Pension systems in the United States and China

The US vs China pension system includes the following aspects:

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| --- | --- | --- |
|  | US pension system  |  China Pension system |
| SSN social insurance benefits | The US government deducts directly from everyone's pay stub, about 6.5%; after paying 13 years, 68 years old can enjoy a certain amount of social insurance benefits after retirement. The amount is calculated based on the amount of social insurance premiums paid up to two years.  | According to data from the Ministry of Human Resources and Social Security, as of the end of 2017, the accumulated retained assets of China's basic pension insurance was 50202 billion-yuan, accounting for about 80% of the total assets of the pension insurance system; the cumulative annuity balance of enterprises was 1,288 billion-yuan, accounting for about 20%.( Dong & Yao, 2018) |
| Retirement Wages | Retirement wages are determined by the US government and businesses themselves. Full-time employees of the US government (including police, post offices, state schools) have retirement pay after retirement, which is generally 80% of their original salary.  |  At present, the basic pension of municipal workers in China is composed of basic pension and personal account pension. The standard monthly pension for retirement is 20% of the monthly wage of workers in the province, municipality, or prefecture (city) in the previous year. |
| In the 401k plan | private companies in the United States basically cancelled the pension system around 2000. Replaced by the 401k plan, that is, individual employees voluntarily contribute part of their wages to the 401k plan. Employees can deposit around USD 20,000 to the 401k plan every year. Wages deposited into the 401k plan are tax-free. For example, an employee's annual salary is 100,000, and 20,000 is deposited into the 401k plan. So the employee has only 80,000 salaries to pay US federal and state taxes. (Muir & Turner, 2011) | China's pension system has a single pension. Two-track system. Retired national cadres are about 4,000 yuan per month; general employees who retire are about 2,000 yuan per month. China's pension system is dual-track, singular, big pot, egalitarianism, confusing concepts, contrary to basic economic laws, and basically unreasonable. (Queisser, Reilly, & 2016). |
| Short comings  | dual-track systemLongevity riskone-size-fits-all | dual-track systemsimplification mixed retirement pension benefits and welfare pensions |
| social pension insurance financing model | The US OASDI plan is funded by OASDI tax, a form of payroll tax, which is paid on average by employees and their employers at half the tax each. | In contrast, China ’s social endowment insurance has a different funding model. It is mainly funded through contributions (not tax forms). |
| Women's and children's welfare in social endowment insurance | Conversely, if the family has a disability, divorce, survivor, or underage child, the family's income will be impaired, and even the economy will be insecure. | At present, China's social endowment insurance nominally only protects the insured's retirement benefits, but in fact, the higher level of replacement rates for pension benefits should also be said to have taken into account the basic needs of family members, but after all, "Human head" care |
| Investment and management of social endowment insurance funds | In the United States, because the OASDI program is federally coordinated, state and local governments have no regulatory obligations or rights. OASDI plans to have two national trust funds, namely OASI Trust Fund and DI Trust Fund Account. | China ’s social pension insurance income and expenditure presents three levels of preparation accounts. The first is the county (city) level income and expenditure preparation account; the second is the provincial transfer preparation account; the third is the "National Social Security Fund" account. |
| Financial Budget Model of Social Pension Insurance | In terms of the financial budget model, the United States has adopted a "partial reserve financing" model since 1983. The current OASDI plan is still a pay-as-you-go system, but in essence it has a certain degree of "partial accumulation system" characteristic. (Meyerson & Dacey, 2013). | At present, China's endowment insurance plan is transitioning to a "partial" accumulation system of "combined accounts" in the true sense. |

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