Provisions on Enterprise Annuity of the PRC

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Contents

Table of Contents 1

Chapter I — General Provisions 1

Chapter II — Establishment of Enterprise Annuity Plans 2

Chapter III — Collection and Payment of Enterprise Annuity Funds 3

Chapter IV — Personal Accounts 3

Chapter V — Treatment and Payment of Enterprise Annuity 4

Chapter VI — Management and Supervision 4

Chapter VII — Supplementary Provisions 5

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Table of Contents

- Chapter I — General Provisions
- Chapter II — Establishment of Enterprise Annuity Plans
- Chapter III — Collection and Payment of Enterprise Annuity Funds
- Chapter IV — Personal Accounts
- Chapter V — Treatment and Payment of Enterprise Annuity
- Chapter VI — Management and Supervision
- Chapter VII — Supplementary Provisions

Chapter I — General Provisions

Article 1 — These Provisions are formulated in accordance with the relevant laws and regulations and the actual circumstances of the PRC for the purposes of establishing a multi-tiered old-age insurance system, promoting the development of enterprise annuity, and safeguarding the lawful rights and interests of employees.

Article 2 — For the purposes of these Provisions, the term "enterprise annuity" refers to a supplementary old-age insurance system established voluntarily by an enterprise and its employees on the basis of their participation in the basic old-age insurance in accordance with the law, and independently established according to the actual circumstances of the enterprise. The establishment of an enterprise annuity shall be

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governed by these Provisions.

Article 3 — For an enterprise to establish an enterprise annuity, it shall satisfy the following conditions: (a) It has participated in the basic old-age insurance in accordance with the law and fulfilled its obligation to pay premiums; (b) It has corresponding economic capacity to bear the contributions; (c) It has established a collective consultation mechanism.

Article 4 — The establishment of an enterprise annuity and the formulation of an enterprise annuity plan shall comply with relevant state provisions, be established through equal consultation between the enterprise and its employees, be submitted to the employees' representative assembly or the general meeting of employees for discussion and approval, and shall specifically stipulate the following matters: (a) the scope of employees participating; (b) the rules for payment and distribution of enterprise and individual contributions; (c) the attribution rules for enterprise annuity funds in personal accounts; (d) the methods for enterprise annuity fund management and supervision; (e) the conditions and methods for receiving enterprise annuity benefits; (f) the methods for amending and terminating the plan; (g) the organization, management, and supervision structure; (h) the principles for the disposition of assets upon termination of the plan; (i) other matters agreed by both parties.

Article 5 — Enterprise annuity funds shall consist of the following: (a) contributions from the enterprise; (b) individual contributions from employees; (c) investment and operation proceeds of enterprise annuity funds.

Article 6 — Contributions made by an enterprise and individual employees to the enterprise annuity shall be enjoyed in accordance with relevant state tax policies. The enterprise annuity fund shall be subject to a trust-based management model, and the fund assets shall be managed independently of the enterprise and its employees, free from deduction, seizure, or freezing by any entity or individual unless otherwise provided by law.

Chapter II — Establishment of Enterprise Annuity Plans

Article 7 — The procedures for the establishment of an enterprise annuity plan shall be as follows: (a) The enterprise and the employee representatives shall conduct equal consultation through collective negotiation to formulate a draft enterprise annuity plan; (b) The draft plan shall be submitted to the employees' representative assembly or the general meeting of employees for discussion and approval; (c) An enterprise annuity plan, approved in accordance with the preceding two paragraphs, shall be submitted to the human resources and social security administrative department for filing.

Article 8 — An enterprise annuity plan shall contain the following content: (a) the purpose and basis for establishing the enterprise annuity; (b) the scope of employees participating in the enterprise annuity; (c) the proportion and methods of enterprise and individual contributions; (d) the methods for determining enterprise annuity benefits and for their payment; (e) the methods for establishing and managing individual accounts of the enterprise annuity; (f) the conditions and methods for the transfer and continuation of enterprise annuity funds; (g) the methods for the administration and supervision of the enterprise annuity fund; (h) the conditions and procedures for the amendment and termination of the enterprise annuity plan; (i) the principles for disposing of assets upon termination of the plan; (j) the dispute resolution mechanism for the enterprise annuity plan; (k) other matters agreed upon by the parties.

Article 9 — An enterprise annuity plan may be amended or terminated under any of the following circumstances: (a) as otherwise agreed by the enterprise and employees through negotiation; (b) the enterprise undergoes dissolution, revocation, bankruptcy, or other circumstances under which it cannot continue to participate in the plan; (c) a major change occurs that renders the enterprise annuity plan incapable of continued performance; (d) other circumstances specified by relevant state provisions.

Article 10 — An enterprise shall submit its enterprise annuity plan to the human resources and social security administrative department of the local people's government at or above the county level at the place

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where its headquarters is located for filing. The human resources and social security administrative department that accepts the filing shall, upon receiving an enterprise annuity plan that complies with these Provisions, issue a filing confirmation within 15 working days and provide a filing number; where filing is not granted, the department shall issue a statement of reasons to the enterprise and its employees.

Chapter III — Collection and Payment of Enterprise Annuity Funds

Article 11 — The contributions payable under an enterprise annuity shall be jointly borne by the enterprise and its employees. The total annual contributions of the enterprise shall not exceed 8 percent of the total wages of the enterprise's employees. The combined annual contributions of the enterprise and its employees shall not exceed 12 percent of the total wages of the enterprise's employees. Specific contribution amounts shall be determined by the enterprise and its employees through consultation.

Article 12 — Enterprise contributions shall be paid according to the contribution plan stipulated in the enterprise annuity plan. The individual contributions of employees shall be withheld and remitted by the enterprise from the employees' wages and paid into the enterprise annuity fund together with the enterprise contributions. The enterprise shall transfer the contributions collected to the custodian institution of the enterprise annuity fund in full and on time.

Article 13 — Where an enterprise encounters business difficulties, serious losses, or other circumstances that render its operations difficult, the enterprise may, upon consultation with its employees and as agreed in the enterprise annuity plan, temporarily suspend the payment of enterprise annuity contributions. Where the enterprise resumes operations and becomes capable of making payments, it shall resume contributions in accordance with the agreement with its employees. Upon resumption of contributions, the enterprise may make supplementary contributions in accordance with the enterprise annuity plan.

Article 14 — Enterprise annuity fund assets shall be managed separately from the enterprise's own assets and the employees' individual assets. Enterprise annuity funds shall not be used to offset the enterprise's debts or the employees' individual debts.

Article 15 — The establishment of an enterprise annuity fund shall be governed by the state's trust-based enterprise annuity fund management system. An enterprise shall, as the principal, entrust an enterprise annuity fund trustee that meets state-prescribed conditions to manage the enterprise annuity fund. The trustee shall, in accordance with relevant state provisions, enter into an enterprise annuity fund trust management contract with the enterprise and perform its management duties.

Article 16 — An enterprise annuity fund trustee shall meet the conditions prescribed by the state and shall fulfill the following duties: (a) selecting, supervising, and replacing account managers, custodians, and investment managers; (b) formulating enterprise annuity fund investment strategies; (c) preparing financial and accounting reports on the enterprise annuity fund; (d) paying enterprise annuity benefits in accordance with state provisions and contract stipulations; (e) periodically submitting enterprise annuity fund management reports to the principal and the relevant regulatory authorities; (f) other duties prescribed by state provisions or agreed in the contract.

Chapter IV — Personal Accounts

Article 17 — An enterprise annuity fund shall implement a fully accumulated system of individual accounts. Each employee participating in the enterprise annuity shall have a separate personal account opened under his or her own name. Enterprise contributions made for an employee and the individual contributions of the employee, together with investment proceeds, shall all be credited to the employee's personal account.

Article 18 — The rights and interests of enterprise contributions recorded in an employee's personal account may be attributed to the employee according to a schedule agreed upon between the enterprise and the employees in the enterprise annuity plan. The maximum period for vesting may be provided for in the

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enterprise annuity plan but shall not exceed eight years. Individual contributions made by an employee and the investment proceeds from such contributions shall vest in the employee from the date of contribution.

Article 19 — Where an employee changes employers, and the new employer has established an enterprise annuity plan, the employee's personal account funds may be transferred to the new employer's enterprise annuity plan in accordance with state provisions. Where the new employer has not established an enterprise annuity plan, the employee's personal account funds may be managed by the original management institution on a retained basis.

Article 20 — An account manager shall, on a periodic basis, provide information on the status of an employee's personal account to the enterprise and the employee, including the amounts of contributions, investment proceeds, and the account balance.

Article 21 — An account manager shall establish records of enterprise annuity personal accounts, accurately record the amounts of enterprise and individual contributions, investment proceeds, and the attribution of rights and interests, and shall regularly reconcile accounts with the custodian and the trustee.

Article 22 — Investment proceeds from enterprise annuity funds shall be distributed to personal accounts on a net basis. The account manager shall, based on the net value of enterprise annuity fund assets and the proportion of each personal account's balance to the total assets, calculate the investment proceeds attributed to each personal account.

Chapter V — Treatment and Payment of Enterprise Annuity

Article 23 — An employee may receive enterprise annuity benefits where one of the following conditions is met: (a) the employee reaches the statutory retirement age prescribed by the state; (b) the employee completely loses the ability to work as determined in accordance with the law; (c) the employee dies; (d) the employee settles abroad.

Article 24 — An employee who satisfies the conditions for receiving enterprise annuity benefits may choose to receive enterprise annuity benefits on a monthly basis, in installments, or as a lump sum, or may use all or part of the enterprise annuity funds in his or her personal account to purchase a commercial old-age insurance product, in accordance with the enterprise annuity plan.

Article 25 — Enterprise annuity benefits received by an employee shall be subject to individual income tax in accordance with state tax policies.

Article 26 — Where an employee who participates in the enterprise annuity dies, the balance of the enterprise annuity in his or her personal account may be inherited by his or her heirs or testamentary beneficiaries.

Article 27 — Where the enterprise annuity plan is terminated, the enterprise annuity fund assets shall be liquidated in accordance with state provisions and the enterprise annuity plan, and the remaining assets after liquidation shall be distributed to the employees' personal accounts pro rata. An enterprise shall not recover or occupy any portion of the enterprise annuity fund assets allocated to employees' personal accounts.

Chapter VI — Management and Supervision

Article 28 — Enterprise annuity fund management institutions, including trustees, account managers, custodians, and investment managers, shall comply with state provisions, faithfully perform their duties, and protect the safety of enterprise annuity fund assets. No entity or individual may misappropriate, encroach upon, or divert enterprise annuity fund assets.

Article 29 — The human resources and social security administrative departments shall supervise and inspect the enterprise annuity. The financial departments shall, in accordance with their duties, supervise the financial management of enterprise annuity funds. The relevant regulatory departments such as banking

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regulatory authorities and securities regulatory authorities shall, in accordance with their respective duties, supervise the business activities of enterprise annuity fund management institutions.

Article 30 — Any entity or individual that violates the provisions of these Provisions shall be ordered to make corrections and, depending on the circumstances, shall bear corresponding legal liability in accordance with the law.

Chapter VII — Supplementary Provisions

Article 31 — These Provisions shall enter into force on February 1, 2018. The Trial Measures for Enterprise Annuities (Order No. 20 of the former Ministry of Labor and Social Security) promulgated on January 6, 2004 shall be repealed simultaneously. Occupational annuity plans for public institutions and social organizations may be implemented with reference to these Provisions.

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