

Research on China 's Enterprise Annuity Accounting Information Disclosure System

Xinru Liu¹, Yuzhe Zhao^{1,*}, Yingtian Zhao¹, Mingxia Ma¹, Zan Guo²

¹College of Management, Hebei University, Baoding 071002, China

²College of Economics, Hebei University, Baoding 071002, China

* Corresponding author: Zan Guo (Email: 947089362@qq.com)

Abstract: Enterprise annuity is an important content of the construction of multi-level endowment insurance system, an important supplement to the national basic endowment insurance, and the 'second pillar' of China's improving urban employee endowment insurance system. Starting from the disclosure of enterprise annuity accounting information, this paper combs the development status of enterprise annuity accounting information disclosure system, analyzes the development process of foreign enterprise annuity information disclosure system, and finds that there are some problems in the process of perfecting China's enterprise annuity information disclosure system, such as imperfect relevant laws, single disclosure content, lack of disclosure platform and imperfect supervision system.

Keywords: Accounting information, Disclosure system, Enterprise annuity.

1. Introduction

Enterprise annuity is an important part of China's multi-pillar pension insurance system, which is of great significance to reduce the government's financial burden and ease the contradiction between supply and demand of pension insurance. However, as far as China's status quo is concerned, the enterprise annuity system still has problems such as slow growth in scale, uneven geographical distribution, uneven distribution of industries, and the need to strengthen the security of enterprise annuity [1]. In view of the enterprise annuity security question, how to strengthen the supervision to the enterprise annuity, how to perfect the enterprise annuity accounting information disclosure system, regarding deals with the enterprise annuity investment credit risk, makes up the enterprise annuity system flaw and the safeguard enterprise annuity security has the important practical significance. However, compared with foreign countries, China's enterprise annuity accounting information disclosure system is not perfect. Therefore, based on the advanced experience of foreign countries, this paper studies the accounting information disclosure system of China's enterprise annuity, finds out the shortcomings of the information disclosure system and puts forward countermeasures to provide reference for government departments to improve the enterprise annuity system.

2. Literature Review

Foreign scholars have started research on enterprise annuity earlier, formulated relatively complete guidelines and constructed a relatively complete enterprise annuity accounting information disclosure system. The improvement of foreign research on the accounting information disclosure system of enterprise annuity is mainly reflected in the content of accounting information disclosure, the type of pension plan and accounting treatment. American financial accounting standards make detailed provisions for the disclosure of enterprise annuity accounting information. Due to the high degree of capital development in western countries, it is

necessary to strengthen the analysis of the types of occupational pension information from the aspects of legal liability, transparency rules, simplification and technical correctness (Marjolein Denys, 2020) [2] and analyze the decisive factors of determining the portfolio of income pension funds (Rahul Verma, 2018) [3]. The calculation of the benefits and risks of different investment tools infers the best combination of enterprise annuity investment (Xiaozheng Cao, 2018) [4]. In Japan, the proportion of corporate pension financing that has a greater impact on the stock market is not included in the stock market information (Shingo Goto, 2016) [5], so it is necessary to strengthen the training of relevant asset managers (Andrea Lippi, 2017) [6].

The introduction of enterprise annuity in China in the 1990s has played a supplementary role in China's basic pension insurance system. However, the research on the accounting information disclosure system of enterprise annuity in China started late, mainly reflected in the research on accounting subjects, accounting information quality and development environment. In 2004, China promulgated the 'Enterprise Annuity Fund Management Trial Measures', which put forward the existing backbone provisions on the financial reporting system, but there is no clear stipulation on the content of financial reporting. There is no special accounting subject for the setting and depositing plan of China's enterprise annuity (Su Bo, 2005) [7]. In 2006, China's "Enterprise Accounting Standards" issued higher and stricter requirements for the disclosure of accounting information subjects and the quality of accounting information disclosure. At present, the development environment of China's enterprise annuity accounting information disclosure system is more complex (Jia Li, 2006) [8]. Therefore, using market forces to regulate the behavior of parties can effectively reduce regulatory costs and achieve a dynamic information disclosure system (Ao Jianmei, 2007) [9]. In addition, the reliability and standardization of accounting information are also important factors restricting the development of the accounting information disclosure system of enterprise annuity. Therefore, it is necessary to ensure the quality of accounting information and the accuracy and effectiveness of

information disclosure from the disclosure of financial reports (Wang Lu, 2010) [10]. With the increase of social pension pressure, enterprise annuity as a way of employee pension security has attracted more and more attention (Li Jing, 2014) [11]. Strengthening the monitoring of enterprise annuity operation risk and improving the relevant supervision links are conducive to creating a development environment conducive to enterprise annuity (Liu Heng, 2018) [12]. At the same time, we should also play the role of the government, enterprises, markets and individuals to promote the healthy, orderly and rapid development of the enterprise annuity accounting information disclosure system (Kan Zhengchao, 2020) [13].

Foreign scholars ' research on the information disclosure system of enterprise annuity started earlier, and the relevant theoretical framework and policies are relatively perfect. Foreign academic research on enterprise annuity information disclosure system is mainly reflected in the content of information disclosure, types of pension plans, accounting treatment. Chinese scholars for the research in this area started late, the study focused mainly on accounting subjects, accounting information quality and development environment. However, the current research on enterprise annuity in China lacks the research on the comparison of domestic and foreign accounting standards and the research on information disclosure between accounting entities.

3. Development Status of Annual Accounting Information Disclosure System in China

3.1. Operation Situation

3.1.1. The Operation of Enterprise Annuity Accounting Information Disclosure System Is Less Institutionalized, Procedural and Standardized

By the end of 2021, 117,500 enterprises across the country will have established an enterprise annuity with 28.75 million employees. At the end of the year enterprise annuity investment and operation scale of 2.61 trillion yuan, the investment income of 124.2 billion yuan. According to the " Summary of National Enterprise Annuity Fund Business Data for the First Quarter of 2022 " published by the Ministry of Human Resources and Social Security, 122,000 enterprises have established an enterprise annuity plan at the end of the first quarter of 2022, with a total of 29.25 million employees participating and an accumulated fund of 2.63 trillion yuan. The development of the enterprise annuity system is relatively slow. In this case, the relevant provisions of the various aspects of the enterprise annuity system, such as the management system, the information disclosure system, etc., have been promulgated less, and can not be more fully protected by law. The institutionalization, proceduralization, and standardization of the operation process are low, and can not be open and transparent, which poses a greater threat to the safety of the enterprise annuity fund.

3.1.2. The accounting information disclosure system of enterprise annuity tends to be specific, but it is still developing slowly

It can be seen from Table 1 that before 2009, the legal

provisions of enterprise annuity involved less content of enterprise annuity accounting information disclosure system, and only mentioned the need to establish a sound financial accounting system, which is very general. In 2009, the state promulgated the " Notice on Issues Related to the Management Information Report of Enterprise Annuity Funds, " which stipulated the information and scope of the report of each operating entity of enterprise annuity. According to the content of ' Administrative Measures for Enterprise Annuity Fund ' in Table 1 and the information disclosure among the entities in Figure 1, the state has put forward more detailed provisions on the information reporting system and specific requirements for the flow of information reports. Therefore, China 's enterprise annuity information disclosure system tends to be specific, but since 2011, the state has not promulgated the detailed provisions on the enterprise annuity information disclosure system, and even less notice of the enterprise annuity system, accounting information disclosure system development is slow almost stagnant.

3.1.3. The Authenticity and Reliability of Enterprise Annuity Accounting Information Need to Be Verified

At present, China has not stipulated the audit system corresponding to the information reporting system, that is, the enterprise annuity accounting report is directly submitted to the relevant regulatory authorities. When the public uses open accounting information to make decisions, it is impossible to know whether the information is true and reliable and whether the organization 's management activities are legal and compliant. Therefore, the authenticity of the information disclosed is questionable and needs to be verified.

3.2. Policy Environment

3.2.1. Limited Legislative Provisions, Information Disclosure System at The Edge of Legislation

The relevant legislative provisions of enterprise annuity are very limited, and the enterprise annuity information disclosure system is on the edge of a number of legislative departments. At present, there is no law specifically for the disclosure of enterprise annuity accounting information. The current norms only roughly stipulate how to report information among the five operating entities, and do not clearly point out what kind of punishment will be imposed after violating the regulations, nor do they point out the economic and legal consequences when the operating entity seriously infringes on the interests of others. This reduces the effectiveness of the norms, so that the legal norms have no substantive binding force on the operators, so it does not play a good role in protecting the right to know of relevant stakeholders, nor can it effectively reduce and manage credit risk and improve operational transparency. In addition, there are still some problems in the existing regulations, such as vague concepts and too general provisions, which are not conducive to the understanding and action of enterprises to establish enterprise annuity.

Table 1. Policy of enterprise annuity accounting information disclosure system

Year	Policy documents	Enterprise annuity and accounting information disclosure system
1995	<i>Notice of the State Council on Deepening the Reform of the Endowment Insurance System for Enterprise Employees</i>	Encourage the establishment of enterprise supplementary pension insurance. Establish and improve the budget management and financial accounting system of pension insurance fund.
2004	<i>Trial Scheme for Enterprise Annuity</i>	Provision of enterprise annuity definition, operation subject and other basic issues.
2009	<i>Notice on issues related to the management information report of enterprise annuity fund</i>	Prescribe the content and scope of each subject report
2011	<i>Enterprise annuity fund management approach</i>	It stipulates the basic issues such as the operation mode of enterprise annuity, the responsibilities of operating entities, and the information reporting system.
2016 to date	<i>Enterprise Annuity Scheme</i>	Provisions on the termination of the establishment of an enterprise annuity plan, financing, account management, annuity treatment, management supervision and other issues.

3.2.2. Loopholes in Supervision System of Enterprise Annuity Fund

Effective supervision system is the key to improve the accounting information system of enterprise annuity. The legal norms issued by the Chinese government include some provisions on the management and supervision of enterprise annuities. However, in general, a complete legal supervision system has not been formed. Although the relevant provisions

mention that the accounting information report should be submitted to the relevant regulatory authorities, the determination of the regulatory authorities is not uniform. The supervision of annuities involves the supervision of many departments such as finance, taxation, and the Ministry of Human Resources and Social Security. It is easy to have multiple supervisions and regulatory vacuums, resulting in inefficient or inefficient supervision^[14].

Table 2. Meanings and responsibilities of each subject

Subject	Meaning	Main responsibilities
Trustee	Enterprises and their employees establishing enterprise annuity plan	Sign a trustee management contract with the trustee.
Trustee	Entrusted to manage the enterprise annuity fund in accordance with the provisions of the state pension management company and other corporate trustees or enterprise annuity council	Select, supervise and replace account managers, custodians and investment managers ; develop fund strategy and asset allocation strategy ; supervise fund management ; collect fees from enterprises and employees, and pay enterprise annuity treatment to beneficiaries.
Account manager	Professional Institutions Entrusted by Trustees to Manage Enterprise Annuity Fund Accounts	Establish fund enterprise accounts and personal accounts ; record enterprise, employee payment and fund investment income ; periodically check the payment data with the custodian and the changes in the assets of the enterprise annuity fund account, and submit the results to the trustee ; calculation of enterprise annuity treatment ; provide fund enterprise account and personal account information inquiry services to enterprises and beneficiaries, and provide annual equity reports to beneficiaries ;
Investment Manager	Professional institutions that accept the trustee 's entrustment to invest in the management of enterprise annuity fund property	Investment fund property ; check the accounting and valuation results of the enterprise annuity fund with the trustee ; establish fund investment management risk reserve.
Trustee	Commercial Banks that accept the trustee 's entrustment to keep the property of enterprise annuity fund	Safe custody of enterprise annuity fund property ; open fund accounts and securities accounts of fund property in the name of enterprise annuity fund ; according to the trustee 's instructions, allocate fund property to the investment manager ; handle liquidation and settlement matters in a timely manner ; responsible for the fund accounting and valuation, review, review and confirm the net value of the fund property calculated by the investment manager ; according to the instructions of the trustee, an enterprise annuity is paid to the beneficiary.

3.3. Relation Entity

3.3.1. Principal-agent Theory

The principal-agent theory is one of the main contents of the contract theory of institutional economics. The principal-agent relationship mainly refers to the fact that one or more actors appoint and hire other actors to serve them according to an explicit or implicit contract, and grant the latter certain decision-making rights, and pay the corresponding compensation according to the quantity and quality of the services provided by the latter. The authorizer is the principal, and the authorized is the agent.

The principal-agent relationship originated from the existence of 'specialization'. When there is 'specialization', there may be a relationship in which the agent acts on behalf of the principal due to its comparative advantage. The concept of principal-agent in the modern sense was first put forward by Ross: 'If both parties, one of the agents on behalf of the principal's interests to exercise some decision-making power, the agency relationship will arise. The principal-agent theory analyzes the principal-agent relationship within and between enterprises from the perspective different from the traditional microeconomics. It is superior to the general microeconomics in explaining some organizational phenomena.

3.3.2. Introduction of Relationship Subject

In the enterprise annuity system, there are five main participants in operation management, namely principal,

trustee, account manager, investment manager and custodian.

3.3.3. Analysis of Relation Subject

Due to the existence of a large number of principal-agent relationships in the corporate pension plan governance structure, the risk control chain is lengthened, which can easily lead to the softening of the mutual checks and balances mechanism. It can be seen from Figure 1 that the current disclosure of enterprise annuity accounting information only simply stipulates the information reporting system, which cannot ensure the information symmetry between the subjects. When there is information asymmetry, that is, when there is information difference, there is the possibility that the operator uses information difference to forge accounting data for his own profit, thus encroaching on the property of enterprises and employees. Based on the principal-agent theory, taking the account manager and the custodian as an example, the account manager needs to check the accounting data and property changes regularly with the custodian. Under the imperfect information disclosure system, it is impossible to ensure that the two 'cooperation' forged accounting data. The degree of moral hazard and credit risk is high, and the safety of enterprise annuity funds cannot be fully guaranteed. The perfect accounting information disclosure system greatly reduces the information gap between the subjects, so as to better protect the safety of the enterprise annuity fund and protect the legitimate rights and interests of enterprises and employees.

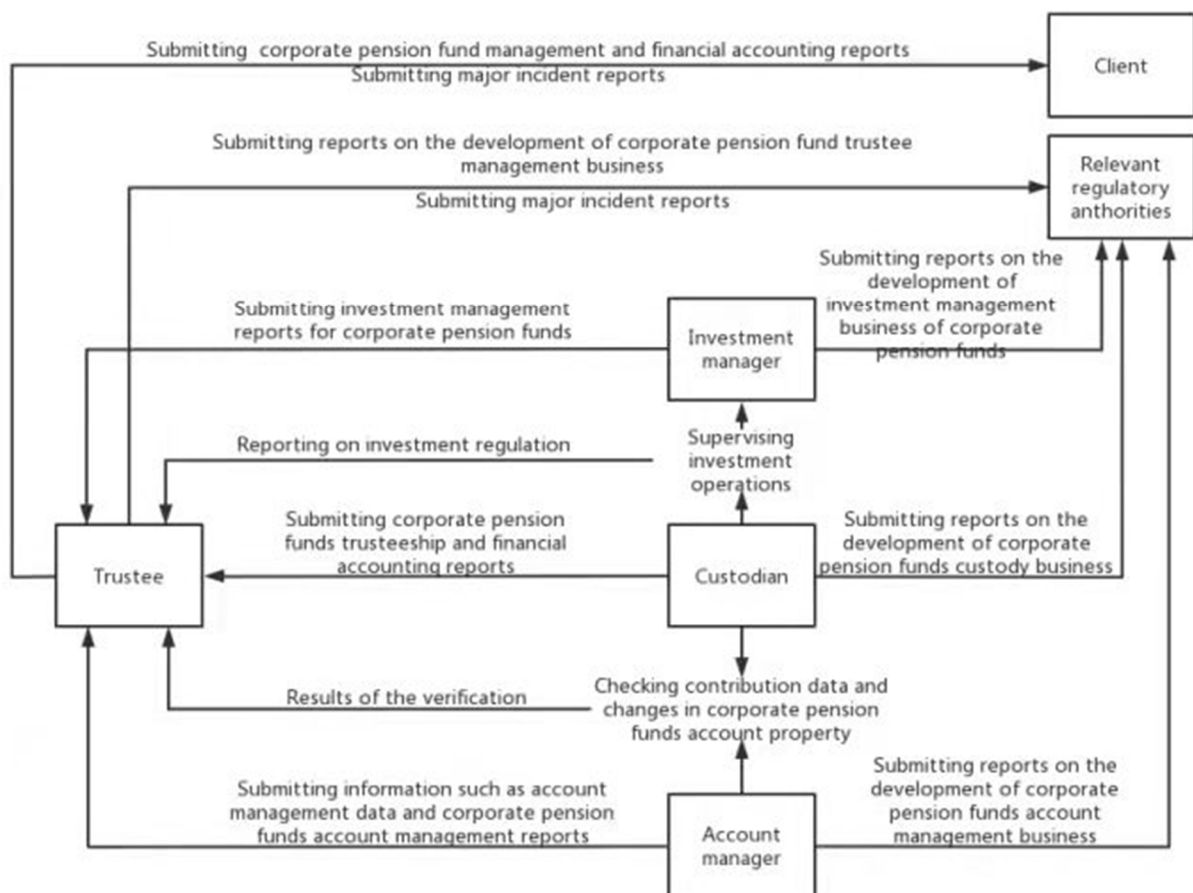


Figure 1. Information Disclosure among Subjects

Data Source: Organized according to the 'Enterprise Annuity Fund Management Approach'

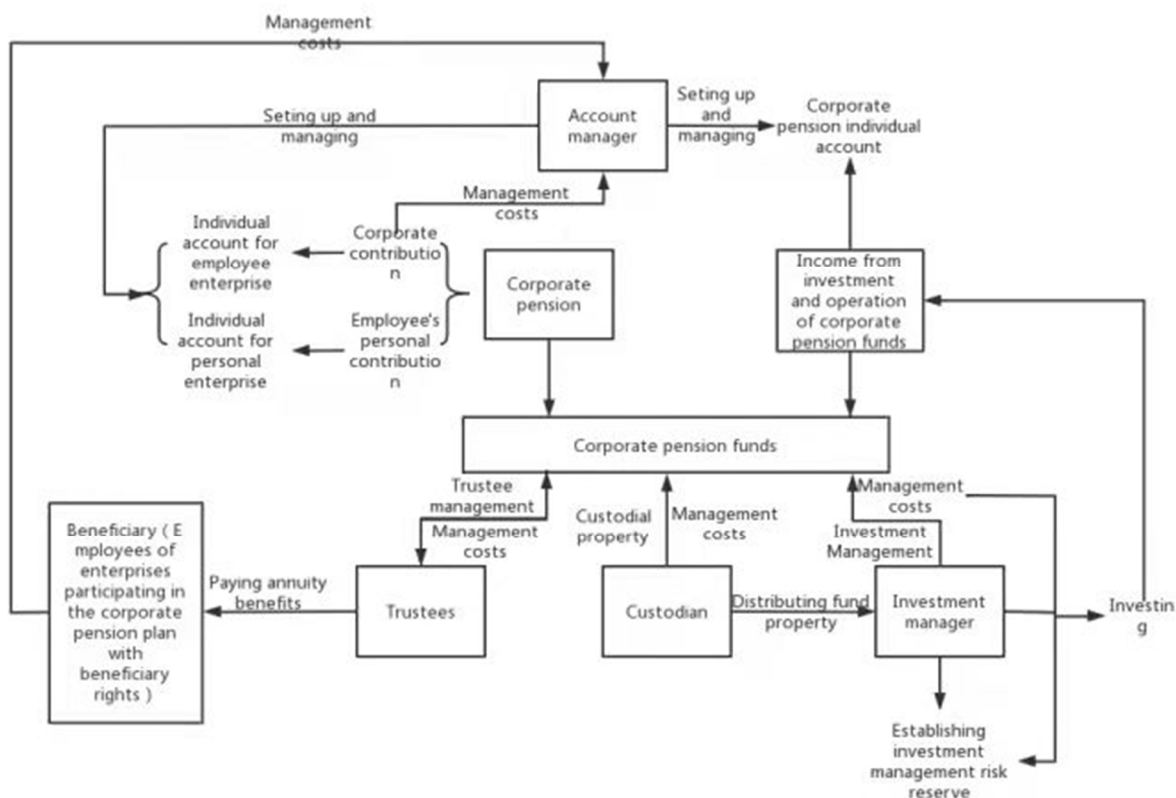


Figure 2. Financial flows

Data Source : Organized according to the ' Enterprise Annuity Trial Measures ' and ' Enterprise Annuity Fund Management Measures '

4. International Comparison of Enterprise Annuity Accounting Information Disclosure System

The United States is the first country in the world to establish enterprise annuity system. It first appeared in the end

of the 17 th century after the American War of Independence. The US government provided a source of livelihood for soldiers who were disabled in the war. Since then, it has continued to develop and standardize, and the US information disclosure system is also the world 's earliest. The earliest and perfect country, the following table is the development process of the US information disclosure system:

Table 3. The development of American information disclosure system

Stage	Policy measures
Generation period	In 1852, Massachusetts restricted the issuance of securities by the utilities. In 1902, the United States Congress recommended that all public holders companies the publication of important information. In 1911, the first state-level securities legislation was introduced.
Soft and hard information is perfect period	The Securities Act was passed in 1933, the Securities Exchange Act in 1934, and the Federal Securities and Exchange Commission (SED) was established. In 1964, Congress passed the Global Environmental Policy Act. In 1978, the SED issued the Guide to Revealing Forecast Operating Performance and the Safe Harbor Rule. In 1980, the SED formulated the S-X book, and further adopted Rule 415 in 1982.
A period of rapid development	In 1995, the SED supplemented interpreted the Securities Law, and in 1996, it established an electronic data collection, analysis and retrieval system.
Period of specification	In 2000, fair disclosure rules of information were established, and President Bush formally signed the 2002 Sabes-Oxley Act 2002 on July 30, 2002.

Various corporate annuity plans have been established in the UK, and the UK has grown rapidly over the past 20 years,

most notably its regulatory system. The following table is the regulatory process of corporate annuity in the UK:

Table 4. Regulatory history of the UK enterprise annuity

Year	Regulatory policy
1958~1973	In 1958, the government proposed a supplementary plan linked to revenue. In 1961, the grade annuity was implemented, and the Trust Law regulated the development of the annuity.
1973~1995	In 1973, the Enterprise Annuity Management Committee (OPB) was established. In 1975, the national income association program replaced the hierarchical annuity program. In 1986, the UK Financial Services Act was passed, and the "Pension Legal Assessment Committee" was established in 1992.
1995~2004	In 1995, the Pension Act was passed and the Enterprise annuity Regulatory Authority (OPRA) was established. The Welfare Reform and Annuities Act was amended in 1999. In December 2002, the Department for Work and Pensions released the Green Paper on Simplification, Safety and Choice: Work and Pension Savings.
2004 to date	In 2004, Parliament enacted and passed the Pension Act and established the Pension Protection Fund Committee (PPF Board) and the Pension Protection Fund (PPF). In 2005, the Pension Regulatory Bureau (TPR) was established to replace OPRA. In 2006, the enterprise annuity tax policy.

Japan's enterprise annuity development level is in the middle and upper level among developed countries, but it has not yet a very perfect enterprise annuity disclosure system. In 1890, Japan was influenced by Germany to formulate "commercial law." After the Second World War, under the influence of the United States Securities Law and the Securities and Exchange Law, Japan formulated the "Securities and Exchange Law" in 1948. In 1949, the "Accounting Standards for Enterprises" were formulated, and the corporate tax law revised in 1947 constituted the "three-law constitution" accounting standards with commercial law as the center and the securities and exchange law and corporate tax law as the auxiliary.

5. Problems in Accounting Information Disclosure System of Enterprise Annuity

5.1. Relevant Laws and Regulations Are Not Perfect, The Effect Is Not Obvious

At present, in addition to the three laws and regulations of 'Enterprise Annuity Trial Measures', 'Accounting Standards for Business Enterprises No.9-Employee Compensation' and 'Accounting Standards for Business Enterprises No.10-Enterprise Annuity Fund', China has not issued more laws and regulations to regulate the disclosure of enterprise annuity accounting information, and only 'Accounting Standards for Business Enterprises No.10-Enterprise Annuity Fund' is a law specifically for enterprise annuity. Although the standard has made clear provisions on the type, amount, fair value and investment proportion of investment, it mainly solves the problems in the operation stage of enterprise annuity, and completely excludes the financing and payment stage of enterprise annuity. 'Accounting Standards for Business Enterprises No.9-Employee Compensation', revised in 2014, regulates the recognition and disclosure of after-service benefits. It stipulates that the notes to the statements should disclose the enterprise annuity paid by employees and the outstanding amount due at the end of the period, but it is not clearly defined. It is more of a guide. A framework-like provision has been formulated and no detailed description has been made. With the gradual revision of laws and regulations, voluntary formation has been enhanced, but the effect is not obvious.

5.2. Single and Inadequate Accounting Information Disclosure

China through the design of enterprise annuity fund dedicated balance sheet, statement of changes in net assets and notes to disclose information, but the information obviously can not meet the requirements of the use of information users, they need not only to understand the financial situation of the enterprise annuity itself, but also to understand the implementation status, investment income status, and beneficiaries can not be intuitive through these statements accurately understand the income status, so the need for more complete information disclosure to meet the information needs of users.

5.3. Lack of Accounting Information Disclosure Platform

Nowadays, most companies adopt the method of simple disclosure of enterprise annuity information in financial statements. There is no clear disclosure channel, and there is no platform for information disclosure. Therefore, the single channel and the lack of platform greatly hindered the transmission of information.

5.4. Incomplete Regulatory System

Effective supervision can avoid 'black box operation', increase disclosure, ensure that information users use more accurate and reliable information, and make correct planning. Although the Chinese government has strengthened supervision and achieved certain results, it has not yet formed a complete and efficient regulatory system, nor has it formed an effective regulatory body. Moreover, annuity supervision involves multiple regulatory bodies such as finance, taxation, social security, and professional regulatory authorities. There is no effective checks and balances between them, and there is a phenomenon of repeated supervision, resulting in a decline in regulatory efficiency.

6. Enterprise Annuity Accounting Information Disclosure Recommendations

6.1. Improve Relevant Laws and Regulations

Compared with western developed countries, there is a lack of laws and regulations on enterprise annuity accounting information disclosure system in China, and there is a lack of

strong legal support in the process of effective supervision of enterprise annuity payment and information disclosure. More clear laws and regulations on the disclosure of enterprise annuity accounting information should be formulated. Enterprise annuity should be regarded as an accounting subject, and its written position and format should be standardized in detail. Clearly regulate the calculation of enterprise annuity, to facilitate later implementation and supervision.

6.2. Establish More Information Disclosure Channels and Platforms

In addition to disclosing annuity accounting information through enterprise annuity reports, most companies in China can also increase their disclosure of information through other channels. After investigation, at present, China has established legal websites such as enterprise annuity websites, but many websites are about the overall growth of China's annuity, and there is a temporary lack of detailed disclosure of enterprise annuity accounting information. The Chinese government and relevant regulatory agencies can use the website to legally collect and publish the company's annuity accounting information for employees and people who use annuity accounting information. In addition to strengthening the disclosure on the Internet, the company itself can also disclose the operating status of the enterprise annuity to employees through regular meetings.

6.3. Perfecting the Content of Accounting Information Disclosure

Increase the disclosure of accounting information of enterprise annuity with enterprises as the main body, fully disclose the accounting information of enterprise annuity, increase the intensity of information disclosure, increase the information of capital flow such as unpaid and prepaid funds in the current period, improve and update the balance sheet, net assets flow table and notes in time. For different regions, different industries should appropriately modify the content of the disclosure information, not overly rigid.

6.4. Strengthen Supervision and Improve the Regulatory System

The government should strengthen the supervision of enterprise annuity accounting information disclosure, improve the regulatory system, set up a complete regulatory authorities; strengthen internal supervision of enterprises and strengthen mutual checks and balances within the corporate pension governance structure. Relevant audit institutions can be allowed to forcefully audit China's enterprise legal person annuity report, and audit the accounting information of enterprise annuity according to the corresponding audit regulations and audit standards.

7. Conclusion

The development of China's enterprise annuity accounting information disclosure system is imperative, but it still faces

great challenges. These challenges include legal system, platform construction, information system and regulatory system.

Acknowledgment

This work was supported in part by the 2022 Hebei Province Accounting Research Project, Project Name: Research on China's Enterprise Annuity Accounting Information Disclosure System.

References

- [1] Yang Ni, Li Yumei. Research on the sustainable development of enterprise annuity in China under the background of deep aging [J]. *Financial theory and practice*, 2022 (08) : 101-110.
- [2] Marjolein Denys, David Pratt. Yves Stevens A comparative analysis of the information duties in Belgian and American occupational pensions[J]. *European Journal of Social Security*, 2020-03-10.
- [3] Rahul Verma;Priti Verma Behavioral biases and retirement assets allocation of corporate pension plans [J]. *Review of Behavioral Finance*, 2018-11-12.
- [4] Xiaozheng Cao. Research on Optimal Investment Portfolio of Enterprise Annuity under Investment Constraints[J]. *American Journal of Industrial and Business Management*, 2018-01-15.
- [5] Shingo Goto. Noriyoshi Yanase The Information Content of Corporate Pension Funding Status in Japan[J]. *Journal of Business Finance & Accounting*, 2016-07-15.
- [6] Andrea Lippi Switch-out and switch-in: What motivates the decision makers in Italian occupational pension funds[J]. *Journal of Governance and Regulation*, 2016-07-30.
- [7] Jia Li, Li Bo. Enterprise Annuity Information Disclosure Discussion [D]. Beijing Renmin University of China, 2005.
- [8] Employee pension information disclosure of Jiali listed company [R]. Beijing CCTV Financial Office, 2006.
- [9] Information Disclosure of Ao Jianmei 's Enterprise Annuity [N]. *Journal of Sun Yat-sen University*, 2007 (12).
- [10] Wang Lu. China Enterprise Annuity Plan Accounting Disclosure Research [N]. *Accounting Newsletter*, 2010 (21).
- [11] Li Jing. China Enterprise Annuity Accounting Information Disclosure Status and Improvement Suggestions [N.] Ningde Normal University, 2014 (04).
- [12] Research on Risk and Supervision of Liu Heng Enterprise Annuity Operation [D]. Guangxi Guilin University of Electronic Technology, 2018.
- [13] Research on the Development and Promotion Strategy of Enterprise Annuity in China [D]. Shandong Normal University, 2020.
- [14] Yang Jinghai. Suggestions for improving the accounting information disclosure system of enterprise annuity in China [J]. *Friends of Accounting (first issue)*, 2009 (07) : 103-104.