

China lowers bar for foreign managers to tap its pension market

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China has lowered the threshold for foreign fund managers to enter its booming pension market, but the opportunity is not easy to grasp.



China's government issued an announcement in January lowering the threshold for foreign fund managers to tap into China's pension market, a step further to attract more foreign investors.

"We see a strong policy momentum recently, and we expect the pension reform to remain a strategic policy priority." Leo Shen, general manager of Allianz Global Investors (AGI) told *AsianInvestor*.

The announcement stated that foreign fund management companies (FMCs) can invest in China's pension market if their assets under management,



*Leo Shen,
Allianz GI*

including their offshore assets, exceed 20 billion yuan (\$2.7 billion).

This regulatory change coincides with a broader trend of increasing foreign interest in China's pension market.

Allianz is one of the first batch of foreign firms to enter China's pension sector, said Shen.

The company received approval from Chinese regulators last December and acquired a 2% stake in Guomin Pension, a state-owned insurer comprising some of the largest Chinese banks, securities companies and insurers.

Guomin Pension has 11.4 billion yuan (\$1.5 billion) in assets under management, with Allianz contributing \$39 million.

GROWING PENSION MARKET

The new announcement further strengthens the second-largest economy's appeal in its pension market.

Last December, the country rolled out a nationwide private pension scheme, allowing individuals to contribute a maximum of 12,000 yuan (\$1,651) annually into individual pension accounts to purchase certain financial products as an additional source of pension income.

China's pension market is expected to increase to 28 trillion yuan (\$3.94 trillion) by 2030, with the private pension market contributing around 7 trillion yuan (\$985.67 billion), according to a joint report by KPMG and ASIFMA,

Sally Choo, Singapore CEO and managing director for Asia ex-Japan from MFS Investments believes that, considering the country's demographic structure, there will be a huge increase in the number of retirees by 2050 which presents a "massive growth opportunity" for foreign investors.



*Sally Choo,
MFS Investments*

"As a result, we anticipate growing demand for global investment solutions to help bridge the gap between pre-retirement living standards and average retiree pensions," Choo said.



*Hersh Oberoi
Balfour Capital*

The sentiment has been echoed by Hersh Oberoi, senior multi-asset portfolio manager of Australia at Balfour Capital Group.

China's pension market is currently at an early growth stage, offering considerable potential compared to more mature systems in the US and Europe, Oberoi told *AsianInvestor*.

"These developments underscore China's broader objective of liberalising its financial sector, and has created an inviting landscape for foreign investors to participate in one of the world's most significant and growing retirement markets," he said.

POTENTIAL CHALLENGES

Despite these optimistic sentiments, there are several challenges that foreign fund managers must navigate, according to Allianz GI's Shen.

"While the market potential is substantial, we do not view this as an easily captured opportunity," he said.

Shen stressed that the opportunity lies in tailored solutions that cater to different pension investors' investment objectives and risk appetites.

To thrive in this market, FMCs must establish a robust localised investment hub backed by a proven track record. Moreover, they should cultivate selective, long-term partnerships that connect global expertise with local needs.

Additionally, managers must design innovative "all-in-one" solutions that integrate asset allocation, profit generation, and risk management capabilities, aligned with the tailored long-term objectives of pension investors, noted Shen.

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