RP09/04-05

Social Security System for Retirement Protection in Selected Places

15 July 2005

Prepared by

Simon LI

Research and Library Services Division
Legislative Council Secretariat

5th Floor, Citibank Tower, 3 Garden Road, Central, Hong Kong
Telephone : (852) 2869 9343
Facsimile : (852) 2509 9268
Website : http://www.legco.gov.hk
E-mail : library@legco.gov.hk

C O N T E N T S

	Page
Executive Summary	
Chapter 1 – Introduction	***1***
Background	*1*
Scope of research	*1*
Places to be studied	*2*
Methodology	*2*
Chapter 2 – Canada	***3***
Background	*3*
Governing legislation and responsible authority	*4*
Governing legislation	*4*
Responsible authority	*4*
Coverage	*4*
Funding source	*4*
Contributions	*4*
Government's subsidy	*5*
Investment returns	*5*
Administration of fund	*5*
Collection of contributions	*6*
Investment of fund	*6*
Administration of benefits	*6*
Retirement Pension	*6*
Eligibility requirements	*6*
Benefit rates	*7*
Place of residence for entitlement	*8*
Taxation	*8*
Arrangement upon divorce or separation	*9*
Disability Benefit	*9*
Eligibility requirements	*9*
Benefit rates	*10*
Place of residence for entitlement	*11*
Taxation	*11*
Arrangements to help benefit recipients	*11*
Survivor's benefits	*11*
Eligibility requirements	*12*
Benefit rates	*13*
Place of residence for entitlement	*13*
Taxation	*14*
Policy evaluation	*14*

Chapter 3 – Japan ***15***
Background *15*
Governing legislation and responsible authority *16*
Governing legislation 16
Responsible authority 17
Coverage *17*
Funding source *18*
Contributions 18
Government's subsidy 19
Investment returns 20
Administration of fund *20*
Collection of contributions 20
Investment of fund 21
Administration of benefits 21
Old-age pension *22*
Eligibility requirements 22
Benefit rates 22
Place of residence for entitlement 25
Taxation 25
Arrangement upon divorce or separation 25
Disability benefits *25*
Eligibility requirements 26
Benefit rates 27
Place of residence for entitlement 28
Taxation 28
Survivor's pension *28*
Eligibility requirements 28
Benefit rates 30
Place of residence for entitlement 31
Taxation 31
Lump-sum Withdrawal Benefit *31*
Eligibility requirements 32
Benefit rates 32
Place of residence for entitlement 33
Taxation 33
Policy evaluation *33*

Chapter 4 – Singapore ***35***

Background *35*

Governing legislation and responsible authority *37*

Governing legislation *37*

Responsible authority *37*

Coverage *38*

Funding source *38*

Contributions *38*

Government grant *39*

Investment returns *39*

Administration of fund *40*

Collection of contributions *40*

Investment of fund *40*

Administration of schemes *41*

Homeownership *41*

Scheme *41*

Purpose *41*

Content *41*

Healthcare *42*

Scheme *42*

Purpose *42*

Content *42*

Education *44*

Scheme *44*

Purpose *44*

Content *44*

Insurance *44*

Scheme *44*

Purpose *44*

Content *45*

Asset enhancement *45*

Scheme *45*

Purpose *45*

Content *45*

Retirement *47*

Scheme *47*

Purpose *47*

Content *47*

Other types of withdrawal *48*

Arrangement upon divorce *48*

Policy evaluation *49*

Chapter 5 – Analysis ***51***
Introduction *51*
Objective *51*
Coverage *51*
Funding source *52*
Contributions *52*
Government funding *53*
Investment of fund *53*
Protection for retirement *54*
Protection for disability *54*
Protection for survivor *55*
Policy evaluation *55*

Chapter 6 – Conclusion ***57***
Introduction *57*

References ***61***

Executive Summary

1. This research introduces and compares the social security systems for retirement protection in Canada, Japan and Singapore. The Canada Pension Plan in Canada and the Central Provident Fund in Singapore were established in 1966 and 1955 respectively. Japan has a two-tier system - the Employees' Pension Insurance Scheme, an employment-related pension scheme, was introduced in 1944 and the National Pension Scheme, a universal pension scheme, was introduced in 1985.

2. In both Canada and Japan, the primary objective of the social security systems for retirement protection is to provide financial security for the participants when they retire or become disabled, or for their survivors upon their death. In Singapore, the social security system for retirement protection is used to fulfil not only a similar objective but also other objectives, including homeownership, investment, healthcare, insurance and education.

3. The Canadian and Japanese retirement protection systems are administered by government departments, whereas the Singaporean system is administered by a statutory body. In Canada, Social Development Canada and the Revenue Agency are responsible for the general administration of and the collection of contributions respectively for the Canada Pension Plan. In Japan, the Social Insurance Agency is fully responsible for the operation of both the Employees' Pension Insurance Scheme and the National Pension Scheme. The Central Provident Fund Board is also fully responsible for the operation of the Central Provident Fund in Singapore.

4. Although each of the selected places has an employment-related retirement protection scheme, the coverage of these schemes is different. With respect to the treatment of the self-employed, they are required to join the Canada Pension Plan. In Japan, they are not covered by the Employees' Pension Insurance Scheme but by the universal National Pension Scheme. In Singapore, they are required to contribute to the Medisave Account but it is optional for them to fully participate in the Central Provident Fund.

5. Among the selected places, only Japan has a universal retirement protection scheme, i.e. the National Pension Scheme. The Scheme covers people aged 20 to 59 who legally live, work and study in Japan. As such, housewives, the self-employed, unemployed, students are all covered by the scheme. For employees, they are required to join both the employment-related and universal retirement protection schemes.

6. The employment-related retirement protection schemes in the selected places all require employers and employees to make contribution to the schemes. For the Canada Pension Plan in Canada and the Employees' Pension Insurance Scheme in Japan, employers and employees share equally the contribution rate, with the contributions collected being pooled together. In Singapore, the contribution rate is inversely proportional to an employee's age and employees bear a larger share of contribution than employers. The contributions collected are credited into each employee's Ordinary, Special and Medisave Accounts.

7. For the selected employment-related schemes, contributions are determined based on the portion of an individual's monthly/annual earnings above a specified minimum level and up to a specified maximum level. On the other hand, the contribution for all participants of the National Pension Scheme in Japan is a flat rate.

8. Among the selected places, the Japanese and Singaporean governments provide funding for the social security systems for retirement protection. The Japanese government bears the administration cost of the National Pension Scheme and the Employees' Pension Insurance Scheme. In addition, it subsidizes some one-third of the total benefit payments of the National Pension Scheme and the amount is scheduled to cover half of the total benefit payments in 2009. The Singaporean government does not bear any recurrent cost of the Central Provident Fund. Nevertheless, the government occasionally offers cash grant to selected groups of participants via the Central Provident Fund Board.

9. Investment of the fund in the Canada Pension Plan is made by the Canada Pension Plan Investment Board, a statutory body. In Japan, the Ministry of Health, Labour and Welfare entrusts the Government Pension Investment Fund to make investment for the Employees' Pension Insurance Scheme and the National Pension Scheme. In Singapore, both the Central Provident Fund Board and participants of Central Provident Fund are allowed to make investment for the Fund.

10. Although the social security systems for retirement protection in the selected places all offer retirement, disability and death benefits, there are different operational arrangements. In both Canada and Japan, the retirement age of 65 is used as a benchmark to calculate the amount of benefit payments. Participants are allowed to enjoy retirement benefits as early as 60 years old or defer retirement benefits at the latest of 70 years old. For participants withdrawing pension before (after) the age of 65, the benefit rate is adjusted downward (upward) accordingly.

11. In Singapore, the official retirement age is 62. The Central Provident Fund Act allows participants to withdraw their savings from the Fund at the age of 55. However, they are required to set aside the Minimum Sum from the savings in the Special and Ordinary Accounts and deposit it in the Retirement Account. The savings in the Retirement Account are required to be invested in approved investment instruments and to be used only at the age of 62 onward. In addition, they are required to set aside the required amount in the Medisave Account to cover the medical expenses during retirement as well.

12. In Canada and Japan, disability benefits are offered to not only participants but also their family members. The Canada Pension Plan provides benefit to the participants and also their dependent children. In Japan, the Disability Basic Pension under the National Pension Scheme provides benefits to participants and their dependent children, and the Disability Employees' Pension under the Employees' Pension Insurance Scheme provides benefits to participants and their spouses. In Singapore, participants can withdraw their savings in the Central Provident Fund when they become permanently disabled.

13. In both Canada and Japan, survivor's benefits comprise a monthly pension payment and a lump-sum benefit which is mainly used for matters upon a participant's death, e.g. funeral expenses. In Canada, the Survivor's Pension is granted to the eligible spouse or partner of the deceased pensioner, regardless of the pensioner's gender. In Japan, the Survivors' Basic Pension and the Widow's Pension under the National Pension Scheme are granted to the wife of a deceased participant only. Although the Survivors' Employees' Pension under the Employees' Pension Insurance Scheme provides benefits to husbands, they are granted the pension only when they turn 60. In Singapore, family members of a participant of the Central Provident Fund can withdraw his/her savings in the Fund when he/she dies.

14. The social security systems for retirement protection in the selected places are all experiencing fiscal challenges generated by the ageing population as a result of the increasing life expectancy and the declining birth rate. In view of the challenges, reform measures, e.g. raising the contribution rate and the age for pension benefits, have been introduced in Canada and Japan. In Singapore, the government has introduced various reform measures to meet the challenge of inadequacy of income to support retirement for the elderly, e.g. increasing the Minimum Sum and requiring the allocation of a required amount of savings in the Medisave Account.

Social Security System for Retirement Protection in Selected Places

Chapter 1 – Introduction

1.1 Background

1.1.1 The Subcommittee to Study the Subject of Combating Poverty (Subcommittee), at its meeting on 22 March 2005, requested the Research and Library Services Division (RLSD) to conduct a research on the subject of the social security system for retirement protection. At its subsequent meeting on 28 April 2005, the Subcommittee endorsed the research outline proposed by RLSD to conduct a research on the social security systems for retirement protection in Canada, Japan and Singapore.

1.2 Scope of research

1.2.1 This research focuses on the social security systems for retirement protection that are either fully or partly funded by contributions from employers, employees or both.[1] These contribution-related systems can broadly be divided into redistributive and non-redistributive systems. A redistributive system pools all contributions together and redistributes them to beneficiaries in a flat-rate and/or an earnings-related pension. A non-redistributive system accumulates contributions of a beneficiary in a dedicated individual account and does not redistribute them to other beneficiaries.

1.2.2 This research provides a detailed discussion on the respective social security system in the selected places, focusing on the following aspects:

(a) governing legislation and responsible authority;

(b) coverage of the system;

(c) funding sources and amount of contributions;

(d) administration of fund; and

(e) types of benefit payment.

The analysis chapter provides a comparison of the systems in the selected places.

---

1 An RLSD research report entitled *Social Security System in Support of the Elderly in Poverty in Selected Places* studies the non-contributory system. Regarding discussions on "social security", please refer to *Social Security Programs Throughout the World* published by the US Social Security Administration and the International Social Security Association.

1.3 Places to be studied

1.3.1 This research covers the social security systems for retirement protection in the following places:

(a) Canada;

(b) Japan; and

(c) Singapore.

1.3.2 Both the Canadian and Japanese systems are redistributive. While the former redistributes benefits in an earnings-related pension, the latter redistributes benefits in both a flat-rate and an earnings-related pension. The Singaporean system is non-redistributive and each Singaporean accumulates savings for the protection of his/her own retirement.

1.3.3 The Canadian system has a pay-as-you-go feature. Under the Canada Pension Plan, the Canadian government collects contributions from the working population and uses the proceeds for pension payment to the retired population.

1.3.4 The National Pension Scheme in Japan has a wide coverage, covering not only employees, but also housewives, foreign students and self-employed persons. In addition, funding of the Scheme comes from most categories of the beneficiaries, employers as well as the Japanese government.

1.3.5 The Central Provident Fund in Singapore, unlike most of the other systems, is neither inter-generation nor intra-generation redistributive. Another characteristic of the Central Provident Fund is that it can be used for various purposes other than supporting retirement life, such as making investment, financing home mortgages and paying for medical bills.

1.4 Methodology

1.4.1 This research adopts a desk research method. Information has been collected through various available sources, such as legislation and official reports downloaded from websites of the governments concerned. The information obtained is subsequently correlated and analyzed under each topic of the research scope.

Chapter 2 – Canada

2.1 Background

2.1.1 The Canada Pension Plan, under the social security system for retirement protection in Canada, has a history of 39 years. To complement the non-contributory social security programmes such as the Old Age Security Pension and Guaranteed Income Supplement[2], the contributory Canada Pension Plan was implemented in 1966 in accordance with the Canada Pension Plan Act.

2.1.2 When the Canada Pension Plan was initially introduced in 1966, three kinds of benefits were provided for beneficiaries, i.e. the retirement, disability and survivor's benefits. The retirement benefits and disability benefits were monthly benefits for both the employed and self-employed when they retired or became disabled. When they died, their survivors would receive survivor's benefits, including a lump-sum Death Benefit and a monthly Survivor's Pension. Both employed and self-employed persons aged between 18 and 70 were required to make contributions to the compulsory scheme.[3]

2.1.3 The pensionable earnings[4] in 1966 represented the portion of annual earnings between CAN$600 (HK$3,708) and CAN$5,000 (HK$30,893). Both employees and employers were required to make contributions, with each group paying the equivalent of 1.8% on a particular employee's pensionable earnings. For the self-employed, the contribution rate was 3.6% of the pensionable earnings.[5]

2.1.4 Although the basics of the Canada Pension Plan have remained largely unchanged since its inception, two major reforms were implemented to modify the Plan. The reform in 1978 aimed at improving the accessibility to benefits. One of the changes was the introduction of a credit-splitting provision which allowed a couple upon their break-up to share equally the contributions on their pensionable earnings during the marriage.[6] The reform in 1998 aimed at enhancing the fiscal sustainability of the Canada Pension Plan. One of the measures adopted was raising the contribution rates so as to increase funding of the Plan. Another measure adopted was the set-up of the Canada Pension Plan Investment Board, a statutory board, to make investment decisions for the Plan.[7]

---

2 The Old Age Security Pension is a non-income-tested programme granting the eligible Canadian elderly a monthly allowance to support their basic living. For those Old Age Security Pension recipients who remain in financial needs, they may be granted a monthly Guaranteed Income Supplement if they have passed an income test. The RLSD research report entitled *Social Security System in Support of the Elderly in Poverty in Selected Places* has a detailed discussion on these schemes.

3 *The History of Canada's Public Pensions* (2002).

4 Contributions come from the portion of an individual's earnings between the stipulated minimum and maximum levels of annual earnings, which is known as the "pensionable earnings".

5 *The History of Canada’s Public Pensions* (2002).

6 Ibid.

7 *1998 Changes to the Canada Pension Plan* (2004).

2.2 Governing legislation and responsible authority

Governing legislation

2.2.1 The Canada Pension Plan is governed by the Canada Pension Plan Act. The Canada Pension Plan Act is *"an Act to establish a comprehensive program of old age pensions and supplementary benefits in Canada payable to and in respect of contributors."*[8] Under the Act, "contributor" means a person who has made an employee's contribution or a contribution in respect of his/her self-employed earnings.[9]

Responsible authority

2.2.2 Under the Canada Pension Plan Act, Social Development Canada and the Canada Revenue Agency are the responsible departments. While the former is responsible for the formulation of the overall policy and administration of the Plan, the latter is responsible for the collection of contributions.

2.3 Coverage

2.3.1 The Canada Pension Plan covers both employed and self-employed persons who are aged between 18 and 70 and who earn more than a minimum level of annual earnings. Since 2000, this minimum level of annual earnings has been frozen at CAN$3,500 (HK$21,681).[10]

2.4 Funding source

2.4.1 The funding of the Canada Pension Plan comes from two sources, i.e. contributions and investment returns.

Contributions

Contribution parties

2.4.2 Contributions to the Canada Pension Plan come from employers, employees as well as the self-employed.[11]

---

8 Canada Pension Plan Act.
9 Section 2 (1) of the Canada Pension Plan Act.
10 *Canada Pension Plan* (2005), *The History of Canada's Public Pensions* (2002) and Social Development Canada (2005), p.17.
11 *Canada Pension Plan* (2005) and Social Development Canada (2005), p.16.

Amount of contributions

2.4.3 Contributions are determined based on the portion of an individual's annual earnings above the minimum level of annual earnings and up to the maximum level of annual earnings, i.e. the pensionable earnings. The maximum level of annual earnings is equivalent to the average Canadian wage. In 2005, the range of the pensionable earnings spans between CAN$3,500 (HK$21,681) and CAN$41,100 (HK$259,898).[12]

2.4.4 The present contribution rate is 9.9% of the pensionable earnings. For salaried persons, employers and employees split the 9.9% contribution rate equally. For the self-employed, they bear the entire 9.9% contribution rate.[13]

Government's subsidy

2.4.5 In Canada, no government funding is provided for the Canada Pension Plan. In addition, government departments administering the Plan recover the administration cost from the Plan.[14]

Investment returns

2.4.6 On behalf of the Canada Pension Plan, the Canada Pension Plan Investment Board invests the pool of contributed funds on equities, real estate, money market securities as well as bonds. The investment returns are ploughed back into the Canada Pension Plan.[15]

2.5 Administration of fund

2.5.1 The administration of the Canada Pension Plan fund is overseen by three departments and one statutory board. They are responsible for the collection of contributions, investment of the fund and administration of benefits respectively.

12 *Canada Pension Plan* (2005), Social Development Canada (2005), p.18 and Canada Revenue Agency (2004).
13 *Canada Pension Plan* (2005).
14 *A Report on Plan and Priorities 2005-2006 Estimates, Social Development Canada* (2005), p.38.
15 *A Report on Plan and Priorities 2005-2006 Estimates*, *Social Development Canada* (2005), pp.38-40 and Social Development Canada (2005), p.16.

Collection of contributions

2.5.2 The Canada Revenue Agency is responsible for the collection of contributions. Employers deduct employees' share of contributions from their monthly salary and pay it to the Canada Revenue Agency together with their own share of contributions. The self-employed pay their contributions to the Canada Revenue Agency on an annual basis.

Investment of fund

2.5.3 The Canada Pension Plan Investment Board is responsible for making investment on behalf of the Canada Pension Plan. The Board manages the investment of the portion of the fund that is not for paying benefits in the coming three months. The Board's mandate is to invest in the best interests of the Canada Pension Plan contributors and beneficiaries and to maximize long-term investment returns without undue risk.[16]

Administration of benefits

2.5.4 Human Resources and Skills Development Canada provides in-person services for pension applicants and beneficiaries, including receiving applications at its local offices. Social Development Canada is responsible for the general administration of the Plan, including vetting applications and paying benefits to beneficiaries. The Canada Pension Plan provides three types of benefits to pensioners and their survivors, namely Retirement Pension, Disability Benefit and survivor's benefits.[17]

2.6 Retirement Pension

2.6.1 Retirement Pension is a monthly benefit paid, in accordance with the Canada Pension Plan Act, to people who have contributed to the Canada Pension Plan. The eligibility requirements for and details of this pension are set out in the following paragraphs.

Eligibility requirements

2.6.2 To be eligible for Retirement Pension, applicants must meet the following two criteria[18]:

---

[16] *Canada Pension Plan Investment Board* (2005).
[17] *A Report on Plan and Priorities 2005-2006 Estimates, Social Development Canada* (2005), p.62.
[18] *Canada Pension Plan* (2005) and Social Development Canada (2005), pp.1-3.

(a) having made at least one valid contribution to the Canada Pension Plan; and

(b) aged 60 or older; for applicants aged between 60 and 64, they must:

(i) stop working by the end of the month before Retirement Pension begins and during the month in which it begins; or

(ii) earn less than the prevailing monthly maximum Retirement Pension payment in the month before Retirement Pension begins and in the month it begins.[19]

2.6.3 Eligible recipients who want to receive Retirement Pension at a later date can cancel their Retirement Pension within the first six months after it has started. They must request the cancellation in writing. They must also pay back all the pension payments received, and pay contributions on any pensionable earnings recorded during the period when they were receiving the pension.[20]

Benefit rates

2.6.4 The monthly benefit rate for a pensioner at age 65 is set at 25% of his/her average monthly pensionable earnings during the contributory period[21]. As such, both the duration of the contributory period and the amount of contributions affect the size of the pensionable earnings and in turn the amount of pension payments that a pensioner may receive.

2.6.5 The calculation of an applicant's amount of pension payments involves three steps. The first step is to adjust his/her earnings of each year in the contributory period to its current value. The second step is to determine the specific months within the contributory period and the corresponding earnings to be used for the calculation. Since the law allows the exclusion of 15% of the months within the contributory period in the calculation, the applicant can exclude those months in which his/her earnings are the lowest. The final step is to calculate the amount of pension payments, which corresponds to 25% of the average monthly pensionable earnings in current value in the high-income months within the contributory period.[22]

---

[19] One month after receiving the first Retirement Pension payment, a pensioner can start working again without affecting the receipt of the pension payments. Furthermore, he/she is not required to make contributions to the Canada Pension Plan.

[20] Social Development Canada (2005), p.9.

[21] The contributory period of a participant starts at the age of 18, and ends when he/she starts receiving Retirement Pension payments, dies, or turns 70.

[22] *Calculation of the Retirement Pension: An example showing how a retirement pension is calculated* (2005), *Canada Pension Plan* (2005) and Social Development Canada (2005), p.3 and p.20.

2.6.6 As at June 2005, the statutory maximum monthly Retirement Pension payment is set to be CAN$829 (HK$5,237).[23]

2.6.7 When the Canada Pension Plan was established in 1966, contributors of the Plan could receive their pension only when they were at the age of 65. This practice has been changed since 1987 in that contributors can choose to receive their pension as early as at the age of 60 or at any time up to the age of 70. If a contributor collects his/her pension at any age other than 65, the amount of pension payments is adjusted down (or up) by 0.5% for each month before (or after) the 65th birthday of the contributor from the time when he/she begins to receive pension. Therefore, if a contributor chooses to receive his/her pension at 60, his/her monthly payment is 30% lower than if he/she wait until he/she is 65. Once the amount of pension payments is determined, the payment does not increase when the contributor's age approaches 65.[24] The pension payment stream stops only when the pensioner dies.[25]

Place of residence for entitlement

2.6.8 The Canada Pension Plan recipients can choose to receive Retirement Pension payments in Canada or abroad.[26] For those recipients living abroad, they are subject to Withholding Tax.

Taxation

2.6.9 The Retirement Pension payments are considered taxable income.[27] Recipients of Retirement Pension living in Canada are required to report the Retirement Pension payments in their income tax returns. Withholding Tax applies to recipients of Retirement Pension living abroad. For those pensioners living in places that do not have social security agreements with Canada, 25% of their Retirement Pension payments are withheld as Withholding Tax prior to delivery. For those pensioners living in places which have entered into social security agreements with Canada, the Withholding Tax rates are lower and even as low as 0%.[28]

---

23 *Income Security Programs Information Card* (2005).
24 *The History of Canada's Public Pensions* (2002), *Canada Pension Plan* (2005) and Social Development Canada (2005), p.4.
25 Social Development Canada (2005), p.10.
26 Social Development Canada (2005), p.25.
27 Social Development Canada (2005), p.29.
28 Social Development Canada (2004c).

2.6.10 Married or common-law partners who are both at least 60 years old, and who receive Retirement Pension can share their pension benefits. Pension sharing redistributes the amount of monthly Retirement Pension payments each spouse/common-law partner receives, which may result in tax savings. For example, if a person earning more than CAN$600 (HK$3,762) has to pay income tax, then a couple receiving monthly Retirement Pension payments of CAN$750 (HK$4,703) and CAN$250 (HK$1,568) respectively should have one of them paying income tax. Under pension sharing, the authorities concerned will add the couple's Retirement Pension payments together and split equally between them. As a result, each of the couple has a monthly payment of CAN$500 (HK$3,135) and does not need to pay income tax.[29]

Arrangement upon divorce or separation

2.6.11 When a marriage or common-law relationship ends, the pension contributions built up by the couple/partners during the time they lived together can be divided equally between them. Such division of contributions could make a partner who has not made any contributions, e.g. a housewife, eligible to receive pension benefits. It could also increase the amount of pension benefits for a partner who has smaller pensionable earnings, e.g. for a housewife working part-time in order to take care of children.[30]

2.6.12 The division of the pension contributions in legal divorce is mandatory. In the case of termination of a common-law relationship, the pension contributions are divided upon the request of a partner or both partners.[31]

2.7 Disability Benefit

2.7.1 Disability Benefit is a monthly benefit paid, in accordance with the Canada Pension Plan Act, to those eligible contributors and their dependent children under certain special conditions. The eligibility requirements for and details of this benefit are set out in the following paragraphs.

Eligibility requirements

2.7.2 To be eligible for Disability Benefit, applicants must meet the following three criteria[32]:

---

29 Human Resources Development Canada (2003b) and Social Development Canada (2005), p.11.
30 Human Resources Development Canada (2003a) and Social Development Canada (2005), pp.22-23.
31 Ibid.
32 *Canada Pension Plan* (2005) and Social Development Canada (2004a), pp.1-3.

(a) having made contributions to the Canada Pension Plan and having earned at least 10% of each year's maximum level of annual earnings in four of the last six years;

(b) being under the age of 65; and

(c) having a physical or mental disability which is both severe and prolonged. "Severe" means that the person's condition prevents him/her from working regularly at any job. "Prolonged" means that the condition is long-term or may result in death.

2.7.3 The Canada Pension Plan provides a monthly benefit for the dependent children of parents who are receiving Disability Benefit. To be eligible for this benefit, the children must meet the following two criteria[33]:

(a) being natural or adopted child of the applicant or a child in the applicant's care and control; and

(b) being either under the age of 18 or between 18 and 25 and attending school or university full-time.

2.7.4 Recipients of Disability Benefit are periodically re-assessed to determine if they still meet the eligibility requirements for the benefit. Once the recipients no longer meet the eligibility requirements, their Disability Benefit as well as the benefits for their dependent children will stop. Nevertheless, there is a reinstatement mechanism which allows these recipients to reinstate the benefit if their disability resumes within two years.[34]

<u>Benefit rates</u>

2.7.5 The monthly Disability Benefit payment consists of two components, i.e. a flat-rate component and an earnings-related component. The flat-rate component is a fixed amount which is unrelated to the recipient's previous earnings. As at June 2005, the flat-rate benefit is CAN$389 (HK$2,457).[35] The other component, an earnings-related component, is set to be equal to 75% of the recipient's Retirement Pension calculated as if the recipient were 65 years of age in the month when the Disability Benefit becomes payable, subject to a ceiling. As at June 2005, the maximum benefit for the earnings-related component is CAN$622 (HK$3,929)[36].

[33] *Canada Pension Plan* (2005) and Social Development Canada (2004a), p.10.
[34] *Canada Pension Plan* (2005) and Social Development Canada (2004a), p.1.
[35] *Income Security Programs Information Card* (2005).
[36] Ibid.

2.7.6 For the dependent children of a Disability Benefit recipient, each of them receives a fixed monthly amount of CAN$196 (HK$1,238), as at June 2005 [37].

Place of residence for entitlement

2.7.7 The Canada Pension Plan recipients can choose to receive Disability Benefit payments in Canada or abroad. For those recipients living abroad, they are subject to Withholding Tax (see paragraph 2.6.9).[38]

Taxation

2.7.8 The Disability Benefit payments are taxable income. [39] For those recipients living abroad, they are also subject to Withholding Tax (see paragraph 2.6.9).

Arrangements to help benefit recipients

2.7.9 Under the Canada Pension Plan, the Disability Benefit recipients are allowed to do volunteer work, go to school or take part in programmes that support them to return to work, e.g. vocational rehabilitation services, while receiving the benefit.[40]

2.8 Survivor's benefits

2.8.1 In accordance with the Canada Pension Plan Act, survivor's benefits comprise the monthly Survivor's Pension and the benefit for the dependent children as well as the one-time Death Benefit. The eligibility requirements for and details of these benefits are set out in the following paragraphs.

---

37 *Canada Pension Plan* (2005), Social Development Canada (2004a), p.10 and *Income Security Programs Information Card* (2005).
38 Social Development Canada (2004a), p.26 and pp.30-31.
39 *Canada Pension Plan* (2005) and Social Development Canada (2004a), pp.30-31.
40 *Canada Pension Plan* (2005) and Social Development Canada (2004a), p.8.

<u>Eligibility requirements</u>

2.8.2 A spouse/common-law partner or a child of a deceased pensioner may be eligible for the Survivor's Pension if the deceased at the time of his/her death have contributed to the Canada Pension Plan for at least one-third of the number of calendar years in his/her contributory period. If the deceased's contributory period was less than nine years, then the required number of years when the deceased made contributions is at least three years for granting the benefit. If the deceased's contributory period was more than 30 years, then the required number of years is at least 10 years.[41]

2.8.3 Apart from the eligibility requirement stated in paragraph 2.8.2, a surviving spouse or common-law partner to be eligible for the Survivor's Pension must be[42]:

(a) aged 45 or above; or

(b) for those under 45 years old

(i) aged 35 at the time of the death of the contributor, or

(ii) a survivor with dependent children at the time of death of the contributor, or

(iii) disabled.

2.8.4 Apart from the eligibility requirement stated in paragraph 2.8.2, a dependent child eligible for the child benefit must be[43]:

(a) a natural or adopted child of the deceased or a child in the deceased's care and control at the time of death; and

(b) either under the age of 18, or between 18 and 25 and attending school or university full-time.

2.8.5 The one-time Death Benefit is paid to the deceased's estate. If there is no estate, it is paid to the person responsible for the funeral expenses, the surviving spouse or common-law partner, or the next of kin.[44]

---

41 *Canada Pension Plan* (2005) and Social Development Canada (2004b), p.2.
42 *Canada Pension Plan* (2005) and Social Development Canada (2004b), pp.2-3.
43 *Canada Pension Plan* (2005) and Social Development Canada (2004b), p.3.
44 *Canada Pension Plan* (2005) and Social Development Canada (2004b), p.2.

Benefit rates

2.8.6 The amount of the monthly Survivor's Pension payments varies according to the age and other conditions of the survivor. The first step is to determine what the amount of the deceased's Retirement Pension payment is or would have been as if the deceased were 65 at the time of death. Then, the various rates of the Survivor's Pension are calculated, as illustrated in Table 1.

Table 1 – Rates of Survivor's Pension

Age of survivor	Monthly rate
• 65 or above	60% of the deceased's Retirement Pension (the maximum is CAN$479 (HK$3,026) as at June 2005)
• 45 to 64 or • under 45 and - being disabled or - raising a dependent child	a flat-rate portion [CAN$152 (HK$960) as at June 2005] plus 37.5 % of the deceased's Retirement Pension [the maximum is CAN$311 (HK$1,965) as at June 2005]
• under 45 and - not being disabled and - not raising a dependent child	applying the 45 to 64 rate minus 1/120 for each month the spouse/common-law partner being under 45 at the time of the deceased's death
• under 35 and - not being disabled and - not raising a dependent child	not paid until the survivor reaches 65 (applying the 65 or above rate)

Source: Social Development Canada (2004b), p.5.

2.8.7 For the dependent children of the deceased, each of them receives a fixed monthly payment of CAN$196 (HK$1,238), as at June 2005.[45]

2.8.8 The one-time Death Benefit payment is set to be equal to six times the monthly Retirement Pension of the deceased up to a maximum of CAN$2,500 (HK$15,793).[46]

Place of residence for entitlement

2.8.9 The Canada Pension Plan recipients can choose to receive survivor's benefits in Canada or abroad. For those recipients living abroad, they are subject to Withholding Tax (see paragraph 2.6.9).

[45] *Canada Pension Plan* (2005), Social Development Canada (2004b), p.10 and *Income Security Programs Information Card* (2005).

[46] *Canada Pension Plan* (2005) and Social Development Canada (2004b), p.3 and *Income Security Programs Information Card* (2005).

Taxation

2.8.10 The survivor's benefit payments are taxable income.[47] For those recipients living abroad, they are also subject to Withholding Tax (see paragraph 2.6.9).

2.9 Policy evaluation

2.9.1 The Canada Pension Plan is an employment-related retirement protection scheme. It covers the working population aged between 18 and 70. Employers, employees as well as the self-employed make contributions to the Plan. When the contributors retire, they receive regular pension payments to support their post-retirement lives. Although the family members of the contributors do not make contributions, they are entitled to benefits in case the contributors suffer from disability or die. In addition, contributions to the Plan are divided equally upon divorce of a couple or termination of a relationship between common-law partners to protect the right of the partner who does not work.

2.9.2 The Canada Pension Plan is designed as a pay-as-you-go social security system. In other words, each generation pays for the pensions of the previous generations. The system worked well for the first three decades after its introduction, and substantially more money flowed in than was paid out. However, by the mid-1990s, projections indicated that the ageing population as a result of the increasing life expectancy and the declining birth rate meant that more money was paid out in benefits than collected. Therefore, reform measures, e.g. increasing the contribution rates, were introduced in 1998 to enhance the fiscal sustainability of the Canada Pension Plan.[48]

2.9.3 According to a research conducted on nine developed countries[49] by the Organisation for Economic Co-operation and Development, Canada will encounter fewer problems as to ensuring pensioners' economic well-being and protecting vulnerable groups.[50] The policy advantage of Canada's diversified social security system for retirement protection is also endorsed by the Organisation.

47 *Canada Pension Plan* (2005) and Social Development Canada (2004b), p.28.
48 *Canada Pension Plan Investment Board* (2005).
49 The nine countries are Canada, Finland, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States.
50 Organisation for Economic Co-operation and Development (2001), p.15.

Chapter 3 – Japan

3.1 Background

3.1.1 In Japan, retirement protection for the public sector has had a long history, and the government has extended the pension system to cover the private sector employees since the 1940s.

3.1.2 Established in 1940, the Seamen's Insurance Scheme was the first pension system introduced by the government for the private sector. In 1942, the Workers' Pension Insurance Scheme was set up to cover men working at factories and businesses that employed 10 or more workers. The Scheme was renamed the Employees' Pension Insurance Scheme in 1944 and the coverage was extended to include women and employees at establishments employing five or more workers. In 1985, the coverage was extended to cover employees at establishments employing less than five workers.[51]

3.1.3 The scope of the Employees' Pension Insurance Scheme has expanded since 1986 after the incorporation of five occupational pension schemes. These schemes are namely[52]:

(a) Seamen's Insurance Scheme (1986);

(b) Japan Railway Mutual Aid Association Pension Scheme (1997);

(c) Japan Tobacco Cooperation Mutual Aid Association Pension Scheme (1997);

(d) Nippon Telegraph and Telephone Mutual Aid Association Pension Scheme (1997); and

(e) Agriculture, Forestry and Fisheries Federation Mutual Aid Pension Plans (2002).

3.1.4 In 1961, the Japanese government established the National Pension Scheme which originally covered the working population that was not protected by any of the employee pension schemes, such as the self-employed.[53] In 1985, the National Pension Scheme was expanded to become a universal pension scheme available to all people aged between 20 and 59.

---

51 Cabinet Office, Japan (1996a) and Ministry of Health, Labour and Welfare (2004b), p.60.
52 Cabinet Office, Japan (1996a), Ministry of Health, Labour and Welfare (1999a), Ministry of Health, Labour and Welfare (2004b), p.62 and Ministry of Health, Labour and Welfare (2004i), p.4.
53 Odaka (2002), pp.11-12, Ministry of Health, Labour and Welfare (1999b), and Ministry of Health, Labour and Welfare (2004b), p.59.

3.1.5 As such, the private sector employees[54] protected by the Employees' Pension Insurance Scheme and the public sector employees protected under various Mutual Aid Pension Schemes were covered by the National Pension Scheme. In other words, these employees were eligible for benefits from both schemes. The basic structure of the Scheme has been followed since then. This universal pension scheme covers not only the working population but also the non-working population, such as housewives and students. In addition, it covers foreigners who are legally working or studying in Japan.[55]

3.1.6 Overall, the public pension system in Japan, taking its current form in 1985, consists of two tiers. The first tier is the universal National Pension Scheme and the second tier is the employment-related Employees' Pension Insurance Scheme and Mutual Aid Pension Schemes[56]. Reform measures have been introduced since the mid-1990s to enhance the fiscal sustainability of the system. Examples of these reform measures include raising the pensionable age of the Employees' Pension Insurance Scheme from 60 to 65 and setting up a public corporation, i.e. the Government Pension Investment Fund, to make investments on behalf of the National Pension Scheme and the Employees' Pension Insurance Scheme. The following sections explain in details the various aspects of this two-tier social security system for retirement protection.

3.2 Governing legislation and responsible authority

Governing legislation

3.2.1 There are two pieces of legislation governing the public pension system in Japan. Enacted in 1954, the Employees' Pension Insurance Act, through several rounds of amendments, governs the employment-related Employees' Pension Insurance Scheme in Japan. As for the National Pension Scheme, the governing legislation is the National Pension Act (enacted in 1959 and later amended).[57]

---

54 Private school teachers and employees are protected under a mutual aid pension scheme instead of the Employees' Pension Insurance Scheme and they are also covered by the National Pension Scheme. Each mutual aid pension scheme is governed by its own legislation. Negotiation has been going on regarding the incorporation of the Private School Teachers and Employees Mutual Aid Pension Scheme into the Employees' Pension Insurance Scheme.

55 Ministry of Health, Labour and Welfare (1999a) and Ministry of Health, Labour and Welfare (2004b), p.60,

56 The public sector employees' mutual aid pension schemes will not be covered in this research.

57 *Ministry of Health, Labour and Welfare* (2005) and Ministry of Health, Labour and Welfare (2004j).

Responsible authority

3.2.2 The Ministry of Health, Labour and Welfare is responsible for the formulation of the overall policy of the public pension system in Japan. With regard to the Employees' Pension Insurance Scheme and the National Pension Scheme, the Ministry's duties include planning and drafting policies, conducting actuarial affairs, and supervising various pension funds under the two schemes.[58]

3.2.3 The operation of the public pension system falls under the domain of a government agency, the Social Insurance Agency, which is responsible for the collection of contributions, administration of benefits and conducting consultation exercise to collect feedback on the system.[59]

3.3 Coverage

3.3.1 As aforementioned, the National Pension Scheme has a universal coverage for all people aged between 20 and 59 who legally live, work and study in Japan. Persons covered by the National Pension Scheme are classified into the following three categories[60]:

(a) Category 1 consists of persons who are neither participants of any employee pension schemes nor spouses of the Category 2 insured persons, such as the self-employed, foreign and local students, and the unemployed;

(b) Category 2 consists of persons who are employees in both the public and private sectors; and

(c) Category 3 consists of persons who are the spouses of employees in both the public and private sectors.

3.3.2 The Employees' Pension Insurance Scheme covers all employees aged below 70. It classifies them into the following three categories[61]:

(a) Category 1 consists of persons who are male employees (excluding miners and seamen);

58 Ministry of Health, Labour and Welfare (2004h), p.159.

59 *Ministry of Health, Labour and Welfare* (2005) and Ministry of Health, Labour and Welfare (2004h), p.159.

60 Ministry of Health, Labour and Welfare (2004i), pp.6-7, Ministry of Health, Labour and Welfare (2004a), p.54 and Ministry of Health, Labour and Welfare (2004j).

61 Ministry of Health, Labour and Welfare (2004k) and Ministry of Health, Labour and Welfare (2004i), pp.24-25.

(b) Category 2 consists of persons who are female employees (excluding miners and seamen); and

(c) Category 3 consists of persons who are miners and seamen.

3.4 Funding source

3.4.1 The funding of the National Pension Scheme comes from three sources, i.e. contributions, the government's subsidy and investment returns, whereas the Employees' Pension Insurance Scheme is funded by contributions and investment returns only.

Contributions

National Pension Scheme

3.4.2 Contributions to the National Pension Scheme come from Category 1 persons and Category 2 persons and their employers. Category 3 persons do not make any direct contribution to the National Pension Scheme because their contributions are paid by their working spouses, i.e. Category 2 persons.[62]

3.4.3 The contribution rate for the National Pension Scheme is a flat rate. As from March 2003, the amount of contribution has been fixed at ¥13,300 (HK$968) per month. Category 1 persons pay their share of contribution to the National Pension Scheme. For Category 2 persons, their own share as well as their spouses' (i.e. Category 3 persons) share of contributions is credited collectively to the National Pension Scheme via their contributions to the Employees' Pension Insurance Scheme.[63]

3.4.4 Since Category 1 persons of the National Pension Scheme are not covered by the Employees' Pension Insurance Scheme, they may choose to make an Additional Pension Contribution of ¥400 (HK$29) per month in order to increase their pension benefits under the National Pension Scheme.[64]

[62] Ministry of Health, Labour and Welfare (2004a), pp.54-56, Ministry of Health, Labour and Welfare (2004i), p.8 and Ministry of Health, Labour and Welfare (2004j).
[63] Ibid.
[64] Ministry of Health, Labour and Welfare (2004i), p.20.

3.4.5 Under certain circumstances, some Category 1 persons are entitled to statutory exemption from contribution, e.g. when they are receiving public assistance. Category 1 persons may apply for exemption from contribution if there is a drop in their income or if they do not have any income. The Social Insurance Agency may grant half- or full-exemption to the eligible persons. Category 1 persons who are exempted from making contributions may choose to pay contributions retrospectively up to 120 months, so that they will be able to receive higher Old-age Basic Pension in the future.[65]

Employees' Pension Insurance Scheme

3.4.6 Contributions are determined based on the portion of an individual's monthly earnings above a specified minimum level and up to a specified maximum level. In 2004, the specified minimum and maximum monthly earnings were ¥98,000 (HK$6,983) and ¥620,000 (HK$44,176) respectively.[66]

3.4.7 As from March 2003, the contribution rate for Category 1 and 2 employees has been 13.58% of the pensionable earnings, i.e. earnings above the specified minimum earning and up to the specified maximum earning. The contribution rate for Category 3 employees has been 14.96%. Employers and employees share equally the contribution rate for each category.[67]

3.4.8 A working parent who chooses to take child-care leave is exempted from making contribution to the Employees' Pension Insurance scheme. The duration of the child-care leave can last up to three years so that the parent can take care of the child up to three years old. The employer is also exempted from making contribution during the period.[68]

<u>Government's subsidy</u>

National Pension Scheme

3.4.9 At present, the government funds some one-third of the total benefits and the entire administration cost of the National Pension Scheme. The government's subsidy on benefits is scheduled to cover half of the expenses in 2009.[69]

---

65 Ministry of Health, Labour and Welfare (2004i), pp.9-10 and Ministry of Health, Labour and Welfare (2004j).

66 Ministry of Health, Labour and Welfare (2004k) and *Social Security Throughout the World* (2005).

67 Ministry of Health, Labour and Welfare (2004i), p.27 and Ministry of Health, Labour and Welfare (2004k).

68 Ministry of Health, Labour and Welfare (2004i), p.27 and Ministry of Health, Labour and Welfare (2004k) and Ministry of Health, Labour and Welfare (2005c).

69 Ministry of Health, Labour and Welfare (2005c).

Employees' Pension Insurance Scheme

3.4.10 Although the government does not provide any funding for paying the benefits under the Employees' Pension Insurance Scheme, the government is responsible for its administration cost.[70]

Investment returns

3.4.11 The investment returns of both the National Pension fund and Employees' Pension Insurance fund come primarily from the funds' investment in the stock and bond markets.[71] These investment returns are ploughed back into the funds for paying the pension benefits.

3.5 Administration of fund

3.5.1 The management of the pension funds basically involves the collection of contributions, investment of the funds and payment of benefits, which are the respective duties of the Social Insurance Agency and the Government Pension Investment Fund, a public corporation established in 2001.

Collection of contributions

3.5.2 The Social Insurance Agency is responsible for the collection of contributions for the National Pension Scheme and the Employees' Pension Insurance Scheme. Under the Employees' Pension Insurance Scheme, employers pay their employees' contributions as well as their corresponding contributions to the Social Insurance Agency.[72]

3.5.3 For Category 1 persons under the National Pension Scheme, they can pay contributions to the Social Insurance Agency directly or through financial organizations, e.g. banks. For Category 2 persons under the same scheme, the Social Insurance Agency collects their contributions through transferring part of their Employees' Pension Insurance Scheme contributions into the National Pension Scheme.[73]

---

70 *Social Security Throughout the World* (2005).
71 Ministry of Health, Labour and Welfare (2004e), pp.101-107.
72 Ministry of Health, Labour and Welfare (2004h), p.160.
73 Ministry of Health, Labour and Welfare (2004h), p.160 and Ministry of Health, Labour and Welfare (2004i), p.8.

Investment of fund

3.5.4 The Government Pension Investment Fund is entrusted by the Minister of Health, Labour and Welfare to invest the pool of contributed funds from the National Pension Scheme and the Employees' Pension Insurance Scheme. The Fund, in accordance with the Basic Policy of Investment established by the Ministry, is required to safely, securely and effectively manage the pension funds through private investment managers and in-house fund management staff. The investment returns are deposited to the National Treasury.[74]

Administration of benefits

3.5.5 The Social Insurance Agency is responsible for the administration of benefits. Both the National Pension Scheme and the Employees' Pension Insurance Scheme provide four types of benefits to pensioners and their survivors, namely old-age pension, disability pension, survivor's pension and lump-sum withdrawal benefit.

Table 2 – Types of benefits provided by public pension schemes

	Old-age pension	**Disability pension**	**Survivor's pension**	**Lump-sum withdrawal benefit**
National Pension Scheme	• Old-age Basic Pension • Additional Old-age Pension*	• Disability Basic Pension	• Survivors' Basic Pension • Widow's Pension* • Death Benefit*	• Lump-sum Withdrawal Benefit
Employees' Pension Insurance Scheme	• Old-age Employees' Pension	• Disability Employees' Pension • Disability Allowance	• Survivors' Employees' Pension	• Lump-sum Withdrawal Benefit

Remark: * Granting to Category 1 persons of the National Pension Scheme only.
Sources: Ministry of Health, Labour and Welfare (2004c), p.63 and Ministry of Health, Labour and Welfare (2004i), p.11 and p.28.

[74] Ministry of Health, Labour and Welfare (2004e), pp.101-107, *Government Pension Investment Fund* (n.d.) and Usuke, Masaharu (2005).

3.6 Old-age pension

3.6.1 The old-age pension payments of both schemes are paid bi-monthly to people who have made contributions to the respective scheme. The eligibility requirements for and details of Old-age Basic Pension and Old-age Employees' Pension are set out in the following paragraphs.

Eligibility requirements

3.6.2 To be eligible for Old-age Basic Pension and Old-age Employees' Pension, applicants must meet the following two criteria[75]:

(a) having made contribution to the respective scheme for at least 25 years; and

(b) aged 60 or above[76].

Benefit rates

Old-age Basic Pension

3.6.3 As from 2004, the monthly benefit rate for an Old-age Basic Pension recipient at age 65 is determined according to the following mathematical formula[77]:

¥66,208 (HK$4,721) × (A + B × 2/3 + C × 1/3) ÷ (D × 12)

where

A: fully paid contribution period (in months)
B: half-exempted contribution period (in months)
C: contribution-exempted period (in months)
D: maximum years of making contribution (= 40 years)

---

75 Ministry of Health, Labour and Welfare (2004c), pp.63-64, Ministry of Health, Labour and Welfare (2004i), p.14 and p.29, Ministry of Health, Labour and Welfare (2004j) and Ministry of Health, Labour and Welfare (2004k).

76 Under the latest reform, the eligible age for Old-age Employees' Pension is being raised for male employees (starting from 2001, and gradually in a 12-year period) and is going to be raised for female employees (starting from 2006, and gradually in a 12-year period) from 60 to 65. For miners and seamen, the eligible age is being raised from 55 to 60 (starting from 2001, and gradually in a 6-year period).

77 Ministry of Health, Labour and Welfare (2004c), p.66, Ministry of Health, Labour and Welfare (2004i), p15 and Ministry of Health, Labour and Welfare (2004j).

3.6.4 Pensioners may choose to receive their Old-age Basic Pension as soon as they reach the age of 60 or at any time up to the age of 70. The National Pension Scheme adjusts downward the amount of pension payments by 0.5% for each month before the 65th birthday of those pensioners who receive pension prior to the age of 65. Similarly, the amount of pension payments is adjusted upward by 0.7% for each month after the 65th birthday of those pensioners who receive pension after the age of 65. As such, if a pensioner chooses to receive his/her pension at the age of 60 (or 70), his/her monthly payment is either 30% lower (or 42% higher) than if he/she receives the pension at the age of 65. Once the amount of pension payments is determined, it does not increase when the pensioner's age approaches 65.[78]

3.6.5 Category 1 persons who have made Additional Pension Contribution receive Additional Pension payments. The amount of monthly Additional Pension payments is equal to ¥200 (HK$14) multiplying by the period of contributions (in months) for Additional Pension.[79]

Old-age Employees' Pension

3.6.6 Since the eligible age for Old-age Employees' Pension payments is in transition (see footnote 75), the calculation of the benefit rate for pensioners aged 60 to 64 and 65 and above is different. The amount of monthly benefit for pensioners aged 65 and above is the sum of

(a) remuneration-related pension benefit;

(b) transitionally-added amount; and

(c) additional amount.

3.6.7 The amount of the remuneration-related pension benefit is the sum of the following two amounts[80]:

[78] Ministry of Health, Labour and Welfare (2004c), p.63 and Ministry of Health, Labour and Welfare (2004i), p.14.

[79] Ministry of Health, Labour and Welfare (2004i), p.20, Ministry of Health, Labour and Welfare (2004j) and Cabinet Office, Japan (1996b).

[80] Ministry of Health, Labour and Welfare (2004c), pp.64-66, Ministry of Health, Labour and Welfare (2004i), pp.29-32, Ministry of Health, Labour and Welfare (2004k), Liu (2001) and *Social Security Throughout the World* (2005).

(a) the amount corresponding to the pensionable period up to April 2003 is calculated according to the following mathematical formula:

Average Monthly Standard Remuneration[81] × coefficient determined by the pensioner's date of birth × number of pensionable months × indexation rate[82]

(b) the amount corresponding to the pensionable period after April 2003 is calculated according to the following mathematical formula:

Average Standard Remuneration[83] × coefficient determined by the pensioner's date of birth × number of pensionable months × indexation rate

3.6.8 If the amount derived from formula (a) below is greater than the amount derived from formula (b), the difference is paid to the pensioner as the transitionally-added amount.[84]

(a) ¥1,617 (HK$115) × coefficient determined by the pensioner's date of birth × number of pensionable months (maximum 444) × indexation rate

(b) ¥66,208 (HK$4,721) × number of pensionable months under Employees' Pension Insurance Scheme ÷ pensionable months under the National Pension Scheme (maximum 480)

3.6.9 If an employee has at least 20 years of pensionable period, an additional amount is paid to him/her. The addition amount, as from 2004, is the sum of the following[85]:

(a) spouse (must be under 65 years old): ¥19,050 (HK$1,358);

---

81 The Monthly Standard Remuneration is determined by the Social Insurance Agency according to the monthly remuneration of persons insured under the Employees' Pension Insurance Scheme between April and June each year. The Average Monthly Standard Remuneration is derived from dividing the total amount of the Monthly Standard Remuneration for the pensionable period by the total number of pensionable months.

82 The indexation rate reflects the price changes. If the National Consumer Price Index on the annual average basis changes, the amount of pension payments shall be revised in the following April based on the rate of such change.

83 The Average Standard Remuneration is derived from dividing the total amount of the Monthly Standard Remuneration and Standard Bonuses for the pensionable period by the total number of pensionable months.

84 Ministry of Health, Labour and Welfare (2004c), pp.64-66, Ministry of Health, Labour and Welfare (2004i), pp.29-32, Ministry of Health, Labour and Welfare (2004k), Liu (2001) and *Social Security Throughout the World* (2005).

85 Ibid.

(b) first and second child (must be under 18 years old): ¥19,050 (HK$1,358) each; and

(c) additional child (must be under 18 years old): ¥6,350 (HK$453) each.

3.6.10 For those pensionable employees aged between 60 and 64, the method of calculating the amount of benefits is the same as the 65 years old and above group except in the calculation of the transitionally-added amount, where only formula (a) is used (see paragraph 3.6.8).

Place of residence for entitlement

3.6.11 The recipients of both Old-age Basic Pension and Old-age Employees' Pension can receive the pension in Japan or abroad.[86]

Taxation

3.6.12 Both Old-age Basic Pension and Old-age Employees' Pension payments are taxable income.[87]

Arrangement upon divorce or separation

3.6.13 When a marriage ends, the amount of contributions to the Employees' Pension Insurance Scheme built up by the couple during the time they lived together can be divided between them. The contributions are divided upon the request of a divorced husband or wife or both of them. The maximum division ratio is up to 50%. If the couple does not reach an agreement on the division ratio, one of them may request the court to decide.[88]

3.7 Disability benefits

3.7.1 Disability Basic Pension under the National Pension Scheme and Disability Employees' Pension under the Employees' Pension Insurance Scheme are paid bi-monthly to eligible pensioners and their dependent children. The eligibility requirements for and details of these benefits are set out in the following paragraphs.

86 Tokyo Metropolitan Government (2004-2005).
87 Ministry of Finance (2005), p.35 and Ministry of Health, Labour and Welfare (2004h), p.162.
88 Ministry of Health, Labour and Welfare (2005c).

<u>Eligibility requirements</u>

Disability Basic Pension

3.7.2 To be eligible for Disability Basic Pension, applicants must meet the following four criteria[89]:

(a) being covered under the National Pension Scheme;

(b) having paid at least two-third of the contribution payments during the pensionable period;

(c) residing in Japan when they received the first medical consultation regarding the sickness or injury; and

(d) having been assessed as Class 1 Disability or Class 2 Disability at the date of recognition of disability. Persons with Class 1 Disability cannot live a daily life without the help of other persons. Persons with Class 2 Disability are extremely difficult to live a daily life without the help of other persons.

3.7.3 The recipients are re-assessed annually to determine if they still meet the eligibility requirements for the benefit.[90]

Disability Employees' Pension

3.7.4 To be eligible for Disability Employees' Pension, applicants must meet the following three criteria[91]:

(a) having met the eligibility requirements (a) to (c) for Disability Basic Pension;

(b) being covered by the Employees' Insurance Pension Scheme; and

(c) having been assessed as Class 1 Disability or Class 2 Disability or Class 3 Disability at the date of recognition of disability. Class 3 Disability is defined as a disability less severe than that of Class 2 Disability[92].

89 Ministry of Health, Labour and Welfare (2004c), p.68, Ministry of Health, Labour and Welfare (2004i), p.16 and Ministry of Health, Labour and Welfare (2004j).
90 Ministry of Health, Labour and Welfare (2004h), p.161.
91 Ministry of Health, Labour and Welfare (2004c), p.69, Ministry of Health, Labour and Welfare (2004i), p.34 and Ministry of Health, Labour and Welfare (2004k).
92 *Social Security Throughout the World* (2005).

3.7.5 In cases where the eligibility requirements (a) and (b) are met but the disability does not warrant any of the three classes, although the applicants are not eligible for Disability Employees' Pension, they are qualified for Disability Allowance under the Employees' Insurance Pension Scheme.[93]

3.7.6 Recipients of Disability Employees' Pension are re-assessed annually to determine if they still meet the eligibility requirements for the benefit.[94]

Benefit rates

Disability Basic Pension

3.7.7 The amount of monthly payments for both Class 1 Disability and Class 2 Disability is a flat-rate plus an additional amount for children. The amount of payments for each class of disability is calculated according to the following mathematical formulae[95]:

(a) Class 1 Disability: ¥82,758 (HK$5,902) + ¥19,050 (HK$1,358) for each of the first and second child + ¥6,350 (HK$453) for each additional child

(b) Class 2 Disability: ¥66,208(HK$4,721) + ¥19,050 (HK$1,358) for each of the first and second child + ¥6,350 (HK$453) for each additional child

Disability Employees' Pension

3.7.8 The amount of monthly payments for each class of disability is calculated according to the following formulae[96]:

(a) Class 1 Disability: remuneration-related pension[97] × 1.25 + ¥19,050 (HK$1,358) for spouse

(b) Class 2 Disability: remuneration-related pension + ¥19,050 (HK$1,358) for spouse

93 Ministry of Health, Labour and Welfare (2004c), p.69, Ministry of Health, Labour and Welfare (2004i), p.35 and Ministry of Health, Labour and Welfare (2004k).
94 Ministry of Health, Labour and Welfare (2004h), p.161.
95 Ministry of Health, Labour and Welfare (2004c), p.68, Ministry of Health, Labour and Welfare (2004i), p.17 and Ministry of Health, Labour and Welfare (2004j).
96 Ministry of Health, Labour and Welfare (2004c), p.69, Ministry of Health, Labour and Welfare (2004i), p.34 and Ministry of Health, Labour and Welfare (2004k).
97 Refer to paragraph 3.6.7.

(c) Class 3 Disability: remuneration-related pension

3.7.9 The amount of the lump-sum Disability Allowance payments is calculated according to the following formula[98]:

Remuneration-related pension × 2

Place of residence for entitlement

3.7.10 The recipients of both Disability Basic Pension and Disability Employees' Pension can receive the pension in Japan or abroad.[99]

Taxation

3.7.11 Both Disability Basic Pension and Disability Employees' Pension payments are taxable income.[100]

3.8 Survivor's pension

3.8.1 Under the National Pension Scheme, Survivors' Basic Pension, Widow's Pension and Death Benefit are provided for eligible survivors of pensioners. Under the Employees' Pension Insurance Scheme, Survivors' Employees' Pension is provided for eligible survivors of pensioners. The eligibility requirements for and details of these benefits are set out in the following paragraphs.

Eligibility requirements

Survivors' Basic Pension

3.8.2 To be eligible for Survivors' Basic Pension, applicants must meet the following two criteria[101]:

(a) being the wife of a deceased pensioner living with their children aged under 18 or being the children aged under 18 of a deceased pensioner under the National Pension Scheme; and

98 Ministry of Health, Labour and Welfare (2004c), p.69, Ministry of Health, Labour and Welfare (2004i), p.35 and Ministry of Health, Labour and Welfare (2004k).
99 Tokyo Metropolitan Government (2004-2005).
100 Ministry of Finance (2005), p.35.
101 Ministry of Health, Labour and Welfare (2004c), p.70, Ministry of Health, Labour and Welfare (2004i), p.18 and Ministry of Health, Labour and Welfare (2004j).

(b) the deceased pensioner having paid at least two-third of the contribution payments during the pensionable period or receiving benefits under the National Pension Scheme.

Widow's Pension

3.8.3 To be eligible for Widow's Pension, applicants must meet the following four criteria[102]:

(a) aged between 60 and 64;

(b) being the wife of a deceased Category 1 pensioner under the National Pension Scheme;

(c) having married with the deceased for at least 10 years; and

(d) the deceased Category 1 pensioner having contributed to the National Pension Scheme for at least 25 years.

Death Benefit

3.8.4 To be eligible for Death Benefit, applicants must meet the following three criteria[103]:

(a) being persons (spouses, children, parents, grandchildren, grandparents, brothers and sisters) living with the Category 1 pensioner at the time of his/her death;

(b) the deceased pensioner having paid contributions to the National Pension Scheme for more than 36 months; and

(c) not qualified for receiving Survivors' Basic Pension.

Survivors' Employees' Pension

3.8.5 To be eligible for Survivors' Employees' Pension, applicants must meet the following two criteria[104]:

[102] Ministry of Health, Labour and Welfare (2004i), p.20.
[103] Ministry of Health, Labour and Welfare (2004i), p.21 and Ministry of Health, Labour and Welfare (2004j).
[104] Ministry of Health, Labour and Welfare (2004c), p.70, Ministry of Health, Labour and Welfare (2004i), p.36 and Ministry of Health, Labour and Welfare (2004k).

(a) being the spouses[105], children, parents or grandparents supported by the pensioner under the Employees' Pension Insurance Scheme at the time of his/her death; and

(b) the deceased pensioner having paid at least two-third of the contribution payments to the National Pension Scheme during the pensionable period;

<u>Benefit rates</u>

Survivors' Basic Pension

3.8.6 The amount of monthly payments of Survivors' Basic Pension is calculated according to the following formulae[106]:

(a)	a surviving wife:	Old-age Basic Pension + additional amount for children [¥19,050 (HK$1,358) for each of the first and second child and ¥6,350 (HK$453) for each additional child]
(b)	a surviving child:	(Old-age Basic Pension + additional amount for children) ÷ number of children

Widow's Pension

3.8.7 The amount of the monthly Widow's Pension payments is 75% of the Old-age Basic Pension payment.[107]

Death Benefit

3.8.8 The amount of the lump-sum Death Benefit payments is listed in the following table:

---

105 In the case that the survivor is a husband, parent or grandparent, he/she will be granted the pension when he/she turns 60 years old.

106 Ministry of Health, Labour and Welfare (2004c), p.70, Ministry of Health, Labour and Welfare (2004i), p.37 and Ministry of Health, Labour and Welfare (2004j).

107 Ministry of Health, Labour and Welfare (2004i), p.20.

Table 3 – Death Benefit payments

Period of contributions	Amount of payments*
Between 36 and 179 months	¥120,000 (HK$8,559)
Between 180 and 239 months	¥145,000 (HK$10,342)
Between 240 and 299 months	¥170,000 (HK$12,125)
Between 300 and 359 months	¥220,000 (HK$15,691)
Between 360 and 419 months	¥270,000 (HK$19,257)
420 months and over	¥320,000 (HK$22,824)

Remark: * A flat rate of ¥8,500 (HK$606) is added to each amount in the table if the deceased pensioner has made contributions to the Additional Old-age Pension Scheme for more than 36 months.

Sources: Ministry of Health, Labour and Welfare (2004i), p.21 and Ministry of Health, Labour and Welfare (2004j).

Survivors' Employees' Pension

3.8.9 The amount of the monthly Survivors' Employees' Pension payments is 75% of Old-age Employees' Pension, as calculated in paragraph 3.6.6.[108]

Place of residence for entitlement

3.8.10 The recipients of survivor's benefits under the two public pension schemes can receive the benefits in Japan or abroad.[109]

Taxation

3.8.11 Survivor's benefits under the two public pension schemes are taxable income.[110]

3.9 Lump-sum Withdrawal Benefit

3.9.1 Both the National Pension Scheme and the Employees' Pension Insurance Scheme have Lump-sum Withdrawal Benefit. The eligibility requirements for and details of these benefits are set out in the following paragraphs.

[108] Ministry of Health, Labour and Welfare (2004c), p.70, Ministry of Health, Labour and Welfare (2004i), p.37 and Ministry of Health, Labour and Welfare (2004k).

[109] Tokyo Metropolitan Government (2004-2005).

[110] Ministry of Finance (2005), p.35.

Eligibility requirements

3.9.2 To be eligible for Lump-sum Withdrawal Benefit under the National Pension Scheme or the Employees' Pension Insurance Scheme, applicants must meet the following six criteria[111]:

(a) being Category 1 persons of the National Pension Scheme or participants of the Employees' Pension Insurance Scheme;

(b) having made contribution payments to the respective scheme for more than six months;

(c) having non-Japanese nationality;

(d) not currently residing in Japan;

(e) not having received disability pension benefits under the respective scheme; and

(f) filing an application from abroad within two years after leaving Japan.

Benefit rates

3.9.3 The amount of the Lump-sum Withdrawal Benefit payments under the National Pension Scheme is listed in the following table:

Table 4 – Amount of Lump-sum Withdrawal Benefit payments under the National Pension Scheme

Period of contributions	Amount of payments
Between 6 and 11 months	¥39,900 (HK$2,845)
Between 12 and 17 months	¥79,800 (HK$5,691)
Between 18 and 23 months	¥119,700 (HK$8,536)
Between 24 and 29 months	¥159,600 (HK$11,381)
Between 30 and 35 months	¥199,500 (HK$14,227)
36 months and over	¥239,400 (HK$17,072)

Sources: Ministry of Health, Labour and Welfare (2004i), p.22 and Ministry of Health, Labour and Welfare (2004j).

[111] Ministry of Health, Labour and Welfare (2004i), p.22 and p.39, Ministry of Health, Labour and Welfare (2004j), Ministry of Health, Labour and Welfare (2004k) and *City of Yokohama* (2004).

3.9.4 The amount of the Lump-sum Withdrawal Benefit payments under the Employees' Pension Insurance Scheme is listed in the following table:

Table 5 – Amount of Lump-sum Withdrawal Benefit payments under the Employees' Pension Insurance Scheme

Period of contributions	Amount of payments
Between 6 and 11 months	Average Standard Remuneration* × 0.4
Between 12 and 17 months	Average Standard Remuneration × 0.8
Between 18 and 23 months	Average Standard Remuneration × 1.2
Between 24 and 29 months	Average Standard Remuneration × 1.6
Between 30 and 35 months	Average Standard Remuneration × 2.0
36 months and over	Average Standard Remuneration × 2.4

Remark: * The Average Standard Remuneration is derived from dividing the total amount of the Monthly Standard Remuneration and Standard Bonuses for the pensionable period by the number of pensionable months.

Sources: Ministry of Health, Labour and Welfare (2004i), p.39 and Ministry of Health, Labour and Welfare (2004k).

<u>Place of residence for entitlement</u>

3.9.5 Applicants must receive the payment abroad.

<u>Taxation</u>

3.9.6 Although the Lump-sum Withdrawal Benefit payments under the public pension schemes are taxable income, foreigners can apply for a tax refund within five years after leaving Japan.[112]

3.10 Policy evaluation

3.10.1 The Japanese social security system for retirement protection is a two-tier system. The Employees' Pension Insurance Scheme is the employment-related tier of the retirement protection system, and is similar in design to those of the other industrialized countries, such as Canada. The National Pension Scheme is a universal scheme covering all residents aged 20 to 59. This universal scheme covers not only the working population but also the non-working population. In addition, the scheme covers Japanese as well as foreigners who legally live, work or study in Japan.

112 *City of Yokohama* (2004).

3.10.2 The funding of the National Pension Scheme comes from most categories of the beneficiaries, employers as well as the Japanese government. The Japanese government provides subsidy to the National Pension Scheme to cover some one-third of the expenses on benefits as well as the entire administration cost. The level of subsidy is expected to gradually go up to cover half of the expenses on benefits in 2009.

3.10.3 The growing financial support provided by the government to the National Pension Scheme means a corresponding increase in public expenditure. To enhance the fiscal sustainability of the National Pension Scheme, the government has adopted a series of measures, e.g. raising the contribution rate by phases from the present ¥13,300 (HK$968) to ¥16,900 (HK$1,205) in 2017.

Chapter 4 – Singapore

4.1 Background

4.1.1 In Singapore, the Central Provident Fund system was established in 1955. As a compulsory savings scheme, the initial purpose of the Central Provident Fund was to assist Singaporeans to save money for retirement. However, in the course of development, Singaporeans are allowed to use the savings in the Fund for purposes other than retirement protection.

4.1.2 In the early 1950s, the then colonial government of Singapore recognized Singaporeans' need for retirement protection. As such, a commission was appointed in 1951 to study *"the desirability of ensuring payments to wage earners on retirement."*[113] Subsequently, the government decided to set up a social security system for retirement protection, resulting in the establishment of the Central Provident Fund in 1955. After Singapore became a sovereign state in 1965, the Central Provident Fund system has been retained and expanded.[114]

4.1.3 When the Central Provident Fund was first set up, its initial objective was simply *"to ensure that workers could support themselves with dignity in retirement."* Therefore, the savings could only be withdrawn starting from the age of 55.[115] However, the function of the Fund has been expanded beyond retirement protection over time to cover homeownership, healthcare, asset enhancement and education. As such, a substantial amount of the Central Provident Fund savings can be used for purchasing properties, paying for medical bills as well as other purposes before retirement.[116]

4.1.4 The following table lists out the various schemes developed under the Central Provident Fund since its inception:

113 *Report of the Retirement Benefits Commission*, quoted from Low and Choon (2004), p.15.
114 Low and Choon (2004), pp.14-23.
115 Although the official retirement age has been changed to 62, participants are still allowed to withdraw their saving from the Fund at the age of 55 under the Central Provident Fund Act. However, they are required to set aside a portion of their savings which can only be used from the age of 62 onward.
116 *50 Years of Central Provident Fund* (2005).

Table 6 – A chronology of schemes introduced under the Central Provident Fund

Year	Name	Purpose
1968	Public Housing Scheme	Homeownership
1978	Singapore Bus Service Ltd Shares Scheme[117]	Investment
1981	Residential Properties Scheme	Homeownership
1982	Home Protection Scheme	Insurance
1984	Medisave	Healthcare
1986	Non-Residential Properties Scheme	Investment
	Approved Investment Scheme[118]	
1987	Minimum Sum Scheme	Retirement
	Topping-up of Minimum Sum Scheme	
1989	Education Scheme	Education
	Dependants' Protection Scheme	Insurance
1990	MediShield	Health insurance
1993	Basic Investment and Enhanced Investment Schemes	Investment
	CPF Share Ownership Top-up Scheme[119]	
	Singapore Telecom Group "A" Shares[120]	
1994	MediShield Plus	Health insurance
1997	CPF Investment Scheme	Investment
2001	Minimum Sum Plus Scheme	Retirement
2002	ElderShield	Insurance

Sources: Low and Choon (2004), pp.417-419, *50 Years of Central Provident Fund* (2005), Ng (2000), pp.72-77, Asher (2004), p.19 and Central Provident Fund Board (2005g).

117 The scheme was phased out in 2004.

118 In 1986, the Approved Investment Scheme allowed participants to invest up to 20% of their savings in excess of the minimum sum in approved investment. In 1993, the Approved Investment Scheme was split into the Basic Investment Scheme and the Enhanced Investment Scheme. These schemes allowed participants to invest in financial instruments after setting aside a minimum reserve amount. In 1997, the two schemes were merged to form the CPF Investment Scheme.

119 The cash granted by the government can be used to buy shares when major government-owned corporations go public.

120 In 1993, participants of the Fund are allowed to buy the special discounted shares.

4.1.5 In the beginning, the contributions of a participant of the Central Provident Fund were credited into a single individual account. To accommodate the various purposes of the Central Provident Fund which were added later, the single individual account was divided into two sub-accounts, the Special and Ordinary Accounts, in 1977. When they were initially set up, the Special Account contained savings that could not be withdrawn until the age of 55 and the savings in the Ordinary Account could only be used for purchasing public housing flats. At present, the savings in both accounts may be used for purchasing private housing flats, investment, education and insurance purposes.[121]

4.1.6 In 1984, the Medisave Account was created. The savings in this sub-account are used for hospital expenses, certain outpatient charges and hospitalization fees. In 1987, a Retirement Account was set up for each retiree. When retirees start to withdraw their Central Provident Fund at the age of 55, they are required to deposit a sum of money equal to the Minimum Sum[122] in the Retirement Account to ensure that the savings in the Fund will not be used up at the early years of retirement.[123]

4.1.7 In short, the Central Provident Fund in Singapore has been developed into a multi-purpose social security system to cater for the housing, medical, education and retirement needs of Singaporeans. The subsequent sections provide information on various aspects of the Central Provident Fund.

4.2 Governing legislation and responsible authority

Governing legislation

4.2.1 Enacted in 1953, the Central Provident Fund Act is the governing legislation for the Central Provident Fund system in Singapore.

Responsible authority

4.2.2 The Ministry of Manpower is responsible for setting the overall policy relating to the Central Provident Fund, while the Central Provident Fund Board is a statutory body established to administer the Central Provident Fund system. According to Section 3(6) of the Central Provident Fund Act, *"[t]he Board shall have such powers and shall perform such duties as are given or imposed by this Act or as may be prescribed by the Minister and the Minister or the Board may by instrument in writing delegate to any person all or any of those powers and duties."*

---

121 Central Provident Fund Board (2004), p.78 and Low and Choon (2004), p.417.

122 The Minimum Sum is the required amount of savings to be deposited in a participant's Retirement Account to ensure that the savings in the Fund would not be used up at the early years of his/her retirement.

123 Central Provident Fund Board (2004), p.78 and Low and Choon (2004), p.417.

4.3 Coverage

4.3.1 The Central Provident Fund covers Singaporean residents, but not foreign workers who are employed by employers in Singapore. Singaporeans working overseas may choose to make contributions to the Fund.[124] The self-employed[125] whose annual net trade income is more than S$6,000 (HK$27,847) are required to make contributions to an individualized Medisave Account. However, it is optional for them to fully participate in the Central Provident Fund system.[126]

4.4 Funding source

4.4.1 The funding of the Central Provident Fund comes from three sources, i.e. contributions, government grant and investment returns.

Contributions

Contribution parties

4.4.2 Both employees and employers are required to make contributions to the Central Provident Fund, whereas the self-employed and Singaporean employees working overseas may choose to make contributions.

Amount of contributions

4.4.3 The amount of contributions is determined based on the portion of an individual's monthly earnings above a specified minimum level and up to a specified maximum level. As at July 2005, the specified minimum and maximum monthly incomes are S$50(HK$232) and S$5000(HK$23,151) respectively.

4.4.4 An employee and his/her employer jointly contribute to the individual account of the employee. The contribution rate is an amount equal to a percentage of the employee's wages for a particular month. The percentage is not equally divided between the employer and employee. In addition, the contribution rate is inversely proportional to the age of the employee. The following table presents the contribution rates and the maximum amount of contribution as at July 2005:

[124] Section 2(1) of the Central Provident Fund Act and Central Provident Fund Board (2005), p.6.
[125] The self-employed are defined as those Singaporeans who derive income from their businesses in Singapore or outside Singapore through any trade, business, profession or vocation.
[126] Sections 13A and 13B of the Central Provident Fund Act and *my cpf –Starting a Business* (2005), pp.1-2.

Table 7 – Contribution rates of Central Provident Fund

Age of employee	Employer rate maximum contribution	Employee rate maximum contribution	Total maximum contribution
50 and below	13% S$650 (HK$3,010)	20% S$1,000 (HK$4,636)	33% S$1,650 (HK$7,646)
51 to 55	11% S$550 (HK$2,552)	19% S$950 (HK$4,402)	30% S$1,500 (HK$6,954)
56 to 60	6% S$300 (HK$1,392)	12.5% S$625 (HK$2,896)	18.5% S$925 (HK$4,288)
61 to 65	3.5% S$175 (HK$813)	7.5% S$375 (HK$1,737)	11% S$550 (HK$2,550)
66 and over	3.5% S$175 (HK$813)	5% S$250 (HK$1,158)	8.5% S$425 (HK$1,971)

Sources: Central Provident Fund Board (2005a), *my cpf –Hiring Employees* (2005), p.3 and *Central Provident Fund Board* (2005).

Government grant

4.4.5 In Singapore, the government does not bear any recurrent cost of the Central Provident Fund. Nevertheless, in accordance with Section 14(1) of the Central Provident Fund Act, the government may offer cash grant to the Central Provident Fund Board for *"the benefit of any person who qualifies for such grant under any approved scheme, and the Board shall credit the cash grant into such account of that person as the Minister may direct"*. This kind of cash grants is known as "Top-Ups" and the government usually announces the offer of Top-Ups in the budget.

4.4.6 For example, in the financial year 2005-2006, the government spends S$320 million (HK$1,483 million) to top up the Medisave Accounts. The amount of top up for each Medisave Account is between S$50 (HK$232) and S$350 (HK$1,622), with the elderly receiving a higher top-up. In the same budget, another Top-Up is granted for the Special or Retirement Accounts of Singaporeans aged 50 and above. Each account is credited with S$100 (HK$463) and the total expenditure is estimated to be S$80 million (HK$371 million).[127]

Investment returns

4.4.7 The Central Provident Fund Board pays interest to the savings in the Central Provident Fund. As at July 2005, the interest rate for savings in the Ordinary Account is 2.5% per annum and the Medisave, Special and Retirement Accounts have a higher interest rate of 4% per annum.[128]

127 *Singapore Budget 2005* (2005).
128 Central Provident Fund Board News Release on 10 May 2005.

4.4.8 Participants in the Central Provident Fund may earn additional investment returns through investing their savings in approved investment schemes.

4.5 Administration of fund

4.5.1 The Central Provident Fund Board is a statutory body set up under the Central Provident Fund Act to administer the Central Provident Fund. The Board consists of 12 members who represent the government, employers and employees. It administers the collection of contributions, investment of the fund and operation of various schemes.[129]

Collection of contributions

4.5.2 The Central Provident Fund Board is responsible for collecting contributions from employers[130] and crediting the contributions to a participant's sub-accounts according to the percentage as stated in the following table:

Table 8 – Distribution of contributions among sub-accounts

Age of employee	Ordinary Account	Special Account	Medisave Account	Total
35 and below	22%	5%	6%	33%
36-45	20%	6%	7%	33%
46-50	18%	7%	8%	33%
51 to 55	15%	7%	8%	30%
56 to 60	10.5%	0%	8%	18.5%
61 to 65	2.5%	0%	8.5%	11%
66 and over	0%	0%	8.5%	8.5%

Source: *Central Provident Fund Board* (2005).

Investment of fund

4.5.3 As the trustee of the Fund, the Central Provident Fund Board makes investment for the participants. The Board invests most of the Fund in Singapore Government Bonds. The pool of funds from the insurance schemes under the Fund is managed by institutional fund managers and invested mainly in equities, bonds and deposits.[131]

129 *Central Provident Fund Board* (2005).
130 Employers submit the employees' shares of contribution for employees and recover them from employees' salaries.
131 Central Provident Fund Board (2004), p.17.

4.5.4 The Central Provident Fund Board provides various channels for participants of the Fund to make investment. Under the Central Provident Fund Investment Scheme, participants are allowed to use savings in their Ordinary and Special Accounts to invest in approved investment instruments, e.g. stocks, insurance policies and unit trusts. However, participants have to take personal responsibility for the consequences of their investment decisions.[132]

Administration of schemes

4.5.5 The Central Provident Fund Board administers schemes which allow participants to withdraw or borrow their savings before retirement for homeownership, healthcare, education, insurance and investment purposes. In addition, the Board administers the withdrawal of funds when participants of the Fund retire, emigrate or become permanently disabled. Upon a participant's death, the Board pays his/her savings to the nominated beneficiaries. Details of the benefits and schemes are set out in the following sections.

4.6 Homeownership

Scheme

4.6.1 Homeownership-related schemes under the Fund comprise the Public Housing Scheme, the Residential Properties Scheme and the Home Protection Scheme.

Purpose

4.6.2 The purpose of the homeownership-related schemes is to enable Singaporeans to own their homes.[133]

Content

4.6.3 The Public Housing Scheme and the Residential Properties Scheme allow participants to use their savings in the Fund to buy flats in the public and private housing sectors respectively. Participants of the Fund can withdraw all of their savings in the Ordinary Account and employ the monthly contributions credited into the Ordinary Account for the purchase of a public/private flat and/or making payments towards a housing loan.[134]

[132] *my cpf – Making an Investment* (2005).
[133] Central Provident Fund Board (2004), p.28.
[134] Central Provident Fund Board (2004), p.28 and p.30 and *my cpf-Buy a House* (2005), pp.1-2.

4.6.4 Participants of the Fund who make payments towards a housing loan for their public housing flats are required to join the Home Protection Scheme, which is a mortgage-reducing insurance scheme. Under the scheme, if the insured person becomes physically or mentally incapacitated or passes away, the Central Provident Fund Board will pay off his/her outstanding housing loan.[135]

4.6.5 When participants sell their public/private flats that have been bought with their savings in the Fund, they are required to return the amount of savings withdrawn as well as the amount of interest that would have earned had the savings not been taken out to their Ordinary Accounts.[136]

4.7 Healthcare

Scheme

4.7.1 Healthcare-related schemes under the Fund comprise Medisave, MediShield, MediShield Plus, and ElderShield.

Purpose

4.7.2 The purpose of the healthcare-related schemes is to help participants of the Fund and their dependents pay for hospitalization expenses and defray medical and related costs.[137]

Content

4.7.3 Participants of the Fund can use the savings in the Medisave Account to pay for medical bills of their own and their immediate family members, i.e. spouses, children, parents and grandparents. Medical expenses covered by the Account include hospitalization fees and outpatient treatment up to a limit. For example, for approved day hospitals, savings in the Medisave Account can be used to cover up to S$150(HK$692) per day for the daily hospital charges, including a maximum of S$30(HK$138) for the doctor's daily attendance, subject to a maximum of S$3,000(HK$13,838) a year.[138]

135 Central Provident Fund Board (2004), p.35 and *my cpf-Buy a House* (2005), p.9.
136 Central Provident Fund Board News Release on 10 May 2005 and *my cpf-Buy a House* (2005), p.9.
137 Central Provident Fund Board (2004), p.23.
138 Central Provident Fund Board (2005b) and *my cpf-Providing for your Health Needs* (2005), p.1.

4.7.4 MediShield and MediShield Plus are catastrophic medical insurance schemes to help the insured persons meet the costs of treatment for serious illnesses or prolonged hospitalization. Participants of the Fund are automatically registered under MediShield once they have started making contributions to the Central Provident Fund but they are allowed to opt out of the scheme. Participants of the Fund may also choose to upgrade MediShield to either Plan B or Plan A of MediShield Plus.[139] To participate in these schemes, participants of the Central Provident Fund have to pay additional premiums on top of the contributions made to the Fund. They are allowed to pay the premiums out of their Medisave Account, up to a maximum of S$660 (HK$3,032) per person per policy year. The premium in excess of the maximum amount has to be paid in cash.[140]

4.7.5 The annual premiums for MediShield range from S$12 (HK$55) for those participants below 30 years old to S$390 (HK$1,799) for those aged between 79 and 80. The annual premiums for MediShield Plus Plan B range from S$36 (HK$166) for those below 30 years old to S$1,170 (HK$5,398) for those aged between 79 and 80. The annual premiums for MediShield Plus Plan A range from S$60 (HK$277) for those below 30 years old to S$1,950 (HK$8,996) for those aged between 79 and 80.[141]

4.7.6 MediShield and MediShield Plus cover hospitalization fees and certain outpatient treatments up to some prescribed limits. The prescribed limits positively correlate with the amount of premiums. Hence, MediShield Plus has a higher limit than MediShield, and MediShield Plus Plan A has a higher limit than MediShield Plus Plan B. For example, the room and board limit per day for MediShield, MediShield Plus Plan A and MediShield Plus Plan B is S$150 (HK$692), S$375 (HK$1,731) and S$625 (HK$2,884) respectively.[142]

4.7.7 ElderShield is a disability insurance scheme that provides insurance coverage to those elderly who become severely disabled and require long-term care. Singaporeans who have turned 40 and have Medisave Accounts are automatically registered under ElderShield unless they opt out. The participants who pay an annual premium up to 65 years old are covered for life. In the case that the participants become disabled[143], they receive a monthly cash payment up to 60 months. As at July 2005, the monthly cash payment is S$300 (HK$1,384). The cash payment can be used to pay for any related expenses, such as home nursing services and day rehabilitation.[144]

---

139 Central Provident Fund Board (2005c) and *my cpf-Providing for your Health Needs* (2005), pp.1-2.
140 Central Provident Fund Board (2005c).
141 Central Provident Fund Board (2005c) and *my cpf-Providing for your Health Needs* (2005), pp.1-2.
142 Ibid.
143 "Disabled" persons are those who are unable to perform at least three of the six Activities of Daily Living on their own. These activities are washing, dressing, feeding, toileting, mobility (move from room to room) and transferring (move from a bed to a chair or wheelchair and back).
144 Ministry of Health (2005) and *my cpf-Providing for your Health Needs* (2005), p.2.

4.8 Education

Scheme

4.8.1 The Education Scheme is the only education-related scheme under the Central Provident Fund system.

Purpose

4.8.2 The purpose of the Education Scheme is to help participants of the Fund finance their own or their children's tertiary education in Singapore.[145]

Content

4.8.3 Participants of the Fund can use savings from their Ordinary Account to pay for their children's or their own tuition fees at 10 approved tertiary institutions in Singapore. The scheme covers only approved full-time undergraduate degree programmes at those approved tertiary institutions. As a loan scheme, the student has to repay the full amount of savings withdrawn as well as the amount of interest that would have earned had the savings not been taken out of the Ordinary Account. The repayment can be made in one lump sum or in monthly instalments over a maximum period of 12 years.[146]

4.9 Insurance

Scheme

4.9.1 The insurance-related schemes under the Fund comprise the Dependants' Protection Scheme, and some previously introduced schemes, i.e. the Home Protection Scheme, MediShield, MediShield Plus and ElderShield.

Purpose

4.9.2 The purpose of the insurance-related schemes is to give participants of the Fund and their families financial protection against unexpected situations.[147]

[145] Central Provident Fund Board (2004), p.33.
[146] Central Provident Fund Board (2005d).
[147] Central Provident Fund Board (2004), p.35.

4.9.3 To encourage participants of the Fund to join the insurance-related schemes, the premiums are set at an affordable level and be paid from the Central Provident Fund accounts.[148]

Content

4.9.4 The Dependants' Protection Scheme is an optional term-life insurance scheme which covers participants of the Fund for an insured sum of S$44,000 (HK$202,917) up to age 60. The purpose of the scheme is to provide participants and their families with some money to tide them over the first few years should the insured members become physically or mentally incapacitated or die.[149]

4.10 Asset enhancement

Scheme

4.10.1 The asset enhancement-related schemes under the Fund comprise the CPF Investment Scheme and the Non-Residential Properties Scheme.

Purpose

4.10.2 The purpose of the asset enhancement-related schemes is to allow participants to enhance their savings in the Fund for retirement through investment. The Central Provident Fund Board does warn participants of the Fund that every investment carries a certain amount of risks and they must take individual responsibility for the consequences of their investment decisions.[150]

Content

CPF Investment Scheme

4.10.3 Under the CPF Investment Scheme, participants of the Fund who are aged 21 and over and are not bankrupts can use their savings in the Ordinary and/or Special Account for investment.[151]

148 Central Provident Fund Board (2005c), Central Provident Fund Board (2005d) and Central Provident Fund Board (2005e).
149 Central Provident Fund Board (2005e).
150 Central Provident Fund Board (2004), p.30 and p.32.
151 *CPF Investor Education* (2005) and *my cpf-Making an Investment* (2005).

4.10.4 There are restrictions on the amount of investment and types of instruments for investment under the CPF Investment Scheme – Ordinary Account and the CPF Investment Scheme – Special Account. All savings in both accounts can be invested in comparatively low-risk investment products, e.g. fixed deposits, Singapore Government Bonds and endowment insurance policies. Only a portion of the savings in the CPF Investment Scheme – Ordinary Account can be invested in comparatively high-risk investment products, i.e. up to 35% of savings can be invested on shares, property funds and corporate bonds and up to 10% of savings on gold.[152]

4.10.5 While investments under the CPF Investment Scheme – Ordinary Account are required to be handled by three approved banks, investments under the CPF Investment Scheme – Special Account are handled by the Central Provident Fund Board. Investment profits gained from the CPF Investment Scheme cannot be withdrawn before retirement. In case of investment loss, participants of the Fund need not cover the loss.[153]

Non-Residential Properties Scheme

4.10.6 Under the Non-Residential Properties Scheme, participants of the Fund who are aged 21 and over and are not bankrupts can use their savings in the Fund to buy commercial properties in Singapore, such as office premises, shop units and warehouses. They can withdraw all of their savings in the Ordinary Account and employ the monthly contributions credited into the Ordinary Account for the purchase of a non-residential property and/or making payments towards a property loan.[154]

4.10.7 When participants sell their non-residential properties that have been bought with their savings in the Fund, they are required to return the amount of savings withdrawn as well as the amount of interest that would have earned had the savings not been taken out of their Ordinary Accounts.[155]

152 *CPF Investor Education* (2005) and *my cpf-Making an Investment* (2005).
153 Ibid.
154 Central Provident Fund Board (2005f).
155 Central Provident Fund Board (2005f) and Central Provident Fund Board News Release on 10 May 2005.

4.11 Retirement

Scheme

4.11.1 The retirement-related schemes under the Fund comprise the Minimum Sum Scheme, the Minimum Sum Plus Scheme and the Topping-up of Minimum Sum Scheme.

Purpose

4.11.2 The purpose of the retirement-related schemes is to help participants of the Fund set aside savings to support a basic standard of living during retirement.[156]

Content

4.11.3 When participants of the Fund reach the age of 55, they may withdraw their savings from the Fund or postpone the withdrawal until a later date. When they decide to withdraw their savings from the three sub-accounts, they have to fulfil certain conditions.

4.11.4 Under the Minimum Sum Scheme, members can withdraw all their savings from their Ordinary and Special Accounts after setting aside the Minimum Sum. As at July 2005, the Minimum Sum is S$90,000 (HK$415,153) for a single participant and S$135,000 (HK$622,791) for a married couple. A participant can pledge his/her property, the value of which is being used to substitute up to 50% of the Minimum Sum. The Minimum Sum is deposited in the Retirement Account.[157]

4.11.5 In case a participant does not have enough money in his/her account under the Fund to set aside the Minimum Sum, he/she can choose the Topping-up of Minimum Sum Scheme. Under the Scheme, the participant himself/herself as well as his/her grandparents can use cash to meet the shortfall. In addition, the spouse and parents of the participant can use cash and their savings in the Fund to meet the shortfall. Nevertheless, the net balances in their own Ordinary and Special Accounts after making the transfer must be more than 1.5 times the prevailing Minimum Sum.[158]

---

[156] Central Provident Fund Board (2004), p.23.
[157] *my cpf-Reaching 55* (2005) and Central Provident Fund Board (2005g).
[158] Ibid.

4.11.6 Participants must invest the Minimum Sum in one of the following ways, with the returns from these investments being available to them only when they reach 62:[159]

(a) Buying a life annuity from a participating insurance company and getting a monthly income for life - under the Minimum Sum Plus Scheme, they can buy life annuity beyond the Minimum Sum so that they receive a higher monthly income stream for life;

(b) Keeping the Minimum Sum in a fixed-deposit account with a participating bank to earn interest and receiving a monthly income from the bank until the Minimum Sum is exhausted; or

(c) Leaving the Minimum Sum with the Central Provident Fund Board to earn interest and receiving a monthly income from the Board until the Minimum Sum is exhausted.

4.11.7 If the amount of savings in the Medisave Account is beyond a specified level, the excess amount can be withdrawn. As at July 2005, the level is set at S$27,500 (HK$126,831). On the other hand, if the amount of such savings is lower than a required amount, the participant may be required to meet the shortfall. Where money from the participant's other sub-accounts in the Fund is available after setting aside the Minimum Sum, the excess amount of money must be used to meet the shortfall. As at July 2005, the required amount in the Medisave Account is S$5,100 (HK$23,528).[160]

4.12 Other types of withdrawal

4.12.1 According to Section 15(2) of the Central Provident Fund Act, a participant of the Fund can withdraw his/her savings if he/she emigrates to another country or becomes permanently disabled. Upon a participant's death, his/her savings in the Fund will be paid to the nominated beneficiaries.

4.13 Arrangement upon divorce

4.13.1 If a divorced couple cannot reach an agreement, a divorced wife/husband may request a share of his/her divorced spouse's money in the Central Provident Fund and the court may decide in the following ways:[161]

---

159 *my cpf-Reaching 55* (2005) and Central Provident Fund Board (2005g).
160 Ibid.
161 Family Court of Singapore (2005).

(a) If the divorced spouse is able to withdraw his/her savings in the Central Provident Fund, the money may be treated like any other matrimonial asset (for example, money in a bank account) which is available for immediate division;

(b) If, however, the divorced spouse is not eligible to withdraw the money, the court may still take into consideration the savings in the Central Provident Fund and award the divorced wife/husband a greater share of the other matrimonial assets; or

(c) In the case where the Central Provident Fund money is the main matrimonial asset and there is no other asset for division, the divorced wife/husband may apply to "charge" a portion of his/her divorced spouse's Central Provident Fund money. The Central Provident Fund Board may "freeze" the amount of money that has been charged and may pay to the divorced wife/husband this sum when his/her divorced spouse is eligible to withdraw savings from the Central Provident Fund.

4.14 Policy evaluation

4.14.1 The Central Provident Fund is a compulsory saving scheme. A participant of the Fund saves money during his/her employment years. The savings are deposited in his/her individual account and to be withdrawn when he/she retires, emigrates or becomes permanently disabled. When the participant dies, the savings in his/her account are paid to the nominated beneficiaries. As such, the Central Provident Fund in Singapore, unlike most of the other systems, is neither inter-generation nor intra-generation redistributive. Referring to the Central Provident Fund, the former Prime Minister of Singapore, Mr LEE Kwan-yew, once said that *"it is fairer and sounder to have each generation pay for itself and each person save for his own pension fund."*[162]

4.14.2 Nevertheless, the Central Provident Fund system does allow co-operation among family members in purchasing homes and redistribution of savings among family members in meeting the shortfall of the Minimum Sum. Such arrangements are in line with the Confucian tradition that emphasizes altruism and close family ties.[163]

[162] Lee (2000), p.105.
[163] Khan (2001), p.21 and Lee (2000), p.105.

4.14.3 Another characteristic of the Central Provident Fund is that it can be used before retirement for making investment, purchasing insurance policies, paying tuition fees, financing property mortgages, and paying for medical bills. In this respect, the Central Provident Fund in Singapore, unlike most of the other systems, provides certain flexibility for participants to deal with needs arising in different stages of life. However, this flexibility may lead to the inadequacy of income to support the retirement life of the elderly, as a substantial amount of the savings in the Central Provident Fund may have been spent before retirement.[164]

[164] Asher (2004), pp.11-13.

Chapter 5 – Analysis

5.1 Introduction

5.1.1 The following is a comparative analysis of the social security systems for retirement protection in Canada, Japan and Singapore. The aim of the comparative analysis is to identify the distinct features of the selected systems. To facilitate Members' consideration of the issues, the information on the situation of Hong Kong is also covered in this chapter.

5.2 Objective

5.2.1 In Canada and Japan, the primary objective of the social security systems for retirement protection is to provide financial security for the participants when they retire or become disabled, or for their survivors upon their death. In Singapore, the social security system for retirement protection is used to fulfil not only a similar objective but also other objectives, including homeownership, investment, healthcare, insurance and education.

5.2.2 Established in 2000, the mandatory provident fund scheme aims to provide retirement protection for the working population in Hong Kong. In case participants become totally incapacitated or die, they or their survivors can withdraw the accrued benefits from the scheme to tide over the unexpected financial difficulties.[165]

5.3 Coverage

5.3.1 The Canada Pension Plan in Canada, the Employees' Pension Insurance Scheme in Japan and the Central Provident Fund in Singapore are employment-related retirement protection schemes. Employees at a specific age are required to participate in these schemes. The self-employed in Canada are required to join the Canada Pension Plan. In Japan, the self-employed are not covered by the Employees' Pension Insurance Scheme but by the universal National Pension Scheme. In Singapore, the self-employed are required to contribute to the Medisave Account but it is optional for them to fully participate in the Central Provident Fund.

[165] *Mandatory Provident Fund Schemes Authority* (2005) and *Mandatory Provident Fund Schemes Ordinance.*

5.3.2 Apart from the employment-related scheme, a universal retirement protection scheme, i.e. the National Pension Scheme, is available to people aged 20 to 59 who legally live, work and study in Japan. As such, housewives, the self-employed, unemployed, students are all covered by the scheme. For employees, they are required to join both retirement protection schemes.

5.3.3 In Hong Kong, the Mandatory Provident Fund is an employment-related retirement protection scheme. Employees and the self-employed aged between 18 and 65 are required to contribute to the Mandatory Provident Fund. Employers are required to enrol their employees in one of the registered Mandatory Provident Fund Schemes available in the market.[166]

5.4 Funding source

5.4.1 In Canada, the social security system for retirement protection is financed by contributions. In Japan and Singapore, the social security systems for retirement protection are financed by contributions as well as government subsidies.

Contributions

5.4.2 Employers and employees are required to make contributions to the employment-related retirement protection schemes in all three selected places. The Canada Pension Plan in Canada and the Employees' Pension Insurance Scheme in Japan require employers and employees equally share the contribution rate. In Singapore, employees bear a larger share of contribution than employers. In all three selected places, employers are responsible to pay the respective share of the contribution of both employers and employees to the concerned authority and recover the employees' share of contribution from their salaries.

5.4.3 For the selected employment-related schemes, contributions are determined based on the portion of an individual's monthly/annual earnings above a specified minimum level and up to a specified maximum level. On the other hand, the contribution for all participants of the National Pension Scheme in Japan is a flat rate. The Social Insurance Agency transfers a portion of contributions from the Employees' Pension Insurance Scheme to the National Pension Scheme as the contributions of the employees covered under both schemes and their spouses. All other participants pay contributions directly to the National Pension Scheme.

5.4.4 In Canada and Japan, the contributions collected are pooled together. In Singapore, the contributions collected from each participant and his/her employer (if applicable) are credited into his/her individual Ordinary, Special and Medisave Accounts.

166 *Mandatory Provident Fund Schemes Authority* (2005).

5.4.5 In Hong Kong, employers match their contribution with those of their employees. Employers are responsible for paying the contribution of both employers and employees to the trustee and recovering the employees' share of contribution from their salaries. All contributions for a participant is credited into his/her account.[167]

Government funding

5.4.6 In Canada, no government funding is provided for the Canada Pension Plan. In addition, government departments administering the Plan recover the administration cost from the Plan.

5.4.7 In Japan, the government bears the administration cost of the Employees' Pension Insurance Scheme and the National Pension Scheme. In addition, the government subsidizes some one-third of the total benefit payments of the National Pension Scheme and the amount is scheduled to cover half of the total benefit payments in 2009.

5.4.8 In Singapore, the government does not bear any recurrent cost of the Central Provident Fund. Nevertheless, the Central Provident Fund Act permits the government to offer cash grant to selected groups of participants via the Central Provident Fund Board.

5.4.9 In Hong Kong, the Government does not bear any recurrent cost of the Mandatory Provident Fund system. However, the Government offered HK$300 million as seed money for the setting up of the Mandatory Provident Fund system.[168]

5.5 Investment of fund

5.5.1 In Canada, the Canada Pension Plan Investment Board makes investment on behalf of the Canada Pension Plan. In Japan, the Ministry of Health, Labour and Welfare entrusts the Government Pension Investment Fund to make investment for the Employees' Pension Insurance Scheme and the National Pension Scheme.

5.5.2 In Singapore, the Central Provident Fund Board makes investment for the Central Provident Fund and the investment returns are used to pay interest to the savings in the Fund. Nonetheless, participants of the Fund are allowed to use their savings in the Fund to invest in approved investment instruments, e.g. stocks, insurance policies and unit trusts. However, participants have to take personal responsibility for the consequences of their investment decisions.

167 *Mandatory Provident Fund Schemes Authority* (2005).
168 Legislative Council Secretariat (1997a), p.19.

5.5.3 In Hong Kong, participants are allowed to use their savings in the retirement scheme to invest in six types of funds, namely Balanced, Equity, Capital Preservation, Guaranteed, Bond and Money Market Funds. However, participants have to take personal responsibility for the consequences of their investment decisions.[169]

5.6 Protection for retirement

5.6.1 In Canada and Japan, while the retirement age is 65, both the Canada Pension Plan and Japan's National Pension Scheme allow participants to enjoy retirement benefits as early as 60 years old. However, the benefit rate is adjusted downward, using the benefit rate at the age of 65 as the benchmark. For participants withdrawing pension at age beyond 65, the benefit rate is adjusted upward, using the same mechanism. In addition to the retirement benefit from the National Pension Scheme, employees in Japan can also enjoy retirement benefits from the Employees' Pension Insurance Scheme starting at 60 years old.

5.6.2 In Singapore, the official retirement age is 62 years old. The Central Provident Fund Act allows participants to withdraw their savings from the Fund at the age of 55. However, they are required to set aside the Minimum Sum from the savings in the Special and Ordinary Accounts and deposit it in the Retirement Account. The savings in the Retirement Account are required to be invested in approved investment instruments and to be used only at the age of 62 onward. In addition, they are required to set aside the required amount in the Medisave Account to cover the medical expenses during retirement as well.

5.6.3 In Hong Kong, participants are only allowed to withdraw their accrued benefits from the Mandatory Provident Fund Scheme at the age of 65. However, if participants choose early retirement, they can withdraw their accrued benefits at the age of 60 after making a statutory declaration that they remove themselves permanently from employment.[170]

5.7 Protection for disability

5.7.1 In Canada and Japan, disability benefits are offered to not only participants but also their family members. The Canada Pension Plan provides benefit to the participants and also their dependent children. In Japan, the Disability Basic Pension under the National Pension Scheme provides benefits to participants and their dependent children, and the Disability Employees' Pension under the Employees' Pension Insurance Scheme provides benefits to participants and their spouses.

---

169 *Mandatory Provident Fund Schemes Authority* (2005).
170 Ibid.

5.7.2 In Singapore, participants can withdraw their savings in the Central Provident Fund when they become permanently disabled. In Hong Kong, early withdrawal is allowed when participants become totally incapacitated.[171]

5.8 Protection for survivor

5.8.1 In both Canada and Japan, survivor's benefits comprise a monthly pension payment and a lump-sum benefit which is mainly used for matters upon a participant's death, e.g. funeral expenses.

5.8.2 In Canada, the Survivor's Pension is granted to the eligible spouse or partner of the deceased pensioner, regardless of their gender. In Japan, the Survivors' Basic Pension and the Widow's Pension are granted to the wife of a deceased participant only. Although the Survivors' Employees' Pension under the Employees' Pension Insurance Scheme provides benefits to husbands, they are granted the pension only when they turn 60.

5.8.3 In Singapore, family members of a participant of the Central Provident Fund can withdraw his/her savings in the Fund when he/she dies. If the deceased participant has participated in the Dependants' Protection Scheme under the Central Provident Fund system, his/her family will receive insurance payments. In Hong Kong, early withdrawal is also allowed when participants die.[172]

5.9 Policy evaluation

5.9.1 All the social security systems for retirement protection in the selected places are experiencing challenges generated by the ageing population as a result of the increasing life expectancy and the declining birth rate.

5.9.2 In the mid-1990s, the Canadian system, as other pay-as-you-go social security systems, encountered the fiscal sustainability challenge because the ageing population led to the phenomenon that more money was paid out in benefits than collected. In view of the challenge, reform measures, e.g. increasing the contributions rates, were introduced in 1998 to enhance the fiscal sustainability of the Canada Pension Plan.

[171] *Mandatory Provident Fund Schemes Authority* (2005).
[172] Ibid.

5.9.3 In Japan, the ageing population has also created the same fiscal challenge, as in the case of Canada, to the Employees' Pension Insurance Scheme and the National Pension Scheme. In addition, the scheduled increase of government subsidies to cover from the present one-third to half of the total benefit payments of the National Pension Scheme generates a considerable amount of fiscal pressure. In order to make the retirement protection system sustainable, reform measures have been introduced, e.g. raising the contribution rate of the Employees' Pension Insurance Scheme and the National Pension Scheme.

5.9.4 In Singapore, the flexibility for participants to use the savings in the Central Provident Fund to deal with needs arising in different stages of life may lead to the situation that a substantial amount of the savings in the Fund is used up before retirement. In addition, the inadequacy of income to support retirement for the elderly is aggravated by the ageing population, with the elderly parents having fewer children to top up their Retirement Accounts and provide them with financial support. In view of this, the government has introduced various reform measures, e.g. increasing the Minimum Sum and requiring the allocation of a required amount of savings in the Medisave Account.

5.9.5 In Hong Kong, the ageing population has similarly generated fiscal pressure on the social security system. The Government has pointed out that, with an increasing number of the elderly in the population, the number of elderly people relying on the Comprehensive Social Security Assistance and the Social Security Allowance will increase correspondingly, which may cause the public expenditures on social security to escalate. As such, the Government is reviewing the social security programmes for the elderly, and the objective is to *"develop a long-term sustainable financial support system that better targets resources at elders most in need."*[173]

5.9.6 Both the Government and some academics have pointed out that despite the implementation of the Mandatory Provident Fund Scheme, retirement protection for this generation and the next is still insufficient, as the Mandatory Provident Fund Scheme will take some 30-40 years to mature.[174] Professor Iris CHI of the Sau Po Centre on Ageing, the University of Hong Kong, recommends setting up a publicly-funded retirement scheme and improving the Mandatory Provident Fund Scheme to allow the non-working population to join the Scheme.[175]

---

173 Health and Welfare Bureau (2001), Health, Welfare and Food Bureau (2004), and Health, Welfare and Food Bureau (2005).
174 Health and Welfare Bureau (2001).
175 Chi (2004) pp.12-13.

Chapter 6 – Conclusion

6.1 Introduction

6.1.1 This chapter tabulates the key points of the previous chapters for Members' easy reference.

Table 9 – A comparison of the social security systems for retirement protection in selected places

	Canada	Japan		Singapore	Hong Kong
Relevant Legislation	• Canada Pension Plan Act	• National Pension Act	• Employees' Pension Insurance Act	• Central Provident Fund Act	• Mandatory Provident Fund Schemes Ordinance
Executive bodies and their duties	• Social Development Canada and Canada Revenue Agency are responsible for executing the Act • Social Development Canada is responsible for administering the Canada Pension Plan • Canada Revenue Agency is responsible for collecting contributions	• Ministry of Health, Labour and Welfare is responsible for executing both Acts • Social Insurance Agency is responsible for administering the Employees' Pension Insurance Scheme and the National Pension Scheme		• Ministry of Manpower is responsible for setting overall policy • Central Provident Fund Board is responsible for executing the Act • Central Provident Fund Board administers the Central Provident Fund system	• Financial Services and the Treasury Bureau is responsible for policy formulation • Mandatory Provident Fund Authority is responsible for executing the Ordinance • Mandatory Provident Fund Authority regulates and monitors the operation of privately managed provident fund schemes

Table 9 – A comparison of the social security systems for retirement protection in selected places (cont'd)

	Canada	Japan		Singapore	Hong Kong
Retirement protection scheme	• Canada Pension Plan	• National Pension Scheme	• Employees' Pension Insurance Scheme	• Central Provident Fund	• Mandatory Provident Fund Scheme
Coverage and eligibility	• Employment-related • Employees and self-employed aged between 18 and 70	• Universal • People aged 20 to 59 who legally live, work and study in Japan	• Employment-related • Employees aged below 70 • Self-employed are not covered	• Employment-related • Employees, with no age requirement • Self-employed are required to contribute to Medisave but can choose to participate fully	• Employment-related • Employees and self-employed aged between 18 and 65
Contributions	• Employers and employees share equally the contribution rate • Self-employed bear the entire contribution	• Flat-rate	• Employers and employees share equally the contribution rate	• Employees bear larger share of contribution than employers • Contribution rate is inversely proportional to employee's age	• Employers bear the same contribution rate as employees • Self-employed's contribution rate same as employees'
Government funding	• No	• One-third of the total benefits • Administration cost	• Administration cost	• Occasional government Top-ups to selected groups of participants	• HK$300 million from the Government as seed money
Making investment of fund	• Canada Pension Plan Investment Board	• Government Pension Investment Fund		• Central Provident Fund Board • Participants	• Participants

Table 9 – A comparison of the social security systems for retirement protection in selected places (cont'd)

	Canada	Japan		Singapore	Hong Kong
Use of fund for other purposes	• Not allowed	• Not allowed		• Savings in the Fund can be used for the following purposes • homeownership • healthcare • education • insurance • investment	• Not allowed
Protection for retirement	• Retirement Pension	• Old-age Basic Pension • Additional Old-age Pension	• Old-age Employees' Pension	• Withdrawal of savings at the age of 55 • Setting aside the Minimum Sum and a required amount in the Medisave Account	• Withdrawal of savings at the age of 65 • Early withdrawal at the age of 60 is allowed
Protection for disability	• Disability Benefit • Benefit for dependent children of Disability Benefit recipients	• Disability Basic Pension	• Disability Employees' Pension • Disability Allowance	• Early withdrawal is allowed when a participant becomes permanently disabled,	• Early withdrawal is allowed when a participant becomes totally incapacitated

Table 9 – A comparison of the social security systems for retirement protection in selected places (cont'd)

	Canada	Japan		Singapore	Hong Kong
Protection for survivor	• Survivor's Pension • Benefit for dependent children of deceased participants • Death Benefit	• Survivors' Basic Pension • Widow's Pension • Death Benefit	• Survivors' Employees' Pension	• Early withdrawal is allowed when a participant dies	• Early withdrawal is allowed when a participant dies
Dealing with fiscal sustainability challenge	• Reform measures are introduced to make the Canada Pension Plan financially sustainable, e.g. raising contribution rates	• Reform measures are introduced to make the Employees' Pension Insurance Scheme and the National Pension Scheme financially sustainable, e.g. raising contribution rates		• Reform measures are introduced to make the Central Provident Fund financially sustainable, e.g. raising the amount of Minimum Sum and the required amount in the Medisave Account	• Professor Iris CHI recommends setting up a publicly-funded retirement scheme and improving the Mandatory Provident Fund Scheme

References

Canada

1. *1998 Changes to the Canada Pension Plan.* (2004) Available from: http://www.sdc.gc.ca/en/isp/cpp/cppchanges.shtm [Accessed 17 April 2005].

2. *Calculation of the Retirement Pension: An example showing how a retirement pension is calculated.* (2005) Available from: http://www.rrq.gouv.qc.ca/an/services/Publications/calculRenteAn.pdf [Accessed 2 June 2005].

3. *Canada Pension Plan.* (2005) Available from: http://www.sdc.gc.ca/asp/gateway.asp?hr=/en/isp/pub/overview/cpp.shtml&hs=ozs [Accessed April to June 2005].

4. *Canada Pension Plan Act.* Available from: http://laws.justice.gc.ca/en/C-8/text.html [Accessed 9 May 2005].

5. *Canada Pension Plan Investment Board Act.* Available from: http://laws.justice.gc.ca/en/C-8.3/text.html [Accessed 9 May 2005].

6. *Canada Pension Plan-Payment Rates.* (2005) Available from: http://www.sdc.gc.ca/en/isp/pub/factsheets/rates.shtml [Accessed 2 June 2005].

7. *Canada Pension Plan Investment Board*. (2005) Available from: http://www.cppib.ca/who/index.html [Accessed May to June 2005].

8. Canada Revenue Agency. (2004) *CPP Pensionable earnings ceiling for 2005 up to $41,100.* Available from: http://www.cra-arc.gc.ca/newsroom/releases/2004/oct/1020ottawa2-e.html [Accessed 19 June 2005].

9. Human Resources Development Canada. (2003a) *Canada Pension Plan-Credit Splitting upon Divorce or Separation.* Available from: http://www.sdc.gc.ca/en/isp/pub/factsheets/creditsplit.pdf [Accessed 11 May 2005].

10. Human Resources Development Canada. (2003b) *Canada Pension Plan-Sharing Your Pension for Possible Tax Savings.* Available from: http://www.sdc.gc.ca/en/isp/pub/factsheets/sharing.pdf [Accessed 11 May 2005].

11. *Income Security Programs Information Card.* (2005) Available from: http://www.sdc.gc.ca/en/isp/statistics/aprjun05.shtml [Accessed 19 June 2005].

12. Office of the Chief Actuary. (2004) *Actuarial Report (21st) on the Canada Pension Plan as at 31 December 2003*. Available from: http://www.osfi-bsif.gc.ca/app/DocRepository/1/eng/oca/reports/21/CPP2104_e.pdf [Accessed 6 May 2005].

13. *A Report on Plans and Priorities 2005-2006 Estimates, Social Development Canada*. (2005) Available from: http://www.tbs-sct.gc.ca/est-pre/20052006/SDC-DSC/SDC-DSCr56-Pr_e.asp?printable=True [Accessed 28 May 2005].

14. *Securing the Canada Pension Plan: Agreement on the Proposed Changes to CPP*. (1997) Available from: http://www.cpp-rpc.ca/sec/secure.pdf [Accessed 11 May 2005].

15. Social Development Canada. (2004a) *Canada Pension Plan-Disability Benefits* Available from: http://www.sdc.gc.ca/en/isp/pub/cpp/disability/benefits/disability.pdf [Accessed 11 May 2005].

16. Social Development Canada. (2004b) *Canada Pension Plan-Survivor Benefits.* Available from: http://www.sdc.gc.ca/en/isp/pub/cpp/survivor/survivor.pdf [Accessed 11 May 2005].

17. Social Development Canada. (2004c) *Are you receiving a pension from the Government of Canada? Do you live outside Canada?* Available from: http://www.sdc.gc.ca/en/isp/pub/nontax.pdf [Accessed 11 May 2005].

18. Social Development Canada. (2005) *Canada Pension Plan-Retirement Pension.* Available from: http://www.sdc.gc.ca/en/isp/pub/factsheets/retire2005.pdf [Accessed 11 May 2005].

19. *The History of Canada's Public Pensions.* (2002) Available from: http://www.civilization.ca/hist/pensions/cpp1sp_e.html [Accessed May to July 2005].

<u>Japan</u>

20. *The Basic Law on Measures for the Ageing Society (Law No.129, 1995)* Available from: http://www8.cao.go.jp/kourei/english/measure/kihon-e.html [Accessed 20 June 2005].

21. Cabinet Office, Japan. (1996a) *Changes in the Public Pension System.* Available from: http://www8.cao.go.jp/hoshou/whitepaper/nenkin/5/english/2/1.html [Accessed 20 June 2005].

22. Cabinet Office, Japan. (1996b) *The Public Pension System.* Available from: http://www8.cao.go.jp/hoshou/whitepaper/nenkin/5/siryou-e/ [Accessed 20 June 2005].

23. Cabinet Office, Japan. (2002) *General Principles Concerning Measures for the Aged Society.* Available from: http://www8.cao.go.jp/kourei/english/measure/e-taiko2.html [Accessed 20 June 2005].

24. Cabinet Office, Japan. (2005) *Annual Report on the Ageing Society 2004.* Available from: http://www8.cao.go.jp/kourei/english/annualreport/2004/04wp-e.html#index [Accessed 20 June 2005].

25. *City of Yokohama.* (2004) Available from: http://www.city.yokohama.jp/me/naka/contents/english/life/finance/pension.html [Accessed 4 July 2005].

26. *Government Pension Investment Fund* (n.d.) Available from: http://www.gpif.go.jp/e-index.html [Accessed 23 June 2005].

27. Japan Center for Economic Research. (2004) *Examination of Public Pension Reform.* Available from: http://www.jcer.or.jp/eng/[Accessed 22 June 2005].

28. Liu, Lillian. (2001) Public Pension Reform in Japan. *Social Security Bulletin.* 63(4) September. Available from: http://www.findarticles.com/p/articles/mi_m6524/is_4_63/ai_79439855 [Accessed 23 June 2005].

29. Ministry of Finance. (2005) *An Outline of Japanese Taxes 2004.* Available from: http://www.mof.go.jp/english/tax/taxes2004e.htm [Accessed 22 June 2005].

30. Ministry of Health, Labour and Welfare. (1999a) *Structure and History of the Public Pension Schemes.* Available from: http://www.mhlw.go.jp/english/wp/wp-hw/vol2/p2c10.html [Accessed 20 June 2005].

31. Ministry of Health, Labour and Welfare. (1999b) *Social Security's Development History.* Available from: http://www.mhlw.go.jp/english/wp/wp-hw/vol1/p1c1s1.html [Accessed 20 June 2005].

32. Ministry of Health, Labour and Welfare. (2004a) *Overview of the Pension System in Japan.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37d1.pdf [Accessed 5 May 2005].

33. Ministry of Health, Labour and Welfare. (2004b) *History of the Public Pension System.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37d2.pdf [Accessed 5 May 2005].

34. Ministry of Health, Labour and Welfare. (2004c) *Structure of Public Pension Schemes.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37d3.pdf [Accessed 5 May 2005].

35. Ministry of Health, Labour and Welfare. (2004d) *Public Pension Schemes Issue.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37d4.pdf [Accessed 5 May 2005].

36. Ministry of Health, Labour and Welfare. (2004e) *Management of the Pension Reserve Fund.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37d5.pdf [Accessed 5 May 2005].

37. Ministry of Health, Labour and Welfare. (2004f) *Actuarial Affairs of Pension System.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37d6.pdf [Accessed 5 May 2005].

38. Ministry of Health, Labour and Welfare. (2004g) *Overview of the Corporate Pension.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37d7.pdf [Accessed 5 May 2005].

39. Ministry of Health, Labour and Welfare. (2004h) *Clerical Operation of the Pension System.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37d8.pdf [Accessed 5 May 2005].

40. Ministry of Health, Labour and Welfare. (2004i) *Outline of the Japanese Pension System.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37h.pdf [Accessed 5 May 2005].

41. Ministry of Health, Labour and Welfare. (2004j) *Outline of the National Pension Law.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37e.pdf [Accessed 5 May 2005].

42. Ministry of Health, Labour and Welfare. (2004k) *Outline of the Employees' Pension Insurance Law.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37f.pdf [Accessed 5 May 2005].

43. *Ministry of Health, Labour and Welfare.* (2005) Available from: http://www.mhlw.go.jp/english/index.html [Accessed May to July 2005].

44. Ministry of Health, Labour and Welfare. (2005a) *Outline of 2004 actuarial valuation on Employees' Pension Insurance and National Pension in Japan.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37k.pdf [Accessed 5 May 2005].

45. Ministry of Health, Labour and Welfare. (2005b) *Basic Concept of Japanese Public Pension System.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37b.pdf [Accessed 5 May 2005].

46. Ministry of Health, Labour and Welfare. (2005c) *Brief Overview of 2004 Pension Plan Revision.* Available from: http://www.mhlw.go.jp/english/org/policy/dl/p36-37a.pdf [Accessed 22 June 2005].

47. Odaka, Konosuke. (2002) *The Evolution of Social Policy in Japan.* Available from: http://siteresources.worldbank.org/WBI/Resources/wbi37202.pdf [Accessed 21 June 2005].

48. Ohno, Yoshinori. (2004) *Overview of the Japanese Public Pension System and the Pension Reform in 2004.* Available from: http://aging.senate.gov/public/_files/hr123yo.pdf [Accessed 21 June 2005].

49. Tajika, Eiji. (2002) *The Public Pension System in Japan: The Consequences of Rapid Expansion.* Available from: http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN020062.pdf [Accessed 20 June 2005].

50. Tokyo Metropolitan Government. (2004-2005) *Pension System*. Available from: http://www.metro.tokyo.jp/ENGLISH/RESIDENT/LIVINGIN/contents8.htm [Accessed 24 June 2005].

51. Usuki, Masaharu. (2005) *Outsourcing Public Pension Investment to Private Sector Managers – The Case of Japan.* Available from: http://www.oecd.org/dataoecd/37/62/34722568.PDF [Accessed 20 June 2005].

<u>Singapore</u>

52. *50 Years of Central Provident Fund.* (2005) Available from: http://www.cpf.gov.sg/cpf_info/CPF50Ann/menu.htm [Accessed May to July 2005].

53. Asher, Mukul G. (2004) *Retirement Financing in Singapore.* Available from: http://www.assetbuilding.org/AssetBuilding/Download_Docs/Doc_File_1107_1.pdf [Accessed 20 May 2005].

54. *CPF Investor Education.* (2005) Available from: http://www.cpf.gov.sg/cpf_info/ie/iegoto.asp?page=IE_sitemap.asp [Accessed 30 June 2005].

55. *Central Provident Fund Act.* Available from: http://statutes.agc.gov.sg/non_version/cgi-bin/cgi_retrieve.pl?&actno=Reved-36&date=latest&method=part [Accessed 1 June 2005].

56. Central Provident Fund Board. (2004) *Central Provident Fund Board Annual Report 2003.* Available from: http://www.cpf.gov.sg/cpf_info/Cor_info/AR2003.pdf [Accessed 10 June 2005].

57. Central Provident Fund Board. (2005a) *Employers' Handbook.* Available from: http://www.cpf.gov.sg/cpf_info/Publication/employer.pdf [Accessed 27 June 2005].

58. Central Provident Fund Board. (2005b) *A Guide to Medisave.* Available from: http://www.cpf.gov.sg/cpf_info/Publication/medisave.asp [Accessed 29 June 2005]

59. Central Provident Fund Board. (2005c) *MediShield/MediShield Plus Handbook.* Available from: http://www.cpf.gov.sg/cpf_info/Publication/medishield.asp [Accessed 29 June 2005].

60. Central Provident Fund Board. (2005d) *Education Scheme.* Available from: http://www.cpf.gov.sg/cpf_info/Publication/education.asp [Accessed 29 June 2005].

61. Central Provident Fund Board. (2005e) *Dependants' Protection Scheme.* Available from: http://www.cpf.gov.sg/cpf_info/Publication/dependent.asp [Accessed 29 June 2005].

62. Central Provident Fund Board. (2005f) *CPF Non-Residential Properties Scheme Handbook.* Available from: http://www.cpf.gov.sg/cpf_info/Publication/nonresprop.asp [Accessed 18 June 2005].

63. Central Provident Fund Board. (2005g) *Minimum Sum Scheme Handbook.* Available from: http://www.cpf.gov.sg/cpf_info/Publication/minsum.asp [Accessed 30 June 2005].

64. *Central Provident Fund Board.* (2005) Available from: http://www.cpf.gov.sg/cpf_info/home.asp [Accessed May to July 2005].

65. Central Provident Fund Board News Release on 10 May 2005. Available from: http://www.cpf.gov.sg/cpf_info/News/PressRel/N_10MAY2005.asp [Accessed 13 June 2005].

66. Khan, Habibulla. (2001) *Social Policy in Singapore: A Confucian Model*. Available from: http://siteresources.worldbank.org/WBI/Resources/wbi37165.pdf [Accessed 2 May 2005].

67. Lee, Kuan Yew. (2000) *From Third World to First: The Singapore Story: 1965-2000.* New York, Harper Collins Publishers.

68. Low, Linda and Choon, Aw Tar. (2004) *Social Insecurity in the New Millennium: The Central Provident Fund in Singapore.* Singapore, Marshall Cavendish International (Singapore) Private Limited.

69. Ministry of Health. (2005) *FAQs on ElderShield*. Available from: http://www.moh.gov.sg/corp/financing/eldershield/faqs.do [Accessed 29 June 2005].

70. *my cpf*. (2005) Available from: http://www.cpf.gov.sg/mycpf/mycpfhome.asp [Accessed June to July 2005].

71. Ng, Edward. (2000) Central Provident Fund in Singapore: A Capital Market Boost or a Drag? In: Asian Development Bank. *Rising to the Challenge in Asia: A Study of Financial Markets: Volume 3 - Sound Practices*. Available from: http://www.adb.org/Documents/Books/Rising_to_the_Challenge/Sound_Practices/sing-cpf.pdf [Accessed 26 June 2005].

72. *Singapore Budget 2005*. (2005) Available from: http://www.mof.gov.sg/budget_2005/budget_speech/downloads/index.html [Accessed 17 June 2005].

<u>Hong Kong</u>

73. Chi, Iris. (2004) *Retirement Income Protection in Hong Kong.* Paper presented at the International Conference on Pensions in Asia: Incentives, Compliance and their Role in Retirement, 23-24 February 2004.

74. Chief Executive. (2003) *Responsibilities of the Financial Secretary and the Secretary for Financial Services and the Treasury.* Available from: http://www.info.gov.hk/fso/pdf/fs-sfst_e.pdf [Accessed 6 July 2005].

75. Financial Secretary. (2003) *Policy Objectives in Financial Affairs and Public Finance.* Available from: http://www.info.gov.hk/fso/pdf/fs-pobj_e.pdf [Accessed 6 July 2005].

76. *Financial Services Branch, Financial Services and the Treasury Bureau.* (2005) Available from: http://www.fstb.gov.hk/fsb/aboutus/policy/index.htm [Accessed 6 July 2005].

77. Health and Welfare Bureau. (2001) *Financial Support for Older Persons.* Paper submitted to the Panel on Welfare Services of the Legislative Council for discussion on 9 July 2001. LC Paper No. CB(2)2022/00-01(03).

78. Health, Welfare and Food Bureau. (2004) *Policy Initiatives of Health, Welfare and Food Bureau (HWFB).* Paper submitted to the Panel on Welfare Services of the Legislative Council for discussion on 9 January 2004. LC Paper No. CB(2)930/03-04(01).

79. Health, Welfare and Food Bureau. (2005) *Policy Initiatives of Health, Welfare and Food Bureau (HWFB) for 2005.* Paper submitted to the Panel on Welfare Services of the Legislative Council for discussion on 20 January 2005. LC Paper No. CB(2)659/04-05(01).

80. Legislative Council Secretariat. (1997a) *Research Paper on the Hong Kong and Australian Pension Systems: An Overview*. LC Paper No. RP03/PLC.

81. Legislative Council Secretariat. (1997b) *Research Paper on the Hong Kong and Australian Pension Systems: The Role of the Government*. LC Paper No. RP05/PLC.

82. Legislative Council Secretariat. (2005) *Research Paper on the Social Security System in Support of the Elderly in Poverty in Selected Places*. LC Paper No. RP06/04-05.

83. Mandatory Provident Fund Schemes Authority. (2004) *Annual Report 2003-2004.* Available from: http://www.mpfahk.org/main.asp?nodeID=69&langNo=1 [Accessed 5 July 2005].

84. *Mandatory Provident Fund Schemes Authority.* (2005) Available from: http://www.mpfahk.org/index.asp?langid=1 [Accessed June to July 2005].

85. Mandatory Provident Fund Schemes Authority. (2005) *Implementation of Mandatory Provident Fund System Progress Report as at the end of May 2005.* Paper submitted to the Panel on Manpower of the Legislative Council. LC Paper No. CB(2)1863/04-05(01).

86. *Mandatory Provident Fund Schemes Ordinance.* Available from: http://www.legislation.gov.hk/blis_export.nsf/home.htm [Accessed 6 July 2005].

87. Yeh, Jason. (2004) Retirement Schemes and the Mandatory Provident Fund. In: Ho, Simon S.M., Scott R.H. and Wong K.A. (ed.) *The Hong Kong Financial System: A New Age.* Hong Kong, Oxford University Press.

88. 呂汝漢:《認識强積金》，翰林院出版社 2000 年 7 月版。

Others

89. Organisation for Economic Co-operation and Development. (2000) *Reforms for an Ageing Society*. Paris, Organisation for Economic Co-operation and Development.

90. Organisation for Economic Co-operation and Development. (2001) *Ageing and Income: Financial Resources and Retirement in 9 OECD Countries.* Paris, Organisation for Economic Co-operation and Development.

91. *Social Security Programs Throughout the World.* (2005) Available from: http://www.ssa.gov/policy/docs/progdesc/ssptw/ [Accessed April to July 2005].

92. *UN Programme on Ageing.* (2004) Available from: http://www.un.org/esa/socdev/ageing/ [Accessed June to July 2005].

93. The World Bank. (1994) *Averting the Old Age Crisis: Policies to Protect the Old and Promote Growth.* New York, Oxford University Press.