Draft 2 9 March 2009

A Review of the National Social Security Fund in China

Abstract

One of the major policy developments in China's pension sector in the past decade is the successful establishment of the National Social Security Fund (NSSF).

The NSSF is a strategic reserve fund set up by the Chinese government to mitigate the looming aging crisis in the country and help provide financial protection for the country's pensioners. It is in fact intended to serve as a pension fund of last resort to support those provinces with pension financing difficulties. The National Council for Social Security Fund (NCSSF), a ministerial level entity reporting directly to the State Council, is charged with the responsibility of operating the Fund.

Since its inception in 2000, NSSF has grown significantly in size, stature and influence. By the end of 2008, the total assets of NSSF had reached RMB 563 billion, making it by far the biggest institutional investor in China's pension sector.

This paper provides an overview of the NSSF's background, sources of assets, and investment activities including both its domestic and overseas investment initiatives. The paper also discusses certain design and governance issues at the Fund, as well as their potential ramifications.

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