



**SHRI Corporation Pte Ltd**

**7 May 2010**

*Wealth Creation Through Pension Plans*

*Complementing Your Financial Needs*

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## **Personal Issues Affecting Employees' Well-Being**

Employees **distracted by**  
**financial troubles** are less  
productive

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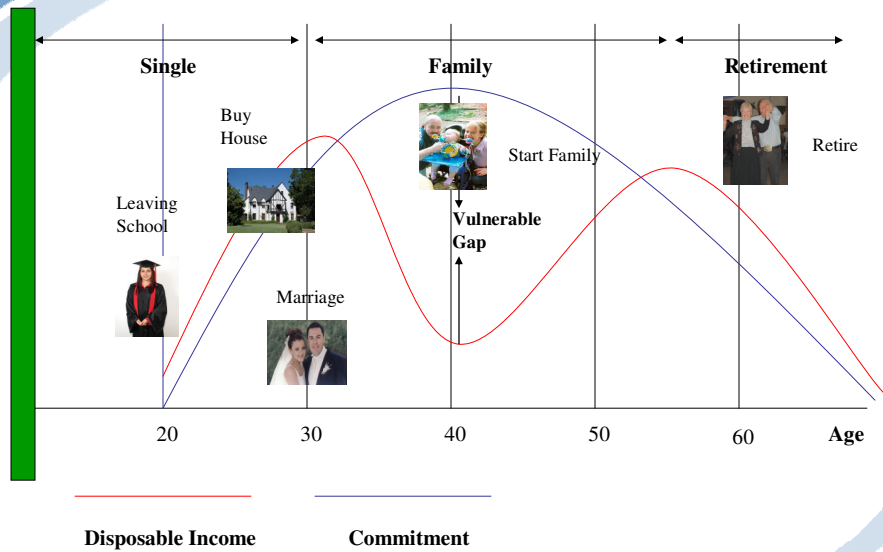
## Personal Issues Affecting Employees' Well-Being



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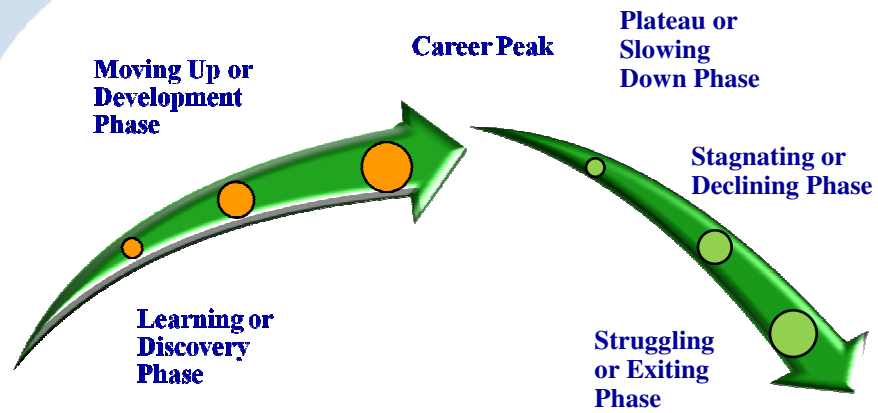
## The Different Phases of Life



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## The Phases of a Person's Career



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## Strategic Approach to Talent Retention

Design Compensation and Benefits Plans  
**in tandem** with the different phases of  
life and career progression

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## CPF as a Retirement Vehicle

- Many depend on CPF as the main source of funds for retirement
- 77% of working Singaporeans use CPF to pay for property mortgages
- Average retiree had only S\$100 disposable income after expenses

*(Source : AXA Life Insurance Survey/Smart Investor - Feb 2007)*

## Reality Check

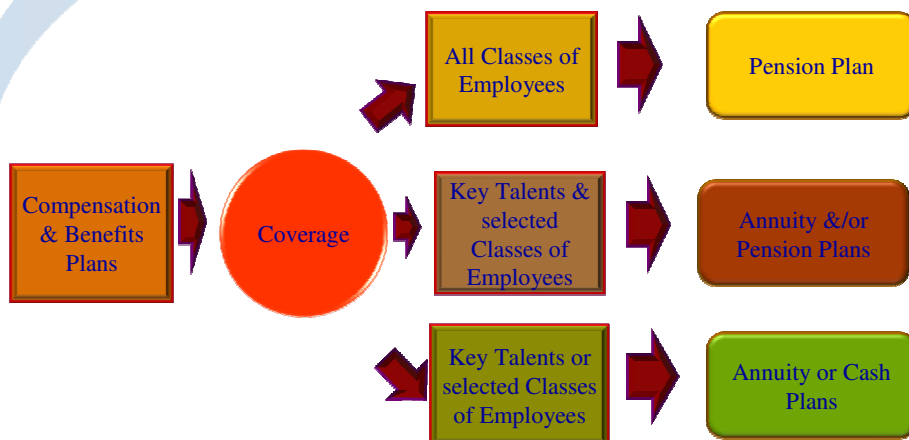
- Is it realistic to trade roofs for retirement income?
- How much is left in the CPF after all the mortgage payments?
- Treating children as annuities is not in fashion
- Have we learned from the squirrels?

## Reality Check

- What is current and in fashion
  - financial independence
  - quality of life during retirement
  - longer life expectancy

*(average lifespan – men 82.1 and women 84.4  
2006 statistics)*

## Compensation & Benefits Design



## Types of Plans

- Pension Plans
  - Defined Contribution Plans
  - Defined Benefit Plans
- Annuities
  - Income for life & life protection
- Cash Plans
  - Periodic cash payouts @ 10,15 or 20 years

## Types of Plans

- Pension Plans
  - Administrator/Trustee
  - Fund Manager
- Annuities & Cash Plans
  - Product providers preferably with a HR background

## Finding the Right Solution

- Company has option to be owner of the Scheme
- Scheme that allows existing employees to be covered
- New employees to enter the Scheme based on guidelines established by the Company
- Portable or cash out

## Finding the Right Solution

- Company defines criteria for portability or cash out
- Scheme serves as a talent attraction and retention tool
- Plan that gives back to the Company if accrued funds are not given to the employee (*if strictly established as a talent retention tool*)

## Annuity

- Offers employees a **LIFETIME** of income (security) without bursting the Company's budget
- Employees continue to enjoy **INCOME FOR LIFE** yet assured of death benefit for love ones
- Company is **FREE** from payments when employee contracts critical illness
- Possible **TAX RELIEF** for Company if well designed
- Scheme is specially designed to fit the Company

## How the Scheme operates

- Scheme pays lifetime income from the 11<sup>th</sup> year (guaranteed at 2% and non-guaranteed at 2.2% per annum)
- Employee has option to retain earned income until age 62 and therefore earns an annual interest of 3.5% on the earned income

## How the Scheme operates

- Guaranteed Death Benefit kicks in, when employee dies and payable to employee's beneficiary
- Option available for Company to recover investment made in the event of non-assignment (provided established as a retention tool)

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## Illustration – Annuity Plan (where employee is owner)

Joyce, aged 30, takes up Plan of \$100,000 sum insured for Sam a new born

Annual premium: \$8,250

Yearly Cash Coupon starts when Joyce is 40 years old <b>\$4,200*</b>	Total yearly Cash Coupons that Joyce has received from age 40 to 70 <b>\$130,200*</b>	Joyce assigns the plan to Sam who starts receiving cash coupons from age 41 till 85 <b>\$189,000*</b>	Manulife pays out death benefit to grandchild when Sam passes on at age 85 <b>\$196,704**</b>
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Total premium paid: \$82,500

**Total payout: \$515,904**

\* Guaranteed 2%p.a. and a projected non-guaranteed 2.2%p.a. of the basic sum insured

\*\* Guaranteed Basic Sum Insured + accumulated reversionary bonus (projected)

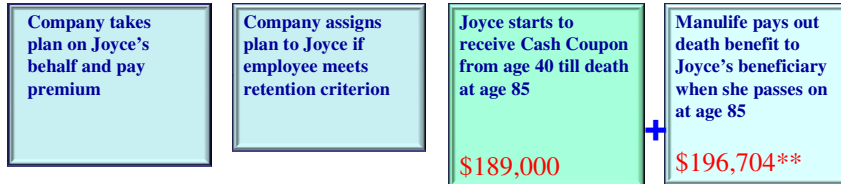
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## Illustration – Annuity Plan (where employer is owner)

Joyce, aged 30, takes up Plan of \$100,000 sum insured on her own life

Annual premium: \$8,871



Total premium paid: \$88,871

**Total payout: \$385,704**

\* Guaranteed 2%/p.a. and a projected non-guaranteed 2.2%/p.a. of the basic sum insured

\*\* Guaranteed Basic Sum Insured + accumulated reversionary bonus (projected)

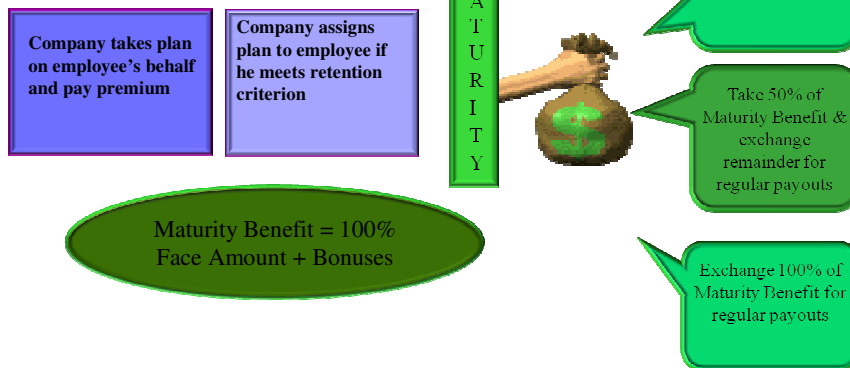
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## Illustration – Cash Plan

Choice of Fixed Term – 13 to 25 Years

OPTIONS



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## **Why have a Pension Plan**

- a strategic attraction an retention tool
- helps build a Company reputation
- sends message of being an Employer of Choice
- buys employees' heart and loyalty
- compensation & benefit redesign

## **A Comprehensive Compensation & Benefit Redesign Solution**

**A Small Price for  
Huge Benefits**

