FRIDAY, 8 March 2019

irfa dispatch

THE RETIREMENT INDUSTRY NEWSLETTER

TABLE OF CONTENT

LOCAL NEWS

Funding your retirement property – how prepared are you?

Whilst in the midst of raising a family, everyday life and its accompanying financial challenges distract us from contemplating our future when we need to seriously think about scaling down our lifestyle as we approach retirement. We seldom give enough thought to the 'golden years' and, in particular, considering the purchase of that retirement property, which in most cases could be difficult to secure.

Leading wealth and financial advisory firm GTC cautions that acquiring a property - for pensioners - requires careful and timeous planning to prepare for and sustain a consistent retirement income.

"In our interaction with retirees or people about to enter retirement, we find that many savers have given insufficient thought to the purchase costs and ongoing running expenses of a retirement property, and subsequently they have not done enough to transition their financial planning from a monthly salary into a sustainable and sufficient retirement income. In some cases, retirees have received absolutely no guidance or – even worse – the advice provided has been inappropriate. The consideration of the purchase of a retirement home is not as simple as selling your large family home and buying a smaller one with the proceeds – it is rather the additional costs related to retirement living which often trip up retirees and reduce their net monthly income in the pension years," says Andrew Edwards, consultant at GTC.

According to Edwards, the biggest factor influencing the funding requirements for a retirement property is determined by the type of property that retirees wish to reside in, and whether - or not - it is important to have ownership.

"We believe that retirement property planning should receive specific attention early on in the accumulation phase of your savings lifecycle. It is recommended that individuals ensure that some retirement planning has been considered when you are in your mid-fifties and definitely at least before turning 60. Even if you are not sure whether you would want to relocate to another property, or which type of property or ownership model this would be, it is crucial to raise the issue of retirement living with your financial advisor in order to incorporate this planning into your retirement income requirements," he says.

South Africa suffers from a huge shortage of accommodation for the elderly and - according to Arthur Case, CEO of Evergreen Lifestyle – waiting lists for retirement homes are really long and it can take five to 10 years before someone finds a place.

There are numerous options for retirement living, including relocating to a smaller property in the same area, purchasing a property at the seaside or a more rural area, moving abroad or into a lifestyle village with assisted living.

"These choices are influenced by each individual's circumstances with different factors affecting their funding strategies, though there are some universal factors to consider when planning for retirement living, to ensure that your choices are not impeding your future income stream or putting strain on family relations," says Edwards.

Capital funding

The most important of these factors is deciding on whether to buy or rent a property, and whether the primary home should be sold – or even possibly rented out - to fund retirement living, or whether it should remain in the estate for inheritance.

"If you are planning to buy a new property – whether this be freestanding full title homes, sectional title, life rights or even share block options in a retirement village – it is crucial to remember that borrowing money for pensioners is often quite difficult and costly, due to the age of the borrower, and uncertainty regarding the repayment. While the National Credit Act does not allow for borrowers to be discriminated against due to their age, banks are generally more reluctant to lend to pensioners and this would also be considered poor financial planning to borrow so late in one's life," says Edwards.

If mortgage financing is required, it may be an option to purchase a second property well before retirement, when financing is more readily available.

"Upon retirement, the balance of the mortgage can be settled by selling the primary family home. Alternatively, after selling their larger family home, pensioners should opt to buy their retirement property for cash, avoiding the burden of mortgage payments as a pensioner."

If the retirees decide it is important to keep the family home in the estate for their beneficiaries, they will not have access to this portion of capital upon retirement and may have to rely on pension fund lump sums or other maturing investments.

Monthly costs

Secondly, retirees need to provide for the ongoing maintenance costs associated with whichever type of property they relocate to.

“Property ownership in retirement villages, or in lifestyle estates, often comes with ongoing monthly levies and fees, associated with property upkeep, such as cleaning and maintenance. Owners or renters also need to take these into account in their monthly planning and budgets. If you are purchasing a property that does not include these items in its levies, additional financing needs to be available to cover these expenses,” says Edwards.

Those pensioners who opt to move abroad should consider the implications of currency conversion rates in the funding of their homes in a different currency, as well as the probable fluctuating cost of providing for living expenses, levies and retirement care-givers, to name but a few of the expenses which will form part of their retirement budget.

“Carers in South Africa - depending on whether they are employed by Government or privately employed - and also on their skill levels - earn on average between R2 600 and R6 900 per month. Their availability and affordability is often taken for granted in South Africa. These are often substantially more in other countries where the minimum wage is higher than that in SA. The requirement to have, and pay for, a carer in your later years, has a significant impact on monthly retirement income streams.”

Financing options

Thirdly, pensioners need to think very carefully about the funding mechanisms they choose to finance their retirement property.

“There are some products that allow for pensioners to borrow money, but these are often costly due to the higher risk that retirees are deemed to be and may require children to act as guarantors in the event of the parents not being able to finance the loan.”

Rather than incur debt that may eat into your retirement capital, or put strain on family relations, Edwards advises that savers consider all these factors influencing retirement properties very carefully, well before retirement.

“Once these elements are considered, an expert can guide you on how much capital you would need for your ideal retirement property and lifestyle, as well as the best way to finance this. When you have a general idea of the cost of the property and its associated ongoing expenses, you can decide whether you are prepared to set aside an additional amount per month to fund your home, if needs be, or whether you have the capacity to service another mortgage before retirement.”

Alternatively, if you find your current savings do not allow for your ideal home and you are unable to add to your existing level of retirement funding, you can expect your financial advisor to begin guiding you through adjusting your expectations for retirement living based on your financial reality.

“Regardless of which type of property works for you, the key is to start thinking and talking about your ideal retirement living situation early in your financial planning and savings cycle, and to incorporate the above factors in your funding planning to avoid disrupting your pension income due to unplanned expenditure,” concludes Edwards.

FA News | 6 March 2019

3 steps in the right direction for retirement savings

As of this week, South Africans who are members of a pension or provident fund will hopefully start to feel the impact of three new regulations on their retirement savings.

These so-called default regulations came into effect on 1 March 2019 and affect three important areas of retirement saving: how your contributions are invested while you are accumulating savings (Regulation 37 of the Pension Funds Act), how easy it is to leave your savings invested when you change jobs (Regulation 38) and the options you have available to convert your retirement savings into a monthly pension for life when you retire (Regulation 39). Members will also benefit from retirementbenefits counselling to provide information and explain the implications of these default options.

The significance of Regulation 39

Twané Wessels, a member of the Investments Committee of the Actuarial Society of South Africa (ASSA), says in terms of National Treasury's Regulation 39 of the Pension Fund Act, all retirement funds are now required by law to assist retiring members with solutions to enable them to convert their accumulated savings into a sustainable retirement income.

She says the aim is to make it easier and cheaper for retirement fund members to buy retirement income solutions that will help them achieve a sustainable income for life. She says the default options put in place by retirement funds could consist of guaranteed life annuities (including with-profit annuities), living annuities, or a combination of both.

Wessels says while this is the first step in what will be a long journey to enable a better later life for South Africa's pensioners, it is certainly a step in the right direction.

"The introduction of annuity strategies will go a long way in assisting South Africans with the biggest financial decision of their lives, which is what to do with their hard-earned life-savings when they reach retirement," notes Wessels.

The new regulations place a strong emphasis on the sustainability of retirement income. Wessels says it will assist in alleviating an enormous burden on the Government.

According to the South African Social Security Agency there were 3.5 million old age grants in payment at the end of December 2018 totalling about R70.5 billion for the year. "This is an enormous burden on the State, and at the same time the R1 780 per month old age grant does not necessarily provide much relief to the country's pensioners," says Wessels.

Tough financial decisions at retirement

Wessels says generally retirees hope to achieve two goals when retiring from their retirement funds. The first is to have sufficient monthly income to be able to meet their needs in retirement. The second is to provide for a death benefit for beneficiaries.

Individuals retiring from a retirement fund are allowed to take some (if a pension fund) or all (if a provident fund) of their savings as a lump sum. However, the reality is that the universal need for people in retirement is not a lump sum but rather an inflation adjusted monthly income. To provide such a monthly income using their accumulated savings, members have three choices: buy a life annuity, a living annuity, or opt for a combination of the two options.

She says while this sounds simple and straightforward, it is not. “Circumstances and financial needs differ from individual to individual and the choices made at and during retirement will determine whether a retirement income lasts for the rest of a person’s life or whether the capital is depleted and the pensioner has to then rely on the Government grant or family support or both.”

Unfortunately, according to Wessels, many South Africans who did not save enough for their retirement are opting for living annuities because of the ability to draw a higher income in the early years of retirement and because there is the hope that something could be left for beneficiaries.

Wessels says research by actuaries John Anderson and Steven Empedocles explored the question of combining a life annuity with a living annuity.

The two actuaries made the important point that basing a retirement strategy on the expectation of a death benefit is a double edged sword as the death benefit is a positive feature only as long as there is capital remaining. However, the key risk with living annuities is running out of capital. Once this has happened, the death benefit turns negative. Instead of leaving a death benefit to beneficiaries pensioners become dependent on their families or the Government.

Wessels says the majority of retirees can better meet their financial goals in retirement by allocating all or some of their savings to a life annuity and allowing an insurer to manage the various risks associated with providing a sustainable lifetime income.

“Where retirees opt to use a portion of their retirement savings to buy a life annuity and invest the rest in a living annuity, the risk of depleting capital is managed. The retiree doesn’t have to draw down as much of their capital when markets have performed poorly, like we have seen over the last few years.”

She adds that the insurer would be managing the risks in the life annuity, and therefore the retiree does not have to be so conservative with the living annuity assets and is able to rather invest in more growth assets that are expected to provide a higher return. A life annuity can also be structured to suit individual circumstances by ensuring the benefit is paid for a minimum period even if you die (this adds a death benefit element to it) and by making sure that a portion of the annuity will continue to be paid to a surviving spouse or partner after your death.

Wessels points out that life annuities can be considered true insurance, while living annuities are a form of self-insurance. “You can self-insure if you have enough savings to do so. For example if you have a large amount of savings you don’t have to have car insurance as you can simply use those savings to replace your car in the event of something happening to your car.”

In the case of annuities, self-insurance means having enough capital to last as long as the pensioner lives, irrespective of how long that might be or what happens to investment markets. Unfortunately, says Wessels, the majority of pensioners do not have enough savings to self-insure the sustainability of their income for an uncertain lifespan.

She says rather than trying to compare and then choose between these two fundamentally different products, for some pensioners there is merit in considering a combination of the two annuity options.

How default options can make a difference

Wessels says while the lack of adequate savings for retirement remains a critical problem, default annuity options are likely to enable better decisions for the savings available to pensioners. “While retirees will still be able to use a financial adviser and opt for any of the products available on the broader market, retirement funds will from now on be required to provide quality, easy-to-access solutions supported by simple communication and guidance.”

Personal Finance | 6 March 2019

Pension Fund rapped for ignoring treating customers fairly rules

Members of pension funds must be kept appropriately informed before, during and after entering into contracts, the Pension Funds Adjudicator has warned.

Muvhango Lukhaimane said the National Treasury had introduced principles of Treating Customers Fairly (TCF) to guide the relationship between the financial industry and consumers.

“TCF requires entities to measure themselves as to whether or not in doing their business they are dealing fairly with the consumer by, inter alia, providing them with sufficient and clear information that will enable them to make informed choices when acquiring financial products,” she said in a recent determination.

Ms Lukhaimane said the Municipal Employees Pension Fund (first respondent) had not acted in keeping with the spirit of the TCF in a matter that came before her for adjudication. The complainant, CJ Modiba, was unhappy with the quantum of the withdrawal benefit paid to him following his exit from service at the Greater Sekhukhune District Municipality (second respondent).

The complainant was employed with the second respondent from 1 October 2007 to 29 February 2016. Following his exit from service, the complainant was paid a net withdrawal benefit of R276 150.64.

The complainant stated that he initially contributed to the Government Employees Pension Fund (GEPF) for 26 years and 9 months before his fund value of R800 000 was transferred to the first respondent. He averred that he contributed to the first respondent for nine years before he resigned from the second respondent. He indicated that his gross resignation benefit amounted to R478 000 and a net amount of R276 000 was paid to him.

The first respondent said the complainant had a transfer value from GEPF in the amount of R860 527.64 which was received by the fund on 31 August 2013. The transfer value bought 17 years and 3 months of service for the complainant and at the time of his resignation, the complainant had 20 years and 3 months total service in the fund.

The first respondent further submitted that the complainant had a total gross resignation benefit of R468 259.57. An amount of R106 319.63 was deducted in respect of a loan and income tax in the amount of R79 786.72 was also deducted and paid to the South African Revenue Services. A further amount of R5 902.58 was deducted in respect of arrear tax and a net benefit of R276 150.64 was paid to the complainant.

The first respondent provided an actuarial computation for the purchase of the complainant’s past service and a computation of the withdrawal benefit paid which reflects the complainant’s pensionable service and final pensionable salary.

Ms Lukhaimane agreed with the first respondent’s explanation for the reduced amount that was paid to the complainant.

However, she was critical that the first respondent had failed to inform the complainant that the transfer value was used to purchase the additional pensionable service from the GEPF. “This issue should have been disclosed to the complainant when he joined the first respondent so that he understands that at the point of exit it won’t simply be added to his withdrawal benefit.

“This result has been ruinous to say the least, in the complainant’s case. The first respondent has a duty to provide the complainant with relevant information relating to his benefits. “Further, the first respondent contravened the principles of Treating Customers Fairly By failing to disclose relevant information that affect a member’s fund value.

“However, the first respondent subsequently explained the pensionable service purchased with the transfer value and provided a computation thereof,” said Ms Lukhaimane and dismissed the complaint.

FA News | 7 March 2019 | Muvhango Lukhaimane, Pension Funds Adjudicator

The position and rights of trust beneficiaries

What you need to know

I bequeath the residue of my estate to my children. However, the benefit will be held in trust until the death of my spouse.

If the Average Joe reads this sentence in a will, they may for a fleeting moment wonder why no-one can write plain language contracts, but probably won’t spend much time pondering its implications.
Yet the clause may present those involved with a problem since it is unclear whether the trust that was set up in terms of the will is an ownership trust or a so-called ‘bewind’ trust (more about the difference later). While this may not seem important, it has a direct bearing on the position of trust beneficiaries.

The background

The rights of trust beneficiaries depend on the provisions of the trust instrument, explains Louis van Vuren, CEO of the Fiduciary Institute of Southern Africa (Fisa). A trust instrument refers to the way in which a trust is established – whether it is through an agreement or trust deed (in the case of the typical family trust), a will (in the case of a testamentary trust) or by way of a court order (where a trust is set up for the beneficiary of a Road Accident Fund claim).

It stands to reason that there should be clarity about why the trust is established and what position and rights beneficiaries should have. Where trust assets are owned by the trustees, the trust will be called an ownership trust, but if the beneficiaries own the assets, the trust will be known as a 'bewind', Van Vuren explains.

Trust beneficiaries can be identified by name in the trust instrument or may be members of a class of beneficiaries (the children of the deceased, for example). Who the beneficiaries are and what their rights are must be stipulated in the trust instrument, Van Vuren says.

"In the case of a testamentary trust [such as the example at the start of this article], the wording is of utmost importance in determining whether the trust created in the will is an ownership trust or a 'bewind'. If it is a 'bewind', the ownership of the inheritance vests in the beneficiaries and cannot be taken away by the trustees."

The wording is also important in determining what the rights of the beneficiaries are with regards to income and/or capital.

The beneficiaries in an ownership trust can have vested rights to benefits – in other words rights to income, capital or both. Or they can have contingent rights. In the latter case, the decision to distribute income and/or capital sits with trustees. The only 'right' beneficiaries have is to be considered for these benefits when the trustees decide to distribute the benefits, Van Vuren says.

Beneficiaries also have the right to proper administration by the trustees as well as the right to take part in decisions to amend the trust deed.

"Any beneficiary with a vested right to income and/or capital from a trust must agree to any decision to amend the trust deed. The same applies to any beneficiary who, although they have not received benefits yet, has indicated that they are aware of contingent rights and accept those rights."

Van Vuren says if a beneficiary believes trustees are not acting in their best interests and in line with their general fiduciary duty, they can sue for breach of trust. Beneficiaries also have a right to request the Master of the High Court to demand an account of their administration of the trust from the trustees.

Tax consequences

Van Vuren says although tax implications can become quite complex and expert advice may be required, the general rule is that income or capital gains that are vested in a beneficiary are attributed to that beneficiary for tax purposes and taxed in the beneficiary's hands, but investors should also consider the deeming provisions in Section 7 of the Income Tax Act and those in paragraphs 68 to 72 of the Eighth Schedule.

"It is also possible to distribute income to a beneficiary and have it taxed in the hands of the beneficiary but retain it in trust for the exclusive benefit of that beneficiary under a power granted to the trustees in the will. What must be borne in mind is that such income, as well as attributed capital gain, will be regarded as vested in the beneficiary and may then lose the insolvency protection afforded by a trust."

Moneyweb | **6 March 2019 | Ingé Lamprecht**

Should government tell you what to do with your retirement savings?

Or can it achieve the same outcome in other ways?

At the launch of its election manifesto in January, the ANC said that it intends to look at the introduction of prescribed assets to fund social and economic development. This would mean that retirement funds, and potentially other forms of investment, would have to invest in specific asset classes or securities set by the government.

This is hardly a new idea. For a long period up until 1989, when international investment into apartheid South Africa dried up, the government prescribed that pension funds had to invest 53% of all their assets into parastatals and government bonds.

It was not widely percevied to be a positive thing for individual investors then, and the return of the idea has not been welcomed by the industry now.

"I don't have numbers of what the returns were, but there was definitely an opportunity cost to investors at the time," says Malusi Ndlovu, general manager at Old Mutual Corporate Consultants. "Overall, limiting investment freedom is not a good thing. It creates artificial demand for certain asset classes and limits the amounts of money available for other asset classes, which has an impact on returns."

Nuanced approach

That doesn't, however, mean that the motivation behind the ANC's proposal is necessarily misplaced. There is no question that South Africa's enormous retirement savings pool has the potential to play a bigger role in developing the country. It must however do so in a way that does not pose a risk to the investors whose money it is.

This is because South Africa already has a retirement savings problem. Prescribing assets will undoubtedly impact on the long-term returns investors can expect and reduce their ability to retire comfortably. It will also make saving for retirement less appealing on the whole.
In other words, it would be exacerbating what is already a social problem in the hope of solving others. That would make no sense.

The government therefore needs to bring a more nuanced approach to the problem
"There is space to look at social outcomes," says Ndlovu. "The question is whether one does that through prescription or other policies. We think you can do it by making asset classes that are difficult to invest in, like infrastructure, easier to invest in."

Paul Boynton, head of alternative investments at Old Mutual Investment Group, points out that the country already has an excellent example of where this has happened – the Renewable Energy Independent Power Producer Procurement (REIPPP) Programme that has been through a number of bid windows and has sourced investment for over 100 projects.

"The renewable energy programme, despite its speed wobble with round four being held up, is a global success story," says Boynton. "If you are involved in renewable energy globally, you know about what's happening in South Africa because it's been such a well-run programme."

Creating incentives

This has shown conclusively that large amounts of capital, much of it from pension funds, can be freed up for economic development when the right incentives are created.

“Government can mobilise private sector capital without compelling it to invest in certain areas,” says Boynton. “It just needs to develop a competitive framework, where capital can see a reliable opportunity for investment. When that happens, you will see developers from around the world coming to South Africa to look at how they can get involved.”

Creating these kinds of opportunities produces a win-win situation for everybody. Pension funds can deliver returns for their members, development proejcts can source the funding they require, and the government can stimulate economic growth.

For large institutional investors, Boynton also believes that it is important to be cognisant of the wider reality in which they operating.

Ecosystem

“As big pension funds or participants in the South African economy, you have to see yourself as part of the ecosystem,” Boynton argues. “As a country we need to be more thoughtful about this.” This is because investing in infrastructure is not just an investment in itself. It can make a difference to the economic outcomes in the country as a whole. That, in turn, has knock-on effects that boost growth, lift company profits, and support returns across other parts of an investment portfolio as well.

“The World Bank has estimated that if we remedy the infrastructure deficit across Africa, we will add 4% to economic growth,” Boynton points out. “If you are a material participant – through your pension fund – in what is happening in the South African economy, then putting capital to work in some of these spaces can come back in many ways.” He believes this is something that more enlightened investors around the world are coming to recognise. “Investing in the ecosystem where you are not demanding a return only out of the investment you are making, but considering the systemic impact of what you are doing, is very important.”

Moneyweb | **8 March 2019 | Patrick Cairns**

Growing ESG Reporting Becomes A Priority For Investors – South Africa's Stats Look Promising

To celebrate International Women's Day, Refinitiv analyzed some of the gender related metrics in its environmental, social and governance (ESG) database. Highlighted below are five key ESG findings often integrated in the investment decision process.

1. Investors Consider Companies That Report Gender Metrics

Overall, on a global scale, we see companies more willing to report granular data on gender diversity than ever before. In the last five years, we have seen a 6% increase of companies reporting female manager numbers. Companies reporting female employee numbers is also seen as a positive sign for investors looking for transparency as now almost half of companies report on this metric globally.

Companies reporting gender metrics report that they have an average of 37% female managers and 52% female employees.

2. Changes At The Top

While still significantly underrepresented, in the last five years there has been improvement among women at board and executive levels. Little has changed at lower employee level however. The recent improvements at board and executive ranks reflect the increasing focus on gender diversity at the corporate leadership level, with a 5.57% increase in female executives between 2016-2017.

An analysis of the female composition of the workforce reveals the following:

• Female Board Members averaged 13.35% in the 2017 financial year compared to 11.34% in the 2013 financial year;

• Female Executives averaged 18.07% in the 2017 financial year compared to 12.17% in the 2013 financial year;

• Female Managers averaged 26.41% in the 2017 financial year compared to 24.75% in the 2013 financial year; and

• Female Employees averaged 34.92% in the 2017 financial year compared to 33.49% in the 2013 financial year.

3. The Corporate Ladder Gender Gap

There are still some significant barriers when it comes to promotion of women to more senior levels. In an ideal world, we would see comparable average percentages of female representation across all levels but the reality is starkly different. Using female employee percentages as a baseline for comparison against board, executive and non-executive levels, the gender gap is substantial at all levels.

The Gender Gap:

	US	Japan	Australia	UK	Canada	Taiwan	South Africa	China	Brazil	France
Female Board Members (%)	20.6	4.7	17.7	22.9	20.2	11.0	23.7	10.3	8.4	42.8
Female Executives (%)	15.1	1.3	17.9	15.5	13.7	13.7	20.3	10.6	8.6	14.4
Female Managers (%)	33.3	9.6	28.2	25.2	31.1	28.6	31.5	26.3	29.1	13.1

4. Gender Diversity By Region

When comparing countries with the highest GDP, Japanese companies with female board members, executives and managers are conspicuously absent. It is also worth noting that six of the top ten regions have a deficit in female executives, meaning it could be a challenge to keep the board level diverse in the future if there isn't a healthy pipeline of female executives to promote onto the board.

5. Gender Diversity By Industry

Our data shows that globally, gender composition of the workforce has changed over the years based on industry group. Although changes have been consistent in the top business sectors, we still see severe underrepresentation of female employees in industries that have been traditionally male dominated.

Top Five Business Sectors Ranked by Female Employee Percentage:

1. Drug and Food Retailing – 56.39%
2. Retailers – 55.90%
3. Insurance – 54.54%
4. Healthcare Services and Equipment – 51.51%
5. Banking and Investment Services- 49.42%

Bottom Five Business Sectors Ranked by Female Employee Percentage:

1. Mineral Resources – 15.39%
2. Automobile and Auto Parts – 17.73%

3. Chemicals – 19.73%
4. Applied Resources – 21.54%
5. Industrial Goods – 21.55%

The financial sector represents two of the top five economic sectors by female employment with the banking and investment services being ranked at the top by female employees and managers.
Some improvements have been seen by female employees in the retail sector appears in the top five for female employees, female managers and female executives. Insurance, and healthcare services and equipment industries show high representation in female employees and female board members; however, the healthcare services and equipment industry has had a gradual decrease in female managers over the last five years.

Another area to keep an eye on is STEM industries. The technology and engineering economic industries are not represented in the top five business sectors based on female employees. The only STEM business sector that has more than 40% female employees is pharmaceuticals and medical research. STEM is an area which has received a lot of controversy and attention for their lack of gender transformation in recent years and we are yet to see if they fulfil their commitment to have more female representation in the near future.

FA News | **8 March 2019**

INTERNATIONAL NEWS

Singapore set to raise retirement ages as seniors stay healthier

Retirement age in the country is currently 62.

Singapore may raise its retirement and re-employment ages as citizens enjoy more years of good health and demonstrate sustained productivity at work.

The retirement age, which is now at 62, and re-employment age, 67, are set to be raised, though the exact timing of the changes and by how much have yet to be determined, the country’s Minister of Manpower

Josephine Teo said in parliament on Tuesday. This comes after a working group comprising individuals from the government, labor unions and private sector in the city-state reached a consensus on the matter, she said. A higher retirement age will motivate both workers and employers to invest in skills upgrading and job redesign for older workers, while increasing the re-employment age will afford companies the flexibility to reset employment terms, like salary and job scope, to cope with business uncertainties, Teo said.

"We should carefully consider the timing and pacing of these moves," Teo said. "Countries looking to raise their retirement ages typically make their intentions known five to ten years in advance." She cited Denmark, where its retirement age is set to go up from 65 to 68 by 2030, over 11 years.

The Southeast Asian nation, grappling with an ageing population, has been attempting to ensure it remains a vibrant economy by limiting restrictions on high-skilled foreign labor as well as re-balancing its education system in order to attract investment and encourage enterprise.

Moneyweb | **6 March 2019 | Melissa Cheok, Bloomberg**