

Key Policy Issues in Establishing National Pension Fund (NPF)

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Key Policy Issues

- **Rationale for establishment of the NPF**
- **Objectives**
- **Features of the NPF**
- **Steps to be taken in the near future**

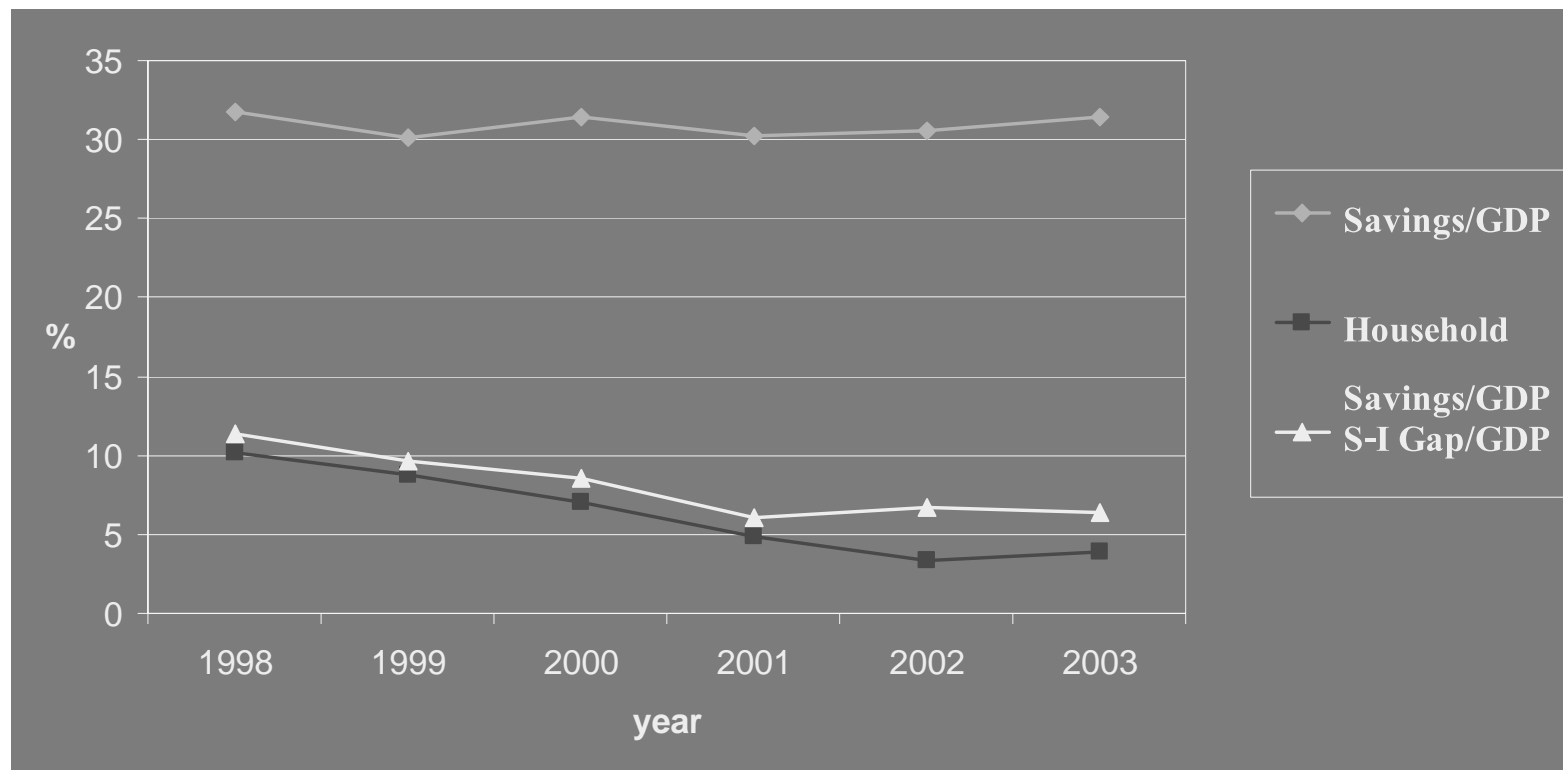
Rationale for Establishment of the NPF

- **Demographic Change**
 - Rapid aging of Thai population
 - Decreasing fertility rate
- **Insufficiency of Post Retirement Income**
 - Targeted at 50-60% of last month salary
 - Main current system (SSF) provides around 13% of last month salary
- **Low Coverage of The Current System**
 - Total labor force = 34.7 million
 - Only 9.63 million or 27.7% are covered in pension system

Rationales for Establishing NPF

■ Supporting Economic Growth

- Government policy to support investments in “Mega-Project”
- Need to stimulate savings to balance the S-I gap



Objectives

- **Ensure an adequate post - retirement income**
- **Create financial sustainability to the pension system**
- **Extend the coverage of the pension system**
- **Ensure the well being of Thai labor force**

Features of NPF

- **Covers all formal workers**
- **Operates on defined contribution basis**
- **Requires minimum contribution rate
at 3% each**
- **Manage by AMCs who received
license from SEC**

Target Coverage of NPF

Types of workers	Number of workers (million)
Private Employees	9.758
Government Officers	1.82
Government Permanent Employees	0.249
Government Temporary Employees	0.304
Independent and Local Administration Agencies	0.014
SOEs Officers	0.303
SOEs Permanent Employees	0.004
SOEs Temporary Employees	0.002
Total	12.454

Features of NPF (Cont.)

- **Retirement age will not be earlier than 55**
- **Tax incentive: EEE**
- **Establish a new independent
regulatory agency**

Next Steps

- **Establish a Preparation Committee for the Establishment of NPF, chaired by the Minister of Finance**
- **Establish sub-committees to**
 - **Draft the NPF Act**
 - **Design and propose the investment management framework of NPF**
 - **Design and implement public relation works**
- **NPF is expected to start the operation by January 1st, 2007**