



32nd ASEAN Social Security Association Board Meeting 2015

10 -11 September 2015 • Singapore

Hosted by



**Central
Provident
Fund Board**



HEALTH WEALTH CAREER

AN IDEAL RETIREMENT INCOME SYSTEM

IN THE FACE OF AN
AGEING POPULATION

SEPTEMBER 10 2015

Neil Narale

Asia Retirement Leader

Singapore

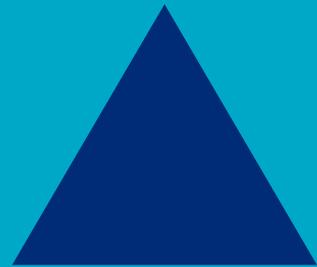


SOCIAL SECURITY TODAY

“SOCIAL SECURITY IS THE PROTECTION THAT A SOCIETY PROVIDES TO INDIVIDUALS AND HOUSEHOLDS TO ENSURE ACCESS TO **HEALTH CARE** AND TO **GUARANTEE INCOME SECURITY**, PARTICULARLY IN CASES OF OLD AGE, UNEMPLOYMENT, SICKNESS, INVALIDITY, WORK INJURY, MATERNITY OR LOSS OF A BREADWINNER.”

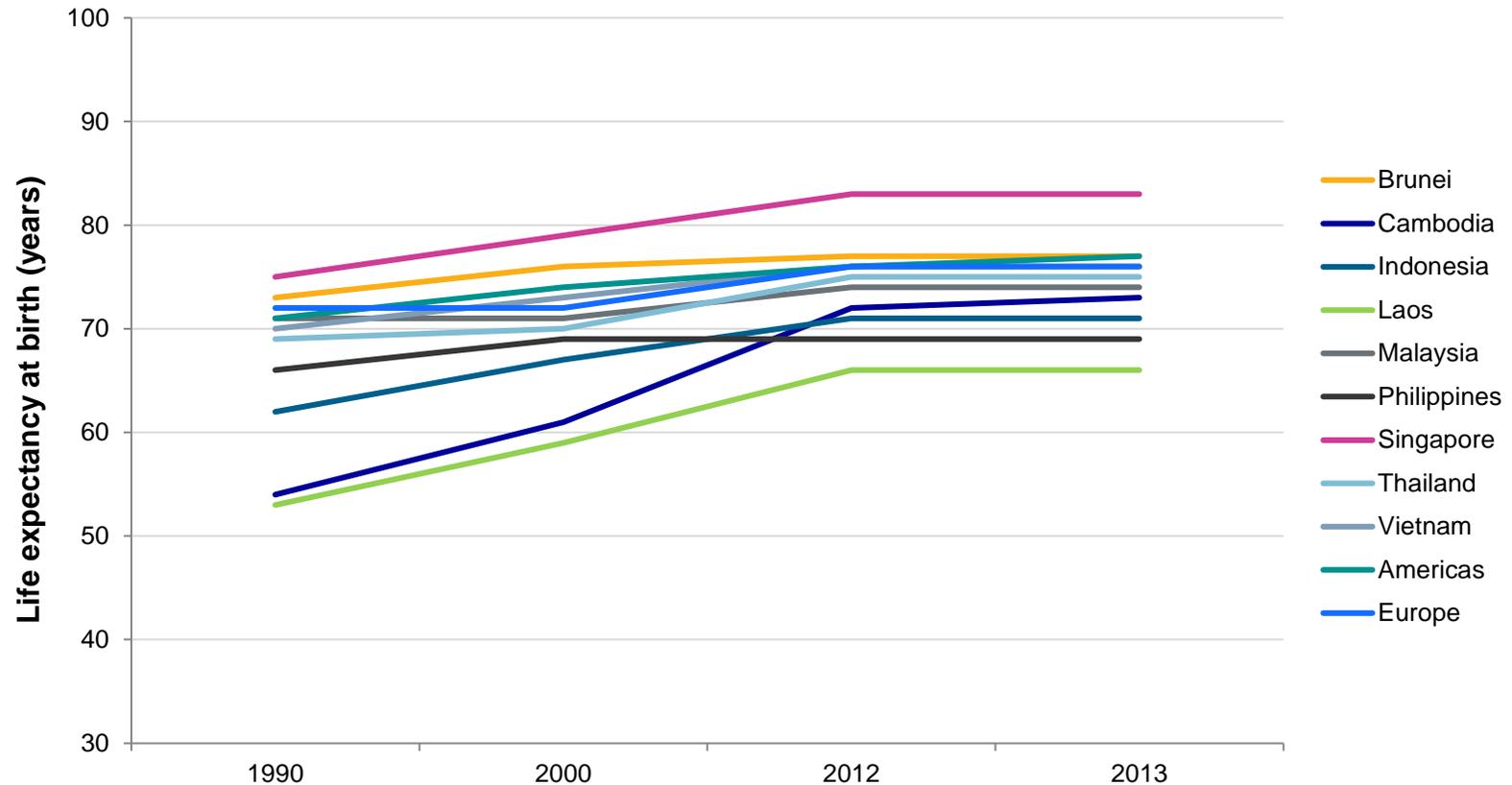
- International Labour Organization

AGEING POPULATION



WE ARE NOT LIKELY TO BE DYING ANY EARLIER

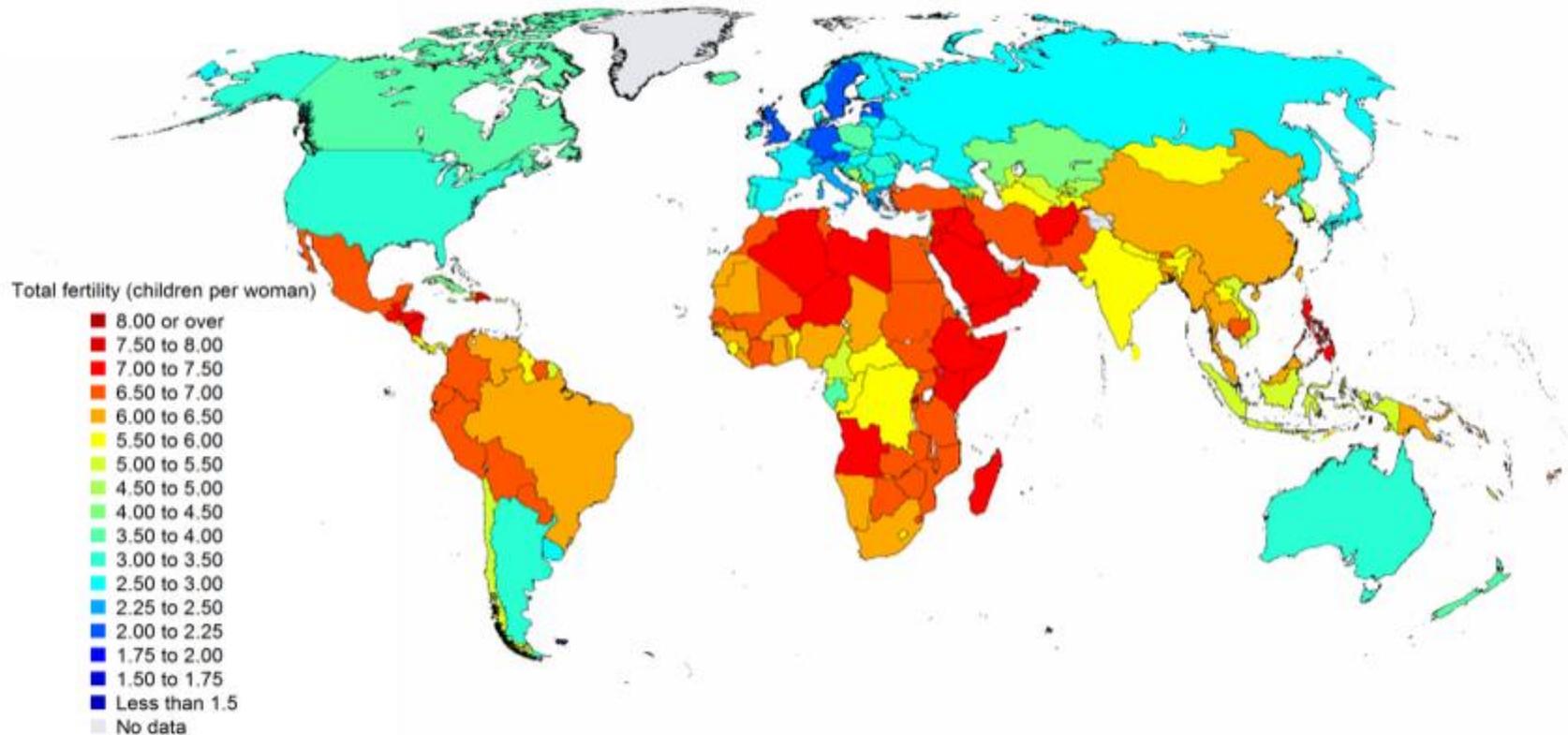
Life expectancy at birth (years)



Source: World Health Organization, Global Health Observatory (GHO) data: 2013

FERTILITY RATES ARE FALLING SHARPLY

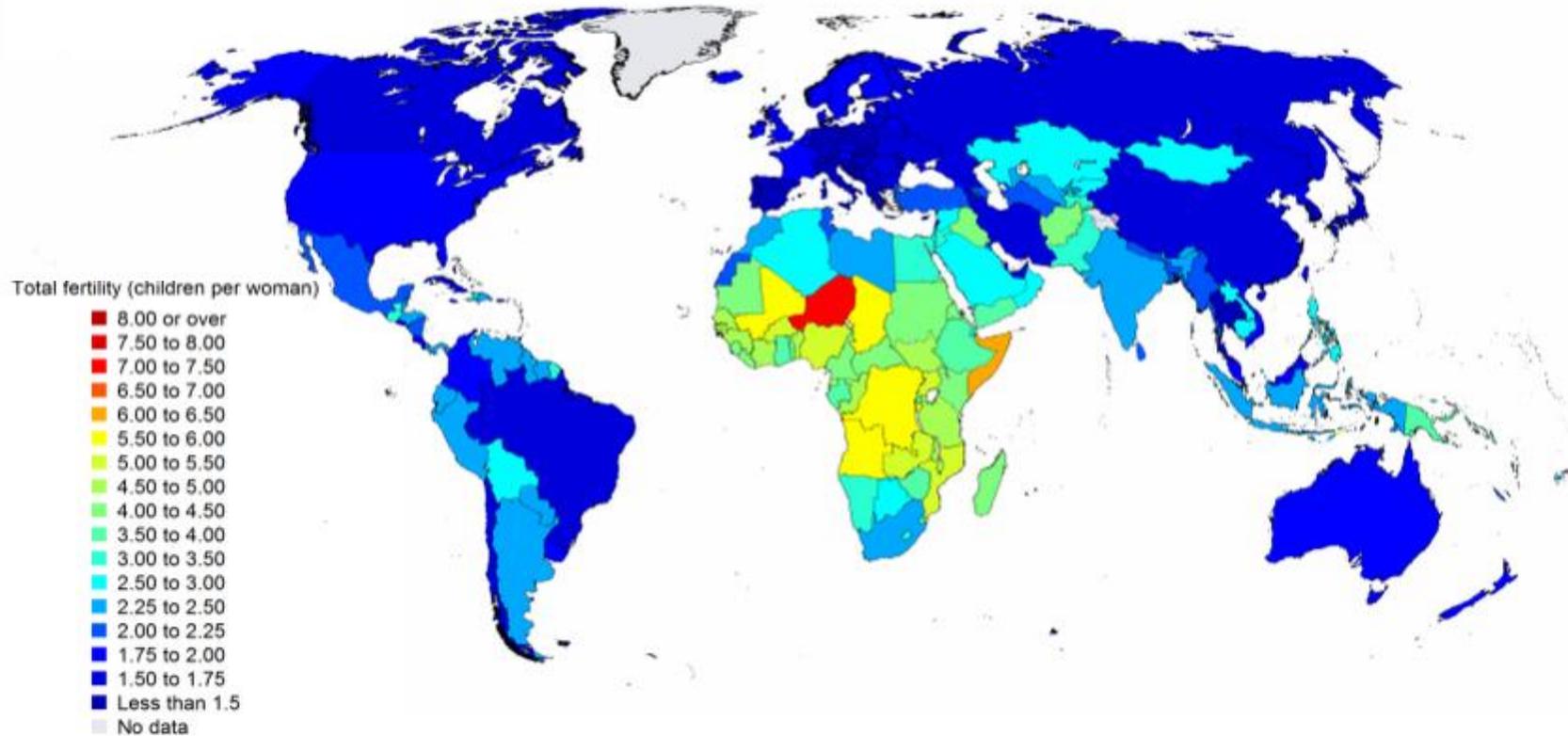
Total Fertility Rate, medium projection, 1950-1955



Source: United Nations, World Population Prospects: The 2015 Revision

FERTILITY RATES ARE FALLING SHARPLY

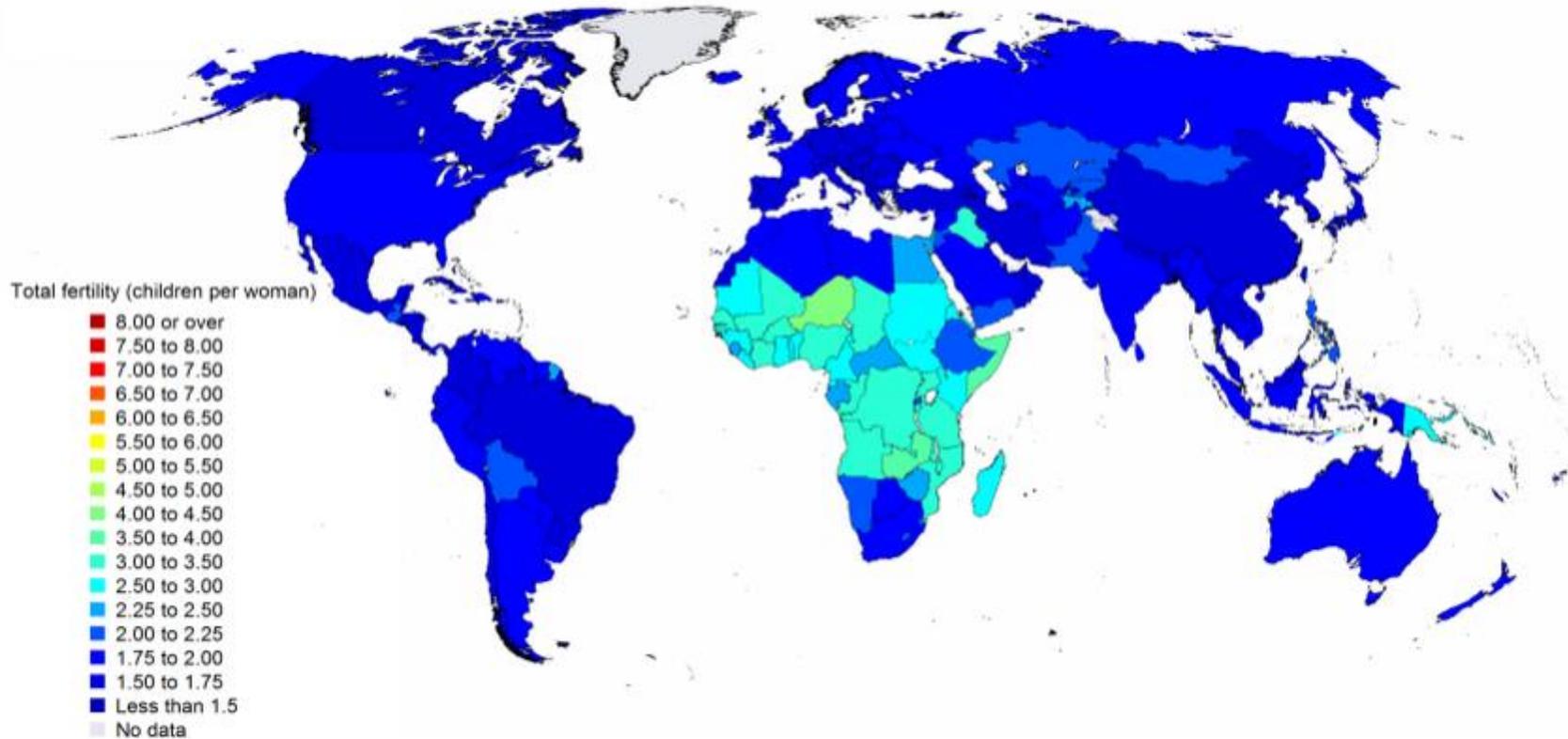
Total Fertility Rate, medium projection, 2015-2020



Source: United Nations, World Population Prospects: The 2015 Revision

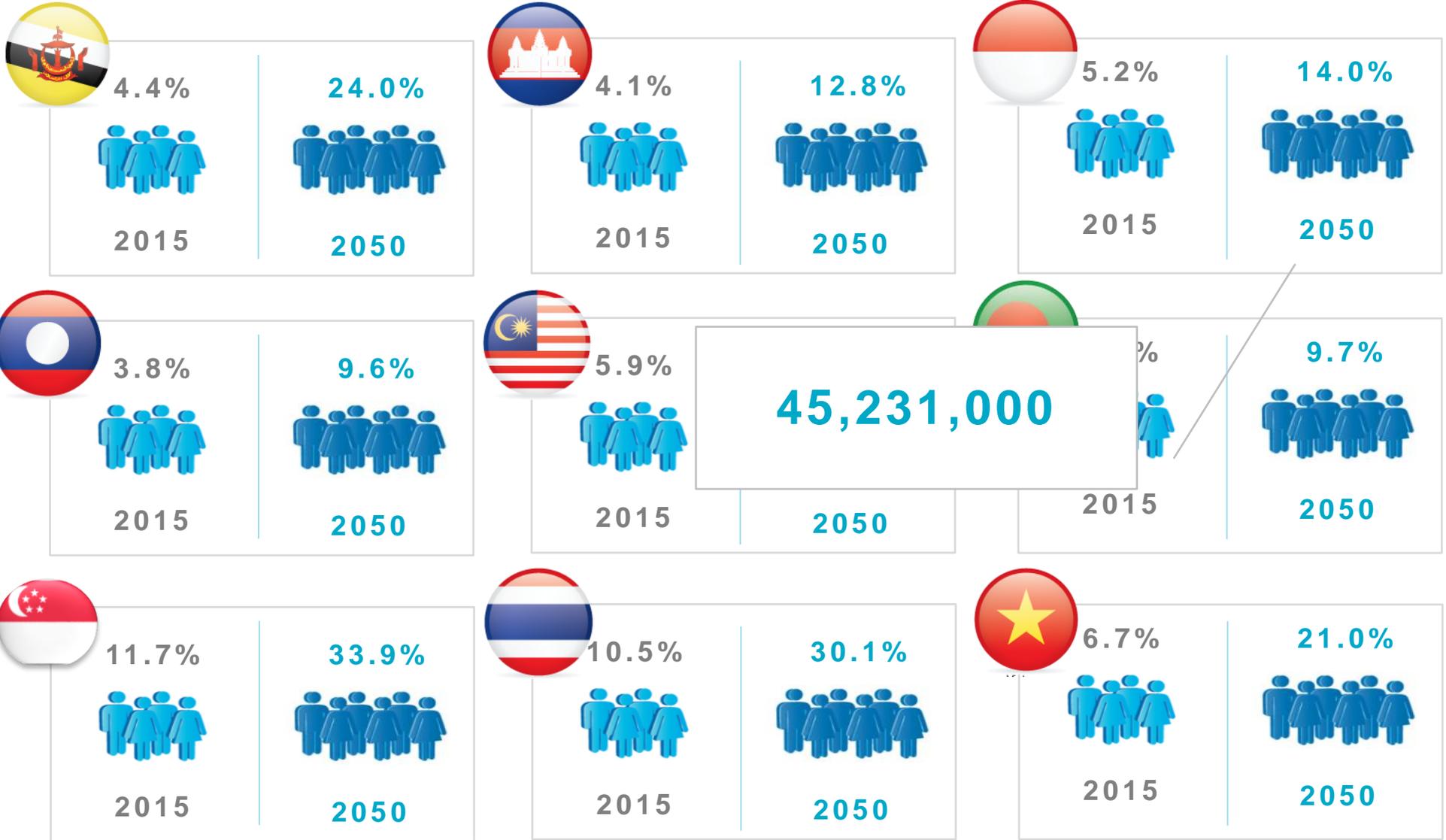
FERTILITY RATES ARE FALLING SHARPLY

Total Fertility Rate, medium projection, 2050-2055

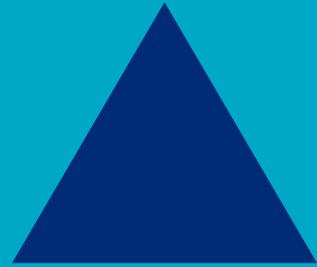


Source: United Nations, World Population Prospects: The 2015 Revision

THE PROPORTION OF POPULATION 65+

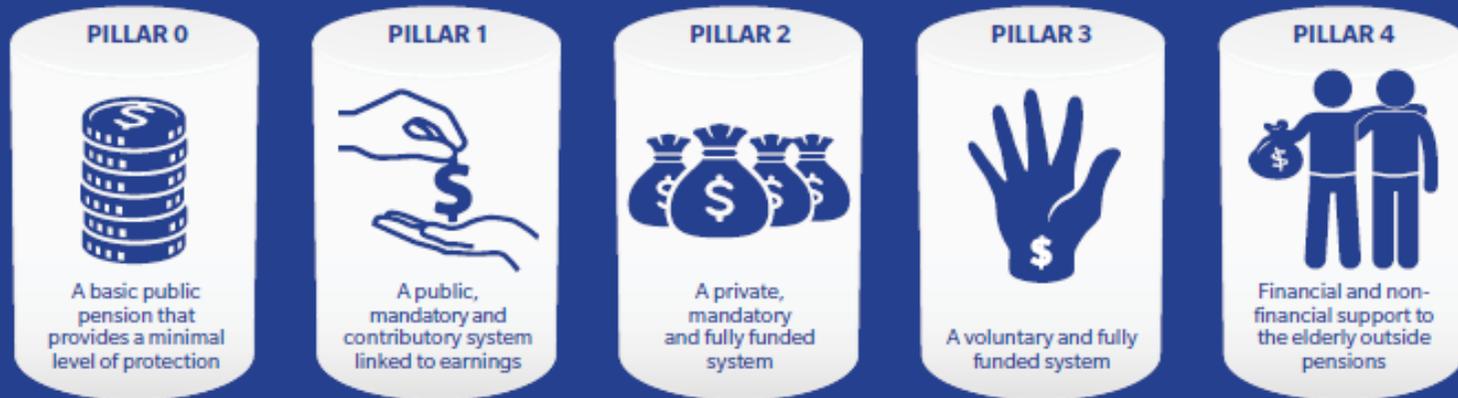


CHANGING EXPECTATIONS OF RETIREMENT

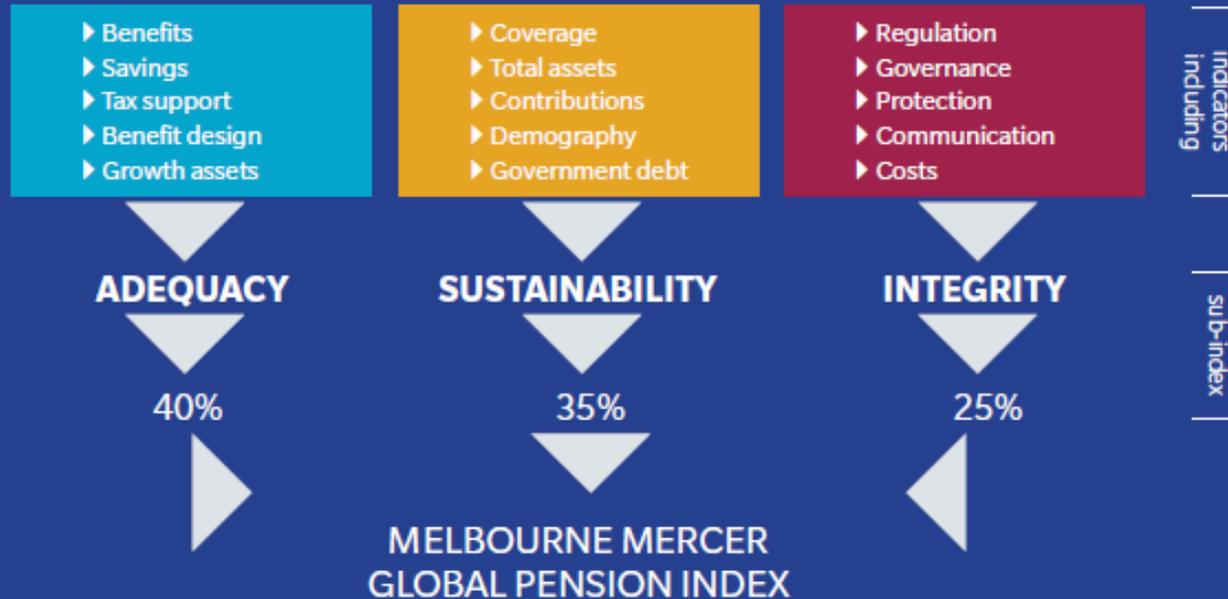


MELBOURNE MERCER GLOBAL PENSION INDEX

The Index uses a multi-pillar approach to compare retirement income systems.



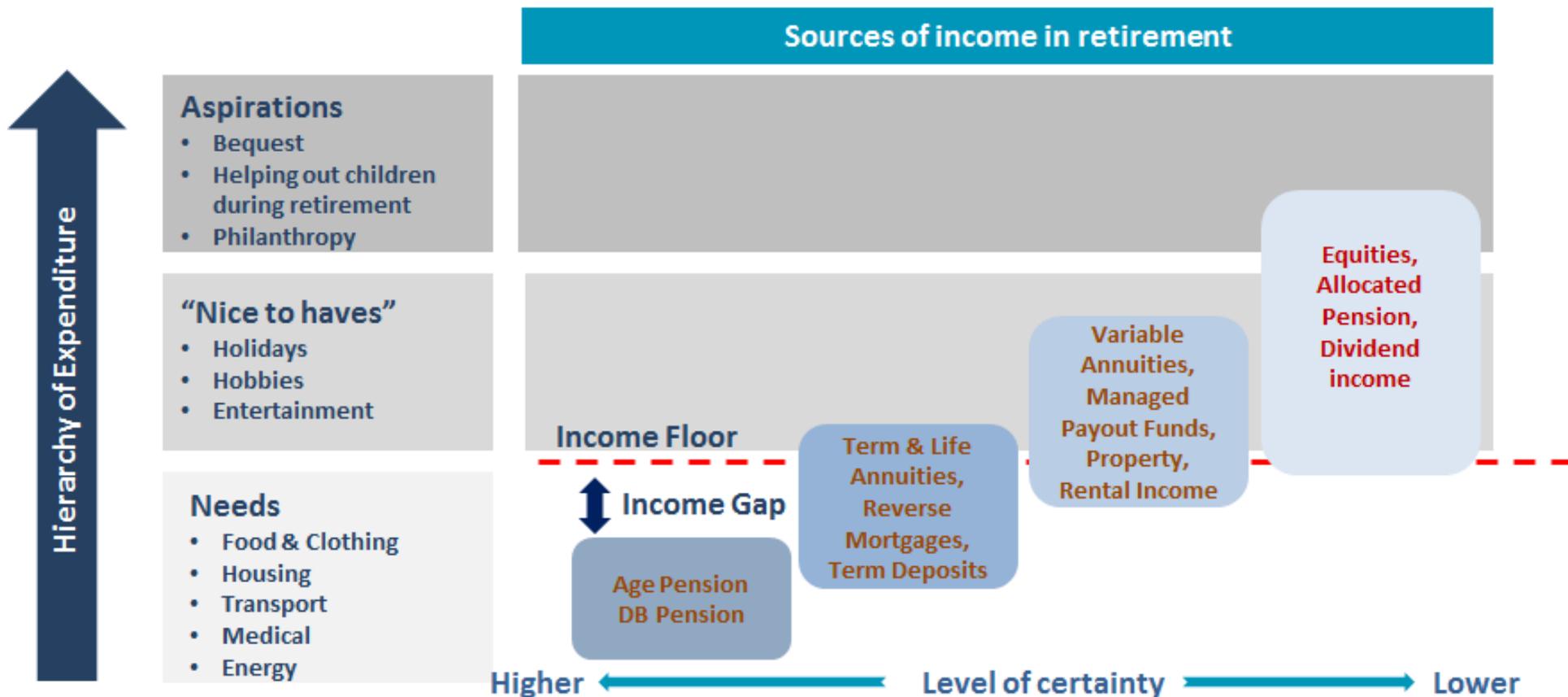
CALCULATING THE MELBOURNE MERCER GLOBAL PENSION INDEX



AN IDEAL RETIREMENT SYSTEM IN THE FACE OF AN AGEING POPULATION

1. The government must establish clear **objectives** for the whole retirement system, including the complementary roles of each pillar, and incorporate the provision of a minimum income to alleviate poverty amongst the aged population.
2. A minimum level of **funding** should be made into a pension system for all workers with contributions by employers, employees and the self-employed, as well as for those of working age who are receiving certain forms of income replacement. In effect, this means every worker will have a retirement account with an entitlement to future benefits.
3. There should be cost-effective and attractive **default** arrangements, both before and after retirement, for individuals who do not wish to make decisions.
4. The overall administration and investment **costs** of each pension arrangement should be disclosed with some competition present within the system to encourage fair pricing.
5. The retirement system must have some **flexibility** as individuals live in a range of personal and financial circumstances. This flexibility includes recognizing that retirement will occur at different ages and in different ways across the population.
6. The benefits provided from the system during retirement should have an **income focus** but permit some capital payments or withdrawals during retirement, but without adversely affecting overall adequacy.
7. Contributions (or accrued benefits) at the required minimum level must have **immediate vesting and portability**. These accrued benefits should only be accessible under certain conditions, such as retirement, death or permanent disability.
8. The government should provide **taxation support** to the funded pension system in an equitable and sustainable way, thereby providing incentives for voluntary savings and compensating individuals or the lack of access to their pension savings.
9. The **governance** of pension plans should be independent from the government and any employer control.
10. The pension system should be subject to **appropriate regulation** including prudential regulation of pension plans, communication requirements and some protection for pension scheme members..

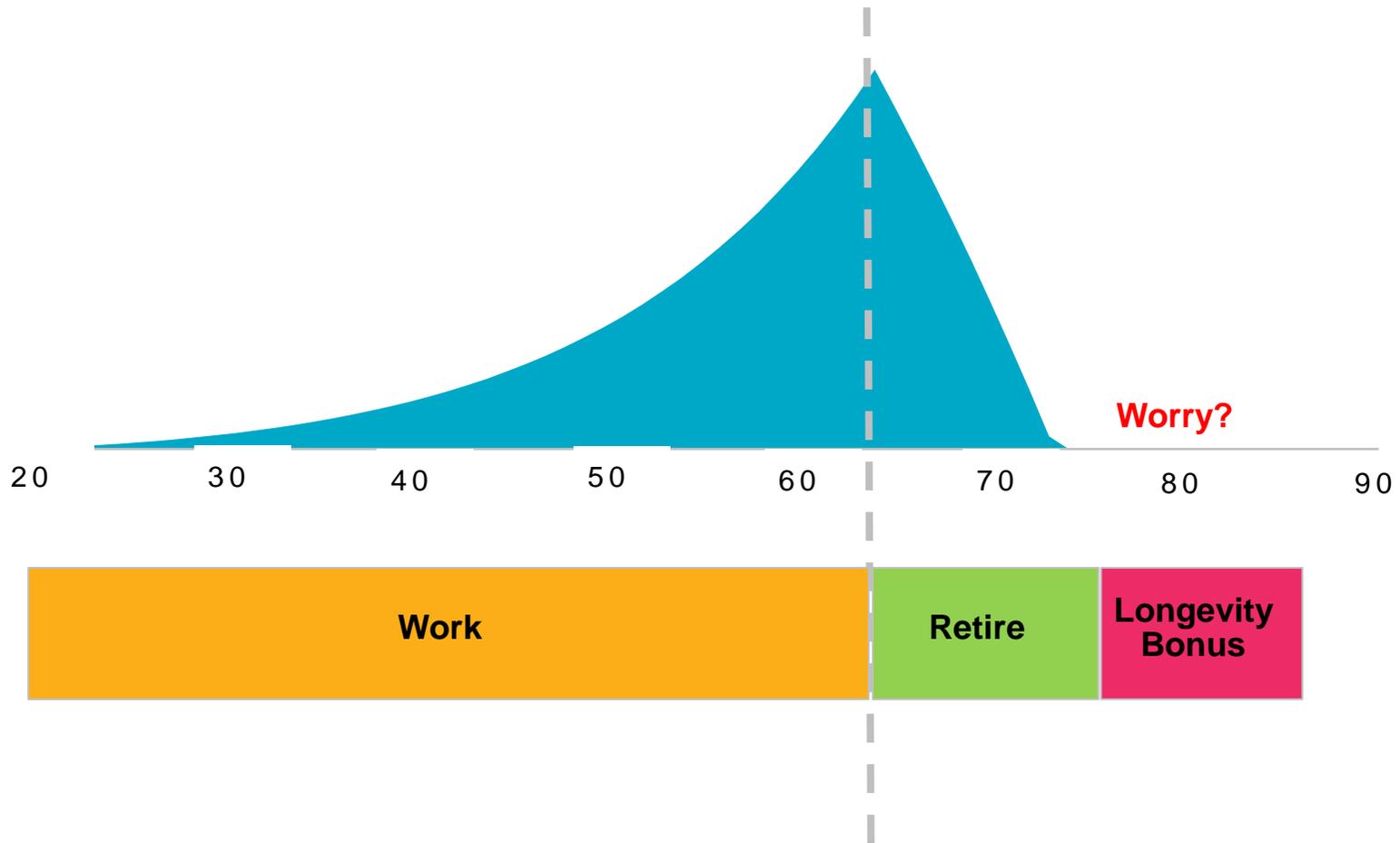
ADEQUACY PROVIDING APPROPRIATE BENEFITS



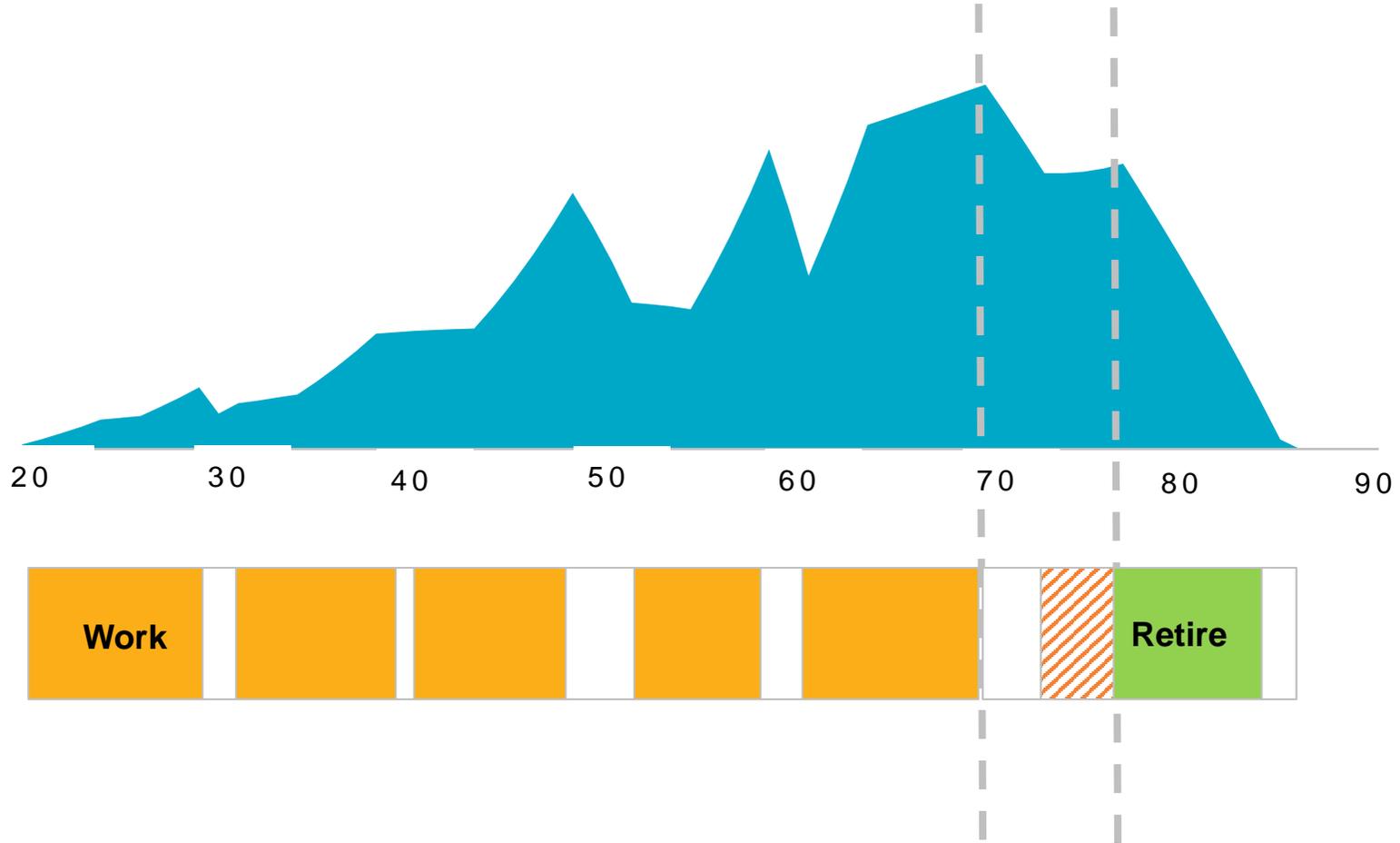
Source: Adopted from Retirement Incomes Options , PIMCO 2014

FUNDING AND FLEXIBILITY

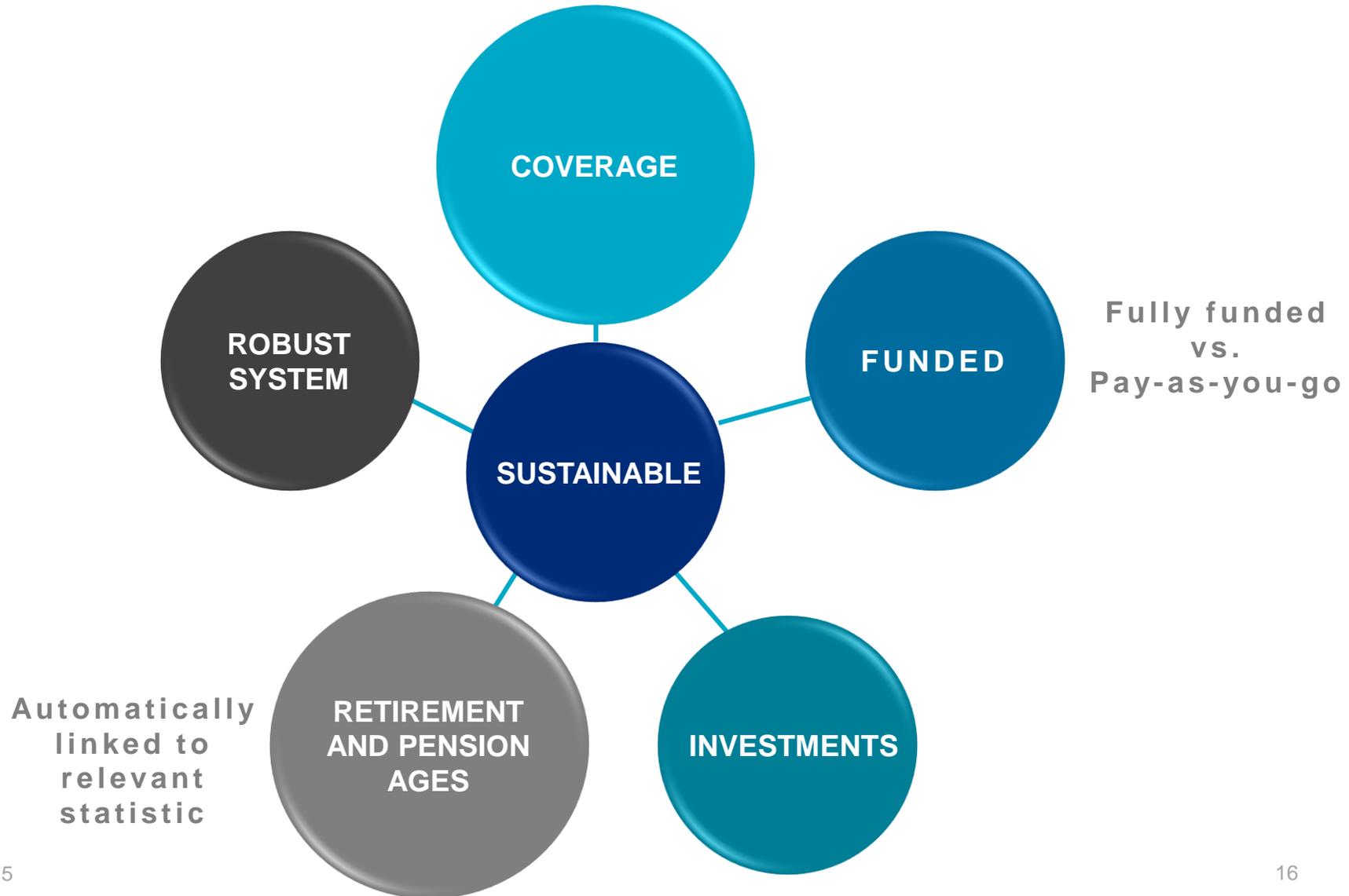
THE TRADITIONAL SAVINGS MODEL



FUNDING AND FLEXIBILITY THE EVOLVING SAVINGS MODEL



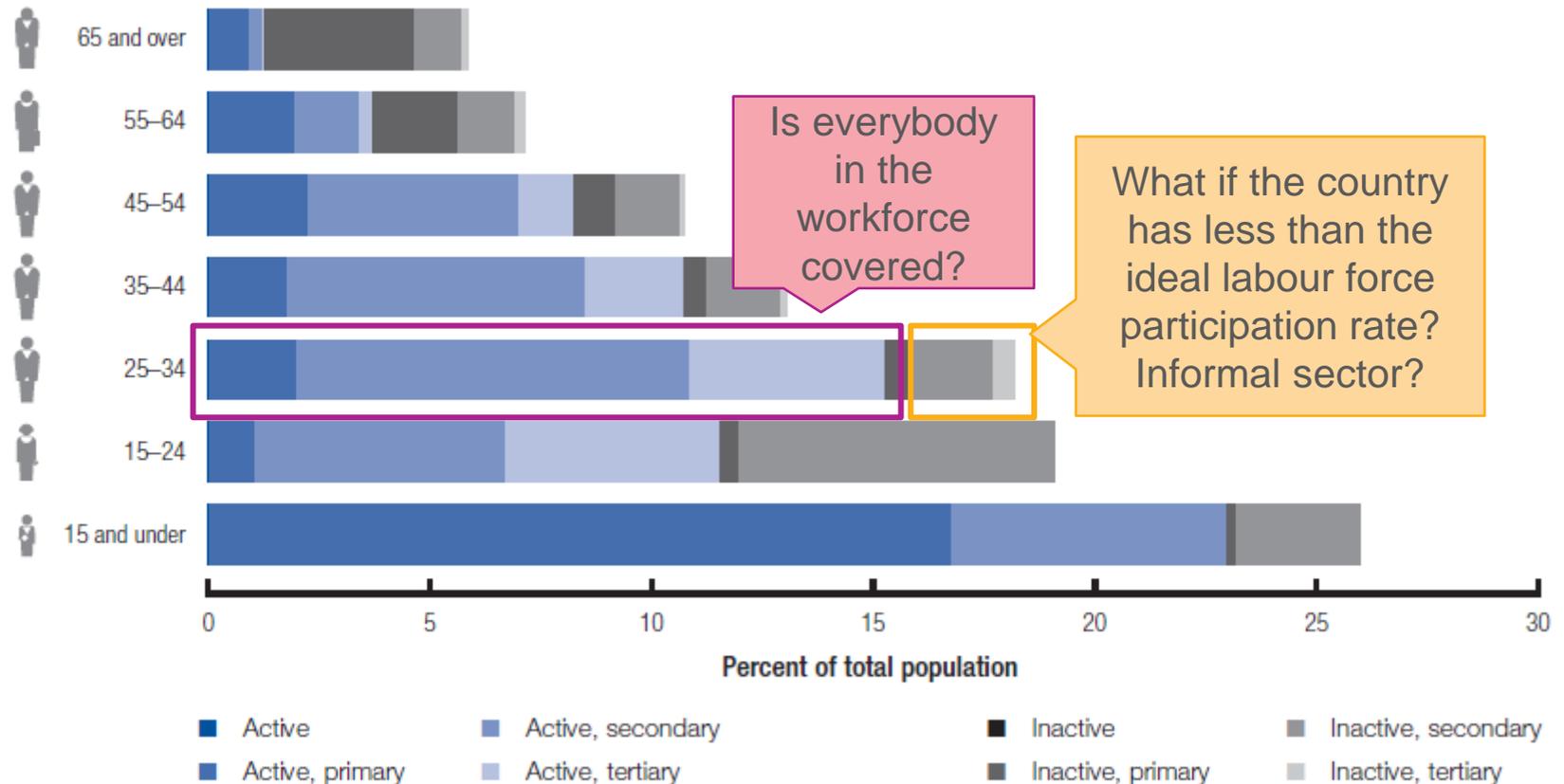
SUSTAINABILITY NOTWITHSTANDING UNCERTAIN FUTURE



SUSTAINABILITY

WHO IS COVERED BY THE SYSTEM?

Education and workforce distribution



The Human Capital Report 2015, by the World Economic Forum in collaboration with Mercer, p196 (Malaysia)

BUILDING COMMUNITY CONFIDENCE



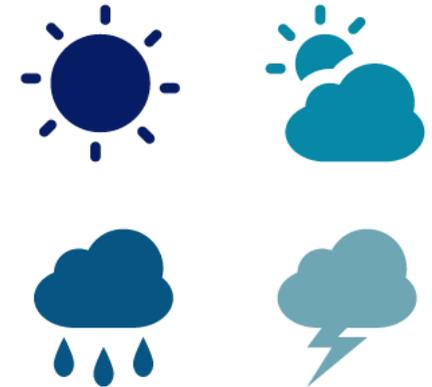
GOVERNANCE & REGULATIONS

- Pension plans should be a separate legal entity with separate assets
- Prudential regulations include policies relating to:
 - Investments of the pension plan
 - Risk management strategy
 - Governance including conflict of interest
 - Funding of liabilities



MEMBER COMMUNICATION

- Address financial literacy and lack of awareness about benefits
- Communication should include:
 - Easy-to-understand starter pack
 - Regular member statement
 - Benefit projection of retirement income
 - Annual report of pension plan



MEMBER PROTECTION, EDUCATION AND ADVICE

- Protected from financial consequences of fraud, significant mismanagement or employer insolvency
- Financial advice provided by pension schemes, financial institutions or financial advisers must have a high level of integrity and professionalism

IN CLOSING

- Countries in ASEAN are in various stages of development economically with differing demographic profiles and at different transition stages of ageing.
- A robust systems that can adapt to the changing demography and behaviour and needs of individuals.
- Each country's ideal retirement income system that will lead to **improved financial benefits** for individuals and households, an increased likelihood of **future sustainability** of the system, and a greater level of **confidence and trust** within the community.



MAKE



**TOMORROW,
TODAY**



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