

## BOARD MATTERS

The Board oversees and ensures that the CPF Board carries out its functions in accordance with the CPF Act. It does so by monitoring organisational performance, as well as reviewing and approving the annual budget, financial and investment plans.

### Board Composition & Membership

The Board's composition is set out in the CPF Act. Members of the Board are appointed by the Minister for Manpower with the concurrence of the President under Article 22A(1)(b) of the Constitution. The legislation provides for 15 Board members, comprising the Chairman, Deputy Chairman, two Government representatives, two Employer representatives, two Employee representatives and up to 7 other individuals.

All Board Members, with the exception of the CEO, are non-executive members. Board Members, including the Chairman and Deputy Chairman, are appointed for a term of up to 3 years, subject to renewal. The Board's composition takes into account relevant expertise and experience required for effective decision making and leadership.

### Conduct of Affairs

The Board convenes meetings for the purpose of approving the annual budget, audited financial statements, CPF Rules amendments and other strategic projects. Urgent matters requiring decision are circulated via e-mail by the Board Secretariat. The Board met five times in 2009.

Board Members are provided with the necessary information for them to effectively discharge their responsibilities at each Board meeting. This includes regular reports on CPF contributions and developments on CPF schemes. Significant operational highlights and financial statements are also provided on a regular basis for information. Board Members may also request for additional information where necessary. Minutes of Board meetings are documented for record, with matters arising followed up promptly and reported back at the following Board meeting.

### Board Committees

In the discharge of its responsibilities, the Board is supported by four Board Committees, namely the Audit Committee, Investment Committee, LIFE Committee and Staff Committee, each commissioned with respective Terms of Reference as approved by the Board. Minutes of Board Committee meetings are circulated to all Board Members.

### Audit Committee

The Audit Committee of the Board comprises non-executive and independent Board Members nominated based on their expertise and experience with regard to discharging the responsibilities of the Committee. The Committee is chaired by Mr John Palmer and includes three other Board Members, Ms Jessie Yeo, Mr Lawrence Leow and Mr Keith Tan.

The Audit Committee assists the Board by providing an oversight of activities carried out by Management, independent auditors and internal auditors relating to internal controls, financial reporting, compliance with rules, regulations, corporate policies and other procedures. It also reviews proposals put up by Management and recommends the appointment of independent auditors to the Board.

The Audit Committee met three times in 2009 and dealt with urgent matters requiring approval by e-mail. It also holds meetings with the independent auditors and the internal auditors at least once a year, without the presence of Management, to enable the auditors to raise issues encountered in the course of their work directly to the Committee.

### Investment Committee

The Investment Committee of the Board is chaired by Mr Greg Seow, and includes seven members. Five of them, Mr Quah Wee Ghee, Mr Law Song Keng, Dr Bart Broadman, Mr Low Kwok Mun and Mr Liew Heng San, are members of the Board. The remaining two members, Ms Celestine Khoo (Director & Head, External Fund Management, Reserve Management Department, Monetary Authority of Singapore), and Mr Anthony Tan (Director, Healthcare Finance & Corporate Services Division, Ministry of Health), are co-opted.

The Investment Committee assists the Board with regard to investment matters relating to funds managed by the Board. It advises the Board in setting the overall investment policy and strategic asset allocation, and has decision authority over the investment management strategy and structure, the appointment of the investment consultant, custodian, external fund managers and other third parties, the overall approach to risk management, the rebalancing guidelines, the implementation of tactical asset allocation and the performance reporting framework.

The Investment Committee met four times in 2009. Urgent matters requiring decision were circulated via mail by the Committee Secretariat.

# CORPORATE GOVERNANCE

## LIFE Committee

The LIFE Committee of the Board is chaired by Mr Koh Yong Guan and includes seven members, Mr Aubeck Kam, Mr Liew Heng San, Mr Law Song Keng, Mr Greg Seow, Dr Bart Broadman and Mr Low Kwok Mun, all of whom are members of the Board, and Mr Terry Lee (President, Singapore Insurance Employees' Union), who is a co-opted member.

The LIFE Committee oversees the management of the CPF LIFE scheme and provides regular reports to the Minister on the financial position of the Lifelong Income Fund. The Committee has decision authority over the mortality assumptions for premiums and payouts, the adjustments of premiums and payouts within the guidelines provided by the Minister, and approves the yearly actuarial review of the Lifelong Income Fund.

The LIFE Committee met four times in 2009.

## Staff Committee

The Staff Committee of the Board is chaired by Mr Koh Yong Guan and includes two members, Mr Aubeck Kam and Mr Liew Heng San.

The Committee is the approving authority for key human resource and remuneration policies as well as key appointments, promotion and remuneration of senior executives. It met once in 2009.

## Attendance at Meetings

Board Members' attendance at Board and Board Committee meetings in 2009 is set out in the following table.

### Board and Board Committee Meetings and Attendance for the period 1 January to 31 December 2009

Board Members	BOARD		BOARD COMMITTEES							
	Meetings held while a member	Meetings attended	Audit		Investment		LIFE		Staff	
	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended	Meetings held while a member	Meetings attended
Mr Koh Yong Guan (Chairman)	5	5	-	-	-	-	4	4	1	1
Mr Aubeck Kam Tse Tsuen (Deputy Chairman)	5	2	-	-	-	-	4	3	1	0
Mr Liew Heng San (CEO)	5	5	-	-	4	4	4	4	1	1
Mr Law Song Keng	5	4	2	2	4	4	4	3	-	-
Mr Quah Wee Ghee	5	4	-	-	4	1 <sup>@</sup>	-	-	-	-
Dr Bart Broadman	5	4	-	-	4	3	4	2	-	-
Mr Greg Seow	5	4	-	-	4	4	4	3	-	-
Mr John Palmer	5	3	3	3	-	-	-	-	-	-
Ms Jessie Yeo Hong Cheng	5	3	1	1	-	-	-	-	-	-
Mr Ng How Yue	5	3	-	-	-	-	-	-	-	-
Ms Mary Yeo Chor Gek	5	4	-	-	-	-	-	-	-	-
Mr Keith Tan	3	1	1	1	-	-	-	-	-	-
Mr Low Kwok Mun	3	2	-	-	2	2	4	2 <sup>#</sup>	-	-
Mr Lim Kuang Beng	3	2	-	-	-	-	-	-	-	-
Mr Lawrence Leow	3	3	1	1	-	-	-	-	-	-
Mr Ong Chong Tee*	2	1	-	-	2	2	-	-	1	0
Dr Ng Boon Hoo*	2	1	2	1	-	-	-	-	-	-
Mr Ravi Menon*	2	0	-	-	-	-	-	-	1	1
Mr Terry Lee* <sup>^</sup>	2	2	2	2	-	-	4	4	-	-

\* Board Member retired from the Board in 2009.

<sup>^</sup> Mr Terry Lee remains a member of the LIFE Committee though he has retired from the Board.

<sup>@</sup> Mr Quah Wee Ghee was represented by Mr Tung Siew Hoong at one other Investment Committee meeting.

<sup>#</sup> Mr Low Kwok Mun was represented by Mr Khoo Kay Hwee at the other two LIFE Committee meetings.

## Remuneration Matters

Allowances paid to Board Members are in line with the Public Service Division's guidelines on the payment of allowances by Statutory Boards to its Board Members.

## RISK MANAGEMENT AND INTERNAL CONTROLS

### Risk Management

The CPF Board has established a structured Board-wide risk management framework to assess the soundness of its financial reporting, and the efficiency and effectiveness of its risk management, internal control and compliance systems. The framework is based on international best practice models such as the Australia / New Zealand Risk Management Standard (AS/NZ 4360) and the ISO 31000 standard, and entails a rigorous and systematic process of identifying, evaluating, controlling and reporting risks. Annual risk control and self assessment (RCSA) exercises are carried out at the business unit and corporate function levels. Key risks are reviewed and monitored on a quarterly basis at the management level, with those considered critical surfaced to and monitored by the Board. The Internal Audit Division makes reference to the risks identified from the RCSA exercises and the criticality of the selected key risks when preparing the CPF Board's internal audit plan for the year.

### Whistleblowing Policy

The CPF Board also has in place a whistleblowing programme that encourages the reporting of suspected improper conduct, whilst protecting the whistleblowers from reprisal within the limits of the law. Staff may disclose concerns through various secured and protected channels manned by an independent external party to preserve anonymity. All cases reported are thoroughly investigated and appropriate remedial measures are taken where warranted.

### Internal Audit

The Internal Audit Division reports to the Audit Committee and operates independently from the other Divisions of the CPF Board to provide objective audit assurance to Management and the Audit Committee that sound and adequate internal controls exist in the CPF Board. The Internal Audit Division adheres to The Institute of Internal Auditors' Code of Ethics and has regard to the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors as appropriate.

The Internal Audit Division evaluates and contributes to the improvement of governance, risk management and control processes. The scope of the Division's activities includes reviewing and evaluating the adequacy and effectiveness of internal controls and the effectiveness of the risk management system, ascertaining compliance with applicable Laws & Regulations, Policies & Guidelines and Standards & Procedures. It also ascertains the accuracy, reliability and timeliness of significant information, appraises the efficient and effective use of resources, and reviews operations and programmes to ascertain consistency with the established goals and objectives.

### External Audit

Under the CPF Act, the accounts of the CPF Board are required to be audited at least once annually by the Auditor-General or any other auditor appointed by the Minister in consultation with the Auditor-General. The appointed external auditor expresses an opinion on the financial statements based on its audit, including the assessment of the risks of material misstatement, whether due to fraud or error. In making the risk assessment, the external auditor considers relevant internal controls and evaluates the appropriateness of accounting policies used and the overall presentation of the financial statements.

The appointed external auditor for the Financial Year 2009, KPMG, reported its findings on significant audit, accounting and internal control issues, and also made recommendations to the Audit Committee and the Board on how to strengthen the CPF Board's internal control system and accounting procedures. KPMG did not provide any other non-audit services to the CPF Board in 2009.

## ACCOUNTABILITY

The CPF Board is a Statutory Board specified in the Fifth Schedule of the Constitution. Accordingly, under Article 22B(1)(a) of the Constitution, the Board is required to present its annual budget, including any supplementary budget, to the President for his approval, together with a declaration as to whether the budget is likely to draw on past reserves. Likewise, under Article 22B(6), if any other proposed transaction by the Board is likely to draw on past reserves, the President's approval must be obtained. The budget, when approved by the President, is published in the Government Gazette. In addition, under Article 22B(1)(c), the Board is required to present to the President, within 6 months after the close of each financial year, the audited financial statements and a declaration as to whether the statements show any draw on past reserves.

Separately, under the CPF Act, the Board is also required to present the audited financial statements to the Minister, before presenting these to Parliament. The CPF Board's full year financial results are available to CPF members and the general public via the CPF website.



# CORPORATE GOVERNANCE

## PROFESSIONAL AND ETHICAL CONDUCT

CPF staff are obliged to comply with practices that reflect the highest standards of behaviour and professionalism. This includes safeguarding official information under Section 59(1) of the CPF Act, the Statutory Bodies and Government Companies (Protection of Secrecy) Act (Chapter 319) and the Official Secrets Act (Chapter 213). CPF staff must also abide by the CPF code of conduct, which includes guidelines on receiving gifts and entertainment from vendors and any member of the public with whom staff are in contact with during the course of official duties, and avoiding situations where a conflict of interest may arise.