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EU-China Social Security Reform Co-operation Project for The People's Republic of China

*Prevention of Fraud and Abuse of the Pension System:
Situation, Problem and Measures*

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1. Actions of fraud and abuse in pension field

Fraud and abuse in pension insurance the operation process occurs mainly in three areas: contributions, pension payment and fund management. There are various sorts of fraud and abuse in each area. The reasons for every fraud or abuse are different.

1.1 Fraud in contribution stage

There are mainly 4 kinds of fraud at the contribution stage. These are avoiding registration, reducing number of employees, reducing payroll base, postponing contribution.

1.1.1 Avoiding registration.

1.1.1.1 Overseas-capital enterprises refuse to be covered by the pension system.

Some overseas-capital enterprises, especially Hong Kong-capital, and Taiwan-capital enterprises, refuse to register at social insurance agencies and pay contributions to pension system, though it is compulsive for any enterprise in the pooling area to participate in pension system according to related regulations. Local governments have given unprincipled protection to these enterprises instead of punishing their illegal actions, because they mainly worried that forcing these enterprises to be covered in pension system would make them withdraw their investment or move to the other areas where they could be allowed not to participate in social insurance systems.

1.1.1.2. A large number of private enterprises avoid registration and contributions by any means.

Employers of these enterprises are concerned only about increasing their profits instead of caring about their employees' welfare. Workers seldom report these illegal actions by their employers to the social security administration, because they are strongly worried about being fired by their employers for their whistle-blowing.

1.1.1.3 The self-employed also do not contribute to the pension system for their future retired lives.

There are two main reasons. First, due to their low income, distrust of the pension system and having no thought for planning for the future, they are unwilling to participate in the system. The other reason is that the social

security administration does not have enough means to force them to pay contributions, because the self-employed are scattered and their jobs are unstable.

1.1.2 Understating the number of employees

1.1.2.1 Only paying contributions for members of the management team and core technicians.

Some employers, especially employers from small companies or private companies, select only members of management team and core technicians to be included in the coverage of pension system and pay contributions for only such employees. Most of general employees are excluded from the pension coverage.

1.1.2.2 Falsified workers' status

Some employers manipulate some workers' documents, modify some formal workers into informal ones, and then exclude them from pension coverage. Due to their disadvantaged positions, these workers are forced to keep their resentment to themselves.

1.1.2.3 Failure to conclude labour contracts

Some employers fail to conclude labour contracts with certain categories of employees. They exclude these non-contracted employees from pension coverage on the basis of their informal status.

1.1.2.4 Conclusion of unequal contracts.

Some employers conclude labour contracts with their employees, but the contracts are unequal. Relying on their advantaged position in labour relations, employers purposely delete the social insurance items from the labour contracts. They do not pay pension contributions for these employees according to the unequal contracts.

1.1.2.5. Excluded immigrant rural workers and casual workers.

Most employers exclude immigrant rural workers, casual labourers from the coverage of pension system due to their informal status.

1.1.3 Understating the level of salaries

1.1.3.1. Use of falsified salary bills as the base of contribution.

A lot of enterprises have two kinds of salary accounts. One is a real account that is used for paying wages of employees. Another is a falsified account that is used as the basis for payment of pension insurance contributions. The level of the falsified wage as a contribution basis is a lot lower than the level of real wage that was really paid to the workers.

1.1.3.2. Excluding some wage items from total salary bill.

Some enterprises do not put some wage items into the total wage bill. These items include bonus, allowance, overtime wage and wages in kind. Due to the incomplete wage system, these mistakes are not always found out.

1.1.3.2. Employees paid contribution as individual insured.

Some enterprises hand a part of the contributions that should be paid to pension insurance funds to some workers, and let them individually pay pension contributions as the insured person. The insured individual generally pays lower contributions than those of employees whose employer pays into the pension system.

1.1.4. Deliberately delayed contributions

Some enterprises report to social insurance agencies that their economic situations are poor, and ask to delay contributions. In fact, their real economic situations are not as poor as they say. But social insurance agencies do not know the real economic situations of the enterprises. Even if social insurance agencies knew the truth, they would not have the legal tools to force the employers to pay contributions on time and punish them strongly enough to prevent them from consciously delaying contributions.

1.2 Fraud in pension payment

1.2.1 Enterprises delaying pension payments.

In the initial stage of pension reform, pensions were delivered by the enterprises in which the retirees had worked before their retirement. At that time, some enterprises used the pension fund for other purpose, such as investment, or paying wages. The retirees could not receive their pensions on time. But since 1998, thanks for the campaign of socialisation of pension payment and the guarantee of pension payment policy by the central government, delay in paying pensions has seldom taken place.

1.2.2 Claiming pensions benefits after pensioners' death.

Socialisation of pension payments has largely reduced the delay in pension payment, but at the same time, it has brought false claim problems. Socialisation of pension payment expanded the distance between social insurance agencies and pensioners. Social insurance agencies could not find whether the pensioners were alive or dead in time. Some pensioners had died, but their dependants did not report their death to the social insurance agencies. They continued to claim the dead pensioners' pensions. These fraud phenomena largely took place in respect of pensioners who lived outside the cities or places where they had paid contribution and from which they claimed pension benefits.

1.2.3 Illegal early retirement

In China, the statutory retirement age is 60 for man, 55 for female cadres and 50 for female workers. There are also special policies that admit workers of some special occupations, such as occupations in hot, underground, poisonous, or dangerous environments, to retire 5 years earlier. But some employers and employees illegally retire earlier by using falsified documents.

1.2.3.1. Illegally falsified documents and retired as workers in special occupations.

Some employers and employees illegally change employees' actual occupation types. It means that they change the actual general occupations to the special occupations that permit these kinds of workers to retire earlier legally. It is useful to enterprises because earlier retirement of some workers reduces their pension insurance contribution levels as well as the volume of redundant workers and their salary bill. For early retirees, they can avoid being laid off and losing their wages. Early retirees can also avoid their pensions from being decreased. In the pension reform process, the replacement rate of pension for later retirees is lower than the rate of pension for early retirees.

1.2.3.2. Illegally changed employees' dates of birth..

Some enterprises and employees illegally change employees' individual documents. They replaced the actual date of birth date with an earlier date of birth in their documents. Thus employees can retire earlier by some years in accordance with the false date of birth. Some workers bribe the policemen who are in charge of household registration to change the date of birth in their residence booklets, and use the false individual information to claim pension benefits.

1.2.4. Falsified work careers

Some employees illegally expand their work years in order to reach the minimum contribution years. For example, a worker started work in 1991, worked 13 years and reached retirement age in 2004. According to relative pension regulations, he would not qualify to claim pension benefit, because he had not reached the minimum 15 years of contributions. If he illegally changed his initial work year to 1989, he could meet the qualification of minimum 15 years of contributions and claim the pension benefit. Moreover, expanding work years can also be useful in claiming more transitional pension benefit. For example, a worker started work in 1985, contributed an individual pension premium in 1997 and retired in 2005. If he changed his initial work year to 1980, he could claim 17 years of transitional pension in all, 5 years more than the real 12 years of work.

1.2.5. Forged nonexistent retiree's documents

Some social insurance agency personnel forge the documents of persons who do not really exist. Then, they claim pension benefits in the name of non-existent pensioners and directly put the pension benefits into their own pockets.

1.3 Abuse in pension fund management

1.3.1 Deliberately abating the contributions that enterprises should pay.

Some social insurance agency personnel deliberately abate the amount of contributions that enterprises should pay, because the enterprises bribe individual social insurance agency personnel or the whole agencies.

1.3.2 Failure to put contributions into the special fiscal account on time

When the pension contributions were collected from employers and employees, social insurance agencies must hand it over to the special fiscal account opened by the financial administration in state-owned banks as soon as possible. But some local social insurance agencies illegally deposit the collected contributions into commercial banks privately for several months before handing it into special fiscal account. Social insurance agencies could receive considerable interest for their own use.

1.3.3 Illegal investment

According to related regulations, social insurance funds must be deposited only into banks or to buy state bonds in China. Social insurance funds cannot invest in any other kinds of financial products at present. But some local social security authorities or social insurance agencies have sometimes made illegal investments, such as investing in stock or security markets, providing loan guarantees, directly lending to enterprises and other kinds of illegal investments. At some local level, because of investment failure, pension funds did not realise maintenance and appreciation of values but lost some of the value. Illegal investment further increased the risk of pension payment and damaged the trust of the insured.

1.3.4 Misappropriated fund

1.3.4.1 Filling the deficit in fiscal budgets

Some local governments misappropriated the pension funds to fill the deficit of local fiscal budgets. Although local social insurance agencies know that appropriation of pension fund is illegal, they did not stop these illegal actions of local government leaders, because the senior managers of social insurance agencies had been appointed by the local governments. If they had opposed the local leaders, they would definitely lose their work positions.

1.3.4.2 Misappropriated fund for social insurance agencies' own use.

Some local social insurance agencies misappropriated the pension funds for their own use, such as building their own administration buildings, improving the wages of their staff, buying material products for office use and meeting administration expenses, etc.

1.3.5 Cheating or retaining the subsidies of central government for other use.

Every year, the central government provides some subsidies to local social insurance funds to fill the deficit of pension funds in order to guarantee pension payments. In order to cheat the central government's pension subsidies for the purpose of guaranteeing pension payment, local governments have falsified the number of retirees, so magnifying the pension payment deficit.

2. Policies and measures of anti-fraud and anti-abuse.

Since social pooling was introduced to pension systems in the 1980s, rejecting contribution and misusing social pooling funds appeared nearly at the same time. At that time, Chinese governments tried to adopt some measures to

prevent abuse and fraud in pension field. With accelerating social insurance reform in the late 1990s, the Chinese central and local government have strengthened the social insurance (mainly pension insurance) management and supervision step by step. A lot of regulations and policies on contributions, benefit payments and fund management have been established gradually at both central and local levels.

In China, most of the social insurance funds is pension insurance funding. Relative policies and measures on supervision and preventing abuse and fraud are mainly used to prevent pension abuse and fraud.

2.1 The central government's policies and measures

Major policies and measures adopted by central government in the anti-abuse and anti-fraud field in social insurance fund management are as follows.

2.1.1 Separate policy-making from operation and management.

Since the 1990s, Chinese governments at central and local levels have established social insurance agencies—social insurance management centres—to undertake routine work, like collecting contributions, delivering benefit and fund management. The social security administration authorities undertake the policy-making affairs. Separating routine work from policy-making not only enhanced the management of contribution and benefit payment, but also strengthened the supervision of social insurance agencies through administration authorities' supervision.

2.1.2. Separate fund revenue management from expenditure management.

In *decisions on the unification of basic pension insurance systems for enterprises' workers and staff* issued by the State Council in 1997, the eighth article stipulated that social insurance management must adopt the method of separating social insurance fund revenue management from expenditure management. Social insurance agency must open a revenue account and an expenditure account, and the financial department must open the special account in the state-owned commercial banks. Social insurance contributions collected by the social insurance agencies must be directly deposited into the revenue account, and then all funds in the revenue account must be transferred into the special account. Social insurance agencies propose the allocation amount according to the practical expenditure, and then the financial department allocates the corresponding amount from the special financial account into the expenditure account. This method guarantees the objective of

a special fund for a special purpose.

2.1.3. Social insurance registration and contribution declaration

In order to strengthen the collection and management of social insurance funds, the State Council promulgated *the provisional regulations on collecting social insurance contribution* in 1999. According to the regulations, Ministry of Labour and Social Security (MOLSS) enacted *methods for social insurance registration* and *methods for supervision and examination to social insurance contributions*. These regulations stipulated that the enterprises covered by social insurance system should undergo social insurance registration in local social insurance agencies within 30 days after they were established. The registered enterprises must declare the amount of contributions that employers and employees should pay to social insurance system. Social insurance agencies must audit the amount of contributions that enterprises have declared. Enterprises should pay contributions on time. The enterprises that do not register, do not declare the actual amount of contributions, or delay paying contributions, may be punished by a fine of 1,000 to 20,000 RMB Yuan.

2.1.4 Social insurance fund auditing.

For further regulating social insurance contributions and benefit payments, MOLSS promulgated *the methods of social insurance auditing* in 2003. This policy stipulated that social insurance agencies must assume the responsibilities of auditing the payment of contributions as well as the delivery of benefits. The main tasks of auditors of social insurance agencies are: whether the number of the insured and contributory bases reported by enterprises are consistent with related provisions; whether they have paid their contribution on time and in full; whether the insured or their dependents continue to ask for social insurance benefits after the loss of their entitlements. When enterprises were found to have under-reported or cheated in reporting their contributory bases and the number of the insured, the social insurance agencies would order them to make rectification. If the enterprises refused to do so, the social insurance agencies would ask the social security administrative departments for sanction in accordance with law. If the insured or their dependents cheated social insurance benefit, social insurance agencies would immediately stop the payment of the benefits and order the violators to refund the received benefits. If violators refused to do so, the social security administrative departments would deal with the case in accordance with relevant laws and regulations. If their actions constituted crimes, the persons concerned would be investigated for criminal liability by judicial authorities.

2.1.5 Administrative supervision of the social insurance funds.

In 1998, the Department of Social Security Fund Supervision, which is specifically in charge of the administrative supervision of all kinds of social security funds, was established in MOLSS. From 2001 to 2005, MOLSS promulgated the following documents on social insurance fund supervision: *the methods for administrative supervision of social insurance funds* (2001); *the methods for reporting to management work of social insurance funds* (2001); *rules of on-the-spot supervision to social security funds* (2003); *implementing the work on out-of-the-spot supervision to social insurance funds* (2005). The first document stipulated that the department of social insurance fund supervision would take charge of administrative supervision of social insurance operations. The department and its local branches undertake the responsibilities of supervision of contribution collection, benefit payment and fund management. There are two kinds of administrative supervision forms: on-the-spot supervision and out-of-the-spot supervision. The third and fourth documents stipulated the contents and procedures of the supervision in detail in respectively on-the-spot supervision and out-of-the-spot supervision. The second document stipulated that the social security departments should accept the reports sent to them by any individual, corporation or social organisation on illegal actions in the social insurance operation process. Social security departments must inspect and verify illegal actions and deal with them in time. Social security departments publish a special telephone number for whistle blowing. The regulation stipulated that social security departments must protect the whistleblower's rights and interests.

2.1.6 External supervision

Due to the several authorities and agencies involved, social insurance supervision needs to co-operate with other departments or agencies. For strengthening this work, MOLSS, jointly worked with Ministry of Finance, Central Bank of China, National Auditing Office, and State Post Bureau etc, issued a *circular on strengthening the work of social security fund supervision management* in 2002. This regulation stipulates that related authorities or agencies should strengthen their own respective responsibilities in supervising social insurance operations as well as co-operate with each other. The financial department undertakes the supervision of implementing the social insurance finance system and social insurance accounting system, supervision of the management of social insurance revenue, expenditure and special accounts. The People's Bank of China supervises and inspects the establishment or operation of social insurance fund accounts established in banks. The auditing department undertakes audit and supervises the management and application of social insurance funds. The Post department undertakes supervision of social insurance benefit payments that have been

paid by the post offices. Other departments or agencies must notify any illegal actions of social insurance fund management that they find in their supervision process to labour and social security departments in sufficient time to enable these actions to be dealt with and punished as soon as possible.

Recently, some serious cases of social insurance fund abuse, especially the case of illegal investment of social security funds in Shanghai, have taken place. For strengthening fund management, MOLSS promulgated *circular on further strengthening management and supervision work of social insurance fund* in September 2006. It emphasized that local governments must strengthen the work of the social security supervision committee (article 2), which includes representatives of the social security, finance, auditing and taxation departments etc, as well as representatives of enterprises, employees and experts. It also stipulated that social insurance funds are prohibited from making illegal investment (article 5).

2.2 local government's policies and measures

In China, pension funds are actually pooled at local levels: county, prefecture or province levels. Pension contributions, payment and fund management are operated at local levels. Pension insurance operations are mainly supervised at local levels. Besides implementing the central government's regulations, local governments enact local policies or adopt more detailed measures for preventing pension abuse and fraud.

2.2.1 Local legislations on supervision or anti-fraud

Some provinces, such as Guangdong and Jiangsu, have promulgated special regulations on social insurance fund supervision. Guangdong promulgated *the regulations on social insurance funds supervision in Guangdong Province* in 2004. The regulation, which was approved by provincial people's congress, has higher legal effectiveness than other policies approved by local governments. Jiangsu promulgated *the regulations on collecting social insurance contribution* in 2003, which was also approved by local legislature. Local legislations give local social security departments, social insurance agencies and other relative agencies more power to supervise social insurance operations.

2.2.2 Special regulation for anti-fraud of social insurance management

Zhuhai (Guangdong province) municipal government promulgated *the methods on anti-fraud of social insurance* in January 2006. This is the first special local regulation for anti-fraud in the social insurance system in China.

This regulation includes the following main contents: the responsibilities of relative departments or agencies, including the labour and social security department, social insurance agencies, the local taxation bureau, public security department, financial department etc; the scope of fraud actions; the procedure of anti-fraud work, report and reward system and punishment measure. The regulations stipulated that a whistleblower who reports fraudulent actions will be encouraged with a reward from 100 to 5,000 Yuan (article 35), the person or corporation who was involved in fraud will be punished with a 2,000 to 20,000 Yuan fine or a fine of 1 to 3 times sum of fraud (articles 43 and 38).

2.2.3 Main anti-abuse methods in local level

2.2.3.1 Encouraging people to report fraudulent action

Many local governments encourage people to report fraudulent actions that have taken place in social insurance contributions, pension payments and fund management. Persons who reported the fraud action may receive a money reward.

2.2.3.2 Establishing social security fund supervision committee

To strengthen social security supervision, most provinces have established a social security fund supervision committee in recent years. These supervision committees are made up of several related local departments and agencies, including the labour and social security administrative department, social insurance agencies, financial department, taxation administration, industry and commercial administration, auditing department, public security department, trade union, representatives of employers and employees, and experts etc. Multi-participating committee have strengthened co-operation between related departments and agencies, and improved the efficiency of social insurance supervision.

2.2.3.3 Making use of public media to expose the abuse actions

Some local governments have published on local newspapers, televisions etc. a list of enterprises who have failed to register into social insurance, understated number of the insured, understated the salary base and delayed paying contributions.

2.2.3.4 Encouraging collectors

Some local governments have given some reward to social insurance collectors. The amount of the reward would be linked to the amount of

contributions collected by the collectors.

2.2.3.5 Verifying qualifications of pensioners

- Social insurance agencies examine new retirees' documents and approve their qualifications as pensioners.
- Social insurance agencies examine pensioners' three certificates: ID, retiree certificate and registered resident booklet to affirm their qualifications as pensioners
- Social insurance agencies establish a death reporting system, under which the dependents should report the pensioner's death to social insurance agencies as soon as possible. Social insurance agencies set up information transmission with public security administrative departments who are in charge of cancelling the residences of the dead person.
- Some local governments have established a fingerprint-identified system. They use this system to identify the pensioners' qualification in order to prevent pension payment fraud.

2.2.3.6 Internal control system

Most local social insurance agencies have established a detailed internal control system. The internal control system includes following: Setting up a series of management systems; Defining the responsibility of every position and the procedure of whole social insurance operation; Important positions, including collection, benefit payment, financial affairs, inspection, statistical affairs, document and information system, forming the relation that one position could supervise and hold up other positions.

3. Gap between the policies and the real situation of abuse and fraud

Even if the central and local governments have adopted a lot of policies and measures to prevent abuse and fraud in pension insurance operations, abuse and fraud still occur frequently. Anti-abuse, anti-fraud policies and measures are not enough to prevent these illegal actions. A deep gap exists between current policies, measures and practical needs of anti-abuse, anti-fraud works.

In general, current policies and measures on preventing pension abuse and fraud have some disadvantages. In addition, some other systems block the efficiency of current prevention policies and measures.

3.1. Legal levels of regulations are not higher enough.

The previously mentioned regulations on supervision were mostly promulgated by MOLSS or jointly issued by MOLSS and other Ministries. Only *Decisions on the unification of basic pension insurance systems for enterprises' workers and staff* and *Provisional regulations on collecting social insurance contribution*

were promulgated by State Council. No regulations were approved and issued by the National People's Congress. The legal efficiency of regulations, decisions, methods or circulars is less than that of laws issued by legislature. The difficulties of implementing these low-legal-level documents are large. The violators cannot be punished severely enough to deter them from doing illegal actions.

3.2. Regulations do not include strong punishment items.

Some supervision documents only stipulate what can be done and what cannot be done, but do not include items of punishment measures. Persons or corporations who violate the regulations cannot be punished according to the legal documents. Although some relative regulations include punishment items, the fines are low. Low fines are not enough to prevent illegal actions. Moreover, due to the lower legal level of the regulations, penalties are seldom fulfilled in the implementation process.

3.3. Administration ability of social insurance agencies is not enough.

There are not enough staff in social insurance agencies to undertake the increasing workload. The problem of understaffing impedes them from implementing more efficient supervision activities. Also, the under-financing of the work limits their supervision activities, and their supervision efficiency is limited without some important management tools, such as an electronic information system, work cars, etc.

3.4 Lack of cooperation with other administrations and agencies.

Prevention of pension abuse and fraud needs cooperation with other administrative departments and agencies, such as industry and commerce administration, the taxation administration, public security department, banks, post administration, etc., but the level of their cooperation is low. They cannot make up a joint force to co-supervise pension contributions and payment.

3.5 Local governments put economic development above social welfare protection.

For the low level of legislation, local governments play an important role in promoting social insurance development. But many local governments put economic increase at the first position. When conflicts take place between social insurance coverage expansion and increase in capital investment increase, local governments often abandon their responsibilities to protect people's welfare rights and interests.

3.6 Lack of external supervision.

Social insurance fund supervision is mainly internal supervision. Social security departments and social insurance agencies undertake most of the supervision activities. Although some other departments and agencies participate in pension supervision, their supervision is too weak. Without strong external supervision, pension abuse cannot effectively be prevented.

3.7 Workers cannot protect their rights and interests by themselves.

In China, a large amount of surplus labour will exist for a long time. Labourers are weak in labour relations. They are powerless to fight against employers for their social insurance interests. Trade unions, as labourers' own organisations, do not use their powers to protect worker's interests.

3.8. The contribution rate is high.

The pension contribution rate for enterprises is about 20 percent in China. This is a high burden for many small companies to bear. These small enterprises have had to adopt illegal measures to avoid paying contributions in order to survive market competition. The high contribution rate was based on bearing historical contribution liabilities that old workers did not pay to pension funds before pension reform. It is unfair for small new companies and the self-employed to bear the historical liabilities.

4. Suggestions for further preventing abuse and fraud in pension system.

Some policies should be strengthened or improved. Some new policies and measures should be worked out.

4.1 Increase the function of social security supervision committee.

Many provinces established social security supervision committees. The office of the committee for dealing with daily affairs is set up in the labour and social security department. Social security supervision committees are most probably nominal. Except labour and social security departments, other departments or agencies do not adequately undertake their responsibilities. They do not play an important role in pension supervision. The function of the social security supervision committee should be increased. We suggest that this committee should be set up by the central and local people's congress. The committee should be entitled to inspect, survey the actions of relative departments and

agencies, and punish the illegal actions.

4.2 Increase the level of regulations

We should speed up legislation on social insurance, and increase the level of relative regulations. The National People's Congress should issue a *social insurance law*, *pension insurance regulations*, *regulations on social insurance contribution and payment management* and *regulations on social security fund supervision* as soon as possible. In addition, related regulations should increase the power of the agencies that undertake supervision responsibilities. New regulations should put stronger punishment on violators. Punishment should be penal on violators who seriously break the regulations. Fines as punishment should be increased high enough to prevent fraud in pension contribution and payment.

4.3 Promote administrative abilities of social insurance agencies.

Firstly, skills of personnel of social insurance agencies should be promoted by training. Secondly, we should increase the number of personnel according to the increase of the coverage and workload. Thirdly, the financial department should increase its budget as a work expense of social insurance agencies. Fourthly, local governments need to set up encouragement mechanism for collecting pension contributions. Finally, social insurance agencies need some advanced tools, such as fingerprint-identified system, to prevent fraud.

4.4 Strengthening external supervision.

External supervision, especially by the auditing administration department and supervision department, is very important to prevent social insurance agencies abusing pension funds or doing illegal investment. In addition, trade unions should play a more important role in supervising enterprises in paying contributions on time and in full, and protecting labour's rights and interests.

4.5 Build nationwide information system.

Labour and social security departments need to set up a nationwide information system. A perfect nationwide information system would be helpful in transmitting information about social insurance operations from a local level to a provincial and national level. With this system, upper levels of social security departments and social insurance agencies can timely find out the problems occurring at lower levels of social security departments and agencies and rectify mistakes in time.

4.6 Increasing pooling level.

We must speed up establishing provincial level of pension fund pooling. Provincial pooling would help to prevent municipal and county governments from abuse and fraud in pension fund management. Increasing pooling level would reduce pension abuse actions.