China has been working since 1997 on developing a unified, nationwide three-pillar public pension system that includes a basic social pension, mandatory individual account, and voluntary company pensions (enterprise annuities).

Traditionally, children of ageing individuals were responsible for their care and financial wellbeing. Due to several factors (one child policy, modernisation, and urbanisation) this is no longer a feasible reality. Workers will need more options for saving beyond the public pension system. Chinese policy makers, which are at the provincial level, need to work even harder to implement new retirement savings’ policies.

Though strides have been made toward implementing new policies, including early phases of the implementation of the first increase in the retirement age since the 1950’s, economists doubt the sustainability of the nation’s public pension system.

Vastly diverse pension systems in different parts of China

In China, under the prior (Maoist) system, all welfare benefits were provided by work units and funded out of cash flow. Unfortunately, many of these organisations went bankrupt during the last three decades because they lacked the financial backing for the support they needed to provide. Some regions, particularly urban areas, have since developed functioning social pension systems.

Unfortunately, policies are so vastly diverse across the nation, and much of China’s countryside has virtually no source of pensions or healthcare.

Study to assess the retirement market perceptions

Are China’s people as concerned with the issue as data suggests they should be? Or do things like cultural savings behaviour or the shortage of elderly care facilities cast a shadow over the retirement dilemma?

LIMRA teamed up with the Society of Actuaries to assess the retirement market perceptions among China’s people. Mr Eric T Sondergeld of LIMRA says the goal of the study is to understand how China’s consumers perceive their retirement needs and preparation. They will be presenting the results at Symposium in Shanghai next month.

Tax-deferred annuities

New policy as of 2013, titled Circular 103, authorises individual income tax-deferral for enterprise and occupational annuities for the first time. China supports tax-deferred treatment for retirement accounts and hopes that the ceiling on such contributions will be raised to further alleviate the burden of supporting an ageing population currently borne by the government and retirees’ families, while increasing savings for investment.

The United States has a 40-year history of implementing tax-deferred annuities and Chinese companies are ready and willing to apply US expertise and experience in China in accordance with Chinese law and regulations. The pending study results will help assess consumers’ perceptions of their own savings for retirement in order to identify the specific needs for this market.

Presentation of study results in Shanghai

The results of this highly anticipated research undertaking will be presented by researcher, Ms Jing Xu, at the Greater China Life Insurance Symposium held 23-24 September 2015 at the Marriott Hongqiao in Shanghai.

The presentation will include a brief history and overview of China’s retirement system and its challenges. Touching on recent developments such as tax changes and expansion of the occupational retirement pillar, we will use the consumer’s voice to offer insight to companies about the retirement market potential of China.

For more information and to register, please visit www.limra.com/chinasymposium