

IOPS JURISDICTION PROFILE: MACAO, CHINA



DEMOGRAPHICS AND MACROECONOMICS

GDP per capita (USD)	35,714
Population (000s)	683
Labour force (000s)	405
Employment rate	97.5
Population over 65 (%)	12.9
Dependency ratio*	21.8

*Population over 65-year-olds divided by labour force.

Source:

1. Data as of 2020.
2. Source: Statistics and Census Service, MSAR Government.

MACAO, CHINA: JURISDICTION PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- A one-off subsidy for senior citizens over the age of 65 each year implemented by the Social Welfare Bureau of MSAR Government.
- Old age pension, which is looked after by the Social Security Fund of MSAR Government.
- Provident fund scheme for workers in the public services.

Occupational Voluntary Pensions

- Corporate plans under Private Pension Framework
- Joint provident fund schemes under Non-Mandatory Central Provident Fund System

Personal Voluntary Pensions

- Individual plans under Private Pension Framework
- Individual provident fund schemes under Non-Mandatory Central Provident Fund System

MACAO CHINA: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

Looking to the welfare of senior citizens, the Government of the Macao Special Administrative Region (hereinafter referred to as the MSAR Government) grants a one-off subsidy to senior citizens over the age of 65 each year. This scheme has been implemented by the Social Welfare Bureau of MSAR Government since 2005 and is solely financed by the MSAR Government. The subsidy of year 2020 was MOP 9,000.

In addition, the MSAR Government has built a two-tier basic social security system looking after by the Social Security Fund of MSAR Government to improve the quality of life of Macao residents. The first tier of social security contribution system consists of the obligatory system and arbitrary system. Local employees and employers with an employment relationship are required to make obligatory system contributions of MOP 90 (employer MOP 60, employee MOP 30) to the Social Security Fund, and other Macao residents who meet certain legal requirements can also make contributions (MOP 90 per month) by enrolling in the arbitrary system. At the age of 65 or 60, eligible Macao residents can apply for old-age pensions or early old-age pensions, which is accumulated by monthly contributions.

Provident Fund Scheme for Workers in the Public Services

The Provident Fund Scheme for Workers in the Public Services, effective from 1st January 2007, is a retirement benefits plan provided by the MSAR Government to workers in the public services and it is characterized as being the type of defined contributions. Both the public services workers and the MSAR Government make monthly contributions at pre-defined contribution rates and they are applied to investment plans to seek for returns. Contributions are accumulated together with the returns on their investments for the provision of retirement protection. Scheme members will have full involvement in the investment of their retirement benefits – by building their own investment portfolio.

OCCUPATIONAL VOLUNTARY PENSIONS

Coverage

Currently, there are two legal frameworks of occupational voluntary pensions in Macao, namely Legal Framework for Private Pension Funds (PPF) and Non-Mandatory Central Provident Fund System (NMCPF). The former was implemented in year 1999, but it was not until 2003 that the pension market began to develop. Both defined benefit plan and defined contribution plan are covered in the PPF. The NMCPF, the second tier of the two-tier social security system of the MSAR Government, was introduced in 2018 and only defined contribution plans are allowed.

Private Pension Framework

There is no restriction on the eligibility of participants in PPF. In corporate plans, the eligibility of participants is at the discretion of employers (for example, whether non-local and part-time employees are eligible to participate; whether employees are allowed to participate during their probation periods). Despite all that, it is generally voluntary for employees to participate.

Non-Mandatory Central Provident Fund System

Generally speaking, Macao permanent residents or non-permanent residents aged 18 or above are eligible to participate in the schemes. The joint provident fund schemes are voluntarily set up by employers and joined voluntarily by employees.

Contributions

Private Pension Framework

There is no fixed contribution amount or rate in PPF. In corporate plans, it is common for employers and employees to make monthly contributions jointly based on certain percentages of employees' remuneration. However, there are a few plans with fixed monthly contribution amount. Plus, in the same corporate plan, the rules of contributions may vary according to employee rank or seniority. No upper or lower limit is set for any type of contributions in the PPF.

Non-Mandatory Central Provident Fund System

Employers and employees are each required to make at least 5% of basic wage as the monthly contributions. However, employers can adopt more favourable standards. If the base of contributions is lower than the "minimum wage"¹ after deducting contributions, the employee does not need to contribute while the employer still has to contribute. On the other hand, if the base of contributions is 5 times higher than the "minimum wage", neither the employer nor the employee shall make contributions for the exceeded part.

Benefits

Private Pension Framework

Although some defined benefit plans do still exist, most plans are now defined contribution plans, wherein the pecuniary payments are based and derived from employee and employer contributions as well as accrued investment returns, paid to the employee according to the vesting rule specified in the pension plan. Under PPF, employees usually receive pecuniary payments according to the conditions stated in the plans. These conditions are early retirement, old age retirement, permanent incapacity for work, death, serious illness, long-term unemployment, final departure from the territory of Macao and termination of employment.

Non-Mandatory Central Provident Fund System

Macao residents who attain age 65 or are in any one of the following specific situations may apply to withdraw funds. Specific situations include (1) there is a need to bear huge medical expenses due to serious injury or illness of his/her own or his/her spouse, (2) has attained age 60 and is not engaged in any paid activities, (3) has humanitarian or other properly explained reasons, (4) have been receiving disability pension from the Social Security Fund for more than one year, and (5) is currently receiving special disability subsidy from the Social Welfare Bureau. The maximum amount that can be withdrawn will vary according to the reason provided.

¹The upper and lower limits for the base of contributions are linked to the Minimum Wage for Employees (abbreviated to the "minimum wage"). The Minimum Wage is MOP 6,656 since November 2020.

Taxation

Voluntary contributions made by employers are counted as operating cost which is entitled for profit tax deductible.

PERSONAL VOLUNTARY PENSIONS

Private Pension Framework

Individual participating in individual plan contributes to the open pension funds for the purpose of financing the pension plan. Some participants in the individual plan are employees of the original corporate plan. Upon termination of their employment relationship with the employer, they choose to rollover the accrued benefits from the corporate plan by the form of individual membership, in order to retain their investment in the pension fund.

Non-Mandatory Central Provident Fund System

Macao permanent residents or non-permanent residents aged 18 or above are eligible to participate in the Individual Provident Fund Scheme. Contributions shall be made monthly with a minimum amount of MOP 500 and a maximum amount of MOP 3,300 since November 2020.

MARKET INFORMATION

As of 30 June 2021, the total number of private pension plans set up by corporates and individuals was 1,190 and 645 respectively. The total number of joint schemes and individual schemes under NMCPF was 279 and 69,578 respectively. The total number of participants in corporate pension plans under PPF and joint schemes under NMCPF amounted to 150,633, representing 40.07% of the employed population in Macao. The total net assets of pension funds was MOP 38.3 billion.

REFERENCE INFORMATION

KEY LEGISLATION

1999: Legal Framework for Private Pension Funds; regulates the types, constitution and joining of private pension funds as well as private pension plans and it is under the supervision of the Monetary Authority of Macao.

2017: Non-Mandatory Central Provident Fund System; the second tier of the two-tier social security system in Macao, aiming to strengthen the social protection for Macao residents in their old age and to complement the existing social security system.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Monetary Authority of Macao: <https://www.amcm.gov.mo>

Social Security Fund: <https://www.fss.gov.mo/en/>

KEY OFFICIAL STATISTICAL REFERENCE AND SOURCES ON PRIVATE PENSIONS

Quarterly and Annual Report of Private Pension Funds :

<https://www.amcm.gov.mo/en/insurance-sector/statistics/quarterly-reports-private-pension-funds>

<https://www.amcm.gov.mo/en/insurance-sector/statistics/annual-reports-private-pension-fund>