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Philippine Retirement Authority Policy Development with Impact Assessment

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Abstract

This study's third phase evaluates the regulatory impact analysis (RIA) of policy recommendations aimed at enhancing the Philippine Retirement Authority's (PRA) retirement program, focusing on competitiveness and sustainability. Utilizing methodologies such as benefit-cost analysis, breakeven analysis, cost-effectiveness analysis, and regression analysis, the study compares targeting foreign retirees aged 40 and above with those aged 50 and above, assesses the cost-effectiveness of current PRA policies, and determines breakeven volumes.

Findings reveal that lowering the minimum retirement age to 35 (as a proxy for 40) improved the benefit-cost ratio compared to when the age requirement was 50. However, since 2017, the benefit-cost ratio for the 35+ program has declined due to rising costs outpacing benefits. Cost-effectiveness analysis shows a significant increase in cost-to-retiree ratios post-2017. Breakeven analysis indicates that the number of retirees required ranges from 652 to 759, with breakeven sales volumes between PHP 35 million and PHP 39 million, though these figures have escalated post-2017. Regression analysis identifies that consumer sentiment, exchange rates, and real estate expenditures positively impact foreign retiree volumes, with forecasts showing an upward trend, though lower than pre-pandemic levels.

The study concludes that the Philippine retirement industry remains economically viable and attractive. It suggests that PRA's competitiveness does not hinge on being a low-cost provider but rather on a targeted market strategy that builds customer loyalty. Embracing a younger retiree age requirement should be balanced with managing public perceptions and legislative concerns regarding program viability and social impacts.

Keywords: Philippine Retirement Authority, Regulatory Impact Analysis, Benefit-Cost Analysis, Breakeven Analysis, Cost-Effectiveness Analysis, Minimum Retirement Age

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Executive Summary

Introduction

This third phase of the study is focused on the conduct of regulatory impact analysis (RIA) on the policy recommendations made in the previous phase of the study. These recommendations suggested strategies to make PRA's retirement program competitive and sustainable.

Objectives

In pursuing the objectives of the study, the RIA methodologies, such as benefit-cost analysis, breakeven analysis, cost-effectiveness analysis, and regression analysis, are utilized (1) to measure the benefits and costs of targeting foreign retirees 40 years old and above and compare it to targeting foreign retirees 50 years old and above; (2) to determine the cost-effectiveness of the current program provision policies of PRA; and to have an indication of PRA's breakeven volume of retirees and its equivalent breakeven sales volume. In addition to the RIA, focused group discussions (FGDs) and key informant interviews (KIIs) are also employed in the study to analyze the policies that can be implemented at the satellite level and at the head office level to improve PRA's services and marketing.

Findings

The findings of the benefit-cost analysis have indicated that the benefits of implementing 35 years old (a proxy for the 40 years old) as the minimum retirement program age qualification has increased program benefits over program costs compared to the lower benefit-cost ratios achieved during the years when the minimum age qualification requirement was 50 years old. The latter was implemented when PRA was still fiscally dependent on the national government. However, the benefit-cost ratio for the 35+ years old program remained fairly stagnant over the years until 2017. After 2017, it has been falling down. This is explained by the faster growth of costs vis-a-vis the growth of benefits.

The cost-effectiveness analysis indicates rising cost-to-retiree ratios across the years. And these ratios drastically increased after 2017.

The breakeven analysis suggests that the breakeven number of retirees ranges from 652 to 759 and its equivalent breakeven sales volume ranges from PHP35 million to PHP39 million. However, the breakeven indicators shoot up drastically after 2017 making it less useful for management decisions.

The findings of the regression analysis have shown that consumer sentiments, exchange rate, and real estate expenditures positively influence the volume of foreign retirees, and they affect more the inflow of retirees compared to the effect of GDP. The forecast volume of retirees is on an upward trend, but the trend level is lower compared to the level attained during the pre-pandemic period.

Conclusion

The Philippine retirement industry is economically viable as indicated by the benefit-cost analysis. The industry is attractive and has bright prospects. A focused business model or market niche for PRA does not require PRA to be a low-cost provider in order to be competitive. A successful segmented market strategy creates customer loyalties and makes consumers less sensitive to the price of the product being sold.

The economic advantage of a younger retiree minimum age requirement (e.g., 40 years old) vis-a-vis an older retiree minimum age requirement (e.g., 50 years old) must be embraced or understood within the context of how adverse public perceptions are being created. The promotion of a viable high-volume retiree program patronized by East Asian clients must be combined with efforts to manage the perceptions of legislators, regulators, and stakeholders on the trade-off between program viability and its underlying social costs and national security concerns.

Philippine Retirement Authority Policy Development with Impact Assessment

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1 Introduction

The first two phases of the study have shown that the bulk of the international migrants were comprised of working age population ages 40 to 49, and standard retireable age has been observed to increase in recent years. Europe, North America, and Asia were the preferred destinations of retired persons (UN DESA 2020). Cost of living, climate/weather, amenities/recreation, residential areas, and health-related factors have been identified as the most common motivation to retire overseas (Breuer 2005; Gibler et al. 2009; Wong and Musa 2014).

The majority of the Philippine Retirement Authority (PRA) currently active principal retirees are relatively young at 28.8% for ages 40 to 49, and at 26.1% for ages 50 to 59. And those that are considered at their retirement age (60 and above) comprise less than half of active beneficiaries at 39.6%. Majority of clients attracted by the PRA comes from Asian counties, with many coming from high-income countries (i.e., China, Japan, South Korea, Taiwan, and Hongkong) which are experiencing increasingly ageing population. With the new policy to limit PRA's clients to ages 50 years old and above, the average age of the 2022 enrollees is 64 years old.

The findings of the first two phases of the study analyzed the following issues: (1) the competitiveness of PRA's retirement program vis-à-vis those of neighboring countries, (2) the profile of individuals seeking to migrate and retire in countries other than their own vis-à-vis the profile of individuals seeking to migrate and retire in the Philippines, (3) the individuals that PRA's retirement program currently attracts, (4) the steps to be taken to improve the competitiveness of PRA's retirement program, (5) the corporate powers of PRA as prescribed in its mandate, (6) the business model embraced by PRA, and (7) the business model PRA should adopt to make its retirement program competitive.

2 Objectives

The third phase of the study aims to conduct a regulatory impact analysis (RIA) of the policy recommendations of Phase 2 of the project which recommended a strategy to make the PRA retirement program competitive and sustainable. In particular, it aims to achieve the following:

- Determine the policies that can be proposed to make the Philippine retirement program attractive, responsive, and more competitive;
- Provide ways on how the PRA effectively implements its policies and programs given its present internal strengths and weaknesses and external risks and opportunities; and
- Recommend effective mechanisms that can be employed to mitigate the risks involved in retirement migration.

In pursuing these objectives, the analysis has attempted to answer the following research questions:

1. How do the benefits and costs of targeting foreign retirees 40+ years old compared to the benefits and costs of targeting foreign retirees 50+ years old?

2. How cost-effective are the current program provision policies of PRA?

3. What is the minimum number of retirees or the minimum revenues for PRA to cover its costs?

4. What policies can be implemented at the satellite level to improve PRA services and marketing?

5. What policies can be implemented at the head office level to improve PRA services and marketing? and

6. What policy recommendations can the PRA implement to make its foreign retirement program more attractive, responsive, and competitive?

3 Review of Related Literature

3.1. Characteristics of the International Migration Industry

To begin to describe retirement migration, a definition of "retirement" must be made. According to recent studies, the concept of retirement is evolving and complex. Retirement does not happen at a single stage in a person's life; instead, it happens in gradual stages. Three types of retirement have been observed: traditional, semi-retirement, and temporary retirement. Kantarci and Van Soest (2008) noted that retirement happens gradually, either through a reduction of work hours in the same job (phased retirement) or through partial retirement such as switching to a less demanding job with fewer work hours but lower income. Some adults go into mini-retirement or breaks between careers that could take months or years.

Retirement destination competitiveness is defined as the ability to increase tourism expenditure and to increasingly attract visitors by providing them with satisfying and memorable experiences in a profitable way while enhancing the well-being of destination residents and preserving the natural capital of the destination for future generations (Ritchie and Crouch, 2003).

The experience of the transnational retirement industry is a response to the rapid progress of population aging (Toyota and Xiang, 2012). The new trend in the international retirement migration (IRM), or what is called "lifestyle migration", is driven by increased life expectancy, higher educational attainment, and greater wealth accumulation (Benson and Reilly, 2009). Cost of living, weather, health, good amenities, recreation, and residential areas are reasons a retiree might migrate internationally (Breuer, 2005; Gibler et al. 2009; Wong and Musa, 2014).

Retirement migration can be viewed via a life cycle lens in addition to the lifestyle migration perspective, as choices regarding the family's growth influence migration decisions. Marriage and having children may also factor into migration decisions in addition to age. According to this perspective, a review article by Bryceson (2019) claims that Chinese mail-order brides marrying older Japanese men still unmarried, divorced, or widowed provide better security inside the host country (Yamaura, 2015). When these marriages produce kids, the immigrant strengthens their ties to the destination country (Bryceson, 2019).

Further, Bryceson (2019) discussed retirement migration from an economic returns perspective by considering the various ways migration contributes to the financial well-being of migrants and the destination country. This perspective focuses on the potential positive economic outcomes of retirees moving to a new location.

Accordingly, brittle borders are some of the barriers to migration, and migration becomes secure if the migrant can do circular migration (Bryceson, 2019). Circular migration is when the migrant has an economically stable family in the host country, and this country has no stringent immigration policies.

Crawley (2023) argued that Southeast Asian people are more mobile transnationally.

Douglas (2014) emphasized that householding studies must provide ample attention to elderly care and the various social aspects related to the concept, especially since householding goes beyond the issues of reproductive ages, blood ties, and national borders. The issue of who will care for older adults and how they will be socially integrated must also be considered.

Further, Hon-Kwong Lui (2022) investigated Hong Kong’s approaches to attracting international talent. The study found that one of Hong Kong’s strategies targets schooled Asian minorities rather than the less educated Chinese, who may be as competitive globally. According to the study, Asian minorities tend to stay longer in public housing units as they come from less developed countries. On the other hand, British nationals do not usually stay long in Hong Kong, while Filipinos or Indonesians are there to work as domestic helpers. With a policy for immigrants that is family-oriented rather than individualized, Hong Kong’s public housing system is well-patronized (Lui, 2022).

The study of Zhang and Goza (2006) established that the older Chinese are now planning to adhere to a less traditional retirement scheme. The study found that there is now a wider acceptance of retirement homes as an alternative living arrangement for older people. However, more marketing is needed to reach a broader range of targets.

Another study found that seasonal internal migration fosters more mobility and health among older Chinese people (Kou, Xu, & Kwan, 2018). The older people tend to migrate seasonally with peers during winter to warmer areas. This seasonal migration pattern reduces conflict with the host district, with whom they have yet to establish strong kinship as they ensure keeping their familial ties in their home provinces. Disruption in these patterns may stress older people, although they tend to adjust eventually. The study suggested policies to recognize seasonal migration as older Chinese individuals primarily rely on the government regarding housing, social support, pension, and medical care.

Similarly, the study by Chen and Wang (2022) on therapeutic landscapes found that Chinese elders adhere to seasonal migration by moving from colder north China to tropical south China due to the perceived mobility, physical health, and overall well-being benefits of these seasonal migrations. The study recommends creating policies that recognize the importance of experience and studies exploring travel psychology.

Zhao and Liu (2023) explored the difference between how individual migrants and family migrants spend their leisurely activities. The study found that migrant families spend more time in the community and a smaller percentage of their income on leisure, resulting in better social integration. Integration for migrant families is connected to their use of space and consumption. In comparison, integration for individual migrants is linked solely to consumption. The study also posits how leisure time spent affects integration. Thus, the study deduced that long leisure time at home reduces social integration, thereby recommending establishing public spaces for leisure.

3.2. Profile of PRA's Active Principal Retirees

Most of the Philippine Retirement Authority (PRA) currently active principal retirees are relatively young, at 28.8% for ages 40 to 49 and 26.1% for ages 50 to 59. Those considered at their retirement age (60 and above) comprise less than half of active beneficiaries at 39.6%. With the new policy to limit PRA's clients to ages 50 and above, the average age of the 2022 enrollees is 64 years old. About 60% of the cardholders are male, and the majority of clients attracted by the PRA come from Asian countries, with many coming from high-income countries (i.e., China, Japan, South Korea, Taiwan, and Hongkong) experiencing an increasingly aging population.

Aside from PRA’s head office, SRRV holders are catered by PRA satellite offices, situated in key cities in the Philippines (Baguio City, Cebu City, Clark/Subic, and Davao City). The tables below show the number of SRRV holders that are served by PRA service offices, considering the ease of travel and distance from provinces where retirees reside using data on their registered provincial addresses. Information on the availability of travel to and from PRA offices were taken from the Rome2Rio website, which provides users detailed information on the type of transportation that could be used per leg of a point-to-point travel, including the total cost, cost per leg, estimated time of travel, and terminal waiting time (Rome2Rio, n.d.). Travel options from a province to the nearest PRA office were assessed based on the ease of travel, defined by the shortest and least costly travel to PRA offices.

The easiest form of travel in going to PRA offices are usually through plane, considering that seniors may not prefer to sit through land travel of more than three (3) hours and that taxi and van services are expensive. As seen in the figures below, most SRRV holders are served by the head office, followed by the Cebu satellite office, which may be due to the presence of airports in Metro Manila and Cebu province that can cater to flights from more points in the Philippines. The Davao satellite office may not be an option for some retirees residing in Mindanao as travelling to the office will require a long land travel.

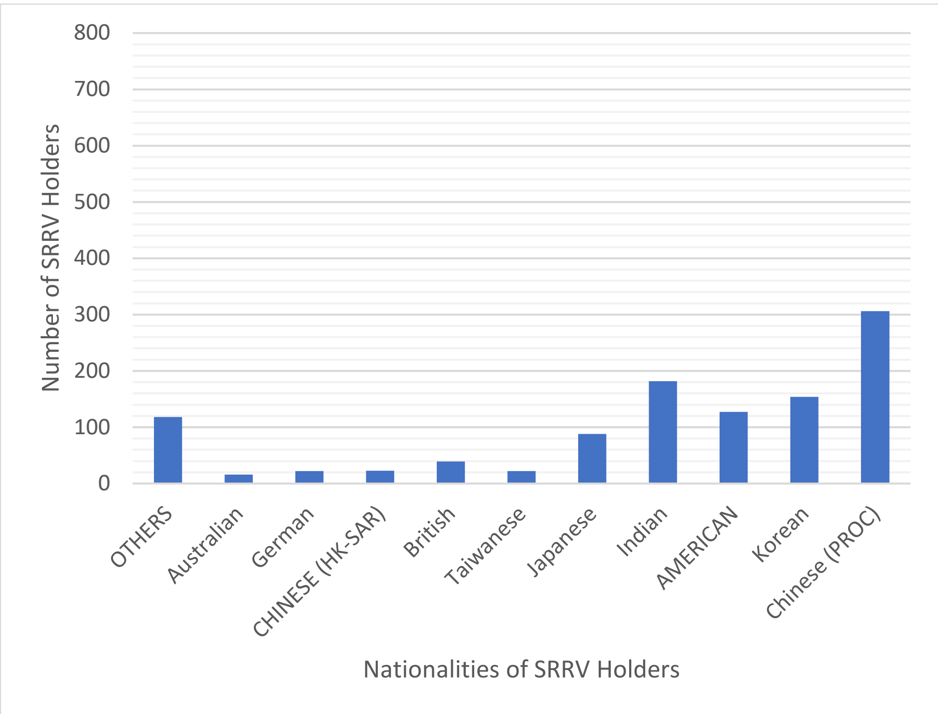
Figure 1 suggests that the highest number of SRRV holders that could potentially be serviced by the Davao satellite office are Chinese (PROC), followed by Indians, Koreans, and Americans. On the other hand, the highest number of retirees that could access the Cebu satellite office (Figure 2) are Americans, followed by Chinese (PROC) and Koreans. Note that the “others” nationality is a significant number that could be served by the Cebu satellite office. We recommend a further disaggregation of this group to define Cebu’s market more.

The potential of the Baguio satellite office to serve retirees is significantly lower (Figure 3) basing on information on the ease of travel. The top potential clients for the office are Koreans, Indians, and Chinese (PROC). The “others” nationality is the 4th top client group that could be served by the office.

As with the Cebu office, the highest number of SRRV holders that could potentially be serviced by Clark/Subic satellite office are Americans, followed by Koreans (Figure 4). Based on interview data from Phase 2, many former American military personnel apply for the SRRV because of the benefits they are able to access from mutual agreements between the US and the Philippines. Additionally, the Clark/Subic area hosted former US military bases, which may be a source of affinity for American retirees. With regards to ease of travel, retirees registered in southeast Luzon provinces (except Palawan) may find it easier to access the Subic/Clark office.

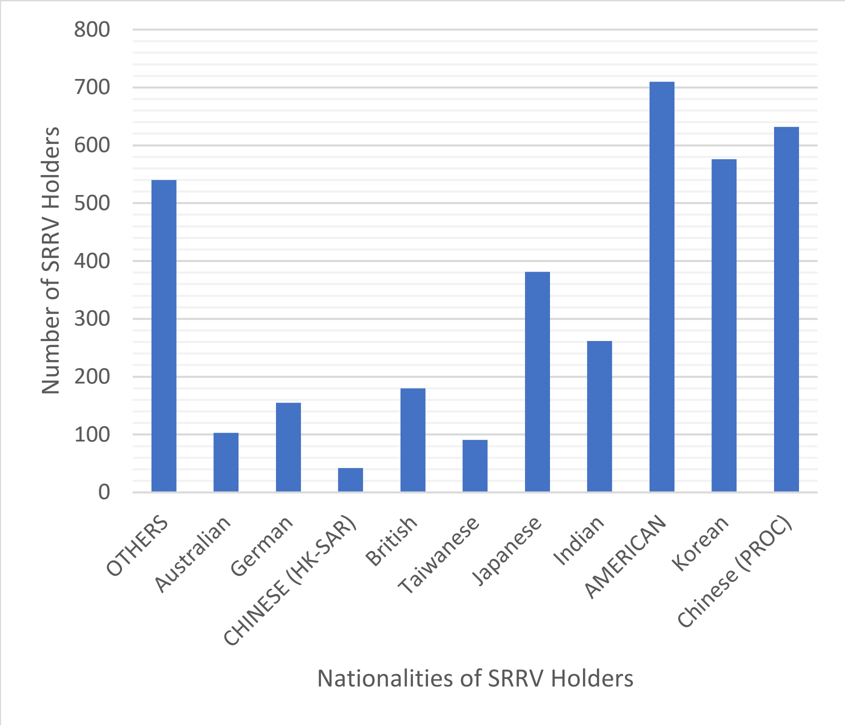
Figure 5 suggests that the Head Office caters to a significant number of Chinese (PROC). It has a high potential in catering significantly more retirees than the satellite offices combined, as the Head Office could cater to 20,000+ retirees while the total number of potential clients in satellite offices is only 7,710.

Figure 1. Number of SRRV Holders Served by Davao SO



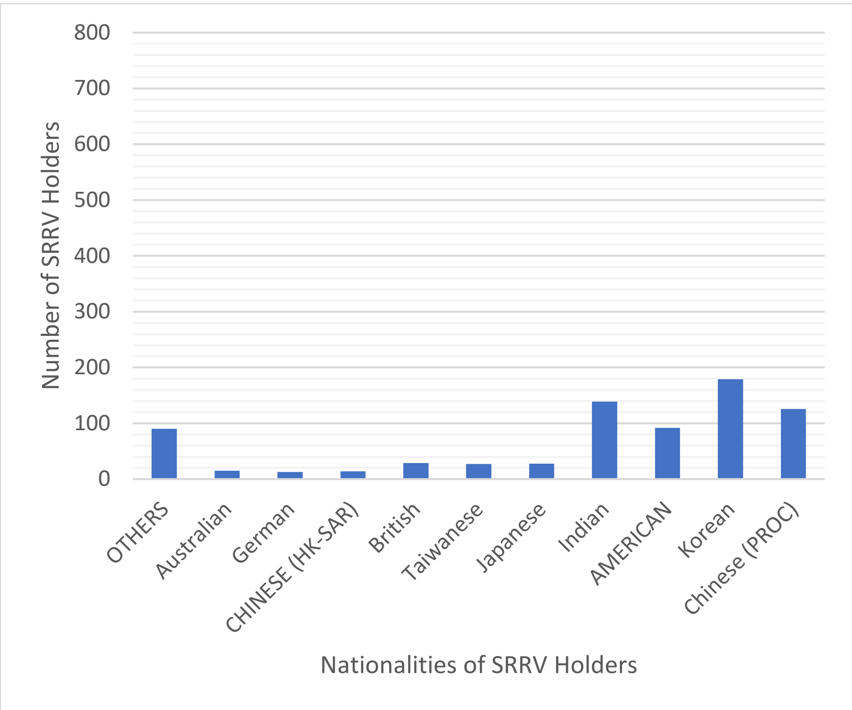
Source of basic data: Philippine Retirement Authority (PRA)

Figure 2. Number of SRRV Holders Served by Cebu SO



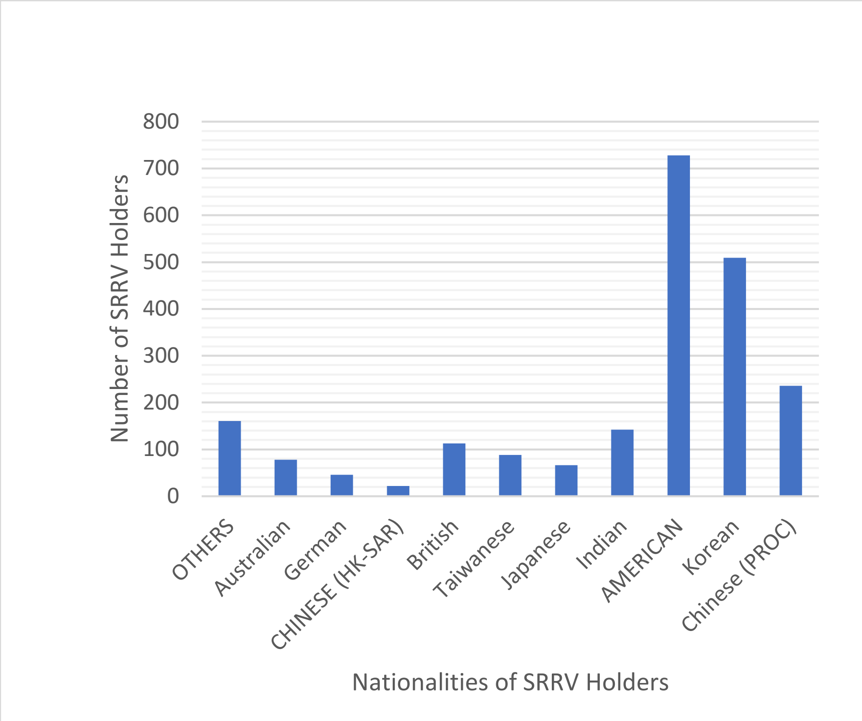
Source of basic data: Philippine Retirement Authority (PRA)

Figure 3. Number of SRRV Holders Served by Baguio SO



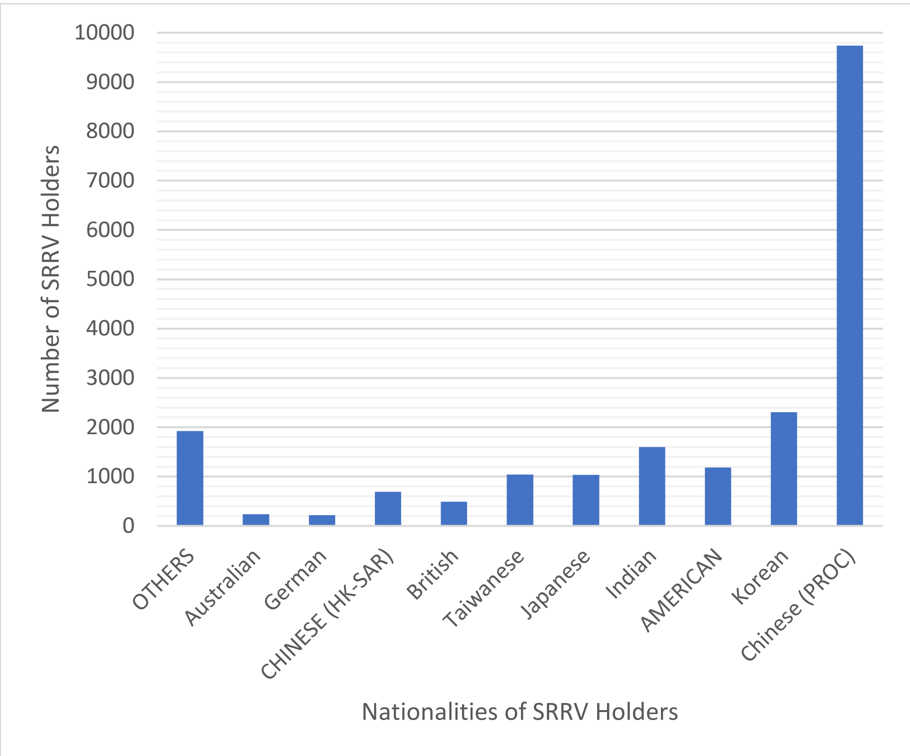
Source of basic data: Philippine Retirement Authority (PRA)

Figure 4. Number of SRRV Holders Served by Clark/Subic SO



Source of basic data: Philippine Retirement Authority (PRA)

Figure 5. Number of SRRV Holders Served by the Head Office



Source of basic data: Philippine Retirement Authority (PRA)

3.3. Competitive Situation Analysis

The retirement and leisure industry are composed of several players. The industry is segregated or clustered. The major clusters are Europe and the Mediterranean, dominated by Spain, Portugal, Turkey, and Croatia; Latin America, dominated by Panama, Costa Rica, Colombia, Peru, Mexico, and Belize; and Southeast Asia, dominated by Thailand, Cambodia, Malaysia, Indonesia, Vietnam, and the Philippines. Porter (1980) defines industry clusters as strategic groups of firms (nations) within the industry which follow similar strategies along some strategic dimensions, such as marketing approach, product packaging, pricing policy, brand identification, specialization, cost, and service positioning (Patalinghug et al. 2023).

PRA's SRRV is the only retirement visa that offers multiple-entry and indefinite-duration features. The effective competitors of the PRA are its counterparts in Thailand, Cambodia, Malaysia, Indonesia, and Vietnam. The prevailing age qualification in the industry to obtain a retirement visa is 50 years old and above. In terms of visa deposit and monthly pension requirements, the Philippines belongs to the middle-range price segment in the industry.

PRA's competitive retirement strategy will aim to create or establish a niche position in the industry to differentiate its products and services from its competitors (Patalinghug et al., 2023). The 2022 Global Retirement Index (GRI) ranked Thailand, Cambodia, Malaysia, Indonesia, and Vietnam as Southeast Asia's top five retirement destinations. The ranking is based on the weighted scores of these retirement destinations on the following variables: housing benefits, visa, entertainment, development, climate, healthcare, governance, opportunity, and cost of living. Cambodia is ranked as the top retirement destination in the cost-of-living category. Thus, the Philippines' low-cost position in the industry is being challenged by Cambodia.

According to the findings of Meija-Santos (2014) descriptive, evaluative, and causal-comparative study, SRRV retirees prefer to settle in condominium units in Metro Manila and are attracted to retire in the Philippines because of the hospitality of Filipinos and their care for the elderly, the low-cost lifestyle, and benefits offered by the PRA to its members. These retirees were mostly males, married, college graduates, 35 to 49 years old, with pensions US$ 800 to US$ 1,500. Despite these positive points, these retirees were concerned about peace and order in the country.

Moreno’s (2012) qualitative research on choice retirement destinations using newly proposed variables such as social structure and personal factors, Japanese nationals choose a place for retirement based on how good retirement life looks. For them, at least one of these conditions need to be present for retirement migration to happen: attachment to a location abroad, competence in overseas existence, the pull of family overseas, personal pursuit of meaning with connections overseas, and adverse issues in the country of origin. Unfavorable conditions in host countries also discourage retirement migration among Japanese nationals.

3.3.1. Comparing Southeast Asian Retirement Offerings

According to the 2022 Annual Global Retirement Index, Thailand and Malaysia are the top destinations for retiree migrants among Southeast Asian countries. Cambodia and Vietnam also made the Annual Global Retirement Index. On the other hand, the Philippines was not mentioned as a top destination in this Index. In this section, we will compare the different retiree visa programs of Southeast Asian competitors to shed light on why foreigners prefer these countries to migrate to.

Looking at the table below, almost all of the Southeast Asian countries require that foreigners availing of retiree migrant visas need to be 50+ years, except in Malaysia and Cambodia. Retirees younger than 50 years that seek to get a retirement visa from Cambodia need to be evaluated before being allowed to migrate to the country. In terms of visa validity, only the Philippines provides a lifetime visa validity, renewable every year. The Philippines has the cheapest pension or income requirement from retiree migrants (US$800 to $1000), followed by Indonesia (US$1,500). The Philippines also requires the lowest visa security deposit (US$10,000), followed by Thailand (US$25,584). It should be noted there that the comparison among visa security deposits and income requirements may be incomplete as there is no available information about these from Vietnam and Cambodia. Cambodia has the lowest visa membership fee (US$35), followed by Thailand (US$64 to US$ 160). The Philippines' visa fees are not the highest among the five countries, but the amount is close to those of Malaysia and Indonesia.

Table 1. Comparison of Southeast Asian Countries' Retirement Programs

Criterion	Philippines	Malaysia	Thailand	Vietnam	Indonesia	Cambodia
Eligibility	Any foreign national from a country with diplomatic ties with the Philippines, at least 50 years old.	All foreigners from countries that have diplomatic relations with Malaysia regardless of race, religion, gender, or age	50 years old	N/A	55 years old	55 years old or subject to evaluation for younger applicants
Visa Limit	Lifetime	Ten (10) years Renewable	1 year/10 years* *Initially valid for 5 years, renewable for another 5 years	N/A	1 year Renewable annually for up to five years After five years of temporary residence, applicant is eligible for a permanent residence permit	1 year Renewable

Criterion	Philippines	Malaysia	Thailand	Vietnam	Indonesia	Cambodia
Financial Requirement	**SRRV Classic** - USUS 10,000.00 (With a pension of at least US$800.00 for single and at least US$1,000.00) - US$US$ 20,000.00 (without pension) **SRRV Courtesy** - USUS 1,500.00 - For each additional dependent in excess of 2 dependents, an additional SRR Visa deposit of US$15,000 each (except for former Filipinos) is required.	**Below 50 years:** - Liquid Assets: RM 500,000 (approx. USUS 120,000); and - Offshore Income: RM 10,000/month (approx. USUS 2,400) **50 years old & above** - Liquid Assets: RM 350,000 (approx. USUS 84,000); and - Offshore Income: RM 10,000/month (approx. USUS 2,400)	**One-Year Retirement Visa ("O.A")** - Security Deposit: THB 800,000 (approx. USUS 25,584) - Monthly Income: THB 65,000 (approx. USUS 2,085) - Combination of the security deposit and annual income of THB 800,000 **Ten-Year Retirement Visa ("O.X")** - Security Deposit: THB 3,000,000 (approx. USUS 95,946) - Annual Income: THB 1,200,000 (approx. USUS 3,195/month)	N/A	Any of the following: - Statement of living accommodation in Indonesia. Minimum cost of USUS 35,000 if purchased house/apartment; - Proof of financial capacity to rent an accommodation (at least 1-year lease) - Within Jakarta: USUS 500/month - Outside Jakarta: USUS 300/month - Proof of house ownership under an Indonesian spouse's name; or - Proof of financial capacity (at least USUS 1,500/month)	N/A
Visa/Membership Fee	**Principal:** US$ 1,400 **Dependent:** US$ 300 **Annual Fee:** US$ 360 *US$ 100 for each additional dependent in excess of two dependents	**Single:** RM 8,000 (approx. US$ 1,920) **Couple:** RM 8,500 (approx. US$ 2,040) **Family:** RM 9,000 (approx. US$ 2,160)	**One-Year Retirement Visa ("O.A")** **Single-entry:** THB 2,000 (approx. US$ 64) **Multiple-entry:** THB 5,000 (approx. US$ 160) **Ten-Year Retirement Visa ("O.X")** **Per 5-year Validity:** THB 10,000 (approx. USUS 320) **Visa Renewal:** THB 1,900 (approx. USUS 61)	N/A	**Total Cost:** IDR 10,500,000 (approx. USUS 719) **Sponsorship:** IDR 2,550,000 (approx. USUS 175) **Telex process at Directorate General Immigration of Indonesia:** IDR 3,750,000 (approx. USUS 257) **KITAS Process at the Immigration Office:** IDR 2,925,000 (approx. USUS 200) **Lokel Fee at the Immigration Office:** IDR 275,000 (approx. USUS 19)	**ER Class Visa:** USUS 35

Note: dollar estimates were computed in January 2023

3.3.2. Destination Competitiveness

As discussed in the review of related literature in Phases 1 and 2, semi-permanent or permanent senior migration often stems from experience in tourist travel. This section will discuss literature on how and why older people travel to different destinations and the policy recommendations that can be made with the existing literature.

Seniors’ motivations to migrate to another country may be similar to their motivations for touristic travel.

A study found that remote destinations can offer tranquility and accessibility for active senior travelers (Zielińska-Szczepkowska, 2021). The study was conducted in 11 remote regions in Europe, with 1705 married women aged 68.4 years, have secondary education, retired, and have an average yearly income as respondents. The study utilized questionnaires and survey methods, while a mixed methods approach was used to process and analyze the findings. The findings revealed that the majority of the seniors prefer to have shorter holidays in their country of origin. Additionally, the study found that the primary motivations of the respondents for traveling were rest and quiet, breaking their routines, improving their quality of life, and having new adventures. Similar to the findings of Norman et al. (2001), the respondents’ primary considerations include safety, historical sites, nature, and service quality, with accessibility and connectivity at the top of the list. On the other hand, financial constraints and health issues were identified as the respondents’ limitations for traveling, while difficulty in reaching older people and lack of promotion makes it challenging for the tourism and local authorities to promote their packages (Zielińska-Szczepkowska, 2021). The study’s recommendations include physical enhancement and facility improvements in tourist areas and establishing senior-friendly attractions in remote regions.

Moreover, the study by Liew et al. (2021) tries to determine what senior tourists in Malaysia expect and are satisfied with in terms of destination features. The study sample was divided into two categories: potential seniors (40–54 years old) and seniors (55 years of age and older). It is intended that by recognizing and promoting the need for equal travel possibilities, current and potential senior visitors will be inspired to participate in more tourist-related activities. Senior travelers' perceptions of senior-friendly destination qualities were examined using an importance-performance analysis (IPA) and paired sample t-tests. The "4As" (attractions, accessibility, amenities, and ancillary services) were measured as destination attributes. The results of a poll with 227 respondents showed that the most crucial qualities for senior tourists to patronize an area are its safety and hygiene. Senior travelers also value accessibility to recreational amenities and public transit without barriers. The research also identifies characteristics tourism professionals can employ to boost visitor happiness and establish competitive advantages over rival tourist sites. These significant findings' theoretical and practical ramifications are examined.

The case study in Poland on the impact of tourist trips on seniors' migrations found that seniors moved to places where they found a clean environment of considerable tourist value (Szromek et al., 2021). The article aimed to ascertain whether elderly citizens' vacations affected their final migration. Creating a senior migrant profile had another function. Primary quantitative research, which involved gathering data from respondents using a standardized questionnaire, was carried out to address the study issue. A cluster analysis (Ward's approach) was used to organize the causes of seniors moving. The senior citizens relocated to areas with a pristine environment and high tourist appeal. Their quality of life and standard of living both improved with the migration. Nearly half of the retirees had been to the location where they were moving permanently before.

Kim et al. (2015) sought to extend theoretical and empirical evidence on the relationships between level of involvement, perceived value, satisfaction with trip experience, leisure life satisfaction, quality of life, and intention to return, by examining elderly tourists' travel behavior, particularly their quality of life. The study assesses how older travelers view involvement, perceived value, contentment with the trip's overall experience, satisfaction with their leisure time, overall quality of life, and intent to return. Based on the evidence gathered, the study found a significant correlation between elderly tourists' involvement and satisfaction and the perceived value of the travel experience. In contrast, travelers' contentment with their travel experiences does influence their satisfaction with their leisure time. Additionally, the quality of life and the intention of older travelers to return are significantly predicted by their happiness with their leisure time and travel experiences. The study then recommends that tourism operators develop services encouraging seniors' involvement in tourism and perceived higher value of tourism through leisure life and trip satisfaction, quality of life, and intention to revisit.

3.4 Studies on Regulatory Impact Analysis (RIA)

Regulatory Impact Analysis (RIA) is a systematic approach to assessing proposed and existing alternatives' positive and negative effects. RIA provides the potential to improve the evidence basis for policy decision-making (OECD, 2009b).

Harrington et al. (2001) concluded that the expected costs of regulatory proposals are systematically overestimated in RIA. However, it also showed that the expected benefits of regulation were systematically overstated, but RIA generally has neutral effects on costs and benefits.

Jacobs (2006) has highlighted the importance of ensuring that essential impacts are not effectively excluded from the analysis simply because they cannot be quantified. The Australian RIA guidelines recognize that cost-benefit analysis (CBA) is RIA's "gold standard" methodology. But the Australian government's RIA guidelines have given due recognition to consider the cost-effectiveness analysis (CEA) as an alternative to CBA in circumstances where policy analysts cannot monetize the most critical policy impact (OECD 2009b). Furthermore, Norway's RIA handbook on socioeconomic analysis identifies CEA as an appropriate methodological tool. It involves seeking a qualitative assessment of the benefits attributable to different options and comparing these with identified costs (Norway Ministry of Finance, 2005; OECD, 2006).

OECD (2009b) brings together research and analysis on important factors influencing the successful conduct of RIA. It describes papers, studies, and government guidelines on relevant RIA topics, such as methodological issues and OECD member countries' experiences.

OECD/ADB (2020) recommends that there is a need to clarify the RIA coverage in the Philippines and avoid being too ambitious in the first instance but adopt a proportionate approach to RIA based on the current work of the OECD. It likewise recommends making consultation and stakeholder engagement an integral part of the regulatory policy cycle and following the OECD best practice policy principles.

3.4.1. RIA in Migration Studies

This section will discuss existing studies on the impacts of migration policies that aim to increase the influx of migrants, including through the tourism industry. In general, increasing the competitiveness and the tourism demand for a destination could result in economic growth by creating employment, increasing investments, and increase in businesses; infrastructure development, which could include better essential utilities; cultural exchange and preservation; and environmental conservation. However, tourism competitiveness policies could also cause environmental degradation due to the influx of tourists exceeding an area's carrying capacity; cultural erosion through commodification of natural heritage; social and economic inequality by way of gentrification; overcrowding; and sociocultural exploitation. (Uysal, Perdue, & Sirgy, 2012)

According to Hatzigeorgiou and Lodefalk (2021) migration facilitates trade and globalization. The study outlined the part that migration plays in the several facets of globalization, including foreign direct investment and trade. The analysis concluded that more significant immigration could improve trade between the host country and its supplier based on information gathered from 100 studies. The ability of the migrant to enhance information flow between their home and host countries, as well as more vital managerial skills among migrants, are other factors that affect the relationship between migration and trade between nations. The study was conducted to develop policies that will draw senior immigrants because they can increase social and economic disparities within a community and frequently provide benefits.

On the other hand, Zaiceva (2014) suggested that aging causes migration to decline since elderly migrants are in less demand for jobs. The job pool for older individuals and migrants may be further reduced due to enterprises preferring to hire younger and local workers due to their easier integration and lower opportunity costs. As a result, the study urges for better health and healthcare because. Both factors may lead to an increase in older people migrating abroad and an increase in old-age dependency in developed nations.

The practice of moving elderly family members outside of the country is intensifying due to the disparities in the cost of living (Holecki et al., 2020). Widespread communication networks, including conventional ones like roads, trains, and airports, as well as more recent ones like the Internet and mobile devices, support this.

According to Litwak and Longino (1987), there are three types of migration groups among older people: those who are in the process of retiring, those who are experiencing moderate disability, and those who are chronically disabled. The decision to move may also be influenced by a wide range of other factors, such as, as was already said, expected amenities connected to climatic conditions, recreation places, natural resources (lakes, forests, and parks), and even antiquities that exist in a specific location. Additionally, healthcare costs play a role in older adults' decisions about whether or not to relocate. The rise in elderly citizens above 65 may then indicate a rise in migrations "forced" by the ill health of potential migrants. According to

Holecki et al. (2020), retired individuals 65 and older should be split into groups based on their unique needs, such as whether they are just starting to retire, have a mild handicap, or have a chronic disability. The study also advised granting older adults access to adequate healthcare, citing this as one of the main factors in their travel patterns.

In the host countries, senior immigration may result in elderly reliance. As a result, the IMF (2015) advises creating strategies to boost new immigrants' labor and entrepreneurial involvement.

On the other hand, Sriskandarajah (2005) suggested running programs to increase the number of foreign migrants in the Philippines, concurrently with those that seek to improve the training and retention of skilled employees there, particularly those who can provide senior care, in light of the significant outflow of skilled professionals from the country. Additionally, the IMF recommended boosting new immigrants' labor and entrepreneurial engagement, which should be accompanied by a strategy for creating a favorable business environment. It is also advised to create knowledge networks between individuals serving abroad and locally, including for the development of retirement care in the nation, given that the Philippines sends a lot of health personnel abroad.

The studies discussed above show that using an RIA framework for examining PRA's offerings can highlight some sectors that could be beneficial to the retirement migration program and which sectors should be beefed up to prevent crowding out of local retirees. The studies above suggest that increasing the number of foreign retirees could contribute to the country's economic growth by way of increasing the job pool and trade with foreigners' countries of origin. On the other hand, social services, specifically the health care sector, should be able to address the needs of both foreign and local retirees, as well as provide attractive jobs to medical and skilled personnel. A multisector policy also adds value to the retirement migration industry, i.e., the enhancement of public-access green and community-building spaces.

3.4.2 The Impact of Tourism Competitiveness

More recent studies in tourism and hospitality suggest that tourism development should not only improve competitiveness to attract more tourists, but it should also enhance the quality of life of a destination's residents. We include this section in the review of literature to provide some insights in the development of a retirement migration policy that will eliminate or minimize adverse impacts to and increase gains for the residents of the Philippines.

Residents of a destination need to be aware of the benefits of a tourism development vision to begin reducing its negative impact since residents are more likely to participate in tourism development because of tourisms' projected benefits (Crouch and Ritchie, 2012). Aside from market competitiveness, scholars have proposed quality of life indicators as a way to assess the benefits of tourism, including answers to the philosophical question "What is a good life?" Thus, aside from increased income, employment, and infrastructure, the authors proposed health, longevity, safety, standard of living, existence of leisure facilities, enjoyment, environmental quality, life satisfaction, freedom from anxiety and stress, good social relationships, and creativity as indicators to assess the improvements brought by a tourism development strategy.

Crouch and Ritchie (2012) also argue that tourism development initiatives need to demarcate among tourism stakeholders to better distribute the projected benefits. The author underscored the different roles of the destination management organization (DMO) and the community development organization (CDO). The DMO and CDO both need to enhance the quality of the lives of the residents and the quality of the experiences of the visitors by ensuring that the benefits to be gained by tourists should not result in negative consequences for residents. According to Sheehan and Ritchie, 2005 (as cited in Crouch and Ritchie, 2012), the top DMO stakeholders are hotels or hotel associations, the local government, and the regional government. This observation could mean that PRA's policies on competitiveness need to be enhanced by these DMO stakeholders to eliminate negative effects to residents while offering enhanced benefits to foreign retirees.

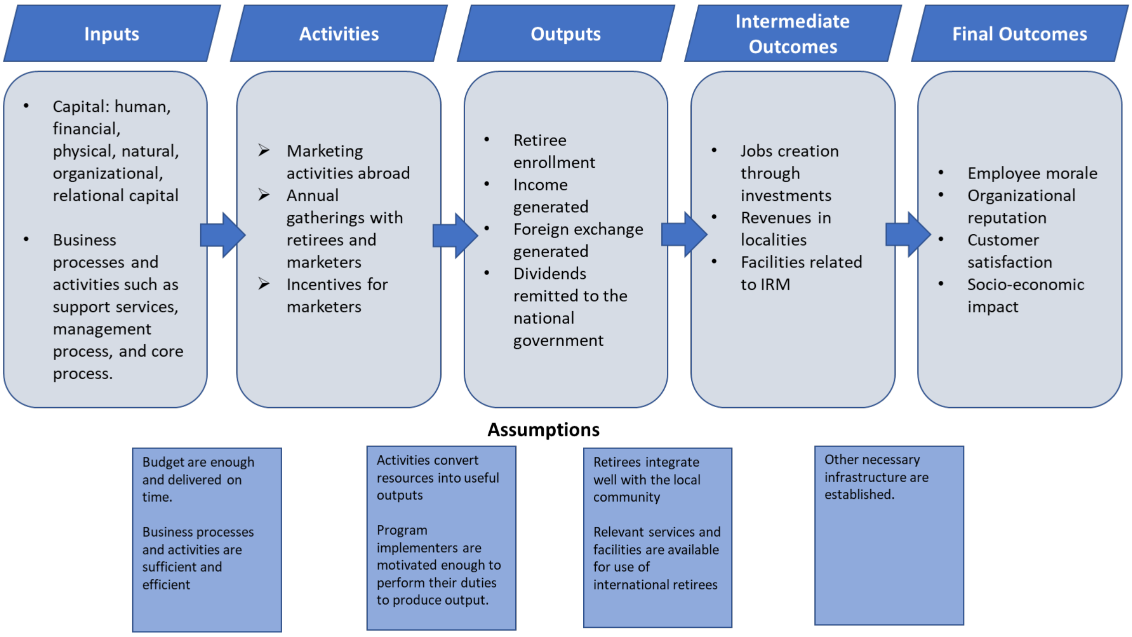
Boley and Perdue (2012) further contribute that destination competitiveness should also be measured through the social and environmental dimensions. A tourism policy must preserve and improve resident safety, resident rootedness, cultural and heritage artifacts, environmental resource protection, and residents' participation in recreation and cultural activities.

4 Methodology

4.1. Conceptual Framework

The conceptual framework utilizes the Regulatory Impact Assessment (RIA). RIA constitutes a means of providing relevant information to decision-makers in a systematic form. In practical terms, RIA may not be as efficient as intended, but it can nonetheless be useful in limiting the scope of discretionary decisions. Applying RIA involves several challenges, such as (1) inadequate use of evaluation techniques. For instance, benefit-cost analysis and other techniques are often poorly used, and (2) failure to target the most important rules (OECD, 2009a).

Figure 6. Theory of Change Narrative to Achieve Outcomes



4.1.1. Benefit-Cost Analysis

Benefit-cost analysis (BCA) is the only methodology theoretically capable to address the core question of welfare economics on whether a specific policy intervention will result in net benefits for society overall. BCA also has the ability to tackle the issues of uncertainty and inadequate information by utilizing such tools as sensitivity analysis. However, its effectiveness in practice relies of the quality and accuracy of the quantitative estimates for both benefits and costs.

A benefit-cost analysis (BCA) is underpinned by the assumption that an effective policy is one that gets the highest monetary benefit among the different policy options, which usually have different costs to implement (Moore, 2020). It is important to note that the BCA does not account for nontangible aspects of the policy options. As such, this type of analysis will be supplemented by other types of analyses.

The BCA that has been undertaken for this phase of the study has measured discounted benefits and discounted costs from 1987 to 2022 and uses NEDA's recommended 10% social discount rate. The sum of the discounted benefits less the sum of the discounted costs yields the net present value (NPV). An NPV greater than zero shows that total discounted benefits are greater than total discounted costs, implying that PRA's retirement program is beneficial to the society.

To start the BCA, we deflate the time series of benefits and costs data using the CPI (2018 = 100) from 1987 to 2022 as the deflators. Then we can repeat the procedure by discounting the real benefits and real costs time series data, before computing the inflation adjusted NPV and BCA ratio. Discounting adjusts for the time value of money, and deflating adjusts for inflation.

We should note here that existing PRA data shows the few years of implementing the 50 years old and above retirement policy (1985 to 1992), while the 35 years old and above requirement was implemented from 1993 to 2021. BCA can be done for the two policy options (50 years old and above requirement vs. 40 years old and above requirement) by using the years when the 50+ age requirement policy was implemented and when the 35+ age requirement policy was implemented, respectively. Data from 1993 to 2021 are used as the proxy for the 40+ age requirement policy.

Benefits are direct benefits earned by the PRA through service income and indirect benefits earned by the PRA from other income streams. Direct costs are direct expense on delivery of services, personal services, and maintenance and other operating expenses, while foreign exchange losses or non-cash expense are indirect costs. Taxes may be considered as a cost to the PRA; however, it is a gain for the government. Given that the PRA is a government corporation, we will not include taxes as it cancels the cost as a benefit for the government.

The formula for the BCA is as follows:

NPV = Sum of the discounted benefits - Sum of the discounted costs

Where,

Discounted benefits = (service income * discount rate) + (indirect income * discount rate)

Discounted costs = (direct expense * discount rate) + (indirect cost * discount rate)

4.1.2. Break-Even Analysis

Break-even analysis (BEA) is a supplementary tool to BCA as it provides monetary estimates of costs and then determines what degree of effectiveness must be achieved by the regulatory interventions for a positive net benefit to be attained. BEA is an alternative to the conduct of sensitivity analysis. BEA allows analysis of effectiveness in relation to only one variable to be undertaken, whereas sensitivity analysis can be conducted across a range of variables.

A breakeven analysis allows managers to determine the best policy that could result in a lower breakeven volume. This type of analysis allows the PRA to view the margin of safety per policy option (Hayes, 2023). The breakeven analysis distinguishes between fixed costs and variable costs, allowing PRA to adjust variable costs when the volume of retirees targeted changes. Still, the PRA will need to clearly disaggregate expenses between fixed and variable costs, which may be difficult in practice. Additionally, this type of analysis does not account for inflation and other factors that change the business and economic environment.

Further, this analysis assumes that the policy that results in a lower breakeven value could be one that takes less resources to implement because it only needs to target lower revenues or number of retirees to get a return on investments. For the purposes of choosing a policy option (40+ vs. 50+ age requirement), we assume a fixed price of $1400.

Under this analysis, two indicators are computed:

(a) breakeven number of retirees:
NR = TFC / (P - AVC)

(b) breakeven revenues:
BES = TFC/ [1 - (AVC/P)]

Where,
NR is number of retirees,
TFC is Total Fixed Cost,
P is price ($1,400), and
AVC is Average Variable Cost.

To compute for the AVC and P:

AVC = variable expenses / the number of retirees

P = $1400 * average exchange rate

PRA's financial statement and balance sheet can provide data on fixed assets and variable expenses.

4.1.3. Cost-Effectiveness Analysis

Cost-effectiveness analysis (CEA) can be used either as a supplementary or alternative methodology in circumstances where policy developers cannot monetize the most important policy impact. CEA involves comparing a range of policy options regarding the respective costs of achieving a given outcome (or benefits). It compares alternatives based on the ratio of their costs and a single quantified, but not monetized, measure, such as lives saved. It may be reasonable to use CEA if the effectiveness measure captures most of the policy's benefits.

This kind of analysis operates with assumptions made about effectiveness indicators (Weintraub & Cohen, 2009); that is, the researchers will consider the lowest cost of servicing retirees as an indicator of cost-effectiveness, which will not be qualified by other effectiveness factors. In this analysis, we compute for

(a) total cost to gross retiree ratio (using nominal and real cost data)
(b) total cost to principal retiree ratio (using nominal and real cost data)

As with the BCA, we conducted a cost-effectiveness analysis with data from 1985 to 1992 when the 50+ age requirement policy was implemented and from 1993 to 2021 for the 35+ (or 40+) age requirement policy was implemented. The CEA supplements the BCA by comparing the relative costs of the outcomes of the policy options (Better Evaluation, n.d.).

4.1.4. Multi-Criteria Analysis

As established in the earlier phases of this project, the PRA has multiple objectives, i.e., income generation, foreign-exchange earnings, dividends remittance to the national government, and quality stay for foreign retirees. With this, another method that can be used to assess the benefits and costs of the proposed policy and policy alternatives is the multi-criteria decision analysis (MCA). This is deemed the most appropriate method among those commonly used for ex-ante evaluation for policies that intend to address multiple goals. This is especially helpful for considering factors (e.g., qualitative) that cannot be quantified in monetary terms, enhancing the RIA process's validity (OECD, 2008).

Multi-criteria analysis (MCA) has a number of important advantages as a supplementary methodology to the aforementioned analyses, as they are not qualified by nontangible factors. Previous research has highlighted that distributional and other critical factors can often play a significant role in selecting between options. In such cases, MCA can offer a systematic and objective approach that more effectively addresses these distributional concerns.

MCA can provide the methodological approach that can achieve the need to integrate qualitative and quantitative analyses in practice. The key benefit of MCA is that it provides a structured way to compare the effects of various policy options when it’s difficult to quantify significant impacts.Thus, MCA enhances the ability of RIA to provide relevant and helpful guidance to policymakers in contexts in which major variables cannot be expressed in monetary terms. Unfortunately, available data does not allow this method to be applied to the PRA situation in this report.

4.1.5. Regression Analysis

The study has also conducted a regression analysis to supplement the other RIA indicators by taking into account real GDP, inflation, real property index, exchange rate, and BSP Consumer Expectations Survey (CES) as the independent variables affecting the volume of principal retirees. The analysis allows the researchers to estimate the effect of the independent variables on the number of retirees that should be attracted by the two policy options (40+ versus 50+ age requirement). The study uses the dummy variable technique to save the analysis from using two separate equations for the two policy options.

The study uses the regression intercept as the base, e.g., for the 50+ years option, and the intercept dummy variable D for the 40+ years option. This means that D = 1 if the year corresponds to the implementation of 35+ years age requirement (as the 35+ years age requirement data is being used as the proxy for the 40+ years age policy). And D = 0, if the year corresponds to the 50+ age requirement implementation. The coefficient of D will measure if it is significant in contributing to the number of retirees (e.g., the marginal increase to the number represented by the intercept, which represents the 50 years old and above retirement program).

4.2. Research Design

4.2.1. Data Collection

The study team conducted a comprehensive review of related literature and secondary documents pertaining to the policy recommendations of Phase 2. The following information has already been provided by PRA and has been used in the Phase 1 and Phase 2 analyses: description of PRA retirement package, annual reports, data on retirees and applications received by PRA, and detailed descriptions of other countries' retirement programs. Other information already collected through key informant interviews (KIIs) and focused group discussions (FGDs) with officials and staff of PRA, marketers and merchant partners of PRA, retirees, other government organizations, such as BI, DOT, and DTI, provide useful inputs in the conduct of RIA.

4.2.2. Alternative Data Sources

Alternative data sources may come from country RIA studies and agency-level reports using RIA to assess the impact of policy proposals. Quarterly macroeconomic and socioeconomic indicators are sourced from the Philippine Statistics Authority.

4.2.3. Ethical Issues

The study does not foresee any ethical issues because it uses publicly available data, data provided by PRA, and data from KII/FGD with written consent of the parties being interviewed.

4.2.4. Data Privacy

Data collection is focused on the design and operation of the program, and their implementation mechanism. No data on individual persons are collected.

4.2.5. Gender Dimension

This engagement is free of gender-based bias. Inclusiveness is observed in this undertaking.

5 Policy Recommendations of Phase 2

The policy recommendations from Phase 2 of the project are mainly the following:

(1) to build a reputation of speed and timeliness in the processing and registration of retiree applicants, as well as the delivery of post-enrollment services;

(2) to identify the resources and capabilities needed for each activity, project, and program which are needed in the attainment of its goals;

(3) to leverage the tourism promotion resources of the Department of Tourism's (DOT) Tourism Promotion Board (TPB) by interfacing with it PRA's retirement promotion activities; and

(4) to pursue a focused or specialization business model, one that focuses PRA's efforts to serve a target customer segment or a target geographical area.

The above recommendations are dependent on a regulatory decision as to what is the optimal age requirement in implementing the SRRV Program. To address the research questions described earlier in the "Objectives" section of this report, the next section discusses in detail the regulatory impact analysis (RIA) of the SRRV Program of the PRA. The analysis is focused on providing a systematic approach in assessing the two policy and regulatory alternatives faced by PRA: choosing between a retirement age requirement of 40 years and above versus a retirement age requirement of 50 years and above.

6 Regulatory Impact Analysis

This section addresses the research questions using the findings of the regulatory impact analysis (RIA) and the findings of the focused group discussion (FGD) and key informant interview (KII).

6.1. RIA Findings

6.1.1. Benefit-Cost Analysis

The study estimated PRA's direct and indirect costs to generate the total costs estimates from 1987 to 2021. Accordingly, direct benefits and indirect benefits were likewise estimated to generate the total benefits estimates from 1987 to 2021. The estimates of total benefits and total costs were deflated to adjust for inflation and subsequently were discounted to adjust for the time value of money (or the opportunity cost of money). NEDA's recommended 10% social discount rate is used as the discount factor in the benefit-cost analysis.

Table 2 presents PRA's benefit-cost ratios (BCRs) from 1987 to 2021. The BCR increased after implementing the 35-year-old minimum age requirement for availing of PRA's retirement visa (the SRRV), but the ratio remained fairly stagnant until 2017, and has been falling down since then. What happened after 2017? The discounted benefits and discounted costs streams indicate that total costs grew on average by 22% during the 2017-2021 period, while total benefits grew on average by only 7.4% over the same period.

The brief window when the 50-years old minimum age requirement was implemented (1985 to 1992) coincides with the period when PRA was still dependent on fiscal support from the national government. During this period, net benefits were negative (e.g., costs exceed benefits). The years that PRA has become fiscally autonomous from the national government (1993 to 2021) also coincide with the 35-years old minimum age requirement. These are the years when net benefits are positive (e.g., benefits exceed costs), which means that the PRA retirement program has a positive net contribution to the society as a whole. However, the shortcoming of the BCA is its inability to quantify intangible benefits such as promotion of entrepreneurship, risk taking, managerial know how, and innovation. On the other hand, it likewise is unable to quantify the intangible costs such as increased crimes, national security risks; and competition for housing accommodation, health and medical services, and employment opportunities with local nationals.

Table 2. PRA's Benefit-Cost Ratios: 1986-2021

Year	BCR	Year	BCR
1986	0.241	2004	1.798
1987	0.062	2005	1.704
1988	0.411	2006	1.786
1989	0.679	2007	1.337
1990	0.453	2008	2.041
1991	0.453	2009	1.675
1992	0.431	2010	1.626
1993	0.541	2011	1.916
1994	1.543	2012	1.664
1995	2.361	2013	2.153
1996	2.640	2014	2.106
1997	2.270	2015	2.184
1998	1.614	2016	2.429
1999	1.904	2017	1.943
2000	2.151	2018	1.379
2001	2.179	2019	1.363
2002	1.683	2020	1.167
2003	1.622	2021	1.238

Source: Author's computation
Source of basic data: Philippine Retirement Authority (PRA)

6.1.2. Cost-Effectiveness Analysis

Cost-effectiveness analysis is used as a supplementary methodology in this study because some of the policy impacts of a retirement program cannot be quantified and cannot be captured by the benefit-cost analysis. Two cost-effectiveness indicators are constructed in this report: (1) cost-to-principal retiree ratio, and (2) cost-to-gross retiree ratio.

Table 3 presents PRA's cost-effectiveness ratios from 1987 to 2021. Cost per retiree is relatively lower during the early years of PRA's existence, but eventually rose over the years as the volume of enrolled retirees increases overtime. The 2017-2021 period produces cost ratios that are too high vis-à-vis the preceding period. The 2017-2021 indicators exhibit a structural break from the trend in the preceding period. These years cover the health pandemic years which increased the cost of attracting a retiree and also was the period when attracting retirees was mostly on hold leading to a decline in the number of retirees enrolled. The declining benefit-cost ratios in this period as shown in Table 2 give supporting evidence to the high cost ratios in this period.

Table 3. PRA's Cost Effectiveness Ratios: 1986-2021

Year	Cost-to-Principal Retiree Ratio (In thousand pesos)	Cost-to-Gross Retiree Ratio (In thousand pesos)
1987	4,386.07	3,354.05
1988	635.42	426.46
1989	406.54	255.63
1990	1,361.58	669.25
1991	2,379.88	1,308.24
1992	1,760.30	970.86
1993	1,077.78	564.99
1994	732.53	400.82
1995	618.86	298.18
1996	723.86	292.32
1997	1,332.41	607.13
1998	2,617.24	1,287.07
1999	1,518.30	792.78
2000	1,903.06	872.81
2001	2,695.82	1,223.34
2002	5,676.31	2,693.98
2003	8,003.20	3,682.59
2004	7,450.19	3,365.38
2005	6,194.19	2,890.30
2006	3,842.42	2,071.34
2007	5,161.57	2,648.78
2008	5,833.84	3,052.00
2009	8,255.49	4,704.25
2010	7,020.15	4,142.50
2011	7,505.58	4,233.58
2012	7,583.82	3,983.49
2013	7,463.36	3,884.55
2014	7,905.39	4,294.33
2015	10,468.95	5,210.55
2016	10,406.56	5,173.34
2017	16,414.30	7,864.31
2018	60,232.30	29,503.63
2019	52,745.13	26,742.59
2020	225,798.17	120,880.83
2021	597,495.51	420,945.12

Source: Author's computation

Source of basic data: Philippine Retirement Authority (PRA)

The cost per gross retiree is lower compared to the cost per principal retiree because the additional members of the retiree household (spouse and dependents) assumed part of the cost per retiree. However, the cost per retiree does not distinctly differentiate the early years as less efficient than the later years.

6.1.3. Breakeven Analysis

Breakeven analysis supplements benefit-cost analysis by offering monetary estimates of costs and determining the degree of effectiveness required from the regulatory intervention to achieve a positive net benefit. Estimating PRA's total fixed costs before 2014 is a huge challenge. However, the data from 2014 to 2022 allows the computation of breakeven indicators. The exclusion of the years before 2014 due to non-availability of data prevents the report from differentiating the early years when 50-year-old minimum age requirement was implemented from the later years when the 35-year-old minimum age requirement was implemented.

Table 4 shows PRA's breakeven indicators in terms of breakeven number of cumulative net retirees versus the breakeven number of cumulative gross retirees. The former indicates that it takes from 750 to 759 number of retirees to breakeven from 2014 to 2016. On the other hand, the latter indicates that it takes from 618 to 652 number of retirees to breakeven from 2014 to 2016. The breakeven sales volume for this period ranges from PHP35,005,726 to PHP38,715,818. The breakeven number of cumulative retirees dramatically shoots up after 2016, most particularly in the case of breakeven number of gross retirees which requires a cumulative breakeven number of 62,543 retirees for 2022.

Table 4. PRA's Breakeven Indicators

Year	Number of Cumulative Net Retirees	Number of Cumulative Gross Retirees
2014	750	618
2015	759	632
2016	751	652
2017	31,811	42,418
2018	38,247	49,963
2019	44,625	56,079
2020	45,730	57,976
2021	46,696	59,576
2022	48,552	62,543

Source: Author's computation

Source of basic data: Philippine Retirement Authority (PRA)

6.1.4. Regression Analysis

The study employs the regression analysis as a tool for forecasting the number of retirees in the future. Three regression methods are used: (1) Linear Trend Model, (2) Nonlinear Trend Model, and (3) Multivariate Regression Model. Model 1 and Model 2 are fitted using annual data from 1987 to 2021. Model 3 is fitted to quarterly data from third quarter of 2004 to fourth quarter of 2021. Two alternative specifications are estimated for Model 3, first, using the following independent variables to predict the principal retiree volume: Consumer Expectations Survey (CES), Gross Domestic Product (GDP), Exchange Rate (FOREX), and Real Estate Expenditures (REEXP); and second, dropping one of the collinear variables (e.g., GDP) before estimating the model.

Table 5 summarizes the results of estimating the three regression models. The model with the least forecasting error is the Multivariate Model specification 1 and the next best model is the Multivariate Model 2. The actual number of principal retirees in the fourth quarter of 2022 is 405 and the forecast made by the Multivariate Model 1 is 451 and corresponding forecast made by the Multivariate model 2 is 643. The actual number of retirees in 2022 is 1,899 and the forecast made by the Linear Trend Model is 2,481 while the Nonlinear Trend forecasts 3,781 retirees. Figure 7 shows the trend of the number of principal retirees. It exhibits an upward trend over the years but dropped drastically during the pandemic years. The forecast shows upward recovery, but at a lower trend level compared to the trend level attained during the pre-pandemic period.

The RIA findings confirm the usefulness of the benefit-cost analysis in answering the research question posed by the study: does a particular policy intervention provide net benefits from the point of view of society as a whole? The answer is in the affirmative. However, the failure of the supplementary tools (e.g., cost-effectiveness analysis, breakeven analysis, and regression analysis) to significantly supplement the findings of the benefit-cost analysis is due to the limitations of the data. Another supplementary analysis, the multi-criteria analysis (MCA) has not been successfully applied in this study because of data limitation. But it has the potential to supplement the benefit-cost analysis because it provides useful guidance to policymakers by measuring major variables that cannot be expressed in monetary terms.

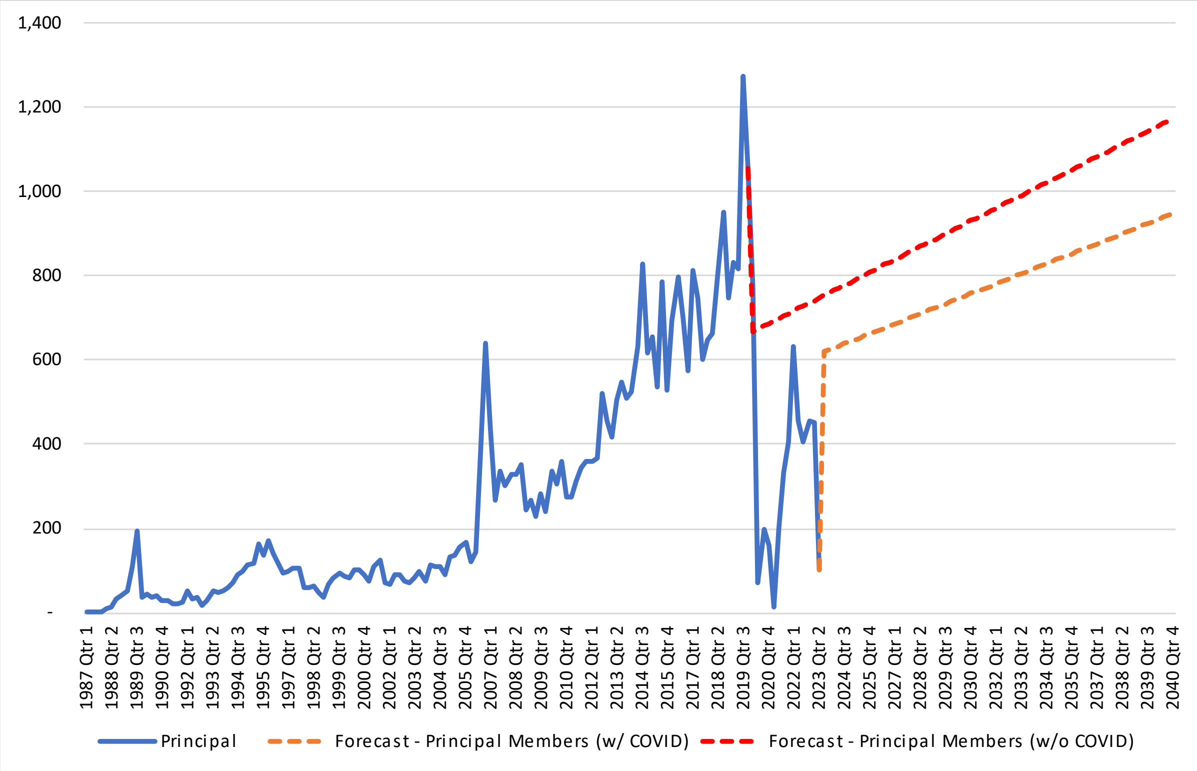
Table 5. Estimated Regression Equations for PRA

Method	Equation	Period	RMSE
A. Linear Trend	Y = -314.76 + 79.87t	1987-2021	625.16
B. Nonlinear Trend	Y = 101.15 $(1.109)^t$	1987-2021	703.26
C. Multivariate Model (1)	Y = -2,244 + 4.99 CES + 2.43 FOREX + 1,428 REEXP – 1,003 real GDP	3rd Quarter 2004 – 4th Quarter 2021	157.74
(2)	Y = -4,264 + 6.39 CES + 1.31 FOREX + 380.1 REEXP	3rd Quarter 2004 – 4th Quarter 2021	174.11

Notes: t refers to the time trend (e.g., t = 0 in 1987); CES = consumer expectations survey; GDP = gross domestic product; FOREX = exchange rate; and REEXP = real estate expenditures.

Source: Author's computation

Figure 7. Trend of Principal Retiree Enrollment: 1987-2022



Source: Author's computation
Source of basic data: Philippine Retirement Authority (PRA)

6.2. FGD and KII Findings

To enhance the efficiency and effectiveness of Philippine Retirement Authority (PRA) at the satellite level, several strategic policies can be implemented: First and foremost, a robust document-checking process should be established to minimize delays resulting from incomplete or incorrect documents. This involves thorough scrutiny of all paperwork before forwarding it to the Head Office, ensuring that all necessary information is complete and accurate.

Additionally, there is a need to strengthen document monitoring procedures. The implementation of a systematic approach can help reduce human errors and establish standardized methods for recording communications and document-related activities. By doing so, the satellite level can enhance its overall operational efficiency and contribute to more streamlined and error-free PRA services and marketing initiatives.

At the head office level, a comprehensive set of strategic policies can be implemented to enhance the quality and efficiency of PRA. Firstly, there is a need to decentralize certain services, particularly the renewal of ID cards. Currently centralized, this process often results in longer processing times when processed through a satellite office. By decentralizing services, the process of renewing IDs will be expedited and the overall service experience for clients will be improved.

Secondly, the agreement between the PRA and its bank partners should include provisions aimed at expediting the processing and turnover of bank certificates and the verification of deposits. These two processes have been pinpointed as significant sources of delays, which often are outside the PRA's control.

In addition, it is imperative to incorporate satellite offices into the Rationalization plan and elevate them to divisional status. This elevation would entail an increase in the salary grade of Satellite Heads who serve as front-line managers, essentially acting as "little general managers" within their respective areas of jurisdiction. Due to limited manpower, Satellite Heads often perform duties that typically belong to different divisions. Furthermore, satellite offices cover extensive geographic areas, serving a substantial number of retirees. However, obtaining division-like status for satellite offices may be challenging due to staffing pattern disparities compared to the standard divisional structure within PRA. To address this, options such as increasing the staffing levels in satellite offices or establishing additional satellite offices should be explored.

Lastly, proactive measures should be taken to mitigate red tape and minimize the risk of scams within the PRA services and marketing processes. This entails disseminating informative materials to educate potential applicants about the importance of avoiding bureaucratic hurdles and conducting transactions exclusively with official representatives of PRA through authorized channels. Additionally, it is essential to provide a comprehensive list of requirements for applicants, rather than relying on vague statements like "Other documentary requirements may be requested as supporting documents or in lieu of any requirement stated herein" in the citizen's charter.

These policies aim to enhance operational efficiency, service quality, and integrity of PRA, ultimately resulting in improved services for the organization and its clients.

To enhance the appeal, responsibility, and competitiveness of its foreign retirement program, it may be advantageous to lower the required age for retirement eligibility. This adjustment takes into account the fact that certain nationalities choose to retire early in the Philippines due to its relatively low cost of living. Satellite offices consistently receive inquiries from prospective retirees who are below 50 years old, and by reducing the age threshold, PRA can tap into this demographic and broaden its appeal.

Another aspect is to empower and train PRA's marketers to actively promote the SRRV rather than inadvertently discouraging prospective applicants. This can be achieved by providing comprehensive marketing materials that ensure the dissemination of accurate information regarding the application process, requirements, and benefits. By minimizing disinformation, the PRA can boost confidence among potential retirees and foster a more attractive and transparent retirement program.

Furthermore, forging strategic partnerships with embassies or consulates presents an opportunity for the PRA to reach a wider pool of prospective foreign retirees. Collaborating with diplomatic missions can facilitate the sharing of information about the SRRV program and its advantages, thereby increasing its visibility and competitiveness in the global retirement market.

7 Conclusion and Recommendations

The Philippine retirement industry is economically viable as indicated by the benefit-cost analysis. The industry is attractive and has bright prospects. A focused business model or market niche for PRA does not require PRA to be a low-cost provider in order to be competitive. A successful segmented market strategy creates customer loyalties and makes consumers less sensitive to the price of the product being sold.

The economic advantage of a younger retiree minimum age requirement (e.g., 40 years old) vis-a-vis an older minimum age requirement (e.g., 50 years old) must be embraced or understood within the context of how adverse public perceptions are being created. The promotion of a viable high volume retiree program patronized by East Asian clients must be balanced by efforts to manage the perceptions of legislators, regulators, and stakeholders on the trade-off between program viability and its underlying social costs and national security concerns.

Concerns has been raised about the low Special Resident Retiree Visa (SRRV) fee of $20,000 (approximately PHP 1.5 million), which allows foreign nationals with potential criminal or security issues to obtain a multiple-entry, indefinite stay visa too easily. To address the trade-off between attracting retirees and protecting national borders, several options can be considered:

Option 1: Adopt the Malaysian Model. Increase the visa fee to align with Malaysian levels; revise the SRRV to offer a single entry for five years, with the possibility of renewal for an additional five years.

Option 2: Maintain the Current SRRV Fee. Retain the current fee but limit SRRV privileges to a single-entry, five-year stay, with renewals evaluated on a case-by-case basis. Automatic qualification would be eliminated, and retirees would not be allowed to use part of their fees or deposits for housing purchases.

Option 3: Enhance Current Privileges. Keep the existing SRRV benefits (multiple entry and indefinite stay) for retirees willing to pay a nonrefundable fee of $200,000 to $300,000.

These reforms could either attract a smaller but higher-quality pool of retirees with greater foreign exchange inflows or maintain the current fee structure while selectively targeting retirees aged 50 and older—individuals more focused on retirement living than entrepreneurial or potentially risky activities. The PRA can choose a combination of Option 1 and Option 3 or a combination of Option 2 and Option 3.

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