

EU-China Social Protection Reform Project

Component 2 macro-activities

1 Chinese Short Term Expert

(Annual Work Plan 2017 – Macro-Activities 2.1 to 2.12)

Topic 2.3.2

Investment strategies of social funds and risk control methodologies

TERMS OF REFERENCE (ToR)

1. Background

1.1 General

The purpose of the EU-China Social protection reform project (“the Project”) is to contribute to the improvement and inclusiveness of China’s social protection system through strengthening the institutional capability for developing policies, for implementing legal and regulatory frameworks and for supervising systems of social insurances, social assistance and financial management in the area of social security. In particular, the Project’s purpose will be pursued through the following three components in relation to which specific Chinese government entities playing the role of partner of the consortium have been identified:

- i. Component 1: Consolidation of institutional capacity for social protection policy development and reforms in collaboration with the National Development and Reform Commission (“NDRC”);
- ii. Component 2: Enhancing of institutional capacity for financial management and supervision concerning social security funds in collaboration with the Ministry of Finance (“MoF”); and
- iii. Component 3: Improving of legal framework and policy for social assistance in collaboration with the Ministry of Civil Affairs (“MoCA” and, together with NDRC and MoF, the “Chinese Ministries”),

These ToR fall under Component 2 of the project.

2. Description of the Assignment

2.1. Overall and Specific Objectives

2.1.1 Overall Project Objectives

The overall scope of the SPRP project is to further develop social equity and inclusiveness of economic development throughout Chinese society. For the Component 2, the main target is to enhance the institutional capacity for financial management and supervision concerning social security funds.

In 2017, the Component 2 will analyze the following three topics:

2.1.4 An integrated system for the coordinated management of the social assistance system

2.3.1 Development of Old-age Service Industry and Long Term Care System

2.3.2 Investment strategies of social funds and risk control methodologies

This ToR is for the topic 2.3.2

2.1.2 Specific Objectives

The data from China’s sixth census of 2010 shows that: China is the only country in the world where the elderly population is more than 100 million, and that number is growing by 3.2% annually. Taking into account the globally-unique “one family one child” policy, in the coming decades China will face increasing pressure on the pension system. Based on the current fiscal regime, the public pension system will be incapable of supporting the fallout; the private pension fund system is not adequate to meet the crisis of future’s payments. China should institute a major national strategy for its social security by developing private pensions, investing properly and developing a pension system incorporating enterprise annuity and occupational pensions.

As an emerging economy, China has not yet accumulated enough pension funds for the newly retired who worked during the planned economy period. Hence, local governments have to divert the funds of the employees' personal accounts to pay the retirees' pensions. As a consequence, the worker's personal accounts are de facto partly empty (Sun and Hu, 2014).

Social insurance funds are the basement of social security system, their well investments would be a good measure for solving problems of benefit absence in the aging society. The State Council issued the "the Basic Old-Age Insurance Fund Investment Management Approach (Guo Fa [2015] No.48)" in August 2015. It is a regulation to specialize the Chinese Social Insurance Law's insurance fund's investment management.

According to this regulation, the public pension fund could invest up to 30% of its net assets into the stock market. Additionally, it can invest up to 20% of its net assets in key state-owned or state-controlled enterprises, core competitiveness of local industry leaders, and provincial finance departments. Fiduciary, custody and investment management agencies must establish a sound internal control system of investment management to safeguard the pension funds.

According to the above laws and regulations, defining problems existing in the design and implementation of the current social insurance fund system, the present research shall focus on the basement theory, international comparison, judgment of current situation, discovery of future opportunity for getting common understanding of the situation and forming policy suggestion for promoting China's pension fund reform.

2.2. Requested Services

The Expert will perform his assignment in close collaboration with the EU C2 Resident Expert. He will submit a mid term draft for comments and amendment suggestions by the project team. He will present the main results of the survey at the dedicated Panel Discussion to be organized in Beijing, in September 2017.

The report will include the following sections:

1) Site survey of social insurance fund, including:

- Analyzing category, size, managing authority and policy reason of various social insurance fund used in different aspects;
- Analyzing policies of social insurance fund use, including national policies and those issued by local governments;
- Understanding the role of governmental agencies and their subordinate organizations in the supplying of social insurance fund, in order to find the institutional problems and device a way to coordinate the funds.
- Commenting on international researches and foreign policies, and collecting good international experience for China.

2) Coordination and cooperation with the National Social Security Fund (NSSF), as there are RMB 360 Billion provincial social insurance fund assets were managed by NSSF now. From 2012, Guangdong and Shandong Province ask NSSF to invest their RMB 200 Billion social insurance fund.

3) Coordination and integration of social insurance information, including

- Analyzing social insurance fund information sharing system for policy maker and NSSF, in order to design information sharing system for operational authorities and management institutions;
- Analyzing social insurance information sharing system for fund managers in order to design information sharing system for multiple authorities and levels;
- Proposing information sharing program for operators, especially how to improve standard making and mechanism adjustment of social insurance fund information and how to strengthen dynamic management of social insurance fund recipient by using big data and shared information. In this respects the **Centrelink** System of Australia is a good example to learn.

4) Coordination and cooperation among social insurance authorities, including:

- How to build up work cooperation mechanism for social insurance fund management and risk control regulation among provincial authorities;
- What are the power and responsibility of each authority at different levels in the cooperation.

5) Coordination and cooperation of social insurance fund management and risk control programs, including:

- How to build up a coordinated social insurance fund management and risk control system according to the coordination of funds, information and authorities;
- Performance assessment system for giving feedback to social insurance fund management and risk control before, during and after the coordination process.

2.3. Outputs

- A report of around 40 pages in English and Chinese language.
- A presentation at the Panel Discussion

3. Experts' Profile

Requirements Short Term Expert	Requirement/asset
Qualifications and skills	
University Degree within the relevant sectors of Social Protection, Law, Political Science, Economics	A
Fluent in English and Chinese both verbally and in writing	R
Strong analytical and drafting skills	R
Ability to develop and maintain good professional relations with stakeholders, particularly counterparts and staff members in an international setting	R

Ability to work in team and share knowledge relating to social security to the counterpart	R
Previous experience in execution tasks in other international projects	A
Strong training skills	R
Professional experience	
10 years experience of working in areas related to Social Protection at the domestic and international levels	R
A proven record of accomplishment in conducting research work nationally and internationally in the realm of social protection.	R

4. Location & Duration

Location: Beijing

Timing: March- September 2017

Working days: 25

5. How to apply:

Interested Expert(s) are requested to submit three documents:

1. Candidacy – Letter of intents
2. A CV in English (Europass format suggested), possibly in word format
3. A copy of her/his Identification Document

Applications are to be sent to C2 Resident Expert, Mr. Michele Bruni: Michele.bruni@eucsprp.org with copy to Comp2.InpsProgettoCina@inps.it within the established deadline of 8 March 2017.