

Suggestions and Reflections on the Development of China's Pension Finance

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Abstract—The aging of the population has become China's new national conditions. However, China does not yet have the economic foundation and social conditions to deal with the aging of the population. In the context of "getting old before getting rich", it is necessary to play an important role in financial aging in solving the problem of old-age care. To sort out the development and practice of China's pension finance, although in recent years it has made great progress under the guidance of national policies, its development speed still lags far behind the speed of population aging. At this stage, the development of pension finance requires common efforts in aspects of the support of innovation in pension financial products, the support of pension financial policies, the use of new technologies to innovate pension financing models, the popularization of pension finance education, the establishment of a sound pension supervision and evaluation mechanism, and the establishment of a multi-party joint pension financing service model, etc.

Keywords—population aging; pension industry; pension finance

I. INTRODUCTION

With the rapid increase in the number of elderly people, the population structure of China has undergone tremendous changes. According to the National Bureau of Statistics, as of the end of 2018, China's population aged 60 and over was 249.49 million, accounting for 17.9% of the total population, of which 16658 million were 65 years old and above, accounting for 11.9% of the total population. In 2018, the newly increased number of elderly people was 8.59 million. With the aging population in China becoming more and more serious, pensioning has become a topic of great concern to the whole society. Pensioning involves many aspects, but it is inseparable from the financing role of the financial intermediaries. In recent years, under the impetus of many national policies, China's pension finance has achieved initial development, but it still lags far behind the speed of

China's population aging. The development of pension finance needs to be accelerated.

II. THE PROMOTION OF PENSION FINANCE TO THE DEVELOPMENT OF PENSION INDUSTRIES

Pension finance refers to the total amount of financial activities carried out around the various endowment needs of members of society, as well as the challenges of dealing with an aging society. It mainly includes three major contents: the first is pension finance, which mainly focuses on financial services for pension management; the second is pension service finance, which includes financial services for the elderly; and the third is pension industry finance, which mainly refers to various financial activities carried out to promote the development of the pension industry.

With the rapid growth of the elderly population, the elderly's demand for old-age services is almost rigid, and the amount of old-age consumption is also rising year by year, which has created a huge pension market and pension industry. To revitalize the pension market and develop the pension industry, the large-scale capital investment is required, and it must rely on and use the weapon of pension financing to operate. In March 2016, the macro policy guidance for the development of pension finance has been introduced in the Chinese government level. The People's Bank of China, united with the Ministry of Civil Affairs, the China Banking Regulatory Commission, the China Securities Regulatory Commission, and the China Insurance Regulatory Commission, issued the "Guiding Opinions on Accelerating the Development of Financial Support for the Aged Services Industry". It is proposed that by 2025, the financial service system will be basically completed with a wide range of coverage, complete categories, complete functions, efficient services, safety and stability, and the system will adapt to the aging process of China's population and meet the requirements of a well-off society. Under the guidance of this policy, in recent years, China's insurance, banking, securities and trust financial structures have been

involved in the old-age industry, and continue to increase the breadth and depth of the development of the pension market, greatly promoting the development of China's pension industry.

III. THE DEVELOPMENT AND PRACTICE OF CHINA'S PENSION FINANCE

A. Insurance

Insurance institutions can take advantage of products and channels to provide long-term insurance products and innovative services. In order to meet the development needs of pension services and encourage more social funds to invest in the pension industry, China's insurance industry actively caters to market demand, accelerates the protection of product development, strengthens the training of guaranteed products, increases product promotion, and promotes the sustained and rapid development of the security-type business. Many insurance institutions have introduced products such as tax deferred pension insurance, annuity insurance, and pension insurance plans. Through product innovation, insurance institutions have embedded health care and medical health services into insurance products around the full-life cycle management, and realized the innovative development of the aged care service industry through systematic financial carriers.

The insurance industry actively participates in the market-oriented operation of social pension security, maintains financial security and economic growth, enhances the efficiency of pension funds, optimizes the pension financial service system, and improves the pension risk protection mechanism, becoming an important practitioner of pension finance. The development of the pension insurance industry to cope with the population aging trend and new changes in employment patterns is of great significance for improving the pension security system and promoting the diversified development of the pension service industry.

Although China's pension insurance has made great achievements in reform, there are still many contradictions and problems in China's pension insurance system. First, the pension insurance structure is single. The "enterprise annuity system" has a small coverage and only plays a small supporting role in the pension insurance system. Second, the age of pension collection is generally low, and the pressure on pension payment is relatively high. At present, China is one of the countries that have the earliest retirement age in the world, which puts a lot of pressure on pension payment. Third, the "empty account" of the personal accounts of employee pension insurance triggered by the problem of pension history has been continuously expanded. In June 2018, starting from the basic national conditions and the actual construction of China's pension insurance system, the State Council issued the "Notice on Establishing a Central Adjustment System for Basic Endowment Insurance Funds for Enterprise Employees", which clearly stated that it is necessary to establish a central adjustment system for endowment insurance funds to achieve national pension insurance co-ordination. In this way, the problem of the expansion of the implicit debt of pensions and the imbalance of income and expenditure will be alleviated.

B. Bank

Among financial institutions that serve the elderly, commercial banks are increasingly becoming the main force of pension finance, but they also face opportunities and challenges in the development of pension finance.

The government's policy of supporting the development of the pension industry has not yet been fully developed. As an important financial institution, commercial banks play an important role in providing services to the elderly. Commercial banks have the characteristics of wide coverage and large proportion of assets. They can support the pension service more directly, provide necessary development funds for the pension industry, improve the hardware facilities of the pension service industry, and improve service levels. In recent years, commercial banks have realized the prospects and development potential of the pension industry and introduced pension financial services and products. For example, the financial IC card is used as a carrier to introduce elderly special line cards to provide convenient value-added services for the elderly, such as drawing the pensions, emergency assistance, registered medical care, and transportation.

Commercial banks encountered some obstacles in the early stage of promoting the development of pension finance. Affected by the traditional concept of pension, residents are usually only willing to put pensions into bank savings, minimize investment risks as much as possible, and are reluctant to try to put pensions into the market for investment, which makes a large amount of pension funds suffer the risk of depreciation. Secondly, most commercial banks face the emerging development of pension finance, and have not set up an independent evaluation mechanism in a targeted manner, so that the product services provided by the company and the demand for the pension market are not compatible. Many of the pension products launched by commercial banks are generally in a single form, and their profits may not meet the long-term pension demand of the elderly.

C. Securities

The development of China's securities industry is showing a good trend. This aspect is due to the large growth space of China's capital market, which ensures that securities investment can continue to grow at a high speed on the one hand. On the other hand, the introduction of innovative businesses such as direct investment and stock index futures further optimizes the profit model of securities investment. Under this development opportunity, the characteristics of the pension itself that pursues long-term stable investment returns will have a very important positive impact on the structure, efficiency and stability of the capital market. It also enables the securities industry to ensure its own stable development in service pensions. The securities industry will usher in a rare development opportunity, and it is expected to promote the "win-win and all-win" between the capital market and pensions, and become the main financial front for serving the elderly.

For the developing capital market in China, it is necessary to introduce long-term funds and long-term

institutional investors to become stable reserve forces. In order to better allow pensions to interact with the capital market, the state has introduced a series of policies and regulations to promote and regulate the pension investment capital market. On March 2, 2018, the China Securities Regulatory Commission officially issued the "Guidelines for the Pension Fund Investment Fund (Trial)", which standardized the products and investment operations of the pension fund from various aspects. The release of the guidelines is of great significance to the public fund industry to provide professional and standardized pension services to the public. It will enable individual pension investors to have more and more suitable pension investment tools.

D. Trust

Trust services can better manage the assets of the elderly. The original idea stems from "being trusted to manage money for others". In their own name, the trustees manage the clients' property for the benefit of the beneficiary or for a specific purpose in accordance with the trustees' will, so that the clients can better enjoy a higher level of pension security or meet other specific needs when they are old. The trust system can run through the entire process from a person's work to retirement, with the function of property independence and risk separation, fully protecting the interests of the beneficiaries and meeting the needs of lifelong financial services for the elderly.

In order to better meet the individualized needs of enterprise customers' pension insurance plans, the trust industry began to actively explore the pension trust business. After nearly ten years of market exploration and development, the pension trust program is recognized by many companies and is more flexible in terms of program design and management. In the operation process, through the transparent and advanced account management system, it provides customers with quality services. Relying on the asset isolation system, the security of funds is guaranteed. Through flexible and extensive investment channels, the trust industry provides safe and reliable investment services for the preservation and appreciation of customer pension assets, promotes the development of the real economy, and improves the comprehensive financial service system for pensions.

IV. INTERNATIONAL EXPERIENCE IN THE DEVELOPMENT OF PENSION FINANCE

In response to the aging of the society, developed countries such as Europe, the United States and Japan began to develop pension finance earlier and accumulated more successful experiences, which deserves the serious study and reference.

A. Experience in the Development of Pension Finance in the United States

In the 1980s, the US government launched the "401K Plan", paving the way for the development of private-operated pensions, thereby increasing the market-oriented operation of pension funds and improving the fund yield. At present, the US government pension has become the largest institutional investor in the capital market. Private pensions

can be preserved and value-added in the capital market operations, reducing the pressure on government pension payments, making the financial capital market prosper long-term. While using the financial support of pension funds, it can expand new investment businesses and further promote the development of the real economy, such as the new technology IT industry and infrastructure construction.

The reverse mortgage system is a relatively mature way of providing pensions in the United States. Most of the reverse mortgage policies are conducted under government-led conditions. The elderly can mortgage their property rights to financial institutions such as banks and insurance companies. According to the assessed value of housing, banks, insurance and other financial institutions pay a certain amount of loans to the elderly. The homeowner still has the right to use the house. Only after the homeowner dies, the financial institution obtains the property rights of the house. At present, the "household pension" model in the United States mainly includes real estate value conversion mortgage loans, housing retention plans, and financial freedom plans. This policy enables the elderly to reduce the financial pressure on pensions, alleviate the serious shortage of pensions, and ensure the elderly's life in their later years. It also enables the real estate market to develop healthily and steadily, and can effectively activate real estate secondary market transactions.

B. Experience in the Development of Pension Finance in Japan

Japan has achieved remarkable results in the development of pension finance. First, the Japanese government has given encouragement and supportive policies to support the development of pension finance, creating a favorable environment for the development of pension finance. In terms of policies, the relevant policies such as the "Guidelines for the Establishment and Operation of the Private-operated Nursing Home" and the "Infrastructure Reform of the Social Welfare Services" have played the role as a promotion in the development of the aging industry. In order to meet the family care needs of the elderly, the "Care Insurance Law" was implemented in April 2000. From the legal level, the burden of family care for the elderly is relatively reduced. According to the age of the citizens, compulsory insurance is used to pay the nursing insurance premium according to the differential contribution rate. In order to meet the pressure of citizens' insurance expenses, the Japanese government bears 50% of the expenses for citizens, and the insurance premiums paid by citizens are also paid according to their own living income, so that the insurance benefits they enjoy are corresponding to the income level. On the aspect of finance, the government encourages companies to establish supplementary annuity plans and introduce preferential policies for enterprises to reduce the pressure on tax burdens.

Secondly, Japan's pension financial products and services are diverse and meet the needs of different pensions as much as possible. The Japanese pension system is also known as the "annuity system". The annuity accounts for a large proportion of the income of most elderly people. Various

financial departments also have targeted financial products related to corporate annuities. In order to better protect the value of the elderly's pension funds, it also introduced wills trusts, reverse mortgages, and pension insurance products.

In order to solve the dilemma of the development of the pension industry, Japan has extensively explored financing channels to attract private capital. According to statistics, more than one-third of listed companies in Japan participate in pension industry projects. Social capital has become an important source of funds for the pension industry, and basically forms a pension financing structure system in which government finance and private capital cooperate and complement each other. Taking the pension service organization as an example, the welfare-based pension infrastructure is usually funded by the government, while the profitable commercial pension construction project is mainly invested and constructed by private capital and construction.

C. Experience in the Development of Pension Finance in the United Kingdom

The pressure of the population aging in the UK is large. To alleviate a series of social problems brought about by the aging of the population, a large-scale reform of the pension system is needed. The UK government has adopted a legislative policy to assist in the implementation of pension plans and to plan future directions for each pension plan. Building a multi-pillar and integrated social security system provides a favorable environment for the development of pension finance.

On the basis of the public pension insurance system, it establishes an occupational pension plan and vigorously develops personal pension savings, as well as adds the second pillar occupational pension plan, the third pillar personal pension plan and the national occupational savings trust NEST. In order to speed up the establishment of a multi-pillar endowment insurance system, through the implementation of preferential policies such as tax exemption and tax deferral, the development of occupational pension plans and commercial endowment insurance has been effectively promoted. In addition, on the basis of tax incentives, the UK further introduces the "exit withdrawal" mechanism to encourage citizens to join the second and third pillars of pension insurance.

While the British government puts pensions into the development of pension financial market operations, there will inevitably be a series of problems, so it is necessary to strengthen supervision over the pension financial market. To this end, a special pension supervision bureau has been set up to regulate occupational pensions, personal pensions and public pensions. The supervision and guidance of the Financial Services Commission and the government cabinet not only conducts regulatory review on the legality of the development of pension financial services, but also imposes punitive provisions on the illegal activities of pension financial institutions.

V. SUGGESTIONS ON PROMOTING THE DEVELOPMENT OF CHINA'S PENSION FINANCE

To sort out the development and practice of China's pension finance, it can be found that although China's pension finance has made great progress, there is a big gap with the needs of society and the expectations of the people. At present, there are still many problems and shortcomings. By drawing on the advanced experience of developed countries such as Europe, America and Japan, this paper puts forward some countermeasures and suggestions to promote the development of China's pension finance.

A. Accelerating the Innovation of Pension Financial Product Services and Launching Exclusive Financial Products Suitable for the Elderly

According to the different old-age needs, physical conditions and economic capabilities of the elderly, China need to provide a variety of financial products and services that meet the actual needs of different elderly people, as well as as furtherly integrate the financial industry and the pension industry and innovate the pension products and services. The first is to promote the use of old-aged bank cards, and provide preferential services for the elderly, priority services and value-added services such as health care. The second is to continue to carry out pilot housing mortgage loans, and accelerate the innovation of consumer credit products in the fields of elderly medical care, nursing, tourism, etc., to meet the financing needs of some elderly groups. The third is to develop pension wealth management products for elderly customers, and develop wealth management products with high security, strong guarantee, easy realization, and moderate deadlines, which can focus on maintaining and increasing the value. The fourth is to accelerate the innovation of pension trust products, give full play to the property protection, bankruptcy isolation function, and meet the comprehensive financial needs of the elderly's assets preservation and appreciation and end-of-day commitment.

B. Increasing Government Policy Support and Vigorously Developing Pension Finance

It will be of great significance to thoroughly implement the principle of "government guidance, market operation, and diversified investment", vigorously develop the social pension market, and give full play to the decisive role of the market in the allocation of pension financial resources to stimulate market vitality. It is necessary to explore Public-Private Partnership (PPP) service models through sole proprietorship, joint ventures, cooperation, equity participation, joint ventures, and leasing. It is also necessary to further simplify the administration of power, combine management, optimize service reform, focus on improving the government's examination and approval services for pension financial projects, simplify the project approval process, and improve the market access mechanism. Great importance should be attached to establish a government pension guidance fund and a special support fund for the elderly, encourage banks to carry out policy loans and guarantees for small and medium-sized enterprises, and expand financing channels for the old-age industry and pension institutions. The government funds and social capital

participate together to further form a complete pension financial system, which will inject new vitality into the development of the social pension industry.

C. Innovating the Pension Financial Model by Using Information Technology Such as Big Data and Cloud Computing

The functions of the information service platform should be made fully use of, the agglomeration effect of big data centers should be given play to, and innovative elements such as talents, technology and capital at home and abroad should be attracted. Through the Internet, cloud computing and other information-based methods, the massive collection of pension service data will be professionally integrated and explored. It will be necessary to promote the construction of departmental interconnection and up-and-down through, and sharing the pension big data platform of general favors, so that to further accelerate the upgrade and improve the national pension Information system. It will have a great impact to make full use of the big data platform to realize the deep integration of the Internet and the aged care service, and build an Internet pension financial service system that combines online and offline and multi-party resources. And attention should be paid to innovate and develop the Internet pension financing model, provide new Internet financing products and optimize convenient services for the elderly, and continuously improve the customer satisfaction of the elderly.

D. Carrying out Pension Education and Popularizing the Basic Knowledge of Pension Finance

Under the premise of fully understanding the market risks, the implementation of pension financial education can improve the residents' awareness of pension, and preserve and increase the value of their idle assets, so as to provide sufficient protection for their later life. Professional training and education related to pension finance should be strengthened, and the knowledge of pension finance should be widely disseminated to the public to enhance citizens' understanding of the basic knowledge of pension finance. It will be important to furtherly change the traditional conservative attitude of the elderly on financial products, and weaken the resistance of the elderly to financial products. Integrating pension financial knowledge into the propaganda of social respect and old-age care, television, newspapers, journals, networks, new media and other media should be made full use of to carry out extensive and in-depth publicity, fully mobilize the enthusiasm of all sectors of society to participate in the development of pension finance, promote the participation of pension financial activities, and cultivate the concept of healthy consumption.

E. Establishing and Improving the Supervision and Evaluation Mechanism for Pension Funds to Ensure the Financial Consumption of Pensions

It is necessary to establish specialized agencies to protect the consumers of pension finance, formulate corresponding detailed rules and regulations, and standardize the business process of pension finance. Attention should also be paid to establish an industrial development supervision and evaluation mechanism, improve the external audit and

information leakage system, conduct medium-term planning assessment in a timely manner, and adjust and revise relevant policies with the times. Furthermore, it will make great influence to strictly review the operating qualifications, information platforms, and asset evaluation of relevant institutions to protect the rights and interests of the elderly and prevent the elderly from being misled into financial investment or consumption. It will be also very important to promote associations, societies and other industry organizations related to pension finance to play a role in coordination, service and supervision, and conduct research on operational monitoring analysis and pension development strategies. At the same time, great importance should be attached to strengthen the investigation and punishment of illegal acts, strengthen remediation efforts, and carry out administrative punishments and criminal strikes to severely punish financial frauds in the name of investing in wealth management to defraud old people's property, so that the legitimate rights and interests of the elderly can be safeguarded and the security of pension property can be protected.

F. Building a Multi-agent Association Pension Financial Services Model

Relying on financial institutions of all parties to develop pension financial service models has certain limitations and requires more stakeholders to participate. Government departments, financial institutions, hospitals, nursing homes, and community-based pension models play their own superior resources, and cooperate with each other to form a well-structured old-age service system. It should make full use of the specialized service mechanisms, institutions, personnel, infrastructure, and provide a fair basic pension services for all types of ageing groups across the country through multi-party operational arrangements, as well as meeting the individualized differences in service needs of different elderly groups as far as possible. It will be very important to realize the connection between home pension, community pension, and institutional pension, so that the elderly can enjoy the pension, medical care and care services.

VI. CONCLUSION

The population aging has become China's new national conditions. However, China does not yet have the economic foundation and social conditions to deal with the population aging. The accelerated expansion of the elderly population will not only bring great pressure on China's economic development, but also cause potential social problems. In response to the population aging in the context of "getting old before getting rich", it is necessary to play an important role in the solution of old-age pensions. As an indispensable financial innovation to revitalize China's pension market and develop China's pension industry, pension finance has made great progress under the guidance of national policies in recent years, but its development speed still lags far behind the aging of the population. At this stage, the development of pension finance requires the support of innovation in pension financial products, the support of pension financial policies, the use of new technologies to innovate pension financing models, the popularization of pension finance education, the

establishment of sound pension supervision and evaluation mechanism, and the establishment of a multi-party joint pension financing service model. It will be very important for people to work together to promote the healthy and sustainable development of China's pension finance and pension industries.

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