

IGP Country Profile 2022

China (Mainland)

Prepared by:

Taiping Pension Company, Limited



Preface

This Country Profile has been prepared by **Taiping Pension Co., Ltd.** for the International Group Program (IGP).

The International Group Program (IGP) is a network of major life insurance companies (Network Partners) operating throughout the world, who work together to meet the group insurance and pension needs of international corporations and their affiliates, branches, and subsidiaries.

Since 1967, the International Group Program has been an industry leader in the field of international benefits management, serving more multinational companies than any other network. IGP is represented in around 80 countries throughout the world and is known for the flexibility and quality of service we provide to our clients.

Working closely with our headquarters' staff in Boston and our regional offices in Brussels and Singapore, IGP Network Partners offer corporate clients the advantages of experienced local insurance management coupled with the resources of a professionally trained staff that specializes in international employee benefits.

IGP is managed by John Hancock Life Insurance Company (U.S.A.), the U.S. operation of Manulife Financial Corporation, a leading financial services group based in Toronto, Canada. Manulife offers its clients a diverse range of financial protection products and wealth management services. Both Manulife Financial and John Hancock are internationally recognized brands that have stood for financial strength and integrity for more than a century.

The information contained in the IGP Country Profiles is considered proprietary and any material extracted from a profile must be attributed to IGP.

John Hancock Financial

P.O. Box 111, Boston, Massachusetts 02117

United States

T + 1 617-572-8677

E igpinfo@jhancock.com

W www.igpinfo.com

The information provided under this document is for educational purposes only and is not intended as a substitute for professional advice. While our Network Partners work hard to verify the information provided, we cannot guarantee there are no inadvertent errors. The information included in this document is subject to change without notice.



Table of Contents

YOUR LOCAL LINK TO IGP IN CHINA

Taiping Pension Co., Ltd.	1
---------------------------	---

CUSTOMARY PRIVATE EMPLOYEE BENEFITS & SOCIAL SECURITY BENEFITS

Introduction	3
Social Security Contributions	6
Group Life Benefits	8
Disability Benefits	9
Survivors' Benefits	14
Medical Benefits	15
Social Security Medical Benefits by Region	16
Establishment of Individual Medical Care Accounts	17
Maternity Benefits	30
City-Customized Inclusive Commercial Insurance (Hui Min Bao)	31
Employer-Sponsored Medical Plans	32
Health Management Plans	36
Retirement Benefits	38
Social Security Retirement Benefits	39
Establishment of Individual Retirement Accounts	40
Components of Pension Benefits	42
Employer-Sponsored Retirement Benefits	45
Retirement Benefits – Type I – Enterprise Annuity	49
Retirement Benefits – Type II – Entrusted Management Pensions	53
Retirement Benefits – Type III – Occupational Annuity	54
Unemployment Benefits	56
Industrial Injury and Disability Benefits	58

TAXATION	63
----------	----

SAMPLE EMPLOYEE BENEFIT PLANS	64
-------------------------------	----

USEFUL LINKS	71
--------------	----



Your Local Link to IGP in China: Taiping Pension Co., Ltd.

Taiping Pension Co., Ltd. is one of the first professional pension insurance companies in China, one of the first operational institutions of Enterprise Annuity (EA) funds, and the first insurance company participating in the pilot program of EA management.

Taiping Pension Co., Ltd. is one of the oldest insurance companies in China. It was originally founded in 1929 and sponsored by Kincheng Banking Corp., the most important private bank at the time in Old China. Establishing more than 990 branches throughout China and Southeast Asia, Taiping achieved tremendous growth and became one of the largest insurance corporations in China, until the domestic insurance sector was nationalized in 1949. In 2001, Taiping resumed its business in mainland China with approval from both the State Council of the People's Republic of China and the China Insurance Regulatory Commission (CIRC).

Taiping Pension Insurance Co., Ltd. (Taiping Pension) was incorporated in Shanghai in 2004 and is an important subsidiary of China Taiping Insurance Group (**China Taiping**).

China Taiping is currently the longest-standing national brand in China's insurance industry. China Taiping (previously known as China Insurance Group) was founded in 1929 and is directly governed by the State Council of China. Taiping provides diversified financial services for clients based on insurance business and supplemented by asset management. It currently has a presence in Mainland China, Hong Kong, Macau, North America, Europe, Oceania, East Asia, and Southeast Asia, etc.

Its business scope includes life insurance, general insurance, pension insurance, reinsurance, reinsurance brokers and insurance agency, internet insurance, asset management, securities brokerage, financial lease, real estate investment, pension industry investment and other businesses, thus providing clients with the one-stop comprehensive financial and insurance service. China Taiping has one listed company, 24 subsidiaries, over 500,000 employees and 2,000 business outlets at all levels.

Supported by its parent company's diversified financial service platform, Taiping Pension proudly provides a wide range of clients with comprehensive insurance and financial services including enterprise annuity and employee benefit plans. With enterprise annuities as its core business, the company's pension division offers a full range of products and services such as trustee administration, investment of enterprise annuities, entrusted management pensions and occupational annuities. The company's employee benefits plan division provides products and services such as corporate life insurance, accident insurance, supplementary medical and health insurance. Furthermore, Taiping Pension continues to explore new service concepts and methods in individual pension insurance and relevant businesses.

Immediately upon being established, Taiping Pension was selected to represent the insurance industry by participating in the building of China's enterprise annuity system and its trial operation phase. Relying on its professionalism and expertise, Taiping Pension has become one of the pension insurance providers most widely recognized nationwide by businesses and partners. It is one of the market leaders based on number of clients and AUM (assets under management).

By way of specialist innovation and efficiency, Taiping Pension has become an important provider of employee benefits plans for small and medium-sized enterprises, medium and high-end medical insurance and is also the exclusive partner in China of the International Group Program (IGP), the world's largest reinsurance consortium of employee benefits plans for multinational companies.



Your Local Link to IGP in China: Taiping Pension Co., Ltd.

Moreover, Taiping Pension has cooperated with commercial banks, human resource agencies and other professional organizations to provide more products, more convenient services and more comprehensive value for enterprises and corporate clients.

Taiping Pension unwaveringly adheres to the operation philosophy of “Diligent Operation and Sincere Service”, striving to become “the most professional and innovative provider of enterprise annuities and employee benefits plans in China”, as well as providing more value to enterprises and corporate clients and partners with its professionalism and innovation.

In 2017, Taiping had a credit rating of “A+” from Fitch. In 2018, S&P reaffirmed Taiping’s rating of “A”. The Taiping Group has nine companies that have been assigned either “A+” or “A” ratings by international rating agencies, giving it the largest number of international “A” ratings among Chinese insurance companies. Taiping is ranked No. 344 on the 2021 *Fortune Global 500 Company* list, on which Taiping has ranked for four years since 2018.

Taiping Pension offers a complete line of life, medical, and retirement products for the Chinese market, backed by state-of-the-art computer systems and a skilled staff of insurance professionals.

Key Products

Life

- Life
- Accidental Death and Dismemberment

Medical

- Accident Medical Expense Rider
- Critical Illness
- Hospital Allowance
- Inpatient and Outpatient Expense Riders
- Maternity
- Overseas Medical Assistance
- Overseas Medical Expense Riders
- Worldwide Health Care Plan

Pensions

- Participating Group Annuities
- Participating Group Pensions
- Enterprise Annuity
- Occupational Annuity
- Entrusted Management Pension Plans

Worksite

- Lifetime Critical Illness
- Medium-End Million Coverage Medical Insurance
- Senior Cancer
- Cancer Medical

Other

- VIP Medical Services
- International SOS
- Tax Preferential Healthcare Insurance
- Tax Deferred Individual Pension Insurance
- City-Customized inclusive commercial insurance (Hui Min Bao)

The official website of Taiping Pension Co., Ltd.:
<http://tppension.cntaiping.com/>

Introduction:

China's Social Security Scheme consists of different programs, including retirement, medical care, unemployment, maternity, industrial injury, etc., aimed at meeting the basic needs of urban employees. Participation is compulsory for all employers and their employees. The self-employed participate voluntarily.

Note: Currently, rural residents are not covered by a systematically designed nationwide Social Security Scheme.

China's Social Security System, founded during the war years based on the supply system, has gone through roughly four stages.

The first stage began in the early period after the founding of New China to 1966. In 1951, the State promulgated the regulations (Draft) concerning the Labor Insurance of the People's Republic of China. Those included issues such as disease, injury, birth, medical care, retirement, death treatment, and unemployment relief. Subsequently, a series of policies and regulations were promulgated. The Social Security System has played an important role in rehabilitating and developing the national economy, guaranteeing the essential life of the people, and consolidating the people's democratic dictatorship.

However, during the period of the Cultural Revolution, social insurance work suffered serious setbacks and destruction when management institutions were dissolved, and social insurance was replaced by the workplace welfare.

The second stage ranged from the Third Plenary Session of the 11th CPC (Communist Party of China) Central Committee in 1978 to the 14th National Congress of the Party. Along with the in-depth development of reform and the "opening up" policy, China has engaged in the research and promotion of the establishment and advancement of a Social Security System as an important aspect of the reform of the economic system.

However, at this stage, China's social security welfare (maternity, old age, medical care, industrial injury, and disability, etc.) was mainly provided by the workplace (or enterprise). The major characteristic of this kind of welfare is "workplace welfare" or "enterprise welfare" that is mainly geared for the traditional supply economy (or planned economy).

The third stage ranged from the 14th National Congress of the Party to the year 1997. While a proposal for the establishment of an economic socialist market system was put forward for the first time, the deepening of the reform of the Social Security System was also clearly defined for the first time. This represented one of the important links in the reform of the economic system. The decision on some issues concerning the establishment of an Economic Socialist Market System adopted at the Third Plenary Session of the 14th Party Central Committee further defined the goal and principle for the establishment of a new Social Security System. Consequently, the pace of the Social Security reform has notably accelerated.

At this stage, China's Social Security (mainly the Social Security Pension Scheme) adopted the Pay-As-You-Go (PAYG) model. In practice, many problems existed and urgently needed to be resolved, such as a lack of incentive mechanism, free rider, funds deficit, etc.

The fourth stage ranged from 1997 to the present. 1997 is the milestone of China's Social Security reform, as the Chinese Government adopted a universal Social Security System based on the integration of social pooling and individual accounts. Under this guideline, employees' basic retirement benefits are made up of three portions: base pension, individual account pension, and transitional pension. The Social Security Medical Care Scheme is also based on the integration of social pooling and of individual accounts.

Social Security Benefits and Customary Private Employee Benefits

Basic Framework of China's Social Security

China's Social Security System is composed of roughly two parts. The first part is the security aspect supported by the state public finances, including four items: social relief, social welfare, special care and placement of disabled servicemen and family members of revolutionary martyrs and servicemen, and community service.

The second part consists of social insurance schemes mandated by governmental laws, including pension, unemployment, medical care, industrial injury and disability, and maternity insurance schemes. As social insurance schemes are the main part of the Social Security System, these schemes are the focus of this section.

Social Insurance Schemes:

- Retirement
- Medical care
- Unemployment
- Industrial injury & disability
- Maternity benefits (expected to be integrated with Medical care)
- Long-term Care Insurance (in trial)

In 2019, Chinese central government issues *Opinions on Comprehensively Promoting the Integration of Maternity Insurance and Basic Medical Insurance for Employees*: Maternity is expected to merge with medical insurance on registration, fund management, medical and information services provision.
(http://www.gov.cn/zhengce/content/2019-03/25/content_5376559.htm)

Due to the aging population and to search for institutionalized long-term care for severely disabled persons, the central government issues *Guidelines on expanding the trial of the long-term care insurance system in 2020*: Long-term Care Insurance will soon be established as the 6th social insurance scheme after a four-year trial.
(http://www.gov.cn/zhengce/zhengceku/2020-11/05/content_5557630.htm)

Covered Persons

Generally speaking, participation in the scheme is mandatory for all city/town employers and their employees. The self-employed in cities may participate voluntarily. Employees' children in certain cities are allowed to enjoy social medical care only. Foreign employees began to be covered by social insurance schemes on October 5, 2011, and this is in the process of being rolled out on a city-by-city basis.

Employees of non-city/town employers, their dependent parents, and several foreign employees of all types of employers are not yet covered by social insurance schemes, which can be supplemented by commercial insurance or employer-sponsored funds.

Social Security Benefits and Customary Private Employee Benefits

Social Average Salary

Contributions and benefits are often based upon local social average salary, more specifically, local city/town social salary, due to the fact that all pooled funds are separately settled among the local city/town area, not on a nationwide basis. The following table illustrates the social average annual salaries for the major areas in China:

City	Social Average Annual Salary in 2016 (Currency: RMB)	Social Average Annual Salary in 2017 (Currency: RMB)	Social Average Annual Salary in 2018 (Currency: RMB)	Social Average Annual Salary in 2019 (Currency: RMB)	Social Average Annual Salary in 2020 (Currency: RMB)
Beijing	85,032	101,604	94,258	106,168	112,880
Shanghai	78,045	85,584	93,984	114,962	124,056
Guangdong	79,800	86,520	89,832	81,072	97,764
Tianjin	63,180	67,284	70,452	75,876	84,876
Zhejiang	56,388	61,099	65,898	71,523	84,583
Sichuan	62,244	69,000	77,686	69,267	74,520
National	67,569	74,318	82,461	90,501	97,379

Source: Annual Report from the National Bureau of Statistics, China

The importance of the social average salary applies mainly to two aspects:

First, all contributions from employees and employers to the mandatory social insurance are indexed with the social average salary. That is, the contribution base will be the actual annual salary subject to a lower limit and an upper limit indexed by the social average salary.

The lower limit is 60% of the local social average salary. If the actual annual salary of the employee is less than 60% of the social average salary, the contribution base will be increased to 60% of the social average salary. Similarly, if the actual annual salary of an employee is more than 300% of the social average salary, the contribution base will be reduced to 300% of the social average salary.

Secondly, all benefits covered by the social insurance, including social retirement benefits, social medical benefits, social workers' compensation benefits, social unemployment benefits, etc. are all indexed with the social annual salary.

For example, the lower limit of the social pooling funds co-payment for the social medical insurance is 10% of the social average salary, while the upper limit of the co-payment is four times the social average salary.

Employer/Employee Commencement of Contributions:

Employer: Employer needs to start contributions for an employee once the employee is signed up.

Employees: Begin making contributions to their individual account after having been signed up.

All contributions are made monthly.

Social Security Contributions:

	EMPLOYER	EMPLOYEE
Medical Care Benefits	7.5% of the total in-service employees' salary budget. The employer uses the average monthly salary in the previous year to calculate.	2% of the individual insured's salary.
Maternity Benefits	Employer: 0.7% - 1% of the total insured salary according to local governmental regulation.	The individual does not have to pay.
Old Age Pension	<ul style="list-style-type: none"> • A total of 24% of the insured salary, whereby about 16% is contributed by the employer, and 8% is contributed by the employee. • Different regions may have somewhat different contribution rates for employees and employers. • Insured salary refers to an employee's monthly salary subject to a lower limit and an upper limit of 60%-300% of the local social average monthly salary of the preceding year. • The minimum and maximum salary amounts used for calculating social security contributions should be based on the weighted average wage in the private and public sectors with the aim of reducing employers' contributions. <p><i>See note below.</i></p>	
Unemployment Benefits	2% of the total in-service employees' average salary in the previous year.	1% of the individual average monthly salary in the previous year.
Industrial Injury and Disability Benefits	0.5 - 2% of the total insured salary according to industry risk. Three classes of risk are defined as: <ul style="list-style-type: none"> • <u>Low Risk Industry:</u> 0.5% - Contribution Rate • <u>Medium Risk Industry:</u> 1% - Contribution Rate • <u>High Risk Industry:</u> 2% - Contribution Rate 	The individual does not have to pay.



Social Security Benefits and Customary Private Employee Benefits

Note:

Following the instruction of “Notice of the General Office of the State Council on Issuing the Comprehensive Plan of Reducing Social Insurance Premium Rates” (No. 13 [2019] of the General Office of the State Council), as of May 1, 2019, the employers' contribution rates to the basic employees' pension insurance premiums in urban areas (including the basic employees' pension insurance premiums in enterprises, Party and government offices, and public institutions, hereinafter referred to as “basic pension insurance”) shall be lowered.

In provinces, autonomous regions, municipalities directly under the Central Government, and Xinjiang Production and Construction Corp. (hereinafter referred to as “provinces”) where the employers' contribution rates are higher than 16%, such rates may be reduced to 16%; and in provinces where such rates are lower than 16%, transitional measures shall be put forward upon deliberation.

The specific adjustments or transitional plans of these provinces shall be reported to the Ministry of Human Resources and Social Security and the Ministry of Finance for record before April 15, 2019.



Social Security Benefits and Customary Private Employee Benefits

LIFE BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Benefits</p> <p>If the insured dies before retirement, and the death is not work related, they would be eligible for a sum from the Basic Pension (varies by province and city).</p> <p>Benefits include:</p> <ul style="list-style-type: none"> • Funeral allowance • Lump sum death benefit • Dependents' pension <p><i>Please see Survivors' Benefits for more information.</i></p>	<p>Benefits</p> <p>Employees are provided with coverage for death, health, disability, and old-age benefits when they are enrolled.</p> <p>Life insurance is a popular employee benefit. Group life insurance for employees is commonly found in foreign companies.</p> <p>Lump-sum benefits are paid upon an employee's death for any reason and can range from two to five times annual salary or may be paid according to a schedule for employees in special positions or a flat amount for all employees. Benefits covering a lesser amount for spouses and children are permitted.</p> <p>AD&D benefits are also provided in many cases.</p>

DISABILITY BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Benefits</p> <p>Disability benefits are available via China's Basic Pension Scheme, which is comprised of the <u>Social Insurance Program</u> and <u>Mandatory Individual Account</u>.</p> <p><i>Social Insurance Pension</i></p> <p>The insured must be assessed as being totally incapable of working and does not qualify for an early old-age social insurance pension. The Labor Ability Appraisal Committee evaluates the degree of disability.</p> <ul style="list-style-type: none"> Permanent Disability Benefit <p>The benefit is 40% of the insured's average monthly wage in the previous year.</p> <p><i>Mandatory Individual Account</i></p> <p>The Mandatory Individual Account does not provide cash benefits for disability.</p>	<p>Benefits</p> <p>Employees are provided with coverage for death, health, disability, and old-age benefits when they are enrolled.</p> <p>Lump-sum scheduled benefit payment according to the level of disability (dismemberment), ranging from 10% to 100% of the amount insured.</p> <ul style="list-style-type: none"> Short-Term Disability <p>Employers pay the employee a percentage of salary during the sickness period, depending on the length of continuous service. Practice varies by province and city.</p> <ul style="list-style-type: none"> Long-Term Disability <p>Very rare. Generally, all employees are eligible for Total Permanent Disability, which is typically the same as the group life coverage.</p>

Employer-Sponsored Disability Benefits

Disability Benefits – Type I:

A certain percentage of the insured amount under the group AD&D policy will be payable, if the employee suffers one of the following losses due to accident. See following table, *Indemnity Scale for Personal Accident Insurance (1999)*, for more details.

Indemnity Scale for Personal Accident Insurance – Type I

Grade	Item	Details of Disability	Percentage of the Sum Insured
1	1	Permanent total loss of sight of both eyes (Note 1)	100%
	2	Loss of both upper limbs at or above the wrist or of both lower limbs at or above the ankle	
	3	Loss of one upper limb at or above the wrist and of one lower limb at or above the ankle	
	4	Loss of sight of an eye and of one upper limb at or above the wrist	
	5	Loss of sight of an eye and of one lower limb at or above the ankle	
	6	Permanent total loss of function of joints of the limbs (Note 2)	
	7	Permanent total loss of function of mastication and swallow (Note 3)	
	8	Incapability to perform independently the daily activities and incapability to fit for any job/occupation due to loss of function of central nervous system or internal organ (Note 4)	

Grade	Item	Details of Disability	Percentage of the Sum Insured
2	9	Permanent total loss of function of two or more great-joints of both upper limbs or of both lower limbs or of both lower limbs or of both an upper limb and a lower limb (Note 5)	75%
	10	Total loss of fingers (Note 6)	
3	11	Permanent total loss of one upper limb at or above the wrist or of function of three great-joints of an upper limb	50%
	12	Permanent total loss of one lower limb at or above the ankle or of function of three great-joints of a lower limb	
	13	Permanent total loss of hearing (Note 7)	
	14	Permanent total loss of function of joints of all fingers (Note 8)	
	15	Total loss of toes (Note 9)	
4	16	Permanent total loss of sight of one eye	30%
	17	Permanent total loss of function of two great-joints of an upper limb	
	18	Permanent total loss of function of two great-joints of a lower limb	
	19	Loss of five or more fingers including thumb and forefinger of a hand	
	20	Permanent shortening of leg by at least 5 cm	
	21	Permanent total loss of speech (Note 10)	
	22	Permanent total loss of function of all toes	
5	23	Permanent total loss of function of one great-joint of an upper limb	20%
	24	Permanent total loss of function of one great-joint of a lower limb	
	25	Loss of thumbs of two hands	
	26	Total loss of toes of a foot	
	27	Obvious defect of two eyelids (Note 11)	
	28	Permanent total loss of hearing in one ear	
	29	Defect of nasal part and severe dysosmia (Note 12)	
6	30	Loss of forefinger and thumb of a hand or of more than three fingers including the thumb or forefinger	15%
	31	Permanent total loss of function of three or more than three fingers including the thumb or forefinger	
	32	Permanent total loss of function of toes of a foot	
7	33	Loss of thumb or forefinger of a hand or more than either two fingers, middle-finger, ring-finger, and small-finger	10%
	34	Permanent total loss of function of thumb and forefinger of a hand	

Indemnity Scale for Personal Accident Insurance – Type I

Grade	Percentage of the Sum Insured
1	100%
2	75%
3	50%
4	30%
5	20%
6	15%
7	10%
8	8%
9	5%
10	3%

Note: The grade in the above table is determined according to the *Table of Labour Ability Assessment – Work-Related Injuries and Occupation Disease Disability Grade (GB/T 16180-2006)* released by the China National Standardization Management Committee.

Notes:

1. Loss of sight of eye(s) shall include eyeball(s) or removal, Anopia, or only light sensation, or visual acuity after correction lower than 0.02, or visual field narrower than 5 degrees. Medical evidence must be supplied by an ophthalmologist appointed by the insurance company (Taiping).
2. Loss of function of joint(s) shall mean permanent total stiffness or paralysis or moving of the joints.
3. Loss of function of mastication and swallow shall mean the organic or functional disturbance of the mastication and swallow that renders the insured incapable of eating a solid diet. The loss of function due to dental causes is excluded.
4. Loss of ability to perform independently daily activities and loss of ability to carry out any job or occupation shall mean complete and continuous inability of the insured to perform daily life activities independently (such as eating, excretion, dressing, walking, bathing, etc., and inability to perform or engage in any work, occupation, or business).
5. Three great-joints of upper limb include shoulder joint, elbow joint and wrist joint; three great joints of lower limb including hip joint, knee joint, and ankle joint.
6. Total loss of fingers shall mean complete severance through or above the proximal phalangeal joints (interphalangeal joints of thumb).
7. Total loss of hearing shall mean permanent irrecoverable loss of hearing where:
if a dB=Hearing loss at 500 Hertz
if b dB=Hearing loss at 1000 Hertz
if c dB=Hearing loss at 2000 Hertz
 $1/6$ of $(a+2b+2c)$ is above 90dB
8. Total loss of function of joints of all fingers shall mean complete severance through the distal phalangeal joints, or stiffness of the proximal phalangeal joints on moving disturbance of the phalangeal joints.
9. Total loss of toes means complete severance through or above the metatarsophalangeal joints.
10. Total loss of speech shall mean the loss of ability in articulating any three of the four sounds that contribute to the speech such as the labial sounds, the alveololabial sounds, the palatal sounds, and the velar sounds; or total loss of vocal cord or damage of speech center in brain resulting in aphasia, but all psychiatric-related causes are excluded. Medical evidence must be supplied by an Ear, Nose and Throat specialist.
11. Obvious defect of two eyelids shall mean eyelids incapable of covering cornea completely when the insured closes his/her eyes.
12. Defect of nasal part and severe dysosmia shall mean the irrecoverable defect of total or one-half nasal cartilage and nasal atresia, nasal dyspnea to anosmia of both sides. Permanent total loss shall mean bodily injury lasting for at least 180 days from the date injury occurred and being beyond hope of improvement at the end of that period. However, this excludes an irrecoverable status such as removing the eyeball.

Disability Benefits – Type II:

A new standard was jointly released by the Insurance Association of China (IAC) and the Chinese Forensic Medicine Association on June 8, 2013 for classification and gradation of functions and disabilities. The degree of life insurance disability is assigned to ten levels, with Level 1 as the highest severity level and Level 10 as the lowest severity level.

Corresponding to the degree of life insurance disability, the insurance benefit payment ratios are assigned to ten levels. The Level 1 degree of disability corresponds to the payment ratio of 100%, and the Level 10 degree of disability corresponds to the payment ratio of 10%, with a difference of 10% between two adjacent levels.

A certain percentage of the insured amount under the group AD&D policy will be payable, if the employee suffers one of the following losses due to accident.

See the previous table, Indemnity Scale for Personal Accident Insurance (effective since January 1, 2014) for more details.

The Standard for Assessment of Life Insurance Disability (Classifications)

- 1. Structure and mental function of the nervous system**
 - 1.1 Structural damage of meninges
 - 1.2 Structural damage of brain, intellectual dysfunction
 - 1.3 Disorder of consciousness
- 2. Eyes, ears and relevant structure and function**
 - 2.1 Eye injury or visual impairment
 - 2.2 Visual impairment
 - 2.3 Structural damage of lens
 - 2.4 Structural damage of eyelid
 - 2.5 Structural damage of ears or auditory impairment
 - 2.6 Auditory impairment
- 3. Vocal and verbal structure and function**
 - 3.1 Structural damage of nose
 - 3.2 Structural damage of oral cavity
 - 3.3 Vocal and verbal dysfunction
- 4. Structure and function of cardiovascular, immune, and respiratory system**
 - 4.1 Structural damage or dysfunction of heart
 - 4.2 Structural damage of spleen
 - 4.3 Structural damage of lung
 - 4.4 Structural damage of thoracic cage
- 5. Structure and function of digestive, metabolic and endocrine system**
 - 5.1 Chewing and swallowing dysfunction
 - 5.2 Structural damage of bowels
 - 5.3 Structural damage of stomach
 - 5.4 Structural damage of pancreas or metabolic dysfunction
 - 5.5 Structural damage of liver
- 6. Structure and function of urinary and reproductive system**
 - 6.1 Structural damage of urinary system
 - 6.2 Structural damage of reproductive system

- 7. Neuromuscular skeleton and motion-related structure and function**
 - 7.1 Structural damage of head and neck
 - 7.2 Dysfunction of joint of head and neck
 - 7.3 Structural damage of upper limbs, dysfunction of hands or joints
 - 7.4 Structural damage of pelvis
 - 7.3 Structural damage of lower limbs, dysfunction of feet or joints
 - 7.6 Structural damage of limbs, dysfunction of limbs and joints
 - 7.7 Structural damage of spine and joint activity dysfunction
 - 7.8 Dysfunction of muscle strength

- 8. Skin and relevant structure and function**
 - 8.1 Structural damage of skin of head and neck, and repair function disorder
 - 8.2 Structural damage of skin of different parts and repair function disorder

SURVIVORS' BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Benefits</p> <p>Survivors' benefits are available via China's Basic Pension Scheme, which is comprised of the <u>Social Insurance Program</u> and <u>Mandatory Individual Account</u>.</p> <p><i>Social Insurance Pension</i></p> <p>At the time of death, the insured had to be either employed or a pensioner. A lump sum of 6 to 12 months of the deceased's last monthly wage is paid, depending on the number of eligible dependents.</p> <ul style="list-style-type: none"> • Eligible Survivors include the spouse, dependent children, and parents. • Funeral Allowance <p>A funeral allowance is payable upon the death of the insured or one of his or her immediate family members.</p> <p>The funeral allowance is a lump sum of two months of the average monthly wage in the previous year. It is payable to the spouse, children, parents, and grandparents.</p> <p>If an immediate family member dies who was dependent on the insured, a percentage (33% to 50%) of the average monthly wage in the previous year is paid based on the age of the deceased family member.</p> <p><i>Mandatory Individual Account</i></p> <p>At the time of death, the insured had to be either employed or a pensioner. Eligible Survivors: The deceased's legal heirs.</p> <p>The benefit is a lump sum consisting of the employee's total contributions plus accrued interest.</p>	<p>Benefits</p> <p><i>Please see Life Benefits for more information.</i></p>

MEDICAL BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Benefits</p> <ul style="list-style-type: none"> • <i>Individual Medical Account:</i> Used for normal clinical expenses, co-payment of critical illness and hospitalization expenses. • <i>Pooled Public Medical Funds:</i> Used for reimbursement of critical illness and hospitalization expenses. • <i>Threshold of Pooled Public Medical Funds Reimbursement:</i> 10% of local social average annual salary in the previous year. • <i>Maximum Benefits from Pooled Public Medical Funds:</i> In a medical year, the overall payment of inpatient medical expenses and chronic disease outpatient medical expenses cannot exceed the maximum payment limit. According to the wage level of employees and the income and expenditure of the overall planning fund, the minimum and maximum payment limit of the overall planning fund shall be adjusted by the municipal human resources and social security administrative department in a timely manner. In principle, the maximum payment limit is about 4 times the average annual salary of local employees. <p>Maternity Benefits: <i>(to be combined with Basic Medical Care Benefits)</i></p> <ul style="list-style-type: none"> • <i>Maternity Leave:</i> Normally 98 days (including 15 days of prenatal checkup), additional 15-30 days in case of complicated delivery. • <i>Maternity Leave Monthly Salary:</i> Regarding the relevant policies and regulations on female employees taking maternity leave, the salary standard during maternity leave is calculated based on the number of days the employee enjoys maternity leave. In general, it is paid with the Maternity leave pay or maternity allowance whichever are higher. • <i>Medical Care Expenses/Allowance:</i> Used for medical expenses associated with the delivery and/or related birth control treatment and/or related female illness treatment, in the form of medical allowance (such as RMB 3,000 in Shanghai) or medical expense reimbursement (such as in Guangdong). 	<p>Benefits</p> <p>Employees are provided with coverage for death, health, disability, and old-age benefits when they are enrolled.</p> <p>Topped-up clinical benefits and hospitalization benefits are commonly provided to supplement the inadequacy of the Social Security Medical Care benefit.</p> <p>Other benefits, such as critical illness, hospitalization allowance, and the supplementary pooled funds are also available in some of the medical schemes. However, some benefits are in the form of a lump-sum subsidy rather than covering full expenses, such as critical illness benefits.</p>

Following the “Opinions of the General Office of the State Council on Comprehensively Advancing Combined Implementation of Maternity Insurance and Basic Medical Insurance for Employees” (No. 10 [2019] of the General Office of the State Council), Maternity Benefits is combined with the Basic Medical-care Insurance, with unified registration, fund payment and management.

Social Security Medical Care Benefits by Region

Mandatory contributions under the scheme are as follows:

Insured Salary	Contribution Rate				
	Region	Employer		Employee	
		Social Pooling Fund	Supplementary Fund (If applied)	Individual Account	Supplementary Fund
<p><u>Upper Limit:</u> 3 times social average monthly salary of prior year</p> <p><u>Lower Limit:</u> 60% of social average monthly salary of prior year</p>	Shanghai	10.5% (10% Medical + 0.5% Maternity)	2%	2%	no
	Beijing	8.8% (8% Medical + 0.8% Maternity)	1%	2%	3.00 per month
	Guangzhou	6.35% (5.5% Medical + 0.85% Maternity)	0.26%	2%	no
	Chengdu	7.7% (6.9% Medical + 0.8% Maternity)	0.6%	2%	no

Establishment of Individual Medical Care Accounts:

Social security management institutions establish an individual medical account for each member. Generally, contributions made by an employee are all distributed to his or her individual medical account. Part of the contributions made by the employer is allocated to the employee's individual account. The specific amount distributed to the member's individual account depends on the member's age, and different regions have different formulae.

Since January 1, 2017, new regulations allow the amount of the individual account to be used to purchase personal commercial medical insurance.

Individual Medical Care Account for Shanghai

Fund	Distribution			
	Age	Employee	Employer	
Basic Medical Care Fund	Individual Medical Care Account	<34	2%	RMB 210
		35-44	2%	RMB 420
		45-normal retirement age	2%	RMB 630
	Social Pooling Fund	Residual portions of the contribution made by the employer after distribution to employee's individual account		
Supplementary Medical Care Fund	2% contributed by employer			

Individual Medical Care Account for Beijing

Fund	Distribution			
	Age	Employee	Employer	
Basic Medical Care Fund	Individual Medical Care Account	<35	2%	0.8%
		35-44	2%	1.0%
		45-normal retirement age	2%	2.0%
	Social Pooling Fund	Residual portions of the contribution made by employer after distribution to employee's individual account		
Supplementary Medical Care Fund	1% by employer plus RMB 3.00 by employee			

Individual Medical Care Account of Guangzhou

Fund	Distribution			
	Age	Employee	Employer	
Basic Medical Care Fund	Individual Medical Care Account	<35	2%	1.2%
		35-44	2%	1.2%
		45-normal retirement age	2%	2.0%
	Social Pooling Fund	Residual portions of the contribution made by employer after distribution to employee's individual account.		
Supplementary Medical Care Fund	0.26% contributed by employer			

Individual Medical Care Account for Chengdu

Fund	Distribution			
	Age	Employee	Employer	
Basic Medical Care Fund	Individual Medical Care Account	<50	2%	0.02%* age of the employee
		50-normal retirement age	2%	0.035%* age of the employee
	Social Pooling Fund	Residual portions of the contribution made by employer after payment to employee's individual account		

Note:

- Supplementary Medical Care Funds are normally used for reimbursement of some specific major medical expenses, such as *uremia*, *malignant tumor* treatment, etc. and/or reimbursement due to lack of individual medical account for annual clinical expenses, such as clinical expense of more than RMB 1,800 per year in Beijing.
- Unlike Beijing, Shanghai, and Guangzhou, there are Supplementary Medical Care Funds established by Chengdu, but it is not compulsory for employers and employees. Both employers and employees participate voluntarily. Three optional methods of Supplementary Medical care for hospitalization in Chengdu are provided. All employers or employees can choose one of the methods according to their need and financial status.

3. The detailed usage of the Supplementary Medical Care Funds will be subject to local governmental policy, as different regions have different methods.
4. According to the latest social security policy, a lump-sum 15-year payment system has been introduced, which means when employee has reached the retirement age, if he/she have not enough paid for 15 years, then there is no way to receive pensions on a monthly basis. In this case, there are 3 ways to gain the pension: 1. Continuously pay after retirement until the end of 15 years; 2. Convert social security to new rural cooperative medical system; 3. A one-time payment to 15 years.

Medical Care Benefit — Normal Clinic Visit

Method of Shanghai:

- Expenses for the clinical visit, including treatment fees, registration fees, drug fees, lab-test fees, facility examination fees, etc. will all be charged to the individual medical account when the employee shows his/her medical card to the hospital. There is no need to pay in cash.
- If the accumulation of funds in the individual medical account is not enough, the rest of the medical expenses will be paid in cash by the employee.
- Once the accumulated cash payment made by employees per year has exceeded RMB 1,500, the exceeding amount can partially be reimbursed from the Shanghai Supplementary Medical Care Funds, according to the following schedule:

Usage of Supplementary Medical Care Funds in Terms of Clinical Visits	
Type of Employees	Reimbursement From Supplementary Medical Care Funds
Age < 44	1 st Class Hospitals: 65% of the exceeding portions 2 nd Class Hospitals: 60% 3 rd Class Hospitals: 50%
Age >= 45	1 st Class Hospitals: 75% of the exceeding portions 2 nd Class Hospitals: 70% 3 rd Class Hospitals: 60% (But for those born before 12/31/1955, and who entered the workforce before 12/31/2000, the exceeding portion is reimbursed by 70% in 3 rd Class Hospitals.)

Social Security Benefits and Customary Private Employee Benefits

Method of Beijing:

- Clinical visit expenses, including treatment fees, registration fees, drug fees, lab-test fees, facility examination fees, etc. will be charged in cash by withdrawal from the individual social medical account.
- If the accumulation payment from individual employees exceeds RMB 1,800 per year, the employees will be able to get reimbursement from the local Supplementary Medical Care Funds, according to the following schedule:

Expenses	Paid by
More than RMB 1,800	50% of the exceeding portions by mutual fund (up to a maximum of RMB 20,000). The residuals paid by individual account.
<RMB 1,800	Individual Account

Method of Guangzhou:

- Clinical visit expenses, including treatment fees, registration fees, drug fees, lab-test fees, facility examination fees, etc. will be charged in cash by withdrawal from the individual social medical account.
- A Normal Clinic Pooling Fund has been set up since July 1, 2011.
- Each employee should choose two appointed hospitals under social security (one is the hospital of level I) as the appointed hospitals for the Normal Clinic Pooling Fund.

Expenses	Paid by
Normal Clinic, excluding chronic disease or Major Clinical Visit	In the appointed 1 st class hospital, 80% by social pooling only for normal clinic; In other appointed hospital, 55% by social pooling only for normal clinic; The maximum payable by the social pooling is 300 RMB/ month; The residuals are paid by individual account.

- If the accumulation of funds in the individual medical account is not enough, the rest of the medical expenses will be paid in cash by the employee.

Social Security Benefits and Customary Private Employee Benefits

Method of Chengdu:

- Clinical visit expenses, including treatment fees, registration fees, drug fees, lab-test fees, facility examination fees, etc. will be charged in cash by withdrawal from the individual social medical account.
- There is no supplementary reimbursement from the local Supplementary Medical Care Funds for accumulation payment of normal clinic visits as shown in the following schedule:

Expenses	Fully borne by Individual Account
----------	-----------------------------------

Medical Care Benefit — Major Clinical Visit (*uremia, malignant tumor*)

The reimbursement ratio paid by the Social Medical Pooled Funds or local Supplementary Medical Care Funds is illustrated for a third-class hospital that is the best hospital locally. For other hospitals, such as first-class or second-class, the reimbursement ratio will be higher, in order to encourage people to visit those first-class or second-class hospitals more, considering the lack of hospital resources.

Method for Shanghai:

- Major Clinical Visit includes:
 - Severe uremic dialysis
 - Malignant tumor
Chemotherapy, specific endocrine therapy, radiotherapy, isotope, interventional therapy, Chinese traditional treatment
 - Certain types of psychiatric diseases:
Schizophrenia, moderately severe depression, mania, obsessive-compulsive disorder, mental retardation comorbid mental disorders, Epilepsy comorbid mental disorders, paranoid psychosis
- For medical expenses including treatment fees, registration fees, drug fees, lab-test fees, facility examination fees, etc., 85% will be charged to the social medical pooling funds immediately for outpatient and 80% for hospitalization.
- The rest of the medical expenses will be charged to the individual medical account when the employee shows his/her social medical card at the hospital. There is no need to pay in cash.
- In case accumulated medical expenses exceed RMB 530,000, the exceeding part will be charged to the local Supplementary Medical Care Funds immediately; the reimbursement percentage from the Supplementary Medical Care Funds is 80%. The rest of the expenses will still be charged to the individual medical account. There is no need to pay in cash.
- If the employee's individual medical account does not have enough funds to pay for medical expenses, the difference will be paid by him or her in cash.

Schedule for Shanghai in Terms of Major Clinical Visits

Expenses	Paid by
> RMB 530,000	80% of the exceeding portions by Supplementary Medical Care Funds; 20% by individual account
<= RMB 530,000	<u>For Outpatient:</u> 85% by Social Medical Pooling Funds, 15% by the individual account. <u>For Inpatient:</u> 80% by Social Medical Pooling Funds, 20% by the individual account.

Method for Beijing:

- The medical expense portion, including treatment fees, registration fees, drug fees, lab-test fees, facility examination fees, etc., which is less than 10% of the social average annual salary of prior year, will be fully charged by cash withdrawal, from the individual social medical account.
- The medical expense portion, which is more than 10% of the social average annual salary of prior year, and less than four times the social average annual salary of prior year, will be jointly charged to the social medical pooling funds and to the individual account. The reimbursement percentage from the social medical pooling funds is about 80% - 90%, according to the expense range.
- The medical expense portion, which is more than four times the social average annual salary of prior year, will be jointly charged to the Supplementary Medical Care Funds and to the individual account. The reimbursement percentage from the Supplementary Medical Care Funds is 85%.
- The maximum reimbursement amount from the Social Pooling Funds is RMB 100,000 per year. And the maximum reimbursement amount from the Supplementary Medical Care Funds is RMB 200,000.
- If the individual account does not have enough funds, the rest of the expenses will be paid in cash.

Schedule for Beijing in Terms of Major Clinical Visits

1st Class Hospitals

Expenses	Paid by Social Medical Pooling Funds/ Supplementary Medical Care Funds and Individual Account Pro-rata
RMB 100,000 – RMB 200,000	85% by Supplementary Medical Care Funds
	15% by individual account
RMB 40,000 – RMB 100,000	97% by Social Medical Pooling Funds
	3% by individual account
RMB 30,000 – RMB 40,000	95% by Social Medical Pooling Funds
	5% by individual account
RMB 1,300 – RMB 30,000	90% by Social Medical Pooling Funds
	10% by individual account
<RMB 1,300	All by individual account

2nd Class Hospitals

Expenses	Paid by Social Medical Pooling Funds/ Supplementary Medical Care Funds and Individual Account Pro-rata
RMB 100,000 – RMB 200,000	85% by Supplementary Medical Care Funds
	15% by individual account
RMB 40,000 – RMB 100,000	97% by Social Medical Pooling Funds
	3% by individual account
RMB 30,000 – RMB 40,000	92% by Social Medical Pooling Funds
	8% by individual account
RMB 1,300 – RMB 30,000	87% by Social Medical Pooling Funds
	13% by individual account
< RMB 1,300	All by individual account

3rd Class Hospitals

Expenses	Paid by Social Medical Pooling Funds/ Supplementary Medical Care Funds and Individual Account Pro-rata
RMB 100,000 – RMB 200,000	85% by Supplementary Medical Care Funds
	15% by individual account
RMB 40,000 – RMB 100,000	97% by Social Medical Pooling Funds
	3% by individual account
RMB 30,000 – RMB 40,000	95% by Social Medical Pooling Funds
	5% by individual account
RMB 1,300 – RMB 30,000	90% by Social Medical Pooling Funds
	10% by individual account
< RMB 1,300	All by individual account

Social Security Benefits and Customary Private Employee Benefits

Method for Guangzhou:

- The medical expense portion, including treatment fees, registration fees, drug fees, lab-test fees, facility examination fees, etc., which is less than RMB 1,000 (RMB 500 for familial ward and RMB 2,000 for observation of emergency) will be fully charged in cash by withdrawal from the individual social medical account.
- The medical expense portion, which is more than RMB 1,000 (RMB 500 for familial ward and RMB 2,000 for observation of emergency) and less than four times the social average annual salary, will be jointly charged to the social medical pooling funds and to the individual account. The reimbursement percentage from the Social Medical Pooling Funds is about 80% - 85% according to the different classes of hospitals.
- Only the second-class and the third-class hospitals provide Major Clinical Visit services in Guangzhou.
- The medical expense portion, which is more than four times the social average annual salary, will be jointly charged to the Supplementary Medical Care Mutual Funds and to the individual account. The reimbursement percentage from the Supplementary Medical Care Funds is about 90% - 95% for the different range of expenses.
- The maximum reimbursement amount from the Supplementary Medical Care Funds is RMB 590,000 per year.
- If the individual account does not have enough funds, the rest of the expenses will be paid in cash.

Schedule for Guangzhou in Terms of Major Clinical Visits

Expenses	Paid by
> 4 times social average annual salary of prior year	90% of the exceeding portions subject to upper limit of RMB 590,000 paid by Supplementary Medical Care Mutual Fund. The rest of expenses paid by individual account.
More than the below range of expenses to 4 times social average annual salary of prior year	<u>1st Class Hospitals:</u> 90% of the exceeding portions by Social Pooling Funds. 10% by the individual account. <u>2nd Class Hospitals:</u> 85% of the exceeding portions by Social Pooling Funds. 15% by the individual account. <u>3rd Class Hospitals:</u> 80% of the exceeding portions by Social Pooling Funds. 20% by the individual account.
< RMB 1,000(RMB 500 for familial ward and RMB 2,000 for observation of emergency)	Individual account

Social Security Benefits and Customary Private Employee Benefits

Method for Chengdu:

- The medical expense portion, including treatment fees, registration fees, drug fees, lab-test fees, facility examination fees, etc., which is less than between RMB 200 and RMB 800 for different classes of hospitals, will be fully charged in cash by withdrawal from the individual social medical account.
- The medical expense portion, which is more than between RMB 200 and RMB 800 for different classes of hospitals and less than four times the social average annual salary will be jointly charged to the Social Medical Pooling Funds and to the individual account. The reimbursement percentage from the Social Medical Pooling Funds is about 85% or more, depending on the age of the employee.
- The medical expense portion, which is more than four times the social average annual salary, will be fully charged to the individual account.
- If the individual account does not have enough funds, the rest of the expenses will be paid in cash.

Schedule for Chengdu in Terms of Major Clinical Visits

Expenses	Paid by
> 4 times social average annual salary of prior year	Individual account
More than the below range of expenses to 4 times social average annual salary of prior year	85% + 2% < or 4%/6%/8%/10% > paid by Social Pooling Funds, the remainder by Supplementary Medical Care Funds or the individual account (.2% when age is over 50; 4% when age is over 60; 6% when age is over 70; 80% when age is over 80; 10% when age is over 90)
< RMB 200 (1 st Class) < RMB 400 (2 nd Class) < RMB 800 (3 rd Class)	Individual account

Medical Care Benefit — Hospitalization

Method for Shanghai:

- The medical expense portion, including treatment fees, room and board, surgeon fees, drug fees, miscellaneous fees, lab-test fees, facility examination fees, etc., which is less than RMB 1,500, will be charged directly to the individual account when the employee shows his/her social medical card at the hospital. There is no need to pay in cash.
- The medical expense portion, which is more than RMB 1,500, will be jointly charged to the Social Medical Pooled Funds and to the individual account. The reimbursement ratio from the Social Medical Pooled Funds is 85%.
- In case accumulated medical expenses exceed RMB 390,000, the exceeding part will be charged to the local Supplementary Medical Care Funds immediately; the reimbursement percentage from the Supplementary Medical Care Funds is 80%. The rest of the expenses will still be charged to the individual medical account. There is no need to pay in cash.
- In case the employee's individual medical account does not have enough funds to pay for medical expenses, the difference will be paid in cash by the employee.

Schedule for Shanghai in Terms of Hospitalization

Expenses	Paid by
> RMB 530,000	80% of the exceeding portions by Supplementary Medical Care Funds; 20% by individual account
RMB 1,500 to RMB 530,000	80% by Social Medical Pooling Funds, 20% by the individual account
< RMB 1,500	Individual account

Schedule for Beijing in Terms of Hospitalization

(Same as Major Clinical Visit)

1st Class Hospitals

Expenses	Paid by Social Medical Pooling Funds/ Supplementary Medical Care Funds and Individual Account Pro-rata
RMB 100,000 – RMB 200,000	85% by Supplementary Medical Care Funds 15% by individual account
RMB 40,000 – RMB 100,000	97% by Social Medical Pooling Funds 3% by individual account
RMB 30,000 – RMB 40,000	95% by Social Medical Pooling Funds 5% by individual account
RMB 1,300 – RMB 30,000	90% by Social Medical Pooling Funds 10% by individual account
< RMB 1,300	All by individual account

Social Security Benefits and Customary Private Employee Benefits

2nd Class Hospitals

Expenses	Paid by Social Medical Pooling Funds/ Supplementary Medical Care Funds and Individual Account Pro-rata
RMB 100,000 – RMB 200,000	85% by Supplementary Medical Care Funds
	15% by individual account
RMB 40,000 – RMB 100,000	97% by Social Medical Pooling Funds
	3% by individual account
RMB 30,000 – RMB 40,000	92% by Social Medical Pooling Funds
	8% by individual account
RMB 1,300 – RMB 30,000	87% by Social Medical Pooling Funds
	13% by individual account
< RMB 1,300	All by individual account

3rd Class Hospitals

Expenses	Paid by Social Medical Pooling Funds/ Supplementary Medical Care Funds and Individual Account Pro-rata
RMB 100,000 – RMB 200,000	85% by Supplementary Medical Care Funds
	15% by individual account
RMB 40,000 – RMB 100,000	97% by Social Medical Pooling Funds
	3% by individual account
RMB 30,000 – RMB 40,000	95% by Social Medical Pooling Funds
	5% by individual account
RMB 1,300 – RMB 30,000	90% by Social Medical Pooling Funds
	10% by individual account
< RMB 1,300	All by individual account

Schedule for Guangzhou in Terms of Hospitalization

1st Class Hospitals

Expenses	Paid by
> 4 times social average annual salary of prior year	90% of the exceeding portions (less than RMB 10,000) by Supplementary Medical Care Mutual Fund. 95% of the exceeding portions subject to upper limit of RMB 150,000. The rest of expenses paid by individual account.
RMB 500 to 4 times social average annual salary of prior year	90% of the exceeding portions by Social Medical Pooling Funds. 10% by the individual account.
<RMB 500	Individual account

2nd Class Hospitals

Expenses	Paid by
> 4 times social average annual salary of prior year	90% of the exceeding portions (less than RMB 10,000) by Supplementary Medical Care Mutual Fund. 95% of the exceeding portions subject to upper limit of RMB 150,000. The rest of expenses paid by individual account.
RMB 1,000 to 4 times social average annual salary of prior year	85% of the exceeding portions by Social Medical Pooling Funds. 15% by the individual account.
< RMB 1,000	Individual account

3rd Class Hospitals

Expenses	Paid by
> 4 times social average annual salary of prior year	90% of the exceeding portions (less than RMB 10,000) by Supplementary Medical Care Mutual Fund. 95% of the exceeding portions subject to upper limit of RMB 150,000. The rest of expenses paid by individual account.
RMB 2,000 to 4 times social average annual salary of prior year	80% of the exceeding portions by Social Medical Pooling Funds. 20% by the individual account.
< RMB 2,000	Individual account

Social Security Benefits and Customary Private Employee Benefits

Schedule for Chengdu in Terms of Hospitalization (same as Major Clinical Visit)

1st Class Hospitals

Expenses	Paid by
> 4 times social average annual salary of prior year	Exceeding portions paid by Supplementary Medical Care Funds or the individual account.
RMB 200 to 4 times social average annual salary of prior year	85% +2% <or 4%/6%/8%/10%> paid by Social Pooling Funds, the remainder by Supplementary Medical Care Funds or the individual account (.2% when age is over 50; 4% when age is over 60; 6% when age is over 70; 80% when age is over 80; 10% when age is over 90)
< RMB 200	Individual account

2nd Class Hospitals

Expenses	Paid by
> 4 times social average annual salary of prior year	Exceeding portions paid by Supplementary Medical Care Funds or the individual account.
RMB 400 to 4 times social average annual salary of prior year	85% +2% <or 4%/6%/8%/10%> paid by Social Pooling Funds, the remainder by Supplementary Medical Care Funds or the individual account (.2% when age is over 50; 4% when age is over 60; 6% when age is over 70; 80% when age is over 80; 10% when age is over 90)
< RMB 400	Individual account

3rd Class Hospitals

Expenses	Paid by
> 4 times social average annual salary of prior year	Exceeding portions paid by Supplementary Medical Care Funds or the individual account.
RMB 800 to 4 times social average annual salary of prior year	85% +2% <or 4%/6%/8%/10%> paid by Social Pooling Funds, the remainder by Supplementary Medical Care Funds or the individual account (.2% when age is over 50; 4% when age is over 60; 6% when age is over 70; 80% when age is over 80; 10% when age is over 90)
< RMB 800	Individual account



Social Security Benefits and Customary Private Employee Benefits

Immediate Vesting: Mandatory contributions made by the employee are fully and immediately vested with the member as accrued benefits. Yet, the contributions made by the employer are allocated to the employee's individual account partially, i.e., 2% of the insured salary, and are vested immediately as accrued benefits.

Portability: When the member is transferred to another region, the accrued benefits in his or her individual medical care account can be transferred to the region's social security medical care scheme, but the other portions contributed by the employer are retained as part of the social pooling funds.

Maternity Benefits *(only available in certain cities):*

Mandatory Contributions: 0.8% -1% by employer.

Benefits: Medical and health care, birth allowance, and other treatment expenses during the period of childbirth. (Due to detailed differences among areas, the following example is based on Shanghai's standard.)

Living Expense Allowance

Description	Allowance
1. Labor after a pregnancy of 7 months or more 2. Premature delivery within 7 months	3 months' benefit
Miscarriage between 3 and 7 months	1.5 months' benefit
Miscarriage within 3 months	1 month's benefit

Benefit Formula: Equivalent to the employee's insured salary for social security pension scheme.

Medical Care Expense Allowance

Description	Allowance
1. Labor after a pregnancy of 7 months or more 2. Premature delivery within 7 months	RMB 3,000
Natural miscarriage between 3 and 7 months	RMB 500
Natural miscarriage within 3 months	RMB 300

City-Customized Inclusive Commercial Insurance (Hui Min Bao):

Introduction:

Hui Min Bao, i.e., city-customized inclusive commercial insurance, is a commercial medical insurance product tailored and closely linked to the local social medical insurance system. It provides million-level insurance and convenient health services for the city's basic medical insurance participants at inclusive prices and raises the level of health protection for local citizens.

In 2020, central government issues *Opinions on Advancing Medical Security System Reform*, to build a multi-layered medical security system: basic medical insurance as primary scheme, medical assistance as the last resort, and joint development of supplementary medical insurance, commercial medical insurance, charity donation and medical mutual assistance.

- **Headed by government, insurance company as underwriters:** targeted at local social security participants, Hui Min Bao is not only a commercial insurance, but also supplementary insurance of basic medical insurance and an integral part of multi-layered medical security system.
- **Insure with few limits:** all social security participants can be insured regardless of age, occupation, and other conditions, with few or no health declarations; moreover, it can be insured against the insured's past symptoms, although proportion of compensation has been reduced.
- **High insured amount, low premium:** up to millions of insured amount, premium ranges from 39-365 Yuan; e.g., 115 Yuan per year (Shanghai), 365 Yuan per year (Shen Zhen), 59 Yuan per year (Hang Zhou). Premiums can be paid by social security account balance in some cities.
- **Comprehensive coverage:** special hospitalization medical expenses after settlement of basic medical insurance, specific drug cost, with corresponding health management services on medicine direct pay and delivery.

Coverage

(Hu Hui Bao of Shanghai as example):

Benefit	Special Hospitalization Self-Paid Medical Expense	Specific High Drug Costs	Proton and Heavy Ion Medical
Deductibles	20,000	0	0
Compensation percentage	Without anamnesis: 70% With anamnesis: 50%	Without anamnesis: 70% With anamnesis: 30%	Without anamnesis: 70% With anamnesis: 30%
Insured Amount	1 million	1 million	300,000
Designated hospital	Local level II and above	Local level II and above hospital or qualified pharmacies	Hospital with Proton and heavy ions medical

Employer-Sponsored Medical Benefits

Introduction:

China's Social Security System includes medical benefits. However, group health plans are necessary in order to supplement the inadequacies of the Social Security Plan.

To develop diversified health insurance services is emphasized in *the Opinions of State Council on Accelerating the Development of Modern Insurance Industry* [29] 2014 and *the Opinions of State Council on Accelerating the Development of Commercial Health Insurance* [50] 2014.

Insurance companies will be encouraged to develop products such as medical insurance, disease insurance, disability income insurance and long-term care insurance to supplement basic medical insurance. At the same time, tax policy concerning health insurance should be improved. Steps should be taken to implement and improve the corporate income tax policy regarding the premium of supplementary medical insurance paid by businesses for their employees. These measures pave the way for faster growth of commercial health insurance.

Another guideline opened up the scope of benefits. *Notice of the China Insurance Regulatory Commission on Matters concerning the Promotion of the Sound Development of Group Insurance* (No. 14 [2015] of the China Insurance Regulatory Commission) was issued in 2015, to further clarify the coverage of group insurance.

Updates on Definition of Group:

A specific group means a legal person, an unincorporated organization, and another group composed not for the purpose of purchasing insurance. Where a specific group is a legal person or an unincorporated organization, the insurance applicant shall be the legal person or unincorporated organization. Where a specific group is another group composed not for the purpose of purchasing insurance, the insurance applicant may be a natural person of the specific group.

Updates on Size of a Specific Group:

The insured of group insurance shall be no less than three persons when a contract is signed and issued. The spouses, children, and parents of the members of a specific group may be regarded as the insured.

Almost all supplementary medical plans are designed to complement the social medical insurance program, to coordinate basic social medical benefits. This practice helps to design a cost-containment program. For example, the supplementary medical plan only covers expenses paid by employees themselves, excluding reimbursement from the social medical insurance program.

Any reasonable medical expenses charged to an employee's individual account or paid in cash by him or her are eligible to be covered by the supplementary medical plan. Furthermore, an individual social medical card, and social medical approved hospitals are required in order to control the potential moral hazard risk of patients and doctors. It also helps to coordinate the differences among different geographic locations.

Premiums are normally paid by the employer, with some exceptions in terms of dependent medical coverage. Usually, plans provide 50% of employee benefits for dependents, and the employer pays the premium. However, an employee can top up the level of benefits provided to his or her dependents by paying an additional premium.

Most plans offer the same benefit schedule to all employees, with only a little difference according to the different local social medical insurance benefits among different areas.



Social Security Benefits and Customary Private Employee Benefits

Some employers provide different/flexible benefits to employees according to their position, benefits budget, demographic data, etc. For example, senior managers are provided with a better benefit schedule than junior managers and general staff. Certain individual benefit budgets are allocated to different employees, and employees are able to select any benefit package designed to meet different benefit needs.

Supplementary medical benefits will cover any reasonable medical expenses, including clinic visits, hospitalization, and critical illness expenses. Levels of benefits vary in accordance with the type of plan. A brief outline of the coverage follows.

Hospitalization:

In-patient benefit is the principal benefit for private medical care plans. If the hospitalization is due to disease or accident, a certain amount of the insured sum is available to the insured.

Eligibility

Insured is between the ages of 16 to 60, healthy, a full-time employee who can perform normal work. The spouse and children of the insured can be included as dependents in the contract upon approval of the insurer.

Upon approval of the insurer, the corporation where the insured works can be considered as a group applicant. If the institution is being considered as a group applicant, at least 75% of the employees and at least 20 persons should be covered.

Sum Insured

RMB 10,000 – RMB 100,000

Coverage

Hospitalization cost is borne by the insured according to local social security medical care stipulations, and the specific amount paid by Taiping is reduced by a certain percentage or/and deductible amount.

Critical Illness:

Eligibility

Insured is between the ages of 16 to 65, healthy, and a full-time employee who can perform normal work. The spouse and children of the insured can be included as dependents in the contract upon approval of the insurer.

Upon approval of the insurer, the company where the insured works can be considered as a group applicant. If the institution is being considered as a group applicant, at least 75% of the employees and at least eight persons should be covered.

Sum Insured

Not more than RMB 500,000.

Social Security Benefits and Customary Private Employee Benefits

Coverage

In November 2020, China Insurance Association issues *Specification for the Use of the Definition of Disease in Critical Illness Insurance* (2020 Version) (known as Xin Hang Biao) which shall take effect from February 1, 2021.

The new regulation establishes a dread disease classification system to distinguish between “severe” and “mild” degree diseases; and expand coverage of diseases from 25 types to 28 types of severe dread diseases and 3 types of mild dread diseases.

(<http://www.iachina.cn/module/download/downloadfile.jsp?classid=0&filename=dfbe46c8f7aa414694e7043603c6fb0b.pdf>).

Severe Diseases:

- Malignant tumor-severe
- More acute myocardial infarction
- Severe Sequela of cerebral apoplexy
- Major organ transplantation or hematopoietic stem cell transplantation
- Bypass operation of coronary artery (coronary artery bypass grafting)
- Severe chronic kidney failure
- Multiple limbs mutilation
- Acute fatal hepatitis or subacute serious hepatitis
- Severe nonmalignant intracranial tumor
- Severe chronic liver failure
- Severe postencephalitis or severe sequelae of meningitis
- Deep coma
- Deafness
- Blind in both eyes
- Paralysis
- Heart valve surgery
- Serious Alzheimer's disease
- Serious brain injury
- Severe Primary Parkinson's disease
- Severe third-degree-burn
- Severe idiopathic pulmonary arterial hypertension
- Severe motor neuron disease
- Lost the power of speech
- Severe Chronic aplastic anemia
- Aorta operation
- Severe Chronic respiratory failure
- Severe Crohn's disease
- Severe ulcerative colitis

Mild Diseases:

- Malignant tumor-Mild
- Mild Acute Myocardial Infarction
- Mild Sequela of cerebral apoplexy

When the insured is diagnosed with any of the above critical illness conditions, the sum insured is available to the insured or to his or her beneficiary.

In addition, if the insured deceases, his or her beneficiary can claim the death benefit equivalent to the insured amount.



Social Security Benefits and Customary Private Employee Benefits

Out-Patient Clinical Visit:

Eligibility

An insured between the ages of 16 to 60, who is healthy, a full-time employee, and who can perform normal work. The spouse and children of the insured can be included as dependents in the contract upon approval of the insurer.

Upon approval of the insurer, the company where the insured works can be considered as a group applicant. If the institution is being considered as a group applicant, at least 75% of the employees and at least 20 persons should be covered.

Sum Insured

RMB 5,000 — RMB 100,000

Coverage

- Treatment expenses
- Medical inspection expenses
- Operation expenses
- Medicine expenses

The above expenses are to be borne by the insured according to local social security medical care stipulations, and the specific amount paid by the insurer is reduced by a certain percentage and/or deductible amount.

Worksite medical:

Worksite projects cover various insurance types: Senior Cancer, Lifelong Critical Illness, Child Critical Illness, Pension Community, etc. Below are brief introductions to senior cancer project.

Worksite Senior Cancer:

Eligibility

Elders, who suffer from past symptoms and age limitations, as neglected group of traditional commercial insurances have remarkable premium potential. An insured between the ages of 50 to 75, where the insured can be considered as a group applicant, must meet insured persons ≥ 3 (including employee, parents of employees and their spouses)

Sum Insured

There are 4 plans to choose from:

	Plan 1	Plan 2	Plan 3	Plan 4
Malignant Tumor	50,000	100,000	150,000	200,000
High-cost Malignant Tumor	25,000	50,000	75,000	100,000
carcinoma in situ	10,000	20,000	30,000	40,000
Sum insured	85,000	170,000	255,000	340,000

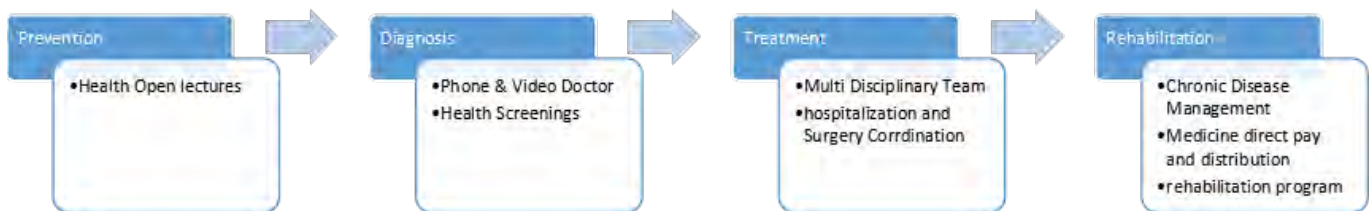
Coverage

- Major insurance:
 - Malignant Tumor: 100% reimbursed
 - Significantly High-cost Malignant Tumor: 50% extra reimbursement
- Additional insurance: carcinoma in situ: 20% reimbursed, with major insurance still in effect

Health Management Plans:

The Opinions of the State Council on *Accelerating the Development of Modern Insurance Industry [29] 2014* and the Opinions of State Council on *Accelerating the Development of Commercial Health Insurance [50] 2014* present that health management services such as disease prevention, health maintenance and chronic disease management are encouraged to be provided in tandem with commercial health insurance products. Insurance institutions should become a part of the health service industry by establishing their own medical institutions or participate in the reform of public hospitals through equity interest investment or strategic partnership.

In 2012, Taiping Pension launched a new product “Supreme Healthcare” health management. Taiping works with VHS (Valurise Health Solutions), a third-party health management solution group for this health management product that offers a range of services including: electronic health files, risk assessments, consultation hotlines, electronic health periodicals, coordination of expert and specialist consultations and second opinions, etc., seeking to cover a comprehensive life cycle of disease:



Coverage

Service items	No.	Service Content	Service Frequency (times/person/year)
Dread Disease Treatment	1	Pre-treatment guide	1
	2	VIP and Specialist Clinic coordination	2
	3	Hospitalization and surgery coordination	1
	4	Remote treatment allowance	1
	5	Follow-up specialist visit,	1
	6	Psychological support	6
	7	Rehabilitation Program	12
	8	Global secondary treatment	1
	9	Multi-disciplinary Team (MDT)	
	10	Health Screenings interpretation (via phone or online)	Phone: Unlimited Online: 1
	11	Phone Doctor	Unlimited

Service items	No.	Service Content	Service Frequency (times/person/year)
Family Doctor	1	Family Doctor	Unlimited
	2	Online Doctor	16
	3	Health Screenings interpretation	1
	4	Fast track for outpatient service	1
	5	Fast track for hospitalization service	1
	6	Discount to specific specialist	Unlimited
Daily Medical Care Assistance	1	Phone Doctor	Unlimited
	2	Online Doctor	Unlimited
	3	Video Doctor	Unlimited
	1	Health Express	Unlimited
	2	Health Open Class	Unlimited
	3	Health Open lectures	Unlimited
Circle Harmony Medical Care	1	Circle Harmony specialist primary visit	1
	2	Electronic medical record assessment	1
	3	Imaging specialist report interpretation	1
	4	Specialist from level III hospitals visit	1
	5	Green Pass to hospitalization/surgery in renowned level III hospitals	1
	6	Clinical trial New Drug Consultation	1
	7	Specialized hospital doctor visit	1
	8	Global referral arrangement	1
	9	Rehabilitation Program	1

RETIREMENT BENEFITS	
Social Security Benefits	Customary Private Employee Benefits
<p>Benefits</p> <p>Designed to meet the basic needs of retirement life.</p> <p>Basic retirement benefits are made up of three portions:</p> <ul style="list-style-type: none"> • <u>Base pension</u>, equal to: (the average of Social Average Annual Salary of the year prior to retirement time + the insured's indexed salary) / 2 × (years of contributions <including those regarded as contribution period> × 1%+The number of remaining months after the full year×0.083%). • <u>Individual account pension</u>, equal to his/her individual retirement account balances/number of months stipulated by the Government. • <u>Transitional pension</u> based on the age of insured employees and accumulation period of his/her individual retirement account (different regions have different standards). <p>Note: As per the implementation of the Social Retirement Insurance Policy of 1997, there is no accumulation to individual retirement accounts for service years before 1992.</p> <p>The purpose of the transitional pension is to make up for the lack of individual retirement accounts for those who entered the work force before 1992, and to transition between the 1997 and 2005 policies.</p>	<p>Benefits</p> <p>Employees are provided with coverage for death, health, disability, and old-age benefits when they are enrolled.</p> <p><i>Normal Retirement Age (Legal)</i></p> <p>Age 60 for males and 55 for females</p> <p>In addition to the mandatory contributions, many employers offer voluntary contributions, which are:</p> <ul style="list-style-type: none"> • Accumulated in the employee's individual retirement account; • Paid as a lump-sum amount or monthly annuity at the time the member retires; • Dependent upon the employee's position, age, years of service, etc., for determining the amount.

Social Security Retirement Benefits:

Mandatory Contributions:

Mandatory contributions under the scheme are as follows:

Contribution Bases	Contribution Rate		
	Region	Employer	Employee
<p><u>Upper Limit:</u> 3 times social average monthly salary of prior year.</p> <p><u>Lower Limit:</u> 53% of social average monthly salary of prior year.</p>	Shanghai	16.0%	8.0%
<p><u>Upper Limit:</u> 3 times social average monthly salary of prior year.</p> <p><u>Lower Limit:</u> 46% of social average monthly salary of prior year.</p>	Beijing	20.0%	8.0%
<p><u>Upper Limit:</u> 3 times social average monthly salary of prior year.</p> <p><u>Lower Limit:</u> 60% of social average monthly salary of prior year.</p>	Guangzhou	14.0%	8.0%
<p><u>Upper Limit:</u> 3 times social average monthly salary of prior year.</p> <p><u>Lower Limit:</u> 50% of social average monthly salary of prior year.</p>	Chengdu	16.0%	8.0%

Note:

On April 17, with the approval of the State Council, the Ministry of Human Resources and Social Security and the Ministry of Finance issued the "Notice on Adjusting the Basic Pension for Retired Persons in 2020" clarifying that from January 1 of each year, there will be an increase in the basic pension level for those who has retired under the legal procedures of retirement from enterprises, government agencies and institutions. The overall adjustment level is 5% of the monthly basic pension for retirees in 2019. So far, basic pension distribution in China has achieved the consecutive rises for 16 times.

Establishment of Individual Retirement Accounts:

Social security management institutions are to establish individual retirement accounts for each member. From 2006, all contributions made by an employee, for example, 8% of salary in Shanghai, are wholly allocated to his or her individual retirement account, and all contributions made by the employer will be allocated to the social pooling funds automatically.

The individual pension account and the social pooling funds hereafter make up the Basic Pension Funds.

Fund	Distribution			
	Region	Employee	Employer	
Basic Pension Fund	Individual Retirement Account	Shanghai	8%	0%
		Beijing	8%	0%
		Guangzhou	8%	0%
		Chengdu	8%	0%
	Social pooling fund (All contributions made by the employer)			

Immediate Vesting:

Mandatory contributions paid by the employee are fully and immediately vested as accrued benefits. The investment income of individual account contributions is also viewed as an accrued benefit.

Portability:

When the member is transferred to another region, only the accrued benefits in his or her individual retirement account shall be transferred to the respective region's social security pension scheme, while the other portions contributed by the employer and not allocated to the individual account, shall not be transferred, and shall be retained as part of the local social pooling funds.

Since the social pooling funds are only effective in the local city area, and not on a nationwide basis, the benefits from the social pooling funds shall be different due to the different financial status of local social pooling funds and different social average salaries. Any movement from a highly salaried area to a lower salaried area, or vice versa, will lead to a change of the social pension benefits level.

Preservation:

Accrued benefits in the member's individual retirement account will be preserved and become payable in the following events when the member:

- Reaches the normal retirement age of 60 (males) and age 55 (females)
- Reaches a certain age and retires early
- Permanently departs from the mainland of China
- Dies in service



Social Security Benefits and Customary Private Employee Benefits

Investment Options:

Currently, members have no decision rights with regard to the asset allocations of their individual retirement account balances. All funds are managed by the local social insurance authority and are invested in government treasuries, or they are used to buy bank deposits. The yield of the funds should not be less than that of a one-year bank deposit. Beginning in 2017, the social insurance fund can invest in the stock market.

Retirement Benefits: (Paid Monthly)

Basic retirement benefits consist of three portions that the member can claim upon retirement. They are the base pension, individual account pension and transitional pension. Based on the year in which the member enters the workforce, he or she will have a different combination of benefits (all the following benefits and methods were stipulated by the Government in 2005).

- Members, who have reached normal retirement age and who have made contributions totaling 15 full years, are entitled to basic pension scheme benefits and receive a pension on a monthly basis.

The basic pension consists of two parts: Base Pension (PAYG) and Individual Account Pension (funded).

Base Pension: (The average of Social Average Annual Salary of the year prior to retirement time and Insured's indexed salary) × Years of Contributions (including those regarded as contribution period) × 1%.

The funds will be paid from the social pooled pension funds.

Individual Account Pension: Individual Account Balance / of months stipulated by the Government. The funds will be paid first from accumulation of individual accrued benefits. Once the funds of the individual account are used up, the social pooled pension funds will continue to pay.

Older employees who retired before implementation of this method (2005 policy) can get a pension still issued in accordance with the original standard. At the same time, the method for readjustment of the basic pension is carried out.

Middle-aged employees who began employment before implementation of the method (1997 policy) and will retire after the implementation of this method (2005 policy), are entitled to receive the third part of the retirement benefits, i.e., the Transitional Pension, based on the above-mentioned two pensions, so as to realize a link between the old and new retirement methods. Different regions have a different formula, as shown in the *Components of Pension Benefits Table*, which appears on the next page.

- For those who have reached normal retirement age, but the number of years of contributions (including those regarded as years of contributions) is less than 15 years, the balance of the individual account balance, including principal and interest will be paid as a lump-sum to the employee concerned.
- When an employee or a retiree dies, the balances of his or her individual account can be inherited by his or her beneficiary(ies).

Components of Pension Benefits

	Basic Monthly Pension			
	Foundation Pension	Individual Account Pension	Transitional Pension	
			Service-Related Pension	Monthly Allowance
Shanghai	<p>A.S. + Insured's indexed salary) / 2 × N × 1%</p> <p>N: Years of contributions (including those regarded as contribution period)</p> <p>Insured's Indexed Salary = A.S. × Index</p> <p>Index= (1× No. of years before the end of 2010 × w1/W0 +w2/W1+...+wm/Wm-1) ÷n</p> <p>Wm: Insured salary (contribution base) from January 2011 to the month of retirement</p> <p>Wm-1: Social average monthly salary between the year prior to retirement and 2010</p> <p>N: Months of contributions (including those regarded as contribution period)</p>	<p>I.A. / No. of months stipulated by the Government</p> <p>No. of months stipulated by the Government is determined by the factors of the average life expectancy of urban population when retirement, retirement age, interest, etc.</p> <p>For normal retirement age, the number of months is 139 for males at 60 years old, and 170 for females at 55years old</p>	<p>Years of service before 1992 × 0.75% × Social Average Monthly Salary of the year prior to retirement</p>	<p>RMB 120-264 depending on the balance of his or her individual account between 1993 and 1997</p>

A.S.: Social Average Monthly Salary of the year prior to retirement

I.A.: Individual Account Balance

	Basic Monthly Pension			
	Foundation Pension	Individual Account Pension	Traditional Pension	
			Service-Related Pension	Monthly Allowance
Beijing	<p>$(A.S. + \text{Insured's indexed salary}) / 2 \times N \times 1\%$</p> <p>N: Years of contributions (including those regarded as contribution period)</p> <p>Insured's Indexed Salary = A.S. \times Index</p> <p>Index = $(wn/Wn-1 + wn-1/Wn-2 + \dots + w1993/W1992 + w1992/W1991) / \text{years of service since 1992}$</p> <p>wn: Insured annual salary (contribution base) between the year of retirement and 1992 Wn-1: Social average annual salary between the year prior to retirement and 1991</p>	I.A. / No. of months stipulated by the Government	<p>$G = A.S. \times 1 \times Nr \times 1\% + \text{Insured's indexed salary} \times N \times 1\%$</p> <p>G: Service-related pension</p> <p>Nr: Years of Insured's continuous service before the implementation of mandatory contributions, as of October 1, 1992</p> <p>Na: Years of actual contributions before June 30, 1998 (those regarded as contribution period is not included)</p>	About RMB 147
Guangzhou	<p>$(A.S. + \text{Insured's indexed salary}) / 2 \times N \times 1\%$</p> <p>N: Years of contributions (including those regarded as contribution period)</p> <p>Insured's Indexed Salary = A.S. \times Index</p> <p>Index = $(wn/Wn-1 + wn-1/Wn-2 + \dots + w1993/W1992 + w1992/W1991) / \text{years of service since 1992}$</p> <p>wn: Insured annual salary (contribution base) between the year of retirement and 1992;</p> <p>Wn-1: Social average annual salary between the year prior to retirement and 1991</p>	I.A. / No. of months stipulated by the Government	<p>$G = [(wi / Wi) / (12 \times n)] \times Wn - 1 \times 1.2\% (1\%) \times N$</p> <p>G: Service-related pension wi: Insured salary (contribution base) Wi: Social average annual salary</p> <p>Wn - 1: Social average monthly salary of the year prior to retirement</p> <p>N: Years of contributions before this method (including those regarded as contribution period)</p> <p>1.2%: For those whose contribution period is equal to or more than 15 years 1%: For those whose contribution period is between 10 and 15 years</p>	<p>10% of the social average monthly salary of 1997</p> <p>(RMB 1,142 * 10% = RMB 114)</p>

A.S.: Social Average Monthly Salary of the year prior to retirement

I.A.: Individual Account Balance

	Basic Monthly Pension			
	Foundation Pension	Individual Account Pension	Traditional Pension	
			Service-Related Pension	Monthly Allowance
Chengdu	<p>(A.S. + Insured's indexed salary / 2 × N × 1%</p> <p>N: Years of contributions (including those regarded as contribution period)</p> <p>Insured's Indexed Salary = A.S. × Index</p> <p>Index= (wn/Wn-1+ wn-1/Wn-2 + ... + w1993/W1992 + w1992/W1991) / years of service since 1992</p> <p>wn: Insured annual salary (contribution base) between the year of retirement and 1992</p> <p>Wn-1: Social average annual salary between the year prior to retirement and 1991</p>	<p>I.A./</p> <p>No. of months stipulated by the Government</p>	<p>Retiree's indexed salary × years of service before the end of 1995 × 1.3%</p>	<p>2% of the social average monthly salary of 1997, (RMB 624 * 2% = RMB 15) and other allowance (currently, it is RMB 61)</p>

A.S.: Social Average Monthly Salary of the year prior to retirement

I.A.: Individual Account Balance

Employer-Sponsored Retirement Benefits

Introduction:

While most employees are covered by the Social Security System, commercial benefit plans are often adopted to supplement the moderate level of social security benefits.

In the past, the development of commercial benefit plans was limited to group life, accidental death and disability, and medical coverage. However, there is a growing need for commercial retirement plans, due to the comparative low retirement replacement ratio provided by the Government.

In August 2014, the Opinions of the State Council on Accelerating the Development of Modern Insurance Industry [29] 2014 was issued by the State Council. It states briefly to make commercial insurance a pillar of the social security system. Private employee benefit plans provided by the employer include two parts: one is an insurance plan, and the other is a trust plan known as an Enterprise Annuity (EA). It is fully supported by the Chinese Government in order to complete the pension system in China.

Updates on Insurance Plans

In the past, the China Insurance Regulatory Commission (CIRC) stipulated that the number of insured must not be less than five. However, the number was changed to be three according to the Notice on Promoting the Healthy Development of Group Insurance [14] 2015 issued by the China Insurance Regulatory Commission (CIRC).

Updates on Trust-Based Insurance Plans

The history of Enterprise Annuity (EA) in China started in late 2000, when the Chinese Government decided to launch an experimental corporate pension program in Liaoning province. The purpose of the program was to provide a higher replacement ratio for city/town employees, simultaneously lessening the Government's fiscal burden. A set of draft guidelines was published to direct the practice. The pilot program in Liaoning Province was rolled out at the beginning of 2001. Please see the details of State Council Notice [42] 2000 (Notice on Issuing a Trial Plan of how to Perfect the Social Security System of Cities/Towns). Prior to the year 2000, many group retirement benefits were provided in the form of group annuity contracts, which is a form of corporate supplementary pension insurance.

From 2001 to 2003, a series of local policies were promulgated by the Liaoning provincial government to support the implementation of the pilot program, including eligibility, qualification, funding method, tax consideration, benefits withdrawal, etc. Please see the details of the State Council's Approval on Perfecting the Social Security System of the Cities/Towns in Liaoning [79] 2001. More supportive policies, such as administration methods and investment options for pension funds are still pending.

Since early 2003, the number of pilot areas in which corporate pension plans are established has expanded, e.g., to the provinces of Zhejiang, Guangdong, and Shandong. A similar set of supportive local policies was issued in each of these pilot areas.

In April 2003, in accordance with those trials of corporate pension programs launched by the State Department, the State Tax Bureau issued a notice to clearly define the method of tax considerations of corporate pension schemes, as well as other corporate tax considerations. Please see the details of the State Tax Bureau Notice [45] 2003 (Notice on the Implementation of the Enterprise Annuity Accounting System in relation to the Income Tax).

Social Security Benefits and Customary Private Employee Benefits

In January 2004, nationwide guidelines of the corporate pension program, since then properly called Enterprise Annuity (EA) in China, were issued by the Ministry of Human Resources and Social Security (MOHRSS), in which a series of standard rules for EA schemes are clearly stated in compliance with international practice, such as the definition of eligibility in partaking in Enterprise Annuity. Please see the details of the Trial Measures on Enterprise Annuity Ordinance [20] 2004.

In April 2004, nationwide guidelines for Enterprise Annuity fund investment management were issued by the MOHRSS, co-signed by the China Insurance Regulatory Commission (CIRC), the China Banking Regulatory Commission (CBRC), and the China Securities Regulatory Commission (CSRC).

Please see details of the Trial Measures on Enterprise Annuity Fund Management Ordinance [23] 2004. Both ordinances came into effect on May 1, 2004.

Consequently, the above-mentioned three nationwide governmental guideline policies (i.e., Trial Measures on Enterprise Annuity Ordinance [20] 2004, Trial Provisions on Enterprise Annuity Fund Management Ordinance [23] 2004 and State Tax Bureau Notice [45] 2003), created a basic framework for enterprise annuity plans in China. This framework consisted of six major aspects:

- Development Mode
- Tax Consideration
- Program Formation
- Administration
- Supervision
- Investment

In March 2005, the MOHRSS enacted Ordinance [24] (Trial Measures for the Qualification of Enterprise Annuity Fund Management Institutions) and the Human Resources and Social Security Policy [32] 2004 (Rules for Experts to Judge the Qualifications for Determining Enterprise Annuity Fund Management Institution). The Ministry of Human Resources and Social Security Policy [32] 2004 consists of three parts:

- The Workflow of Enterprise Annuity Funds Management
- IT Rules for Enterprise Annuity Account Funds Management
- Measures for the Acknowledgement of Qualifications of EA Funds Management Institutions

In March 2013, the Ministry of Human Resources and Social Security (MOHRSS), China Banking Regulatory Commission (CBRC), China Securities Regulatory Commission (CSRC), and China Insurance Regulatory Commission (CIRC) jointly released Ordinance [2013] 23 (Notice on Expansion of Investment Scope for EA Funds), according to which, enterprise annuities will have an expanded scope of investment choices, including:

- Financial products of commercial banks;
- Trusts;
- Infrastructure bond schemes;
- Special asset management plans;
- Stock index futures. (However, the annuity is only allowed to invest in stock index futures for the purpose of hedging.)

Social Security Benefits and Customary Private Employee Benefits

The combined investments in financial products of the first four choices above must not exceed 30 percent of the net value of assets under the portfolio. The combined investments in fixed-income products, including time deposits of one year or more, investment-linked insurance products (the proportion of equity investment not exceeding 30 percent), fixed-income retirement savings, and hybrid retirement programs, must not exceed 135 percent of the net value of assets under the portfolio.

Thus, compared with regulations in 2011, the investment scope of Enterprise Annuity is largely broadened.

Also, in March 2013, MOHRSS, CBRC, CSRC and CIRC jointly released another notice, [2013]24 (Notice on Enterprise Annuity Pension Product). For the purpose of improving the efficiency of investment in pension products with stable returns, it enables enterprise annuity fund investment managers to issue annuity products targeted at stocks, hybrid instruments, fixed-income securities, and currencies.

In December 2013, the Ministry of Finance, the Ministry of Human Resources and Social Security (MOHRSS) and the State Administration of Taxation (SAT) jointly issued Caishui [2013] No. 103 (Circular 103), which introduced a tax deferral treatment in the Individual Income Tax (IIT) regime regarding the Enterprise Annuity and Occupational Pensions (collectively referred to as Pension).

In 2017, the Ministry of Human Resources and Social Security (MOHRSS) issued Measures on Enterprise Annuities effective February 1, 2018 to implement a standard Enterprise Annuity plan.

The tax deferral treatment is carried out in the EET model, which is to say, the IIT would be exempted at contribution, during the investment and would only be charged at withdrawal at a relatively lower tax rate. The account manager of EA plans would be responsible.

The chart below shows how the Individual Income Tax (IIT) is charged under the new tax scheme, which was effective as of January 1, 2014.

	Employer	Employee
When contributed:	Exempted	Exempted (\leq 4% of his/her average monthly salary of the preceding year, capped at 3 times the city's average monthly salary of the preceding year)
When vested and invested:	Exempted	Exempted
Withdraw Conditions:		
Death:		<ul style="list-style-type: none"> Taxed monthly at the relevant IIT rate of "benefits amount/12 months"
Permanent Emigration:		<ul style="list-style-type: none"> Taxed monthly at the relevant IIT rate of "benefits amount/12 months"
Retirement:		<ul style="list-style-type: none"> Taxed monthly if withdrawn monthly; Taxed monthly to relative number of months if withdrawn yearly or quarterly; Taxed as one separate month's income if withdrawn by lump sum

Social Security Benefits and Customary Private Employee Benefits

In April 2015, China's General Office of the State Council promulgated a new policy to guide the government agencies and government-affiliated institutions in managing their occupational pensions. The new policy is essentially a supplementary pension insurance mechanism, aimed at coordinating with the reform of the pension system. Under the new policy, both employees and government agencies and institutions need to pay for the occupational pension accounts.

Updates on Tax-Deferred Individual Pension Insurance

In April 2018, China finance ministry and banking, securities and insurance regulators issued a document announcing that tax-deferred pension insurance will be trialed in Shanghai, Fujian Province (including Xiamen city) and Suzhou Industrial Park in Jiangsu Province for one year starting on May 1, 2018.

Under the scheme, individuals will be allowed to defer tax on part of their income used to buy commercial pension insurance until they retire and withdraw money from the fund.

Pilot Regions	Shanghai, Fujian Province, and Suzhou Industrial Park in Jiangsu Province	
Deferrable Tax Base	The restrictions are designed to make sure that highly compensated employees do not gain too much tax advantage at the expense of lesser paid employees	
	Individuals living on salaries	Min. {1,000 yuan (\$159.03) / month; 6% of their monthly remuneration}
	Individuals running a business	Min. {12,000 yuan (\$1908.36) / year; 6% of their annual taxable income}
Distribution Tax Rate	25% of the pension	Exempted from levy
	75% of the pension	Paid at a proportional tax rate of 10%
Withdrawal Conditions	Death	By lump sum
	Permanent disability	
	Critical illness	
	Legal retirement	By installment, life-time payment or in a minimum of 15 years



Social Security Benefits and Customary Private Employee Benefits

Retirement Benefits – Type I Enterprise Annuity:

Based on the Ministry of Human Resources and Social Security Policy [36] 2018 or Measures on Enterprise Annuity, the following rules are to be observed in order to implement a standard Enterprise Annuity plan:

Eligibility of Sponsor:

- Must have participated in the mandatory social pension program
- Must have a corresponding financial capacity
- Must have established collective negotiation mechanisms among employees

Content of the Enterprise Annuity Plan:

- Eligibility of members: All full-time employees after their probation period
- Funding method
- Establishment of individual account and administration method
- Management method of pension funds
- Accounting and payment method of pension funds
- Conditions for pension benefits payment
- Organizational structure and supervisory method of pension funds
- Conditions for contribution stop
- Other matters agreed upon by sponsor and participants

Approval:

Once the content of the EA plans is established, it shall be submitted to the local supervisory agency for tax considerations and supervision.

Contribution:

Annual total contribution from employer and employees to the EA plan is not to exceed 12% of the total annual salary. Employer contributions are not allowed to exceed 8% of the previous years' total salary. The highest contribution level is not allowed to exceed 5 times as much as the average contribution level.

Vesting Period:

Contribution from the employer shall be totally vested to individual accounts within up to 8 years.

Tax allowance:

Among the different provinces in China, regulations stipulating tax allowances on the corporate income tax vary between 4 percent and 8.33 percent. Tax allowances concerning the individual income tax on Enterprise Annuity benefits are set up to 4% of the employee's average monthly salary of the preceding year (capped at three times the city's average monthly salary of the preceding year).

Individual Account:

Individual accounts are to be established for fully accrued benefits. All contributions from the employee are allocated to the individual account, while contributions from the employer are allocated according to the program method and as agreed upon by employee and employer. All yields obtained through the investment of the funds are also allocated to the individual account. The balance of the corporate account shall be distributed to individual accounts periodically. It cannot be used to offset future contributions.



Social Security Benefits and Customary Private Employee Benefits

Withdrawal:	<p>Employees/participants in the EA plan or their heirs/beneficiaries are only entitled to withdraw benefits from individual accounts for the following reasons:</p> <ul style="list-style-type: none">• Upon attaining legal retirement age• Becoming a permanent resident overseas• Total disability without work skills• Death
Portability:	<p>Once the employee leaves a job, he/she can transfer all individual account benefits that are eligible to be carried forward to the new employer. If the new employer does not have such an occupational pension program, all benefits may be managed by the previous employer or the trustee under whom this plan had been established, respectively.</p>
Entrustment of the Trustee:	<p>The consigner of the Enterprise Annuity plan shall select a proper fiduciary to perform the overall management role of a trustee for the pension funds. A written fiduciary contract is required.</p>
Management Mode:	<p>All management organizations that offer EA management services require certain special licenses from the Ministry of Human Resources and Social Security. Without these certificates, offering these services is not possible – not the only restriction the Government imposes for assuring the proper, trustworthy operation and reputation of enterprise annuity.</p> <p>The organization winning the bidding for the trustee of a pension plan has the responsibility to select a proper account administrator, funds investment manager and custodian. The four assigned service providers will then together have responsibility for the management of the EA funds. Whereby, in general, EA funds can be comprised of several bundled EA plans or one unbundled plan.</p> <p>Bundled EA plans refer to such annuity plans that are set up and managed individually and independently but whose funds are pooled together in order to reach higher investment returns. Unbundled plans are plans in which both the individual annuity plan as well as the occupational pension funds are managed and invested separate of any other funds.</p> <p>Written contracts are required between the trustee and the remaining three service providers – clients are not supposed to be involved in the disposal of responsibilities besides that of the trustee.</p> <p>Also, all assets under the occupational pension scheme are independent – from the service providers' own assets as well as from the equity of other funds or plans.</p> <p>The inappropriate use of resources is forbidden and prosecuted. In addition to the legislated guidelines and defined requirements for internal risk management, regular mandatory reports must be provided to both the responsible labor and social security departments, as well as to the consigner and the various parties in order to allow for the highest transparency and control.</p>

EA Management Fees:

The management fees for the four service providers involved in overseeing the operation of enterprise annuities are stipulated by the “Measures on Enterprise Annuity Fund Management,” as follows:

- The management fee for the trustee shall not exceed 0.2 percent of the net value of the trusted properties of the EA fund.
- The management fee for the account administrator is limited to RMB 5 per account per month.
- The management fee for the custodian shall not exceed 0.2 percent of the net value of the trusted properties of the EA fund.
- The investment manager’s fee is not to exceed 1.2 percent of the net value of those properties under the management of the investment manager.

Supervision:

The local Human Resources and Social Security Bureaus are responsible for supervision of any occupational pension plan and the management of the funds under this plan. Any disputes regarding the operation of the annuity plan are scheduled for appeal and arbitration at the responsible bureau according to the respective regulations.

During the period of setting up an annuity plan and in order for the plan to be legally admitted, the local Human Resources and Social Security Bureau, as part of the supervision and control function, needs to file the EA plan and approve it. Also, as part of the supervisory function, service providers must submit regular reports to the appropriate government institution.

Based on the Ministry of Human Resources and Social Security Department Ordinance [36] 2018, or the Measures on Occupational Annuity Fund Management, the following important rules apply:

1. Eligibility and Responsibility: Trustee, account administrator, custodian, and investment manager, as well as other roles pertaining to enterprise annuity services consultancy are clearly defined.
2. Independent Assets: All funds belonging to the company pension are required to be placed in a specially established corporate account. Assets of the funds are not only to be managed independently of any personal assets of the trustee, account administrator, custodian, or investment manager, but are also to be treated independently of any other assets under the management of any of the above-named service providers.

Furthermore, the accumulated equity destined for pension payments is excluded from any liability settlement – either of the employer or of the EA management institutions.

3. Individual Account: All contributions paid by employer and employees, as well as investment yields attained, shall be allocated as accrued benefits to individual accounts existing for any of the partaking beneficiaries.
4. Prudent Trustee Management: The trustee of an enterprise annuity scheme shall perform on behalf of the interests of clients and beneficiaries, and act with honesty, trustworthiness, diligence, prudence, and credibility.
5. Investment Management: According to the “Trial Measures for the Management of Enterprise Annuity Funds”, enterprise annuity assets can be invested in:
 - Stable return/low risk instruments like bank deposits, Central Bank notes, short-term bond repurchases, money market funds – with investment not going below the limit of 20 percent of the funds’ net assets;

Social Security Benefits and Customary Private Employee Benefits

- Medium risk instruments with higher returns like time deposits, negotiable deposits, T-bonds, investment-grade financial bonds, enterprise bonds with a credit rating above “AAA”, convertible bonds, bond funds with a respective proportion of not more than 50 percent of the net assets of the fund; whereby the contingent of government bonds shall not make up less than 20 percent of the funds’ net assets;
- High-risk instruments like stocks and other equity products, investment insurance products and stock funds, which shall all in all not exceed 30 percent; whereby, the proportion for investing in stocks is not allowed to be higher than 20 percent.

Besides, in calculation of investment in securities issued by a single enterprise or in a single securities investment fund, 5 percent of the securities issued by this enterprise or the shares of the fund shall not be exceeded, nor shall the number exceed 10 percent of the total value of properties under the enterprise annuity fund.

6. Regular Reports Required: Every institution assigned for the management of the Enterprise Annuity plan needs to provide regular reports. This information is to be provided periodically (quarterly and/or annual reports or reports after inquiry through consigner).

Based on the State Tax Bureau Notice [45] 2003 (Notice on the Implementation of the Enterprise Annuity Accounting System in relation to the Income Tax), a clearly defined set of tax laws/guidelines is available for the purpose of testing Enterprise Annuity:

- Enterprise Annuity is established in the interest of all qualified employees.
- Contributions made by employers according to State departmental policies or local provincial government policies are qualified for tax allowances from the corporate income tax.
- A local provincial tax bureau can issue local standards for qualified contributions for the purpose of testing Enterprise Annuity. For example, in Liaoning Province, it is stipulated that contributions from the employer that don’t make up more than 4 percent of the total annual salary are qualified for tax deductions. While in Zhejiang Province, employers’ contributions are stated not to exceed 5 percent of the total annual salary in order to be tax deductible.

Labor and Social Security Department Ordinance [24] 2004, or Trial Measures for the Qualification of Enterprise Annuity Fund Management Institutions, defined the terms and conditions that an occupational pension funds management institution must satisfy.

Trustee, investment manager, custodian and account administrator are considered to be safeguards for supplementary retirement benefits. Currently, there are more than 60 Enterprise Annuity management institutions that have obtained approval by the Chinese Government since May 2005.

With promulgation of these important guidelines, occupational pensions have become the hottest issue in the employee benefits market in China. According to a survey made by Taiping Pension Co., Ltd., one-fourth of all enterprises in China have already established, are establishing or plan to establish a supplementary pension plan for their employees.

However, a nationwide tax deduction policy has not yet been formed. Thus, many companies are waiting for an update of the tax policies before considering implementing an Enterprise Annuity in their companies.

Retirement Benefits– Type II Entrusted Management Pension Program:

To promote the active participation of the insurance industry, to build a multi-level old-age security system, and to promote the professional development of pension insurance, the China Insurance Regulatory Commission (CIRC) decided to delegate trust managed pension business to pension companies. The following regulations issued by CIRC are regarded as its guidelines:

- Notice About Trial Old-Age Security Entrusted Management Business Related Issues (CIRC No. 43, 2013)
- Notice About Trial Old-Age Security Entrusted Management Business Related Issues (CIRC No. 129, 2009)
- Pension Business Management Regulation (CIRC No. 4, 2007)
- Bond Investment of Insurance Institutional Investors' Trial Measures (CIRC No. 72, 2005)
- Risk Control Guidelines for the Use of Insurance Funds (CIRC No. 43, 2004)
- Life Insurance Product Approval and Filing Management Approach (CIRC No. 6, 2004)

Currently, only a very limited number of insurers in the market are able to provide such products. With the new regulation issued this year, more flexibility is allowed in developing the EA-like trust-based products. The following rules are to be observed in order to implement an entrusted managed pension plan.

Eligibility of Sponsor:	Must meet the requirements set by the employer (<u>not necessarily covering all employees</u>).
Contribution:	Contributions are either made solely by the employer, solely by the employee or employee(s), or jointly by the employer and the employee. If the plan refers to part of the supplementary pension program, employee contributions are accepted. <u>No lower limit or upper limit is applied on the contribution amount.</u>
Individual Account:	Individual accounts are to be established for fully accrued benefits. All contributions from the employee are allocated to the individual account, while contributions from the employer are allocated according to the program method and as agreed upon by the employee and employer. All yields obtained through the investment of the funds are also allocated to the individual account.
Collective Plan vs. Single Plan:	For plans with an original lump sum contribution of over RMB 50 million, the insurer is allowed to set up a single plan for the consigner to manage the fund independently. Under such circumstances, investment options can be tailor-made according to the consigner's investment strategies.
Withdrawal:	Only upon attaining legal retirement age, becoming a permanent resident overseas, if passed away, <u>or upon termination of the employment (the only additional criteria for withdrawal than normal EA plan)</u> , employees/participants in the entrusted management pension plan or their heirs/beneficiaries are entitled to withdraw benefits from individual accounts. For qualified withdrawal criteria, other than the above listed reasons, only accounts with over three years' accumulated contributions can be withdrawn, unless the employer has other explicit collective decisions.



Social Security Benefits and Customary Private Employee Benefits

Change of Investment Portfolio:	All participating employees can choose one investment portfolio when newly enrolled in the plan, on a group basis or on an individual basis as defined in the contract. The participant is allowed to change the investment portfolio three times for free. Starting with the fourth change, an administration fee will be charged.
Entrustment of the Trustee:	The consigner of the entrusted management pension plan shall select a proper fiduciary to perform the overall management role of a trustee for the pension funds. A written fiduciary contract is required.
Entrusted Pension Plan Management Fees:	<p>The management fees for the four service providers involved in overseeing the operation of entrusted pension plans, are stipulated in the regulations as follows:</p> <p>The management fee for the trustee and the account administrator is currently set at 1.5 percent (with a floating rate depending on the contribution amount) of the net value of each contribution.</p> <p>The management fee for the custodian shall not exceed 0.08 percent of the net value of the trusted properties of the Conservative Investment fund and shall not exceed 0.10 percent of the net value of the trusted properties of the Balance Growth Investment fund.</p> <p>The investment manager's fee differs upon choice of investment portfolio.</p> <p>The early exit fee is charged only if the contract is terminated within the first three years.</p>
Regular Reports Required:	Every institution assigned for the management of the entrusted management pension plan needs to provide regular reports. This information is to be provided periodically (quarterly and/or annual reports or reports upon inquiry through the consigner).

Retirement Benefits – Type III Occupational Annuity:

	<p>In order to coordinate the building of the urban and rural social security system and establish a more fair and sustainable pension insurance system, the State Council decided to reform the pension insurance system for employees of state organizations and public institutions. The following regulation issued by the State Council is regarded as its guidelines:</p> <ul style="list-style-type: none">• Decision of the State Council on the Reform of the Pension Insurance System for Employees of State Organizations and Public Institutions <i>(No. 2 [2015] of the State Council)</i>
Eligibility of Participants:	The entities governed by the Civil Servant Law, state organizations (entities) and public institutions managed after the fashion of the Civil Servant Law and their employees of staffing quota.



Social Security Benefits and Customary Private Employee Benefits

Contribution:

Implementing the basic pension insurance system combining overall social planning and individual accounts.

The basic pension insurance premiums shall be jointly borne by entities and individuals. The basic pension insurance premiums paid by an entity (hereinafter referred to as "premiums paid by an entity") shall generally account for not more than 20% of the total wages of the entity.

The basic pension insurance premiums paid by an individual (hereinafter referred to as "premiums paid by an individual") shall account for 8% of the wage base for premium payment by the individual and will be withheld by the entity on the individual's behalf.

An individual account for the basic pension insurance shall be established by depositing 8% of the amount of the wage base for premium payment by the individual, and such an account shall be composed completely of premiums paid by the individual.

The individual wages in excess of 300% of the average wages of local on-the-job employees in the previous year shall not be included in the wage base for premium payment by an individual; where individual wages are lower than 60% of the average wages of local on-the-job employees, the wage base for premiums paid by an individual shall be calculated as 60% of the average wages of local on-the-job employees.

Unemployment Benefits

Unemployment Benefits:

- Unemployed monthly salary subject to local governmental regulation standard
- Medical care according to social medical insurance policies
- Lump-sum death benefits to the employee's dependents
- Occupational training allowance, job introduction allowance, etc.

The amount of benefit depends on the accumulative contribution period. Two months' benefit for each year of membership, up to a maximum of 24 months' benefit (when the cumulative payment is more than 10 years).

Due to special reasons in 2020, the Ministry of Human Resources and Social Security has issued a special unemployment insurance policy:

"Notice of the Ministry of Human Resources and Social Security of the Ministry of Finance on Expanding the Coverage of Unemployment Insurance" (Human Social Security Department [2020] No. 40). From March to December 2020, unemployed persons who are remain unemployed and are capable of extending 6 months subsidy after the expiry of the unemployment benefits, the standard is no more than 80% of the partial unemployment benefits.

Within the period of payment, if the individual re-enters the workforce, the unemployment benefit will be terminated.

The benefits are paid monthly as shown in the following tables.

Method for Shanghai:

Accumulative Contribution Period (years)	Amount of Benefit (paid monthly)
1	2 months' benefit
2	4
3	6
4	8
5	10
6	12
7	14
8	16
9	18
10	20
11	22
>=12	24 (maximum)

Unemployment Benefits

Method for Beijing:

Accumulative Contribution Period (years)	Amount of Benefit (paid monthly)
1	3 months' benefit
2	6
3	9
4	12
5	13
6	14
7	15
8	16
9	17
10	18
11	19
12	20
13	21
14	22
15	23
≥ 16	24 (maximum)

Method for Guangzhou:

Accumulative Contribution Period (years)	Amount of Benefit (paid monthly)
1 \leq No. of year $<$ 5	12 months' benefit (maximum)
5 \leq No. of year $<$ 10	18 (maximum)
No. of year \geq 10	24 (maximum)

Method for Chengdu:

Accumulative Contribution Period (years)	Amount of Benefit (paid monthly)
1 \leq No. of year $<$ 2	3 months' benefit
2 \leq No. of year $<$ 3	6
3 \leq No. of year $<$ 5	12
5 \leq No. of year $<$ 8	15
8 \leq No. of year $<$ 10	18
≥ 10	24 (maximum)

Industrial Injury and Disability Benefits

Mandatory Contributions:

In accordance with the "Classification of National Economy Industry" (GB/T 4754 - 2011) of the division of the industry, according to the degree of industrial injury risk in different industries, the industry injury risk categories from low to high are divided into eight categories in turn.

One to eight categories were controlled in the industry with 0.2%, 0.4%, 0.7%, 0.9%, 1.1%, 1.3%, 1.6%, and 1.9% of the total wages of employees. The first class of industry is divided into three grades, which are able to upward float to 120%, 150% base on the benchmark rates. And the second to eighth classes of industries are divided into five grades, which are able to upward float to 120%, 150% or floating down to 80%, 50%, respectively.

Industrial Classification

Industrial Classification	Industrial Description
First	<ul style="list-style-type: none"> • Software and information technology services • Monetary and financial services • Capital market services • Insurance industry • Other financial industry • Popularization and application services of science and technology • Social work • Radio, television, film, and video recording manufacturing • Chinese Communist Party Agencies • State institution • Chinese People's Political Consultative Conference (CPPCC) • Democratic Party • Social security • Mass organizations, social organizations, and other members of the organization • Basic Mass Autonomous Organization • International organization
<ul style="list-style-type: none"> • Second 	<ul style="list-style-type: none"> • Wholesale trade • Retail industry • Warehousing industry • Post industry • Lodging industry • Catering industry • Telecommunications, broadcasting and TV transmission and satellite services • Internet and related services • Real estate industry • Leasing industry • Commercial service industry • Research and experimental development • Special technical services • Resident services • Other Services • Education industry

Industrial Injury and Disability Benefits

Industrial Classification	Industrial Description
Second	<ul style="list-style-type: none"> • Healthcare industry • News and publishing industry • Culture and Arts
Third	<ul style="list-style-type: none"> • Farm and sideline products processing • Food industry • Wine, beverages, and refined tea manufacturing • Textile industry • Wood processing and wood, bamboo, cane, palm, grass products • Cultural and educational, industrial, sports and entertainment supplies manufacturing • Computers, communications, and other electronic equipment manufacturing industry • Instrument industry • Other manufacturing • Production and supply of water • Motor vehicle, electronic products, and daily products repair industry • Water conservancy • Ecological protection and environmental governance industry • Public facility management • Entertainment industry
Fourth	<ul style="list-style-type: none"> • Animal husbandry • Agriculture, forestry, animal husbandry and fishery services • Textile and apparel, clothing industry • Leather, fur, feather and its products and footwear industry • Printing and recording media reproduction • Medical and pharmaceutical products • Chemical fiber industry • Rubber and plastic products • Metal products • Ordinary machinery • Special equipment • Automobile industry • Railways, ships, aerospace, and other Transportation equipment manufacturing industry • Electrical machinery and equipment manufacturing • Comprehensive utilization of waste resources • Metal products, machinery, and equipment repair industry • Electricity, heat production and supply industry • Production and supply of Gas • Railway transport industry • Air transport industry • Transport via pipeline • Sports industry

Industrial Classification	Industrial Description
Fifth	<ul style="list-style-type: none"> • Forestry • Mining auxiliary activity • Furniture Manufacturing • Paper and paper products • Construction and installation • Architectural decoration and other construction industry • Road transportation • Water transport • Handling and transportation agency
Sixth	<ul style="list-style-type: none"> • Fishery industry • Chemical raw materials and chemical products manufacturing • Non-metal Mineral Products • Ferrous metals smelting and rolling processing industry • Non-ferrous metals smelting and rolling processing industry • Housing industry • Civil engineering construction
Seventh	<ul style="list-style-type: none"> • Petroleum and natural gas extraction • Mining of other minerals • Petroleum refining, coking and nuclear fuel processing industry
Eighth	<ul style="list-style-type: none"> • Coal mining and dressing • Ferrous metals mining and dressing • Nonferrous metals mining and dressing • Nonmetal minerals mining and dressing

Coverage:

Injury, disability, or death as a result of performing official duties or work-related illness.

Any injury, disability, death, or illness caused by any of the following covered by the industrial injury benefit:

- Injury caused by work-related responsibilities that happen during work hours and at the workplace
- Injury caused by work-related job preparation or job completion that occurs before/after work hours and at the workplace
- Injury caused by severe accident when performing work responsibilities during work hours and at the workplace
- Work-related illness
- Injury or absence caused due to work-related responsibilities on business trips
- Injury caused by an automobile accident on the way to work/and after work
- Other situations defined as work-related injury according to laws, administration, regulation, etc.

Industrial Injury and Disability Benefits

In case of the following situations, injuries will also be covered by the industrial injury benefit:

- Sudden illness or death during work hours at the workplace, or death within 48 hours
- Injury caused by protecting national interest or common interest in times of emergency
- Employees who were disabled due to war or work when he/she served in the army, and the injury re-occurs when he/she returns to work

Eligibility:

When deemed covered under the industrial injury benefit upon appraisal by a government-approved agency, employees are entitled to the following benefits:

Benefits:

Medical Benefits

Medical benefits during the treatment period:

- Medical expense reimbursement, paid by the industrial injury pooled funds
- Medical rehabilitation expense reimbursement, paid by the industrial injury pooled funds
- Allowance for room and board paid by the employer at 70% of allowance for a business trip
- Allowance for medical care expenses paid by employer

Monthly salary during sick leave for medical treatment is paid by the employer. The amount paid will be the same as the actual monthly salary normally paid, but for no longer than 12 months.

Disability Benefits

Disability benefits after disability appraisal, once the medical treatment period is over:

- Lump-sum disability benefit according to schedule of disability appraisal grades, paid by the industrial injury pooled funds. Monthly living allowance if approved by Labor Ability Appraisal Committee, paid by industrial injury pooled funds.
- Monthly salary allowance before retirement age, or retirement monthly salary allowance after retirement age, paid by industrial injury pooled funds.
- Other lump-sum allowances: such as occupational training allowance, job introduction allowance; etc., paid by the employer.
- Monthly living allowance, if approved by Labor Ability Appraisal Committee, paid by industrial injury pooled funds.

The maximum allowance is 90% of monthly salary for Disability Grade I.

See tables below for schedule of benefits and monthly living care allowance.

Schedule of Benefits for Disability Benefits

Grade:	I	II	III	IV	V	VI	VII	VIII	IX	X
Lump-Sum Disability Benefits	27 MBS	25 MBS	23 MBS	21 MBS	18 MBS	16 MBS	13 MBS	11 MBS	9 MBS	7 MBS
Monthly Allowance	90% MBS	85% MBS	80% MBS	75% MBS	70% MBS	60% MBS	NIL	NIL	NIL	NIL
Other Lump-Sum Allowances	NIL	NIL	NIL	NIL	NIL	NIL	Yes	Yes	Yes	Yes

MBS= Monthly Basic Salary

Yes= Detailed standard according to local governmental policy

Monthly Living Care Allowance Upon Approval by Living Ability Appraisal Committee

Appraisal Grades	Totally unable to be living alone	Predominantly unable to be living alone	Partially unable to be living alone
Monthly Allowance	50% SAMS	40% SAMS	30% SAMS

SAMS = Social Average Monthly Salary

Death Benefits

- Lump-sum funeral allowance of six times social average monthly salary, paid by the industrial injury pooled funds.
- Monthly dependent living allowance, paid by the industrial injury pooled funds. See details in table, *Monthly Dependent Living Allowance*, below.
- Lump-sum death benefit of 20 times social average disposable annual income, paid by the industrial injury pooled funds (per the Decision of the State Council on Further Enhancing Work Safety (No. 23 [2010] of the State Council).

Monthly Dependent Living Allowance

Spouse	40% MBS per person
Child or other dependents	30% MBS per person
Widowed parent or orphan	Additional 10% MBS
Total allowance for a dependent family	No more than 100% MBS

MBS= Monthly Basic Salary

Contributions and Benefits:

- The premium paid by employees for Social Security is tax-deductible.
- The premium paid by employers for group supplementary medical care, if it is lower than 4% of the total salary level, is fully deductible from corporate income tax.
- The premium paid by employers for a supplementary pension plan in any pilot region, if it is based on the local governmental policy standards, will be fully deductible from both corporate income tax and individual income tax.
- The benefits from Social Security or private insurance plans are tax-free.

Type of Insurance	Contributions	Benefits
Retirement Benefits	<i>Employer:</i> Tax-free for Social Pension, exempted within 5% of payroll for Enterprise Annuity, taxed for Non-EA pension plan	Tax-free for Social Pension and Non-EA pension plan, taxed for Enterprise Annuity
	<i>Employee:</i> Tax-free for Social Pension, exempted with 4% of monthly salary of the preceding year for Enterprise Annuity taxed for Non-EA pension plan	
Death Benefits	<i>Employer:</i> Tax-free for Social Security Fund, fully deductible for Supplemental Group Insurance if lower than 4% of the total salary level	Tax-free
	<i>Employee:</i> Tax-deductible	
Medical Insurance	<i>Employer:</i> Tax-free for Social Security Fund, fully deductible for Supplemental Group Insurance if lower than 4% of the total salary level.	Tax-free
	<i>Employee:</i> Tax-deductible	
Disability Benefits	<i>Employer:</i> Tax-free for Social Security Fund, fully deductible for Supplemental Group Insurance if lower than 4% of the total salary level.	Tax-free
	<i>Employee:</i> Tax-deductible	



Sample Employee Benefit Plans

Retirement Benefits – Type I:

Eligibility: All full-time employees older than age 22 with more than 2 years of service.

Contributions: Employer: 5% of monthly basic salary
Employee: 5% of monthly basic salary

Contribution Mode: Annual payment

Establishment of an Individual Account: All contributions from employees will be allocated immediately to the individual account with fully accrued benefits, while contributions from the employer will be allocated to the individual account for investment, subject to vesting rules as follows:

Vesting Schemes:

Working period after participating in the plan	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	5 years or more
Vesting Ratio	0%	30%	50%	70%	90%	100%

Investment: Two investment accounts are provided for different risk-return purposes. Employees are eligible to choose any investment account when contributions are allocated and will be eligible to change between these two investment accounts three times per year (for free).

Benefits Withdrawal: Upon the following required conditions, employee/beneficiary is eligible to withdraw the accrued benefits from his/her individual account:

- Legal retirement age
- Qualified advanced retirement
- Job termination
- Total disability
- Death

Benefits Payment Mode: Multiple modes chosen by employee/beneficiary when withdrawing benefits from individual account:

- Lump-sum payment
- Leveled monthly/annual payment
- Indexed monthly/annual payment
- Accelerated monthly/annual payment
- Others

Life Benefits: Lump-sum benefits of two to five times annual basic salary are provided for employees.



Sample Employee Benefit Plans

Disability Benefits:

Benefit payment, if disabled due to accident, is equal to some percentage of the insured amount. AD&D and TP&D coverage are normally provided.

Medical Care Benefits:

Basic hospital and surgical benefits (such as medical in-patient expense rider and accidental medical expense rider) are geared to the local social security medical care scheme. Out-patient consultation benefits are also very common. Some employers also provide coverage for critical illness.

Sample Coverage Levels:

<u>Commercial Life, Health, Retirement Benefits</u>			
<u>Type of Business: Communication technology</u>			
<u>Eligibility</u>	<u>GM/Senior Management</u>	<u>Middle Management</u>	<u>Normal Staff</u>
<u>Group Life</u>			
Death Benefit	1000,000	500,000	200,000
AD&D			
<u>Group Health</u>			
Hospitalization Allowance			
Hospitalization Expenses	20,000 (100% reimbursed)	20,000 (100% reimbursed)	20,000 (100% reimbursed)
Out-Patient Clinical Visit	3,000 (80% reimbursed)	3,000 (80% reimbursed)	3,000 (80% reimbursed)
Maternity	3,000 (90% reimbursed)	3,000 (90% reimbursed)	3,000 (90% reimbursed)
Critical Illness	50,000	50,000	50,000
<u>Pension Plan</u>			
Group Pension (monthly contribution)	15% x BMS	10% x BMS	8% x BMS
Supplementary EA-like Pension (monthly contribution)	10%	5%	5%

BMS: Basic Monthly Salary
Currency: RMB

<u>Commercial Life, Health, Retirement Benefits</u>			
<u>Type of Business: Logistics</u>			
<u>Eligibility</u>	<u>Senior Management</u>	<u>Middle Management</u>	<u>General Staff</u>
<u>Group Life</u>			
Death Benefit	200,000	100,000	100,000
AD&D	400,000	200,000	200,000
TPD	400,000	200,000	200,000
<u>Group Health</u>			
Hospitalization Allowance	100 per day	100 per day	100 per day
Hospitalization Expenses	10,000	10,000	10,000
Out-Patient Clinical Visit	10,000	10,000	10,000
Critical Illness	100,000	100,000	100,000
<u>Pension Plan</u>			
Group Pension (monthly contribution)	15% x BMS	12% x BMS	8% x BMS

BMS: Basic Monthly Salary
 Currency: RMB

<u>Commercial Life, Health, Retirement Benefits</u>			
<u>Type of Business: Investment</u>			
<u>Eligibility</u>	<u>Senior Management</u>	<u>Middle Management</u>	<u>General Staff</u>
<u>Group Life</u>			
Death Benefit	72 x BMS	60 x BMS	48 x BMS
AD&D	72 x BMS	60 x BMS	48 x BMS
TPD	72 x BMS	60 x BMS	48 x BMS
<u>Group Health</u>			
Hospitalization Allowance	200 per day	100 per day	100 per day
Hospitalization Expenses	10,000	10,000	10,000
Out-Patient Clinical Visit	10,000	10,000	10,000
Critical Illness	100,000	100,000	100,000
<u>Pension Plan</u>			
Group Pension (monthly contribution)	15% x BMS	12% x BMS	10% x BMS

BMS: Basic Monthly Salary
 Currency: RMB

<u>Commercial Life, Health, Retirement Benefits</u>			
<u>Type of Business: Banking</u>			
<u>Eligibility</u>	<u>Senior Management</u>	<u>Middle Management</u>	<u>General Staff</u>
<u>Group Life</u>			
Death Benefit	200,000 / 24 x BMS	100,000	100,000
AD&D	200,000 / 24 x BMS	200,000	200,000
TPD	200,000 / 24 x BMS	200,000	200,000
<u>Group Health</u>			
Hospitalization Allowance	100 per day	100 per day	100 per day
Hospitalization Expenses	20,000	20,000	20,000
Out-Patient Clinical Visit			
Critical Illness	100,000	100,000	100,000
<u>Pension Plan</u>			
Group Pension (monthly contribution)	15% x BMS	12% x BMS	8% x BMS

BMS: Basic Monthly Salary
 Currency: RMB

<u>Commercial Life, Health, Retirement Benefits</u>			
<u>Type of Business: Automotive</u>			
<u>Eligibility</u>	<u>Senior Management</u>	<u>Middle Management</u>	<u>General Staff</u>
<u>Group Life</u>			
Death Benefit	36 x BMS	300,000	300,000
AD&D	36 x BMS	600,000	600,000
TPD	36 x BMS	300,000	300,000
<u>Group Health</u>			
Hospitalization Allowance	100 per day	100 per day	100 per day
Hospitalization Expenses	20,000	20,000	20,000
Out-Patient Clinical Visit			
Critical Illness	100,000	100,000	100,000
<u>Pension Plan</u>			
Group Pension (monthly contribution)	15% x BMS	12% x BMS	8% x BMS
Supplementary EA-like Pension (monthly contribution)	10%	5%	5%

BMS: Basic Monthly Salary
 Currency: RMB

<u>Commercial Life, Health, Retirement Benefits</u>			
<u>Type of Business: Chemical</u>			
<u>Eligibility</u>	<u>Senior Management</u>	<u>Middle Management</u>	<u>General Staff</u>
<u>Group Life</u>			
Death Benefit	48 x BMS	48 x BMS	48 x BMS
AD&D	48 x BMS	48 x BMS	48 x BMS
TPD	48 x BMS	48 x BMS	48 x BMS
<u>Group Health</u>			
Hospitalization Allowance	150 per day	150 per day	150 per day
Hospitalization Expenses	20,000	20,000	20,000
Out-Patient Clinical Visit			
Critical Illness	100,000	100,000	100,000
<u>Pension Plan</u>			
Group Pension (monthly contribution)	12% x BMS	10% x BMS	8% x BMS
Supplementary EA-like Pension (monthly contribution)	10%	5%	5%

BMS: Basic Monthly Salary
 Currency: RMB

Useful Links

Demographic information	https://www.cia.gov/the-world-factbook/ <i>(please select the country to review)</i>
Macro-Economic indicators	https://www.cia.gov/the-world-factbook/ <i>(please select the country to review)</i>
Tai ping Pension Co., Ltd.	http://tppension.cntaiping.com/



The information in this document is subject to change. Please contact your IGP Account Executive or IGPinfo@jhancock.com for more details.

The International Group Program (IGP) is a registered brand name under John Hancock.

IGP operates in the State of New York under John Hancock Signature Insurance Agency, Inc., a NY licensed Broker (JHSIA).

IGP Network Partners operating outside of the United States are not necessarily licensed in or authorized to conduct insurance business in any state in the United States including, the State of New York. The policies or contracts issued by a Network Partner to contract holders ("Contractholders") outside of the United States are not protected by the guaranty funds of any state including New York State. The policies or contracts issued by a Network Partner outside of the United States have not been approved by the commissioner or superintendent of insurance or financial services in any state in the United States including New York and such contracts issued by alien insurers may not be subject to the laws of any state in the United States including the laws of the State of New York.

© International Group Program - www.igpinfo.com