

Building Sound Retirement Schemes based on Sound Principles & Financial Functions

4 November 2025

JOSEPH CHERIAN
CEO, President & Dean
Distinguished Professor of Finance
Asia School of Business

What should retirement mean for an average person?

- 1. Setting your goals in retirement.**
- 2. Designing a program that helps you achieve those goals, including the financials.**
- 3. Retirement should involve continuing with your economically and socially productive activities and lifestyle pursuits, be it for work or leisure.**
- 4. Since the proportion of time one allocates to each will change in retirement, you have to be sure of 3 financial issues during retirement so you can freely pursue your goals and activities:**
 - That you receive a reasonable retirement payout every month.**
 - The payouts should last for as long as you live.**
 - It should preferably be indexed to the cost of living.**

The 7 Pillars of a Good Pension System**

1. Keep It Simple (KISS Principle) – should cover basic consumption, healthcare, & leisure
2. Resist the temptation to dig into your retirement pot early (instances of violation of Pillar #2 happened during COVID-19).
3. Plan sponsor translates your cumulated sum at retirement to a life-long income stream in retirement - like a retirement life annuity (preferably inflation-indexed!)
4. Keep all-in fund costs (i.e., Total Expense Ratio) low.
5. If lump sum withdrawals are allowed at the point of retirement, cap the lump sum withdrawal amount.
6. If you own a home, consider monetizing it via a cost-efficient reverse mortgage scheme.
7. Offer simple financial literacy using social media, traditional media, soundbite size jingles, community activities, etc.

** See Chapter 2 of “Track to the Future: Investment, Finance and Lessons for the New Economy.” Joseph Cherian, World Scientific Publishing, April 2023, 200 pages (First appeared in The Straits Times, Friday, 29 August 2014.)

URL: <https://doi.org/10.1142/13014>

Violation of Pillar 1

As presented by Prof Roongkiat Ratanabanchuen, Ph.D., at the Nomura Capital Markets Roundtable (2 Feb 2023)

Current structure of Thailand pension system

	Government employees	SOE + Independent agency employees	Private employees /Formal sector	Self-employed /Informal sector
Pillar 1 – Protecting against poverty lines	<ul style="list-style-type: none"> Old civil service pensions Pensions organized by local authorities 	Pensions or lump sum organized by SOEs or independent agencies	Lump sum provided by the Social Security Fund	
Pillar 2 – Mandatory occupational pension schemes	Government Pension Fund (GPF)			
Pillar 3 – Voluntary occupational pension schemes				National Security Fund (30/40) Saving Fund
Pillar 3 – Voluntary personal savings	Retirement Savings			

Defined benefit structure

Defined contribution structure

Low p

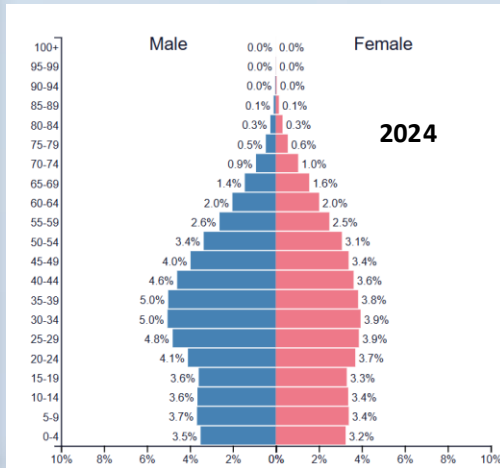


Source: Data as of 2021, National statistics office; Office of the civil service commissions; Government Pension Fund; Social Security Office; National Saving Fund; Relation Labor Office.

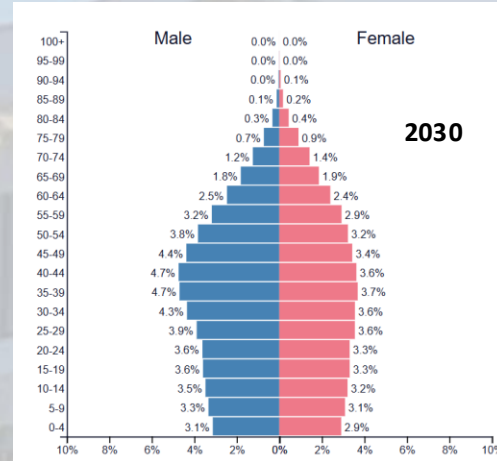
Presented by Roongkiat Ratanabanchuen, Ph.D.

Worry #1: Population Dynamics in Brunei (2024 – 2050)

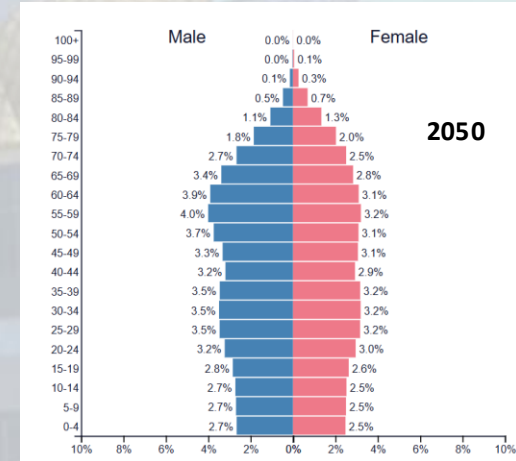
Note that the telescoping population pyramid in Brunei gets slimmer in the middle by 2050!



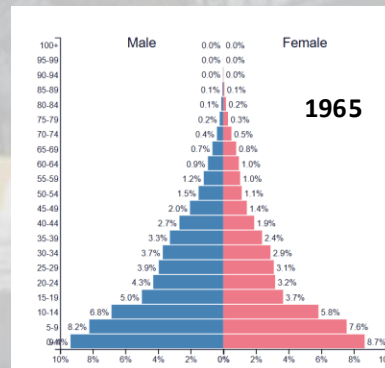
Population at 466,330



Population at 482,446



Population peaks at 519,550



Population at 110,838

Source: PopulationPyramid.net

My Worry #2:

SEA's Poor Ranking in the Retirement Finance Space

This year's results (52 countries covered)

**Mercer
CFA Institute
Global Pension
Index 2025**

Figure 2. Summary of the 2025 results

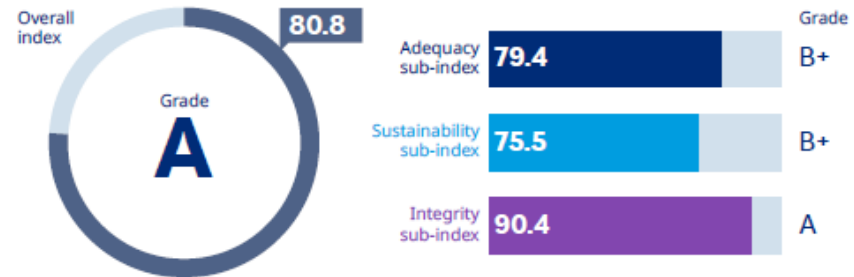
Grade	Systems			Description
A	Netherlands Iceland Denmark	Singapore Israel		A robust retirement income system that delivers good benefits, is sustainable and has a high level of integrity
B+	Sweden Australia Chile	Finland Norway		
B	Switzerland UK Kuwait Uruguay Hong Kong SAR Canada	New Zealand France Mexico Belgium Croatia Germany	Ireland Saudi Arabia Portugal Kazakhstan	A system that has a sound structure, with many good features, but has some areas for improvement that differentiate it from an A-grade system
C+	UAE Spain Colombia	USA Oman Malaysia		
C	Botswana Namibia Panama Poland Italy China*	Japan Brazil Peru Austria Korea Vietnam	Taiwan South Africa Indonesia Thailand	A system that has some good features but also has major risks and/or shortcomings that should be addressed; without these improvements, its efficacy and/or long-term sustainability can be questioned
D	Türkiye Philippines	Argentina India		A system that has some desirable features but also has major weaknesses and/or omissions that need to be addressed; without these improvements, its efficacy and sustainability are in doubt
E	Nil			A poor system that may be in the early stages of development or nonexistent

→ 4 SEA countries (9 Asian) in the bottom rungs!!

* In this report, "China" refers to the pension system in mainland China. The results for Hong Kong SAR and Taiwan are shown separately, as they have different pension systems.

What Makes for a Good Retirement System according to the MCGPI 2025

Singapore



Singapore's retirement income system is based on the Central Provident Fund (CPF), which covers all employed Singaporeans and permanent residents. Under the CPF, some benefits are available to be withdrawn at any time for specified housing and medical expenses, with other benefits preserved for retirement. A prescribed minimum amount is required to be drawn down at retirement age in the form of a lifetime income stream through CPF Life.

The overall index value for the Singaporean system could potentially be increased by:

- Expanding employee coverage by reducing the barriers to establishing tax-approved group corporate retirement plans
- Opening the CPF to nonresidents (who make up a significant percentage of the labor force)
- Increasing the age at which CPF members can access their savings that are set aside for retirement
- Introducing a requirement to show income projections on members' annual statements

The Singaporean index value increased from 78.7 in 2024 to 80.8 in 2025, primarily due to the clarification of several questions in the Integrity sub-index.

Ensuring Adequacy During Our Retirement Years

- **[Invest Wisely]** Buy safe securities first: Save up enough to buy (inflation-indexed) life annuities in retirement to sufficiently fund basic retirement expenditures (= consumption & health care needs). Life annuities are preferably guaranteed by the Government (example, CPF LIFE in Singapore)
- **[Flexible Human Capital]** Work longer: Extend retirement age if necessary
- **[Unlock Real Asset Values]** Home monetization schemes: If personal property is a large component of one's wealth (as in most Asians' case), one should be open to monetizing this asset if the financial need arises in retirement by:
 1. entering a reverse mortgage scheme (Cagamas in Malaysia, CPF Lease Buyback in Singapore, Reverse Mortgage Program in HK by the HKMC, Government Housing (GH) Bank Reverse Mortgage Program in Thailand, etc.)
 2. renting out a room, or
 3. downsizing on personal property

Cornerstone role of government in retirement: Addressing inflation & longevity risk

- The 2 most important *forget-me-nots* in retirement investing & savings:
 - Inflation
 - Longevity risk

Question: How to hedge them appropriately in retirement?

Solution: Inflation-indexed life annuities

- **First best solution provider: the Government (low cost, guaranteed)**
- **Second best solution provider: Private sector (higher cost. Use to supplement or enhance the govt program, and not substitute it)**

Life Annuity Annual Payout Rates (in Local Currency Units - nominal)

- Recall, the only retirement contract that insures against longevity risk is a life annuity.
- If one wishes to hedge against inflation, you need an inflation-indexed life annuity.

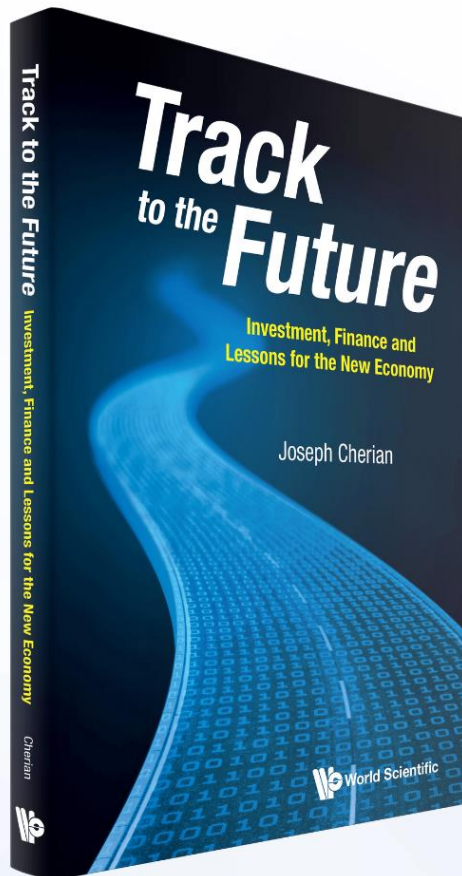
Life Annuity payout at age 65 per \$100,000 (in LCU)	USA (Life Annuity)	UK (Life Annuity)	Singapore (CPF LIFE)	Malaysia (Cagamas Reverse Mortgage)
Payout (nominal):	\$6,700 p.a.	\$6,572 p.a.	\$9,720 p.a.	\$2,940 p.a.

Source: Various websites (US Annuity Buyer's Guide, UK Annuity Buyer's Guide, CPF LIFE (Singapore), Cagamas Calculator (Malaysia))



Here's my book that covers all this





TRACK TO THE FUTURE

Investment, Finance and
Lessons for the New Economy

Joseph Cherian



Available at **Amazon.com**

<https://tinyurl.com/3zx9cav7>