National Report for SINGAPORE

The arrangements in Singapore are not dissimilar to Malaysia although there are particular points of difference.

1. The Profession

The Singapore Actuarial Society has 30 members of whom eight are Fellows of the Society, the Institute or the Faculty. Of these, seven are Singaporeans. The great majority are employed in the life insurance industry. There is one consulting actuarial firm represented in Singapore.

2. The Economy

This city-state of 2.5 million people has achieved notable economic success -- and the highest growth rates amongst the ASEAN nations. Taxation is similar to Malaysia, although income tax bands are nowhere near as steeply progressive as in Malaysia.

3. State Retirement Benefit

The Central Provident Fund (CPF) operates in a similar manner to the Employees Provident Fund in Malaysia, although the contribution rates are very much higher. The current rates are 23% from both the employer and the employee but no contributions are paid on salaries over S$ 5,000 a month, although contributions are paid in full on bonuses. There has been an intention expressed to increase the total contribution to 50% and to set aside 6% for medical benefits under a new Medi-Save plan.

In 1984 arrangements were made to permit larger employers to partially contract out of the CPF, under the CoWEC Scheme. Companies establishing their own welfare benefits may remit 10% of salaries to their own funds instead of to the CPF. So far only nine employers have joined the CoWEC Scheme and on a trial basis, although further companies are expected to join shortly.

A particularly distinctive feature of the CPF in Singapore is the assistance it provides with housing benefits. Members may withdraw their balances for purchase of property, whether or not it is for their own residence. Furthermore, on-going contributions can be committed to the repayment of mortgages. Contributions may also be withdrawn before age 55 for certain other approved uses.

In spite of, or perhaps because of, the high contribution rates the CPF is not unpopular in Singapore, and whatever the effect on the emerging retirement benefits, it has proved a highly effective scheme for financing home ownership.

The current rate of interest on CPF accounts is 6.5% per annum.

Recently, there has been discussion about a possible change to annuity benefits and an increase in the retirement age from 55. Neither suggestion is being well received.

3. Occupation Retirement Plans

It is not surprising that there are very few occupational retirement plans (apart from the few new CoWEC Schemes) although some plans, generally unfunded, can be found in the banking and oil sectors.

4. Life Insurance

The life insurance industry in Singapore is rather better established than in neighboring Malaysia, and there are ten companies. Unit-linked policies are available, but the traditional endowment and whole life policies still predominate.

A quirk of the taxation system is that multinational insurers are taxed on worldwide profits in the proportion their Singapore policies bear to worldwide policies. A low-yielding Singapore life fund can bear disproportionately high tax.

5. Expatriates

Expatriates in Singapore normally have to join the CPF unless they can claim exemption on the grounds that they belong to an existing retirement plan elsewhere. Exemptions are normally available if requested.

The Inland Revenue in Singapore will approve funded retirement plans with all the usual privileges, although understandably the machinery is not used very often. There is a requirement for approved schemes to invest no less than 30% of their assets in Government Securities which provide a yield lower than other available types of investments (a requirement from which new CoWEC funds are exempted).