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A study on the current situation of the pension system in Cambodia

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Abstract

Cambodia's pension system is gradually developing towards modernization and sustainability within the framework of the Social Security Law, adopting a multi-pillar structure that includes a universal non-contributory social pension, a contributory defined benefit (DB) plan, and an optional funded contributory (DC) plan based on voluntary contributions. As the main operating institution, the National Social Security Fund (NSSF) is responsible for managing social security programs for private sector employees, including work-related injury insurance, health insurance, and pensions.However, there are significant differences in the coverage of Cambodia's pension system between formal and informal sectors. Workers in the informal sector, accounting for 90% of the labor force, are mostly excluded from the pension system. In addition, the sustainability of the pension system is facing financial pressures brought by population aging and the impact of macroeconomic fluctuations. To address these challenges, this paper proposes reform suggestions such as strengthening the financial management of the pension system, expanding the coverage of the pension system, and optimizing the investment strategy of the pension system. Through the implementation of these comprehensive measures, the Cambodian government will be able to effectively expand the coverage of pension schemes, improve management efficiency, provide more reliable livelihood security for the elderly, and promote social stability and sustainable economic development.

Keywords

Cambodia; Social Security; Pension System

1. Research background of Cambodia's pension system

1.1. Basic national conditions of Cambodia

Cambodia, officially known as the Kingdom of Cambodia, is a country located in the southern part of the Indochinese Peninsula. Politically, a constitutional monarchy is implemented, with the king as the highest head of state, and both the parliament and the Senate are the legislative bodies of the country. According to the preliminary population census data of Cambodia in 2024, the total population of Cambodia is 17.28 million; The fertility rate for women aged 15 to 49 is 2.5 children per woman; The average life expectancy of the public is 76.6 years, with an average life expectancy of 74.7 years for males and 78.4 years for females; The proportion of the total population living in cities has reached 41.5%.

Cambodia is a traditional agricultural country, with its economy mainly composed of agriculture, manufacturing, tourism, and construction. Agriculture is an important component of the economy, but its industrial foundation is weak. The draft of the "2024 Financial Management Law" released by the Cambodian Ministry of Finance and Economics predicts that the gross domestic product will reach 35.17 billion US dollars in 2024, with a growth rate of 6.6%, and the per capita GDP will also increase from 1917 US dollars in 2023 to 2071 US dollars.

Cambodian society is based on families and communities, with Buddhist culture as the main cultural tradition. Buddhism occupies an important position in society and influences people's values and way of life. The traditional family structure is relatively large, including multiple generations living together, close community relationships, and mutual assistance and cooperation, which are important components of social life.

1.2. The development of Cambodia's social security system

In 1955, Cambodia's social security system was officially established based on Royal Decrees No. 55 and 306. After a long period of war and social unrest, the Cambodian government began to implement some basic social security measures in 1993, such as setting up the Department of Social Security (DOSS), but mainly for workers in private enterprises. The first labor law was passed in 1997. In 2002, Cambodia formulated the Social Security Law based on the Labor Law, which applied to public sector employees and formal employees of large enterprises, providing benefits including pensions, work injury benefits, and other related benefits[1]. In 2007, the Department of Social Security was replaced by the newly established National Social Security Fund (NSSF). In 2008, the National Social Security Fund for Civil Servants (NSSF-C) was established by legislation to manage social security benefits for public sector workers. In 2010, the National Veterans Fund (NFV) was established by legislation to manage social security benefits for veterans, members of the Royal Cambodian Armed Forces, and the National Police Force. In 2011, the National Social Protection Strategy (NSPS) for the poor and vulnerable groups was officially launched, with the pilot phase ending in 2015. Subsequently, in 2016, the Cambodian government formulated the National Social Protection Policy Framework (NSPPF) for 2016-2025 to improve and expand the social security system, setting the goal of providing basic social security and support to all citizens, especially the elderly, the disabled, children, and poor families.

In 2023, the new Cambodian government proposed the "Five-Angle Strategy", with reform and governance enhancement at its core, aiming to achieve comprehensive and sustainable national development through coordinated development in multiple fields. The core of the first angle strategy is the development of human capital, particularly emphasizing that the development of human resources is the most crucial driving force for national and social development as well as prosperity[2]. To effectively support the development of human capital, the government, based on the strategic core of the "first angle" in the "Five-Angle Strategy", has proposed five priority development policies: first, strengthening the development in the fields of education, sports, science and technology to enhance the overall educational level and innovation capacity of the country; second, intensifying the training of technical skills to meet the demands of modern economy for professional skills; third, attaching importance to the improvement of people's health and well-being to ensure the health and productivity of the labor force; fourth, strengthening the social and food security system to provide basic living guarantees and social stability; fifth, reinforcing citizenship with equality, morality and inclusiveness in a highly civilized society to promote social harmony and progress. In the first stage, six key policy projects are planned to be implemented in 2023 to promote the all-round development of the country.

To effectively implement the first-phase goals of the "Five Pronged Strategy", the new Cambodian government has identified six priority policies for 2023. These include expanding healthcare services with the aim of achieving universal health coverage. Currently, the coverage of the social protection network is only 42.1% (approximately 5.86 million people), and the government plans to increase this to 65% (approximately 9 million people) by 2024, with the ultimate goal of achieving universal health coverage by 2030. Additionally, the government will provide vocational and technical training to the poor and vulnerable groups across the country to enhance their employability. It will also improve the national social protection system to help these groups better cope with economic crises. Meanwhile, the government has incorporated the informal economy into its development strategy, enabling informal economy service providers to integrate into the formal economy and enjoy the benefits of the social protection system. As of November 12, 2024, the total number of people participating in the social security system in Cambodia has reached 2,636,962, among which 493,423 are members in the public health sector and 1,602,293 are from the private sector. A total of 20,794,533 person-times have received social security benefits.

2. The main content of the pension system in Cambodia

On November 2, 2019, the King of Cambodia promulgated the Social Security Law, which is an important legal framework for the social security system. It establishes the basic principles, procedures, mechanisms, and management structures for social security programs such as pension, health insurance, work-related injury insurance, and unemployment insurance. The key contents of the law include raising the retirement age for public sector employees from 55 to 60 years old, stipulating that the monthly pension contribution rate for private sector employees is 4% of their salary, to be shared equally by employers and employees, and planning to increase the contribution rate to 8% after five years, and then increase it by 2.75 percentage points every ten years. The promulgation of the Social Security Law marks an important step for Cambodia in establishing a modern and sustainable social security system, providing a legal basis for the expansion and reform of the pension system.

2.1. Organizational Management of Cambodia's Pension System

The pension system in Cambodia is gradually developing towards modernization and sustainability within the framework of the Social Security Law, including specific payment and benefit payment mechanisms, management and supervision of pension plans, and formulation of investment policies. The National Social Security Fund (NSSF), as the main operating agency of Cambodia's social security system, is responsible for managing social security plans for private sector employees, including work injury insurance, health insurance, and pension. The responsibilities of NSSF include collecting pension contributions from private sector employees and employers, ensuring timely payment of pension and other social security benefits, managing and investing in pension reserves, ensuring the preservation and appreciation of funds, implementing the Social Security Law and related policies, and ensuring the sustainability of the pension system. The pension system in Cambodia adopts a multi pillar structure, including a universal non paying social pension, a paying fixed benefit (DB) plan, and an optional subsidized paying (DC) plan based on voluntary contributions. The National Social Security Commission (NSPC) serves as a regulatory body responsible for overseeing and managing the entire social security system, ensuring the implementation of policies and the security of funds. The responsibilities of NSPC include: formulating and revising social security policies and regulations, supervising the operation of NSSF and other relevant agencies, assessing and managing risks of the social security system, and ensuring the sustainability of the system.

2.2. The Policy System of Cambodia's Pension System

The existing pension plan in Cambodia is arranged separately for different target groups, and there are significant differences in coverage between formal and informal sectors. The social security system includes the following institutions: National Social Security Fund (NSSF), National Civil Service Social Security Fund (NSSF-C), National Veterans Fund (NFV), and Disability Fund (PWDF). These institutions provide protection for their respective target groups, such as civil servants, veterans, and people with disabilities, from income insecurity caused by sudden events such as illness, work-related injuries, disabilities, childbirth, or old age.

In addition, Cambodia also relies on financial support from international organizations and aid agencies, such as the Asian Development Bank (ADB), the International

Labour Organization (ILO), and the European Union (EU), which provide technical and financial support to help Cambodia expand pension coverage and improve management efficiency. The fund expenditure is mainly used for pension payment and management expenses, ensuring that retired employees have a stable source of income, while supporting the operation and management of NSSF and NSPC.

2.2.1. Pension system for public sector employees

The distribution of pension payments is mainly concentrated among employees in the formal sector, especially public sector civil servants and employees of large private enterprises. The pension of public sector employees is fully funded by the national budget and adopts a pay as you go model, where current contributions are used to pay for current pension benefits. The National Social Security Fund (NSSF-C) is a specialized institution responsible for managing social security benefits for public sector employees. Its responsibilities include calculating and paying pensions for civil servants, ensuring timely payment of pensions, and managing all administrative affairs related to pensions. The operation of NSSF-C is supervised by the National Social Security Commission (NSPC), which is responsible for ensuring that its policies and operations comply with the requirements of the Social Security Law and other relevant laws and regulations.

According to ministerial regulations, the pension plan for civil servants is funded by a contribution of 24% of their salary. This proportion is relatively high, reflecting the higher welfare level of public sector employee pension plans. This 24% of the payment is jointly borne by the government and civil servants. Specifically, the government as the employer bears 18%, while civil servants themselves bear 6%. After serving for 20 years, civil servants can retire at the age of 60 and receive a lifetime pension. The minimum pension is 60% of the final basic salary plus allowances, and the maximum pension is 80% of the final basic salary for 30 years of service.

2.2.2. Pension system for private sector employees

In contrast, informal sector workers, who make up 90% of the labor force, are mostly not included in the pension system. These workers mainly work in low-income, unstable jobs and lack sufficient social security. The Social Security Law promulgated in 2019 reached an important milestone, which includes provisions for a mandatory fixed income pension plan, establishing a sound framework for expanding the coverage of mandatory pensions from the public sector to formal private sector workers. The plan is managed by the National Social Security Fund (NSSF).

In 2021, Cambodia issued Law No. 32, implementing a new pension plan that outlines the mechanisms and procedures, contribution rates, and welfare applications for four types of pension plans: pension, disability pension, survivor's pension, and funeral allowance. To be eligible for pension and disability benefits, both must become members of NSSF and be registered under the pension plan. The former must be over 60 years old and have contributed to the pension fund for at least 12 months, while the latter must have contributed to the pension fund for at least 60 months prior to disability. The survivor's pension shall be provided to the family members of NSSF members who have contributed to the pension fund for at least 60 months upon their death. Funeral allowance is only granted upon the death of a person who is eligible to receive elderly or disability benefits.

Law No. 32 also stipulates that companies that are not registered with NSSF must register within 30 days from the effective date of the law, and their employees must register within three days after starting employment. The contribution rate of the pension plan consists of two parts: the employer and the employee. According to the mandatory plan, each party bears 50% of the rate, and different contribution ratios are implemented in three stages: the first stage is the first five years before the start of the plan, where a 4% rate is applied to the pre tax payable wages, and the employer and each employee contribute 2%; The second stage is five years after the end of the first stage, and the rate of wages payable is increased to 8%, with employers and each employee contributing 4% each; The third stage is the long-term period after the end of the second stage, adjusting the payment rate by 2.75% every ten years[3]. Employers are obligated to remit their pension contributions to NSSF before the 15th of next month and must submit a contribution report including the number of employees by the 20th of next month.

2.2.3. Pension system for special groups in Cambodia

The social security system in Cambodia not only covers employees in both the public and private sectors, but also pays special attention to certain special groups such as veterans, personnel of the Royal Cambodian Armed Forces and National Police Force, and people with disabilities, aiming to provide them with necessary economic support and social security. For example, the National Veterans Fund (NFV) is responsible for managing social security benefits for veterans, armed forces, and police personnel, with funding mainly coming from the national budget to ensure timely payment of their pensions and other benefits, including pensions, healthcare, and one-time subsidies; The Disability Fund (PWDF) is responsible for managing social security benefits for people with disabilities, with funding sources including the national budget, international aid, and social donations. Disabled individuals who meet the criteria can receive a pension, the amount of which is adjusted according to the degree of disability and family economic situation, while enjoying rehabilitation services and employment support.

2.2.4. Voluntary pension

In addition, the Social Security Law also requires the establishment of a voluntary pension system, allowing people who are unemployed but have income before the age of 60 to participate in the voluntary pension system. Social security fund members who meet the following conditions can apply: first, the applicant is under 60 years old, unemployed but still able to receive pension; The second is that the applicant is under 60 years old and wishes to make monthly contributions to obtain a much higher pension amount than they would receive under the mandatory pension plan, or an income higher than the pension limit. The contribution rate under the voluntary plan must not be less than the contribution rate under the mandatory pension plan.

3. The Problems and Challenges Faced by Cambodia's Pension System

The rapid economic growth, declining birth rates, and changes in family structure have prompted countries in the Asia Pacific region to introduce or reform pension systems. The transformation of population structure is happening rapidly; The traditional family structure of several generations supporting each other is under pressure from large-scale urban-rural migration and declining fertility rates; Informal employment dominates and shows little sign of rapid formalization in most EA/SEA countries; Income security plans related to retirement are underdeveloped in emerging East/Southeast Asian countries. These social and economic forces combined will threaten the well-being of the elderly in the coming decades[4].

Specifically, Article 36 of the Cambodian Constitution states that 'every Cambodian citizen has the right to receive social security and other social benefits as prescribed by law'. In addition, Article 72 explicitly states that 'the health of the people should be guaranteed'.

3.1. Population aging pressure

The sustainability of Cambodia's pension system is facing severe challenges from various aspects, among which the financial pressure caused by population aging is particularly prominent. In Cambodia, the continuous decline in fertility rates and the continuous extension of life expectancy are interacting with each other, leading to a rapid population aging process. This demographic change has had a huge impact on the pension system. From a data perspective, according to the 2019 census data, the elderly population in Cambodia has exceeded 1.3 million, accounting for approximately 8.9% of the total population. And this aging trend is still intensifying. It is expected that by 2030, the elderly population will increase to 1.9 million, accounting for 11% of the total population. By 2050, the number of elderly people may surge to over 5 million, accounting for an estimated 23% of the total population; According to international practice, when a country's elderly population accounts for more than 20% of the total population, it is usually defined as an aging country; According to data from the United Nations Economic and Social Commission for Asia and the Pacific, by 2024, Cambodia's elderly population will reach 1.5 million, accounting for

10% of the current population.

In addition, macroeconomic fluctuations are also an important risk factor affecting the pension system. The macroeconomic environment is characterized by uncertainty, and economic instability often occurs. In this case, the investment return of pension funds often decreases. The ability of pension funds to maintain and increase their value is affected, which in turn poses a serious threat to the sustainability of the pension system. Because the normal operation of the pension system requires stable sources of funds and sufficient reserves, if investment returns cannot be guaranteed, the pension system will become inadequate in the face of the growing demand for pension payments.

3.2. Insufficient coverage of the pension system

The insufficient coverage of the pension system in Cambodia's social structure is mainly concentrated in several special groups.

This includes informal sector workers, small and micro enterprise employees, freelancers and self-employed individuals, as well as people with disabilities and vulnerable groups.

Informal sector workers account for a significant proportion of Cambodia's labor force, up to 90%. This group includes various types of occupations, such as street vendors, domestic workers, construction workers, and agricultural laborers. The jobs they engage in have some common characteristics, mainly manifested as low income and unstable work. Due to their lower income levels, they face certain pressures in meeting their basic living needs and find it even more difficult to have surplus funds for pension contributions. Moreover, the instability of their work makes it difficult for them to meet the requirements of the traditional pension system, and the lack of sufficient social security has become a practical problem they face.

Employees of small and micro enterprises also face the dilemma of insufficient pension coverage. Small and micro enterprises, due to their small scale and relatively limited funds, need to primarily use their limited funds to maintain daily operations, develop production, and other aspects of their operations. Enterprises often find it difficult to bear the additional burden of pension contributions. This has led to significant obstacles for employees of small and micro enterprises in participating in pension insurance, making it difficult for them to enjoy the pension protection they deserve.

Freelancers and self-employed individuals, such as freelance writers, designers, etc., have unique work patterns and often do not have a fixed employer. This job characteristic makes their income lack stability, and their income level may fluctuate significantly with market demand, project quantity, and other factors.

Disabled and vulnerable groups also face numerous difficulties in pension coverage. They themselves face the problem of limited employment opportunities and are often at a disadvantage in the job market, with very limited job opportunities available.

Even if there are opportunities for employment, the income obtained is relatively low. These factors combined make it difficult for them to participate in pension plans and enjoy the benefits of pensions like other groups.

The insufficient coverage of pension for these groups is caused by multiple factors working together. Income instability is a fundamental factor that limits the economic ability of these groups to participate in pension plans. Lack of awareness of insurance participation is also an aspect that cannot be ignored. Many people lack sufficient understanding of the pension system and its importance for their long-term interests. In addition, policy restrictions have also hindered their participation in the insurance process to a certain extent. For example, some pension policies may have strict regulations on the eligibility and payment methods of insured individuals, making it difficult for these special groups to meet the requirements. At the same time, high management costs are also an influencing factor. Pension management for these special groups requires more manpower, material resources, and financial resources, which is a challenge for pension management institutions and indirectly affects the pension coverage of these groups.

3.3. The Fund Management and Sustainable Issues of the Pension System

The National Social Security Fund (NSSF-C) in Cambodia is fully funded by the national budget and adopts a pay as you go (PAYG) model. In this pay as you go model, the operating mechanism of the pension is that the current contributions of civil servants and the government are directly used to pay for the current pension benefits. This model has certain advantages, as it is relatively simple and easy to operate, ensuring timely payment of pensions and to some extent guaranteeing that pension recipients can receive the benefits they deserve on time. However, this model also has obvious drawbacks, that is, the sustainability of pension plans largely depends on the government's financial situation. With the gradual increase in the number of civil servants and the worsening of population aging, the pay as you go model will bring increasingly heavy pressure to government finances.

In order to cope with the payment responsibility of the future pension system, especially when Cambodia's population structure begins to show an aging trend, Cambodia has established the Social Security Investment Fund. However, the current financial market situation in Cambodia is not optimistic and has not yet developed to a sufficiently developed level. This means that Cambodia currently lacks sufficient capacity to invest and manage the expected social security investments, making it difficult to use Cambodia's asset portfolio reasonably based on the long-term investment risk profile of social security pension reserves to achieve pension investment goals.

Cambodia faces many obstacles in policy implementation. The insufficient management capacity of the government is an important issue, and in the management process of the pension system, the government faces dual limitations of resources and professional capabilities. In terms of resources, there may be a lack of sufficient manpower, material resources, and financial resources to invest in pension management; In terms of professional competence, there may be a lack of professional pension management talents, advanced management techniques, and experience. These shortcomings lead to low efficiency in policy implementation, making it difficult to effectively supervise and manage the operation of pension funds.

Meanwhile, the lack of social security promotion is also an urgent issue that needs to be addressed. Due to the lack of effective social security promotion, many potential insured individuals lack sufficient awareness of the advantages and importance of the pension system. They do not understand the role of the pension system in ensuring their elderly life, and do not understand that participating in the pension plan is an investment in their long-term interests. This lack of understanding has greatly affected the promotion and implementation of the pension system. In order to improve the sustainability and coverage of the pension system, Cambodia needs to start from multiple aspects. On the one hand, it is necessary to strengthen the construction of government management capacity, improve policy implementation efficiency, and enhance the government's ability in pension management through investing more resources and cultivating professional talents; On the other hand, we need to increase the publicity of social security, promote relevant knowledge of the pension system to the public through various channels and methods, and improve public awareness and participation in the pension system.

4. Suggestions for the Reform of Cambodia's Pension System

4.1. Strengthen the financial management of the pension system

In order to ensure that the pension plan has sufficient financial support, the Cambodian government must gradually increase the allocation of funds for pensions in the fiscal budget. Cambodia must find ways to increase expenditure and raise the level of expenditure to enhance the redistributive effect of the fiscal system. Increasing transfer payments to poorer households and more targeted transfer payments will help improve the short-term poverty impact and cost-effectiveness of these transfer payments[5]. This not only involves simple numerical adjustments, but also requires careful adjustment of the fiscal expenditure structure to prioritize pension expenditures and ensure that pension funds can obtain stable sources of income. Meanwhile, optimizing tax policies is also a crucial aspect. The government needs to comprehensively examine tax policies, simplify tax procedures, plug tax loopholes, and improve tax collection efficiency to maximize tax efficiency and provide solid guarantees for the stable income of pension funds.

In addition, establishing a special pension fund is an effective measure. This special fund has a clear goal of ensuring that pension funds are used exclusively for their intended purpose. Its funding sources are extensive, with government appropriations as the foundation, and international aid, donations from various sectors of society, etc. can also be included. Through the convergence of funds through multiple channels, it provides a strong financial backing for the implementation of pension plans.

In exploring diversified sources of funding, in addition to relying on the national budget, the government should actively explore other channels. Issuing special bonds is a good attempt. By issuing such special bonds, the government can attract the attention of many domestic and foreign investors, whose investments will inject a continuous stream of stable funds into the pension fund. At the same time, actively attracting international aid and donations is also an important way to enrich the pension fund. The government takes the initiative to cooperate extensively with international organizations, non-governmental organizations, and charitable organizations, and effectively connects with the resources of the international community based on its own needs, in order to obtain more financial support.

In terms of improving management efficiency, the government needs to strengthen the capacity building of pension management institutions and enhance the professional level and business ability of management personnel. By organizing professional training courses and introducing international advanced management experience and outstanding talents, we aim to enhance the overall quality of the management team. Establish a performance evaluation mechanism, set clear performance goals, regularly assess the work results of management personnel, and motivate them to improve work efficiency and quality. Optimize management processes, remove unnecessary links, improve management efficiency, and establish internal supervision mechanisms to ensure the integrity, self-discipline, and efficient operation of the management team. In addition, establish a pension management information system to achieve digital management, improve management accuracy and efficiency. Utilizing big data and artificial intelligence technology to predict the future trends of funds, develop scientifically reasonable investment strategies, and ensure the safety and stability of funds.

4.2. Expand the coverage of the pension system

In order to expand the coverage of the pension plan and improve management efficiency, the Cambodian government needs to take a series of comprehensive measures. On the one hand, the government should formulate and implement specialized policies to encourage informal sector workers, small and micro enterprise employees, freelancers and self-employed individuals, as well as people with disabilities and vulnerable groups to actively participate in pension plans. Specific measures include providing financial subsidies to lower the threshold for insurance participation, reducing the economic burden on insured individuals, and thereby increasing their motivation to participate in insurance; Implement tax incentives policies, such as reducing or exempting corporate income tax and personal income tax, to encourage businesses and individuals to actively participate in pension plans; Provide low interest loans to small and micro enterprises and individual operators to help them solve their financial difficulties.

On the other hand, the government needs to strengthen social security publicity through media, community organizations, and school education in all aspects, enhance public awareness and understanding of the pension system, and strengthen participation in insurance. In addition, a flexible insurance mechanism should be designed to allow monthly, quarterly, or annual contributions, and provide multiple payment levels for selection, ensuring that all workers can participate in the pension plan according to their actual situation. For workers with unstable income or economic difficulties, partial payment is allowed and a minimum payment standard is set, allowing them to choose the amount of payment according to their own economic situation. At the same time, establish a supplementary payment mechanism, clarify the conditions and procedures for supplementary payment, allow workers to make up for unpaid pension fees within a certain period of time, and protect their pension rights and interests.

In addition, the government should strengthen cooperation with international organizations and financial institutions, draw on international experience, and optimize the management and operation of pension plans. By introducing advanced technology and management concepts, the investment return rate of pension funds can be improved to ensure the safety and appreciation of pension funds. At the same time, strengthen the supervision of pension plans, prevent fraud and abuse, and safeguard the legitimate rights and interests of insured persons. Through the implementation of these comprehensive measures, the Cambodian government will be able to effectively expand the coverage of the pension plan, improve management efficiency, provide more reliable living security for the elderly, promote social stability and sustainable economic development.

4.3. Investment strategies for optimizing the pension system

In the development of financial markets, it is necessary to continuously strengthen construction and supervision efforts, and strive to improve market transparency and operational efficiency in order to attract more investment. Specifically, the government should actively promote financial innovation and develop a variety of financial products based on market demand and development trends, such as new types of bonds, stocks, funds, and other financial instruments. This will greatly enrich the investment choices of pension funds and improve the liquidity and diversity of the financial market. In order to ensure fairness and justice in the market, it is necessary to strengthen the supervision of the financial market by establishing a strict information disclosure system, requiring financial institutions to regularly disclose their financial status and investment returns, so that market participants can make decisions in a transparent environment.

In terms of professional investment management, establishing a professional investment management team responsible for the investment operation of pension funds is of paramount importance. Firstly, it is necessary to actively introduce international advanced investment management experience and technology, which can help improve investment returns and ensure that the fund can achieve value preservation and appreciation. To achieve this goal, internationally renowned investment management companies can be hired to leverage their professional expertise to provide technical support and professional training to the local investment management team, thereby enhancing the overall professional level of the team. On this basis, establish a professional investment management team, whose members need to have rich investment experience and solid professional knowledge, so that they can formulate scientific and reasonable investment strategies based on market dynamics and the characteristics of pension funds, and ensure that the fund can obtain stable returns. Moreover, it is necessary to establish a regular evaluation and adjustment mechanism, conduct comprehensive evaluations of the investment performance of pension funds on a regular basis, and adjust investment strategies in a timely and flexible manner based on market changes and investment objectives. This requires establishing a comprehensive performance evaluation mechanism, regularly and meticulously reviewing the returns and risk status of investment portfolios, to ensure that pension funds can achieve long-term stable development.

The existing social risk management methods are generally insufficient, especially for the elderly. In order to provide funding for elderly consumption, most elderly people in the region rely on internal household income support, but due to population aging, urbanization, reduced family connections, and socio-cultural changes affecting home care models, this support is facing pressure. Most countries' existing public pension plans, both funded and underfunded, only cover a small portion of the workforce and face their own problems, such as low return rates for funded plans and fiscal unsustainability for underfunded plans[6]. We need to establish a comprehensive risk assessment and management system, and regularly evaluate the investment risks of pension funds. The risks here cover multiple aspects, including market risk, credit risk, liquidity risk, etc. Through precise risk assessment, it ensures that the fund's investment portfolio is always within a controllable range of risks. At the same time, comprehensive and effective risk response measures should be developed to address potential risks, in order to ensure the safety and stability of the fund.

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