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## Firms take look at enterprise annuity

By Zhang Fengming | 2008-6-30 |  NEWSPAPER EDITION

DONG Yingshen, director of the pension division of the Ministry of Human Resources and Social Security, face a curious floor of corporate human resources staff at a recent industry forum in Shanghai eagerly wanting to know more about tax incentives on enterprise annuity.

The personnel wanted to find out from the regulator how the annuity market in China will be developed, including any possible regulatory changes such as tax incentives.

The eagerness to know mirrored the increasing attention on enterprise annuity in China's pension system.

Enterprise annuity is eyed as the second pillar of the retirement pension system, with public pension as the first pillar and individual preparation as the third pillar.

More multinational companies are turning to enterprise annuity to attract and retain talent in a booming economy.

"Cash and other short-term incentives may have been the winning formula in the past, but now companies are looking at other compensation components to give them a competitive edge," said Allen Wu, Mercer's China retirement business leader, in a report.

In a recent Mercer survey of 72 MNCs in the mainland, some 70 percent of respondents said they expected their supplemental retirement benefits plan to be an enterprise annuity type within five years.

China's enterprise annuity scheme is a broad-based program with all company staff enjoying the benefits rather than an incentive to high-level management teams.

The country's enterprise annuity scheme is also a trustee-based voluntary program - companies can choose whether or not to partake in the program. The enterprise annuity plan must gain the approval from staff representatives.

China is encouraging the development of the annuity market amid an aging population and the increasing burden of the cradle-to-grave pension system. More legislation is also being planned to manage the market better, Dong said.

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