



The Future of Retirement in China



The Future of Retirement in China

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LIMRA International Research



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Methodology



THE PARTNERSHIP	<ul style="list-style-type: none">• LIMRA and Society of Actuaries partnered to conduct retirement studies in Asia
2,013 PARTICIPANTS	<ul style="list-style-type: none">• 74% workers and 26% retirees ages 35 to 70
DATA COLLECTION	<ul style="list-style-type: none">• Data collected in 2015 via online and face-to-face interviews
TERRITORY COVERED	<ul style="list-style-type: none">• 23 provinces, municipalities, and regions

A special thanks to our Project Oversight Group for their contributions to this study!

The Future of Retirement in China

Key Findings

Proactive retirement planning is a new concept in China.

In markets where the concept of retirement is relatively new, formal pension systems have both inefficiencies and opportunities. These systems may not be able to meet the financial needs of aging populations. This will likely be the case in China, where the life expectancy has risen to age 75.

The anticipated and actual retirement ages of respondents suggest a forthcoming financial burden too great to accommodate publicly and privately (Figure 1).

ANTICIPATED AND ACTUAL RETIREMENT AGE

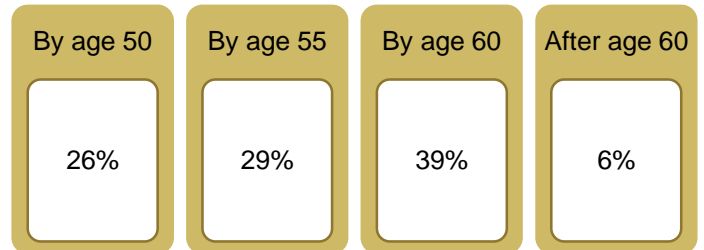


Figure 1

Only 9% of all respondents — workers and retirees — say they are “very involved” with managing their retirement savings.

When it comes to getting information about retirement...

- Top sources of information are family, friends, and co-workers.
- Fewer than one third use an advisor.
- Consumers use other sources only minimally — including the Internet and employer-provided information.
- Planning is limited (Figure 2).

CONSUMERS WHO HAVE DETERMINED...

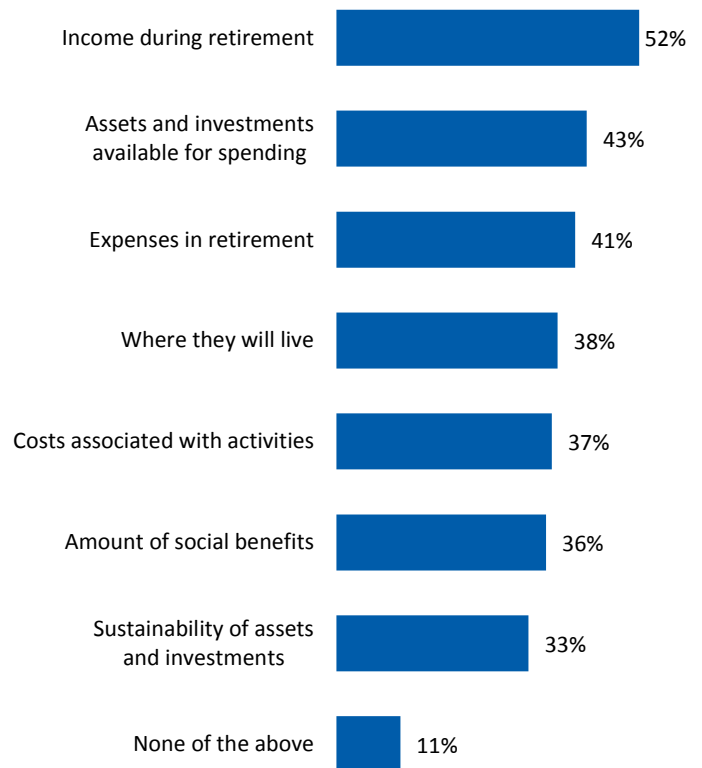


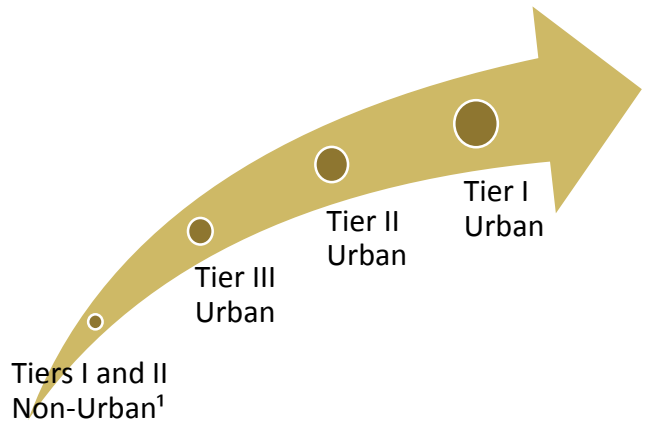
Figure 2

Location Matters

China's tier system emerged as a way of classifying cities according to economic development. Tier 1 represents the most developed areas, while Tier 3 is less-developed small cities.

To reflect the location-based differences that emerged in our data, the sample stratification shown to the right will apply throughout this report.

The greatest location-based disparities are household income and education level (Figures 3 and 4).



HOUSEHOLD INCOME

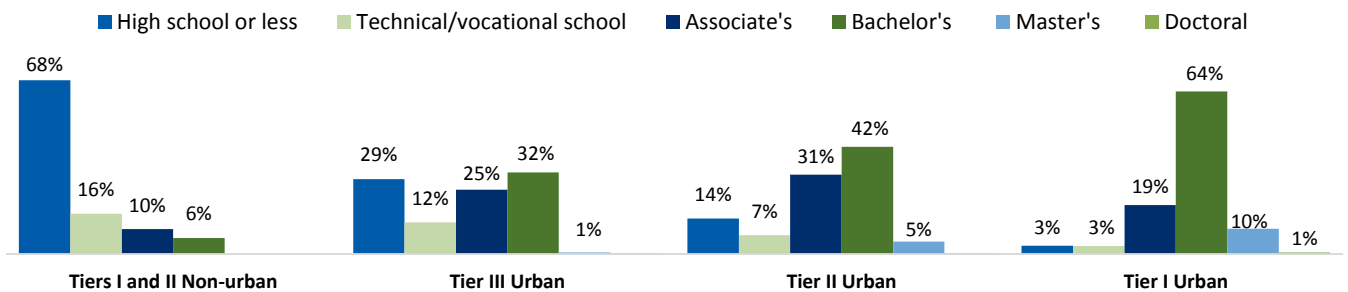


Figure 4

EDUCATION

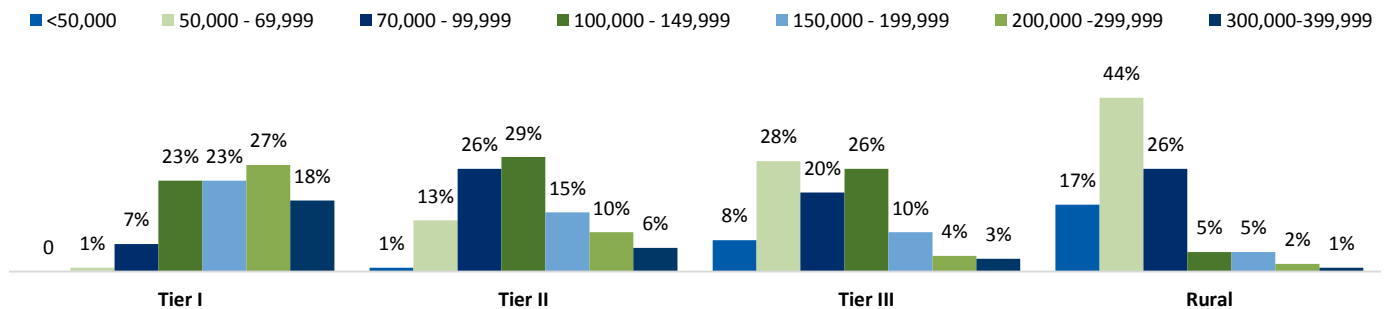


Figure 3

¹Non-urban defined by participants indicating that they lived in a "rural" area.

How do China's consumers fund retirement?

Respondents express growing uncertainty about the sustainability of their individual savings as they get closer to retirement age and enter retirement.

As a culture, China values saving, so levels of individual debt are very low. Some retirees continue to advise workers to save their money in a bank account in order to prepare for retirement, suggesting a lack of awareness of annuity products.

Dependence on a social pension during retirement varies across the four location-based segments (Figure 5). Respondents also use additional sources to fund retirement (Figure 6).

Interest in annuities will grow as more products become available and as consumers become more knowledgeable. This will be particularly important for those in the Tier I and II Non-Urban and Tier III locations as they report the lowest levels of financial knowledge.



SOCIAL PENSION AS RETIREMENT INCOME

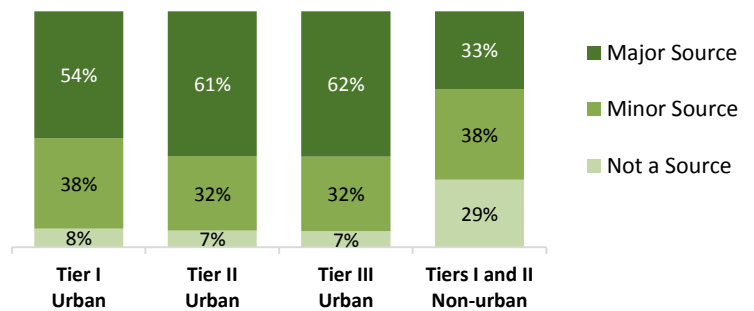


Figure 5

FUNDING RETIREMENT

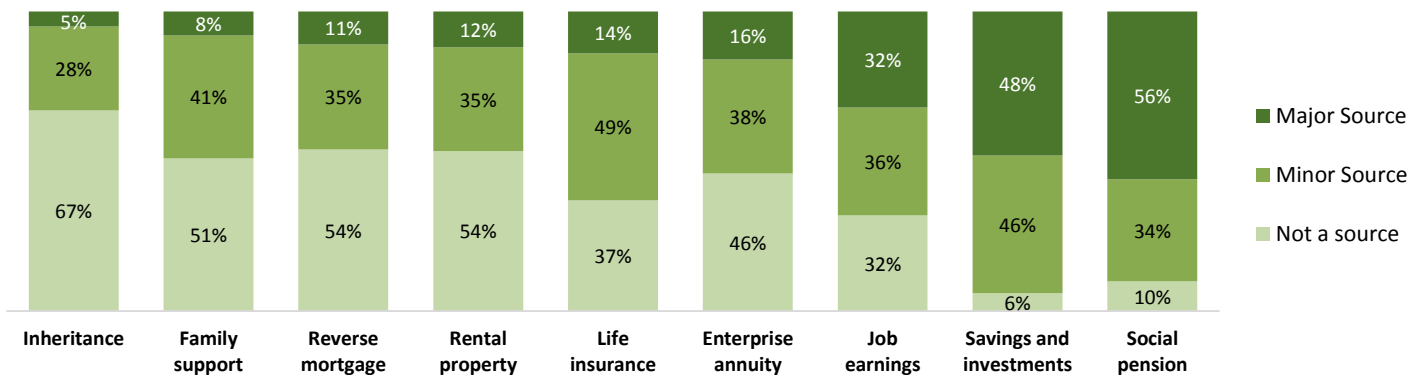


Figure 6

The Retirement Forecast in China

ENVIRONMENTAL DRIVERS OF CHANGE

- Increasing the consistency and accuracy of pension fund management at the provincial level
- Implementing equal retirement ages for men and women gradually
- Increasing the retirement age to match other economies of similar development
- Encouraging pensioners to invest a portion of their pensions
- Spreading awareness and educating consumers on proactively planning for retirement income
- Increasing the balance between benefit expectations and financial resources. This involves an ongoing effort to reduce large pension payouts for government employees who historically made no contributions.

Aligning public and private solutions will be critical for improving retirement solutions in China. Insurance companies can play a pivotal role during these uncertain times.

THE OPPORTUNITIES

- Partnerships between local insurers and foreign firms with annuity expertise
- Micro-insurance products and new distribution methods for China's rural population
- Developing a product with a tax-deferred benefit
- Manufacturing group products and developing worksite marketing sales
- Financial incentives to employers who offer retirement benefits
- Methods for educating consumers on the need for retirement planning beyond normal bank accounts
- New technologies to improve communication from pension plans to members
- Addressing retirement needs of government employees facing reduced pensions



The Future of Retirement in China

Retirement Definitions and Demographics

About the Sample

Due to the size and diversity of China’s massive population, sample design was critical. Using face-to-face interviewing, we were able to include both urban and non-urban respondents.

Requirements for participation include:

- Working or retired
- 35 to 70 years of age (Figure 1)
- Sole or joint decision maker for financial matters
- Minimum annual household income greater than 30,000 RMB (approximately \$5,000 USD)

SAMPLE DEMOGRAPHICS

Gender...	Male 59% Female 41%
Marital Status...	Married: 94% Single: 6%
Working Status...	74% Working 76% Retired

Table 1

RESPONDENT AGE

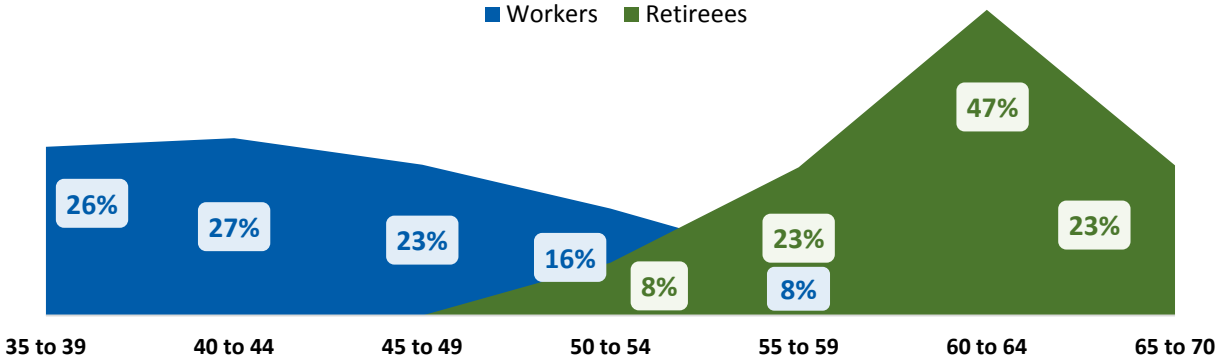


Figure 1



Segmenting the Sample

In this series you will see results stratified according to city tier and location landscape (Figure 2). China’s tier system is a method for classifying the economic development of a particular city. The full details on the tier classification used in this study can be seen in Appendix A.

The individuals living in the outskirts of major metropolitan areas were used as our “non-urban” sample for this study. The household registration system, “hukou,” dictates where individuals can live, work, and earn social benefits.¹ Our non-urban households all have rural or agricultural hukou.

An individual in Shanghai can have a Shanghai rural or Shanghai urban hukou. The type of funding vehicles available for rural and urban people differ drastically. China’s rural pension scheme was first piloted in 2009, and implemented in 2012. Benefits under the rural pension system are as low as 50 yuan per month.² See Appendix B for details on our non-urban sample.

SAMPLE SEGMENTS

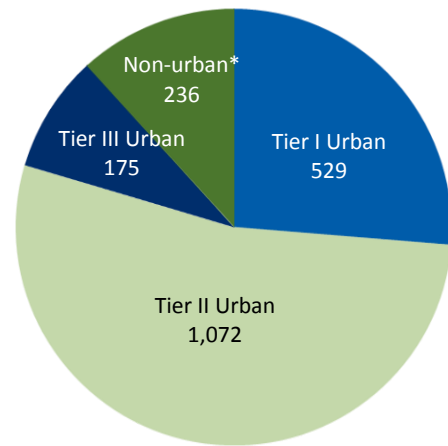


Figure 2

*Non-urban sample obtained from the outskirts of Tiers I and II major cities



¹AXCO Databases, 2015

²World Bank, 2014

Almost half of China's population lives in rural areas.

Only 54% of China's population live in urban areas. In comparison, 82% of the U.S. population resides in urban areas.³

Our results show that living with family members is more common in non-urban areas. Family remains an informal support system in China.

China's rural population relying on family for support is necessary because they are much less developed, earning very small wages compared to their urban counterparts (Figure 3).



HOUSING SITUATION

	Tier I	Tier II	Tier III	Non-urban
Own	91%	97%	95%	85%
Rent	5%	2%	3%	4%
Live with family/friends	4%	1%	2%	11%

Table 2

EMPLOYER TYPE

	WORKERS	RETIREES
Private firm	74%	76%
Government	9%	7%
Government-controlled	9%	7%
State-owned enterprise	8%	10%

Table 3

ANNUAL HOUSEHOLD INCOME (RMB)

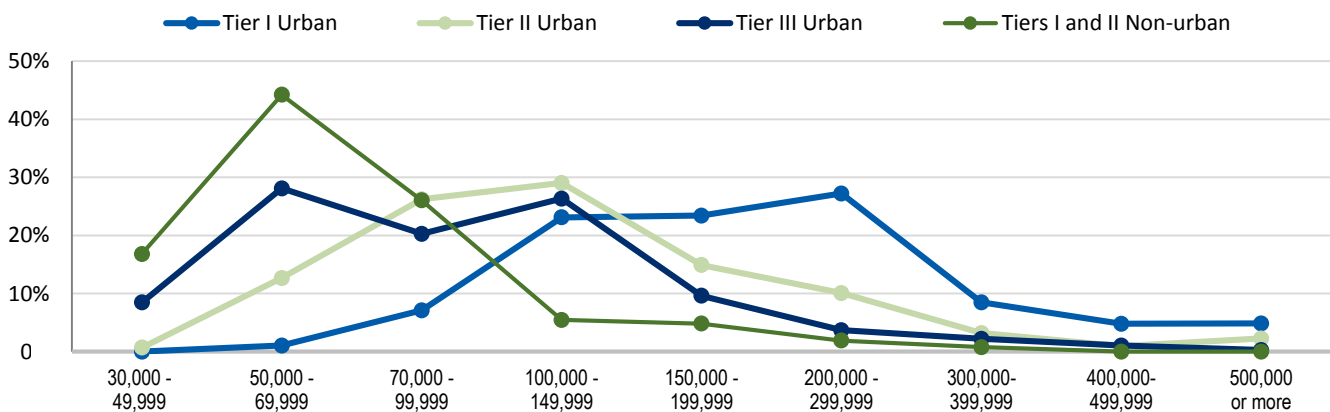


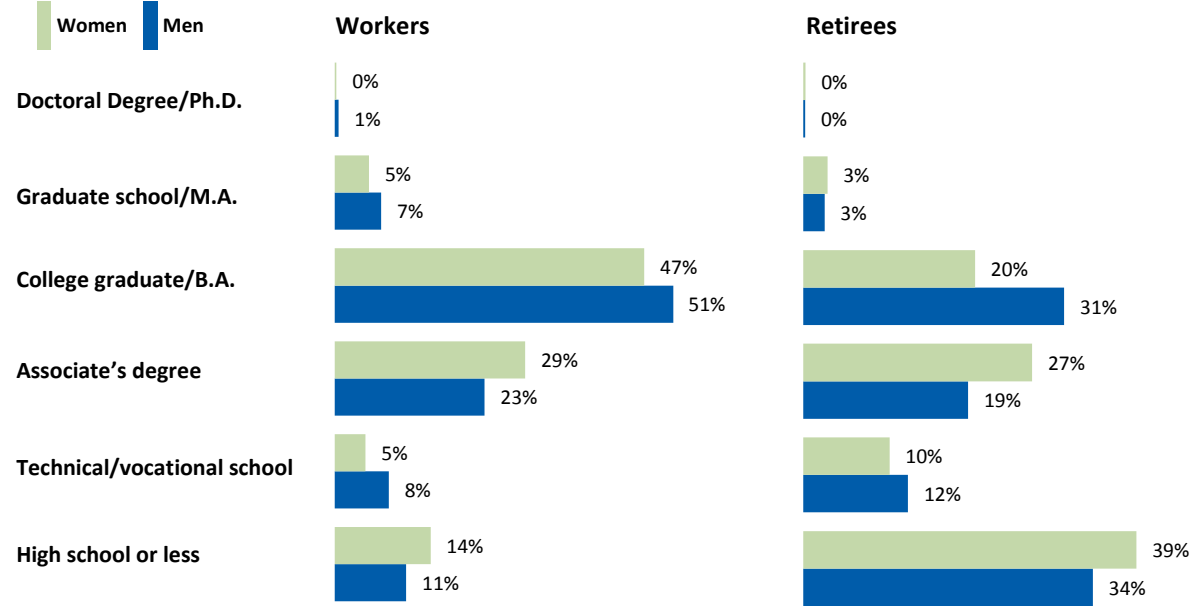
Figure 3

³ World Bank, 2015

Education

Pre-retirees have achieved higher levels of education than retirees, suggesting that access to education might be increasing in China (Figures 4 and 5). In addition, the gender gap in education level is more visible among retirees than among pre-retirees. Female pre-retirees have achieved similar levels of education to their male counterparts.

EDUCATION BY WORKING STATUS AND GENDER



Figures 4 and 5





Technical Definition

In China, there are different retirement ages for men and women.

The retirement age in China varies from 50 to 55 for female workers, and 60 for male workers. In the current study, the average retirement age was 58 for male respondents and 54 for female respondents.

Workers expect to retire, on average, around age 56. The average retirement age for those already in retirement was age 55 (Figure 6).

92% of respondents from China anticipate retiring before age 62. See Appendix C for retirement age by province.

RETIREMENT AGE
ESTIMATED AND ACTUAL

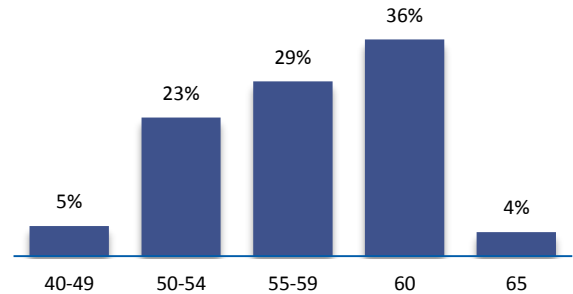


Figure 6





China’s system discourages working longer.

In China, an individual can maximize their retirement benefit by retiring promptly upon reaching the established age for their province.

Some workers, particularly those employed by the government, are actually mandated to retire upon reaching the established retirement age in their area.

Retirement was mandatory for half of all respondents.

RETIREMENT DECISION BY EMPLOYER*

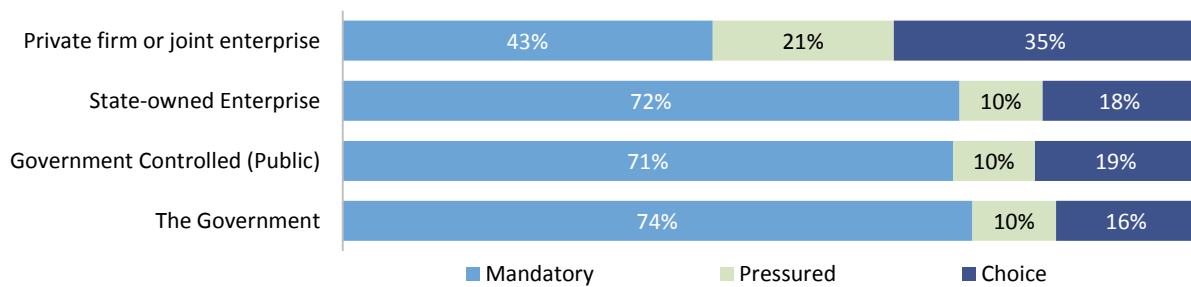


Figure 7

*Note: “Pressured” refers to the offering of an attractive financial incentive in exchange for retirement.

Encouraging individuals to work longer will take some time in China. The retirement age has not been changed since the 1950s. A new retirement age of 65 for urban workers will be implemented by 2022.⁴



⁴The U.S. — China Business Council, 2016



What does retirement mean to you?

For most workers and retirees, retirement means freedom... a chance to do what they want with their time, including hobbies and traveling.

WHAT DOES RETIREMENT MEAN TO YOU?*

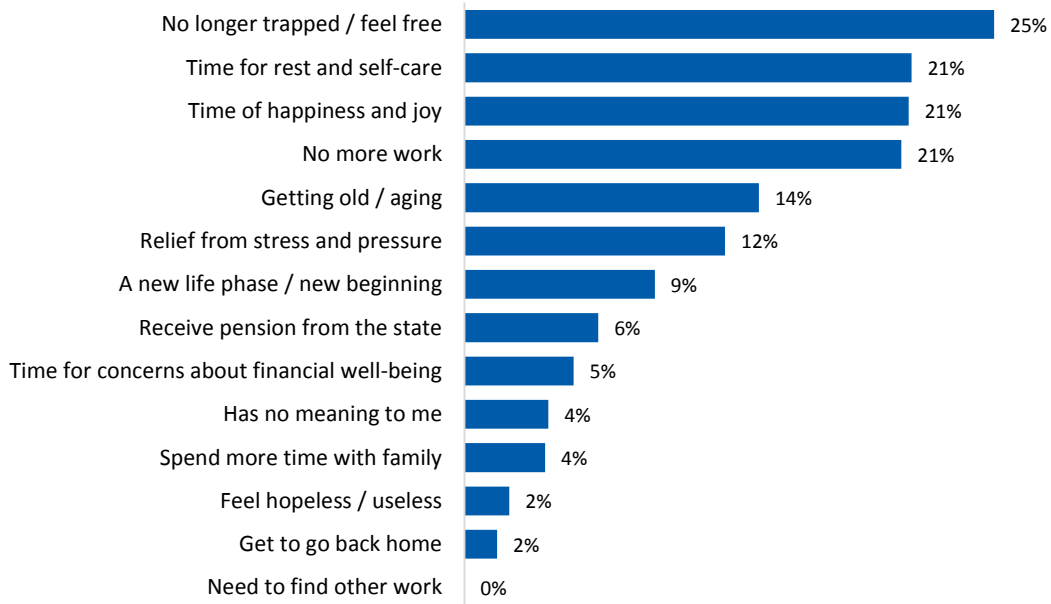


Figure 8

* Data comes from categorized open-ended responses; response could fit in multiple categories

Do what I like to do... join in activities in my community to fulfill my life

•53-year-old urban male retiree, Nanchang
Annual household income: 90,000 - 99,000 RMB

Release from social competition, arrange my own time freely, and have more time to do what I want to do.

•48-year-old male worker, Shanghai
Annual household income: 100,000 to 149,999 RMB

On one side, it means a relaxed living pace. On the other side, it upsets me. Anyway it is a new beginning and I need to do some planning.

•44-year-old male worker, Beijing
Annual household income: 150,000 to 199,999 RMB

Rely on children to take care of me

•54-year-old female worker, rural Shanghai
Annual household income: 70,000 to 79,999 RMB

Go back to hometown and take care of my grandson

•62-year-old urban male retiree, Fuzhou
Annual household income: 150,000 to 199,999 RMB

Lose my working income

•52-year-old female worker, rural area in Beijing
Annual household income: 70,000 to 79,999 RMB

Figure 9

The Ripple Effect

Urban and non-urban individuals express different goals for their retirement (Figure 11).

Maintaining health and well-being is of greater importance to non-urban respondents than it is to their urban counterparts. In addition, non-urban respondents are more likely to value spending more time with their friends and family in retirement.



Figure 10

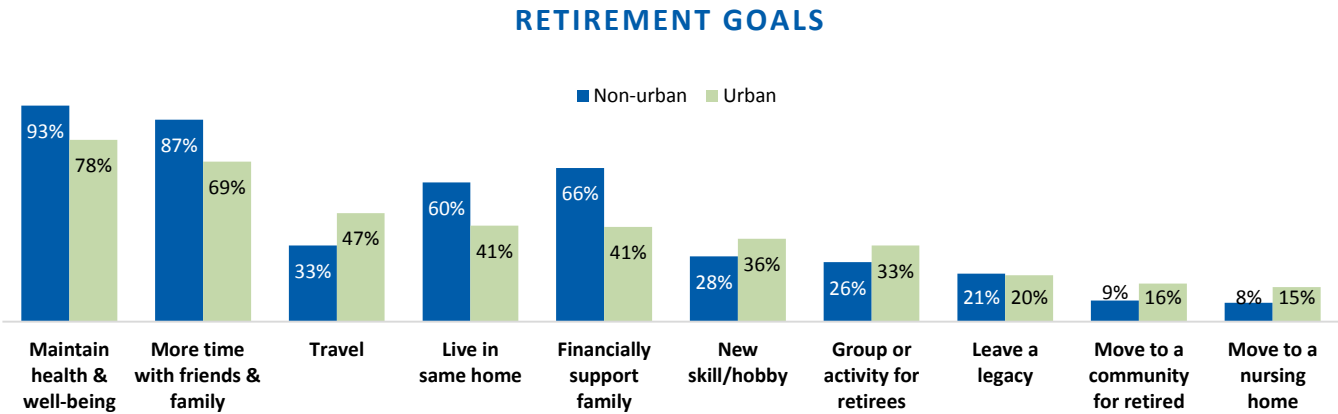


Figure 11

Don't forget to check out the other reports in [The Future of Retirement in China Series](#).

Appendix

SAMPLE DETAILS

Province	Tier	Region	City	Sample Size
Beijing	T1	North	Beijing	237
Guangdong	T1	South	Guangzhou	184
Guangdong	T1	South	Shenzhen	53
Shanghai	T1	East	Shanghai	235
Anhui	T2	East	Hefei	33
Fujian	T2	South	Fuzhou	86
Chongqing	T2	West	Chongqing	83
Hebei	T2	North	Shijiazhuang	33
Heilongjiang	T2	North	Ha'erbin	32
Hubei	T2	West	Wuhan	36
Hunan	T2	West	Changsha	60
Jiangsu	T2	East	Nanjing	118
Jiangxi	T2	South	Nanchang	59
Liaoning	T2	North	Shenyang	153
Shaanxi	T2	West	Xi'an	67
Shandong	T2	North	Qingdao	66
Sichuan	T2	West	Chengdu	108
Yunnan	T2	South	Kunming	57
Zhejiang	T2	East	Hangzhou	70
Zhejiang	T2	East	Ningbo	69
Henan	T3	West	Luoyang	53
Guangxi	T3	South	Liuzhou	17
Hainan	T3	South	Haikou	14
Jiangsu	T3	East	Xuzhou	30
Jilin	T3	North	Jilin city	14
Shandong	T3	North	Weifang	21
Ningxia hui (autonomous)	T3	West	Yinchuan	26

APPENDIX A



NON-URBAN REPRESENTATION

	Beijing	Shanghai	Guangzhou	Shenzhen
Sample Size	237	235	184	83
Rural	25%	25%	34%	69%
Urban	75%	75%	66%	31%

APPENDIX B

RETIREMENT AGE BY PROVINCE

Jiangxi	53.1
Hunan	54.2
Henan	54.5
Jiangsu	55.2
Guangdong	55.4
Shaanxi	55.4
Lianoning	55.8
Shanghai	55.8
Beijing	55.9
Yunnan	56.2
Shandong	56.7
Sichuan	57.0
Zhejiang	57.1
Fujian	57.3

APPENDIX C

*Only provinces where sample size was more than 50 were included in Appendix C.



EDITION THREE

The Future of Retirement in China

Planning and Information



Planning to Live Longer

We asked more than two thousand people from across China how long they expect to live. Table 1 shows their responses, stratified by city tier and residency type (urban or rural). The tier system combined with the urban-rural distinction is an effective way to slice China into categories of economic development. Tier I cities are the most developed, followed by Tier II cities, Tier III cities, and lastly, Non-Urban areas.

Almost one third of Chinese respondents anticipate living to age 90 or older.

The average life expectancy in China has increased dramatically from 46 years in 1965 to 74 years in 2013¹. China is categorized as one of the most rapidly aging countries in Asia, second only to South Korea. Representing one fifth of the world’s population, China has a significant need for retirement planning.

ANTICIPATED LONGEVITY

	Tier I	Tier II	Tier III	Non-Urban
< 74	3%	1%	1%	6%
75 to 79	11%	9%	14%	14%
80 to 84	27%	33%	36%	20%
85 to 89	20%	26%	29%	14%
90+	32%	24%	16%	37%
Unsure	7%	8%	3%	10%

Table 1

Financial Responsibility for Others

In China, it is not uncommon for family members to financially support one another outside of the traditional parent-child dependency common in the United States. Family values are strong, particularly for rural individuals where many children are raised by their grandparents while their parents go back to work. Likewise, it is not uncommon for parents to rely on their children for financial support during retirement.

In the current study...

3 in 10 have at least one parent financially dependent on their earnings.

Two thirds have a child that is financially dependent on their earnings.

Men are twice as likely to have a financially dependent spouse.

Women are more likely to have a financially dependent child during retirement (35%).



¹ The United Nations, 2013



Educating Consumers on Retirement Options

More than two thirds of those living on the outskirts of major metropolitan areas (non-urban) have a high school education or less (Figure 1).

Formal education is a precursor to financial knowledge, and less access to higher education might serve as a barrier to the financial well-being of the people living in city outskirts or rural areas. See [Edition II: Retirement Definitions and Demographics](#), for detailed demographic information on the geographically based segments in this report.

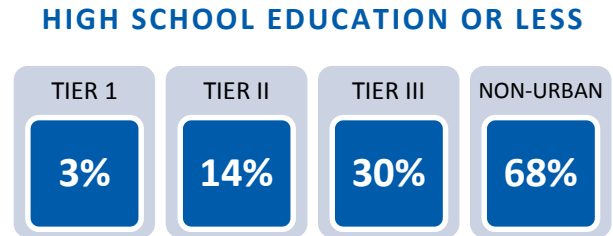


Figure 1

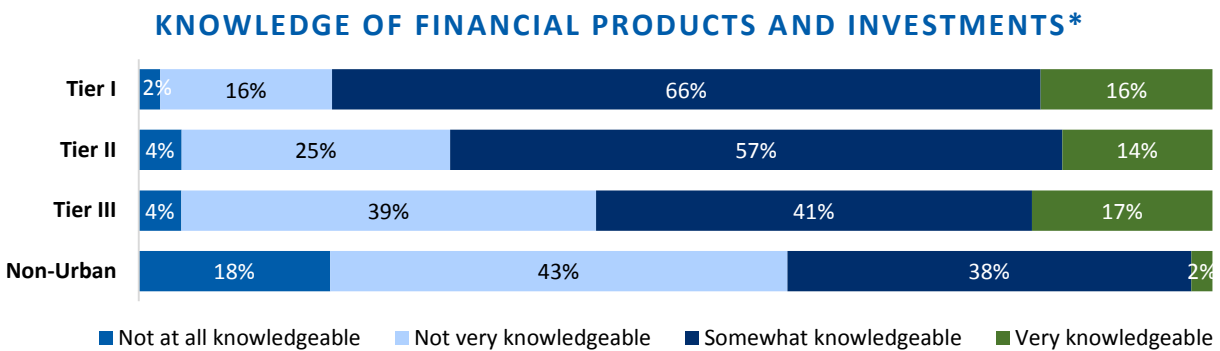


Figure 2

*Note: Numbers may not add to 100% due to rounding

Planning Activities

The majority of respondents (88%) have engaged in at least one of the retirement planning activities shown in Figure 3. Respondents aged 60–70 completed the fewest number of planning activities. This indicates that attitudes toward retirement planning are changing, and consumers are becoming more aware.

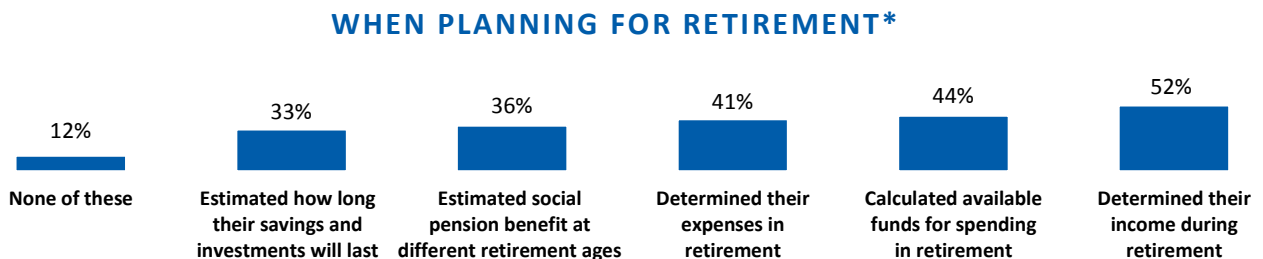


Figure 3

*Note: Figure 3 reflects past and present perspective (workers and retirees combined)



Different Places, Different Planning

The frequency of specific retirement planning actions varies based on location and development. Table 2 shows the planning activities of respondents, stratified by tier and non-urban status.

RETIREMENT PLANNING — ACTIONS TAKEN

	Tier I	Tier II	Tier III	Non-Urban
Calculated the amount available to spend in retirement	54%	46%	35%	14%
Determined what income will be in retirement	55%	53%	39%	47%
Determined what expenses will be in retirement	46%	37%	33%	57%
Estimated how long assets and investments will last	42%	32%	25%	24%
Determined social pension benefit at different retirement ages	44%	37%	34%	13%
None of the above	11%	10%	14%	18%

Table 2

Very few respondents have a formal written plan for managing their income, assets, and expenses during retirement.

Only 32% of respondents work with financial professionals to help with household financial decisions (Figure 4).



TURNING TO ADVISORS FOR HELP?

68%	No advisor interaction
20%	At a bank
13%	An insurance agent
9%	At a mutual fund company
7%	At a securities firm
7%	At a wealth management or trust company
4%	An accountant, banker, or lawyer

Figure 4



Information Sources

One in five respondents say it is rare to hear people talk about retirement in the workplace (Figure 5).

If this dialogue is not occurring in the workplace, then where does it happen? We asked consumers where they obtain information on investments, financial products, and retirement planning (Figure 6).

“IT IS RARE TO HEAR PEOPLE TALK ABOUT RETIREMENT IN THE WORKPLACE*...”

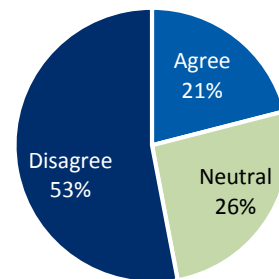


Figure 5

*Note: Urban workers only

USE OF EMPLOYER PROVIDED INFORMATION*

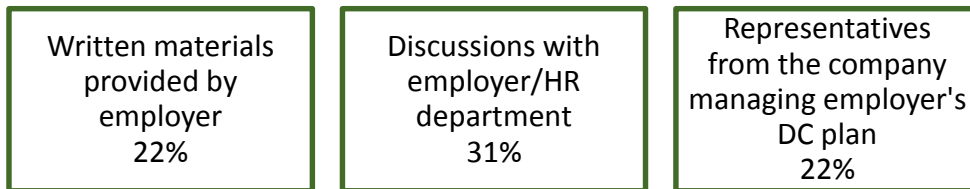


Figure 6

*Note: Urban respondents only



Most respondents do not desire more retirement information from their employer (Figure 7).

MORE RETIREMENT INFORMATION FROM EMPLOYERS?

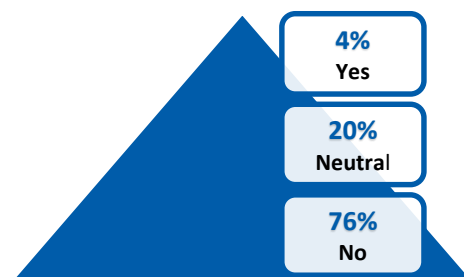


Figure 7



China is known for its high level of consumer saving, so use of bank checking and saving accounts is common. Research by the World Bank reports that 3 in 4 consumers in China have bank accounts². While they are adept at saving cash in the bank, they are averse to investing for retirement.



One in three respondents don't trust financial institutions.

Weary of investments, and low expectations of employers, consumers turn to those they know best for retirement information.

The top source of information on retirement is family and friends.

SOURCES OF RETIREMENT INFORMATION

	Non-Urban	Tier I	Tier II	Tier III
Family, friends, or co-workers	72%	58%	60%	56%
Internet/financial websites	15%	52%	39%	37%
Social media/networking websites	14%	38%	34%	33%
Website with information on my specific retirement account	10%	34%	33%	25%
Television or radio programs	41%	24%	24%	21%
Books, magazines, and newspapers	27%	24%	25%	27%
My own financial advisor/planner	14%	24%	17%	20%
Mobile device application	5%	17%	17%	10%
Workshops and/or seminars	15%	13%	8%	10%

Table 3

In addition to reporting less financial knowledge, respondents from the non-urban segment are less likely to work with an advisor, less likely to have a retirement plan, and use fewer information sources overall. On average people from Tier I urban areas use four sources of information. People from Tiers II and III use around three sources of information. People from non-urban areas in Tiers I and II use only two sources of information.

² World Bank, Global Financial Inclusion (Global Findex) Database, 2014.



Needs and Opportunities

- Caring for family members is important, and financially supporting family members is common. Design marketing campaigns to target the family values of China's consumers.
- Family, friends, and colleagues are trusted sources of information. Use small networks to spread awareness of retirement needs.
- Being risk-averse may deter consumers from products designed to provide income during retirement. Promote acceptance of some risk to encourage more investment.
- Awareness and planning are innately correlated. Companies need to spread awareness and educate consumers on retirement planning needs.
- Innovative methods to engage and educate China's vast rural population.
- Lack of trust in existing financial institutions and discrepancies in pension fund management create an environment of uncertainty. Increase transparency to gain consumer trust.





EDITION FOUR

The Future of Retirement in China

Funding Retirement



Current Pension Schemes in China

Although the financial burden on government pension systems is a global concern, countries with newer pension systems are highly sensitive to the strain.

Amidst a rapidly aging population, China is trying to catch their pension system up to the development of the rest of the Chinese economy.

China has an estimated 3,000 provincial, territorial, and city pension funds¹. These funds are managed by local governments who interpret laws according to the economic development of their territory. Pension benefits vary depending on an individual’s job and residential status. Unfortunately, this structure has resulted in a sizable gap in the retirement readiness of China’s population.



Our results show that universal social security has yet to be accomplished in China, though great strides have been made toward that goal². In China, the tier system is used to classify cities according to economic development. The most developed cities are classified as Tier I cities (e.g. Beijing). China’s household registration system determines where individuals receive benefits based on their birthplace (city or town) and the status of the area as either urban or rural. Different pension schemes are in place for urban and rural residents. For these reasons, results in this report may be stratified by tier and landscape (urban versus non-urban).

Rural individuals tend to be underserved by China’s social welfare system. Nearly one-third of the non-urban sample are not — or will not — be receiving public pension as an income source during retirement (Figure 1). Figure 2 shows that social pension varies according to household income.

SOCIAL PENSION*

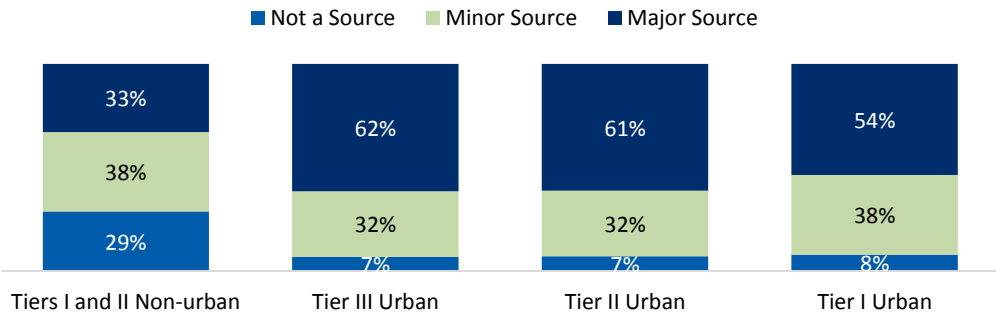


Figure 1

*Note: Numbers may not add to 100% due to rounding

¹ Bloomberg, 2013

² World Bank, 2014



SOCIAL PENSION RECIPIENTS BY HOUSEHOLD INCOME*

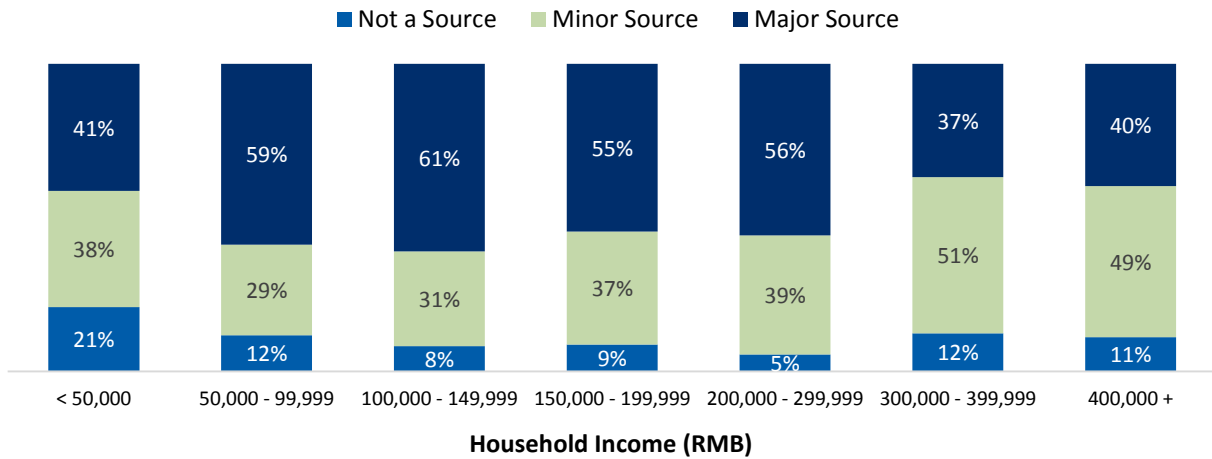


Figure 2

*Note: Numbers may not add to 100% due to rounding

Retirement Funding Beyond Social Pension

How do people supplement social security benefits? For many in China, the answer is simply to save more of one’s job earnings. Almost half of non-urban respondents consider job earnings a major source of income during retirement (Figure 3). This suggests that they plan to continue working into older age and/or save more of their job earnings early on. Retirees advise workers to save more money for retirement, despite doubting the longevity of their own nest eggs. The concept of retirement planning is still new in China, and awareness is critical in dealing with the pension funding crisis in this country.

JOB EARNINGS*

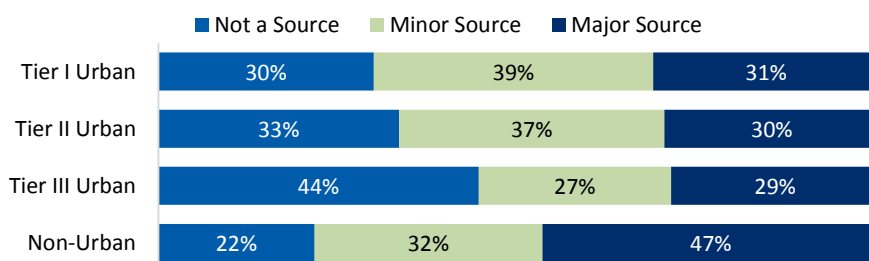


Figure 3

*Note: Numbers may not add to 100% due to rounding

Enterprise Annuity Plans

Enterprise annuities (EAs) are voluntary plans funded by both employer and employee contributions. As of 2014, all vendors providing enterprise annuity plans were state owned enterprises in China³. EAs are managed under a trust model which involves hiring a plan trustee, a record-keeper, a custodian bank, and an investment manager⁴. Fewer than half of workers have EA/defined contribution (DC) retirement plans through their employer (Figure 4 and Table 1).

PLANS THROUGH EMPLOYERS

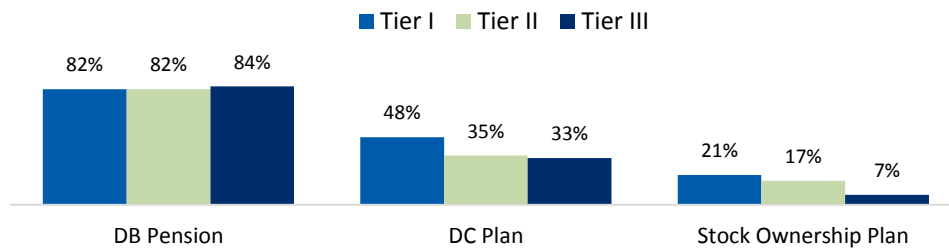


Figure 4

Note: Question asked of urban respondents only

EMPLOYEE CONTRIBUTIONS

	Tier I	Tier II	Tier III
Yes, I am currently contributing	40%	36%	29%
No, I am not currently, but have contributed in the past	10%	8%	9%
No, I am not contributing/have not contributed, though it is available	3%	6%	4%
No, my employer does not offer	47%	51%	59%

Table 1

Note: Question asked of urban respondents only

Among those with DC plans, around half receive 3 to 5 percent of their pay through employer contributions to those plans.

EMPLOYER CONTRIBUTIONS

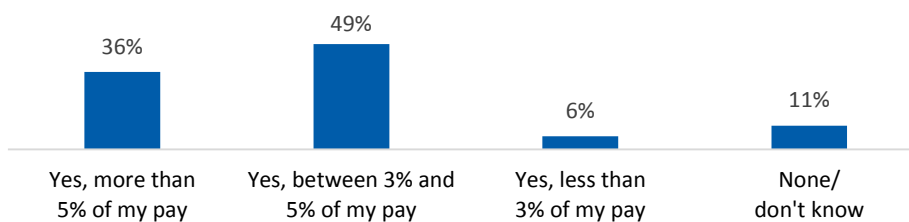


Figure 5

³ AON Hewitt, 2014, New tax efficient pension plans in China, “The Chinese 401(k)?”

⁴ AON Hewitt, 2014, New tax efficient pension plans in China, “The Chinese 401(k)?”

Other Funding Options

Income and public pension are supplemented with other funding sources on a case-by-case basis. Household income is an important determinant of the funding options used by respondents.

Additional funding sources include:

- Rental property income (Figure 6)
- Life insurance (Figure 7)
- Family member assistance (Figure 8)
- Inheritance (Figure 9)



RECIPIENTS OF RENTAL PROPERTY INCOME*

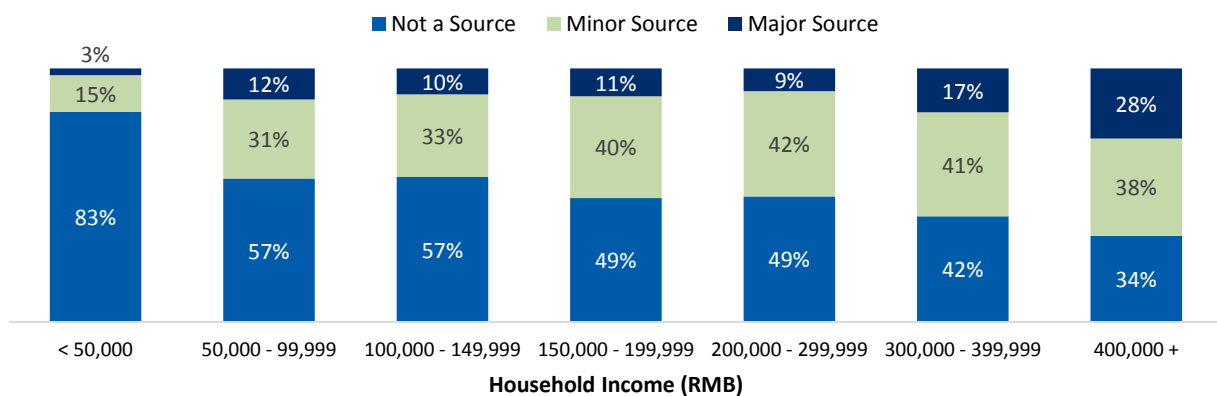


Figure 6

*Note: Numbers may not add to 100% due to rounding

Life insurance is regarded as a popular investment choice in many Asian countries and China is no exception. Low-income households are less likely to have life insurance (Figure 7), suggesting a need for more micro-insurance products and innovative distribution methods to better reach all market segments.

RECIPIENTS OF LIFE INSURANCE BY INCOME*

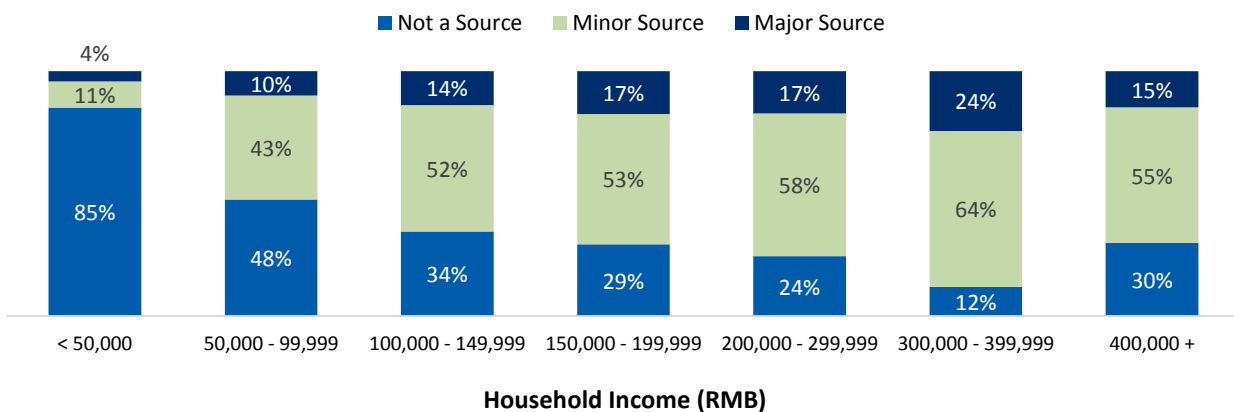


Figure 7

*Note: Numbers may not add to 100% due to rounding



Respondents with high annual household income (more than 300,000 RMB) are more likely to cite family member assistance as a *major* income source during retirement (Figure 8). However, it is more consistently used as a *minor* source by individuals with lower income (below 300,000 RMB).

RECIPIENTS OF FAMILY MEMBER ASSISTANCE BY INCOME*

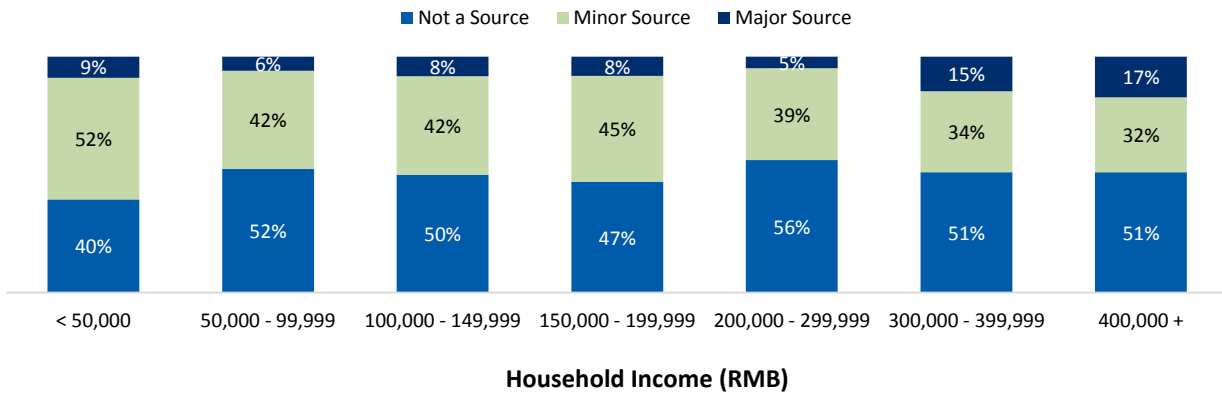


Figure 8

*Note: Numbers may not add to 100% due to rounding

Unlike family assistance, family inheritance occurs similarly across all income groups and tiers. About one-third of respondents are planning to, or are already relying on family inheritance as an income source during retirement (Figure 9).

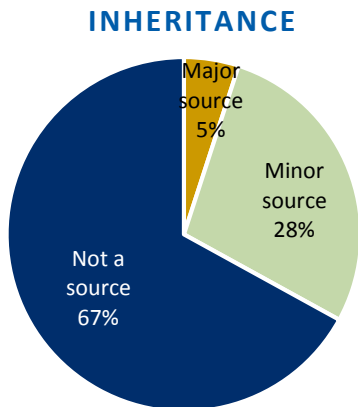


Figure 9



Desirable Product Features

Among the top product features are guaranteed lifetime income, guaranteed returns on investments, and fixed income throughout retirement. Collectively, these represent the Chinese consumers’ desire for financial stability with minimal risk.


Though not considered a top product feature, it is still alarming to see that the ability to convert income to a lump sum is desired by almost one-third of respondents. Hopefully, as awareness increases, fewer individuals will elect the lump sum option, and more opting to receive their benefit as an income stream.


RETIREMENT PRODUCT FEATURES CONSIDERED VERY IMPORTANT



Figure 10

Although income that is guaranteed for life is the most desired product feature (Figure 10), there is a disconnect when it comes to considering the purchase of such a product. Companies should consider providing consumers with detailed product information when selling retirement products in the Chinese market.

 **69%** would not be willing to purchase or plan to purchase a financial product that will provide guaranteed lifetime income.

 **66%** would be willing to convert a portion of assets into an annuity product that would provide a lifelong income stream in exchange for a premium payment

Household Savings and Investments

One advantage to overcoming retirement challenges in China lies in the cultural values of minimalism and strong orientation toward saving. In China, individuals tend to save more of their job earnings on a regular basis (Figure 11), and are much less likely to have outstanding debt.

TOTAL AMOUNT (RMB) IN SAVINGS AND INVESTMENTS

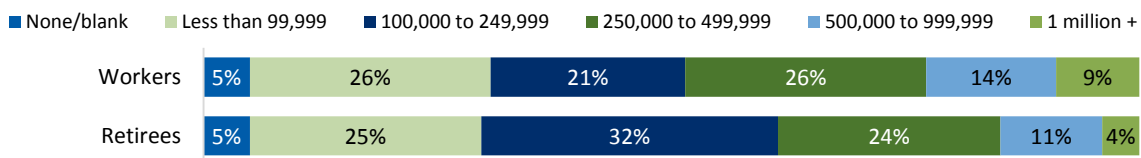


Figure 11⁵

Close to 70 percent of respondents report that they have no debt.

SELF-REPORTED LEVEL AMOUNT OF DEBT (RMB)*

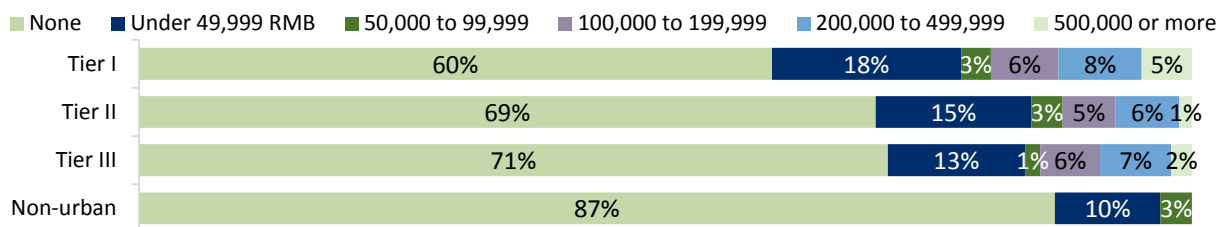


Figure 12

*Note: Numbers may not add to 100% due to rounding

The savings culture may be slowly drifting towards debt acceptance, which perpetuates concerns about low financial awareness. Table 2 shows that younger respondents are more likely to take on debt.

DEBT BY AGE

	35-39	40-44	45-49	50-59	60-70
None	60%	62%	70%	73%	79%
99,999 or less	23%	21%	17%	14%	15%
100,000 to 199,999	6%	6%	3%	5%	3%
200,000 to 299,999	2%	3%	4%	2%	1%
300,000 to 399,999	3%	1%	4%	2%	1%
400,000 to 499,999	2%	2%	1%	1%	1%
500,000 or more	3%	3%	1%	2%	1%
No response	1%	1%		1%	1%

Table 2

*Note: Numbers may not add to 100% due to rounding

⁵ 100,000 Chinese yuan is equivalent to about \$15,175 USD (www.xe.com)



Though many lack debt and are good savers, few are planning to use their savings to create income during retirement (Figure 13).

HOW DO RESPONDENTS PLAN TO USE SAVINGS DURING RETIREMENT?

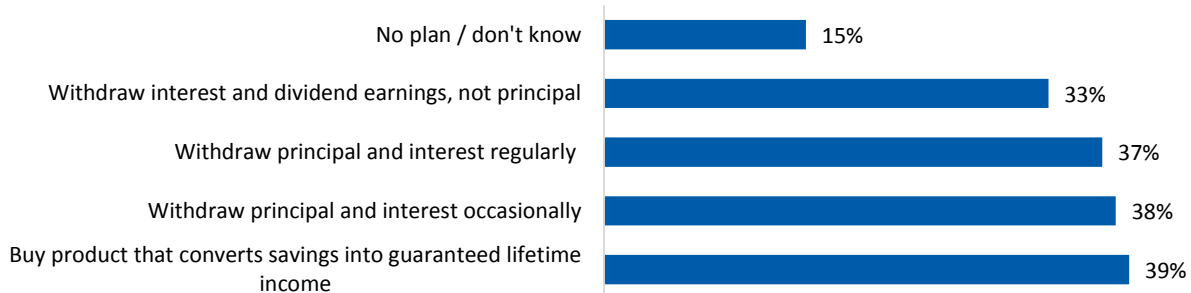


Figure 13

Reform on the Horizon⁶

- > China's long-term goal is to achieve a fully unified three pillar system with national level pooling.
- > The government intends to increase the retirement age to 65 for urban workers by 2022.
- > Equal retirement ages for men and women are being considered for the future.
- > The government is starting to back efforts to diversify funds and increase investment risk.
- > The government is implementing change to reduce generous benefits given to state workers.

⁶ China Labor Organization, 2016



EDITION FIVE

The Future of Retirement in China

Perceptions and Concerns

Context

This report examines the retirement concerns across different provinces in China.¹ Coverage by China’s public pension system varies according to an individual’s occupation, and their hukou registration as a rural or urban employee. China’s population is 56 percent urban, though concentrations vary province to province (see Appendix A).

There are approximately 32 areas in China that have provincial-level governmental controls. Our sample includes respondents from 23 out of the 32 areas (pictured below in green).

Local governments often interpret and implement legislation differently, so location has a significant impact on an individual’s retirement perceptions and concerns.



¹ Note: The following provinces had less than 50 respondents: Hainan, Guangxi, Ningxia, Jilin, Hebei, Heilongjiang, Anhui, and Hubei

Expectations for retirement life are low

In general, respondents do not expect to live their desired lifestyle during retirement. For a culture of such strong savings behaviors, this is alarming (Figure 1).

EXPECT TO LIVE DESIRED LIFESTYLE DURING RETIREMENT

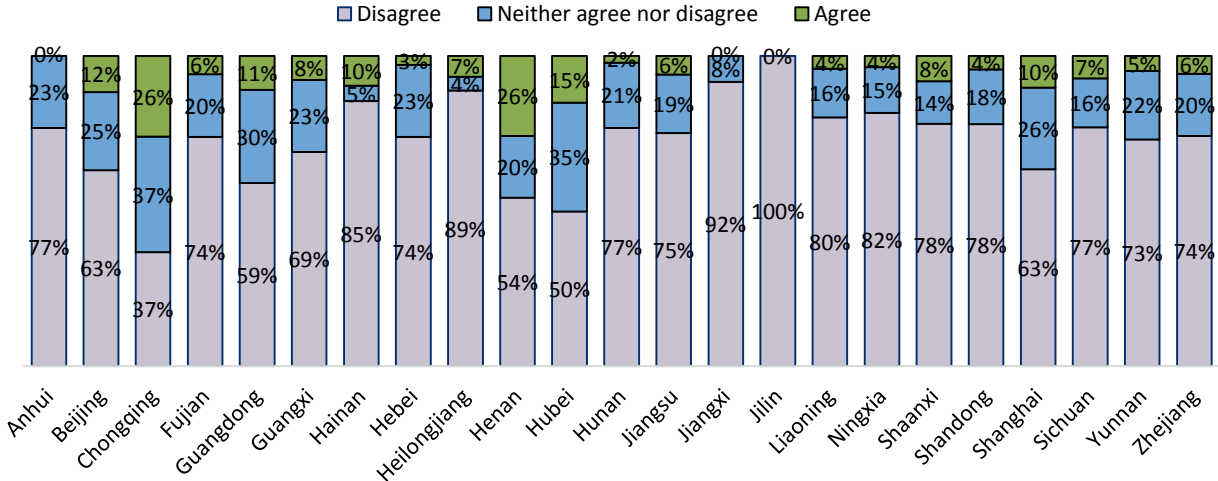


Figure 1

Financial knowledge is low

Only around one in ten consider themselves very knowledgeable about financial products and investments (Figure 2), therefore it makes sense that few anticipate living their ideal retirement lifestyle. Without knowledge of available retirement products and investments, it would be difficult to properly prepare.

FINANCIAL KNOWLEDGE

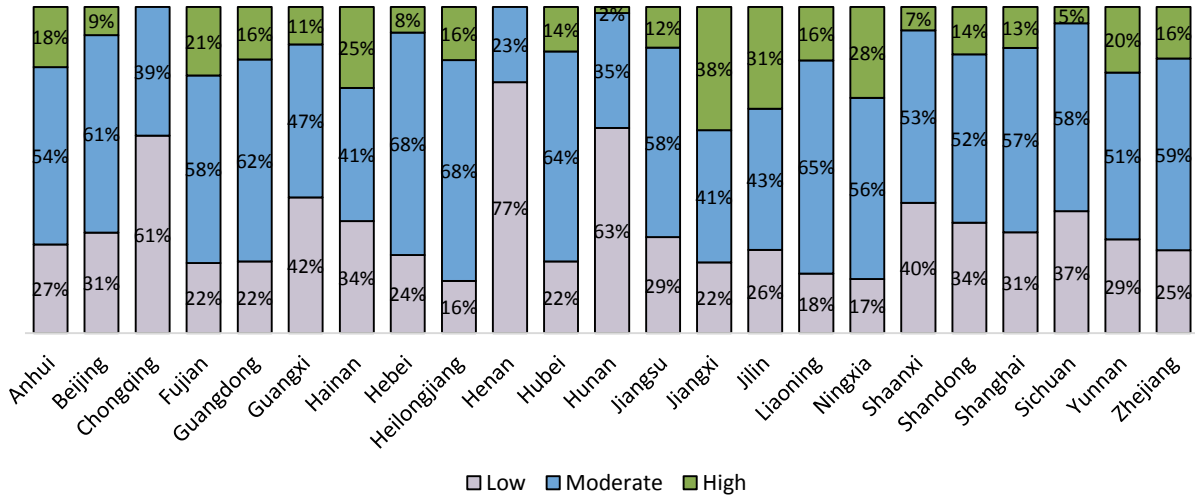


Figure 2



There is some mistrust of financial institutions

Results in this study show that nearly one third of all respondents do not trust financial institutions with their money. Figure 3 shows the level of trust by province. While the vast majority tend to save a significant portion of their working income, they are hesitant to purchase financial products through banks.



“I DO NOT TRUST FINANCIAL INSTITUTIONS WITH MY MONEY.”

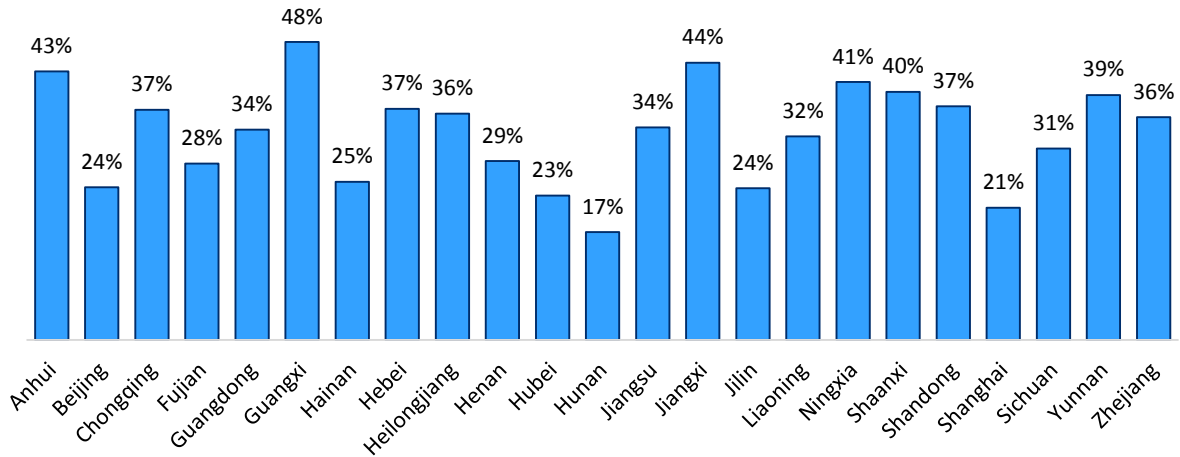


Figure 3

The more knowledgeable individuals are about financial products, the more likely they are to indicate distrust in financial institutions (Figure 4). One of the greatest challenges for China’s retirement market will be increasing transparency so consumers will be more trusting and willing to invest.

DISTRUST OF FINANCIAL INSTITUTIONS BY INDIVIDUAL PRODUCT KNOWLEDGE

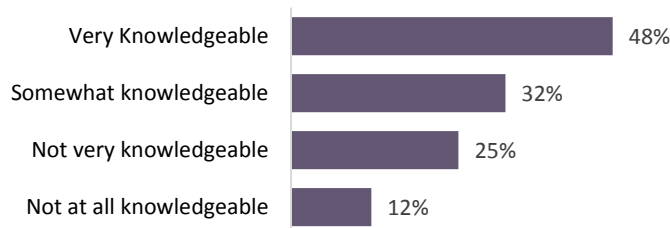


Figure 4





Consumers are becoming increasingly aware of and concerned about the pension deficit and the impact that population aging will have on the benefits available to the elderly during retirement (Figure 5).

GOVERNMENT FUNDING FOR AGING POPULATION

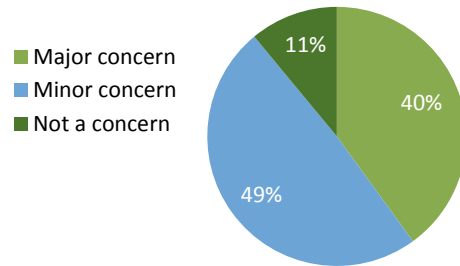


Figure 5

The savings-focused culture in China means the majority of individuals have money in the bank. However, even the most frugal consumers are aware that their savings will not last forever (Figure 6).

“I HAVE ENOUGH SAVINGS TO LAST UNTIL THE END OF MY RETIREMENT”

Percent who disagree

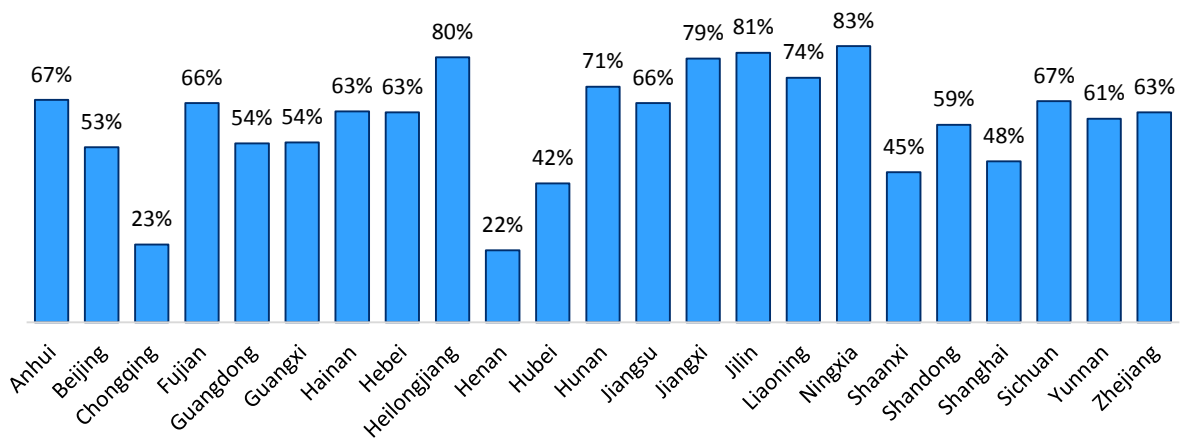


Figure 6

Companies selling guaranteed income products should target the moderate to high savers who have an interest, but may need further education to take an investment risk. Provinces with the largest concentration of high savers were Shanghai, Beijing, and Heilongjiang. See Appendix B for household savings levels stratified by province.



40% think that the value of savings and income is not keeping up with inflation

The average inflation rate in China is currently at 1.8 percent and is expected to climb, reaching 4.5 percent by 2020.² This concern is the highest in the province of Henan (Figure 7). Many individuals in Henan have low income and low savings, and will greatly feel the impact of inflation as the standard of living continues to increase.

THE VALUE OF SAVINGS AND INCOME MIGHT NOT KEEP UP WITH INFLATION

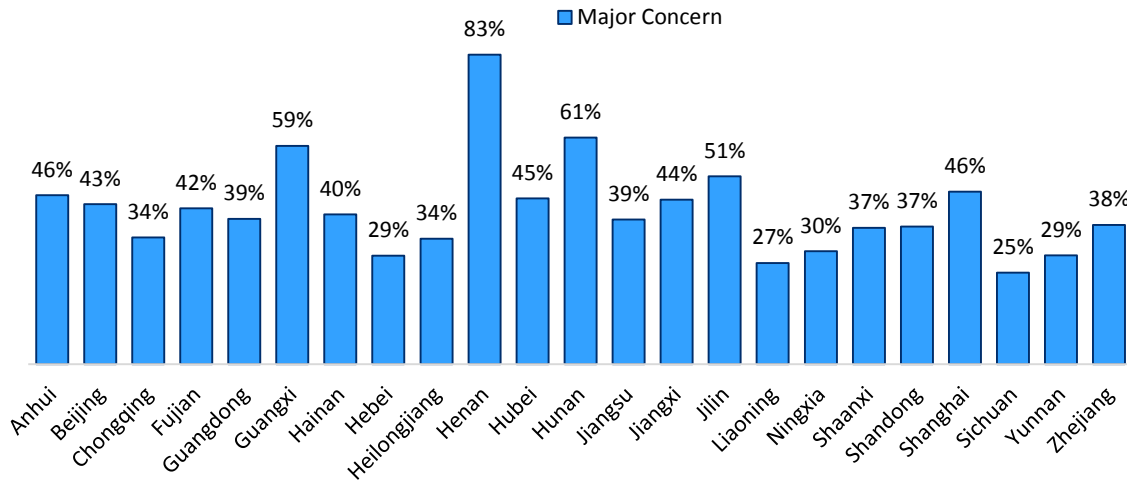


Figure 7

26% of all respondents consider tax increases a major concern

Personal income taxes contribute very little to total tax revenue in many developing countries. As structural, policy, and administrative capabilities improve, this is likely to change. Transparency of tax policies will be essential for eliminating these doubts among individual consumers.

TAX INCREASES

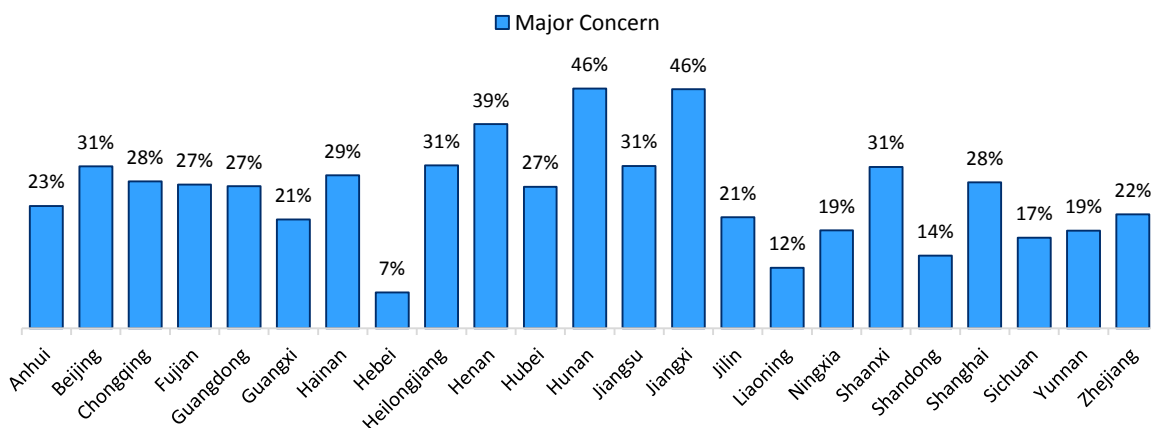


Figure 8

² “China Inflation Rate Forecast 2016-2020”, *Trading Economics*, 2016



43% of all respondents are majorly concerned that the government or their company will reduce social pension



Social pension and personal savings are the top sources of retirement funding for individuals in China. As a result, when one source is lacking in funds, the other is usually relied upon more heavily. Across provinces, social pension was considered a major funding source most frequently among respondents with low or no savings. Those with little or no savings showed the highest concern over the reduction in social pensions. Respondents from Henan had the lowest savings and income in the sample, and the highest reliance on social pension (see Appendix B).

MY COMPANY OR THE GOVERNMENT WILL REDUCE SOCIAL PENSION

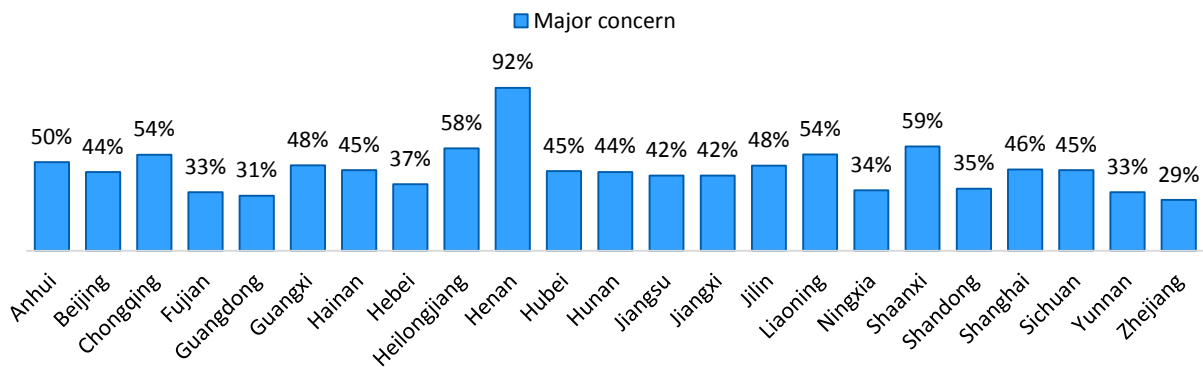


Figure 9

At 47 percent, concerns about paying for healthcare are the highest for all respondents. This is most likely related to a top retirement goal — maintaining health and well-being. The healthcare system in China is currently experiencing many of the same problems affecting the retirement system. There are separate healthcare systems for urban and rural citizens and many migrant workers have no coverage at all.³



FUNDING HEALTHCARE BEYOND SOCIAL INSURANCE MEDICAL SUPPLEMENT

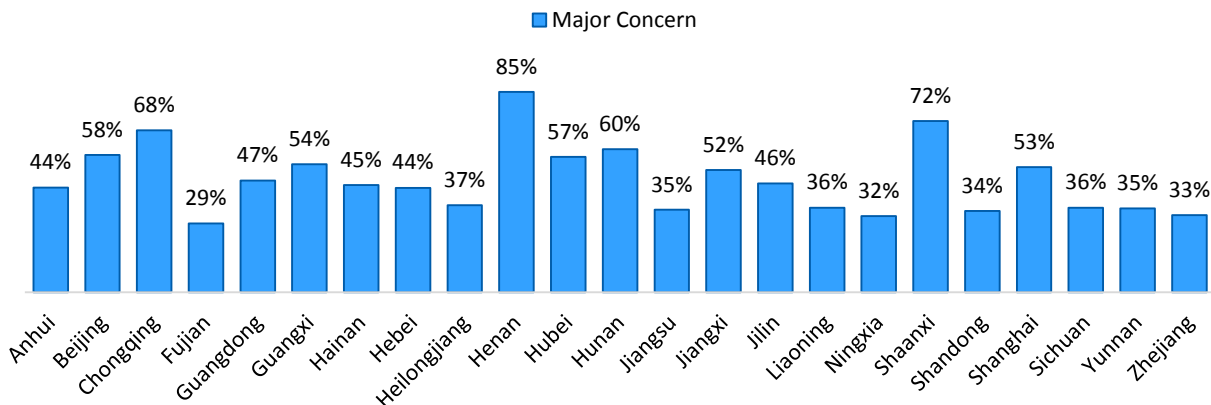


Figure 10

³ “Falling Through the Cracks of China’s Healthcare System”, WSJ, 2015.

Recommendations

- Multinational companies need to use multiple approaches to geographically segment China; a single country-level approach will not be sufficient.
- Government efforts coupled with the expertise of private firms can help raise financial literacy in China.
- Individuals should be encouraged to engage more with their financial professionals to help increase their own personal knowledge.
- Chongqing, Shaanxi, and Henan are the most in need of financial assistance, with fewer than 20 percent of respondents in these provinces interacting with financial professionals. Notably, respondents indicate the most personal involvement and responsibility for their finances in these locations.
- Jiangxi — the province reporting the most engagement with professionals — reported the lowest amount of personal involvement with managing their finances.
- People from Chongqing have low income, low savings, and low levels of pension access and benefit. Interestingly, this province had one of the highest levels of involvement in financial planning, suggesting that there may be a need for micro-insurance products to meet the needs of this market.

As a final examination, the table below shows the provinces that are the most prepared for expansion of the retirement market based on respondents’ savings level and their intent to convert savings to guaranteed income.

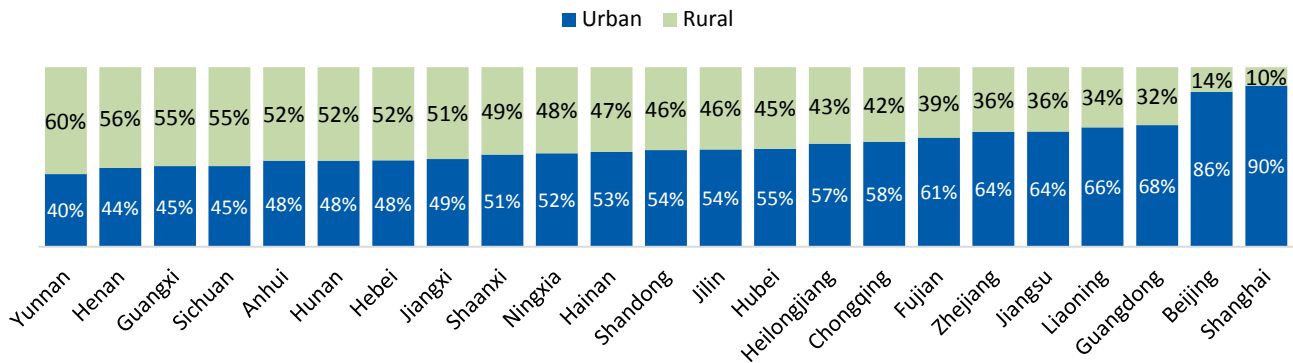
RETIREMENT PREPAREDNESS*

	Low Savings	Moderate Savings	High Savings
High Intent to Convert	Hunan Ningxia Liaoning Shandong	Jiangsu Anhui Fujian Jiangxi Guangdong Guangxi	Beijing Yunnan Heilongjiang Hainan
Low Intent to Convert	Chongqing Shaanxi Henan Hubei	Hebei Shanghai Sichuan	Jilin Zhejiang

*Provinces with moderate to high savings and high intent are the best targets for guaranteed income products.

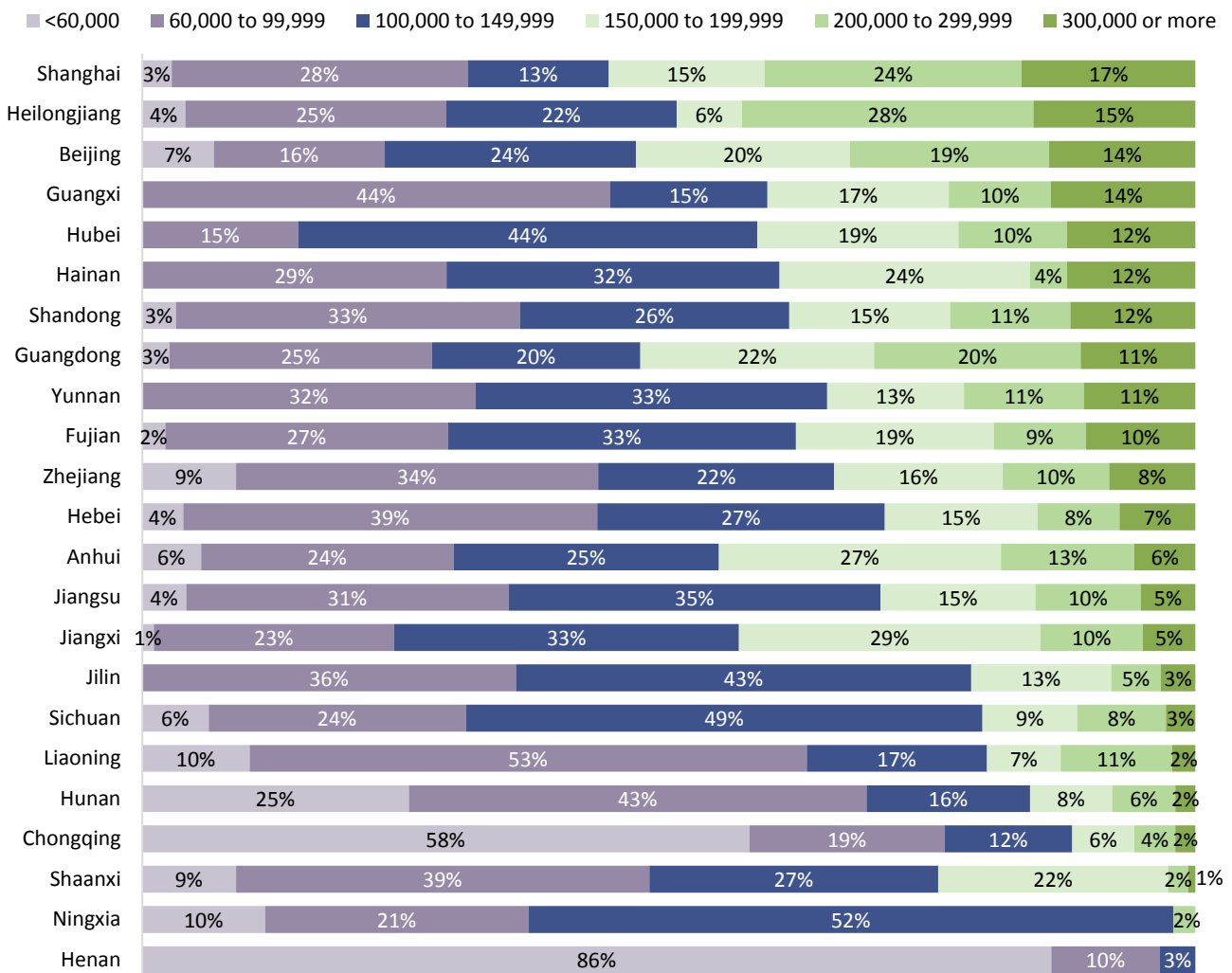
Appendices

POPULATION AND URBAN DENSITY



APPENDIX A

HOUSEHOLD INCOME BY PROVINCE



APPENDIX B



KEY PLANNING INDICATORS BY PROVINCE

	Calculated assets available to spend during retirement	Determined what income will be during retirement	Estimated how many years assets will last	Work with an advisor	Formal written retirement plan
ANHUI	57%	40%	34%	23%	30%
BEIJING	40%	52%	36%	30%	21%
CHONGQING	28%	51%	20%	18%	4%
FUJIAN	50%	54%	42%	27%	29%
GUANGDONG	48%	60%	50%	32%	24%
GUANGXI	49%	60%	32%	21%	33%
HAINAN	57%	43%	41%	27%	32%
HEBEI	45%	43%	15%	36%	26%
HEILONGJIANG	36%	34%	34%	41%	35%
HENAN	12%	20%	7%	3%	1%
HUBEI	50%	60%	43%	27%	14%
HUNAN	36%	51%	29%	20%	15%
JIANGSU	52%	49%	43%	46%	24%
JIANGXI	42%	50%	36%	57%	44%
JILIN	36%	47%	7%	21%	13%
LIAONING	45%	56%	24%	38%	10%
NINGXIA	35%	32%	19%	33%	18%
SHAANXI	41%	50%	34%	15%	6%
SHANDONG	45%	62%	34%	44%	30%
SHANGHAI	44%	49%	30%	34%	21%
SICHUAN	33%	64%	21%	28%	11%
YUNNAN	53%	53%	37%	38%	36%
ZHEJIANG	53%	51%	33%	26%	25%

APPENDIX C

RETIREMENT — MANDATORY, OFFERED INCENTIVES, OR CHOICE

	Yes totally mandatory	Offered incentives	Choice
Anhui	52%	21%	27%
Beijing	49%	15%	37%
Chongqing	53%	14%	33%
Fujian	55%	19%	26%
Guangdong	38%	19%	43%
Guangxi	58%	19%	23%
Hainan	47%	15%	38%
Hebei	49%	17%	35%
Heilongjiang	62%	19%	19%
Henan	79%	13%	7%
Hubei	50%	15%	36%
Hunan	39%	22%	39%
Jiangsu	60%	18%	23%
Jiangxi	29%	31%	40%
Jilin	31%	23%	46%
Liaoning	75%	7%	19%
Ningxia	37%	39%	25%
Shaanxi	69%	7%	24%
Shandong	35%	30%	35%
Shanghai	47%	23%	31%
Sichuan	54%	18%	28%
Yunnan	49%	24%	27%
Zhejiang	54%	12%	34%

APPENDIX D



EDITION SIX

The Future of Retirement in China

History, Systems, and Review

VI-055



Recommendations

React positively to the raise of retirement age.

With more promotion on awareness and gradual implementation process, supplemented with flexible choice, as well as motivations and/or incentives to those who are willing and able to work longer, the move of raise on retirement age could be a favorable adjustment to the future of China retirement.

Create awareness on retirement planning and healthcare.

Chinese consumers may already be inclined to save money, but they don't necessarily have the financial knowledge to allocate funds and use retirement benefits effectively. Awareness is everyone's responsibility. Promote retirement awareness, including how important healthcare is, for both individuals and employers.

Enforce transparency requirements.

Ensure transparency requirements are being met when comes to gathering, securing and investing funds, and distributing benefits.

Design more diverse products.

Design more diverse products like coupled health and retirement products (i.e., long-term care and annuities).

Use Chinese retirement ideals to market products.

People in China indicate a desire to spend time with family, travel, and enjoy their hobbies during retirement. They also associate retirement with freedom from their employer. They need to be encouraged to be proactive early in their careers in order to ensure that they will be able to enjoy retirement. Explore new marketing strategies to communicate products in a way that takes consumers beyond the price.

Use the right marketing language.

In order to prevent negative reactions from older consumers, companies should avoid the use of particular marketing phrases that imply "old age." Instead, they should come up with phrases that suggest older consumers are healthy or energetic despite their age.

Keep an eye on the enterprise annuity market.

The enterprise annuity system will likely become an important source of supplementary retirement income for China's middle class. As efforts to improve this system mobilize, it is likely that China will remove some of the barriers to entry in this market.



Keep your partners close.

Existing foreign players in China survive through their partnerships with local firms. Build relationships with intermediaries that have existing brand strength in China. Local firms have the language and local expertise needed to help foreign companies overcome convoluted policies that vary province to province.

Revamp your online strategy.

In China, consumers are split between traditional values and rapid modernization, so optimizing multiple distribution channels is critical. Online engagement is growing rapidly among China's citizens and may be a critical way to access the market.

Provide more value to agents.

For many companies in China, agent compensation is not enough to live, which takes away from the value of the work, and likely the skills of your sales force. Many firms are developing long-term orientated compensation plans that provide improved product margins, more career development, and professional training.

Target the right areas.

Demographics vary across China's city clusters. Guangzhou, Shenzhen, Nanning, Kunming, and Fuzhou do not demonstrate the rapid population aging seen in other areas in China, as the majority of individuals in this group of cities will be under 34 in 2020.¹ Take the time to identify and target areas where retirement products are most needed.

¹ The China Statistical Yearbook, 2015.

The Current State of Retirement in China

Background

Despite system complexities, China has made enormous strides toward their goal of universal social security. As reform continues to move forward, there are opportunities for financial services companies in China's retirement market. In 2015, LIMRA partnered with the Society of Actuaries to assess the maturity of China's retirement market from the consumer's perspective. We asked more than 2,000 individuals from 23 of China's 32 provinces about their retirement planning needs, concerns, and perceptions of retirement readiness.

We used face-to-face and online interviews to access a diverse selection of China's population. The sample coverage is shown in [Appendix A](#), and study results are available in [Appendix B](#).

The results of our study were also released in a series of topical reports, which are available to members of the Society of Actuaries and LIMRA via [LIMRA.com](#) and [SOA.org](#).

- > Edition I. Key Findings
- > Edition II. Definitions and Demographics
- > Edition III. Planning and Information
- > Edition IV. Funding Sources
- > Edition V. Provincial Concerns

Edition VI. History, Systems, and Review is the final, and longest, edition in the series. It is our intention for this report to accomplish the following:

1. Summarize the evolution of the China retirement system and where it stands today.
2. Synthesize existing literature on the market, comparing our findings to past research.
3. Examine the business opportunities and challenges for domestic and foreign companies.

Population Aging

Global life expectancy has reached 68.6 years and is expected to reach 76.2 years in 2050

Advances in modern medicine and increased access to healthcare are helping people live longer. Access to education is increasing, and there is a growing focus on an individual quality of life. Because China has developed so much over the past 20 years, they have seen one of the highest jumps in average life expectancy in the world. Figure 1 shows this marked spike in China, compared to the modest increases seen by the U.S.

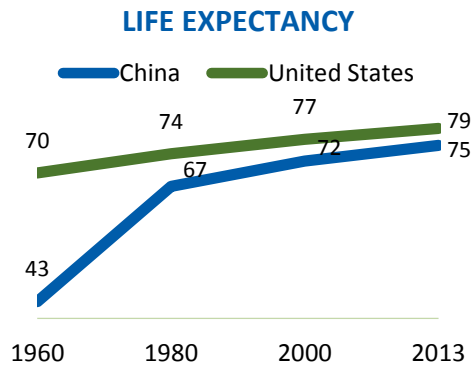


Figure 1

United Nations, 2015



People in China anticipate long retirement years.

One study found that 50 percent of respondents anticipate living 26 or more years in retirement.² Our study found that almost 75 percent of respondents anticipate living 26 or more years in retirement. In fact, one in four anticipate having 32 or more retirement years in need of funding.³

Not only are people living longer during retirement, but the number of people living in retirement is increasing its share of populations all around the world.

Until the mid-1970s, East Asian countries had high birth rates, tended to have larger family sizes, and rapidly growing populations.⁴ As markets mature, family size tends to decrease. Due in part to China's One Child Policy, some parts of the developing country are already experiencing the small family sizes seen by more mature markets.

The One Child Policy was abolished in October of 2015, but the change may not impact the demographic trend due to the expenses (particularly education) associated with having a second child.

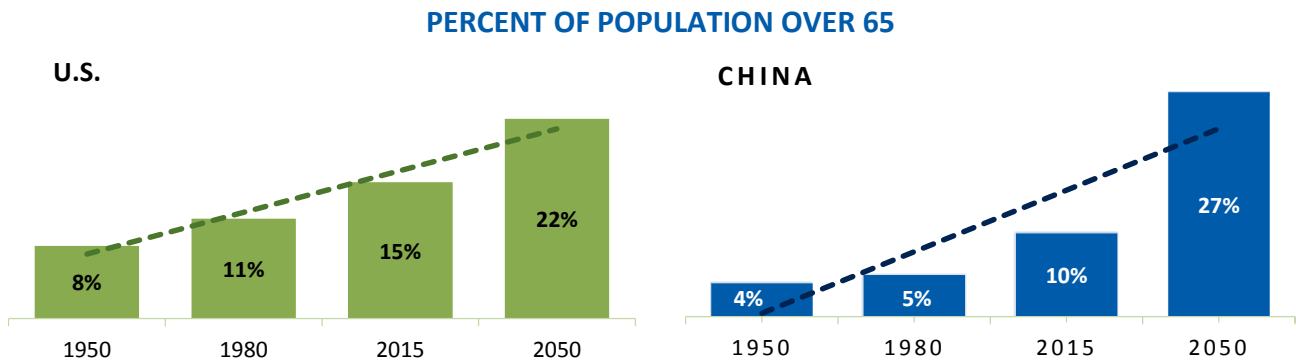
² A Retirement Wake-Up Call: The Aegon Retirement Readiness Survey, 2016.

³ Edition II. Definitions and Demographics. The Future of Retirement in China series. LIMRA and SOA, 2016.

⁴ Balancing Tradition and Modernity: The Future of Retirement in East Asia, Center for Strategic and International Studies, 2012.



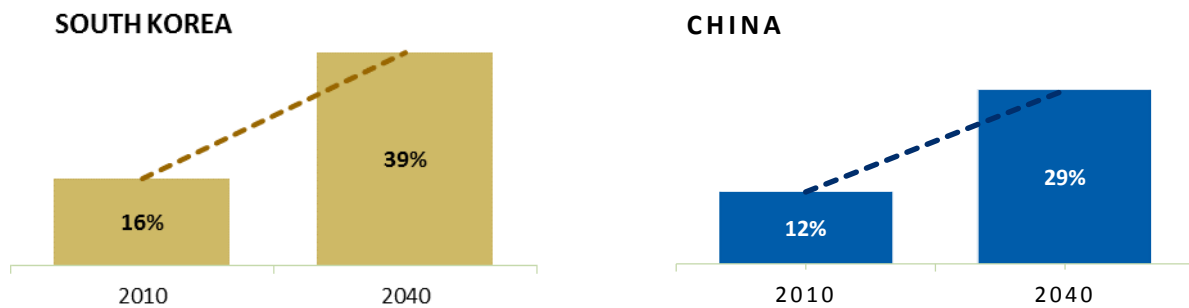
In the meantime, China is increasing its' older population share much faster than more developed nations like the U.S. Figures 2 and 3 show the rate at which the older populations are increasing in terms of share of the total population for these two countries.



Figures 2 and 3
U.S. Census Bureau, 2015

China is not the only country facing this dilemma. In fact, China comes in second to South Korea, which currently has the fastest population aging in the world (Figures 4 and 5).

ELDERLY POPULATION AS % OF TOTAL POPULATION — THE MOST RAPIDLY AGING COUNTRIES



Figures 4 and 5
United Nations, 2015

Like some aging European countries experienced in the past few decades, some Asian countries now face aging and shrinking populations. South Korea, Thailand, and China are among those where aging population and population decline may likely co-occur.⁵ For additional population aging statistics on China and other markets, see [Appendix C](#).

⁵ An Aging World, U.S. Census Bureau, 2015.



The Funding Dilemma

Most of the world's developed economies, as well as a few of its emerging markets, will have to make substantial reductions in the generosity of state retirement provision in order to alleviate the growing burden on the young.

— *The Global Aging Preparedness Index, 2016*

With newer retirement systems, developing countries have quite a challenge ahead of them, coping with the benefit burden that accompanies an aged population. In China, withdrawal from accumulated balances has been growing almost at the same pace as contributions to the system.

There are a variety of examples in existing research of ways to assess the stability and liquidity of a systems pension fund. Let's take a look at a few of these methods now.

The Global Aging Preparedness Index

First conducted in 2010, the Global Aging Preparedness Index (GAP Index) is an assessment of the progress that countries worldwide are making in preparing for global aging and old-age dependency. The GAP Index includes two sub-indices: The Fiscal Sustainability Index and the Income Adequacy Index. The rankings and change from 2010 to 2016 for twenty countries is shown in Table 1.

GAP INDEX COUNTRY RANKINGS AND CHANGE FROM 2010 RANKINGS

FISCAL SUSTAINABILITY INDEX			INCOME ADEQUACY INDEX		
RANK		CHANGE	RANK		CHANGE
1	INDIA	—	1	NETHERLANDS	—
2	MEXICO	—	2	U.S.	+1
3	CHILE	—	3	BRAZIL	-1
4	CHINA	—	4	AUSTRALIA	+2
5	RUSSIA	—	5	GERMANY	-1
6	AUSTRALIA	+1	6	SWEDEN	+1
7	SWEDEN	+3	7	U.K.	-2
8	CANADA	+1	8	CHILE	—
9	POLAND	-3	9	CANADA	+2
10	SOUTH KOREA	+2	10	FRANCE	+6
11	U.S.	—	11	ITALY	+6
12	SWITZERLAND	+1	12	SPAIN	-3
13	U.K.	+2	13	CHINA	+5
14	BRAZIL	+4	14	JAPAN	-2
15	JAPAN	-7	15	INDIA	-5
16	FRANCE	+1	16	SWITZERLAND	-2
17	NETHERLANDS	+2	17	MEXICO	+3
18	GERMANY	-4	18	RUSSIA	-3
19	ITALY	-3	19	SOUTH KOREA	—
20	SPAIN	-3	20	POLAND	-7

Table 1

Center for Strategic & International Studies, 2016

According to the GAP Index, countries around the world are failing to adequately prepare for and fund their aging populations. Though retirement systems across the board are unsustainable, only five of the 20 countries have a projected cost of benefits in 2040 that is more than 10 percent lower than that recorded in the 2010 report. France, Italy, Spain, and Japan have already reduced public pension benefits for future retirees without filling the resulting gap in income with alternative sources.⁶

⁶ The Global Aging Preparedness Index. Center for Strategic and International Studies & Jackson National Life Insurance Co., 2016.

The pillars and variables included in each index are displayed in Tables 2A and 2B. China’s rankings and specific data are shown in red font.

As you can see in Table 2A, China ranks 15th out of 20 on benefit growth due to their 7.6 percent growth in total public benefits to the elderly from 2010 to 2014 as a percent of GDP. Additionally, China has relatively small public sectors, and may not be able to cover the rapidly aging population without eliminating other vital public services, placing them in 12th in the budget room category.

China is one of the few countries that has risen in rank on the Income Adequacy Index, up five positions from 2010, now ranking 13th overall. Detailed rankings for this index are shown in Table 2B.

THE GLOBAL AGING PREPAREDNESS INDEX — CHINA RANKS AND SCORES

2A. GAP FISCAL SUSTAINABILITY INDEX

PUBLIC BURDEN 7th		FISCAL ROOM 6th			BENEFIT DEPENDENCE 4th	
Benefit Level 5th	Benefit Growth 15th	Tax room 4th	Budget Room 12th	Borrowing Room 6th	Benefit Share 7th	Benefit Cut 1st
To elderly in 2040 as a % of GDP: 11%	From 2010 to 2040 as a % of GDP: 7.6%	Total gov. revenue in 2040 as a % of GDP, assuming tax raises pay for benefit growth: 29%	Benefits to elderly in 2040 as a % of GDP, assuming tax raises pay for benefit growth: 47%	Public debt in 2040 as a % of GDP, assuming borrowing pays for benefit growth: 40%	% of the cash income of the median-income elderly (average for 2010 to 2040): 37%	% of elderly households pushed into poverty by a 10% cut in public benefits: .1%

2B. GAP INCOME ADEQUACY INDEX

TOTAL INCOME		INCOME VULNERABILITY			FAMILY SUPPORT	
Total Income Level 19th	Total Income Trend 2nd	Median Income Level 20th	Median Income Trend 7th	Poverty Level 19th	Family Ties 2nd	Family Size 19th
Per capita ratio of average after-tax elderly to nonelderly income in 2040: .65	% change in the per capita ratio of avg. elderly to nonelderly income from 2010 to 2040: 15%	Per capita ratio of median after-tax elderly to nonelderly income in 2040: .50	Change in per capita ratio of median elderly to nonelderly income from 2010 to 2040: 1%	% of the elderly with less than 50% of the median income: 23.9%	% of elderly living with their adult children: 69%	Change in the avg. # of surviving children of the elderly from 2010 to 2040: -2.3

Table 2

Center for Strategic & International Studies, 2016



The Natixis Global Retirement Index

The Natixis Global Retirement Index (GRI) is another framework for evaluating the financial sustainability of retirement systems. The index — going on its fourth year — measures best public pension practices in four sub-indices for 43 countries. The index hopes to identify indicators of positive change in financial systems so that other countries facing similar financial deficits can model policies after successful markets. Figure 6 shows the variables that define each sub-index in the GRI.⁷

THE GLOBAL RETIREMENT INDEX

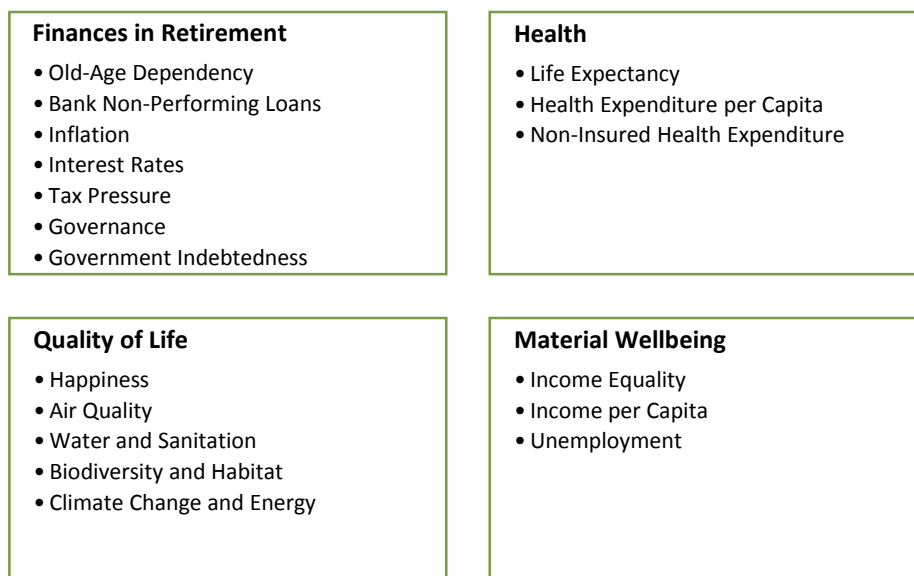


Figure 6

Natixis, 2016

In the GRI, The BRIC countries, which includes Brazil, Russia, and India, rank poorly on the index due to low levels of spending on healthcare, and low coverage, particularly for rural citizens. It's nearly impossible to address social welfare benefits without first addressing health insurance needs.⁸ Health insurance is underdeveloped in China, representing only 9.8 percent of the total insurance premium in the first 10 months of 2015.⁹

⁷ The Natixis Global Retirement Index, Natixis Global Research & CoreData Research, 2016.

⁸ The Natixis Global Retirement Index, Natixis Global Research & CoreData Research, 2016.

⁹ China Life Insurance Sector. Credit Suisse, 2016.



Overall, China comes in at 38th place out of 43 countries. Though this may seem alarming, the outlook is positive. China is actually the highest ranking of the BRIC countries, and the only country to improve on all four sub-indices. China performs best on the sub-index Finances in Retirement, where it ranks 24th. Table 3 shows the scores for China, Japan, Korea Republic, and India.

THE GLOBAL RETIREMENT INDEX

	JAPAN	KOREA, REP.	CHINA	INDIA
RANK	21	22	38	43
SCORE	70%	69%	47%	12%
Finances in Retirement	55%	76%	66%	49%
Old-Age Dependency	11%	66%	86%	100%
Bank Non-Performing Loans	62%	80%	67%	44%
Inflation	100%	90%	71%	1%
Interest Rates	36%	78%	69%	76%
Tax Pressure	38%	55%	73%	85%
Government Indebtedness	1%	60%	55%	41%
Governance	89%	81%	63%	65%
Health Index	88%	72%	47%	4%
Quality of Life Index	64%	52%	38%	6%
Material Wellbeing Index	76%	79%	43%	18%

Table 3
Natixis, 2016

Investment Restrictions

Demographic variables and market maturity constraints are major contributors to the pension funding dilemma in China. Additionally, China’s legislation imposes investment restrictions on fund managers.

According to the OECD, China’s regulations hinder investment returns, and may be counterproductive to growing pension funds. China has minimum investment requirements, which force fund managers into investments that they might have otherwise, based on circumstance, avoided.¹⁰

Fund managers have historically been prohibited from investing funds abroad, and also restricted to certain types of funds in which they may invest. Limiting diversification is hazardous in fund management and can be detrimental to investment returns.

In addition to investment restrictions, China faces a disintegrated retirement system deeply rooted in the nation’s past.

¹⁰ Pension Fund Investment and Regulation: An International Perspective and Implications for China’s Pension System, OECD, 2007.

Summary of Systems

China has an estimated 3,000 provincial, territorial, and city pension funds managed by local governments that adapt retirement policies for the economic needs of their cities. Public pension benefits vary depending on where you live, employer type (public or private), and status as an urban or rural resident. The result of this system is a population with varying degrees of retirement readiness.¹¹

Around half of these funds face a deficit and may be forced to seek assistance from the central government in order to fulfill benefit expectations. Adversity to risk perpetuates this problem; pension funds are invested in banks, earning an average nominal return of 2 percent. The need for private, non-state-run firms with investment expertise has been expressed, but progress made towards privatization is slow.

Local governments manage pension funds across three schemes:¹²

Urban Residents

- > Mandatory pay-as-you-go
- > Twenty percent pay-as-you-go employer contribution
- > Eight percent employee contributions
- > Designed to provide 70 percent of final salary
- > Actually provides around 45 percent of final salary
- > Sustainability: Poor

Public Service Employees

- > Defined Benefit
- > Funded by government's general revenue
- > Historically a 90 percent replacement rate
- > Reform will eventually require employee contributions
- > Sustainability: Poor

Rural Residents

- > Voluntary Defined Contribution
- > New: Implemented from 2009 to 2012
- > Individual contribution: At least 55 RMB a month (\$9 USD)
- > At age 60, receive 100 to 500 RMB/month
- > Sustainability: Good for now; currently has a surplus of 200 billion RMB

¹¹ Chinese Rage at the Pension System: Civil servants get the best benefits while the rest get much less. Bloomberg, 2013.

¹² Pension Assets in China. Joint IACA, IAAHS and PBSS Colloquium in Hong Kong, Leckie, 2012.

System Management

Established in 2000, the National Social Security Fund (NSSF) is a strategic reserve fund of assets managed by The National Council for Social Security Fund (NCSSF). The NCSSF is responsible for administering assets, determining and implementing investment strategies, monitoring fund managers and custodians, and reporting to the public about the fund's financial health.¹³

According to regulations, the assets of the NSSF come from funds allocated from the central government's budget, capital, and equity assets derived from the sales of shares of state-owned enterprises (SOEs), investment returns, and other means approved by the state council.¹⁴

The fund is being endowed with 10 percent of the proceeds from selling shares in state-owned enterprises, which are then allowed to transfer their pension liabilities to the fund. There remains some mystery around just how much has been transferred to the NSSF.

Social security is:

- > Financed by a mixture of employer and employee wage-roll contributions
- > Supplemented by central and local government subsidies
- > Administration through local authorities and the local bureau of the Ministry of Human Resources and Social Security (MHRSS)

More recently, the NCSSF has started acting as investment manager and trustee for the funds building up in individual pension accounts in various provinces and municipalities. This draws some criticism as the NCSSF is acting like a trustee, but is not bound by China's trust law.

Unfortunately, the NSSF lacks the influence of an independent and unbiased board of directors. The NCSSF is a 21-member board including one chairman and three vice chairmen, all of whom are appointed by the state council. The remaining board directors are current or former senior government officials appointed (not elected) to their positions.

Status as urban or non-urban person is determined at birth when you are registered as a citizen. The internal passport, called a "hukou," dictates where individuals receive social welfare benefits including healthcare, unemployment, or retirement benefits.¹⁵

Social welfare benefits under China's public pension system were first offered to urban workers. Reform has gradually been extended to include non-working urban residents, migrant workers from the countryside, and lastly, rural residents. Since urban residents, rural residents, and government employees (Gong Wu Yuan or public affairs personnel) and employees of public affair institutions (such as public educational institutions, etc.) face different retirement systems, it is best to examine these separately.

¹³ A Review of the National Social Security Fund in China. Leckie & Pan, n.s.

¹⁴ A Review of the National Social Security Fund in China. Leckie & Pan, n.s.

¹⁵ Future directions for insurance companies in China. Ernst & Young Global Ltd., 2016.

Urban Residents

By the time the People's Republic of China (PRC) was founded in 1949, the war-torn economy was struggling. Urban unemployment reached 26 percent.

In this context, the government issued The PRC's Labor Protection Regulation in 1951.¹⁶ The regulation requires work units (factories, mines, collective farms, etc.) employing more than 100 workers to be responsible for the cost of protection against work related injuries, disabilities, diseases, retirement, and childbirth. No payment was required from employees. Every year, the work unit was supposed to turn in an amount equal to 3 percent of total worker wage costs to the union of the unit.

From 1953 through 1969, the worker protection fund was divided 7:3; 70 percent was kept at the work unit level and administered by the union, and 30 percent was turned in by the union to China National Union for pooling at the national level.¹⁷

During the early years of the new republic, this protection system brought hope and social stability to urban China. It was in line with the ideology of a "socialist planning economy" that the Chinese government embraced at that time. At that time, the average age of the labor force was young, average life expectancy was less than 40 years old, and the average wage of urban workers was low. The total expenditure on worker protection was not a big burden on the government.



After the Cultural Revolution, the government gradually moved its focus to economic development through reform and opening doors/breaking down trade barriers. One action that the government took was releasing state-owned enterprises to the market. Under the past planning economy, these enterprises would be subsidized by government finance if they ran at a loss. Under the new policy, they became "companies" that were responsible for their bottom lines and allowed to invest like other private/multinational companies in China.

After 1969, the work unit became solely responsible for worker protection and retirement. In extreme cases, retired workers outnumbered workers, making benefit payouts exceptionally challenging to fulfill. Some enterprises went bankrupt during this time.

¹⁶ *Social Security Programs Throughout the World: Asia and the Pacific*, 2012. <https://www.ssa.gov/policy/docs/prodesc/ssptw/2012-2013/asia/china.html>

¹⁷ *Social Security Reform in China: The Case of Old-Age Insurance*. Contemporary Economic Policy, Song & Chu, 1997.



From 1986 through 1992, reforms took place in around one-third of China's provinces. During this period, the government discovered that local public finance at county or provincial level was not able to back the cost of social protection, especially in provinces where there were many old factories and industries.

In 1993, the three-pillar social retirement and protection model for urban workers came out along with other key decisions by the central government.

The first pillar was a mandatory basic social retirement fund paid by the government, the employer, and the individual employee. The second pillar was group retirement insurance funded by the employer. Employers that were capable and willing to provide such benefits for their employees were allowed to do so. This was the beginning of the group life insurance market for commercial life insurers in China. The third pillar was individual retirement insurance products, which were manufactured later on by commercial insurers.

This model has been through many trials and continues to evolve today. In 1995, individual employees were required to contribute 16 percent of salary into the individual account with their employers responsible for only 4 percent of salary into the integrated fund pool. Such changes led to feelings of uncertainty which helped drive saving behaviors among the Chinese.¹⁸ From May 1996 through October 1997, the government cut interest three times to encourage individual consumer purchasing. However, consumers still chose to put their money into the bank.

In 1998, the government adjusted the pay ratios to 8 percent for employees' individual retirement account and 20 percent from employers for the integrated account. At this time, there were also high level principles issued by the State Council to guide the administration of social health insurance, unemployment insurance, work related accident insurance, and maternity leave benefits for urban employees.¹⁹

The concept and the model were implemented across all urban areas in China, but the administration and pooling of funds was handled locally. This was due to the vast economic differences across China's provinces. Unfortunately, the decision for local fund administration only seemed to aggravate income disparity.

Advancements to the system in the past 10 years include limited transferability of benefits between cities of similar level of economic development (i.e., Beijing and Shanghai), and initiatives to increase participation among the self-employed.²⁰

¹⁸ *China's Pension System: A Vision*. The World Bank, 2013.

¹⁹ *China's Pension System Reform*. World Bank, 2014.

²⁰ *Social Security Reform in China: The Case of Old-Age Insurance*. *Contemporary Economic Policy*, Song & Chu, 1997.

State Workers/Civil Servants

The pension system in China offers more favorable treatment for employees of government owned or government controlled organizations (i.e., public, schools, hospitals, etc.). In 1955, the State Council issued the Regulation for Retirement Treatment for Government Personnel which established generous state-funded retirement benefits for these personnel without individual contributions. The replacement rate was between 80-90 percent, compared to 60 percent for personnel/workers employed by private enterprises. The high benefits of government workers became a barrier for personnel transfer between the public and outside sectors.

Going into the 1990s, the rising retirement cost drove the central government to push for reform in the treatment of government and public sector personnel. Figure 7 shows the changing ratio of workers to retirees in the public sector; state-owned enterprises and local governments were faced with the challenge of fulfilling benefit expectations for a large proportion of their workforce.

THE RATIO BETWEEN RETIRED WORKERS AND CURRENT WORKERS AT SOES

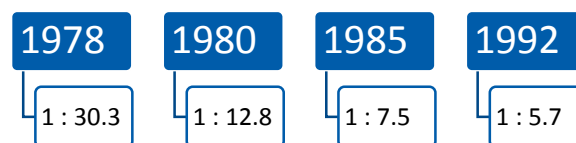


Figure 7

The China Statistical Yearbook, 2008

The first reform began in 1992, but was put on hold in 2000 by the Ministry of Personnel at the time. Since personnel of this sector enjoy a higher replacement rate without making contributions, there was a disincentive from within the sector to work against its own interest.

Two reforms in 1993 and 2006 brought raise increase guarantees to state workers. By 2008, government employee average salary was 1.18 times of that for enterprise employee. Adding to the disparity was the better retirement treatment enjoyed by government and public sector employees.

As a result, in 2008, the State Council issued the Public Sector Personnel Retirement Reform Pilot Plan, which required public sector institutions to set up a three-pillar retirement system similar to the urban enterprise system.

In 2014, the State Council issued Decisions to Reform Government Personnel and Public Sector Personnel Retirement Treatment, to assimilate government and public sector employees into the same pool of retirement funds. To compensate for the reduced retirement benefits, public workers were to receive an increase in their regular salary.

This reform caused many public-sector personnel (i.e., university professors, public hospital doctors, etc.) to seek early retirement as they expected future retirement treatment would be lower after the reform.

The public was discouraged by the fact that the reform did not impact individuals who worked directly for the government.

There are pending reforms that will require contributions from government employees in the near future. These will be accompanied by a significant pay raise to compensate for requiring contributions and reducing benefits.



Rural Residents' Pension



Almost half of China's massive population live in rural areas. This is important because China's household registration system (hukou) indicates status as an urban or rural citizen, which dictates where an individual can receive benefits.

From the 1950s – 1970s, following the example of Soviet Union, the Chinese government formed “farming cooperatives” in rural China. One function of the cooperatives was to take care of cooperative members who were old, weak, widowed, and disabled, but did not have family members to rely on. The coverage was limited only to those who could not be provided for by their children or family. In 1979, the average allowance for each beneficiary of this system was 57 yuan or 35.5 percent of the yearly per capita income in rural China.²¹

From 1986 to 1999, the government piloted a retirement system in select rural areas. In the 1980s and 1990s, neither local nor central government had sufficient funds to spend on rural resident retirement protection, so this system (sometimes referred to as the “old retirement system for rural residents”) required individuals to pay a small fee every month. Administrative costs were covered by contributions and capped at 3 percent. Though local governments and rural collectives were expected to contribute to the fund, contribution policies were determined at the provincial level. The fund largely relied on individual contributions, so concept adaption, and thus coverage, remained low at around 12 percent. Rural citizens had very low yearly income and could not foresee the retirement benefits in long-term future, so the experiment failed in 1999.²²

²¹ China's Pension System: A Vision. The World Bank, 2013.

²² China's Pension System Reform, The World Bank, 2014.



In 2009, the State Council issued its Guidance on New Rural Retirement Protection Pilot with an objective to cover all rural China households by 2020. Participants could choose from five levels (100 yuan/year, 200, 300, 400, or 500). The rural pension scheme has a flat basic benefit of RMB 55 per month, in addition to whatever has accumulated in an individual's account. Contributions to individual accounts are fixed in order to increase clarity, and are supposed to be matched by local governments.

Additionally, each participating individual's parents, ages 60 years or older can get benefits under the new scheme without making contributions. The new system is much more attractive to China's rural population, and coverage is expanding significantly. Since its introduction in 2009, 89 million people have started receiving pension payments under the New Rural Social Pension.

The rural citizens of China often make their way to urban areas for work. China's rural migrant workforce has made enormous contributions to the nation's economic development.



Migrant Workers

China has endured rapid urbanization since 1950. In 2008, 44 percent of China’s population lived in cities. In less than 10 years, this increased to 54 percent. As you can see in Figure 8, urbanization is a component of market maturity. Countries with higher Global Competitiveness Index scores (below country name) have higher levels of urbanization.

**URBAN POPULATION (PERCENT OF TOTAL POPULATION)
UNITED NATION'S GLOBAL COMPETITIVENESS INDEX SCORES INCLUDED WITH EACH COUNTRY**

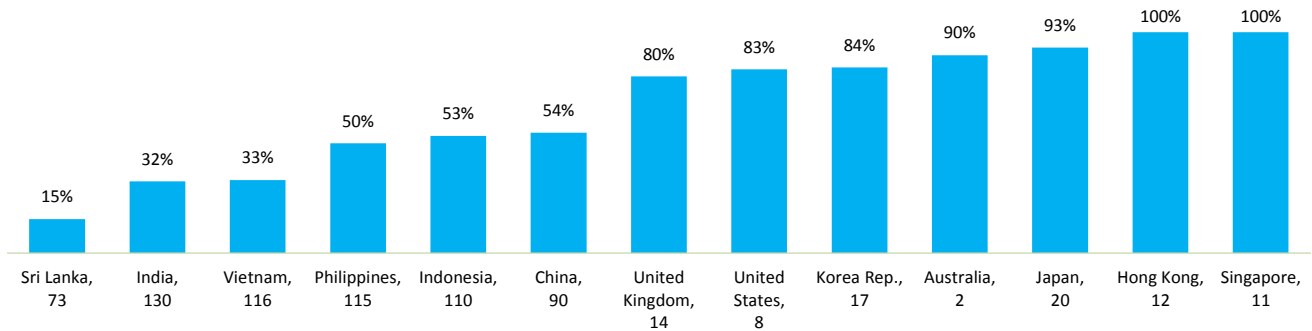


Figure 8

United Nations, 2015

As China continues to mature, urbanization will increase. By 2030, research predicts that 70 percent of China’s population will live in urban areas.²³

China’s migrant workers make up an estimated 15 – 30 percent of China’s working population.²⁴ Migrant workers leave their rural homes to work and live in China’s metropolitan areas at long hours and low wages.

²³ The Economist Intelligence Unit, 2016.

²⁴ China Statistical Yearbook, 2015.

In 2013, China's internal migratory population (both inter- and intra-provincial) reached 289 million people. Within that population, those without household registration — essentially illegal aliens in their own nation — known as the “floating population” reached 245 million (Table 4).²⁵

CHINA'S FLOATING POPULATION

(100 million persons)

YEAR	RESIDENCE-REGISTRATION INCONSISTENCY	FLOATING POPULATION
2000	1.44	1.21
2005	—	1.47
2010	2.61	2.21
2011	2.71	2.30
2012	2.79	2.36
2013	2.89	2.45

Table 4

China Statistical Yearbook, 2015

Unfortunately, constraints prevent rural individuals from living the quality of life of urban residents, even if they move to urban areas to work.

The influx of workers to the cities enabled abuse by hiring companies. They were able to deny or reduce employment benefits, while also assigning tough jobs with long hours, low wages, and little vacation time.



In some provinces, policies mandate rural employees to return home in five to eight years, which prevents them from achieving full-time employment status. Rural migrant workers get paid significantly less than urban hukou holders. In some companies, rented migrant workers can even be paid the minimum salary of their undeveloped hometown, while working alongside urban residents making much higher salaries.

Through various loopholes, many companies employ migrant workers without offering them social benefits. In some case, such workers are “rented” from local head hunters or “staffing agencies.” Some people support the notion that migrant workers do not need social security because they can return to their rural homes; their land is their security.

Historically, migrant workers contributed to the urban pension system while working, but due to their hukou registration, were unable to receive benefits when moving back to their rural homes.

In 2011, the Social Insurance Law implemented legislation designed to increase benefits portability. Unfortunately, implementation of this policy varies across provinces, and in many places, only a small proportion of the migrant population receive the social benefits from urban system to which they have contributed during their working years.

²⁵ China Statistical Yearbook, 2015.

Other Funding Sources

Annuities

Historically, most major insurers in China sold what they refer to as a class of “retirement products.” Some companies have packaged and marketed participation-type endowments, universal products, and unit-linked products as retirement products. In the pay-out period, customers are normally given the choice to get a lump sum or monthly installments. Most customers choose lump sum payment.²⁶

There are fixed annuities available in China, but they lack an individual tax incentive, and internal rate of return for these products is low. Due to the unattractiveness of these products and the Chinese strong cultural value for saving, these products are not very popular.

Although there are challenges, Annuity insurance has expanded with an average annual growth rate of 16.9 percent between 2001 and 2014. As of 2014, there were more than 69 million in-force policies covering 100 million people, according to the China Insurance Regulatory Commission (CIRC).²⁷



Enterprise Annuities

Several countries have put new incentives in place to increase funded pension savings. Germany has Riester Renten; the UK has nest pensions; South Korea has corporate pensions, and China has enterprise annuities (EA).²⁸

China’s EA system can be seen as their second pillar, their group pension scheme. Enterprise annuities are the only tax qualified employer-sponsored retirement scheme used in China. These plans are defined contribution set up on a voluntary basis.

The Ministry of Human Resource and Social Protection, China Bank Regulatory Commission, China Security Regulatory Commission, and the China Insurance Regulatory Commission issued pilot EA regulations in 2004, which were replaced by new EA regulations in 2011.

²⁶ China’s Pension System: A Vision, The World Bank, 2013.

²⁷ Best’s News Service via Bestwire, 2016.

²⁸ The Global Aging Preparedness Index, Center for Strategic & International Studies and Jackson National Life Insurance Company, 2016.



Investment income and pension payments are taxed according to standard tax rates.²⁹ The tax deferral treatment of enterprise annuities applies at three stages: when contributions are made, when assets accumulate or are invested, and when withdrawals are made from the account. Currently, EA plans offer a tax exemption for employers up to 5 percent of wages, and for employees up to 4 percent of wages.³⁰ However, tax benefits differ in practice from province to province. For example, in mid-2006, it was 5 percent in Anhui and 12.5 percent in Hubei. Reforms will likely drive more tax relief to both employers and employees in the future.³¹



²⁹ PensionFundsOnline and Allianz Global Investors, 2015.

³⁰ Outlook for Chinese Defined-Contribution Enterprise Annuities following the Introduction of Tax Deferral Treatment. Nomura Institute of Capital Markets Research, 2014.

³¹ China Life Insurance Sector. Credit Suisse, 2016.

Figure 9 shows the typical process a company undergoes for designing, implementing, and managing an EA plan. The limitations to the investment capabilities of the EA funds are shown in Figure 10. Table 5 shows the evolution of these regulations over time.

ENTERPRISE ANNUITY PLAN IMPLEMENTATION FOR EMPLOYERS

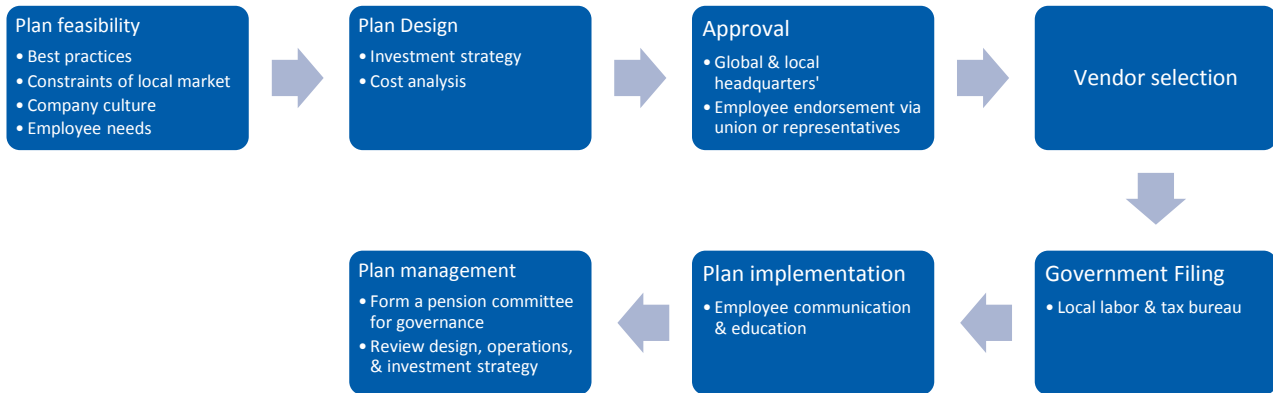


Figure 9
Aon Hewitt, 2014

ENTERPRISE ANNUITY PLAN ASSETS INVESTMENT SCHEME

Monetary Products <i>>5% of total plan assets</i>	Fixed Income Products <i><135% of total plan assets</i>	Equity Products <i><30% of total plan assets</i>
<ul style="list-style-type: none"> • Monetary funds • Bank notes • Term deposits maturing in less than one year 	<ul style="list-style-type: none"> • Fixed income funds • Bonds • Term deposits maturing in more than one year • Qualified non-tradable fixed income products 	<ul style="list-style-type: none"> • Shares • Equity funds • Equity insurance products

Figure 10
Aon Hewitt, 2014

EA INVESTMENT REGULATIONS OVER TIME

ASSET CLASS	2004	2011	2013	INVESTMENT RANGE
MONEY MARKET	>= 20%	>= 5%	>= 5%	CURRENT DEPOSIT, BILLS OF CENTRAL BANK, REPURCHASING BONDS IN SHORT TERM, MONETARY FUND, ETC.
FIXED INCOME	<= 50% <i>GOV. BOND >= 20%</i>	<= 95%	<= 135%	BONDS, FIXED DEPOSIT, DEBTS, BOND FUND, AND PENSION PRODUCTS
EQUITY	<= 30% <i>STOCKS <= 20%</i>	<= 30%	<= 30%	STOCK, INVESTMENT LINKED INSURANCE PRODUCTS, EQUITY FUND, ETC.

Table 5

Aon Hewitt, DC in China, 2015

Deferred Annuity in the Future?

When LIMRA presented to member companies on individual annuities in 2011, few companies were interested in attending. However, insurers' interest in individual retirement products was re-ignited after the regulator started looking at deferred annuity possibilities. There are currently no deferred annuities for individual consumers in China, although there have been discussions and rumors about pilot tests.

Circular 103 was jointly issued on December 11, 2013 by the Ministry of Finance, MOHRSS, and the State Administration of Taxation. Circular 103 authorizes 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 on government and families in supporting the aging population, while increasing savings for investment.

The United States has a 40-year history of implementing tax-deferred annuities and Chinese companies have expressed that they are ready and willing to apply U.S. expertise and experience to their market.

Coverage

Several studies have measured the coverage of Chinese citizens by public and private retirement systems.

The Center for Strategic & International Studies’ East Asia Retirement Survey (2012)

The Center for Strategic and International Studies (CSIS) conducted a survey of retirement beliefs and attitudes across six East Asian countries — China, Hong Kong, Malaysia, Singapore, South Korea, Taiwan.

This study included 2,826 urban respondents from China. Nearly one-third of retirees from China indicated that they were not receiving any income from the national pension system (See Figure 11). The actual and expected shares by type of asset in retirement are shown in Table 6.

RETIREES WHO DO NOT RECEIVE INCOME FROM RETIREMENT PROGRAMS, BY TYPE OF PROGRAM

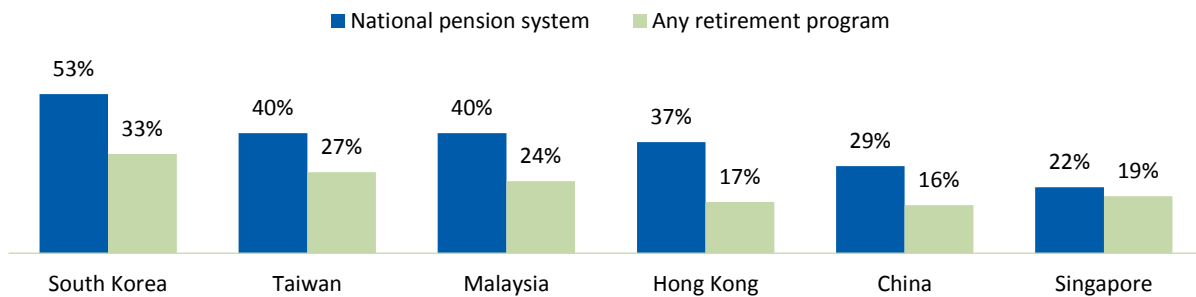


Figure 11

The Center for Strategic & International Studies, 2012

ACTUAL AND EXPECTED SHARES BY TYPE OF ASSET

BANK DEPOSITS		INSURANCE OR ANNUITY POLICIES				STOCKS OR BONDS		
WORKERS		WORKERS		RETIREES		WORKERS		RETIREES
20-39	40-59	20-39	40-59			20-39	20-39	
66%	65%	60%	48%	18%		32%	19%	4%

Table 6

CSIS, 2012

The China Health and Retirement Longitudinal Study (2013)

Perhaps the most comprehensive consumer study conducted in China was The China Health and Retirement Longitudinal Study (CHARLS).

CHARLS captured the diverse perspectives of 17,708 participants in 2011 and 2012, via the use of Google Maps® to randomly sample dwellings, and face-to-face interviews to capture a 67 percent rural sample. Due to their large portion of rural respondents, this research clearly depicted the pronounced coverage gap between China’s urban and rural citizens (Figure 12).

PENSION COVERAGE OF THE ELDERLY BY HUKOU TYPE

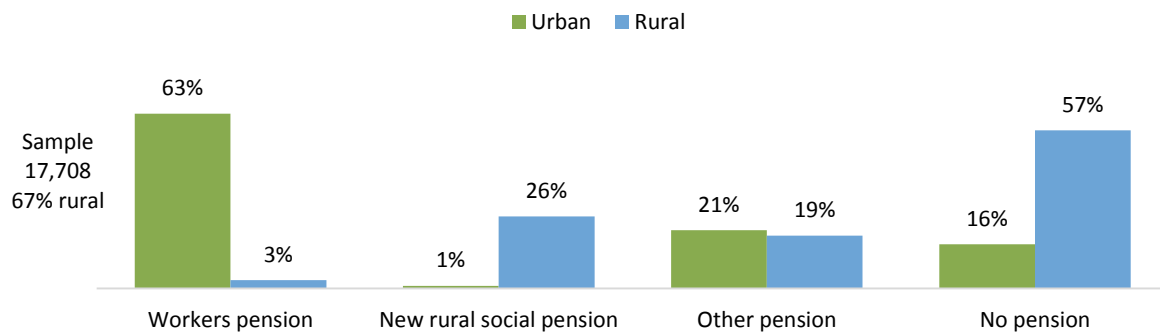


Figure 12

CHARLS Research Team, 2013

In our study, we defined our non-urban sample via outskirts of Tier I and Tier II urban areas. Our own findings, albeit limited by sample size (only around 13 percent of our sample of 2,013 came from non-urban areas) demonstrate a similar pattern of recipients of the public pension benefits as that observed in the CHARLS (Figure 13).

RESPONDENTS WITHOUT PUBLIC PENSION BENEFITS

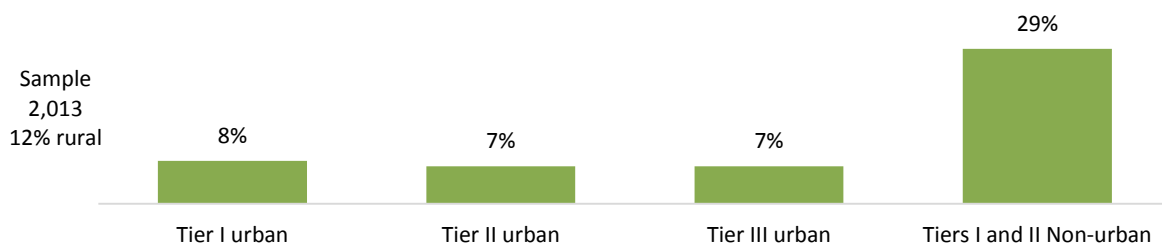


Figure 13

LIMRA & SOA, 2015



As mentioned earlier, pension schemes vary tremendously based on both employer type (public versus private), and status as an urban or rural resident. Median annual benefits and coverage rates obtained from the CHARLS are shown in Table 5.

COVERAGE (%) AND MEDIAN ANNUAL BENEFIT (¥)

	Percent receiving	Median annual benefit (¥)
Pension Subsidy to the Oldest Old	3.6%	720
New Rural Social Pension Insurance	18.2	720
Urban and Other Residents' Pension	14.4	1,200
Firm Basic Pension	10.7	18,000
Firm Supplemental Pension	1.2	13,200
Government or Institutions' Pension	10.9	24,000
Commercial Pension	0.3	14,400
Other Pension	2.7	9,600

Table 5
CHARLS, 2013

The Future of Retirement Program (2013)

HSBC's The Future of Retirement Program began in 2005 and has surveyed 125,000 people worldwide. According to their 2013 research in China, public pensions are responsible for less than half of an individual's total retirement funding. Figure 14 shows average proportion of retirement income per funding source for more than 1,000 participants from China in 2013.

AVERAGE PROPORTION OF RETIREMENT INCOME PER FUNDING SOURCE

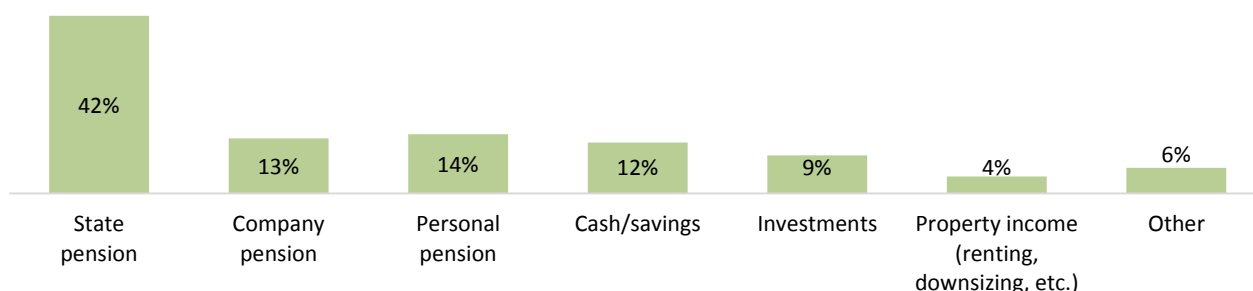


Figure 14
HSBC, 2013

To understand why some retirement savings avenues are more popular than others, we need to consider today's dynamic Chinese consumers.

The Chinese Consumer

Segmenting the Chinese Market

Economic development varies tremendously across China, so most research starts with segmenting the market both geographically and by level of development. Geographic segmenting is usually a good place to start since eastern China is more developed and western China is more rural.

One example is the sample stratification by Zhang, Zhang, and Zhu (2013):

1. Highly Developed: Cities in the East region of China (12 cities)
2. Moderately Developed: Cities in the central region (8 cities)
3. Less Developed: Cities in the West region (6 cities)

China's tier system is another way to stratify China. The tier system classifies municipalities by their level of economic development. Though there is no formal definition, tier I cities tend to be the most developed provincial capitals and special administrative cities, like Beijing, Shanghai, and Guangzhou.

Other research shows the total income value and the number of households by tier to indicate the differences in economic development from tier to tier (See Figure 15).³²

HOUSEHOLDS AND TOTAL INCOME VALUE BY CITY TIER

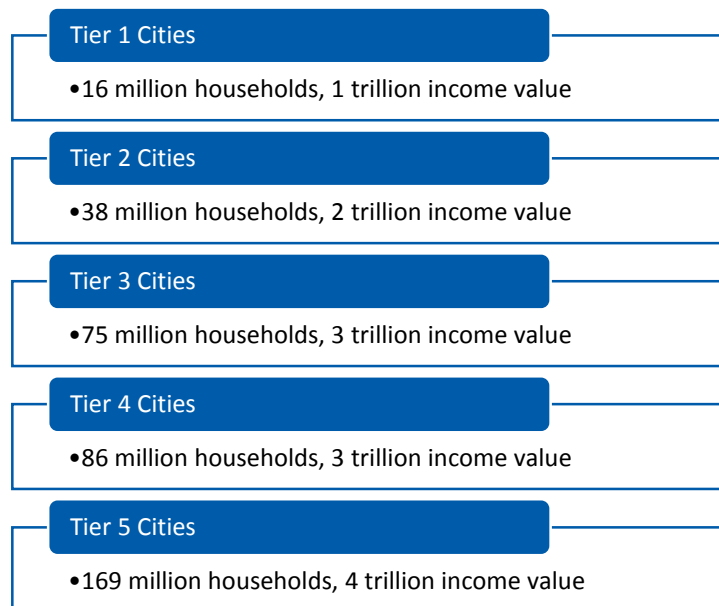


Figure 15
Nielsen, 2011

³² *Winning in China, Insights and Strategies*. Nielsen, 2011.

Yao and Xiao used a tier-like stratification of consumer data in three administrative divisions (2014)³³

1. First Level: Municipalities directly under the central government
2. Second Level: Cities at the sub-provincial level
3. Third Level: Cities at the prefecture level

We chose to stratify results according to tier, based on our review of existing research as well as the advice of our locally based Project Oversight Group.

Education and income correlate with the development of a country’s pension system, and are important components of baseline knowledge on the Chinese consumer.

Education

In 2010, around 25 percent of high school students enrolled in college. In 2020, the number enrolled could reach 40 percent. China’s educated population is growing.³⁴ Still, there remains a pervasive education gap between China’s urban and rural citizens. Table 8 shows the education levels obtained from the CHARLS and other studies.

LEVEL OF EDUCATION OBSERVED IN STUDY SAMPLES IN CHINA

AGE	35 TO 49	50 TO 70	50 TO 99	45-59	60+	?	?
YEAR	2015	2015	2013	2011/12	2011/12	2009	2008
SAMPLE SIZE	1,127	886	12,309	9,739	7,969	4,195	2,066
HIGH SCHOOL OR LESS	17%	39%	64%	96%	97%	60%	56%
SOME COLLEGE	83%	61%	36%	4%	3%	40%	44%
NON-URBAN (%)	13%	11%	0	67%	67%	3%	?
SOURCE	LIMRA & SOA	LIMRA & SOA	Zhang, et al.	CHARLS	CHARLS	Wang & Woo	Yao, et al.

Table 8



³³ Household Saving Motives: Comparing American and Chinese Consumers. (2011). Yao, R., Wang, F., & Weagley, R. O. Family & Consumer Sciences Research Journal, Vol. 40, No.1, 28-44

³⁴ A Retirement Wake-Up Call: The Aegon Retirement Readiness Survey, 2016.

The legislation on education mandates nine years of free education to residents within their township. This covers through junior secondary (grades 7, 8, and 9). As you can see in Figure 16, education access has expanded significantly throughout China. Senior secondary and even higher education are not as out of reach as they once were. These statistics do not necessarily reflect the rural population, as it is unclear if the processes for sharing data are streamlined at the national level.

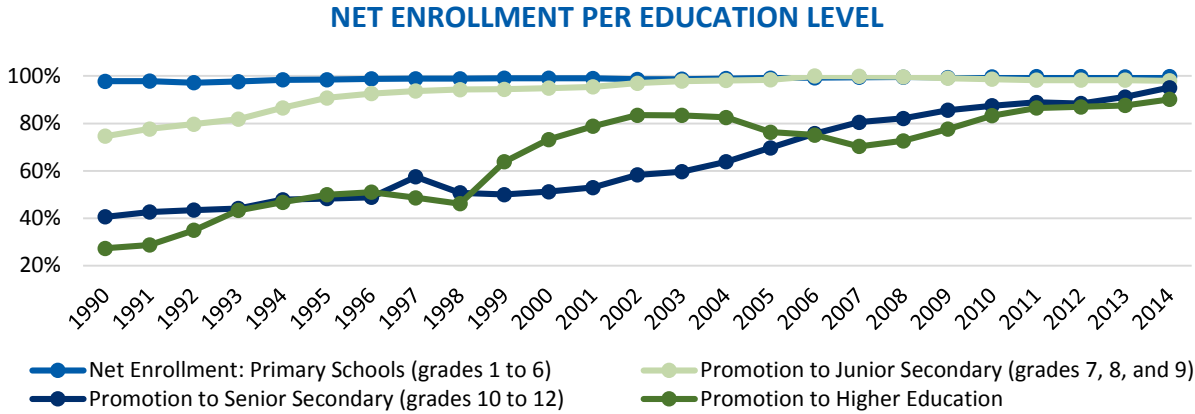


Figure 16

China Statistical Yearbook, 2015

The urban/rural divide in education level was visible in our study. Two-thirds of these respondents had a high school education or less (Figure 17).

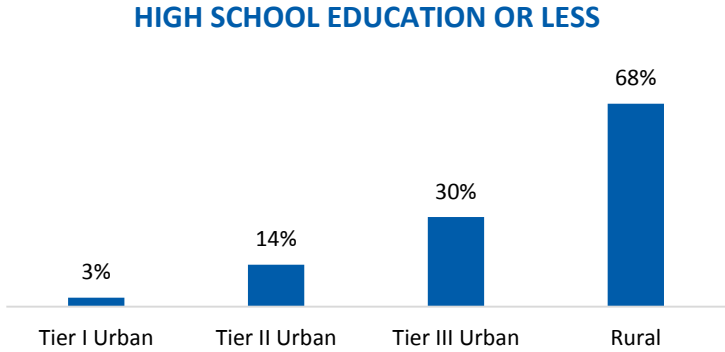


Figure 17

LIMRA & SOA, 2015

Income

In developed countries, household income as a percentage of GDP tends to remain more constant (usually around 80 percent). In China, a developing economy, household income as a share of GDP has been falling (from 70 percent in 1990 to 60 percent in 2010). As people in China become more educated, average household income will likely increase.

The average wage by province is shown in Figure 18. Please note that this does not include the income of rural individuals as this statistic is not yet included in China's census.

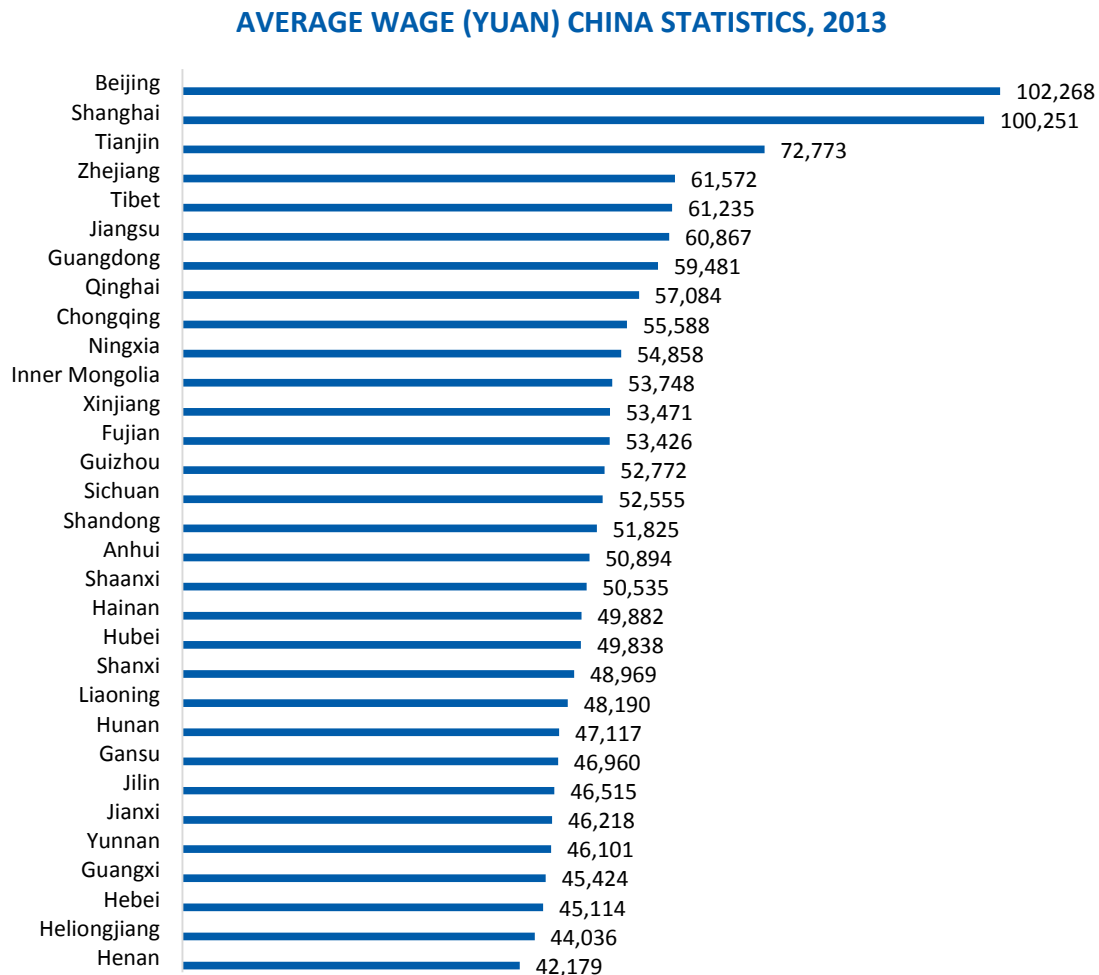


Figure 18

China Statistical Yearbook, 2015

According to Wang and Woo the income distribution in China is even more diverse than census data indicates. This is due to the tendency of wealthy individuals to opt out of census participation (since it is voluntary) or to drastically underreport their income due to privacy norms. When statistical comparisons were made between consumption and savings data (i.e., bank deposits) property prices, and private ownership of automobiles, it became obvious that census data did not depict the true nature of household income in China, and that hidden income was present there.³⁵

³⁵ *The Size and Distribution of Hidden Household Income in China*. Wang and Woo, 2008.

Chinese people like to do things with a low profile; they do not like to expose their wealth.

— *Chen Guangbiao, Chinese recycling entrepreneur and philanthropist*

Most East Asian societies have high levels of inequality, and China is no exception. The CHARLS (2013) found that 30 percent of individuals with a rural hukou live below the poverty level in China. This is compared to only 10 percent of the individuals with urban hukou, demonstrating the income gap between these two groups in China.

When only considering respondent and spouse income, the elderly poverty rate is much higher among rural respondents (65 percent versus only 11 percent among urban respondents).³⁶ The urban/rural divide in access to social welfare further exacerbates the income gap in China.

In a multiple regression analysis, one study identified the impact of the income inequalities on labor movement. The urban/rural income gap has an impact on the available workforce due to its significant effect on labor movement across China. A larger urban/rural income gap encourages migrants to move to cities for nonagricultural jobs. Higher GDP growth also increases the flows of migrant workers to urban areas. Unfortunately, the costs associated with labor movement are quite high due to issues with China's infrastructure. Being a migrant worker is not necessarily an easy way of life, nor does this type of employment help close the urban-rural income gap.³⁷

The urban/rural divide was certainly visible in our study. Almost 90 percent report a household income of less than \$15,000 USD, the U.S. poverty level (Figure 19).

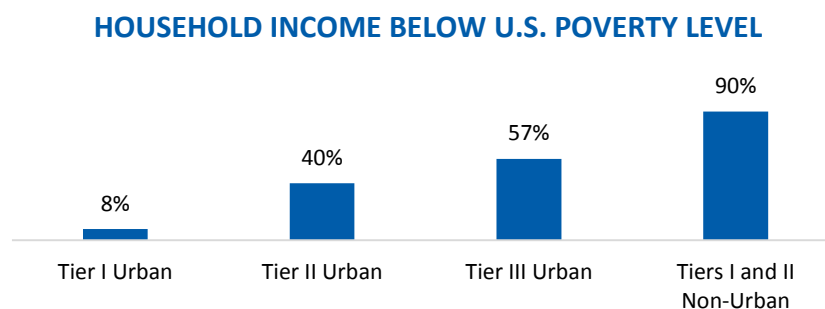


Figure 19
LIMRA & SOA, 2015

Per capita disposable income of urban consumers will double between 2010 and 2020, from about ¥27,000 to ¥53,000 yuan roughly (\$4,000 to \$8,000 USD).³⁸

³⁶ The China Health and Retirement Longitudinal Study, 2013.

³⁷ China's Labor Market in the "New Normal." IMF Working Paper. Lam, Liu, & Schipke, The International Monetary Fund, 2015.

³⁸ Meet the 2020 Chinese Consumer. McKinsey & Company, 2012.

Health & Well-Being

Our findings show that maintaining health and wellness during retirement is a top concern in China.

The CHARLS demonstrates that the elderly in China are coping with a variety of health issues.

Hypertension and body pain are the most frequently reported health issues of the Chinese elderly. Female elderly report health conditions and physical issues more frequently than male elderly. Self-reported health is correlated per capita wealth with lower income individuals reporting worse health.

The likelihood of needing assistance with daily activities increases drastically for those 80 years of age and older. Between 40 and 60 percent of these individuals require assistance.

Cultural Considerations

If you have a river, then you should share it with everyone.

— Chen Guangbio, Chinese recycling entrepreneur and philanthropist

Figure 20 shows a comparison of China and the U.S. on Geerte Hofstede’s cross cultural dimensions. As you can see, there are distinct differences between the U.S. and China on most of these dimensions. China scores low on individualism. As a collectivist culture, China has a high level of interdependence among members in society. Groups and relationships are valued more than individuals and tasks. Unfortunately, some groups may be treated better than others, which creates low levels of trust and loyalty among subordinates.

China scores high in Power Distance, which is indicative of a culture where inequalities among people are common. People are not expected to have aspirations beyond their individual rank in their work and home lives.

China’s high score in Long-Term Orientation and low score in Indulgence are indicators of strong saving behaviors among their people. Countries with high levels of Long-Term Orientation are more accepting of change and uncertainty, with the belief that the truth depends on context and time. They are likely to save for future uncertainties. China’s low score on indulgence is indicative of the country’s value of restraint from gratification of desires.

CHINA IN COMPARISON WITH THE UNITED STATES

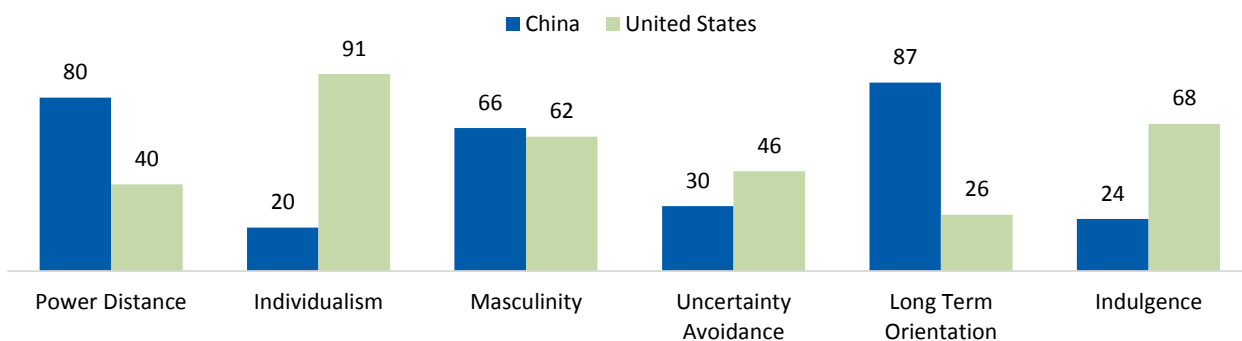


Figure 20

Hofstede’s Cultural Dimensions, 2012

In traditional Chinese society, death was deemed too sensitive of an issue to discuss. Health and wellness decisions were made by an individual’s family to relieve the individual of the burden of making such serious choices. These attitudes, though intended to show respect for elders, drive the exclusion of older people from decision-making in China.³⁹

Family Structure

Marriage is the norm, and most research shows high marriage rates among Chinese samples. Table 9 shows the marriage rate obtained in our study in comparison to the findings of Zhang et al.

MARRIAGE RATES

YEAR	2013	2015	2008
AGE	50 to 99	50 to 70	≈ 18 to 60+
MARRIED	90%	94%	72%
UNMARRIED*	10%	6%	28%
SAMPLE SIZE	N = 12,309	N = 886	N = 2,079
SOURCE	Zhang et al.	LIMRA & SOA	Yao et al.

*Unmarried includes widowed and divorced

Table 9

Some research indicates that the Chinese have a strong preference for having children. In one study, the majority of respondents (92 percent) in China indicated that they had or planned to have a child (or children). (See Figure 21)

RESPONDENTS AGE 20-39 WHO NEITHER HAVE NOR EXPECT TO HAVE CHILDREN

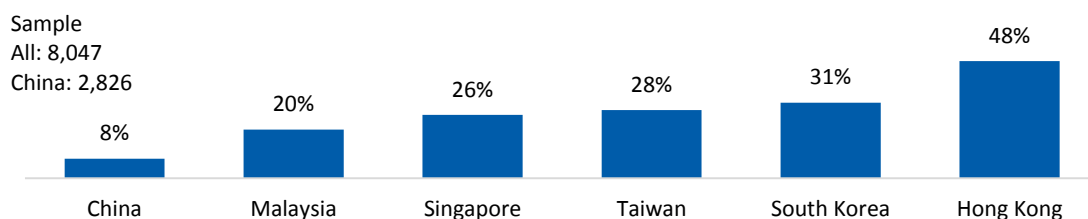


Figure 21

The Center for Strategic & International Studies, 2012

Another study found that among 2,000 individuals ages 25 to 60+ (bulk of participants being between 25 and 50), 59 percent indicated having a dependent child. This was greater than the U.S. study used for comparison, where only 44 percent of U.S. households surveyed had one or more dependent child (or children).⁴⁰

³⁹ Attitudes towards Advance care planning and healthcare autonomy among community-dwelling older adults in Beijing, China. Zhang et al., 2015.

⁴⁰ Household Saving Motives: Comparing American and Chinese Consumers. (2011). Yao, R., Wang, F., & Weagley, R. O. Family & Consumer Sciences Research Journal, Vol. 40, No.1, 28-44.



CHARLS observed the trend that the older a respondent, the more children they are likely to have. Due to the large size of the rural sample in this study (roughly two-thirds of the entire study sample), the average for all age groups is around two children.⁴¹ This reflects the one-child policy exceptions that exist, particularly in rural areas, where officials tend to look the other way if households have more than one child.

On the other hand, other research shows that family size is changing in the more developed areas in China. In Shanghai, the average household size fell from 2.8 people to 2.5 between 2000 and 2010. As of 2010, approximately half of all households consisted of just one generation and 40 percent consisted of two generations. Only 10 percent of households had three generations living together in 2010.⁴²

Family Values

The strength of a nation derives from the integrity of the home.

— Confucius

The concept of “filial piety” in the Confucian tradition in China means that children are expected to care for their parents.⁴³



According to the CHARLS more than one third (38 percent) of elderly respondents’ report living with their children. This is line with our finding that 1 in 3 are financially responsible for at least one parent. On the other hand, many older individuals in rural areas have to take care of land and their grandchildren when their children go to work in metropolitan areas.⁴⁴

However, research suggests that in terms of financial burdens, the greatest is the financial dependence of adults on their grown children. Some research argues that urban retirees in China derive about half of their income from family support.⁴⁵

Another study pointed out that the number of adults who are helped financially by their grown children exceeded the number of adults assisting their grown children by 2 to 1.⁴⁶

- > Forty-seven percent of elderly receive financial assistance from their non-co-resident children.
- > Nineteen percent of elderly give financial assistance to their non-co-resident children.

⁴¹ The China Health and Retirement Study, 2013.

⁴² Meet the 2020 Chinese Consumer. McKinsey & Company, 2012.

⁴³ China’s unwilling consumers. Jin, K. International Economy: The Magazine of International Economic Policy. Winter, 2016

⁴⁴ Future directions for insurance companies in China. Ernst & Young Global Ltd., 2016.

⁴⁵ Meet the 2020 Chinese Consumer. McKinsey & Company, 2012.

⁴⁶ Balancing Tradition and Modernity: The Future of Retirement in East Asia. CSIS, 2012.

Even as the country modernizes, family values continue to grow stronger. One study found that the percent of individuals who agree with the statement, “Being successful means having a happy family,” increased from 62 percent in 2009 to 75 percent in 2015.⁴⁷

Saving Behavior

Home ownership is quite high among Chinese respondents in our recent survey (85 percent) as well as in the findings of Yao et al. — also 85 percent. This study compared the household savings behaviors of American and Chinese households. Even though 95 percent of the U.S. households surveyed were from the 80th percentile income group, home ownership was still lower than the Chinese at 69 percent.⁴⁸

Due to economic and political uncertainties, debt is not common in China. Chinese household debt amounted to 12 percent of the GDP in recent years; for comparison, the U.S. debt amounted to 95 percent of GDP. Likewise, mortgage debt equaled about 16 percent of GDP in China, compared to 120 percent in the U.S.⁴⁹

People in China save an average of 30 percent of their disposable income. For comparison, in the U.S., people save an average of between 5 and 6 percent of their disposable income. The Chinese are no strangers to saving and their culture exemplifies restraint and lacks indulgence. As the nation develops, we suspect this will change, but for the meantime, consumption makes up only about 35 percent of GDP. For comparison, U.S. consumption accounts for 75 percent of GDP.

The Global Consumer Sentiment Survey (2015)

McKinsey conducted this online survey in 21 countries, approximating 1,000 respondents per country. The online methodology relied on in this study likely aligns the sample with younger, more affluent, and more tech savvy individuals in China.

Countries where consumer credit markets and social safety nets are less developed are likely to have high savings rates.⁵⁰ Bearing this in mind, it is no surprise that the research by McKinsey shows that only 12 percent of respondents in China find themselves living paycheck to paycheck. In other areas, the incidence rate for this lifestyle was much higher (Figure 22).⁵¹

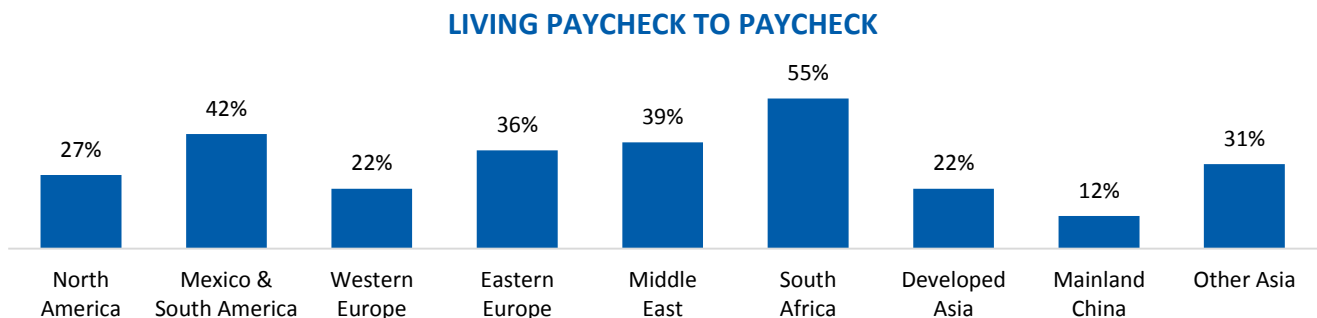


Figure 22
McKinsey, 2015

⁴⁷ Meet the 2020 Chinese Consumer. McKinsey & Company, 2012.

⁴⁸ Household Saving Motives: Comparing American and Chinese Consumers. (2011). Yao, R., Wang, F., & Weagley, R. O. Family & Consumer Sciences Research Journal, Vol. 40, No.1, 28-44

⁴⁹ Introducing the 2020 Chinese Consumer McKinsey & Company, 2012.

⁵⁰ Balancing Tradition and Modernity: The Future of Retirement in East Asia. CSIS, 2012.

⁵¹ The Global Consumer Sentiment Survey. McKinsey & Company, 2015.



In the same McKinsey study, only 16 percent indicate that they are finding it harder to make ends meet compared to an average of 28 percent of all 23 countries and regions in this study.

On the other hand, they aren't necessarily more optimistic about their household finances as we might expect. Of China's respondents, 26 percent report feeling optimistic about their household finances, compared to the "global" average of 33 percent (Figure 23).

OPTIMISTIC ABOUT HOUSEHOLD FINANCES

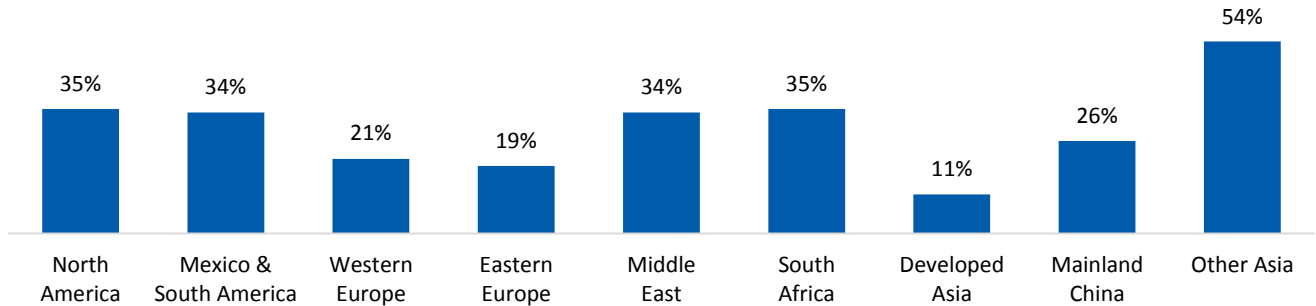


Figure 23
McKinsey, 2015

This study also showed an increased emphasis on the need to save money among Chinese respondents (55 percent in 2015, up from 47 percent in 2012). They are also even less likely to borrow money, with 64 percent considering it risky and feeling they should live within their means (up from 54 percent in 2012).⁵²

⁵² Global Consumer Sentiment Survey. McKinsey, 2015.



Effects of Age on Saving Motives of Chinese Urban Consumers (2008)

The Life-Cycle Hypothesis proposes that households estimate their ability to consume over their lifetime and spend more at some stages of life and less at others. This hypothesis implies the purpose for which one saves is tied to an age-related event such as funding retirement.⁵³

Faculty from the University of Rhode Island tested the Life-Cycle Hypothesis in China, and found the precautionary saving motive to be the most common. Though popular among all age groups, this saving motive was particularly important among individuals approaching retirement. More than two thirds of individuals over age 40 reported this as one of their top three saving motives.

The top savings motives for respondents over 40 are:

1. Precautionary saving
2. Retirement
3. Wealth preservation

Younger consumers are more likely to indicate funding their children's education as a primary motive for saving. Eighty percent of parents' report saving for their children's education as a top savings motivator.

Older respondents are much less likely to indicate tangible goods (such as a home or a car) as a primary motive for saving money. The number of individuals who report saving for their home decreases with age, starting with 43 percent of those younger than 24 citing it as a motive, down to only 8 percent in the over 60 age bracket. On the other hand, older individuals are more likely to indicate wealth preservation as an important savings motive.

⁵³ Effects of Age on Saving Motives of Chinese Urban Consumers. The University of Rhode Island Human Development and Family Studies Faculty Publications, 2014.



The Changing Consumer



People in China are seeing:

- > Increased living standards
- > More access to health care and medical services
- > More access to education
- > More flexible legislation
- > Decreased pattern of co-residency
- > Rural to urban migration

Improving living conditions and increased awareness due to Internet access are slowly contributing to the rise of individualistic values in China.

China is experiencing a transitional period of coexisting — yet opposing — views. These views are both traditional and modern, advanced and underdeveloped, eastern and western.

China's younger generations are more optimistic about the future, and more aware of their quality of life, so the new era of consumerism is on the horizon in China.

There emerges a new consumer group with more preferences and greater awareness, particularly in the health domain. The notion of improving oneself and trading up in order to do so is growing in China. Health, wellness, and beauty are becoming motivators of the new Chinese consumer. Sales of premium skin products, for example, grew by more than 20 percent each year over the last decade. This is double the industry average of 10 percent per year.



It is important to note that though this new era of consumerism has many western ideals, it is still full of Chinese flavor. Before deciding what they might buy, consumers in China tend to fix a budget, evaluate which features are worth paying for, and search for the best deal based on these considerations. Less than one third report impulse purchases, compared to almost half of consumers surveyed in the United Kingdom (U.K.)⁵⁴

Across all age groups, one study found that only 46 percent from China stick with a particular brand they like. Compared to 71 percent in the U.S., brand loyalty may be difficult to establish in China. Young and affluent, however, tend to express more brand loyalty than other survey respondents.

Value for price is gaining importance among China’s pragmatic consumers (Figure 24). These individuals are likely to evaluate products online before making a purchase.

CONSUMERS THAT SEEK “VALUE FOR MONEY” AS A TOP CONSIDERATION WHEN PURCHASING A MOBILE PHONE



Figure 24

McKinsey, 2012

Residents aged 55 to 65 allocate half of their expenditure to food and little to discretionary categories, like apparel (they allocate only 7 percent of total expenditure). On the other hand, 34 to 45 year olds allocate only 34 percent of their spending to food and 14 percent to apparel. Consumerism is definitely growing in China.

⁵⁴ Global Consumer Sentiment Survey. McKinsey, 2015.

Online Consumerism

According to Premier Li Keqiang's 2016 report, consumer spending was promoted in key areas, spurring rapid growth in spending on recreational travel, online shopping, and information goods and services.⁵⁵

Seventy-two percent of people in China are online throughout the day.⁵⁶ LIMRA and Swiss Re investigated the online activities of respondents in China and found that individuals use the internet to search for discounts on items (52 percent) and are active in online communities, social networks, and blogs (42 percent) (Figure 25).⁵⁷

ONLINE ENGAGEMENT OF CHINESE CONSUMERS



Figure 25

Swiss Re & LIMRA, 2013

Consumers in China interact with an average of 3.4 e-commerce brands on a regular basis. In fact, this avenue has become so popular that two of the three most widely recognized brands in all of China are e-commerce platforms.⁵⁸

Internet use may contribute to the changing consumer profile in China. One study examined the relationship between Internet use and general belief in a “just” world among Chinese retirees. They found that Internet users who acquire information about the world online have a more negative outlook on life in general. They are much less likely to maintain the general belief in a just world (GBJW). The Internet has armed consumers with more knowledge than ever before, and its impact is going to increase exponentially.⁵⁹

As their buyer power continues to grow, these options will be desired for financial products as well. In order to meet the financial planning needs of the market, it is important to understand what retirement means to people in China.



⁵⁵ Report on the work of the government. Delivered by Premier of the State Council, Li Keqiang, 2016.

⁵⁶ The Always On Chinese Consumer Experience. Epsilon, 2015.

⁵⁷ The Chinese Insurance Consumer. LIMRA and Swiss Re, 2013.

⁵⁸ Epsilon, 2015.

⁵⁹ Relationship Between Internet Use and General Belief in a Just World Among Chinese Retirees. Zhang, Zhang, and Zhu; *Cyberpsychology, Behavior, and Social Networking*. Vol. 16, Number 7, 2013.

Retirement Definitions

Technical Definition

The first time I get pension after contributing pension to the country for many years. I can enjoy my life now.

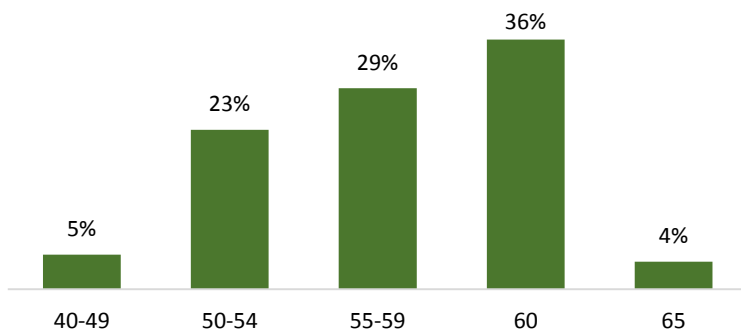
— 54-year-old male employee of public sector, Shenyang

The retirement age in China is quite young. Eligible conditions for urban pension benefits are age 60 for men and age 50 or 55 for women. Though the Chinese government is planning to increase the retirement age to 65 by 2020, the rate of implementation remains unclear.⁶⁰

Research shows that most people in China retire by age 60. CHARLS showed the decreasing labor force on an age continuum — from more than 40 percent of people ages 55 to 59 working, down to only 20 percent of those aged 60-64.⁶¹

Figure 26 shows that the findings in our study are in line with past research. We found little differences between the anticipated retirement age of workers and the actual retirement age of retirees so the two have been combined in the figure below.

RETIREMENT AGE — ANTICIPATED AND ACTUAL



In 2015, Aegon found that 89 percent of China’s respondents anticipate retiring before age 65.

In 2016, LIMRA and SOA found 95 percent of individuals have or expect to have retired before age 65.

Figure 26
LIMRA & SOA, 2016

As noted, the retirement age can vary by gender depending on the legislation of a particular municipality. The CHARLS demonstrates the gender gap in retirement age, with less than one third of women in the 55-59 age group indicating that they are working (compared to close to 60 percent of men in that age group). Though rural individuals tend to work longer; they also demonstrate a similar gender gap in retirement age as their urban counterparts. Rural women tend to stop working or “retire” earlier than rural men.⁶²

⁶⁰ China’s Pension System Reform, Wang, D., World Bank, 2014.

⁶¹ Challenges of Population Aging in China: Evidence from the National Baseline Survey of the China Health and Retirement Longitudinal Study (CHARLS), CHARLS Research Team, 2013.

⁶² Challenges of Population Aging in China: Evidence from the National Baseline Survey of the China Health and Retirement Longitudinal Study (CHARLS), CHARLS Research Team, 2013.



Our results showed the gender gap in retirement age as well. The average retirement age for the women in our sample was only 54 years old — compared to the average retirement age of 58 for men.

Increasing the Retirement Age

Though China plans to increase the retirement age to 65 for urban workers by 2020, it is unclear how much progress on that change has been made. A few studies have asked the Chinese how they feel about the pending change to the retirement age. Research shows that opinions are mixed. Some individuals feel they have to retire at the peak of their career, and would be happy with the increase to the retirement age.

The negative old, slow, and stubborn image of older consumers has long hindered the development of the gray market. The reality is that Chinese retirees generally feel younger than how they are portrayed or expected to feel. It was found in one study that more than one third of older Chinese consumers perceived themselves to be younger than 50 years. Controlling for other factors, males were only 72 percent as likely as females to have a younger self-perceived age than their actual life age.⁶³

Others feel they have given enough years of their lives to their employer, and are against raising the retirement age. Figure 27 displays research findings that compared to other Asian countries, China is one of the most averse to increasing the retirement age.

THINK THE GOVERNMENT SHOULD INCREASE RETIREMENT AGE

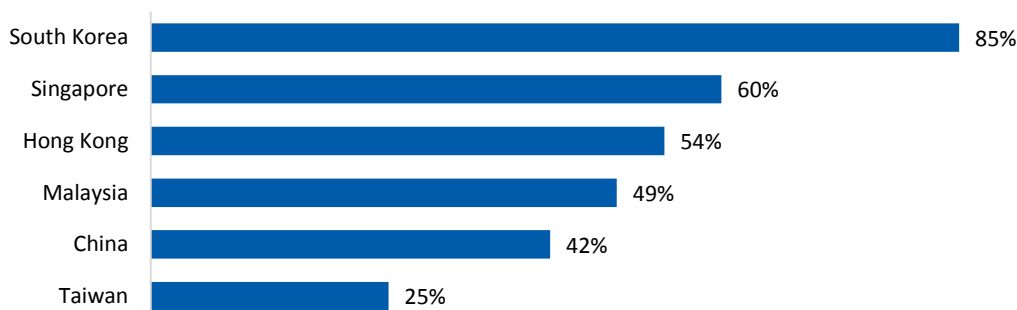


Figure 27

Center for Strategic & International Studies, 2012

⁶³ Self-perceived Age and Attitudes Toward Marketing of Older Consumers in China. Ying & Yao, 2010.



Aegon (2016) also measured consumer opinion on raising the retirement age. Table 10 shows the results of three out of the 15 countries studied. As you can see China shows the most support for putting a cap on the increases to retirement age, which doesn't seem realistic due to increasing longevity.

OPINIONS ON RAISING THE RETIREMENT AGE

RETIREMENT AGE SHOULD...	CHINA	JAPAN	U.S.
INCREASE IN LINE WITH LIFE EXPECTANCY	13%	32%	32%
INCREASE EXCEPT FOR THOSE IN DANGEROUS JOBS	21%	25%	17%
INCREASE BUT THE INCREASE SHOULD BE CAPPED	29%	15%	11%
REMAIN UNCHANGED. PEOPLE ARE ALREADY EXPECTED TO WORK LONG ENOUGH.	30%	32%	14%
DON'T KNOW	10%	5%	14%

Table 10
AEGON, 2016

Options to Work During Retirement

One study found that only 47 percent of individuals were given the opportunity to go into a semi-retirement which allowed them to continue working for a reduced number of hours in order to receive some income from wages. Of the 47 percent that were given the option, 85 percent took advantage.⁶⁴

Another study found that 28 percent of Chinese retirees 55 and older were offered retraining opportunities through their employers upon retirement.⁶⁵

However, China is not alone in this challenge. The likelihood that an individual in China (26 percent) is offered part time employment during retirement is comparable to other countries (27 percent).⁶⁶

Retirement Goals

How do people define retirement?

We found that people most commonly associate retirement with the following:

- > More free time/control
- > No work/must quit job
- > Happiness/fun
- > Rest/self-care
- > Aging/health issues

⁶⁴ The Future of Retirement — Life After Work. HSBC, 2013.

⁶⁵ *ibid.*

⁶⁶ *ibid.*



More individuals in China (78 percent) report feeling a sense of belonging to their employer (“global” average: 48 percent).⁶⁷ Perhaps they feel a literal sense of belonging, which may be the reason for their frequent use of the word “freedom” to define retirement.

Retirement aspirations commonly include spending more time with family and friends, travel, and taking part in hobbies and interests. Research conducted in 2013 showed that while two thirds of retirees fulfilled their retirement aspiration to spend more time with friends and family, thirty-four percent had not yet achieved their aspiration to travel more during retirement.⁶⁸

Of the retirees who have been unable to achieve all their retirement aspirations, nearly half (47 percent) cite having less money to live on than they expected as the reason.

Saving for Retirement

As covered earlier, savings rates in China are high, and saving behaviors are the norm. Though individuals may be good savers, they don’t necessarily have the ability to plan for generating an income stream for their retirement years.

When retirees were asked about the best financial advice they have ever received, the most popular answer was “Buy only what you need,” chosen by 35 percent, followed by “Start saving at an early age,” (30 percent), and “Try high/higher return investments,” (28 percent).⁶⁹

Nearly two fifths (39 percent) of the 1,000+ retirees surveyed in HSBC’s *The Future of Retirement: Life after Work* feel they did not prepare for retirement adequately.

There is some evidence that indicates urban individuals are saving for retirement. According to Aegon (2016) almost half (46 percent) of Chinese respondents say, “I always make sure that I am saving for retirement.”⁷⁰

Like many Asian countries, governments have historically had to foot the retirement bill. To understand the stage of maturity of China’s retirement market, the consumer’s perspective of responsibility for retirement planning and funding is most useful.

Who is responsible?

Newer systems cannot bear the entire burden of providing retirement benefits for aging populations. This expectation that the government will meet retirement needs might delay the onset of awareness for individual retirement planning and funding.

Aegon’s yearly retirement readiness survey indicates that Chinese consumers are starting to become aware of the uncertain financial state of the public pension system in China. In 2016, 71 percent believe that individuals should save for themselves through private pensions and other investments (Figure 28).⁷¹

⁶⁷ Aegon Retirement Readiness Index, 2015.

⁶⁸ The Aegon Retirement Readiness Survey, 2013.

⁶⁹ *A Retirement Wake-Up Call: The Aegon Retirement Readiness Survey*, 2016

⁷⁰ *ibid.*

⁷¹ *ibid.*

THE EXTENT TO WHICH INDIVIDUALS FEEL RESPONSIBLE FOR ENSURING SUFFICIENT INCOME IN RETIREMENT

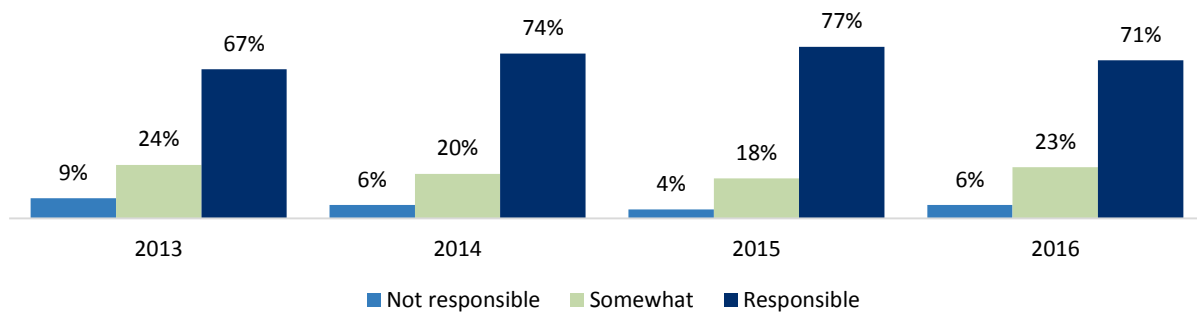


Figure 28

Aegon, 2013 — 2016

Though lower than most other countries (average across 20 countries in 2016 is 39 percent), almost one third of Chinese respondents feel very responsible for making sure they have sufficient income in retirement.⁷²

Though individual responsibility may be increasing, other findings in the same study show that China scores higher than most other countries when it comes to government funded benefits.⁷³

- > **Eighty-five percent** feel the government should provide for people through social security.
- > **Eighty-one percent** believe that employers should provide through retirement plan benefits.

As you can see in Figure 29, the Center for Strategic and International Studies had similar findings. China has the highest support for the government providing retirement income.

WHO SHOULD BE MOSTLY RESPONSIBLE FOR PROVIDING INCOME TO RETIRED PEOPLE?

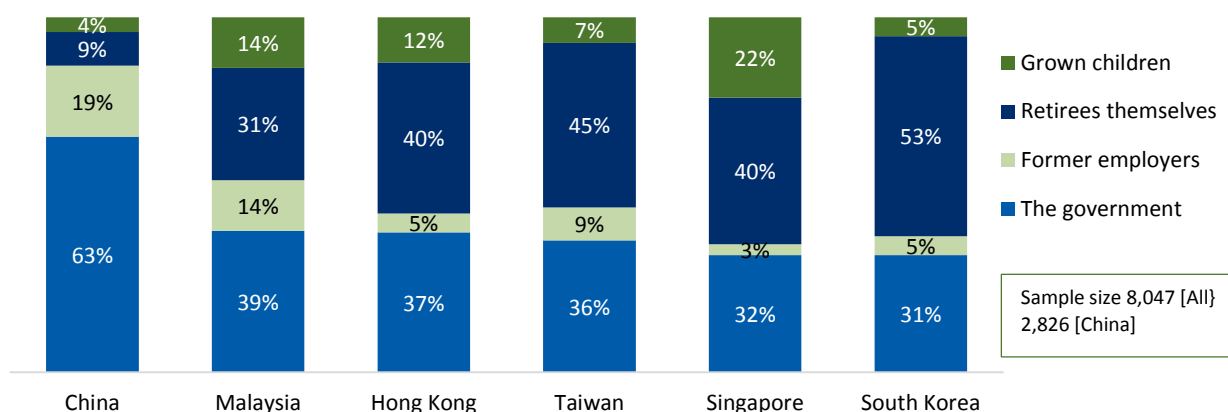


Figure 29

The Center for Strategic & International Studies, 2012

⁷² *ibid.*

⁷³ *ibid.*



The factors that would influence study participants in China to save for retirement are displayed in Table 11. Savings rates are already high in China, so conceptually it makes sense that they would be most influenced to save even more by an increase in pay. It may be difficult for them to understand some of the other elements on the list due to the notion of private retirement funding being so new to China.

WHICH OF THE FOLLOWING WOULD ENCOURAGE YOU TO SAVE FOR RETIREMENT?

	2014		2015		2016	
	CHINA	ALL	CHINA	ALL	CHINA	ALL
TAX BREAKS	35%	32%	40%	33%	28%	28%
FINANCIAL EDUCATION	26%	17%	30%	18%	23%	16%
PROFESSIONAL FINANCIAL ADVICE	28%	17%	30%	17%	22%	15%
SIMPLER PRODUCTS	31%	21%	32%	21%	24%	18%
MORE CONFIDENCE IN MARKETS	26%	20%	33%	21%	23%	19%
BETTER INFORMATION ABOUT RETIREMENT SAVINGS	33%	20%	36%	21%	26%	19%
EASY-TO-USE TRACKING FOR RETIREMENT SAVINGS	33%	24%	33%	24%	25%	22%
LEGAL PROTECTION IF SOLD THE WRONG PRODUCT	21%	16%	23%	17%	18%	14%
A PAY RAISE	50%	48%	49%	45%	42%	41%
BETTER RETIREMENT PLAN MATCH FROM EMPLOYER	26%	27%	24%	26%	17%	22%
MORE CERTAIN ECONOMIC ENVIRONMENT	37%	35%	42%	36%	34%	32%

Table 11

Aegon, 2014—2016

Perceptions of Readiness

Perceptions of readiness for retirement have been assessed in the literature in a variety of ways.

One study identified three main groups of pensioners in China:⁷⁴

“Satisfied” — have an adequate amount of pension

“Dissatisfied” — Have an inadequate pension but have individual retirement accounts

“Neglected” — Do not have pension or an individual retirement account

This study showed that 70 percent of a sample of more than 2,000 felt that the income they received or will receive from pension is not sufficient for funding their retirement. Fifty-three percent felt an average level of concern about future medical costs.⁷⁵

Though concerns about financial wellness during retirement years are on the rise, the use of a formal written retirement plan remains low (Table 12).

FORMAL WRITTEN RETIREMENT PLAN

YEAR	2016	2016
WRITTEN PLAN	8%	21%
NO	92%	79%
SOURCE	AEGON	LIMRA & SOA

Table 12

Around one third of Chinese respondents feel they aren’t saving enough and are unprepared for retirement.⁷⁶

Adding to the challenge of funding retirement are the number of financial dependents relying on one’s income and savings. Our study mimicked results obtained in 2012, with around one in three individuals expecting to be supporting their parents financially during their own retirement years.⁷⁷

Accounting for roughly one-fifth of the global population, China offers companies in the financial services industry numerous opportunities for marketing and selling retirement products.

⁷⁴ Household Saving Motives: Comparing American and Chinese Consumers. (2011). Yao, R., Wang, F., & Weagley, R. O. Family & Consumer Sciences Research Journal, Vol. 40, No.1, 28-44

⁷⁵ *ibid.*

⁷⁶ Aegon Retirement Readiness Survey, 2016: A Retirement Wakeup Call. Aegon, 2016.

⁷⁷ The Future of Retirement: Life After Work? (China Report). HSBC: The Future of Retirement Programme, 2013.

Market Analysis

Because the retirement market is so new in China, company level data that separates pensions from insurance is difficult to obtain. However, companies have been selling life insurance products as retirement products for many years. As reforms continue, the access to the retirement market will only increase, and we anticipate that the biggest domestic and international companies will partake.

Some key facts about the market in China:

- > China's insurance industry is a \$288 billion market.⁷⁸
- > The insurance market grew from RMB 493 billion in 2005 to RMB 2.4 trillion in 2015.⁷⁹
- > Life insurance represents two thirds of the entire insurance market (Property & Casualty = one third).⁸⁰
- > The top five companies control 58 percent of the marketplace; the top 10 control 78 percent.⁸¹
- > Foreign insurers have very small market shares, but they are increasing slowly.
- > The rate of insurance companies' expansion in China has slowed in recent years.
- > Conversely, the number of insurance companies has steadily increased since 2001.
- > Low insurance penetration and density make this an attractive market for insurers.

Research suggests three interconnected challenges faced by China's pension system.⁸²

1. The costs are high.
2. Low coverage raises costs because savings are needed for financing investments with high return rates.
3. Investing in assets in such a way that they earn returns that keep pace with wage inflation.

Domestic Companies

China Life is the largest life insurer with a 22.8 percent market share as of October, 2015.⁸³ China Life's market share has steadily been decreasing, as reform enables the competition of more private players in the market.

While China Life has a greater market share in less developed western areas, the runner-up, Ping An, has a greater presence in more developed regions like the eastern coast. Ping An is noted as having a high level of customer service, telemarketing expertise, as well as an effective digital strategy, including an easy-to-use website.

For a list of all insurance companies, see [Appendix E](#). You will see in the table that some companies own entities that are strictly for retirement business.

LEADING DOMESTIC LIFE INSURERS

China Life

Ping An Life

New China Life

China Pacific Life

PICC life

⁷⁸ Future directions for foreign insurance companies in China. Ernst & Young Global Ltd., 2016.

⁷⁹ China Life Insurance Sector. Credit Suisse, 2016

⁸⁰ *ibid.*

⁸¹ *ibid.*

⁸² China's Pension System (A Positioning Paper). Nyenrode Business University, n.s.

⁸³ China Life Insurance Sector. Credit Suisse, 2016.

Life insurance was the main growth driver in China's insurance industry up until 2011, when life growth slowed and the non-life sector (property & casualty) began seeing faster and more stable growth. Despite slower growth rates, life insurance continues to dominate the insurance market in China. Low penetration and density in this sector indicate room for expansion, particularly via increasing coverage in China's rural areas.

Among life insurers, China Life, China Pacific Life, Ping An Life, Taikang Life, and Taiping Life formed subsidiaries dedicated for marketing retirement insurance products. Most participating companies are state owned enterprises which more or less monopolize their specific industry. By 2012, more than 50,000 companies set up EA for their employees, covering 17.65 million people, with estimated assets of 420 billion RMB. This scale is considered low in view of China's total population in labor force and total GDP (0.8 percent of GDP).

As of 2015, 75,152 companies had EA schemes, representing a total volume of RMB901 billion. Unfortunately, growth has been slow in the EA space, likely due to the margins and incentives for insurance companies being quite small. Once they pay out the various parties involved with EA decision making, insurance companies make very little money on their EA plans.⁸⁴ Table 13 shows that while there was substantial market growth in 2012, the EA market hasn't seen significant development since.

ENTERPRISE ANNUITIES, MARKET SIZE

	2010	2011	2012	2013	2014
CONTRIBUTIONS CNY MN	35,743.77	41,046.84	66,172.66	58,876.21	60,675.99
GROWTH %	35.60%	14.84%	61.21%	-11.03%	3.06%
CONTRIBUTIONS USD	5,279.52	6,352.56	10,483.08	9,502.66	9,876.56
GROWTH %	36.82%	20.32%	65.02%	-9.35%	3.93%
RATE OF EXCHANGE TO USD	6.7703	6.4615	6.3123	6.1958	6.1434

Note: Due to rounding some totals may not equal the breakdown above.

AXCO Global Statistics / Industry Associations And Regulatory Bodies

Table 13

Foreign Companies

The most daunting challenge for international insurers in China is the restriction on foreign ownership.

There are three ways a foreign insurance company can operate in China:

1. Joint Venture
2. Branch
3. Subsidiary

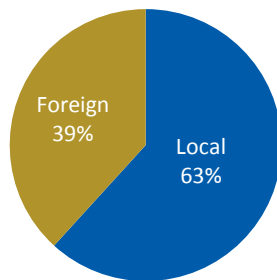
According to Article 3 in the Detailed Rules for Implementation of regulations of the People's Republic of China on Administration of Foreign-funded Insurance Companies (2005), the proportion of foreign equity in a local insurance company in China may be no more than 50 percent of the total equity of the company.⁸⁵ Despite this barrier, the presence of foreign insurers is slowly increasing, though they still have a small market share (Figure 30).

⁸⁴ China Life Insurance Sector. Credit Suisse, 2016.

⁸⁵ Implementation of regulations of the People's Republic of China on Administration of Foreign-funded Insurance Companies. CIRC, 2005.

LIFE INSURANCE MARKET STRUCTURE IN CHINA

Number of companies



Market Share

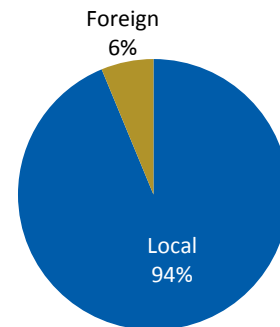


Figure 30
CIRC, 2016

Most foreign companies have chosen to form partnerships with Chinese securities firms to build a new fund management company rather than buying into an existing one.⁸⁶ European insurers have been among the most successful at growing their business in China via partnerships with local companies. As of 2013, European insurers had 51 percent of the total market share of foreign insurance companies operating in China.⁸⁷

European company AXA plans to achieve growth through joint ventures with ICBC and auto insurers Tian Ping. CITIC-Prudential Life Insurance Company Limited ("CITIC-PRU Life"), a 50:50 equity joint venture partnership between Prudential plc in the U.K. and CITIC Limited in China, has commenced operations of its 16th branch in Anhui province. The company's expansion into the Anhui province further strengthens its footprint across the country and enhances its ability to meet the protection and savings needs of customers in one of the fastest-growing regions in China.⁸⁸ Prudential Corporation Asia is a business unit of Prudential plc (United Kingdom), comprising its life insurance operations in Asia, and its asset management business, Eastspring Investments. It is headquartered in Hong Kong.

Principal Financial Group Inc. generated \$127 billion in assets under management in the third quarter of 2016 from their joint venture with China Construction Bank. China is now the third-largest contributor to the pretax operating earnings in Principal International. The pretax operating earnings have more than doubled since this quarter of 2015. CEO Daniel Houston wants to expand the company's relationship with the Chinese.⁸⁹

Among other multinationals, market entry in China is on the horizon. Canada's Manulife Financial Corporation, for example, anticipates China growing to be one of the biggest pension markets in the world.

While most domestic insurers see their growth in developing areas, foreign insurers struggle to gain presence in these markets due to complex legislation that varies across and even within provinces. For this reason, foreign insurers have focused operations on China's more developed eastern coast, with Beijing, Shanghai, and Guangdong serving as major centers for foreign insurance market development.

Let's take a look at some of the more universal aspects of starting a new business in China.

⁸⁶ China's Pension System (A Positioning Paper). Nyenrode Business University, n.s.

⁸⁷ China's Insurance Market Overview. Dagong Europe Credit Rating, 2014.

⁸⁸ Prudential continues expansion in China with new Citic-Prudential life branch in Anhui province. CITIC-Prudential Life Insurance Co. Ltd., 2016.

⁸⁹ SNL.com, October 28, 2016



The Challenging Business Environment

Ernst and Young (2016) interviewed 27 foreign insurance companies with operations in China. Among these, 15 were P&C companies and 12 were life companies.⁹⁰

They identified the following challenges impacting their Chinese operations:

1. Regulations
2. Domestic insurers
3. Bancassurance
4. Personnel issues
5. Brand awareness

CIRC has a strict process for approval of new branches. According to Article 5 in CIRC's 2005 document, a foreign-funded company in China that seeks to establish a new branch in a different province or municipality, has to submit the following items:

- > A letter of application for establishment
- > Audited solvency status reports as of the end of the previous fiscal year and as of the end of the last quarter
- > A three-year business development plan and market analysis for the proposed branch
- > Resumes of the person(s)-in-charge of the organization preparation and relevant certificates

CIRC examines these documents and approves or rejects the request within 20 days. At this time, should a company be approved, they have six months to complete all of the preparation for the new branch. The CIRC may extend the six months as long as the reason for the delay is "approved."⁹¹

The process doesn't stop there. Individuals charged with registering the new branch have to go through the local legislation of the town in which they are operating. This poses a great challenge as the policies followed vary tremendously. Foreign insurers need to rely heavily on their partner for interpretation during the registration process.

On top of the complicated regulations around establishing a business, the market in China has a lot of uncertainties. Those cited most often by foreign insurers fall into the following categories of risk:

- > The evolution of the capital markets
- > Stability of the capital markets
- > The regulator's future stance on deposit replacement products
- > The new solvency system and future capital requirements
- > The future of bancassurance
- > Agency recruitment and distribution channels

For those brave enough to enter China, the next step is accessing the massive population.

⁹⁰ Future directions for foreign insurance companies in China. Ernst & Young Global Ltd., 2016.

⁹¹ Implementation of regulations of the People's Republic of China on Administration of Foreign-funded Insurance Companies. CIRC, 2005.

Distribution

Agency

The agency channel is the most important for life insurers in terms of both new business premium and value of new business.⁹² Additionally, among consumers, this channel is the most popular for learning about and/or purchasing insurance (Figure 31).

CHANNEL PREFERENCES FOR INSURANCE PRODUCTS: BUYERS AND NON-BUYERS IN CHINA

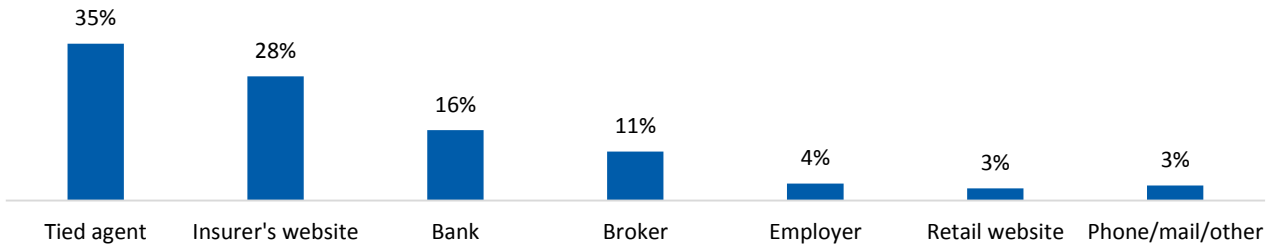


Figure 31

LIMRA & SwissRe, 2013

Historically, companies in China have struggled to ensure the growth of their agency distribution channels in China's tough selling environment. In the past, Chinese insurance agents needed two licenses to operate legally, which were renewed on a tri-annual basis. These were the CIRC-issued Qualification Certificate, which included an exam and license fee, and the Business License issued by their company that enabled them to sell that company's products.

The removal of the Qualification Certificate in June 2015 has led to a large increase in agent numbers. In response to this, insurers are placing a greater emphasis on training and development for a professional agency force. Both of these developments will strengthen and stabilize the agency career in China. Additional strengths and weaknesses of agency distribution are outlined in Figure 32.

⁹² The China Life Insurance Sector. Credit Suisse, 2016.



AGENCY DISTRIBUTION — STRENGTHS AND WEAKNESSES

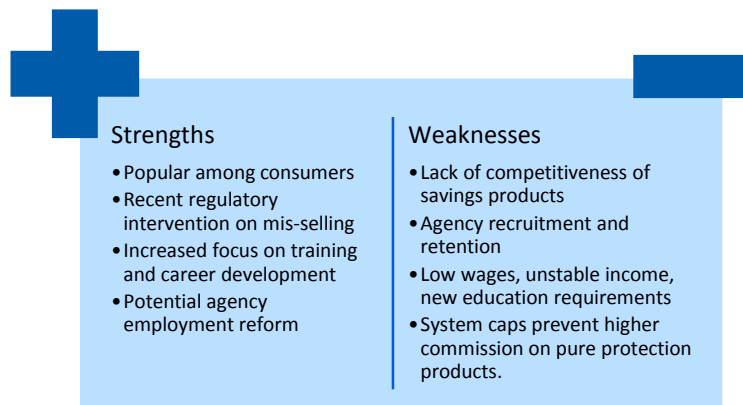


Figure 32

Credit Suisse, 2016

Though agency distribution is difficult and costly, it tends to be a more stable business for insurance companies. The bancassurance channel represents more risk due to macroeconomic factors and low margins in the channel.

Bancassurance

While bank partnerships are common, many insurance companies find it very difficult to sell their products through the bank channel. Consumers lack trust in financial institutions like banks, and often feel the products lack transparency and are more complicated than the insurance products they thought they were buying. Products that are sold in banks are mostly savings-types with low margins. Agents have been banned from banks since 2010, and bank staff must be licensed to sell insurance which takes time to do and is not considered worth it by many bank employees.

BANK DISTRIBUTION — STRENGTHS AND WEAKNESSES

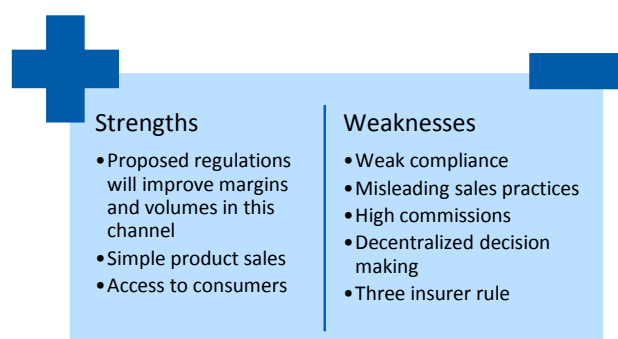


Figure 33

Credit Suisse, 2016



The bank channel is also a challenge due to high commissions and a challenging regulatory framework. In 2010, the CIRC and CBRC reinstated the former “three insurers rule,” where banks are limited to only offering the products of three insurers. This may make it even more difficult for international insurance companies to obtain partnerships with banks. Most domestic banks have their own insurance companies, which will account for one of the three that they work with. Most likely they will seek to sell the products of one of China’s larger insurers, leaving only one spot for a potential international partner.

Still, research shows that foreign life insurance companies do not consider banks to be a major threat, with the average rating on a 1 to 10 scale below a seven.⁹³

The majority of insurance companies agree that the current bancassurance model is not sustainable. Insurance companies question the banks’ focus on low margin product and the transparency of their sale processes. Insurers feel the banks are decreasing the reputation of insurance products as long-term investments. The banning of insurance sales personnel from banks exacerbated the banks’ reputation as having unsophisticated products, while significantly reducing growth rates in the bank channel.

Other criticisms of the bank channel include perceptions that they have weak compliance, misleading sales practices, high commissions, and decentralized decision making. Respondents from insurance companies did, however, indicate the possibility that banks could be successful at selling simplified insurance products to their lower income households.⁹⁴

One way to avoid partnering with banks is to expand on your company’s online capabilities.

Online

**Chinese people, young people, they don't go shopping a lot in department stores.
All department store guys hate me. They say business is bad because of Jack.**

— Jack Ma, CEO of Alibaba, China’s online shopping center

The number of online users in China who are willing to shop online has increased dramatically in recent years (Figure 34).

SHARE OF INTERNET USERS WHO SHOP ONLINE IN CHINA

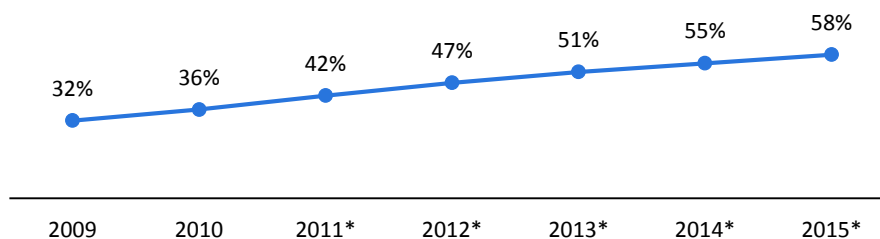


Figure 34

Statista, 2016

⁹³ The China Life Insurance Sector. Credit Suisse, 2016.

⁹⁴ Future directions for foreign insurance companies in China. Ernst & Young Global Ltd., 2016.



According to McKinsey, by 2020, 14 to 15 percent of retail sales in China will be transacted online. The number of online transactions for some industries (i.e., electronics) will be even higher — around 30 to 40 percent.⁹⁵

According to the South China Post (2016), the number of life insurers in tier 2 and tier 3 cities has been increasing over the past few years. There may be opportunities for foreign insurers to find partners in less developed areas of China. These small companies are willing to sell standardized wealth management products through the Internet for lower fees than those associated with bancassurance distribution.⁹⁶

According to the Insurance Association of China, as of 2014, 47 life insurers had online platforms. Sales from third party sites, as opposed to directly from an insurer's website, tend to be higher. In 2014, 16.5 million policies were sold on third-party sites, compared to 565,000 policies on company websites.

Growth of foreign insurers has yet to show movement in the online space, while domestic insurers continue to gain more customers through this channel. The top online insurance companies in 2013 were Guohua Life, Taikang, Sunshine, Sunlife, and Hong Kang. Foreign companies that have the greatest potential to compete with domestic online insurers in the future include Cigna & CMB Life, Metlife, and AIA.

Digital marketing was rated the top priority among foreign insurers in China, followed by regulatory changes and the aging population.⁹⁷

Examples of Digital Innovation in China

Canada's Manulife in China is optimizing opportunities for digital channels with the launch of online claims on the WeChat social media platform to support the claim application process.⁹⁸

Yu E Bao, launched by Alibaba, China's largest e-commerce company, allows consumers to invest unutilized Alipay account balances in Zhonglebao Money Market fund. This fund, managed by Tianhong Asset Management, has grown to become China's largest fund.⁹⁹

Partnerships between financial services companies and online organizations are continuing to grow. Baidu, similar to Google, partnered with Harvest Fund Management. WeChat has also made allies among fund managers. Some of these new funds, targeted at younger, tech-savvy consumers, are actually earning higher rates of return than traditional funds.¹⁰⁰

Zhong An Online is China's first online insurance company. It is jointly owned by Alibaba, Ping An, Tencent, and additional shareholders. Its first product, Zhonglebao, was launched in 2013. "Taobao" protects merchants from expenses associated with refunding consumers who are dissatisfied with products.¹⁰¹

⁹⁵ Meet the 2020 Chinese Consumer. McKinsey & Company, 2012.

⁹⁶ For China's insurers, distribution channels are where the money can be found. South China Morning Post, 2016.

⁹⁷ Future directions for foreign insurance companies in China. Ernst & Young Global Ltd., 2016.

⁹⁸ Manulife Eyes China's Pension Market as Regulatory Changes Expected. Best's News Service via Bestwire, 2016.

⁹⁹ Future directions for foreign insurance companies in China. Ernst & Young Global Ltd., 2016.

¹⁰⁰ Future directions for foreign insurance companies in China. Ernst & Young Global Ltd., 2016.

¹⁰¹ *ibid.*



The Taobao marketplace was launched in 2003, and T-mall was launched in 2008. For those foreign insurers with store fronts on these sites, online sales and market penetration via this channel remain minimal.

Social media use for lead generation remains an ultimate goal for many Chinese firms, yet progress is slow. Foreign insurers have more followers on Sina Weibo, with the top two companies (Manulife Sinochem Life and AEGON CNOCC Life) having more than one million followers.

Group Channel

Accompanying China's recent healthcare reforms are more opportunities for private and overseas investment, as well as a greater need for diverse group health insurance products. Group accident and group retirement products follow in terms of foreign insurers' predictions of future product demands in China. Ping An is a major player in the group channel.

Group retirement products have been around since before the new social security system was established in 1997. Unfortunately, due to lack of actuarial expertise, these products were designed with high interest rates (8 percent or higher), and defined benefits. As bank interest rates have since decreased, these products have proved to be quite burdensome.

CIRC has kept the group product design interest rate at 2.5 percent or less which is lower than the government loan rate in recent years, so companies see these products as less competitive than other financial products.

CIRC is making changes in the industry in terms of product approval on low interest products which may shift appeal back to these products. For example, whole life products that have an interest rate of 3.5 percent or lower do not need to be approved by the regulator. More changes like this are anticipated in the near future.

Regulations and Reform Drive Change

China boasts some significant reforms that have altered the trajectory of the social security dilemma. The government is aware of the need for further reforms to drive the nation's growth and stability.

In 1999, CIRC became the insurance supervisor in China. CIRC has accomplished a lot throughout its young existence.

The current trends in pension reform in China are:

- > More funding
- > More private management
- > More individual choice

Recall earlier that migrant workers often contribute benefits in one jurisdiction that they may not take with them to their hometown when they retire. The Social Insurance Law of 2011 was established, in part, to permit benefits mobility across China, regardless of hukou registration status. The Social Insurance Law gives each citizen a social insurance number and is designed to allow individuals the ability to pay contributions in one place and draw benefits in another.¹⁰²

¹⁰² China Life & Benefits. AXCO, 2016.



In 2016, most of the insurance classes became subject to 6 percent value added tax (VAT) payable by the insured as opposed to a 5 percent business tax payable by the insurer. Resident reinsurers were required to charge VAT on most forms of short-term life and non-life insurance, as well. VAT is not charged on international inwards reinsurance. The VAT, payable by a resident cedant on its direct underwriting should be deducted on a withholding basis from premiums ceded to non-resident reinsurers.

C-ROSS

The new risk-based capital system known as the China Risk-Oriented Solvency System (C-ROSS) launched in 2016. The new system will generally favor long-term protection business over short-term savings.

In order to reduce insurers' investment risk with respect to short-term, high-interest life policies, CIRC issued a rule in March of 2016 requiring companies to immediately withdraw any products where more than 60 percent of policies have expected durations of less than one year, and to gradually scale back on products where more than 60 percent of policies have expected durations of less than five years.

According to the Issues Concerning the Implementation of the Reinsurance Registration Scheme, with effect from 1 January 2016, all inwards reinsurance writers and reinsurance brokers in both China and abroad wanting eligibility to write or place Chinese business must be registered with the reinsurance registration system established by the CIRC. Eligibility requirements for treaty business include a minimum financial strength rating.

Don't underestimate the commitment and the determination of the Chinese authorities to address a problem when they finally realize they've got a serious one.

— Stephen Roach, Chairman, Morgan Stanley Asia, 2009

Financial Inclusion and Consumer Protection

China's government is pretty forward thinking these days. Like an over-protective parent at times, they really seem to want the best for their citizens.



They heard the cry for better health care and responded. In 2015, the CIRC issued the Notice on Carrying out the Pilot Work Concerning Individual Income Tax on Commercial Health Insurance Premiums. This is intended to encourage the wider purchase of a new (and very specific) type of individual health insurance with tax relief of up to CNY 2,400 (USD 385).

On December 31, 2015, the State Council of the People's Republic of China published the Plan for Advancing Inclusive Finance Development (2016–20), GF [2015] No. 74, outlining a detailed strategy on the development of financial inclusion in China. This comprehensive document sets out the principles for the promotion, monitoring and regulation of all aspects of financial inclusion in China.¹⁰³

¹⁰³ The Global Microscope 2016: The Enabling Environment for Financial Inclusion. The Economist Intelligence Unit, 2016.



Additional updated regulations include:

- > Short- and medium-term insurance products should not account for more than 50 percent of an insurer's total business by 2019. The proportion will reduce to 40 percent by 2020 and 30 percent by 2021.
- > Investment-linked insurance is now categorized under short- and medium-term insurance products in a bid to improve supervision of this segment
- > Life, annuity, and nursing care insurance products should not be designed as short- and medium-term products their long-term and risk protection features should be emphasized.
- > Universal life insurance interest rate caps on the reserve requirement assessment have fallen 0.5 percent to 3 percent. For traditional life products, the cap stays at 3.5 percent.
- > Actuarial responsibility is also supervised under the new rules, with specific requirement and reporting roles.
- > The CIRC said there will be an independent assessment on investment-linked products, which are offered as a rider policy of universal life insurance.

Free Trade Zones

In 2015, the policy framework for the Tianjin, Guangdong, and Fujian Free Trade Zones were officially published by the State Council. The Guangdong FTZ includes the financial industry (well developed in Guangzhou) and the financial services industry (well developed in Zhuhai).¹⁰⁴

In July of 2016, the Chinese government announced their plan to relax restrictions on foreign enterprises investing in China's free trade zones (FTZs) with the goal of attracting more overseas capital. The government will temporarily replace the complicated and convoluted approval mechanism with a registration system that will allow the establishment of foreign firms or joint ventures in the FTZs and facilitate major mergers and acquisitions involving foreign companies.¹⁰⁵

The following are some of the ways in which China has already, or plans to, loosen restrictions on foreign insurance companies operating in free trade zones:¹⁰⁶

- > Commercial banks are encouraged to set up institutions in the FTZ to conduct offshore foreign currency activities.
- > Eligible insurance companies and insurance intermediary institutions that are based in Hong Kong or Macau can now set up branches in the FTZ.
- > Enterprises and financial institutions in the FTZ may now borrow RMB funds from overseas lenders.
- > Parent companies based in Hong Kong or Macau with subsidiaries in the FTZ may issue RMB-denominated bonds in China.

¹⁰⁴ The New Free Trade Zones Explained, Part I: Guangdong. Dezan Shira & Associates' China Briefing, 2015.

¹⁰⁵ China relaxes rules for foreign investors in free trade zones. Reuters, 2016.

¹⁰⁶ The New Free Trade Zones Explained, Part I: Guangdong. Dezan Shira & Associates' China Briefing, 2015.

- > Non-banking financial institutions in the FTZ may now conduct cross-border RMB settlements.
- > Eligible foreign financial institutions can set up foreign-owned banks within the FTZ, and Qualified Foreign Financial Institutions may set up banking joint ventures with Chinese enterprises within the FTZ.
- > Eligible investors from Hong Kong or Macau operating non-financial institutions in the FTZ may now provide third-party payment services.
- > Eligible institutions registered in Hong Kong or Macau can set up financial leasing companies in the FTZ.

Promoting a Viable Industry

As long as we stay on the course of reform and opening up, China's economy will not suffer a hard landing.

— Premier Li Keqiang



The Interim Supervisory Measures on Internet Insurance Business, which came into effect in October 2015, allows qualifying insurers to sell a wide range of products through the Internet outside their normal areas of geographical licensing.

The CIRC has completed the life pricing reforms it began in August 2013 by abolishing the fixed guaranteed interest rate of 2.5 percent that applied to universal life and participating policies. Universal life pricing was liberalized in February 2015. Insurers are now free to set their own guaranteed interest rate up to 3.5 percent. Higher rates are allowed but only with CIRC approval.



The Insurance Law was amended for a fourth time in April 2015. The main purpose of the amendment was to abolish the requirement for direct sales personnel, agents, and the employees of agencies and insurance brokers to meet statutory qualification requirements. Instead, all insurance sales people should be of good character and have the professional competence required for their roles.

Additionally, China's decision to partially relax rules on mergers and acquisitions in the insurance industry could see global insurance firms expand in China. The new rules will allow insurance firms (even foreign) to buy stakes in more than one peer company competing in the same market segment. New rules will allow foreign insurers to acquire Chinese domestic insurance companies with a nationwide license. This will be used by international companies to increase the scale of their distribution.¹⁰⁷

In the U.S. the tax code allows individuals to make pre-tax contributions to qualified retirement savings vehicles, which makes participation much more attractive. Favorable tax treatment is very important when persuading consumers to save for their retirement. China introduced tax incentives, but the details remain unclear. It seems as though individuals can contribute up to 4 percent of their annual salary to their enterprise annuities. Employer contributions of up to 8.3 percent of salary are also tax-exempt. It seems as though even the investment returns in the program are exempt from individual income tax.

In September 2016, CIRC implemented new rules restricting short-term investment-like universal insurance products to minimize high-risk investments. Shares in China Life, the biggest victim of the rise of companies like Anbang and Huaxia Life, gained more than 4 percent as a result of this change.

The China Insurance Regulatory Commission issued new restrictions on the proportion of short- and medium-term life business sold by insurers. The new policies are intended to gradually raise the standard on life insurer risk and asset liability management capabilities, while also providing earlier intervention for companies with liquidity risk.

The CIRC has introduced a strategic advisory committee to promote innovative solutions for:

- > Risk management
- > Economic development
- > Social security protection

The committee will also advise on the development of:

- > Medical insurance
- > Critical illness insurance
- > Group medical insurance
- > Pension and long-term care insurance
- > Asset management

¹⁰⁷ Future directions for foreign insurance companies in China. Ernst & Young Global Ltd., 2016.

Opportunities and Innovation

Insurance companies in China report that the digital transformation is occurring ahead of the regulatory framework change. This can be seen as either a challenge or an opportunity.¹⁰⁸ Some companies are getting right to it, looking to develop consumer chat services and automated underwriting for simple products.

China's pension contributions vary across provinces, and the lack of a central recordkeeping system has made worker mobility difficult. The increasing focus on operational excellence may require help from external consultants, companies, fund managers, etc. They may need outside intelligence to help update their IT systems in order to communicate information across provincial governments more effectively.

Retirement products and critical illness products were rated as the most important life insurance products in demand in China among a survey of twelve foreign insurance companies. Foreign travel insurance is seeing some success in the online arena in China. Consider coupling this product with a retirement product, targeting the popular Chinese retirement goal of traveling.

The micro-insurance sector in China is underdeveloped, yet many foreign insurers believe this is a challenging space to enter. There are few distribution channels to access this segment, high risk of fraud, and the issues of CIRC restrictions on cross-province transaction.

When it comes to the competition for selling specific insurance products, insurance companies are more likely to deem the sales of the following products as “intense competition.”¹⁰⁹

- > Traditional life insurance
- > Personal accident insurance
- > Group life insurance
- > Group health and accident insurance

On the other hand, selling protection products and investment-linked products are considered moderate or light levels of competition, thus less attractive markets financially. The competition will go where the money can grow.

Though the mid- to low-end market may offer the most opportunities, foreign senior care companies tend to design and promote their establishments to and for the upper class. Senior care facilities tied to insurance policies are a new product consideration for some companies. The government has had little involvement with the senior care market, which protects them from the complications associated with being both a funder and a regulator, while also giving local governments some latitude to try different approaches to this unknown market. Actually, the Chinese government has even offered land incentives to build senior care facilities for the low-end and middle markets.



¹⁰⁸ Future directions for foreign insurance companies in China. Ernst & Young Global Ltd., 2016.

¹⁰⁹ Future directions for foreign insurance companies in China. Ernst & Young Global Ltd., 2016.



Appendix A. Sample Coverage

CITY COVERAGE – ONLINE (N=1500)

-  Tier I (4)
-  Tier II (16)
-  Tier III (7)



CITY COVERAGE – ONLINE (N=1500)



Part 1: Workers age 35 to 49. Workers age 50 and older, & Retirees

Part 2: 236 with rural hukou

Appendix B. Full Questionnaire

Section I. Selection Items

S1. HOW WOULD YOU DESCRIBE YOUR ROLE IN MAKING FINANCIAL DECISIONS FOR YOUR HOUSEHOLD?

**Note: No involvement in financial decision making dropped from the study*

	WORKERS	RETIREES	TOTAL
PRIMARY DECISION MAKER FOR FINANCIAL MATTERS	85%	83%	84%
I SHARE EQUALLY IN THE DECISION MAKING	15%	17%	16%

S2. PLEASE INDICATE YOUR HOUSEHOLD'S INCOME BEFORE TAXES.

**Note: Includes any income from employment earnings, investments, interest, dividends, social security, Pensions, etc.*

**Note: Under 30,000 RMB dropped from study*

HOUSEHOLD INCOME ¥	TOTAL	WORKERS	RETIREES
30,000–39,999 RMB	1%	1%	2%
40,000–49,999 RMB	1%	1%	2%
50,000–59,999 RMB	6%	4%	9%
60,000–69,999 RMB	7%	8%	7%
70,000–79,999 RMB	6%	5%	9%
80,000–89,999 RMB	8%	7%	11%
90,000–99,999 RMB	8%	8%	8%
100,000–149,999 RMB	26%	25%	29%
150,000–199,999 RMB	16%	16%	15%
200,000–299,999 RMB	12%	14%	6%
300,000–399,999 RMB	4%	5%	1%
400,000–499,999 RMB	2%	2%	0%
500,000 RMB OR MORE	3%	3%	2%

AGES

	35-39	40-44	45-49	50-59	60-70
49,999 OR BELOW	3%	2%	4%	2%	5%
50,000–99,999	32%	34%	28%	33%	50%
100,000–149,999	20%	21%	28%	29%	23%
150,000–199,999	14%	18%	15%	17%	12%
200,000–299,999	17%	17%	15%	10%	7%
300,000–399,999	6%	3%	6%	5%	1%
400,000–499,999	2%	3%	3%	1%	0%
500,000 OR MORE	5%	2%	1%	3%	1%

		35-39	40-44	45-49	50-59	60-70	TOTAL
WORKING	59,999 OR LESS	8%	7%	6%	6%		7%
	60,000–99,999	27%	29%	25%	27%		27%
	100,000–199,999	35%	39%	43%	44%		40%
	200,000–299,999	17%	17%	15%	12%		15%
	300,000 OR MORE	14%	8%	9%	11%		11%
RETIRED	59,999 OR LESS				6%	23%	18%
	60,000–99,999				34%	32%	33%
	100,000–199,999				49%	35%	40%
	200,000–299,999				6%	7%	7%
	300,000 OR MORE				5%	2%	3%
TOTAL	59,999 OR LESS	8%	7%	6%	6%	23%	10%
	60,000–99,999	27%	29%	25%	29%	32%	29%
	100,000–199,999	35%	39%	43%	45%	35%	40%
	200,000–299,999	17%	17%	15%	10%	7%	13%
	300,000 OR MORE	14%	8%	9%	9%	2%	9%

S3. ARE YOU CURRENTLY ... [PLEASE SELECT ONE]

	TIER I	TIER II	TIER III	TOTAL
WORKING FOR PAY	88%	64%	55%	71%
SELF-EMPLOYED	3%	3%	5%	3%
RETIRED AND WORKING PART TIME FOR PAY	3%	9%	6%	7%
RETIRED AND NOT WORKING FOR PAY	5%	23%	34%	19%

S4. [IF WORKER] WHICH OF THE FOLLOWING BEST DESCRIBES YOUR EMPLOYER?**[IF RETIREE] FROM WHAT TYPE OF EMPLOYER DID YOU RETIRE?**

	TIER I	TIER II	TIER III	TOTAL
THE CHINESE GOVERNMENT	3%	12%	11%	9%
AN INSTITUTION CONTROLLED BY THE GOVERNMENT (PUBLIC SECTOR)	5%	11%	12%	9%
A FIRM (STATE-OWNED ENTERPRISE)	6%	12%	11%	10%
A FIRM (PRIVATE, FOREIGN-FUNDED, OR JOINT VENTURE ENTERPRISE)	86%	65%	66%	71%

	WORKERS	RETIREEES	TOTAL
THE CHINESE GOVERNMENT	9%	10%	9%
AN INSTITUTION CONTROLLED BY THE GOVERNMENT (PUBLIC SECTOR)	9%	10%	9%
A FIRM (STATE-OWNED ENTERPRISE)	10%	12%	10%
A FIRM (PRIVATE, FOREIGN-FUNDED, OR JOINT VENTURE ENTERPRISE)	72%	69%	71%

S6. GENDER

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
MALE	41%	50%	54%	52%	51%
FEMALE	60%	50%	46%	49%	49%



S7. SAMPLE SIZE PER CITY

TIER	CITY	EAST	NORTH	SOUTH	MIDWEST
T1	SHANGHAI	235			
TII	NANJING	118			
TII	HANGZHOU	70			
TII	NINGBO	69			
TII	HEFEI	33			
TIII	XUZHOU	30			
T1	BEIJING		237		
TII	SHENYANG		153		
TII	QINGDAO		66		
TII	SHIJIAZHUANG		33		
TII	HA'ERBIN		32		
TIII	WEIFANG		21		
TIII	JILIN CITY		14		
T1	GUANGZHOU			184	
TII	FUZHOU			86	
TII	NANCHANG			59	
T2	KUNMING			57	
T1	SHENZHENG			53	
T3	LIUZHOU			17	
T3	HAIKOU			14	
T2	CHENGDU				108
T2	CHONGQING				83
T2	XI'AN				67
T2	CHANGSHA				60
T3	LUOYANG				53
T2	WUHAN				36
T3	YINGCHUAN				26

S8. HOW WOULD YOU DESCRIBE THE PLACE YOU LIVE?

RURAL	TIER I URBAN	TIER II URBAN	TIER III URBAN
236	529	1073	175

Section II. Demographic Questions

1. WHAT IS YOUR MARITAL STATUS? PLEASE SELECT ONE

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
MARRIED	90%	92%	96%	93%	94%
SINGLE, NEVER MARRIED	1%	7%	3%	2%	4%
DIVORCED	3%	1%	1%	2%	2%
WIDOWED	6%	0	0	3%	1%

2. [IF RESPONDENT HAS SPOUSE] IS YOUR SPOUSE ...

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
WORKING FOR PAY	56%	87%	64%	54%	68%
SELF-EMPLOYED	14%	3%	5%	4%	5%
LAID OFF / UNEMPLOYED & SEEKING WORK	3%	1%	1%	4%	1%
DISABLED OR UNABLE TO WORK	1%	—	—	0	1%
A HOMEMAKER	10%	2%	2%	2%	3%
RETIRED AND WORKING PART TIME FOR PAY	2%	1%	5%	4%	3%
RETIRED AND NOT WORKING FOR PAY	15%	7%	23%	32%	19%

3. WHAT IS YOUR HUKOU STATUS?

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
AGRICULTURAL HUKOU	100%	4%	3%	2%	15%
NON-AGRICULTURAL HUKOU		95%	96%	97%	84%
UNIFIED RESIDENCE HUKOU		1%	2%	0	1%
DO NOT HAVE HUKOU		0	—	0	0

4. WHAT IS YOUR CURRENT HOUSING SITUATION?

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
I OWN MY APARTMENT OR HOUSE	85%	91%	97%	95%	94%
I RENT FROM A LANDLORD	4%	5%	2%	3%	3%
I LIVE WITH PARENTS, RELATIVES, OR FRIENDS	10%	4%	2%	2%	3%
OTHER, EXPLAIN	1%	0	0	—	0



5. WHICH OF THE FOLLOWING INDIVIDUALS ARE FINANCIALLY DEPENDENT ON YOU? [SELECT ALL THAT APPLY]

PERCENT WHO HAVE THE FOLLOWING FINANCIAL DEPENDENTS

SPOUSE		MOTHER		FATHER	
MALE WORKERS	37%	MALE WORKERS	26%	MALE WORKERS	19%
FEMALE WORKERS	16%	FEMALE WORKERS	24%	FEMALE WORKERS	22%
MALE RETIREES	52%	MALE RETIREES	14%	MALE RETIREES	11%
FEMALE RETIREES	26%	FEMALE RETIREES	12%	FEMALE RETIREES	9%
CHILD		SPOUSE'S MOTHER		SPOUSE'S FATHER	
MALE WORKERS	77%	MALE WORKERS	9%	MALE WORKERS	7%
FEMALE WORKERS	77%	FEMALE WORKERS	15%	FEMALE WORKERS	12%
MALE RETIREES	26%	MALE RETIREES	5%	MALE RETIREES	3%
FEMALE RETIREES	35%	FEMALE RETIREES	12%	FEMALE RETIREES	6%

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
SPOUSE	20.2%	27.9%	33.2%	26.0%	29.7%
YOUR MOTHER	16.3%	25.8%	21.4%	21.3%	21.9%
YOUR FATHER	14.0%	18.4%	18.5%	16.6%	17.8%
CHILD / CHILDREN	59.2%	78.7%	61.1%	56.1%	65.1%
SPOUSE'S MOTHER	8.4%	10.3%	11.0%	15.2%	10.9%
SPOUSE'S FATHER	6.4%	8.8%	8.1%	9.7%	8.2%
OTHER	21.5%	5.5%	9.9%	7.8%	9.9%

6. WHICH OF THE FOLLOWING BEST DESCRIBES YOUR HIGHEST LEVEL OF EDUCATION?

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
HIGH SCHOOL OR LESS	68%	3%	14%	30%	19%
TECHNICAL/VOCATIONAL SCHOOL	16%	3%	7%	13%	8%
2 OR 3 YEARS OF COLLEGE/ASSOCIATE'S DEGREE	10%	19%	31%	25%	25%
COLLEGE GRADUATE/BACHELOR'S DEGREE	6%	64%	42%	32%	43%
GRADUATE SCHOOL/MASTER'S DEGREE		10%	5%	1%	5%
DOCTORAL DEGREE/PH.D.		1%	0	0	0
UNSURE			0		0



**7. [IF WORKER] AT WHAT AGE DO YOU EXPECT TO RETIRE?
[IF RETIRED] HOW OLD WERE YOU WHEN YOU RETIRED?**

	N	MEAN	SD	MINIMUM	MAXIMUM
TIER I	529	55.70	5.438	40	80
TIER II	1072	56.01	4.900	40	80
TIER III	175	56.00	4.548	45	70
TOTAL	1777	55.92	5.033	40	80

	WORKER	RETIREE	TOTAL
40 TO 49	5%	4%	5%
50 TO 54	23%	24%	23%
55 TO 59	28%	36%	30%
60 TO 64	38%	35%	37%
65+	7%	0	5%

**8. [IF RETIRED] IS/WAS YOUR RETIREMENT MANDATORY? (EMPLOYER'S DECISION, NOT YOURS)
[IF WORKER] WILL YOUR RETIREMENT BE MANDATORY? (EMPLOYER'S DECISION, NOT YOURS)**

	TIER I	TIER II	TIER III	TOTAL
YES TOTALLY MANDATORY	44%	55%	57%	52%
NOT MANDATORY, BUT OFFERED FINANCIAL INCENTIVES	19%	17%	20%	18%
NOT MANDATORY, MY DECISION	37%	28%	23%	30%

	THE GOVERNMENT	GOVERNMENT CONTROLLED (PUBLIC)	STATE-OWNED ENTERPRISE	PRIVATE FIRM OR JOINT ENTERPRISE
MANDATORY	73.7%	71.5%	72.2%	43.3%
PRESSURED	9.8%	9.6%	9.7%	21.2%
CHOICE	16.5%	18.9%	18.0%	35.5%

Section III. Retirement Preparedness

9. WHICH OF THE FOLLOWING RETIREMENT PLANNING ACTIVITIES HAVE YOU DONE? PLEASE SELECT ALL THAT APPLY.

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
CALCULATED THE AMOUNT AVAILABLE TO SPEND IN RETIREMENT	14%	54%	46%	35%	44%
DETERMINED WHAT INCOME WILL BE IN RETIREMENT	47%	55%	53%	39%	52%
DETERMINED WHAT EXPENSES WILL BE IN RETIREMENT	57%	46%	37%	33%	41%
ESTIMATED HOW MANY YEARS ASSETS & INVESTMENTS WILL LAST	24%	42%	32%	25%	33%
IDENTIFIED RETIREMENT ACTIVITIES AND THEIR LIKELY COSTS	22%	44%	37%	36%	37%
DETERMINED PENSION BENEFITS AT DIFFERENT RETIREMENT AGES	13%	44%	37%	34%	36%
DETERMINED RETIREMENT LIVING SITUATION	33%	41%	37%	44%	38%
NONE OF THE ABOVE	18%	11%	10%	14%	12%

10. HOW OLD DO YOU EXPECT TO LIVE?

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
LESS THAN 74	6%	3%	1%	1%	2%
75 TO 79	14%	11%	9%	14%	10%
80 TO 84	20%	27%	33%	36%	30%
85 TO 89	14%	20%	26%	29%	24%
90 OR OLDER	37%	32%	24%	16%	27%
DON'T KNOW	10%	7%	8%	3%	7%

11. DOES YOUR HOUSEHOLD TYPICALLY WORK WITH ANY FINANCIAL PROFESSIONALS TO HELP WITH YOUR HOUSEHOLD FINANCIAL DECISIONS? [SELECT ALL THAT APPLY]

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
NO	83%	63%	67%	72%	68%
<i>A financial planner/advisor...</i>					
AT A BANK	2%	26%	21%	16%	20%
AT A SECURITIES FIRM	4%	9%	8%	4%	7%
AT A MUTUAL FUND CO.	4%	12%	8%	6%	9%
AT A TRUST CO.	1%	4%	3%	1%	3%
AT A WEALTH MANAGEMENT CO.		6%	5%	1%	4%
AN INSURANCE AGENT / BROKER	11%	14%	14%	10%	13%
AN ACCOUNTANT		2%	1%		1%
A BANKER		2%	1%	3%	2%
A LAWYER		2%	1%	0	1%

12. DOES YOUR HOUSEHOLD HAVE A FORMAL WRITTEN PLAN FOR MANAGING INCOME, ASSETS, AND EXPENSES DURING RETIREMENT?

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
YES	3%	28%	21%	19%	21%
NO	97%	72%	79%	81%	79%

Section IV. Retirement Readiness and Managing Risks

13. RESPOND TO THE FOLLOWING STATEMENTS PERTAINING TO YOUR RETIREMENT CONCERNS AND ACTIONS...

		NON-URBAN	TIER I	TIER II	TIER III	TOTAL
I AM CONFIDENT THAT I WILL BE ABLE TO LIVE THE RETIREMENT LIFESTYLE I WANT	AGREE	15%	11%	5%	11%	9%
	NEUTRAL	36%	25%	18%	19%	22%
	DISAGREE	49%	64%	76%	70%	69%
I WOULD LIKE MY EMPLOYER TO MAKE AVAILABLE MORE COMPREHENSIVE INFORMATION AND ADVICE ON RETIREMENT SAVINGS AND PLANNING	AGREE	0	4%	4%	4%	4%
	NEUTRAL	0	22%	18%	17%	20%
	DISAGREE	0	74%	78%	78%	76%
I HAVE ENOUGH SAVINGS TO LAST UNTIL THE END OF MY RETIREMENT	AGREE	29%	20%	11%	25%	17%
	NEUTRAL	33%	26%	24%	23%	25%
	DISAGREE	38%	54%	65%	52%	58%
I WOULD BE WILLING TO PURCHASE OR PLAN TO PURCHASE A FINANCIAL PRODUCT THAT WILL PROVIDE GUARANTEED LIFETIME INCOME	AGREE	23%	6%	7%	18%	10%
	NEUTRAL	39%	21%	19%	15%	22%
	DISAGREE	38%	73%	74%	66%	69%
I AM CURRENTLY VERY INVOLVED IN MONITORING AND MANAGING MY RETIREMENT SAVINGS	AGREE	18%	6%	8%	12%	9%
	NEUTRAL	36%	28%	25%	20%	26%
	DISAGREE	46%	66%	67%	68%	64%
I DO NOT TRUST FINANCIAL INSTITUTIONS WITH MY MONEY.	AGREE	25%	30%	32%	41%	31%
	NEUTRAL	41%	37%	33%	23%	34%
	DISAGREE	34%	33%	36%	36%	35%
IT IS RARE TO HEAR PEOPLE TALK ABOUT RETIREMENT PLANNING IN THE WORKPLACE	AGREE	—	18%	21%	38%	21%
	NEUTRAL	—	26%	27%	15%	26%
	DISAGREE	—	56%	52%	48%	53%

14. [RETIREE] HOW CONCERNED ARE YOU ABOUT EACH OF THE FOLLOWING?

[WORKER]: HOW CONCERNED ARE YOU ABOUT EACH OF THE FOLLOWING DURING RETIREMENT?

		RURAL	TIER I	TIER II	TIER III	TOTAL
PROVIDING FOR HEALTH CARE COSTS BEYOND SOCIAL INSURANCE MEDICAL SUPPLEMENT	MAJOR CONCERN	71%	47%	40%	56%	47%
	MINOR CONCERN	29%	44%	49%	35%	44%
	NOT A CONCERN	0	9%	11%	9%	9%
YOU MIGHT NOT BE ABLE TO LEAVE MONEY TO YOUR CHILDREN OR OTHER HEIRS	MAJOR CONCERN	15%	19%	16%	22%	17%
	MINOR CONCERN	58%	41%	49%	48%	48%
	NOT A CONCERN	27%	40%	36%	30%	35%
PROVIDING FOR YOU IF YOUR SPOUSE/PARTNER SHOULD DIE FIRST	MAJOR CONCERN	34%	21%	17%	33%	21%
	MINOR CONCERN	39%	40%	44%	39%	42%
	NOT A CONCERN	27%	40%	39%	28%	37%
TAX INCREASES	MAJOR CONCERN	34%	26%	24%	29%	26%
	MINOR CONCERN	42%	53%	51%	48%	51%
	NOT A CONCERN	24%	21%	25%	23%	23%
A DECLINE IN INTEREST RATES	MAJOR CONCERN	35%	23%	22%	27%	24%
	MINOR CONCERN	50%	57%	54%	53%	54%
	NOT A CONCERN	15%	21%	24%	21%	22%
AGING SOCIETY WILL MAKE IT HARDER FOR THE GOVERNMENT TO PROVIDE FOR THE ELDERLY	MAJOR CONCERN	50%	39%	36%	56%	40%
	MINOR CONCERN	43%	51%	53%	32%	49%
	NOT A CONCERN	8%	10%	11%	12%	11%
THE GOVERNMENT OR COMPANY WILL REDUCE HEALTH OR MEDICAL INSURANCE BENEFITS	MAJOR CONCERN	52%	35%	37%	63%	40%
	MINOR CONCERN	42%	53%	49%	24%	47%
	NOT A CONCERN	6%	13%	14%	13%	13%

Section V. Income Sources

15. [IF RETIREE] INDICATE WHICH SOURCES OF INCOME YOUR HOUSEHOLD CURRENTLY RECEIVES:
[IF WORKER] INDICATE WHICH SOURCES OF INCOME YOU EXPECT TO RECEIVE DURING RETIREMENT.

		NON- URBAN	TIER I	TIER II	TIER III	TOTAL
PERSONAL SAVINGS AND INVESTMENTS	NOT A SOURCE	5%	8%	5%	7%	6%
	MINOR SOURCE	28%	46%	50%	47%	46%
	MAJOR SOURCE	67%	46%	44%	46%	48%
SOCIAL PENSION	NOT A SOURCE	29%	8%	7%	7%	10%
	MINOR SOURCE	38%	38%	32%	32%	34%
	MAJOR SOURCE	33%	54%	61%	62%	56%
RENTAL PROPERTY	NOT A SOURCE	51%	52%	54%	62%	54%
	MINOR SOURCE	26%	36%	37%	28%	35%
	MAJOR SOURCE	23%	12%	9%	10%	12%
VOLUNTARY ENTERPRISE ANNUITY	NOT A SOURCE	—	45%	46%	47%	46%
	MINOR SOURCE	—	39%	38%	34%	38%
	MAJOR SOURCE	—	16%	16%	19%	16%
FULL/PART TIME JOB EARNINGS	NOT A SOURCE	22%	30%	33%	45%	32%
	MINOR SOURCE	32%	39%	37%	27%	36%
	MAJOR SOURCE	47%	31%	30%	29%	32%
INHERITANCE	NOT A SOURCE	62%	64%	68%	76%	67%
	MINOR SOURCE	31%	32%	27%	20%	28%
	MAJOR SOURCE	7%	5%	6%	5%	6%
FAMILY MEMBER ASSISTANCE	NOT A SOURCE	39%	56%	51%	53%	51%
	MINOR SOURCE	53%	35%	42%	41%	41%
	MAJOR SOURCE	9%	9%	7%	6%	8%
LIFE INSURANCE	NOT A SOURCE	57%	30%	36%	46%	37%
	MINOR SOURCE	35%	56%	50%	39%	49%
	MAJOR SOURCE	8%	14%	14%	15%	14%
REVERSE MORTGAGE	NOT A SOURCE	50%	51%	55%	65%	54%
	MINOR SOURCE	36%	37%	36%	24%	35%
	MAJOR SOURCE	15%	12%	9%	12%	11%
OTHER	NOT A SOURCE	22%	52%	71%	67%	62%
	MINOR SOURCE	17%	38%	20%	21%	27%
	MAJOR SOURCE	61%	10%	9%	12%	12%



16 [ASK IF WORKING FOR PAY (QS4 = 1"YES, FT" OR 2"YES, PT")] WHICH RETIREMENT SAVINGS PLANS ARE AVAILABLE TO YOU THROUGH YOUR CURRENT EMPLOYER, WORK, OR PROFESSION? PLEASE SELECT ALL THAT APPLY.

	TIER I	TIER II	TIER III	TOTAL
A TRADITIONAL PENSION OR DEFINED BENEFIT PLAN (ACTIVE OR FROZEN)	82%	82%	84%	82%
A DEFINED CONTRIBUTION ENTERPRISE ANNUITY	48%	35%	33%	40%
EMPLOYEE STOCK OWNERSHIP PLAN (ESOP)/STOCK PURCHASE PLAN	21%	17%	7%	18%
NONE OF THE ABOVE PLANS CURRENTLY AVAILABLE	8%	8%	9%	8%

17. [ASK IF WORKING FOR PAY (QS4 = 1"YES, FT" OR 2"YES, PT")] ARE YOU CURRENTLY CONTRIBUTING OR HAVE CONTRIBUTED TO ANY EMPLOYER SPONSORED RETIREMENT SAVINGS PLANS, LIKE AN ENTERPRISE ANNUITY?

	TIER I	TIER II	TIER III	TOTAL
YES I AM CURRENTLY CONTRIBUTING	40%	36%	29%	37%
NO, I AM NOT CURRENTLY CONTRIBUTING BUT HAVE CONTRIBUTED IN THE PAST	10%	8%	9%	9%
NO, I AM NOT CONTRIBUTING/HAVE NOT CONTRIBUTED, BUT IT IS AVAILABLE	3%	6%	4%	5%
NO, MY EMPLOYER DOES NOT OFFER	47%	51%	59%	50%

18. WHAT PERCENT OF ALL OF YOUR HOUSEHOLD'S SAVINGS FOR RETIREMENT ARE IN YOUR EMPLOYER SPONSORED SAVINGS PLANS.....%
OUTSIDE OF YOUR EMPLOYER SPONSORED SAVINGS PLANS.....%

	INSIDE PLAN	OUTSIDE PLAN
TIER I	50%	50%
TIER II	54%	46%
TIER III	40%	60%

19. [IF RETIREE] IS THE AMOUNT OF INCOME OBTAINED FROM SOCIAL PENSION AND EMPLOYER SPONSORED DEFINED BENEFIT PENSION ENOUGH TO PROVIDE FOR YOUR BASIC LIVING NEEDS?

[IF WORKER] DO YOU EXPECT THE AMOUNT OF INCOME OBTAINED FROM SOCIAL PENSION AND EMPLOYER SPONSORED DEFINED BENEFIT PENSION ENOUGH TO PROVIDE FOR YOUR BASIC LIVING NEEDS IN RETIREMENT?

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
YES	28%	43%	57%	49%	49%
NO	51%	34%	26%	38%	32%
DON'T KNOW	20%	24%	18%	12%	19%

	WORKERS	RETIREES	TOTAL
YES	42%	71%	49%
NO	35%	24%	32%
DON'T KNOW	24%	6%	19%

20. DOES YOUR EMPLOYER MATCH ALL OR A PORTION OF YOUR CONTRIBUTIONS TO THE DEFINED CONTRIBUTION PLAN(S) THEY OFFER?

	TIER I	TIER II	TIER III	TOTAL
YES, MORE THAN 5% OF MY PAY	33%	35%	38%	35%
YES, BETWEEN 3% AND 5% OF MY PAY	50%	47%	52%	49%
YES, LESS THAN 3% OF MY PAY	6%	6%	2%	6%
NO, MY EMPLOYER DOES NOT MATCH ANY CONTRIBUTIONS	7%	6%	8%	7%
DON'T KNOW	3%	5%		4%

21. IN TOTAL, ABOUT HOW MUCH MONEY WOULD YOU SAY YOU CURRENTLY HAVE IN SAVINGS AND INVESTMENTS?

Note: Includes money in retirement plans from work in which individual decides how to invest, but does not include price of home.

	RURAL	TIER I	TIER II	TIER III	TOTAL
NONE	8%	2%	3%	8%	4%
LESS THAN 50,000 YUAN	12%	3%	10%	18%	9%
50,000 TO 100,000 YUAN	30%	14%	17%	20%	18%
100,000 TO 249,999 YUAN	22%	19%	26%	21%	23%
250,000 TO 499,999 YUAN	16%	24%	26%	21%	24%
500,000 TO 999,999 YUAN	4%	21%	11%	11%	13%
1 MILLION OR MORE		18%	6%	1%	8%
LEFT BLANK	8%		1%		1%

22. WHICH OF THE FOLLOWING DESCRIBES HOW YOUR HOUSEHOLD PLANS TO GENERATE INCOME FROM YOUR RETIREMENT SAVINGS?

Note: Select all that apply

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
WITHDRAW SOME PRINCIPAL AND SOME INTEREST ON A REGULAR BASIS	20%	42%	39%	32%	37%
WITHDRAW SOME PRINCIPAL AND SOME INTEREST ON AN OCCASIONAL BASIS	38%	39%	36%	41%	38%
BUY PRODUCT THAT CONVERTS SOME/ALL OF SAVINGS INTO LIFETIME INCOME	16%	48%	40%	33%	39%
WITHDRAW INTEREST AND DIVIDEND EARNINGS, BUT NOT ANY PRINCIPAL	28%	38%	33%	19%	33%
A CORPORATE ANNUITY WITH A TAX BENEFIT	—	18%	13%	13%	14%
NO INTENTION OF USING RETIREMENT SAVINGS FOR INCOME	13%	5%	6%	7%	7%
DON'T KNOW	20%	6%	6%	8%	8%

Section VI. Financial Knowledge and Attitudes Towards Products

23 IN GENERAL, HOW KNOWLEDGEABLE DO YOU THINK YOU ARE ABOUT INVESTMENTS OR FINANCIAL PRODUCTS?

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
VERY KNOWLEDGEABLE	2%	16%	14%	17%	13%
SOMEWHAT KNOWLEDGEABLE	38%	66%	57%	41%	56%
NOT VERY KNOWLEDGEABLE	43%	16%	25%	39%	26%
NOT AT ALL KNOWLEDGEABLE	18%	2%	4%	4%	5%

24. ASIDE FROM ISSUES OF COST, WHEN SELECTING AMONG FINANCIAL PRODUCTS OR INVESTMENTS THAT COULD BE USED TO CREATE INCOME IN RETIREMENT, WHICH OF THE FOLLOWING FEATURES ARE MOST IMPORTANT TO YOU?

THE FINANCIAL PRODUCT WILL/DOES OFFER BENEFIT OR FEATURES THAT WILL PROVIDE...	NOT AT ALL IMPORTANT	SOMEWHAT IMPORTANT	VERY IMPORTANT	DON'T UNDERSTAND
INCOME THAT IS GUARANTEED FOR LIFE	2%	32%	63%	2%
INCOME THAT IS ADJUSTED FOR INFLATION	8%	43%	45%	4%
INCOME WILL REMAIN THE SAME THROUGHOUT RETIREMENT	4%	35%	60%	2%
INCOME HAS THE POTENTIAL FOR GROWTH WITH MARKET	4%	35%	59%	3%
INCOME WILL CONTINUE AFTER I DIE OR MY SPOUSE DIES	10%	39%	48%	3%
INCOME AMOUNT CAN BE CHANGED AS NEEDS CHANGE	5%	46%	46%	2%
INCOME CAN BE CONVERTED INTO A LUMP SUM	13%	51%	30%	6%
INITIAL INVESTMENT AMOUNT IS PRESERVED OR PROTECTED	4%	34%	59%	4%
CONTROL OVER HOW INVESTMENTS ARE MANAGED	4%	37%	53%	6%
GUARANTEED RETURNS ON INVESTMENTS	3%	34%	60%	3%
MONEY FOR HEIRS OR CHARITIES WHEN I DIE	18%	45%	34%	4%
ABILITY WITHDRAW IN EXCESS OF REGULAR PAYMENT	7%	50%	39%	4%

25. ANNUITIES CAN PROVIDE A LIFELONG INCOME STREAM IN EXCHANGE FOR A PREMIUM PAYMENT. INDIVIDUALS USUALLY NO LONGER HAVE ACCESS TO THE ASSETS USED TO PAY FOR THE ANNUITY ONCE IT IS PURCHASED. WOULD YOU CONSIDER CONVERTING A PORTION YOUR ASSETS OR AN ADDITIONAL PORTION OF YOUR ASSETS INTO A LIFETIME-GUARANTEED ANNUITY IN RETIREMENT?

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
YES	27%	79%	70%	60%	66%

26. A TAX-DEFERRED ANNUITY IS A PRODUCT ISSUED BY A LIFE INSURANCE COMPANY THAT ALLOWS YOU TO SAVE MONEY FOR RETIREMENT. TAXES ON EARNINGS ARE NOT PAID UNTIL RETIREMENT AND YOU BEGIN WITHDRAWING MONEY FROM THE ANNUITY. ANNUITIES ALSO OFFER THE ABILITY TO CONVERT THE BALANCE INTO MONTHLY INCOME PAYMENTS FOR LIFE. IF SUCH PRODUCTS WERE AVAILABLE IN CHINA, HOW INTERESTED WOULD YOU BE IN PURCHASING ONE?

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
NOT AT ALL INTERESTED	32%	10%	13%	25%	16%
SOMEWHAT INTERESTED	60%	56%	56%	42%	55%
VERY INTERESTED	6%	22%	18%	16%	17%
EXTREMELY INTERESTED	3%	12%	13%	17%	12%

27. WHERE DO YOU OBTAIN INFORMATION ON INVESTMENTS, FINANCIAL PRODUCTS, OR RETIREMENT PLANNING?

Note: Select all that apply

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
WORKSHOPS AND/OR SEMINARS	15%	13%	8%	10%	11%
WRITTEN MATERIALS PROVIDED BY EMPLOYER	X	23%	21%	23%	22%
MY OWN FINANCIAL ADVISOR/PLANNER	14%	24%	17%	20%	19%
EMPLOYER (E.G., HUMAN RESOURCES)	X	30%	32%	27%	31%
REPS. FROM THE COMPANY MANAGING EMPLOYER'S PLAN	X	26%	20%	19%	22%
WEBSITE WITH INFORMATION ON MY RETIREMENT ACCOUNT	10%	34%	33%	25%	30%
SOCIAL MEDIA/NETWORKING WEBSITES	14%	38%	34%	33%	33%
MOBILE DEVICE APPLICATION	5%	17%	17%	10%	15%
FAMILY, FRIENDS, OR CO-WORKERS	72%	58%	60%	56%	60%
INTERNET/FINANCIAL WEBSITES	15%	52%	39%	37%	40%
BOOKS, MAGAZINES, AND NEWSPAPERS	27%	24%	25%	27%	25%
TELEVISION OR RADIO PROGRAMS	41%	24%	24%	21%	26%
OTHER, PLEASE SPECIFY	9%	0%	1%	5%	2%



28. HOW IMPORTANT IS IT FOR YOU TO DO EACH OF THE FOLLOWING IN RETIREMENT?

		RURAL	TIER I	TIER II	TIER III	TOTAL
SPEND MORE TIME WITH FRIENDS AND FAMILY	NOT IMPORTANT		3%	2%	3%	2%
	IMPORTANT	13%	34%	28%	21%	27%
	VERY IMPORTANT	87%	64%	70%	76%	71%
MAINTAIN MY PHYSICAL HEALTH AND WELL BEING	NOT IMPORTANT	0	1%	2%	1%	2%
	IMPORTANT	7%	23%	18%	22%	18%
	VERY IMPORTANT	93%	76%	80%	78%	80%
FINANCIALLY SUPPORT MY FAMILY	NOT IMPORTANT	1%	7%	7%	4%	6%
	IMPORTANT	33%	51%	54%	48%	50%
	VERY IMPORTANT	66%	42%	39%	48%	44%
TRAVEL MORE	NOT IMPORTANT	19%	9%	6%	9%	9%
	IMPORTANT	48%	36%	50%	49%	46%
	VERY IMPORTANT	33%	55%	44%	42%	45%
LEARN A NEW SKILL/HOBBY	NOT IMPORTANT	28%	12%	11%	6%	13%
	IMPORTANT	44%	54%	54%	54%	53%
	VERY IMPORTANT	28%	35%	35%	40%	35%
SAVE UP FOR LEAVING A LEGACY	NOT IMPORTANT	33%	29%	28%	28%	29%
	IMPORTANT	47%	51%	53%	48%	51%
	VERY IMPORTANT	21%	20%	19%	24%	20%
MOVE INTO A NURSING HOME	NOT IMPORTANT	50%	37%	41%	37%	41%
	IMPORTANT	42%	49%	45%	41%	45%
	VERY IMPORTANT	8%	15%	14%	22%	14%
REMAIN LIVING IN MY CURRENT RESIDENCE	NOT IMPORTANT	5%	9%	9%	4%	8%
	IMPORTANT	35%	51%	52%	37%	49%
	VERY IMPORTANT	60%	40%	39%	59%	44%
JOIN GROUP/ACTIVITY FOR RETIRED PERSONS	NOT IMPORTANT	12%	14%	10%	6%	11%
	IMPORTANT	62%	55%	58%	54%	57%
	VERY IMPORTANT	26%	31%	32%	41%	32%
MOVE INTO A COMMUNITY FOR RETIRED PERSONS	NOT IMPORTANT	38%	35%	39%	34%	37%
	IMPORTANT	53%	49%	46%	46%	47%
	VERY IMPORTANT	9%	17%	16%	21%	16%
OTHER, PLEASE SPECIFY	NOT IMPORTANT		40%	42%	17%	38%
	IMPORTANT	62%	43%	29%	55%	37%
S	VERY IMPORTANT	38%	17%	29%	28%	25%



**29. PLEASE ESTIMATE YOUR HOUSEHOLD'S CURRENT LEVEL OF OUTSTANDING DEBT
(INCLUDING CREDIT CARD BALANCES AND ANY LOANS SUCH AS CAR, EDUCATIONAL, ETC.).**

Include any mortgage debt and home equity loans. Please select one.

	NON-URBAN	TIER I	TIER II	TIER III	TOTAL
NONE	86%	60%	69%	71%	69%
UNDER 10,000 RMB	4%	12%	10%	7%	9%
10,000 TO 49,999	6%	6%	5%	6%	6%
50,000 TO 99,999	3%	3%	3%	1%	3%
100,000 TO 149,999		5%	2%	4%	3%
150,000 TO 199,999		2%	3%	2%	2%
200,000 TO 299,000		3%	3%	2%	3%
300,000 TO 399,000		2%	3%	2%	2%
400,000 TO 499,000		3%	1%	2%	1%
500,000 TO 799,000		2%	1%	1%	1%
800,000 TO 999,000		1%	0	1%	1%
1 MILLION - 1.5 MILLION		1%	0	0	0
1.5 MILLION - 2 MILLION		0			0
2 MILLION OR MORE		1%	0		0
DON'T KNOW	1%	1%	1%	0	1%
REFUSED	1%		0		0

Appendix C. Key Pension Market Details

	PERCENT AGE 60 OR OVER			RETIREMENT AGE		PENSION COVERAGE*
	2015	2030	2050	MEN	WOMEN	
CHINA	15%	25%	36%	60	55	74%
HONG KONG	22%	34%	41%	65	65	73%
INDIA	9%	12%	19%	55	55	24%
INDONESIA	8%	13%	19%	55	55	8%
JAPAN	33%	37%	42%	65	65	80%
KOREA, REP.	18%	31%	41%	60	60	78%
MALAYSIA	9%	14%	24%	55	55	20%
PHILIPPINES	7%	10%	14%	60	60	28%
SINGAPORE	18%	31%	40%	55	55	0
TAIWAN	19%	31%	44%	—	—	—
THAILAND	16%	27%	37%	55	55	82%
UNITED KINGDOM	23%	28%	31%	65	61	99%
UNITED STATES	21%	26%	28%	66	66	92%
VIET NAM	10%	17%	30%	60	55	34%

*PERCENT OF PERSONS OF STATUTORY PENSIONABLE AGE

— INDICATES DATA UNAVAILABLE

SOURCE: WORLD POPULATION AGING REPORT. THE UNITED NATIONS, 2015.

Appendix D. Literature Review — Key Sources

SOURCE	SAMPLE	INSIGHTS
Inspiring a world of habitual savers. <i>Aegon Retirement Readiness Survey, 2015.</i>	≈1,000	<ul style="list-style-type: none"> > 15 countries included (n ≈ 16,000) > Retirement readiness
Household Saving Motives: Comparing American and Chinese Consumers. Yao, R., Wang, F., & Weagley, R. O. <i>Family & Consumer Sciences Research Journal</i> , 40, 1, 2011.	2066	<ul style="list-style-type: none"> > 2 countries included (n= 6,432) > Three dependent variables: precautionary savings motive, educational savings motive, & retirement saving motive. > Yes/No variables: health insurance coverage, home ownership, and perception of retirement adequacy statistical comparison > Data obtained from two surveys: The Survey Of Chinese Consumer Finance And Investor Education (2007) and the U.S. Survey of Consumer Finances (2008)
A Retirement Wake-Up Call. <i>Aegon Retirement Readiness Survey, 2016.</i>	≈1,000	<ul style="list-style-type: none"> > 15 countries included (n ≈ 14,400) > Attitudes and behaviors toward retirement planning > Personal responsibility for retirement > Level of awareness of need to plan for retirement > Financial capability/understanding of financial matters regarding plans for retirement, retirement planning — level of development of plans, financial preparedness for retirement, and level of projected income replacement
The Changing Face of Retirement. <i>Aegon Retirement Readiness Survey, 2014.</i>	≈1,000	<ul style="list-style-type: none"> > 15 countries included (n ≈ 15,000) > Retirement readiness
Meet the 2020 Chinese Consumer. McKinsey & Company, 2012.	n.s.	<ul style="list-style-type: none"> > Shifting spending patterns & rising expectations
Global Consumer Sentiment Survey. McKinsey & Company, 2015.	≈1,000	<ul style="list-style-type: none"> > 21 countries included (n ≈ 22,000) > Buying behaviors
Attitudes Towards Advance Care Planning and Healthcare Autonomy Among Community-Dwelling Older Adults in Beijing, China. Zhang, N., Ning, X, Zhu, M., Liu, X., Li, J., & Liu, Q., 2015.	900	<ul style="list-style-type: none"> > Cross-sectional study with older adults living in the residential estate of Chaoyang district in Beijing > “Advance care planning” is defined as a communication and decision-making process that allows individuals to clarify their values and preferences for future care, and enables them to communicate their wishes to loved ones, surrogate decision makers and healthcare providers. > Measures community-dwelling older persons' preferences and attitudes towards planning, truth telling, healthcare autonomy, and end-of-life care.
Advance Directive and End-Of-Life Care Preferences Among Nursing Home Residents in Wuhan, China: A Cross-Sectional Study. Ni P., Zhou J., Wang Z. X., Nie R., Phillips J., Mao J. Y. <i>Journal of The American Medical Directors Association</i> , 2014.	467	<ul style="list-style-type: none"> > Cross-sectional study design > Respondents age 60 and older

SOURCE	SAMPLE	INSIGHTS
Self-Perceived Age and Attitudes Toward Marketing of Older Consumers in China. Ying, B. & Yao, R. <i>J Fam Econ Issues</i> , 31, 2010.	1,120	> Measures factors that influence self-perceived age, value system and lifestyle, attitude toward marketing activities, and demographic and economic background
Challenges of Population Aging in China: Evidence From the National Baseline Survey of The China Health and Retirement Longitudinal Study (CHARLS) CHARLS Research Team, 2013.	17,708	> National events listed on the screen and important events are added to the screen to probe thoughts based on the historical event > Proportionate stratified random sampling: used census of dwellings via Google maps to randomly sample dwellings in provinces > Representative of the national census per age group > Two-thirds of sample from rural area
Balancing Tradition and Modernity: The Future of Retirement in East Asia. The Center for Strategic and International Studies, 2012.	2,826	> 7 countries included (n = 8,047) > No rural, but broader range with use of phone interviews
Relationship Between Internet Use and General Belief in a Just World Among Chinese Retirees Zhang, Zhang, and Zhu; <i>Cyberpsychology, Behavior, and Social Networking</i> . Vol. 16, Number 7, 2013.	12,309	> How much time spent on Internet, what their primary news and information source is (Internet, books, newspapers, magazines, televisions),
Effects of Age On Saving Motives of Chinese Urban Consumers. Yao and Xiao, The University of Rhode Island Human Development and Family Studies Faculty Publications, 2014.	2,078	> H1: young consumers are the most likely among all age groups to save for emergency, purchasing a home, and a car or other durables > H2: middle-aged consumers are the most likely among all age groups to save for retirement. > H3: older consumers are the most likely among all age groups to save for wealth preservation. > H4: older consumers are the least likely among all age groups to save for children's education. > Dependent variables: savings motives
The Chinese Insurance Consumer. LIMRA & Swiss Re, 2014.	505	> 12 countries included (n ≈ 6,000) > Shopping preferences and patterns, ages 15 to 80
The Size and Distribution of Hidden Household Income in China. Wang & Woo, 2010.	4909	> Identification of hidden income using savings data, cost of housing data, and private automobile ownership stats. Researchers identified hidden income in china, that wealthiest were not represented in census and that income inequality is much greater than realized
The Future of Retirement: Life After Work? (China Report). HSBC: <i>The Future of Retirement Programme</i> , 2013.	≈1,000	> 15 countries included (n ≈ 16,000)
The Changing Face of Retirement. <i>Aegon Retirement Readiness Survey, 2013</i>	≈1,000	> 10-12 countries included (n ≈ 12,000) > Annual consumer survey
Asia's Retirement Wellness Index. DBS-Manulife, 2016.	≈1,000	> 6 countries included (n = 6,068) > Ages 40 to 60, online (urban) pre-retirees only
The Always On Chinese Consumer Experience. <i>Epsilon</i> , 2015.	≈1,000	> Face to face and online interviews, but tier i and ii cities only

Appendix E. Insurance Companies in China

RANK	INSURANCE COMPANIES	WRITTEN PREMIUMS 2015 CNY MN	WRITTEN PREMIUMS 2015 USD MN	GROWTH %	MARKET SHARE	WRITTEN PREMIUMS 2014, CNY MN
1	CHINA LIFE	364,054.42	58,342.05	9.91%	22.96%	331,242.20
2	PING AN LIFE	208,447.63	33,405.07	19.80%	13.14%	173,994.83
3	NEW CHINA LIFE	111,858.59	17,926.05	1.81%	7.05%	109,868.26
4	CHINA PACIFIC LIFE	108,589.31	17,402.13	10.03%	6.85%	98,691.73
5	PICC LIFE	89,430.63	14,331.83	13.61%	5.64%	78,717.56
6	TAIPING LIFE	79,922.72	12,808.13	22.72%	5.04%	65,128.49
7	SINO LIFE	78,998.27	12,659.98	115.19%	4.98%	36,710.70
8	TAIKANG LIFE	76,029.36	12,184.19	11.97%	4.79%	67,904.39
9	ANBANG LIFE	54,527.22	8,738.34	3.10%	3.44%	52,887.56
10	SUNSHINE LIFE	31,049.99	4,975.96	77.49%	1.96%	17,493.58
11	HEXIE HEALTH	30,805.51	4,936.78	19,256.92%	1.94%	159.14
12	CHINA POST LIFE	24,742.42	3,965.13	12.71%	1.56%	21,952.82
13	GUOHUA LIFE	23,666.87	3,792.77	472.73%	1.49%	4,132.26
14	ICBC-AXA LIFE	23,538.38	3,772.18	52.84%	1.48%	15,400.43
15	CCB LIFE	20,526.71	3,289.54	29.19%	1.29%	15,889.16
16	TIANAN LIFE	19,129.01	3,065.55	583.28%	1.21%	2,799.58
17	QIAN HAI LIFE	17,375.94	2,784.61	414.98%	1.10%	3,374.09
18	PICC HEALTH	16,098.18	2,579.84	1.92%	1.02%	15,795.47
19	AEON LIFE	15,918.58	2,551.05	86.59%	1.00%	8,531.48
20	ABC LIFE	14,430.24	2,312.54	37.35%	0.91%	10,506.10
21	PING AN ANNUITY	13,085.60	2,097.05	47.67%	0.83%	8,861.12
22	AIA	12,571.23	2,014.62	18.94%	0.79%	10,569.55
23	UNION LIFE	12,334.84	1,976.74	4.74%	0.78%	11,776.08
24	CHINA LIFE GROUP	11,351.95	1,819.22	-5.32%	0.72%	11,989.61
25	HAPPY LIFE	10,748.43	1,722.50	41.67%	0.68%	7,587.07
26	MINSHENG LIFE	9,510.10	1,524.05	19.23%	0.60%	7,976.18
S27	GENERALI CHINA LIFE	9,179.80	1,471.12	63.70%	0.58%	5,607.66
28	CIGNA	7,847.15	1,257.56	47.93%	0.49%	5,304.54
29	METLIFE	7,543.77	1,208.94	11.71%	0.48%	6,752.85
30	LIAN LIFE	6,728.54	1,078.29	30.73%	0.42%	5,146.74
31	CITIC-PRUDENTIAL LIFE	6,217.61	996.41	22.30%	0.39%	5,084.10
32	HUAXIA LIFE	5,223.84	837.15	65.05%	0.33%	3,165.10
33	DRAGON LIFE	4,659.74	746.75	43.97%	0.29%	3,236.56
34	SHANGHAI LIFE	4,401.26	705.33	N/A	0.28%	N/A
35	AVIVA-COFCO LIFE	4,252.33	681.46	11.93%	0.27%	3,799.13
36	BOCOMM LIFE	4,072.04	652.57	54.24%	0.26%	2,640.06
37	MANULIFE-SINOCHAM LIFE	3,955.28	633.86	18.27%	0.25%	3,344.22
38	ZHONGRONG LIFE	3,450.33	552.94	-27.48%	0.22%	4,757.65

RANK	INSURANCE COMPANIES	WRITTEN PREMIUMS 2015 CNY MN	WRITTEN PREMIUMS 2015 USD MN	GROWTH %	MARKET SHARE	WRITTEN PREMIUMS 2014, CNY MN
39	TAIPING PENSION	3,299.46	528.76	13.40%	0.21%	2,909.62
40	SUN LIFE EVERBRIGHT LIFE	3,121.54	500.25	30.64%	0.20%	2,389.49
41	BOC SAMSUNG LIFE	3,055.32	489.63	372.99%	0.19%	645.96
42	HUATAI LIFE	3,004.73	481.53	19.05%	0.19%	2,523.94
43	GREATWALL LIFE	2,681.38	429.71	10.38%	0.17%	2,429.23
44	ALLIANZ CHINA LIFE	2,561.04	410.42	19.78%	0.16%	2,138.05
45	BOB-CARDIF LIFE	2,337.79	374.65	-7.10%	0.15%	2,516.58
46	HONG KANG LIFE	2,191.34	351.18	-6.44%	0.14%	2,342.08
47	YINGDA TAIHE LIFE	2,137.47	342.54	27.31%	0.13%	1,678.96
48	TAIKANG PENSION	2,043.95	327.56	630.49%	0.13%	279.81
49	AEGON THTF LIFE	1,409.85	225.94	7.17%	0.09%	1,315.48
50	SINATAY LIFE	1,364.52	218.67	-23.79%	0.09%	1,790.57
51	HENG AN STANDARD LIFE	1,356.86	217.45	11.96%	0.09%	1,211.97
52	JIXIANG LIFE	1,328.44	212.89	124.91%	0.08%	590.65
	GREAT EASTERN LIFE ASSURANCE (CHINA)	1,305.39	209.2	56.44%	0.08%	834.45
53	FOUNDER MEIJI YASUDA LIFE	893.41	143.17	15.76%	0.06%	771.8
54	HSBC LIFE	852.13	136.56	9.94%	0.05%	775.09
55	CATHAY LIFE	608.24	97.48	28.63%	0.04%	472.87
56	KING DRAGON LIFE	584.37	93.65	82.38%	0.04%	320.41
57	OLD MUTUAL-GUODIAN LIFE	547.53	87.75	176.17%	0.03%	198.26
58	PING AN HEALTH	523.28	83.86	25.52%	0.03%	416.87
59	SOOCHOW LIFE	443.5	71.07	15.13%	0.03%	385.23
60	BOHAI LIFE	412.15	66.05	N/A	0.03%	N/A
61	CHINA UNITED LIFE	401.48	64.34	-2.70%	0.03%	412.62
62	SINOKOREA LIFE	364.24	58.37	102.17%	0.02%	180.17
63	NISSAY-GREATWALL LIFE	246.89	39.57	0.76%	0.02%	245.03
64	SHIN KONG HNA LIFE	152.32	24.41	-35.65%	0.01%	236.69
65	KUNLUN HEALTH	135.92	21.78	51.72%	0.01%	89.59
66	PEARL RIVER LIFE	118.74	19.03	62.12%	0.01%	73.24
67	ERGO LIFE	70.52	11.3	123.03%	0.00%	31.62
68	PRAMERICA FOSUN	57.24	9.17	37.17%	0.00%	41.73
69	GUOLIAN LIFE	22.08	3.54	N/A	0.00%	N/A
70	CPIC ALLIANZ HEALTH	5.91	0.95	N/A	0.00	N/A
71	ANBANG PENSIONS	0.23	0.04	N/A	0.00	N/A
72	SINO-FRENCH LIFE	0.03	0	-98.94%	0.00	2.35
	OTHERS	N/A	N/A	-100.00%	N/A	0
	MARKET TOTAL	1,585,913.10	254,152.72	24.97%	100.00%	1,269,028.47

SOURCE: AXCO GLOBAL STATISTICS / INDUSTRY ASSOCIATIONS AND REGULATORY BODIES

DUE TO ROUNDING SOME TOTALS MAY NOT EQUAL THE BREAKDOWN ABOVE.



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