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China outlines Social Security Fund expansion

By Editor Test *Wed, Mar 16, 2011*

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The assets under management of China's National Council for Social Security Funds (SSF) are expected to reach 1 trillion yuan ($148.70 billion) by the end of 2011, *Investment & Pensions Asia* reported.

The fund, which was established in 2000 and receives a statutory 10% of the proceeds of all IPOs by Chinese state-owned enterprises (SOEs), is the largest pension fund investor in China.

Its current allocation is made up of 45% fixed-income assets, 30% stocks and 25% private equity. IPOs by SOEs are expected to swell the fund's coffers by RMB 20 to 30 billion per year until 2015.

The chairman of the fund, Dai Xianglong, said it is looking "to increase its allocation to social housing projects as well as taking an active role in driving development of China's nascent private equity markets. It is also seeking to improve returns from fixed-income products against an expected backdrop of rate hikes this year."

China's government announced this week it will build 10 million social housing units at a cost of RMB 1.3 trillion ($198 billion) in the coming year, and the SSF looks set to play an important role in the welfare spending hikes outlined in the government's latest five-year economic plan, which runs to 2015.

The fund has an upper limit for overseas assets of 20%, although currently this has remained stable at 7% since last July. The fund has a long-stated aim of fulfilling this quota, but Dai refused to put a time-scale on this expansion.

In December, the fund added seven asset management companies and one securities company to its list of external asset managers. Notably, whereas previously these have almost all been foreign companies, the most recent additions are nearly all Chinese-run: China Universal, Dacheng, Fullgoal, Guangfa, Haitong Fortis, ICBC Credit Suisse, Yinhua and Citic Securities.
Dai said there were unlikely to be more such appointments in 2011.