Financial Wellbeing in Singapore and Beyond

Giving All Employees Access to a Savings Plan

Supplementary Savings Plans for Singapore

Only Singapore citizens and permanent residents are eligible for mandatory Central Provident Fund (CPF) benefits. Around 40 percent of the working population in Singapore consists of foreigners that do not have access to the CPF and are likely to have forgone retirement benefits in their home countries. This leaves an important segment: employees who are spending key years of their working lives in Singapore. Being far from retirement-ready, they face a gap in employers who provide equitable retirement benefits and vehicles for voluntary savings between all employee groups.

The good news is that, in Aon's 2021 study on Retirement and Financial Wellbeing in Singapore[1], we found an increasing trend in employer-led supplementary savings plans.

In particular:

Over 35 percent of employers agree that current retirement support is suboptimal and is ineffective in employee attraction, talent retention and building adequate retirement savings.

Equality of benefits offered to their diverse workforce has been improving but remains a concern. Around 50 percent of organisations surveyed currently offer supplementary retirement benefits to their foreign staff who do not have CPF benefits (up from 24 percent in 2015 and 34 percent in 2017[2]), citing 'competitive positioning to peers' and 'employee feedback/demand' as top reasons.

However, there remains much room for improvement, with half of organisations providing retirement benefits as cash-in-lieu, which is most likely immediately spent and so does not form an emergency savings fund nor long-term savings.

While 22 percent of organisations offer CPF top-up contributions to citizens and permanent residents, supplementary group retirement plans are more flexible in design and act as a retention tool. They can also offer contributions above the CPF S$6,000 monthly ordinary wage cap[3] to enhance employee savings.

More than 85 percent of retirement plans have no default investment fund. The difficult task of navigating through market volatility is passed on to the employees.

For employees who want control, less than 30 percent of retirement plans provide investment choice. This restricts employees wanting to express their responsible investing views and access to desired asset classes.

Promisingly, over 30 percent of organisations are prioritising reviewing their supplementary retirement arrangements in 2021.

[1] Singapore: 2021 Trends in Retirement & Financial Wellbeing (aon.com). Organisations in Singapore across all sectors with employee populations ranging from five to over 4,000 took part.

[2] Singapore: 2017 Hot Topics in Retirement and Financial Wellbeing report

[3] As of April, 2021

Implementing an International Retirement or Savings Plan

What is an IRSP?

An international retirement or savings plan (IRSP) can be extended to employees in multiple geographies. Employers have been using them flexibly for over 20 years to:

- Deliver retirement benefits to highly mobile employees (e.g., career expatriates, rotators), small groups of employees and/or as executive top-up benefits
- Attract and retain top talent by offering pensions and savings opportunities in locations where there is little locally established market practice and inadequate local provision
- Finance their defined benefit liabilities; for example, end-of-service benefits that are mandated in many locations globally

If you have employees in other locations where retirement benefits are inadequate or employees are not eligible for local provision, you can meet these and other global retirement objectives efficiently with a single IRSP vehicle providing operational efficiencies. IRSPs offer flexibilities in:

- Different plan design per location or employee group
- Benefit type, e.g., savings or retirement objectives
- Multiple currency options
- Life stage and climate-aware fund options

Offering effective retirement benefits supports improved employee attraction, engagement and retention, financial resilience and overall wellbeing.

Did You Know?

IRSPs are the main supplementary vehicle used for retirement provision in Singapore.

How Do We Implement an IRSP?

Aon's methodology takes our clients through three key stages. The first is designed to test whether an IRSP might be right for your organisation.

1. Discovery and Feasibility

Based on your objectives, target locations and employees to be included as potential members, we will review whether it is feasible to set up an IRSP as an employee savings vehicle.

2. Design and Review

Once feasibility has been confirmed, we can help you determine the most appropriate:

- Financing vehicle
- Plan design and employer cost forecasts in each location; may include benchmarking against your peers

3. Implementation and Communication

We can help you select a suitable provider for the plan and support you with implementation. This may include:

- Designing a robust default fund with de-risking life styling to preserve capital for older members
- Selecting a balanced investment fund range that integrates responsible investing
- Managing member and stakeholder communications
- Setting up ongoing administrative and governance processes to ensure robust continued operations and engagement

The most effective approaches for these programs are aimed at changing individual behaviours toward money and savings and providing accessible vehicles to deliver sustainable change.

Let's Get Started

We can help you explore whether an IRSP could be right for your organisation. This may begin with a brief feasibility paper in which we review your employee populations and current supplementary retirement benefit provision and suggest which employee locations could access an IRSP.

About Aon

Aon plc (NYSE: AON) exists to shape decisions for the better — to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries and sovereignties with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

Follow Aon on LinkedIn, Twitter, Facebook and Instagram. Stay up-to-date by visiting the Aon Newsroom and sign up for News Alerts here.

aon.com

The information is brought to you by Aon Singapore Pte Ltd, registration number 198301525W ("Aon"). Registered office: 2 Shenton Way, #26-01, SGX Centre I, Singapore, 068804. Aon is a registered insurance broker and exempt financial advisor regulated by the Monetary Authority of Singapore. To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the prior written consent of Aon.

Information in this material does not take into account the specific investment objectives, financial situation or particular needs of any particular person who may be in receipt of the materials. Accordingly, this material should not be relied on or treated by any recipients as financial advice. Please seek advice from an independent financial advisor regarding the suitability of any investment product, taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase an investment product.

Contact Us

www.aon.com/apac/insights/retirement-investment
apac.retirement@aon.com

Jonathan Taylor, CFA
jonathan.taylor.3@aon.com

Simon Ferry, FIA FNZSA
simon.ferry@aon.com