

**2017 REVIEW OF SALARIES  
FOR PRESIDENT, PRIME  
MINISTER, SPEAKER,  
DEPUTY SPEAKER,  
POLITICAL APPOINTMENT  
HOLDERS AND MEMBERS  
OF PARLIAMENT**

**12 DECEMBER 2017**

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## **SECTION A: INTRODUCTION**

1 In 2011, the Prime Minister called for an independent committee to review the basis and level of political salaries. The Committee's recommendations were endorsed by Parliament in January 2012 and a new salary framework was introduced based on the White Paper on *Salaries for a Capable and Committed Government*. The White Paper also recommended appointing an independent committee every five years to ensure the relevance of the salary framework.

2 The Prime Minister appointed the 2017 salary review committee to assess whether the current salary framework is working and the adjustments required, if any (refer to Annex A for the list of committee members and the terms of reference for the committee).

3 This Report presents our Committee's recommendations on the salaries of the President, Prime Minister, Speaker of Parliament and political appointment holders, as well as the allowances of the Deputy Speaker of Parliament, Members of Parliament (MPs), Non-Constituency MPs (NCMPs) and Nominated MPs (NMPs).

## **SECTION B: RECOMMENDATIONS ON POLITICAL APPOINTMENT HOLDERS' PACKAGE**

### **Principles for Determining Ministerial Salaries**

4 The current framework is built on three key salary principles:

- (a) Salaries must be competitive so that people of the right calibre are not deterred from stepping forward to lead the country;
- (b) The ethos of political service entails making sacrifices and hence there should be a discount in the pay formula; and
- (c) There should be a "clean wage" with no hidden benefits.

The salaries should also be linked to the individual performance of political appointment holders, and the socio-economic progress of Singapore Citizens.

5 We agree that these principles remain relevant and should be retained. These principles form the cornerstone of a system that ensures competitive salaries while maintaining transparency and accountability.

## **Benchmark for Salaries**

6 The current total annual salary of an entry level Minister (i.e. MR4) is benchmarked to **60% of the median income of the top 1,000 earners who are Singapore Citizens**<sup>1</sup>. The top 1,000 earners across all professions reflect the calibre of the people Singapore needs for good government, while the 40% discount signifies the ethos of political service.

7 We agree with this benchmark as it strikes a good balance between paying competitive salaries and displaying the ethos of political service. We recommend continuing the use of this benchmark to determine the total annual salary of a Minister at the grade of MR4.

## **Pay Structure**

8 The current pay structure for the total annual salary of political appointment holders comprises the following salary components (see Table 1).

Table 1: Pay Components for Political Appointment Holders

<b>Component</b>	<b>Framework</b>
<b>Fixed Components</b>	
Monthly Pay	12 months
Non-Pensionable Annual Allowance (NPAA)	1 month; commonly known as 13 <sup>th</sup> month bonus or Annual Wage Supplement
<b>Variable Components</b>	
Annual Variable Component (AVC)	Mid-year and year-end payments paid to civil servants based on Singapore's economic performance. As with current civil service practice, the AVC ranges from 0 to 1.5 months. A typical AVC is 1 month. In years of exceptional economic performance, a one-off Special Variable Payment can also be made.
Performance Bonus	Varies with individual performance and is determined by PM. It ranges from 0 to 6 months and good performers will typically get 3 months.
National Bonus	Based on four socio-economic indicators with equal weights. No bonus is paid if the minimum levels of achievement for the indicators are not met. A bonus of 3 months will be paid if the targets for the four indicators are met. A maximum bonus of 6 months will be paid if targets are far exceeded <sup>2</sup> .

<sup>1</sup> The benchmark looks at Total Employment and Trade income (TEI) of the top 1,000 earners from all professions, i.e. incomes from all employment and trade of the individual. TEI includes monthly salaries, bonuses, commissions, stock options and partnership income but excludes unearned and passive forms of income, such as dividends, rent and interest.

<sup>2</sup> As there is no one to assess his individual performance, the Prime Minister receives a higher National Bonus in lieu of Performance Bonus. His variable pay comprises AVC ranging from 0 to 1.5 months and National Bonus ranging from 0 to 12 months.

9 Our view is that the current structure is simple and easy to understand. There are direct links to individual performance and national outcomes. All salary components are clearly spelt out with no hidden benefits. We recommend to retain the current pay structure for political appointment holders.

### National Bonus

10 The current National Bonus framework comprises four socio-economic indicators, namely Real Median Income Growth Rate for Singapore Citizens, Real Growth Rate of the Lowest 20<sup>th</sup> Percentile Income for Singapore Citizens, Unemployment Rate of Singapore Citizens and Real GDP Growth Rate.

11 We have reviewed the relevance of these indicators and recommend to retain the indicators as they adequately cover the spectrum of the Government's efforts at the macro-level. Real GDP Growth Rate tracks how well Singapore is growing economically as a country, and Unemployment Rate of Singapore Citizens tracks whether growth translates to jobs for Singaporeans. The income-related indicators reflect whether jobs translate to better income for all Singaporeans, including lower wage workers.

12 Besides the existing indicators, we also considered including indicators relating to *Professionals, Managers, Executives and Technicians (PMETs)* and *quality of life* but decided not to do so for the following reasons:

- (a) PMETs. PMETs comprise more than 50% of the workforce. However, the interests of PMETs are already accounted for by the current set of indicators (i.e. the median income growth and the overall unemployment rate).
- (b) Quality of Life. We have considered adding a social indicator to represent the citizens' quality of life or satisfaction. However, such an indicator would need to be robust, quantifiable and intuitive to accurately encapsulate this intangible and multi-faceted concept, and we have not been able to identify a satisfactory indicator.

13 The National Bonus component ranges from 0 to 6 months<sup>3</sup>. The four indicators each account for 25% of the National Bonus, and the extent of the attainment of the target levels set for each indicator determines the payout for each year. This means that under each indicator, the lowest bonus payout is 0 and the highest payout is 1.5 months.

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<sup>3</sup> As the Prime Minister receives National Bonus in lieu of Performance Bonus, his National Bonus ranges from 0 to 12 months. When the targets are reached, his National Bonus will be 6 months.

14 While keeping the four-indicator construct of the National Bonus framework, we have reviewed the target levels of these indicators to ensure that they continue to reflect the changing economic conditions and national outlook. Of the four indicators, we are of the view that the target levels of the real growth rate for median income and lowest 20<sup>th</sup> percentile income indicators remain appropriate in today's environment and take into account the Government's target to raise productivity by 2% to 3% per year. As for the other two indicators, we recommend that the target levels be adjusted, as follows:

- (a) Target Level for Unemployment Rate. We **propose to tighten the range from "4% - <4.5%" to "3.25% - <3.75%"**. Although it will remain a challenge to sustain unemployment rates at these historically low levels, we are of the view that a tighter range is in order as this is a key area that directly affects the lives of Singapore Citizens; and
- (b) Target Level for Real GDP Growth Rate. We **propose to adjust the range from "3% - <5%" to "2.5% - <4.5%"**. Although the expected GDP growth rate is 2% to 3% per year in the next decade, we are of the view that a range of "2.5% - <4.5%" is more rigorous. This reflects the importance of economic growth in providing the resources for achieving overall socio-economic well-being of the country and citizens.

The recommended National Bonus matrix is in Annex B.

### Grade Structure

15 There are currently four Ministerial grades (MR4 to MR1) giving the Prime Minister the flexibility to recognise the experience and seniority of his Ministers. Under this system, new Ministers enter service at the MR4 grade. Ministers of sufficient seniority and with outstanding performance can be appointed or promoted to the senior grades of MR3, MR2 and MR1. We recommend to retain the current grade structure as it provides sufficient flexibility to support progression and development.

### Proposed Pay Levels

16 We note that the Government has not made adjustments to the salary levels since the last review in 2011. The MR4 salary has been maintained at \$1,100,000, even though it has been consistently below the benchmark annually for the past 5 years (see Annex C).

## MR4 Minister Salary

17 Based on Inland Revenue Authority of Singapore (IRAS) YA2017<sup>4</sup> income data, the benchmark figure is \$1,224,700, i.e. the median income of the top 1,000 earners who are Singapore Citizens after 40% discount. Thus, we **recommend setting the annual salary for an entry level MR4 Minister at \$1,200,000**<sup>5</sup>. This represents his total annual salary package if 1 month AVC is paid in that year, he is a good performer and targets for the National Bonus indicators are met (please see illustration below). This would be an increase in salary of \$100,000 or 9% from the current MR4 salary (or a year-on-year increase of 1.5% between 2011 and 2017<sup>6</sup>).

<b>Annual Salary (S)</b>	=	<b>Fixed Pay (F)</b>	+	<b>Variable Pay (V)</b>
\$1,200,000	=	Monthly Salary (12 months) NPAA (1 month)	+	AVC (1 month) Performance Bonus (3 months) National Bonus (3 months)
	=	Total of <u>20</u> months, assuming he is a good performer and targets for the National Bonus indicators are met		

18 We are also of the view that by choosing not to close the benchmark gaps annually, the Government runs the risk of having a benchmark that loses relevance over time. Moreover, the benchmark formula already incorporates a 40% discount to reflect political ethos, and the political appointment holders should not be penalised with further gaps. We **recommend that the Government consider making annual adjustments according to benchmark movements to keep pace with market developments**. This would mean higher pay in a good year and lower pay in a bad year.

## Salary for Other Political Appointment Holders

19 The annual salary for all the other political appointment holders are set at a ratio to the MR4 annual salary, as shown in Table 2. Following the recommended adjustment to the MR4 annual salary, the annual salaries for the other appointments should similarly be adjusted. For a comparison between the current salaries and recommended salaries, please refer to Table 2.

<sup>4</sup> Year of Assessment (YA) 2017 refers to income earned in 2016.

<sup>5</sup> Rounded from the YA2017 IRAS salary benchmark data of \$1,224,700. There will be a 2% gap with benchmark after the proposed rounding.

<sup>6</sup> This refers to the compounded annual growth rate (CAGR) of the MR4 reference annual salary between 2011 and 2017. Over the same period, the CAGR of the median wage of Singapore Citizens is 4.5%.



Table 2: Recommended Annual Salaries

<b>Grade</b>	<b>Ratios compared with MR4</b>	<b>Annual Salaries* (2011 – current)</b>	<b>Recommended Annual Salaries*</b>
PM	2.00	\$2,200,000	\$2,400,000
DPM	1.70	\$1,870,000	\$2,040,000
MR1	1.60	\$1,760,000	\$1,920,000
MR2	1.40	\$1,540,000	\$1,680,000
MR3	1.20	\$1,320,000	\$1,440,000
MR4	1.00	\$1,100,000	\$1,200,000
SMS	0.85	\$935,000	\$1,020,000
MOS	0.70	\$770,000	\$840,000
Mayor	0.60	\$660,000	\$720,000
SPS	0.52	\$572,000	\$624,000
Parl Sec	0.38	\$418,000	\$456,000

\* **Annual Salaries** are based on the assumption of an AVC of 1 month, good individual performance and targets for the National Bonus indicators being met. The annual salaries comprise fixed pay of 13 months (monthly salary and 13<sup>th</sup> month bonus) and variable pay of 7 months (1 month AVC, 3 months Performance Bonus and 3 months National Bonus). PM receives a higher National Bonus in lieu of Performance Bonus (6 months National Bonus if the targets for the indicators are met).

### **Salary Range & Pay Flexibility**

20 The current structure provides a salary range for each grade. Appointment holders can be appointed on the same grade with differentiated salary points based on their seniority, experience and performance. This is consistent with HR practice in both the Singapore public and private sectors. We recommend to retain the current system of salary ranges.

21 In Table 2 above, the column “Recommended Annual Salaries” shows the reference annual salaries for each grade. These are the points from which the respective salary ranges are derived. The minimum and maximum points of the salary ranges can continue to be at 90% and 110% of the reference monthly salary<sup>7</sup> respectively.

22 For the entry MR4 grade, the minimum point is currently at 85% of the reference monthly salary to allow for a system where a new minister will be paid more only after he has served for a period and proven himself. We agree with this approach. We further recommend that **the minimum point for the MR4 salary range be adjusted from 85% to 80%** so that a new minister can be paid at about the same level as the current salary. Please see worked example below.

<sup>7</sup> The reference monthly salary is determined by dividing the reference annual salary by 20 months i.e. 13 months fixed components plus 7 months variable components.

### Worked Example – Entry Level Minister at MR4 Grade

Based on the MR4 reference annual salary of \$1,200,000, the reference monthly salary works out to \$60,000 (\$1,200,000 divided by 20 months). The minimum monthly salary is \$48,000 (80% of reference monthly salary) and the maximum monthly salary of an MR4 Minister would be \$66,000 (110% of reference monthly salary).

If the Prime Minister appoints a new Minister at the minimum salary point of the MR4 grade, the annual package of the Minister will then work out to \$960,000 (\$48,000 multiplied by 20 months).

The Prime Minister can also appoint an entry level Minister to be an Acting Minister on a lower grade below the MR4 range, e.g. an Acting Minister who is placed on the minimum salary point of the Senior Minister of State (SMS) grade. In this case, the annual package will work out to \$918,000 (\$45,900 multiplied by 20 months).

23 As there is no one to decide on the increments for the Prime Minister, we recommend that he continue to be on a fixed salary point pegged to two times the MR4 reference salary.

### **Only One Salary for More than One Appointment**

24 We recommend retaining the current practice of paying all political appointment holders one salary package as an appointment holder, even when they hold two or more portfolios.

## **SECTION C: RECOMMENDATIONS ON PRESIDENT'S PACKAGE**

25 The President is the Head of State. In this capacity, the President performs important constitutional, ceremonial and community roles. The President has significant custodial powers in terms of protecting the reserves and approving appointments of key personnel in the Public Service. Under the current framework, the monthly salary of the President is set equal to the reference monthly salary of the Prime Minister. The President's annual package comprises monthly salary, 13<sup>th</sup> month bonus and AVC<sup>8</sup>. We recommend to retain this salary pegging. The revised annual salary of the President should thus be \$1,680,000<sup>9</sup> (assuming 1 month AVC). This will be 70% of the reference annual salary of the Prime Minister.

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<sup>8</sup> The annual package excludes Performance Bonus and National Bonus as it recognises that the President does not set national policies and does not have direct executive responsibility for governing the country, except as it relates to his custodial role.

<sup>9</sup> The recommended reference monthly salary of the Prime Minister is \$120,000. The President will receive a monthly salary of \$120,000. The annual salary, assuming 1 month AVC, will be \$120,000 x 14 months = \$1,680,000.

## **SECTION D: RECOMMENDATIONS ON SPEAKER'S AND DEPUTY SPEAKER'S PACKAGES**

### **Speaker's Package**

26 The current annual salary of a full-time Speaker of Parliament is pegged to the MR4 reference annual salary. This salary pegging recognises the importance of the Speaker's roles as the presiding officer of Parliament, the representative of the Parliament in relations with other Parliaments, external bodies and visiting dignitaries, as well as the head of administration of Parliament and its Secretariat. We recommend to retain this salary pegging. The revised annual salary should thus be \$1,200,000 for a full-time Speaker (assuming 1 month AVC); or \$600,000 for a part-time Speaker<sup>10</sup>. The annual package comprises monthly salary, 13<sup>th</sup> month bonus and AVC.

### **Deputy Speaker's Package**

27 The full-time Deputy Speaker's annual allowance is currently pegged to 15% of a full-time Speaker's annual salary which is in turn pegged to the MR4 reference annual salary. It comprises monthly allowance, 13<sup>th</sup> month bonus and AVC. We propose to retain this pegging. The revised annual allowance should be \$180,000 (assuming 1 month AVC) for a full-time Deputy Speaker, and \$90,000 for a part-time Deputy Speaker<sup>11</sup>.

## **SECTION E: RECOMMENDATIONS ON MEMBERS OF PARLIAMENT'S PACKAGE**

28 The current annual allowance for MPs is pegged to 17.5% of the MR4 reference annual salary, comprising a monthly allowance, 13<sup>th</sup> month bonus and AVC. We propose to retain this pegging to recognise MPs' part-time work with dual roles. They hold a community-based role which involves looking after the needs of their constituents and raising their concerns in Parliament. The other is a legislative role in Parliament where they can influence decisions on government budgets and changes to legislation.

29 In line with the recommended adjustment to the MR4 reference annual salary, the annual allowance for MPs should be \$210,000<sup>12</sup> (assuming 1 month AVC).

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<sup>10</sup> We note that Parliament has previously decided that the salary for a part-time Speaker should be determined by applying a 50% discount to the salary of a full-time Speaker.

<sup>11</sup> Like the Speaker of Parliament, we note that Parliament imputes a 50% discount for the allowance of a part-time Deputy Speaker. The annual package for a part-time Deputy Speaker, assuming 1 month AVC, should thus be  $50\% \times 15\% \times \$1,200,000$  (MR4 reference annual salary) = \$90,000.

<sup>12</sup> The recommended annual MR4 reference salary is \$1,200,000. An MP's annual package, assuming 1 month AVC, should thus be  $17.5\% \times \$1,200,000 = \$210,000$ .

## **Non-Constituency MPs' and Nominated MPs' Packages**

30 The annual allowance for an NCMP and NMP is currently pegged at 15% of the MP's annual allowance. This reflects their smaller roles relative to MPs, as they do not have a community-based role and their legislative role is reduced in that they could not vote on government budgets and changes to legislation. The allowance is structured in the same way as the MP, i.e. they receive monthly allowance, a 13<sup>th</sup> month bonus and AVC.

31 We note that from April 2017, NCMPs have full voting rights in Parliament like MPs. They can now vote on government budgets and changes to legislation. We therefore recommend that the annual allowance of an NCMP be increased to 20% of the MP's annual allowance to recognise their bigger legislative role. An NCMP should receive an annual allowance of \$42,000<sup>13</sup> (assuming 1 month AVC).

32 As for NMPs, we propose to retain the current pegging, i.e. an NMP should receive an annual allowance of \$31,500<sup>14</sup> (assuming 1 month AVC).

## **SECTION F: RECOMMENDATIONS ON BENEFITS**

33 In line with the principle of clean wage, appointment holders do not receive benefits such as housing and cars for personal use or tax exemptions. Only the President, Prime Minister and Speaker of Parliament are accorded the use of an official car<sup>15</sup>.

34 Their medical benefits are same as that for civil servants. Under the prevailing Medisave-cum-Subsidised Outpatient (MSO) scheme, the appointment holders do not receive hospitalisation benefits. They get \$140 per month, capped at a maximum of 17 months or \$2,380 per year, credited into their Medisave accounts which can be used to buy Medisave-approved medical insurance. Outpatient subsidy (including co-payment of medical expenses at restructured hospitals) is capped at \$500 a year. They are also reimbursed 85% of their dental expenses, up to a maximum subsidy of \$120 per year. We recommend that they continue to be on the MSO scheme.

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<sup>13</sup> An MP's annual package, assuming 1 month AVC, will be \$210,000. An NCMP's annual package, assuming 1 month AVC, should thus be 20% x \$210,000 = \$42,000.

<sup>14</sup> An MP's annual package, assuming 1 month AVC, will be \$210,000. An NMP's annual package, assuming 1 month AVC, should thus be 15% x \$210,000 = \$31,500.

<sup>15</sup> This car benefit is subject to tax.

## SECTION G: FUTURE REVIEWS

35 We recommend that the Prime Minister continue to appoint an independent committee to undertake periodic reviews of the salaries of the President, Prime Minister, Speaker, political appointment holders, as well as the allowances for the Deputy Speaker and MPs every five years. This ensures that the salary framework remains appropriate over time and relevant to the changing market conditions.

## SECTION H: CONCLUSION

36 The 2012 White Paper laid out a simple and effective salary framework for the President, Prime Minister, Speaker, Deputy Speaker, political appointment holders and MPs. We have reviewed the current framework and are of the view that it remains true to the principles of competitive salaries, ethos of political service and clean wage.

37 We recommend to retain the existing salary framework. We have made recommendations to the pay levels and the National Bonus matrix to reflect the current environment, as well as expected economic and national trends. A summary of our recommendations is outlined below:

- (a) **Benchmark** – Retain benchmark of 60% of the median income of top 1,000 Singapore Citizen income earners for the entry level MR4 Minister grade. The annual salary for all other political appointment holders should continue to be set at a ratio to the MR4 annual salary;
- (b) **Pay and Grade Structure** – Retain the existing pay structure comprising fixed pay (monthly salary and 13<sup>th</sup> month bonus) and variable pay (AVC, Performance Bonus and National Bonus), and the grade structure for political appointment holders;
- (c) **National Bonus** – Adjust target levels for the unemployment rate indicator and real GDP growth rate indicator to take into account the restructuring efforts in the labour market and economic growth in the medium term;
- (d) **Pay Levels** – Introduce annual adjustments to keep pace with market developments. This would mean higher pay in a good year and lower pay in a bad year. The MR4 reference annual salary should be adjusted to \$1,200,000 following the latest benchmark, with corresponding salary revisions to the other political appointment holders;

- (e) **Salary Ranges** – Retain the system of salary ranges for all grades. The Prime Minister should remain on a fixed salary point. The minimum salary point for MR4 should continue to be pegged lower, and be adjusted from 85% to 80% of the reference monthly salary;
- (f) **President’s Salary** – Continue pegging the President’s monthly salary to the reference monthly salary of the Prime Minister. The annual package comprises monthly salary, 13<sup>th</sup> month bonus and AVC;
- (g) **Speaker’s Salary** – Continue pegging a full-time Speaker’s annual salary to the MR4 reference annual salary. A part-time Speaker will receive 50% of the annual salary of a full-time Speaker. The annual salary comprises monthly salary, 13<sup>th</sup> month bonus and AVC;
- (h) **Deputy Speaker’s Allowance** – Continue pegging the full-time Deputy Speaker’s annual allowance to 15% of a full-time Speaker’s annual salary. A part-time Deputy Speaker will receive 50% of the annual allowance of a full-time Deputy Speaker. The annual allowance comprises monthly allowance, 13<sup>th</sup> month bonus and AVC;
- (i) **MP’s Allowance** – Continue pegging an MP’s annual allowance to 17.5% of the MR4 reference annual salary. The annual allowance comprises monthly allowance, 13<sup>th</sup> month bonus and AVC;
- (j) **NCMP / NMP’s Allowance** – Continue pegging an NMP’s annual allowance to 15% of MP’s annual allowance. Annual allowance for NCMPs should be increased to 20% of the MP’s annual allowance to recognise NCMP’s bigger legislative role. NCMP’s and NMP’s annual allowances comprise monthly allowance, 13<sup>th</sup> month bonus and AVC;
- (k) **Benefits** – To retain the President, Prime Minister, Speaker, Deputy Speaker, political appointment holders, MPs, NCMPs and NMPs on the MSO scheme; and
- (l) **Future Reviews** – For the Prime Minister to appoint an independent Committee to review the salary framework every five years.

38 We thank the Prime Minister for the opportunity to participate in this review, where we can play our part in ensuring a strong pipeline of political leaders for the continued success of Singapore.

**END**

**COMMITTEE TO REVIEW SALARIES OF THE PRESIDENT, PRIME MINISTER, SPEAKER, DEPUTY SPEAKER, POLITICAL APPOINTMENT HOLDERS AND MEMBERS OF PARLIAMENT****Composition of Committee**

The Committee is chaired by Dr Gerard Ee, and comprises a total of 9 members from the private sector, labour movement, and social sector:

<b>Name</b>	<b>Designation</b>
Dr Gerard Ee (Chairman)	Chairman, Changi General Hospital Chairman, Charity Council President, Institute of Singapore Chartered Accountants
Dr Abdul Razakjr Omar	Deputy Medical Director of Raffles Hospital
Mr Thomas Chua Kee Seng	Chairman and Managing Director, Teckwah Industrial Corporation Ltd Vice Chairman, Singapore Business Federation Vice President, Singapore Hokkien Huay Kuan Nominated Member of Parliament
Mrs Fang Ai Lian	Chairman, Singapore Business Federation Board of Trustees Chairman, MediShield Life Council Chairman, Methodist Girls' School
Ms Euleen Goh Yiu Kiang	Chairman, SATS Ltd Chairman, DBS Foundation Ltd Chairman, NorthLight School Board of Governors Chairman, Singapore Chinese Girls' School
Mr Stephen Lee Ching Yen	Chairman, NTUC Income Insurance Co-operative Limited Chairman, SIA Engineering Company Ltd
Ms Mary Liew Kiah Eng	President, National Trades Union Congress
Mr Ramasamy Dhinakaran	Managing Director, Jay Gee Group President, Singapore Retailers Association Deputy Chairman, Skills Future Singapore
Mrs Mildred Tan-Sim Beng Mei	Chairman, National Volunteer and Philanthropy Centre Managing Director, Ernst & Young Advisory Pte Ltd Singapore

## Terms of Reference

The Committee's terms of reference are to assess:

- (a) Whether the current salary framework remains appropriate and valid against its intended goals, and what adjustments may be useful; and
- (b) Whether there is a need to adjust the salaries should there be a change in overall salary levels based on the proposed framework.



**RECOMMENDED NATIONAL BONUS MATRIX**

**Current Matrix**

<b>Payout Level</b>	<b>Real Median Income Growth Rate for Singapore Citizens</b>	<b>Real Growth Rate of Lowest 20th Percentile Income for Singapore Citizens</b>	<b>Unemployment Rate of Singapore Citizens</b>	<b>Real GDP Growth Rate</b>
<b>Targets</b>				
0%	<0.5%	<0.5%	5% and above	<2%
50%	0.5% - <2%	0.5% - <2%	4.5% - <5%	2% - <3%
100%	2% - <3%	2% - <3%	4% - <4.5%	3% - <5%
150%	3% - <4%	3% - <4%	3.5% - <4%	5% - <7%
200%	4% and above	4% and above	<3.5%	7% and above

**Recommended Matrix**

<b>Payout Level</b>	<b>Real Median Income Growth Rate for Singapore Citizens</b>	<b>Real Growth Rate of Lowest 20th Percentile Income for Singapore Citizens</b>	<b>Unemployment Rate of Singapore Citizens</b>	<b>Real GDP Growth Rate</b>
<b>Targets</b>				
0%	<0.5%	<0.5%	4.5% and above	<1.5%
50%	0.5% - <2%	0.5% - <2%	3.75% - <4.5%	1.5% - <2.5%
100%	2% - <3%	2% - <3%	3.25% - <3.75%	2.5% - <4.5%
150%	3% - <4%	3% - <4%	3% - <3.25%	4.5% - <6.5%
200%	4% and above	4% and above	<3%	6.5% and above

The target for Real Median Income Growth takes into account the Government's target to raise real median income of Singapore Citizens by increasing productivity by 2% to 3% per year. The target for Real Growth Rate of Lowest 20<sup>th</sup> Percentile Income of Singapore Citizens is pegged to the target for Real Median Income as the Government should target to improve the lot of all segments of Singapore Citizens. The target for Unemployment Rate takes into account the potential unemployment levels in the medium term amid the economic restructuring efforts. The target for Real GDP Growth Rate takes into account the expected economic growth of 2% to 3% per year on average over the next decade.

## Worked Example

The NB is linked to four indicators, i.e. Real Median Income Growth Rate (RMI); Real Lowest 20th Percentile Income Growth Rate (RL20); Unemployment Rate (UN); and Real GDP Growth Rate (RG).

The four indicators each account for 25% of the NB. The payout quantum for each indicator will be determined based on the country's performance set out in the above table. If the targets for the indicators are met, the payout level will be at 100%, NB = 3 months.

Assuming for Year X, the performance of the four NB indicators falls within the targets of the recommended matrix (midpoint of target range for 100% payout level): RMI is 2.5%; RL20 is 2.5%; UN is 3.5%; and RG is 3.8%.

The corresponding NB payout under the recommended matrix is as follows:

<b>Overall NB Payout Level</b>	=	<b>Payout based on RMI</b>	+	<b>Payout based on RL20</b>	+	<b>Payout based on UN</b>	+	<b>Payout based on RG</b>
	=	0.25 * 100% payout level	+	0.25 * 100% payout level	+	0.25 * 100% payout level	+	0.25 * 100% payout level
	=	25%	+	25%	+	25%	+	25%
	=	100% payout						
<b>NB Quantum</b>	=	100% * 3 months						
	=	<u>3</u> months						

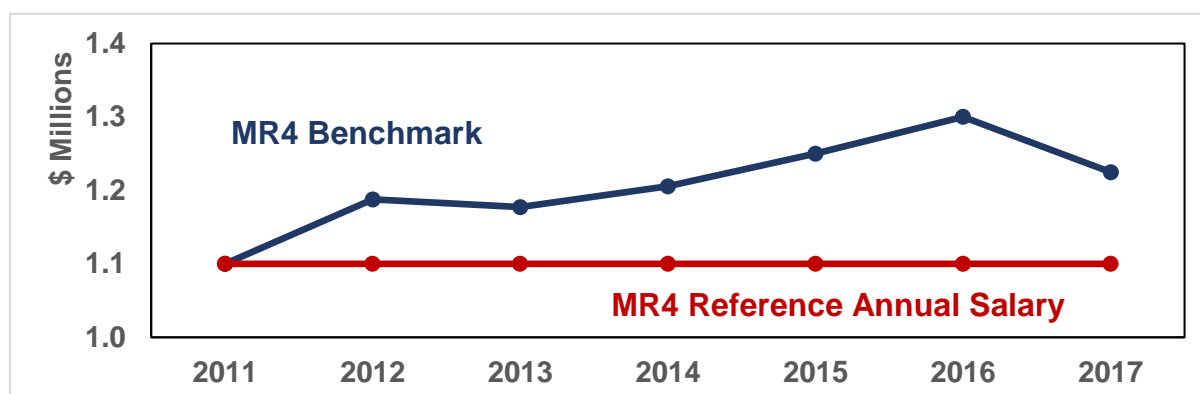
If applied to the current matrix, the corresponding NB payout is as follows:

<b>Overall NB Payout Level</b>	=	<b>Payout based on RMI</b>	+	<b>Payout based on RL20</b>	+	<b>Payout based on UN</b>	+	<b>Payout based on RG</b>
	=	0.25 * 100% payout level	+	0.25 * 100% payout level	+	0.25 * 150% payout level	+	0.25 * 100% payout level
	=	25%	+	25%	+	37.5%	+	25%
	=	112.5% payout						
<b>NB Quantum</b>	=	112.5% * 3 months						
	=	<u>3.38</u> months						

**BENCHMARKS AND SALARY MOVEMENTS FOR MR4 GRADE  
(2011 – 2017)**

- 1 For the benchmark data, only earnings of Singapore Citizens are included.
- 2 The benchmarks are based on Total Employment and Trade income which has been taxed. These include monthly salaries, bonuses, stock options, partnership fees and commissions. Unearned and passive forms of income, such as dividends, rent and interest, are excluded.
- 3 The benchmark figures are audited by the Auditor-General every year.

**MR4 Benchmark & Annual Salaries between 2011 and 2017**



Calendar Year	MR4 Benchmark (\$)	MR4 Reference Annual Salary (\$)
2011	\$1,100,000 (YA2011)	\$1,100,000 (Benchmark)
2012	\$1,187,800 (YA2012)	\$1,100,000 (7.4% below benchmark)
2013	\$1,177,300 (YA2013)	\$1,100,000 (6.6% below benchmark)
2014	\$1,205,800 (YA2014)	\$1,100,000 (8.8% below benchmark)
2015	\$1,250,200 (YA2015)	\$1,100,000 (12.0% below benchmark)
2016	\$1,300,100 (YA2016)	\$1,100,000 (15.4% below benchmark)
2017	\$1,224,700 (YA2017)	\$1,100,000 (10.2% below benchmark)