Minister hopes CPF Board can be ‘gatekeeper’ of funds

It should help members invest wisely: Ng Eng Hen

BY LYNN LEE

THE Central Provident Fund (CPF) Board can be more active in helping members invest their savings wisely so they have more funds when they retire.

Manpower Minister Ng Eng Hen, who said this yesterday, wants to see the board in the role of “gatekeeper” of members’ CPF savings.

For starters, it should review the criteria for admitting products to the CPF Investment Scheme, which has more than 400 funds members can invest in. These include unit trusts, bonds and fixed deposits. It should also make it cheaper for members to invest, he said when opening a social security conference organised by CPF Board.

In Sweden, for example, its Premium Pension Authority lets investment products in on the understanding that members will get a discount or rebate on what it costs them to invest in the fund.

The board could also step up education programmes and provide members with more information about the funds.

“We will also assess if products that do not continue to meet standards should be highlighted, so that members can be alerted early,” he said.

The CPF Investment Scheme, which began in 1986, has had mixed success.

Some $29 billion from members’ Ordinary and Special accounts were invested as of last December, but returns were not always satisfactory, Dr Ng said.

Members would have been better off leaving their savings in their Ordinary Accounts, and earn “risk-free” interest of at least 2.5 per cent yearly, he said.

A Standard & Poor’s study released in May made a similar point: Just 19 out of 78 funds or products beat the Special Account interest rate of 4 per cent over a one-year period.

Dr Ng listed possible reasons why the returns on investments were not up to par. The global economic downturn was a factor. Many investors also had not spread their risks by picking a range of products.

Hefty upfront sales charges alone with the fee that CPF members pay for having their investments managed also ate into the returns.

Dr Ng asked the board to consider seriously suggestions from the public last year after ideas for privately managed pension plans were shelved.

They wanted to see the board be more active in placing funds for investment. They believed it should take advantage of the sheer number of members to secure better investment deals.

Wealth management firm dollarDex’ chief executive Chris Firth said such a model could work. The challenge lay in having a scheme to cater to CPF members’ differing needs.

Singapore Management University associate professor of finance Annie Koh said members’ funds could be pooled and given to fund managers to invest. The board could set a target for the return on investment that these managers had to meet.

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