

# Thoughts on Promoting the Development of Pension Finance in China

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**Abstract:** The pension finance industry is a composite concept system that includes pension finance, pension service finance, and aging product finance. Carrying out healthy financial management is related to the health and safety of the country and the interests of the people. It is a major breakthrough to alleviate the difficulties of the country's aging and cope with the risks of aging. It is also an inevitable need to promote the supply side reform, step through the "middle-income trap", and build a well-off society in an all-round way.

**Keywords:** Pension; Finance; Development

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## Introduction

The elderly care business has a large market demand, a large system guarantee, a large right of independent choice, and a clear customer orientation. It needs to gradually build a long-term business oriented by the needs of the elderly, taking into account the safety, liquidity and profitability of the elderly. In the future, the aging level of China's population will gradually increase, and the demand for community elderly care services will also continue to grow. By innovating social elderly care services and accelerating the development of elderly care finance, we can revitalize the entire Chinese aging market and help economic growth.

## 1. The current development of pension finance in China

### 1.1 Innovative financial services for the elderly in the banking industry

The banking industry has actively responded to the call of the state, constantly innovated finance, actively expanded financial services for the elderly for service groups focusing on the elderly, and has taken new measures to enrich financial services for the elderly, such as developing new financial products, establishing financial service branches for the elderly, and facilitating service settlement for the elderly. As the traditional banking services are constrained by the general environment of interest rate marketization, and the service vitality is not enough, pension finance has become the main means for commercial banks to transform, upgrade and adjust their structures. Financial services for the elderly to support the aging industry has become a new blue ocean for the development of China's banking industry.

### 1.2 Elderly care community and combination of medical care and nursing care

#### have made further development

Under the guidance of the government, various private funds and social investment began to enter the elderly care product market, and the elderly care community was developed. At present, most pension institutions at home and abroad take the form of long-term care retirement institutions, which rent beds to provide daily care and health consulting services for the elderly. In addition, the recent growth of medical and nursing integration services has accelerated, gradually integrating hospital resources and medical resources, promoting reasonable adjustment of resource allocation, and improving the level of medical development. At present, the development

mode of combination of medical and nursing services can be roughly divided into four categories: medical integration, medical integration, social medical services and family beds <sup>[1]</sup>.

## **2. Main problems of pension finance in China**

### **2.1 The uncertainty of basic endowment insurance policy is great, and the fund accumulation is difficult to sustain**

China's basic old-age insurance system has implemented a social basic old-age insurance mechanism that combines social pooling and individual accounts. The social pooling department mainly realizes the social security function of consumption re payment through the pay as you go system, while the accumulation of individual accounts focuses on the consumption incentive function. China's basic old-age insurance mechanism aims to achieve the combination of social security mutual aid and individual burden. In the process of the basic old-age insurance system, the basic invisible expenditure of some unpaid elderly people was not taken into account, and the national social security pooling fund did not realize the calculation and distribution of basic pensions for enterprise retirees in the current year when it was specifically implemented. Some private funds were insufficient to complete the distribution of enterprise basic pensions in the current year, which finally led to the "empty account operation" of private funds, It seriously deviates from the construction goal of the unified account combination model, which is not conducive to enhancing the enthusiasm of individuals to achieve basic pension accumulation, and cannot really complete the accumulation of basic pension funds to meet the challenges of population aging in the future.

### **2.2 The financing of the pension industry is difficult, and the shortage of fund supply restricts the healthy development of the pension industry**

The elderly care industry has high financing requirements, long capital recovery time, and great difficulty in investment in the elderly care industry. The profit seeking characteristics of banks also lead to a single investment mode in the elderly care industry in China. Indirect investment by commercial banks accounts for a large proportion, while direct investment accounts for a small proportion; The participation of banks in the market is not enough. In addition to the basic policy oriented commercial banks, other commercial banks, including securities companies and insurance companies, have weak capital service capabilities; The financial service capacity is insufficient. In addition to the most basic credit business, the corresponding supporting services are also seriously insufficient. The shortage of fund supply in the elderly care field not only affects the further development of China's elderly care financial market, but also indirectly causes the overall scale of the financial service structure in the elderly care field in China to be insufficient, which cannot solve the emerging aging social problem in China.

## **3. Optimized development path of pension finance in China**

### **3.1 Improve the three pillar pension model**

Pension financial services are the core component of China's pension financial services, and the reform and development of the basic pension security system is also an important key to the development of China's pension financial services. At present, the reform of China's basic old-age security system is not perfect for solving the problem of sharing the responsibility of supporting between the government, companies and individuals. In the reform, we should gradually form a third pillar old-age system that suits China's national conditions based on a more pragmatic and sound principle: the first supporting foundation is that pensions are paid through social pooling, and the financial payer is transparent in its deficiencies, while the annual fees of Chinese enterprises The annual post fee plus the accumulation of individual accounts should become the second guarantee of basic old-age care, and become a relatively independent second pillar old-age care through the socialist market-oriented operation. Through the corresponding preferential deferral,

we should guide residents to enhance their sense of support, and encourage individual tax deferred old-age care to play a greater social role as the third pillar old-age care system. The financial department should give full play to the function of government supervision and guidance, improve mechanism construction, improve management and ensure market capital operation in the first pillar pension, and focus on the function of government improvement mechanism construction and actual supervision in the second and third pillar pension. By increasing the proportion of the second and third pillar pensions, we will actively promote pension enterprises to put them into market operation, and effectively alleviate the pension payment problem by appropriately postponing the retirement age to increase the pension payment period<sup>[2]</sup>.

## **3.2 Develop a multi pillar pension system**

In addition to the basic old-age insurance system, in order to solve the problems of some poverty-stricken people who have been short of employment for a long time, as well as the basic spiritual needs and non-material needs of the elderly, some countries are exploring the development of a new multi support old-age system, and have established a zero support non paid pension and a four pillar system. The non paid pension of the zero support security system is mainly used to provide the minimum basic survival guarantee for family life, so as to effectively improve the national welfare and reduce the living difficulties of the elderly; The fourth pillar security system mainly includes some social and economic support projects with a wide range, aiming to address the basic non-material needs of the elderly. On the basis of the above three pillar pension methods, China may solve the basic survival needs of the elderly in poor areas by expanding the zero pillar pension of social welfare expenditure, further develop a complete multi support pension service system in a healthy way, and truly improve China's pension service fund environment.

## **3.3 Optimize the pension collection and payment management system**

In order to overcome the phenomenon that the payment basis is not unified in the national pension planning and payment management, we should continue to improve the pension collection management system. The human resources and social security administrative departments and the finance and taxation departments should increase communication and coordination, share personnel data, determine the unity of the payment basis and tax basis in the system, strengthen supervision over employee wage level records, ensure that the payment basis is accurate, and build a mechanism, We will make a positive connection between pension planning and payment ratio, strengthen the positive guidance of individual contributions and future benefits, and promote more contributions.

## **3.4 Innovate the endowment insurance model for urban and rural residents**

Due to the imbalance of economic and social development among regions in China's pension financial system, some local citizens have not participated in the national employee medical insurance mechanism. The relevant government departments will gradually promote the innovation and development of the medical insurance mechanism for urban citizens based on local urban citizens, starting with the design of top-level buildings and combining with local financial subsidies. On the one hand, we should improve local legislation to improve the fairness and transparency of the social insurance mechanism for urban and rural people; on the other hand, we should improve the security of the amount of basic old-age insurance and actively guide people to participate in community basic old-age insurance. At the same time, we should scientifically and rationally formulate the amount of tax subsidies, give more financial administrative convenience to local governments at all levels, and provide certain tax incentives and government investment subsidies to economically backward areas to promote the further innovation and development of the community basic endowment insurance mechanism.

## **3.5 Vigorously develop financial services for the elderly**

The construction of China's pension finance needs the joint efforts of government departments and banks. Government departments must pay attention to pension finance, formulate reform and development opinions and improve rules and regulations, and clarify the scope of government responsibilities. All major banks should also strengthen policy support, pay full attention to pension

business, strengthen reform and innovation, and actively develop combined pension financial service products such as personal savings, occupational pension, stocks, insurance, commercial trust, real estate, investment and financing.

### **3.6 Increase market investment in the elderly care industry**

In view of the current general trend of "getting old before getting rich", we will actively establish a relatively sound investment and financing system to promote private capital and social capital to invest in the elderly care industry. The combination of medical care and nursing care and the exploration of PPP investment model will be the next important development focus of China's elderly care industry. While effectively alleviating the investment problem of China's elderly care industry, it will also find new growth points for China's macroeconomic development.

## **4. Conclusion**

There is a large amount of market potential in the elderly care industry. The improvement of the population aging level has provided greater opportunities and markets for the elderly care industry. With the gradual promulgation of national policies and regulations, the entire elderly care industry has become an inevitable trend, and the national elderly care industry will also get more and more opportunities for growth.

## **References**

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