

CPF B NEWS RELEASE
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CPF BOARD TO FURTHER STUDY OPTIONS AFTER INDUSTRY AND PUBLIC FEEDBACK ON PRIVATELY-MANAGED PENSION PLANS (PPPs)

1. Early this year, the CPF Board sought feedback from industry and the public on the possible role of privately-managed pension plans (PPPs) for CPF members. The Economic Review Committee recommended PPPs to provide a simple and low cost option for long-term investments and better returns on the funds of CPF members.
2. A total of 43 industry players responded, of which 16 requested confidentiality. Another 45 individuals also submitted their comments and responses.
3. Industry experts generally agreed that higher returns could be achieved if CPF funds were invested over the long term in well-diversified portfolios with some exposure to equities. However, they were uncertain if the proposed PPP framework would attract enough members to achieve the critical mass of investments to lower costs. If it was left to fund managers to encourage participation, extensive marketing efforts and education programmes would be required to achieve an adequate fund size. These efforts would increase costs and dilute returns to members. Some respondents from industry suggested the investment of Government funds (i.e. 'seed money') in PPPs, at least in the early years to achieve the needed scale.
4. Industry experts also highlighted that investor education and safeguards were necessary within the PPP framework to help members choose investments appropriate to their retirement needs. They felt that the Government should wholly sponsor the investor education and promotion campaign, or at least bear the bulk of the cost, as requiring the PPP providers and Master Administrator (MA) to co-fund the education programmes would ultimately increase the cost to members.
5. Members of the public were also concerned with the negative consequences if the choice of investment was left to the individual. They noted the losses suffered by some members who invested in unit trusts under the existing CPF Investment Scheme. Some felt that many members lack the necessary aptitude and were not sophisticated enough to evaluate the merits of different investment options in achieving their long-term retirement objective.
6. To mitigate these shortcomings, some respondents from both the public and industry felt that the Government should play a greater role - as members' retirement funds were at stake. One suggestion was for the Government to guide this nation-wide initiative, and have the CPF Board

more actively involved as an intermediary. This could also reduce the distribution and marketing costs of fund managers.

7. While accepting the merits of Privately-Managed Pension Plans, the CPF Board has noted the valid concerns raised during the consultation process. Of note is industry's concern that a critical mass of participation to achieve lower costs is integral to the success of any investment framework. These and other concerns highlighted from the feedback will have to be addressed if the long term goal of enhanced returns to members' fund is to be achieved.

8. As these are important and complex issues which affect members' retirement nest egg, the Board will re-examine the original proposed framework and further study other pension funds to determine if more appropriate models would better serve the majority of CPF members' needs.

9. The Board would like to thank the industry and members of the public for their valuable feedback. The feedback has been useful to better understand the concerns of the industry and public, while confirming some of the Board's own findings in the formulation of the proposed framework.

10. The analysis of the feedback and the Board's response is at Annex A. Please refer to Annex B1 and B2 for a list of the industry respondents and individual respondents respectively. The detailed submissions from all respondents (excluding those who had requested confidentiality) can also be found at the CPF website at www.cpf.gov.sg.

PUBLIC ENQUIRIES

Members with queries can call our Call Centre at 1800-227-1188 (press 1, followed by 4).