



# NEWS RELEASE

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## **Factsheet - Dr Tony Tan's Announcement at the SAF Day Dinner for Senior Officers**

04 July 1997

### **BACKGROUND**

To have a strong SAF, MINDEF needs to recruit and retain sufficient numbers of good officers from each cohort. Past trends have shown that despite efforts to enhance the attractiveness of the SAF career, MINDEF is still falling short of its required recruitment and retention targets. If this trend continues, the future operational capability of the SAF will be affected.

### **CONSTRAINTS FACED BY MINDEF**

MINDEF's ability to recruit and retain officers is constrained by a number of factors unique to the Military Service. Firstly, the jobs in the SAF are onerous, and demanding. It requires discipline, commitment and sacrifice. Secondly, we can only recruit Singaporeans. Mid-career recruitment, except amongst ex-regulars, is almost impossible as officers have to move through every level of command.

Thirdly, to make the SAF into a world-class Armed Forces, we need to keep the SAF young, dynamic and vibrant. This "keep SAF young" policy means that most officers have to leave the organisation by about age 40 to 45 and this has an important bearing on the officer's decision to stay on longer with the SAF beyond their first 6 years in service.

### **FINDINGS**

To compensate for the above constraints, MINDEF has adopted the principle that the terms and conditions for SAF officers should be more than competitive with the market. To ensure that the SAF continues to get its fair share of talent, MINDEF has recently engaged the services of an established consultancy firm to review the career structure and overall

compensation package for SAF officers.

The study showed that the current SAF officers' compensation structure does not adequately address the needs of SAF officers and the unique nature of a military career. In particular, it was found that:

- a. Existing pension and gratuity arrangements are losing their effectiveness as retention tools given the competitive job market and the short and onerous nature of the SAF career;
- b. SAF officers' pay in the later stages of their careers tends to be less competitive when compared to private sector jobs on a job responsibility basis although they are competitive on an age cohort comparison basis;
- c. Non-cash benefits in the SAF are under-marketed due to poor packaging.

## **PROPOSED CHANGES**

To tackle the challenge of recruitment and retention, it is necessary to understand the needs and perceptions of SAF officers. For this purpose, the consultants has drawn up a 4-stage career model for SAF officers. The compensation package would be re-aligned to better address the needs of the officers at each of the 4 career stages. In particular, the following changes will be introduced by MINDEF :-

### **A. Savings and Employee Retirement Plan (SAVER)**

Owing to the policy to keep the SAF young, younger officers do not see any incentive to stay until the age of 40 to 45 when transition to a second career will be more difficult. About two-thirds of every cohort leave after the first contract to start a new career. Many of those who leave feel that the Pensionable Service(PS) scheme cannot adequately compensate them for the short career. Furthermore, they find the benefits of the scheme too distant and uncertain.

To compensate for the shorter career with the SAF, we should have a generous retirement package which will serve as a financial buffer. We will also make transition to a second career as smooth as possible by making sure that our officers are prepared for it and are financially secure to begin their second career. The SAVER is designed to achieve this and to reward servicemen who stay on.

Under the SAVER, MINDEF will contribute a certain percentage of the servicemen's salary into 3 accounts namely :-

- (a) CPF Top-up Account - SAF Officers will continue to enjoy a lower Employers' CPF contribution rate (15%). To ensure that they are comparable to someone in the private sector who is paid full CPF, they will receive a top-up in their CPF Top-up account up to the statutory limit. Officers who leave will have the full amount from this account credited to their CPF accounts.

(b) Savings Account - The officer can only claim a part of his Savings account if he leaves the SAF after a certain age. The longer he stays, the more he can withdraw. Basically, the intention is to deter officers from leaving the SAF early and to reward those who extend their service till the end of their second contract.

(c) Retirement- The retirement account seeks to attract good officers to stay on till retirement between ages 40 to 45. The contribution to this account begins shortly after contribution to the Savings account begins to fall.

#### B. Adjusting The Pay Of Officers In Selected Grades

In the SAF, an officer's career is compressed into a short 20-25 year timeframe where he is put into positions of great responsibility at a young age. The arrangement allows the SAF to test the suitability of junior officers in higher level jobs before promoting them to the higher rank. It is a good arrangement and MINDEF intends to continue with it. However, for officers who reach their terminal ranks [MAJ2 and LTC (Timescale)] and stagnate in salaries, we would extend their salary ranges so that these officers can look forward to higher salaries commensurate with the level of their jobs. However, only those who perform well would be able to progress to these additional points.

#### C. Flexi-Benefit Scheme

The SAF provides a wide spectrum of benefits to its servicemen. However, these benefits are often not well-utilised and appreciated by servicemen because of a lack of "choice" in the way the benefits are administered. To better address the personal needs of servicemen at each stage of their careers, MINDEF will be introducing a flexi- benefit scheme for our servicemen, which would be something new in the Civil Service.

### **CONCLUSION**

On top of all these, MINDEF will also be reviewing the career and performance management of officers in order to support these changes. With these changes we hope they will enable us to develop and retain the best officers to help lead the SAF into the 21st century.

News Release:

The SAF as a Choice Career (MINDEF\_19970701004.pdf)