



IT TAKES VISION

Thinking outside of the one pillar box

Reflecting on retirement in Singapore

SAS Health and Retirement Conference 2017

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Agenda

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How does Singapore rank globally?




2

What does Singapore's retirement landscape look like currently?

3

How could things be improved?

How does Singapore rank globally?



Human Development Index 2015
United Nations Development Programme

5th



Worldwide Cost of Living Report 2017
Economist Intelligence Unit

1st



World Happiness Report 2017
John Helliwell, Richard Layard & Jeffrey Sachs

26th



Ease of Doing Business Rank 2016
The World Bank

2nd



Programme for International Student Assessment 2015
OECD

1st



Prosperity Index - Safety and Security Sub-Index 2016
Legatum

1st



Global Health Index 2017
Bloomberg

4th



The World's 300 Largest Pension Funds 2016
Pensions & Investments / Willis Towers Watson

9th



Global Pension Index 2016
Melbourne Mercer

7th

Singapore's current retirement landscape



Source: CPF

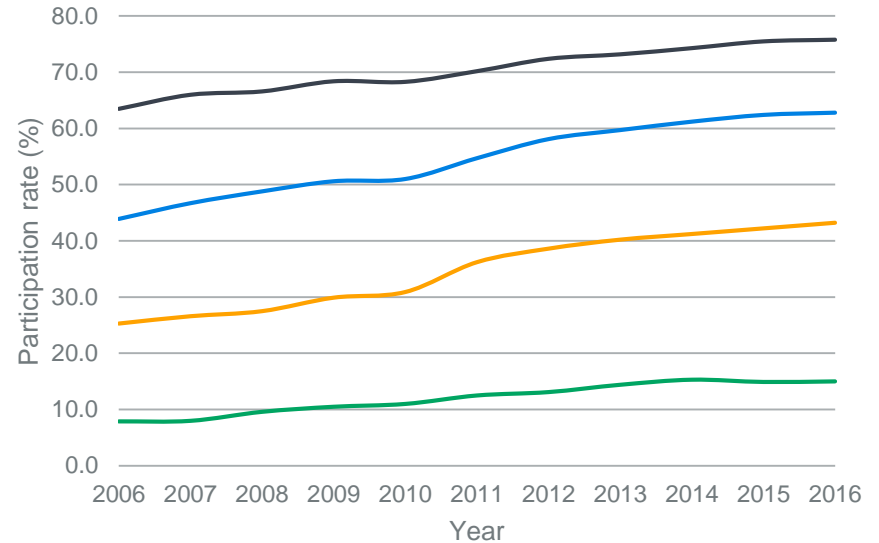
Singapore's current retirement landscape

Working longer

Increasing labour force participation

Rate (%)	2006	2016	
Age 55-59	63.5	75.8	+19%
Age 60-64	43.9	62.8	+43%
Age 65-69	25.3	43.2	+71%
Age 70+	7.9	15.0	+90%

Source: Ministry of Manpower – Labour Force in Singapore 2016



Retirement & Re-employment Act



- Implemented in 2012 with re-employment to age 65
- 98% of private sector local employees offered re-employment at age 62 in 2015¹
- Re-employment age increased to 67 from 1 July 2017

Source (1): Lim Swee Say speech 9 Jan 2017

Employment of current older workers

% of employed older workers	Males			Females		
	Age 55-64	Age 65-74	Age 75+	Age 55-64	Age 65-74	Age 75+
Sales & services	35.0	23.7	20.6	28.4	26.9	8.7
Cleaners & labourers	13.0	33.0	50.0	25.5	47.9	69.6

Source: Institute of Policy Studies – National Survey of Senior Citizens in Singapore 2011

Singapore's current retirement landscape

Living longer

Historical mortality trends

Probability of death for age group 65-69 (q_{65-69})

Rate per thousand	1965	1975	1985	1995	2005	2015
Males	58.6	49.4	35.3	29.6	21.7	13.9
Females	30.6	26.5	22.3	16.7	10.8	7.1
Combined	43.6	37.8	28.5	22.9	16.0	10.4

Implied rates of annualised mortality improvement over various rolling periods:

Rate per annum	50 years	40 years	30 years	20 years	10 years	5 years	1 year
Combined	2.8%	3.2%	3.3%	3.9%	4.2%	3.6%	1.9%

Expected age at death for those aged 65 ($65 + e_{65}$)

	2003	2006	2009	2012	2015
Males	81.2	82.1	82.8	83.4	83.9
Females	84.6	85.4	86.2	86.7	87.3

Source: Department of Statistics / Milliman analysis

Future improvements in mortality

Expected age at death for those aged 65 ($65 + e_{65}$)

2015 - 2020



84.4



87.5

2035 - 2040



86.8



89.8

2055 - 2060



88.8



91.9

Source: United Nations - World Population Prospects: The 2017 Revision (Medium Fertility)

Singapore's current retirement landscape

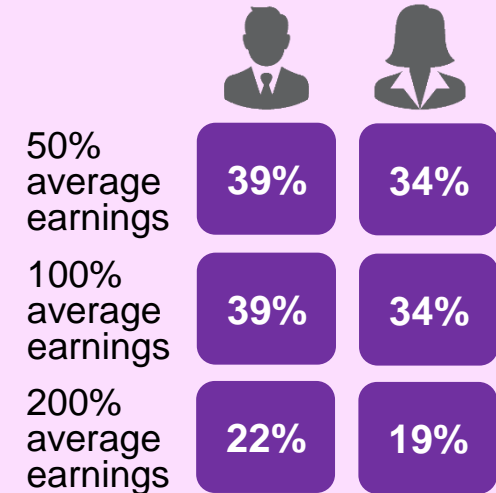
CPF

CPF key features

- Defined contribution with age-dependant contribution rates. For ages 55 and below (with monthly wages above S\$750):

Employer	Employee	Total
17%	20%	37%
- Contribution rates reduce at older ages
- Contributions are made on Ordinary Wages up to S\$6,000 per month and Additional Wages up to (S\$102,000 – Ordinary Wages) pa
- Contributions are split between a member's Ordinary (OA), Medisave (MA) and Special Account (SA). A Retirement Account (RA) is established from age 55
- Exempt-exempt-exempt basis
- Underlying 2.5% pa guaranteed return. 4.0% pa prevailing return on MA, SA and RA. Additional 1% pa on first S\$60,000 of combined account balances. Further additional 1% pa on first S\$30,000 of combined account balances for those over age 55
- Withdrawals allowed for housing, medical, insurance, investment (CPFIS), education
- Compulsory annuitisation under the CPF LIFE scheme – two non-increasing annuity options currently

Gross replacement ratios



Source: OECD Pensions at a Glance Asia/Pacific 2013

Recent updates / current issues

- Increasing CPF LIFE annuity available from 1 Jan 2018
- Alternative CPFIS options awaited

Singapore's current retirement landscape

SRS

SRS key features

- Defined contribution
- Contributions may be made by individuals or by employers
- Administered by 3 local banks – UOB, OCBC, DBS
- Maximum annual contributions:

Singaporeans / PRs
S\$15,300

Foreigners
S\$35,700

- Exempt-exempt-50%taxed basis
- Drawdown of retirement benefits may be spread over up to 10 years
- 100% tax on early withdrawal
- 5% early withdrawal penalty unless in specific circumstances

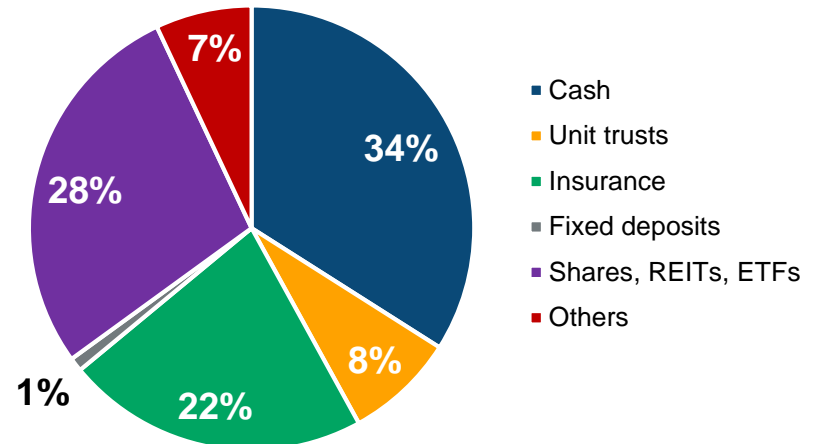
Number of SRS accounts at 31 Dec 2016

127,753

Total SRS assets as at 31 Dec 2016

S\$7.02 bn

Split of SRS assets as at 31 Dec 2016



Recent updates / current issues

Tax relief on contributions may be impacted by new Personal Income Tax Relief Cap of S\$80,000 pa from year of assessment 2018

Source: Ministry of Finance

Singapore's current retirement landscape

Section 5 plans

Section 5 plan key features

- Plans established under Section 5 of the Income Tax Act
- Mainly defined contribution. Some legacy defined benefit
- Funded by employer only. No employee contributions are allowed
- Established under trust
- One benefit structure must apply to all employees
- Exempt-exempt-100%taxed basis
- Drawdown of retirement benefits may be spread over up to 5 years or by lifetime annuity
- Benefits subject to a defined benefit maximum
- No investment restrictions

Number of Section 5 plans currently

Around 20-30

Current issues with Section 5

No employee contributions

No portability of benefits

Tax treatment not seen as favourable

Lengthy approval process

Source: IRAS

Singapore's current retirement landscape

Other corporate retirement arrangements

Other corporate retirement offerings

- Cash allowance – most commonly offered to foreigners
- Unfunded schemes – typically defined benefit but defined contribution also possible
- International pension plans

Reasons for offering supplemental plans

Differentiating the benefits program

Provision for foreigners

Improve retirement adequacy

Global benefits philosophy

Market prevalence

Around 5%

International pension plan key features

- Design flexibility – contribution level, extent of employer matching, vesting
- Some plans positioned as savings plans
- Mainly defined contribution. Some legacy defined benefit
- May be established under trust or contract
- Global providers typically in offshore tax jurisdictions
- Typical to offer a range of investment funds. May be internal or external. Lifestyling common
- Lump sum benefit most common. But annuity and drawdown also offered
- Taxed-exempt-exempt basis in Singapore. Depends on tax residence

How could things be improved?

Call to action



Diversify the retirement proposition in Singapore. The CPF is a solid foundation, but many will need additional retirement savings



Make Section 5 legislation relevant for employers who want to provide additional retirement benefits in Singapore



Update SRS investment offerings – potentially in line with the upcoming revised CPFIS



Encourage more flexibility around the application of re-employment legislation



Continue to educate. Consider incentivising financial wellness initiatives by employers



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Thank you

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