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# Concerns Grow Over Singapore Pension System

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Protesters at a rally on June 7, 2014 in Singapore after the government said it would raise the minimum retirement-savings threshold. The demonstration involving more than 2,000 people was one of the largest shows of public dissent in Singapore. *European Pressphoto Agency*

SINGAPORE—A weekend protest over perceived shortcomings in Singapore's state-run pension system has illuminated widening concern among citizens over the inadequacy of their retirement savings.

Saturday's demonstration—involving more than 2,000 people—was one of the largest shows of public dissent in tightly regulated Singapore, where the governing People's Action Party has seen its parliamentary dominance recede in recent years amid rising socioeconomic pressures.

Political analysts say the protest could pressure the government to undertake bolder reforms to alleviate citizens' concerns over widening income disparities and rising living costs, as well as quell festering grievances against the Central Provident Fund, or CPF, the state-run pension plan.

The CPF system came under heightened scrutiny in recent weeks after the government said it would raise a minimum retirement-savings threshold. The move unsettled many lower- and middle-income Singaporeans who fear that they can't save enough to meet the new requirement.

The policy tweak, coming "at a time of increased costs of living and growing concerns over retirement-funds' adequacy, created the 'perfect storm,' " said Eugene Tan, a law professor at Singapore Management University, who also serves as an independent nominated lawmaker. "There is a dip in Singaporeans' trust in the CPF system's ability to ensure that they are well-provided for in their retirement."

A spokeswoman for the prime minister's office declined to comment. Prime Minister Lee Hsien Loong and other officials said last month they are planning certain improvements to the pension plan but defended the overall system as sound. The CPF—a compulsory savings plan for citizens and permanent residents—requires workers and their employers to contribute to retirement-savings accounts, which earn modest interest income at rates set by the government, typically in the low single digits. Established in 1955, the CPF system has since been liberalized to allow fund members to use some savings to buy homes, pay for health care, and make financial investments.

Such changes allowed the ruling party to use the CPF system to push its platform of individual responsibility and lean social security by encouraging Singaporeans to be self-reliant rather than depend on state handouts. The policy also helped lift Singapore's homeownership rate to one of the highest in the world. But many Singaporeans' pension savings have also been depleted as slow wage growth and rising living costs over the past decade—especially for housing—curbed citizens' ability to save for retirement, analysts say.

"Although originally designed as a retirement scheme, the CPF system has become too complicated as the government used it to pursue other social policies, such as promoting homeownership," said Song Seng Wun, a Singapore-based economist at CIMB Group. "Perhaps it is time to refocus the CPF on its original purpose—providing retirement adequacy."

Recent surveys suggest perceptions of retirement inadequacy have become acute among Singaporeans. In a 2013 survey, insurance firm Manulife Financial Corp. found that nearly 70% of respondents expected to work beyond the retirement age of 62 because of expected shortfalls in their retirement savings. A 2012 survey by U.K. bank HSBC Holdings PLC found that 56% of more than 1,000 respondents felt inadequately prepared for retirement or weren't preparing at all.

Singapore's rising life expectancy and declining birthrates have also complicated matters, as aging citizens require greater retirement savings and have fewer working-age family members upon whom to rely. According to government projections, the ratio of working-age Singaporeans to elderly citizens, ages 65 and above, could fall to roughly 2 to 1 by 2030 from more than 6 to 1 currently.

The government has tried to mitigate this by requiring CPF members to set aside a so-called "minimum sum" in their pension accounts, which would then be released through monthly payouts after members turn 65 years old.

The minimum sum—meant to provide fund members with regular postretirement income—is revised yearly to account for inflation and increasing life expectancy. But many poorer Singaporeans resent the adjustments as a shifting of goal posts that prevents them from fully accessing their own savings.

In the latest revision, the government said last month it would raise the minimum sum to 155,000 Singapore dollars (US$124,000) starting July—up 4.7% from its current level but 94% higher than its 2003 level. This prompted some Singaporeans to allege that the government was hoarding citizens' retirement savings to fund investments by state-investment firm Temasek Holdings Pte. Ltd.—claims that officials have denied.

The finance ministry has said that the CPF Board buys special government bonds that earn interest for fund members. Proceeds from the bond sales are then used for investments by the sovereign-wealth fund, GIC Pte. Ltd., and the Monetary Authority of Singapore, the ministry said.

Some Singaporeans, however, remain unconvinced. At Saturday's protest, many participants pressed for more clarity on the CPF system and called on the government to offer better interest payouts on their retirement savings.

"The government needs to be more transparent about how the CPF money is managed," Yeo Sin Teck, a 64-year-old former engineer, said at Saturday's protest. "Our CPF savings are our money, we should be allowed to decide how to spend it."