

Report for Social Security Fund Supervision and Management Study Tour in Sweden and Austria

According to annual work plan of EU-China Social Security Reform Cooperation Project, a study tour of fund management was undertaken to Sweden and Austria from October 10 to October 22, 2009 to know more about social insurance fund arrangements in the two countries, especially in the field of pension and fund management. Ms. Zhang Hao, Deputy Director General from Social Insurance Funds Management Department, Ministry of Human Resources and Social Security (MoHRSS), was the team leader of the delegation. Other participants came from relevant departments in MoHRSS, other ministries and provinces. Two scholars from the Chinese Academy of Social Sciences and Renmin University also joined the visit. Following the agenda arranged by the Project, the party visited the Ministry of Health and Social Affairs, Premium Pension Authority(PPM), AP4 Fond, Financial Inspektion(FI) and Swedish Social Insurance Agency(SSIA) in Sweden, and Ministry of Labour, Social Affairs and Consumer Protection, Social Security Insurance,

Austrian Association of Social Security Institutions, Pension Insurance institute (PVA), Farmers Social Insurance Institute, Health Insurance Company of Vienna (WGKK) and Health Fond of Vienna in Austria. The delegation were also present at the 4th EU-China Social Security High Level Round Table during the visit to Sweden.

1. General Social Security Situation in Sweden

Sweden has chosen very broad social welfare policy since 1932. A comprehensive and multi-level social protection system that covers medical insurance, unemployment support, occupation protection, free education and pension is established on the base of full employment and re-distributive income policy. Basic living security is treated as a legal right of citizens, especially elderly people. A system called FROM CRADLE TO GRAVE, which offers life-long security for the people. The Government also legalized the whole system; therefore citizens can appeal the case to either local public insurance court or senior public insurance court. Expenditure on social welfare accounts for 23% of GDP in Sweden. At the same time, Sweden has the second highest tax rate in the world.

1.1 Swedish Pension System

The pension system in Sweden composes of three pillars and the first pillar has three parts, guaranteed pension, income based pension(which follows pay as you go and NDC) and premium pension(which is actually reserved funds and follows DC mode). The second pillar is occupational pension and the third pillar is private pension.

Relevant pension managing organizations are Ministry of Health and Social Affairs, Swedish Social Insurance Agency (SSIA), AP Fonds, Premium Pension Authority, and so on. The Ministry of Health and Social Affairs is mainly responsible for the legalization and administration of social welfare relevant policy. The SSIA is mainly dealing with income based pension, disabled benefit, family benefit and sickness benefit. AP Fonds agencies manage the funds of income based pension, their board members are appointed by Ministry of Finance. The PPM is more like a company employed by the government, whose responsibility is managing premium pension. SSIA and PPM are going to be combined from January 2010.

1.2 First Pillar Pension

Sweden established the National Pension System from

1914. A typical Defined Benefit mode was chosen in 1960, which had the function of redistribution. In 1999, the Swedish started pension reform, after which the old system is separated into two parts and notional individual account and individual account are set up. A new guaranteed pension for the low income group is also started because redistribution function of this new system is relatively weak. The reform follow a way to cover different people born at different period by different system and uses different methods to deal with different target group at different age. Under the old system, the contribution period was 30 years and the retirement age was 65. The benefit was counted on the base of 15 years best income. The pension could (and still can) be claimed after 61.

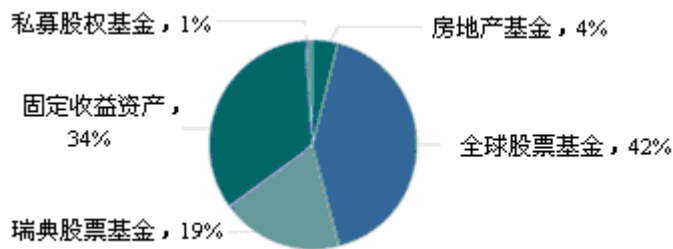
According to Pension Act 1999, income based pension and premium pension are levied as a kind of social insurance tax, which makes 18.5% of individual income (including wage and part of subsidies and ceiling line is 380,000SEK). Among this 18.5%, 11.5% is paid by the employer and 7% is paid by individual, and 16% is income based pension and 2.5% is premium pension. The Income based pension and premium pension are self-balancing within themselves and government does not give subsidy, except as credits for periods of

unemployment, study and maternity leave and for military service. Currently, notional assets of income based pension exceeds 6000 billion SEK and actual reserved fund (including interest) is 700 billion SEK, which becomes base of AP Funds. These mentioned notional assets and actual reserved fund totally accounts over 7000 billion SEK. The market value of the funds in the Premium Pension' System value is about 300 billion SEK. Expenditure on pension is about 7.6% of GDP. Average salary is about 200,000 SEK. Replacement rate is around 50% to 60% for income based pension. For premium pension, this figure is about 10%.

1.2.1 Income-based Pension

Income based pension is collected through the tax system and a branch agency under SSIA is responsible for management. This special agency has 30,000 staff members, dealing with 6.2 million employees and 1.7 million retirees. To avoid national finance risk and make sure normal operation of PAYG system, Swedish Parliamentary established buffer funds for the surplus of the old system and the reserved funds are managed by AP1, AP2, AP3, AP4 and AP6, The AP Funds use third parties to do the investment. Administration cost is around 0.26% of the funds, among which internal cost is

0.12%-0.18% and external cost is 0.08%-0.10%. Taking AP4 as an example, the organization has 50 staff members, manages 175.7 billion SEK. AP4's assets portfolio is shown as follows:



(Private Equity 1%, Real Estate 4%, Fixed Income 34%, Swedish Equity 19%, Global Equity 42%)

The investment purpose of the buffer fund is to make maximise returns for income base pension and purpose for setting up reserved fund is to get relatively higher return under 'acceptable' risk. There are some rules for percentage and types of products can be invested. For example, the investment on fixed income product should reach 30%. Therefore setting buffer funds can protect the balance between PAYG income and payment. By the end of 2007, total reserved balance of income based pension notional account is 898 billion SEK. Affected by Financial Crisis, this figure was reduced to 707 billion by the end of 2008. At the same time, the average rate of return of the buffer funds also slowed

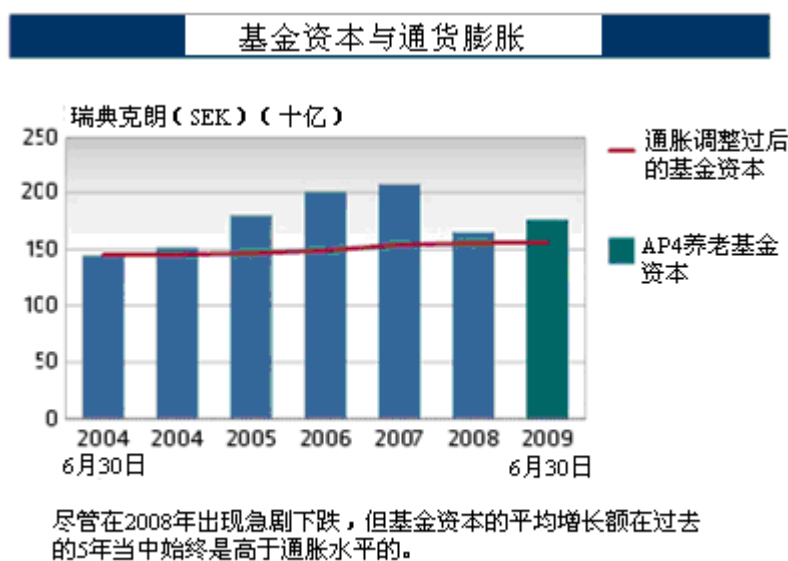
down sharply but has still exceeded the inflation rate in the last five years.

Comparison of Capital of fund and inflation

Unit: SEK (billion)

Red line: fund capital after inflation

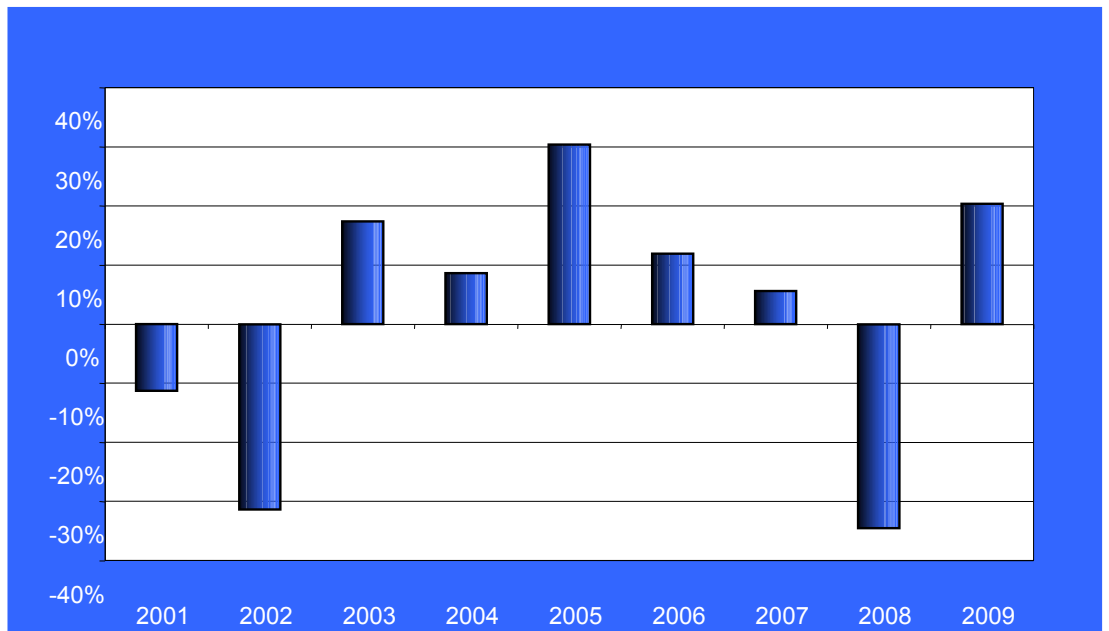
Green pillar: fund capital of AP4



1.2.2 Premium Pension

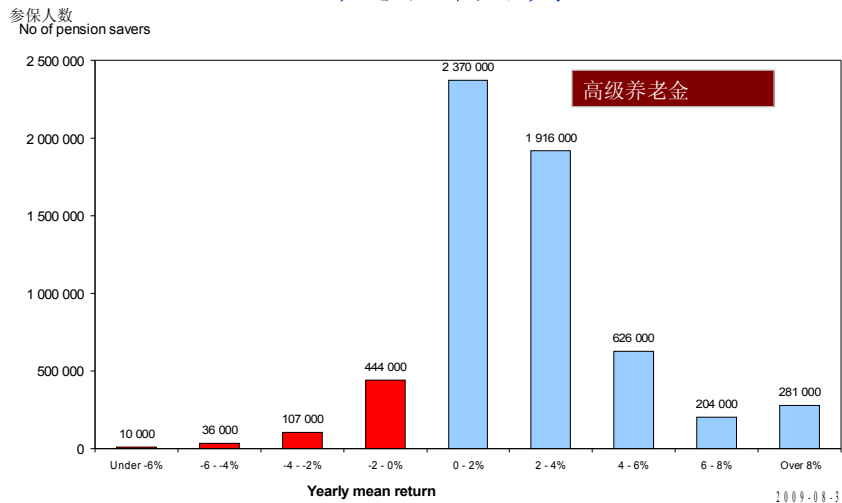
The PPM was launched in 1999 to manage the Premium Pension. The contribution rate for premium pension is 2.5% of one's salary or self employed income. The Tax bureau collects the contribution and the money is transferred to PPM by Ministry of Finance. After bidding, PPM chooses proper fund managing organization to do investment. The insured

individual has the right to choose investment products for reserved funds in their individual account. They can choose up to five funds through PPM, and his or her choice can be change anytime if he or she wish to do so. Generally speaking, 67% of insured people have been active investors For the rest who have not do the selection, their money in individual account will go to AP7 and be invested under high or middle risk. Nowadays, insured people can do their choices among 800 products offered by fund companies. From 61, one can choose annuity for life. By the end of 2007, individual account's total marketing value is 44.3 billion US dollar. Influenced by financial crisis, this figure reduces to 33.3 billion US dollar by the end of 2008. As for portfolio, equity makes up around 85%, bonds 10%. By 31 August 2009, the annual return for most insured people has been between 0 and 4%; the following table describes average annual return for premium pension:



Investment return for premium pension

PPM是否成功?



Visit from China, 13 October 2009

7

PPM
Premium Pension Authority

The PPM has 200 staff, they deal with 85 fund managers, manage 6 million clients (total population in Sweden is 9 million). The administration cost is 0.15% of assets under

management (AUM) for PPM itself; and on average fund companies charge 0.3% of funds they are dealing with. The total cost is therefore around 0.45% of the fund.

1.2.3 Guaranteed Pension

The Guaranteed pension offers minimum income protection for retirees and protects the basic life needs for elderly people. The standard and any adjustment are set by Government. When an individual's pension benefit level is lower than the standard given by the government, he or she will be entitled to get guarantee pension.

The target group for the Guaranteed pension is those who have no income or low income and the pension is financed by central government. The Guaranteed pension is around 4,500 SEK per month, which equals 40% of basic pension. To claim this pension, the insured people must retire after 65 and have lived in Sweden for over 40 years. As pension of citizens' (who get guaranteed pension) pension income increases, guaranteed pension will decrease gradually. When an individual's pension income exceeds 8,525 SEK per month (for single persons this figure is 9,475 SEK), he or she will not be allowed to get guarantee pension any more.

1.3 Second Pillar Occupational Pension and Third Pillar Private Pension

Occupational pension is a kind of security based on joint agreement made by employer and employees. Employers set up supplementary insurance for employees based on agreed salary contribution rates. Different fund companies, insurance companies and pension management companies can be chosen to manage this supplementary pension. The average replacement rate for occupational pension is 10% and this supplementary pension covers 90% of citizens.

Private pension means people buy fund or commercial insurance using their own savings to have more security for their pension. Swedish citizens can claim total amount of national pension from 65, and 94% of the pension can be claimed from 63. How much pension retirees can get has an important relationship with one's income level, economic growth and many other factors. There is no need to do an investigation on income condition when pension is claimed. This pension covers 60% of citizens.

Insured people have the right to choose how they allocate the DC funds in pillar two and pillar three funds.

1.4 Supervision System of Pension

In Sweden until July 1 2009, the SSIA supervised local social insurance agencies especially on income based pension and PPM supervised Premium Pension funds from internal aspects. It is Swedish Social Insurance Supervision Bureau. Financing Inspektion and National Auditing Office's responsibility is to do external supervision.

1.4.1 Swedish Social Insurance Supervision Bureau is responsible to supervise SSIA and PPM

Before 1 January 2005, 21 independent organizations managed the social insurance administration and National Social Insurance Board was responsible for the supervision of those organizations. Many people believed that this system was not scientific enough. After many years of operation, they reformed the National Social Insurance Board. From 2005, 21 independent organizations in different districts and National Social Insurance Board were combined into one government organization, which named Swedish Social Insurance Agency, which has 20 district organizations and 60 local branch offices. However, in the process of transfer period, no organization was responsible for supervision. Therefore on 1 July, 2009, the Swedish Social Insurance Supervision Bureau was set up

to supervise SSIA and PPM. From January 2010, SSIA and PPM are going to be combined into a new organization; therefore the object of supervision for the Swedish Social Insurance Supervision Bureau will be changed to the new organization. The Supervision Bureau has the right to check insured people's benefit and performance in pension system within SSIA and PPM and also to supervise the efficiency of social insurance benefit management. Fairness and justice during the whole process of claiming and getting pension is another focused point in the supervision.

1.4.2 Financial Inspektion is responsible for management and supervision of banks and insurance companies that are providers of occupational pension and commercial pensions.

Operation in pension market is supervised by FI. FI is entitled to supervise all financial market activities that happen in Sweden. Its functions include making laws and regulation, issuing licenses, marketing analysis, information disclosure, communication between departments, financial product development, risk grading, investment education, and so on. In social security aspect, FI supervises the fund companies which are responsible for PPM's investment, and also those financial organizations managing funds investment in

occupational pension and commercial pension. The FI releases supervising rules and guidelines and has many methods, such as the reporting system, information disclosure, data analysis, press testing, on and off-site investigation, and a traffic light stress test model, to supervise and test liability, solvency, and system risk. FI can give demands and requirements to Funds Company. If any company fails to obey the rules, FI can give them warning, fine(ceiling line 50 million SEK),limiting right to dispose of capital assets (if liabilities exceed assets), revoking the business licenses, or even bankruptcy liquidation.

1.4.3 The National Auditing Office provides the external audit of all Government agencies and conducts both financial certification audit and performance review audit.

The NAO mainly supervise the efficiency and effectiveness of first pillar pension management agencies. It is also responsible for checking whether staff's daily work is following business process and rules. The main target group is SSIA, SSIA's branch organizations in different districts and 60 local branch organizations. Auditors can go tax bureau and statistics bureau to check relevant data in social security field which is necessary for their work.

2. General Social Security Situation in Austria

Austria is one of the countries which has established social security system earlier than others. Cooperative medical insurance system was started 200 years ago. The work injury system was established in 1887. After hundreds of years of development (especially quick development after WW II in 1950s and 1960s), a comprehensive, systemic and standardized social security system has been established. The Austrian social security system includes social insurance, social welfare, social preference and compensation and social relief. Social insurance includes pension insurance, medical insurance and work injury. The coverage of social insurance is very high, 8.3 million people. For contribution, employers pay 25%-28% and employees pay 20%. Social welfare includes house subsidies for low income people, education subsidy, family birthing subsidy, and baby subsidy, which are not means tested. Social preference, compensation and social relief are mainly facing disabled people, elderly people and other weak group who has no income. Special assistance for disaster is also available. In 2005, the total amount of social security expenditure in Austria was 70.6 billion EURO, among

which pension accounted for 32 billion, medical insurance 17.6 billion, work injury and incapacity benefit 5.4 billion, and others 1.2 billion.

2.1 Pension

Austria has developed a comprehensive pension system and the current system follows Social Insurance General Law, which was passed in 1956. The pension system is made up of three pillars. First pillar is the national pension system, which follows PAYG mode, and the pension is managed by social insurance agencies for general or special groups of workers. The second pillar is enterprises pension and the government offers preferential tax policies for support. The third pillar is commercial insurance. Generally speaking, total pension expenditure is made up of all of the three pillars (first pillar 95%, second pillar 3%, third pillar 2%). The coverage is 98% for first pillar, 13% for second pillar and 2% for third pillar.

Austrian pension insurance covers 3.4 million employees and 2.1 million retirees and contribution rate is 22.8%; employers pay 12.55% and employees 10.25%. The ceiling line for contribution is 34,800, the income that exceeds this line will not be counted as part of the contribution base. Benefit level is decided by contribution period and contribution

level and the minimum contribution period is 15 years. For a female, having one child means that her contribution period can be shortened by four years. The retirement age is 65 for males and 62 for females. A certain percentage of pension can be claimed from 62 and 58 respectively. In 2009, the average salary is about 2,000 EURO, pension for white collar employees is 1,590 EURO, workers 930 EURO and replacement rate is about 70%. The minimum pension is 772 EURO per person per month. For couples, this figure is 1,158 EURO. The national pension scheme has a deficit of 6 billion between contributions and expenditure, which makes up 20% of the total amount. It is the Ministry of Finance's responsibility to finance this gap. About 40% of the gap is for special group subsidies, such for as maternity leave and military service. Another 45% is caused by the fund shortage. Coverage of national pension is as high as 95%.

Pension Reform was started in 2003, with the objective of preventing pre-retirement claims. From 2005 the retirement age for female should be raised gradually to 65 by the end of 2024.

The Austrian Enterprises Pension Law was passed in 1990, which describes that enterprise insurance should be

established on the base of joint agreement between employers, trade unions and employees. Enterprises insurance can be managed by enterprises or pension company “Pensionkassen”(following the DC mode). After working for five years, employees can transfer this fund. If enterprises find it difficult to transfer it immediately, transfer can be delayed after getting approval from trade union. However, high level benefits of social security do affect employees’ willingness to join enterprise insurance. So far, among 3.4 million employees, only 500.000 are covered by enterprise insurance, among 2.1 million retirees, only 60,000 are covered. There are 19 pension companies in Austria, seven of which are cross-enterprise ones and 12 are for single enterprises. These 19 companies manage 12,000 pension contracts, which value 12 billion EURO. This pension was invested since 1991 and return rate is 6%. Around 40% of pension asset are invested in equities which lost 14% of their value in 2008.

2.2 Medical Insurance

Austria has a comprehensive medical insurance system. In 2008, 8.2 million people are insured, which means that coverage for MI is up to 99%. The contributory population is 6

million, non-contributory population is 2.2 million. Insured people can have good medical services and family members of insured people can also be covered. The contribution rate is 7% of contribution base, employees and employers both pay 3.5%. For those insured people whose income is lower than 350 EURO, contribution can be exempted. Retirees still need to pay medical insurance contribution. Contribution makes up 45% of total payment. Government uses 10% of GDP in medical and health. At the same time, the Federal Government also offer loans for medical and health funds. Loans lent to medical funds total 420million EURO.

The payment for doctors and hospital services in Austria is handled by medical insurance agency and health funds. Medical insurance agency manages doctors, and evaluates service quality, quantity and cost by using a Balanced Scorecard Approach. The medical insurance organization also operate their own hospitals, health centres and private clinics;, 97.8% of whose income is spent on client services, the rest 2.2% is spent as administration cost. Major service provision includes acute care, dentistry, primary health care, and maternity services, . The medical insurance agencies have to cooperate with its hospitals, doctors, and also other

rehabilitation centres and private doctors.

2.3 Insurance for Special Group (Farmers)

In Austria, insurances for certain groups of workers is handled by special social insurance agency. Social insurance of farmers and employees in farm is handled by SVB. Nowadays, 162,000 employees are covered by farmer insurance, 350,000 family members and 180,000 retirees are also covered. By the end of 2008, SVB has 2.8 billion EURO in income, 72.4% of which comes from subsidy, 27.6% from contribution. For expenditure, 70% is used to pay pension benefit (36.5% for normal retirees, 25.8% for early retirees and 10.8% for spouse), and the rest is spent on primary health care, and other issues. Austria farmers are generally covered by medical insurance and can have a physical examination every year. Coverage of the head of household means the other family members are also covered, even if they are unemployed and non-contributors. One's children can be covered until 27 for free. Farmers only need to pay prescription fees and do not need to pay for medicine if they go to contracted doctors of the medical insurance agency. If they get treatment in non-contract clinics or private doctors, farmers have to pay by themselves and then get

reimbursement from the medical insurance agency. Inpatient treatment in contract hospitals should be paid by medial insurance fund.

2.4 Social Insurance Agency

There are 23 social insurance agencies in Austria, which are divided into two groups. One group is only responsible for special group, such as farmers, rail workers, owners of enterprise, civil servants and so on. The other group is responsible for general employee's pension, medical or work injury insurances, such as PVA, WGKK and work injury accidents agency. These organizations have branch offices in all districts. Social insurance agencies are independent and non-beneficial organizations and they are governed by representatives from different stakeholders and parties and negotiating system has been established. In total social insurance agencies employ 25,000 staff and these organizations have independent legal status. The medical insurance agencies are responsible for collecting contribution for all schemes and administration costs are charged to the fund. PVA charges 1.64 % (1.11% is used as managing cost and 0.53% is for agent fees). WGKK charges 2.2%.

2.5 Management and Operation of Social Insurance Fund

2.5.1 Pension Fund

The collection for 1st pillar pension is done by medical insurance agency and transferred to agencies that are dealing with pension or special pension for special groups (for farmers, civil servant, and so on). The 1st pillar of pension follows PAYG and therefore has no surplus fund. The Financial Crisis has caused direct loss of revenue of 220 million, which means that government has to give another 220 million to fill in the gap. The investment for the 2nd pillar is managed by the Pensionkassen and for the 3rd pillar is managed by commercial insurance companies. Government has quantitative limits for investment in certain asset classes invested in pillar two and three.

2.5.2 Medical Insurance Fund

Medical insurance income comes from two channels. Funds managed by medical insurance agencies are from contributions and are used for pay doctors' treatment fees. Another part of healthcare funds come from the Federal government, state government and city government's subsidy, which is saved by government and using for paypart of

inpatient cost, investment subsidy, equipment cost, housing and other expenditures. The former fund has no surplus and the latter fund is transferred to the hospital on a monthly or annually by government, rest of which is kept in special account in banks and can be used for investment. It is written in local law that which kind of project can use fund.

2.6 Efficiency and Supervision for Social Insurance Fund

2.6.1 Supervision for Credit and Fraud in Paying Process in Service Offered by Social Insurance Agency

In Austria, all social insurance agencies pay heavy attention to supervision on credit and fraud that happens in payment in their services. Taking the supervision of doctors for example, different divisions are responsible for local branch offices, settlement of contribution, complaints , supervision of hospitals and health centres, checking on contribution and payment, diseases prevention and so on. If delayed of contribution is found, applications will be made to the courts to force relevant individual or organization pay as soon as possible. For doctors and hospitals that are cheating, medical insurance agencies will deduct the amount of loss directly

from the payments to the doctors and hospitals. If the situation is very serious, the agency can rescind their contract with them. Any abuse involving the prescription of medicine will be handled following due legal process. There are many methods to realize the supervision process, for example, using balanced score card, on and off, site supervision, and secret investigations. By setting goals, checking analysis, evaluation, making methods and other indicators, the balanced score card system fulfills its function in the following four aspects. First, better financial control is possible in financial aspect. Second, business process is optimized,. Third, better service is provided to clients. Last but not least, developing capacity of discovering problems earlier is also important.

2.6.2 Supervision from Association of Austrian Social Insurance Institutes

The Association is a joint organization of agencies, which represents the interests of self-governing organizations and is responsible for consultation among different insurance institutes. Supervision is realized through setting and monitoring targets, checking, general scored evaluation and other ways. The costs of this organization are financed by an average levy of 2.9%. Currently, this joint organization has 270

staff but has no branch offices at local level.

2.6.3 Government Supervision

The supervision of the social insurance agencies is carried out by the Ministry of Labour, Social Affairs and Consumer Protection (BMAS), Ministry of Health and Ministry of Finance from different angles separately. BMAS has the right to apply administrative sanctions for violation behaviours. The Ministry of Health's responsibility is for supervising of medical insurance. The Ministry of Finance is mainly responsible for supervision on financial issues and government procurement. The Federal Government is responsible for checking budget for contribution and payment in social insurance agency and has powers to institute both regular and irregular auditing. The FI is responsible for checking the operation and policy strategy through site investigation, off-site investigation and senior dialogue.

3. Enlightenment and Suggestion

The system in Sweden and Austria has experienced continuous reform and development, which is a very long process. We cannot copy the same process since the situation differs from country to country. However, we definitely can

learn more on fund investment and supervision by looking through their system.

3.1 Sufficient Input to meet deficits and Special Groups

Both Sweden and Austrian governments give enough subsidies for social security for special groups for example, the Guaranteed pension in Sweden. At the same time, when the financial gap appears in the first pillar, the government will also offer financial subsidy.. In the total expenditure on social security in Austria, 40% is subsidy for military service and maternity leave and 45% is to meet the deficit. In 2008, 25 billion EURO is used to pay benefit in Austria, 22.8 billion is from PAYG and government gives 2.2 billion subsidies. As aging problem aggravates and coverage enlarges and pension benefits increases, our country is increasing subsidy for pension year by year, but we need to do more in developing subsidy for special groups.

3.2 Wide Coverage of Second Pillar

In Sweden, the first pillar covers all local residents and immigrants who can fit in the condition. For the second pillar, the coverage for employees is still as high as 90%. Citizens get 70% of their pension from pillar one, at the same time, occupational pension offer another 10%-15%. Enterprise

annuity in China has made some progress in the past few years. However, the development is not rapid enough because there is no support from tax policy and only 6% insured people covered by urban pension insurance are also covered by enterprise annuity, which shows that function of second pillar has still not been realized. It is difficult to fulfill living needs just by relatively low level basic pension benefit. We should give more power to the development of enterprise annuity and release more preferential policies in this aspect, which may help enterprise annuity develop faster. It will also be beneficial for expanding domestic demand and stimulating new economic policy.

3.3 Sufficient Staff Members and Security from Administration Cost

Staff members of the Social Insurance Agencies in the two countries offer fine and qualified service for the insured people; one of the most important reasons is that they get guarantees both for human resources and budget. The population in the two countries are no more than 10 million each, the insured population is also limited, however, the managing ratio of staff in social insurance agency and insured

people managed by the agency is really high. Administration costs in Austria are all and .in Sweden partially charged to funds., There are altogether 30,000 staff members in social insurance agencies, managing 6.2 million employees and 1.7 million retirees. In Austria, there are altogether 1,314 staff members in farmer's social insurance agency, managing 162,000 employees and 180,000 retirees. In China, we have much larger insured population than the other countries and the working budget is still limited. However, the workload for social insurance agencies is increasing sharply. From current problems and extensive style of management in agency, it can be seen that over-loaded burden is another important reason for the problem. Strengthening capacity building for social insurance agency staff members and improving managing level and service quality are all significant issues for optimizing social security system in China. Therefore we should pay more attention to these fields.

3.4 Marketing and Limited Investment for Reserved Pension Fund

Premium Pension (individual account) funds in Sweden are invested and operated in market. The insured individual has the selection right for the investment and there is no

limitation on investment product and percentage offered through the PPM (except the 5 fund limit). The fund lost a lot in this financial crisis because investment in equity makes 85% of the investment. According to our understanding, insured people can freely change their portfolio, and some of them even change 500 times within one year. After this financial crisis, many countries have started to reconsider whether limitation should be given to investment products and percentage of portfolio and whether individual selection right should be limited, for example, forbidding the population near to retirement to invest in high risk products. In our country, the enterprise annuity investment selection right has not been given to individuals. As a result, system risk is avoided to some extent. In 2007, the average return of enterprise annuity is 41%. In 2008, this figure reduces to -1.83% and 4.3% for first half year of 2009. The average return of the last three years is 10.5%. Under such a serious crisis, the value of our funds has not lost as much as other countries. The system design plays a very important role. Combination of market investment and limitation on investment makes it possible to play positive role of professional organizations and also to avoid systemic risk in market. The system of external trustees

and FOUR stakeholder system makes for a well balanced system and decrease possibility of violation. This managing model gets accreditation from international level. Our methods of dealing with the investment of the reserved funds in enterprise annuity actually can be referred to as reference in developing investment methods of investment on reserved fund in the individual account of basic pension.

3.5 Multi-levels and Comprehensive Supervising System

Both Sweden and Austria pay attention to supervision of the whole system and the two countries have formed multi-level supervising system, including internal control, performance auditing from auditing office, budget supervision from financial system, and also marketing and administrative supervision from financial inspecting system. The perfect supervision system guarantee the efficiency of implementation and safety of fund.

In Sweden, the NAO is responsible for the supervision of operation in social insurance agency. SSIA carries out internal supervision on local agencies. National Social Insurance Supervision Bureau is supervising SSIA and PPM. In Austria, social insurance agencies get many ways to supervise credit of services and fraud in payment process. BMAS, Ministry of

Finance, Federal Government have supervision from different angles, such as professional supervision, budget supervision, and financial supervision. The supervising system in China is still not sound enough. Internal control in social insurance agency is not strict enough and the controlling methods are limited and therefore many frauds happen. At the same time, the responsibility of relevant organizations is not very clear and the supervising process is not continuous enough. There is no legal support for social insurance supervision and no punitive measures, which make it easier for violation. From now on, we should speed up the legislative process for social security and improve the supervision system. At the same time, the status of administrative supervision should also be improved. Then more power should be give to supervision aspect, therefore deterrent function can be formed, which may be very helpful in protecting the safety of our funds and to increase the efficiency of management.

Fund Management Delegation

20th November, 2009

Delegation Member Name List

Name	Position
Zhang Hao (张浩)	Deputy Director-General, Department of Social Insurance Funds Supervision, MoHRSS
Meng Zhaoxi (孟昭喜)	Director-General, Social Insurance Administration Center, MoHRSS
Sun Mingxia (孙明霞)	Deputy Division Chief, Department of Social Insurance Funds Supervision, MoHRSS
Wang Xiaozhuo (王小卓)	Deputy Director-General, Department of Employment and Income Distribution, National Development and Reform Commission
Du Zhinong (杜志农)	Division Chief, Department of Social Security, Ministry of Finance
Zhang Xiuyun (张秀云)	Division Chief, Human Resources and Social Security Bureau, Beijing
Dong Guangchi (董广驰)	Deputy Director-General, Department of Human Resources and Social Security, Shandong
Wu Youliang (吴友良)	Deputy Director-General, Labor and Social Security Bureau, Suzhou
Hu Yuanlun (胡元伦)	Division Chief, Department of Human Resources and Social Security, Gansu
Wang Yongfang (王永芳)	Director-General, Huangshan Labor and Social Security Bureau, Anhui
Zheng Bingwen (郑秉文)	Director General, Institution of America Latina, Chinese Academy of Social Sciences
Li Zhen (李珍)	Professor, Renmin University
Qi Tingting (齐婷婷)	Interpreter, EUCSS Project