

The Third Pillar Endowment Insurance Reform and Development Research

Xinhao Gu¹

¹*School of Finance and Public Administration, Harbin University of Commerce, Harbin, Heilongjiang 150028, China*

**Corresponding author. Email: 1071615125@qq.com*

ABSTRACT

In the 1990s was set up three pillar of endowment insurance system in our country, at present, the government increasingly to the third pillar of endowment insurance reform and development efforts, in this paper, based on the problems existing in the development of the reform, to explore the future development of roads, to make a different design on targeted on the differentiation and enhance its flexibility in system of cohesion.

Keywords: *the third pillar endowment insurance, Individual retirement accounts, Endowment insurance*

1. THE INTRODUCTION

With the growing prosperity of the country, China's old-age security system is becoming more and more perfect. The first pillar, the basic endowment insurance, develops the fastest because it is the earliest and universal, and other endowment insurance cannot fully replace it. The second pillar is enterprise supplementary endowment insurance, divided into enterprise annuity and occupational pension system of the two forms, the general is better state-owned enterprises or some benefit enterprise to implement this kind of endowment insurance, enterprise participation also need to be further improved, in recent years in government institutions also began to implement the occupational pension system, how is the effect still needs further validation. In our country, these two pension insurance systems are the most widely developed at present. But because China's population is various, therefore endowment insurance demand is also more diverse, only these two kinds of endowment insurance does not meet the needs of all people, the third pillar of endowment insurance mainly personal spontaneous endowment insurance of reserves, such as personal can specialise in pension investment, commercial insurance, etc., is the first pillar and the second pillar can be added. The third pillar endowment insurance has been implemented in China for a short time and is still in the process of exploration. Therefore, in order to realize the diversified endowment insurance demand in our country, we need to give strong support to the third pillar endowment insurance, and carry on the continuous reform and improvement to it.

This paper studies the reform and development of the third pillar endowment insurance, and tries to change the monopoly position of the first pillar in the endowment insurance system and promote the rapid development of the second pillar, so as to put forward suggestions and promote the healthy development of China's endowment insurance.

2. THE DEVELOPMENT AND REFORM OF CHINA'S ENDOWMENT INSURANCE SYSTEM

The development and reform of the endowment insurance system has gone through three stages:

The first stage, from the early 1980s to 1997. This stage is in the fumbling stage. In less than 20 years, China's enterprises have achieved rapid development and began to devote themselves to independent management. The original labor insurance fund stopped running because of the great cultural revolution, but begin to be taken seriously by the enterprise right now rise, begin to execute the society of cost of expend by proportion, retirement as a whole inside the enterprise. In addition, after 1995, some regions began to combine social pooling with personal accounts, constantly exploring the development of urban endowment insurance system, and gradually formed a unified framework nationwide [1]. The second stage, from 1998 to 2012. At this stage, the endowment insurance system began to form. In the past, China's endowment insurance fund implemented the "difference contribution", which began to be collected in full at this stage. The state began to pay full attention to

the endowment insurance fund, and gave its subsidy funds, and handed over some industries to local management to achieve the establishment of social security strategic reserve fund. Since 2009, the basic endowment insurance system has been implemented on a pilot basis in 10% of the country's urban and rural areas, and has been expanded year by year. By 2012, the new rural insurance system and urban residential insurance system had been implemented nationwide. In the form of laws and regulations, the obligations of all parties of endowment insurance are fully guaranteed, and China's endowment insurance begins to develop into a legal system.

Phase III, 2012 to present. This stage is the deepening reform stage of China's endowment insurance, realizing the leapfrog development of endowment insurance. China has established the basic endowment insurance for urban and rural residents, formally integrating the new rural insurance and urban residential insurance. Change the "dual track system", public institutions and enterprises to implement the same old-age insurance system; The third pillar of the pension insurance has been developed, and the deferred income tax commercial pension insurance has been piloting. China's endowment insurance system began to look like multi-level development.

3. THE ADVANTAGES OF THE THIRD PILLAR PENSION INSURANCE REFORM

3.1 The individual chooses to pay the contribution and invest on his own initiative to demonstrate his personal rights and interests

Third pillar, the reform of endowment insurance increases the individual's right to choose its own pay cost and investment, commercial endowment insurance to buy, we must according to insurance contract regularly every year to pay cost, and the endowment insurance products, people involved in the purchase to invest, buyers can't personal situation to carry on the independent choice. Compared with the buyers, the personal account system gives them full freedom to choose. Buyers can selectively pay according to their risk tolerance and personal economic situation, and can invest in related products according to their investment style, which is the embodiment of the full protection of personal rights and interests.

3.2 Individual endowment insurance assets can flow freely

With sufficient institutional protection, the third pillar personal endowment insurance account can realize the free flow of funds in personal accounts. No matter in institutions or enterprises, the fund flow will not be affected even if the system is different. The convenience

of fund flow also makes the flow of labor more convenient [2]. In the past, the individual account funds in different systems could not realize free circulation, and there would be an empty account problem. However, the reform of the third pillar endowment insurance makes the account fund fully belong to oneself. No matter how the work unit changes, the fund will not be affected. It is always under the same account and the assets are more flexible.

3.3 Ensure the fairness and standardization of the implementation of the preferential tax system

Third pillar of endowment insurance reform, make money for pension reserve bring tax breaks for people at the same time, also give to expend amount specified, not in order to obtain high tax incentives and higher pay cost, the high income people giving clear limits, make the preferential tax system in the process of implementing standard and fair.

3.4 Providing convenience for supervision of individual endowment insurance

The third pillar of pension insurance reform is committed to the implementation of the one-person-one-household system. Therefore, all activities that can be carried out by an individual will be carried out under one account, which greatly improves the convenience of insurance supervision and makes all activities under the same account clear at a glance. In addition, under the supervision, it can also help the individual endowment insurance to realize continuous appreciation.

Third, the development and reform of China's third pillar endowment insurance

3.5 Relevant support and encouragement policies

In order to promote the reform and development of the third pillar pension insurance, China set up a working leading group in 2018 to carry out further work under the previous guiding policies.

First, vigorously promote the development of a multi-pillar old-age insurance system. With the continuous development of the pension insurance system of the first pillar and the second pillar, the pension insurance plan of the third pillar is also under development [3]. With the joint efforts of the government, enterprises and individuals, it is committed to realizing the coordination of the system, the sharing of power and the fulfillment of responsibilities, and striving to realize the construction of a multi-level pension insurance system.

Second, the third pillar of endowment insurance emphasizes responsibility sharing, personal savings is

obvious. More attention should be paid to personal responsibility. Under the guidance of relevant policies, whether an individual participates is a voluntary act, and the sharing of personal pension responsibilities should be emphasized. This was reflected in various documents issued in 1991, 1995 and 2014, which clearly pointed out that the third pillar old-age insurance is the old-age insurance of personal savings.

Third, businesses are strongly supported in the third pillar of pension insurance. In order to promote the development of the third pillar endowment insurance, China has repeatedly pointed out that commercial endowment insurance products should be fully integrated in relevant policies to supplement the deficiencies of basic endowment insurance and enterprise annuity.

Fourth, in order to promote the development of the third pillar endowment insurance system, a series of preferential tax policies have been established. How to carry out the preferential tax policies in the future, what is the scope of the preferential rate, and how to ensure the effective implementation of the preferential policies need to be further discussed.

3.6 Practice and exploration in some areas

Shanghai first proposed the pilot in 2006. Therefore, in 2009, the country is sent [2009] 19 files in pointed out that the development of the third pillar of endowment insurance measures put forward with Shanghai endowment insurance pilot in a tax deferred type, and in 2011 the "twelfth five-year" period of Shanghai international financial center construction planning "to emphasize again, and also be included in the insurance to the 12th five-year plan in Shanghai. In 2012, eight commercial insurance companies in China cooperated with Shanghai to design the scheme and submitted the pilot scheme to the Ministry of Finance. In this pilot program, two types of contract insurance products are planned to be launched, namely universal insurance products and dividend insurance products. In order to promote the implementation, it is also planned to give them preferential tax deferment. However, the subsequent scheme has not been practiced and promoted.

In Tianjin, a series of documents issued by China Insurance Regulatory Commission in 2007 and 2008 put forward the pilot plan to stop the pilot operation in August 2008. Tianjin also did not have good results. China has experimented and explored the third pillar of personal endowment insurance, but it cannot be carried out effectively.

4. OBSTACLES TO THE DEVELOPMENT AND REFORM OF CHINA'S THIRD PILLAR ENDOWMENT INSURANCE

4.1 Lack of clear preferential tax policies

4.1.1 The tax pattern is influenced by the individual income structure

First, wage earners usually make most of their income as personal wages, so under progressive tax rates, the higher an individual's salary, the higher his or her tax liability will be. Second, the income of individual industrial and commercial households is mainly business income [4]. When they pay individual income tax, they apply the excessive progressive tax rate, which is basically the same as that of the wage earners. Third, income mainly comes from dividends, dividends, labor remuneration, and some income types have different situations, so it is more difficult to deduct pension insurance before tax. Deferred taxes offer little incentive to those whose income comes from either of these sources.

Therefore, the reform and development of the third pillar endowment insurance needs to meet the needs of different groups. The current tax incentive system fails to reflect the fairness, resulting in low participation of people.

4.1.2 The regressive effect of the preferential tax system leads to unfair distribution

Personal deferred mode is the most popular way to implement tax preference in the development of the third pillar endowment insurance at present. However, it has to be said that this mode also has some shortcomings, with the most obvious lack of fairness. There is no clear tax incentives, simply cannot play an effective incentive to people. What is most urgently needed is clear tax incentives.

4.2 Not rich experience in account design

Since the reform and development of the third pillar endowment insurance is a very complex process, there is no experience to follow, so we should pay attention to all kinds of problems when designing the third pillar endowment insurance account. Therefore, how to coordinate the relationship between all parties and how to participate in it is a very complex issue, and it needs to be run in for a long time.

4.3 the relevant system is not smooth enough

4.3.1 Difficulties in system connection between different endowment insurance pillars

In China's endowment insurance system, the first pillar has always occupied an absolute position, the second pillar is in slow development, and the third pillar is still in the process of germination. The relationship between the three pillars is not balanced enough, and there is no good system to connect them. The third pillar endowment insurance lacks the interaction with the first and second pillars and develops solely by its own strength, which seriously affects the cohesion and development of the system.

4.3.2 Connecting the internal systems of individual endowment insurance accounts

Compared with the other pillars, the third pillar endowment insurance has the greatest advantage of more flexibility, and the participants have the right of free control. Our endowment insurance reserve process is very long, from the start of social work reserves until retirement [5]. The internal system connection of individual endowment insurance accounts is not smooth enough, and the system connection design between different accounts needs to be strengthened in the future.

5. POLICY SUGGESTIONS ON THE REFORM AND DEVELOPMENT OF CHINA'S THIRD PILLAR PENSION INSURANCE

5.1 Explore diversified preferential methods

Current individual income tax collection methods adopted in China will have different impacts on people with different income structures and levels. Therefore, how to design tax incentives for participants to choose is a very important issue. At the same time, attention should be paid to the optimization design of the account system. Specific measures can be taken as follows.

First of all, the most important thing is to design diversified tax incentives, so that the needs of all groups of people can be met. In addition, diversified tax incentives can effectively promote the integration and development of the system.

Second, we should strengthen support for low-income people and give them financial subsidies. In order to promote the reform and development of the third pillar endowment insurance, we can not only adopt diversified tax incentives, but also give it direct financial subsidies. In the developed world, these two methods are most commonly used, with the United States preferring tax incentives and Germany preferring fiscal subsidies. Tax

breaks are more attractive to people with higher incomes, but less attractive to those with lower incomes because they are at or below the tax threshold. At this point, direct subsidies are the best way. Due to the large population in our country, if it is to give subsidies to the whole people to participate in an endowment insurance, will face huge financial burden for government, therefore, the main objects of subsidies can be a low-income, can begin from the most simple one-time subsidies, rich gradually after the subsidy way, this can greatly improve the low-income people involved in the third pillar of endowment insurance.

5.2 to strengthen the design of the account system

According to the foregoing analysis, the current account system design of China's first and second pillar pension insurance cannot provide useful experience for the account system design of the third pillar pension insurance. Therefore, we should innovatively strengthen the account system design of the third pillar pension insurance. In the author's opinion, the most important thing in the system design is to ensure the fairness and at the same time give full play to its role. First, participants in the third branch need to actually feel the benefits of the system, rather than serving only high earners. Secondly, in the account design, we should enhance its incentive function, so that people can actively participate in the account, and the funds in the account should be effectively applied to the pension. Therefore, the design and reform of the third pillar endowment insurance account system should be made from the following aspects:

First, we need to ensure that the system is fair. In the third pillar endowment insurance account system design needs to take into account the needs of different income groups [6]. To strengthen fairness, the maximum amount of payment should be limited, and different upper limits should be adopted according to the investigation of individual situations, so that high-income people cannot excessively enjoy tax preferences and avoid avoiding taxes in this way, so as to make the system fairer. On the contrary, there is no limit to the minimum payment limit, nor is it mandatory to pay it continuously every year, so that low-income people can participate freely.

Second, the account system should be efficient. Let every old man enjoy his old age and ensure the quality of life. Therefore, in the design of the account system, we should always adhere to this principle, and the funds in the account should be effectively used for pension, not for other aspects. Therefore, it is necessary to specify a number of requirements that endowment insurance receives, such as the lowest age, the highest age of the finch, the lowest amount of withdrawal, etc., to ensure that the funds inside the account can be paid to the old in

order at each stage, to ensure that the old people's living standards are effectively guaranteed.

5.3 Ensure that the system is flexible and smooth

The reform and development of the third pillar pension insurance requires the account system to be flexible enough so as to realize the convergence of multi-pillar pension insurance. In order to promote the reform and development of the third pillar endowment insurance, it is necessary to continuously strengthen the flexible connection of the system.

First of all, in the design of the third pillar individual endowment insurance account system, it is necessary to ensure its flexibility and meet the needs of various groups. On the basis of the basic system, diversified account system design should be developed, so that participants can have a variety of modes to choose, so as to meet the needs of all kinds of people and make the system more flexible.

Second, strengthen the connection between different systems to promote the continuous development of the system. When designing the account system of the third pillar endowment insurance, full attention should be paid to the connection between the internal system and the external system to ensure the free flow of funds in the account. In addition, with the continuous development of the third pillar endowment insurance system, unique personal accounts can be designed for individuals according to their different needs, and the funds in this account and other accounts can flow freely, so that the system can be effectively connected and more flexible and fluent.

6. CONCLUSION

China's endowment insurance system has formed a relatively complete system framework after decades of development. In addition, with the continuous development of the national economy, the coverage of endowment insurance is getting higher and higher, so that people's lives can be guaranteed. However, in the old-age insurance system, the first is the most basic old-age insurance with the solidified model, while the second pillar is paid by enterprises, which develops slowly and cannot meet the increasing needs of people. Third pillar of endowment insurance are relatively flexible and can meet the needs of all kinds of people, but it didn't make substantive progress in our country, developing faces many obstacles, so in the future to strengthen reform and development of the third pillar of endowment insurance, to explore diverse preferential way, strengthen the account system design, to ensure smooth system flexible, make it really meet people's pension requirements.

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