening up [of China] has been around for more than 30 years, and the social security system has been established for more than 20 years. Yet for many years, we still haven't achieved this multi-level goal. We still rely mainly on the first pillar.

The second pillar has been established for more than 10 years, but the participation rate is extremely low. So, with respect to the third pillar, up to now, a tax preferential policy has yet to be announced. From last year up until today, we have worked hard for an entire year. Last year, our group focused on this issue in an effort to promote the development of the third pillar and the introduction of policies. But we still haven't achieved this wish.

The third pillar is extremely important, and the selection of a third pillar model is even more important. Even with the introduction of tax policies in the future or this year, if the selection of the system design or system model is not ideal, then the rate of participation in this pillar will also be very low and far from ideal. By that time, this type of model for the third pillar will be difficult to achieve, and the diversification of Chinese pensions and retirement incomes will also be difficult to achieve.

That's why we are collaborating with ICI to take advantage of ICI's platform, to have ICI introduce some of these foreign experts, so that they can give us an introduction to the establishment of the third pillar in four foreign countries, which should be a very big inspiration for us. So we have now formed a general idea, and think that the third pillar should first be introduced in individual accounts. Introducing it to individual accounts is one of our foundations, and the carrier entrusted by preferential tax policies is also the individual account, and not a product.

We need to reverse some of the incorrect ideas, so that the design of the third pillar system and the introduction of policies can follow a healthy track from the beginning, which will be beneficial to the construction of China's welfare system.