

# Supporting Document

## Transforming Lottery Funds into Pension Schemes:

### Reimagining Retirement Savings in Thailand

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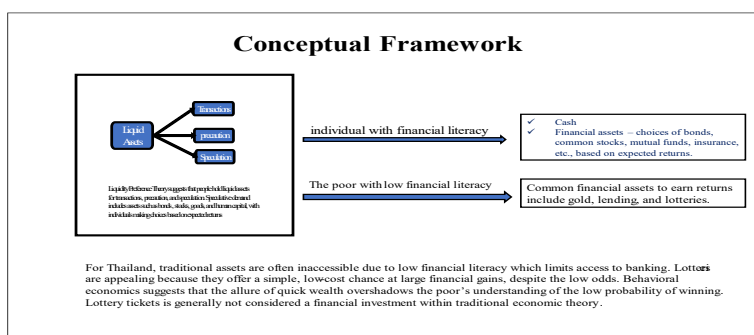
#### 1) The Pension System in Thailand

Formal sector workers	<ul style="list-style-type: none"><li>- The Social Security Fund</li><li>- The Government Pension Fund (GPF)</li><li>- Additional options, such as provident funds and retirement mutual funds, pension life insurance, etc.</li></ul>
Informal sector workers	<ul style="list-style-type: none"><li>- the National Savings Fund (NSF)</li><li>- Social Security Fund under Section 40</li><li>- Elderly Allowance Program</li><li>- Additional options Retirement Mutual Funds (RMF), pension life insurance, etc.</li></ul>

- Most informal workers covered by NSF and Social Security Fund Section 40 lack sufficient benefits for stable old age.
- Many workers shift between formal and informal sectors, leading to insufficient contributions and limited pension benefits.

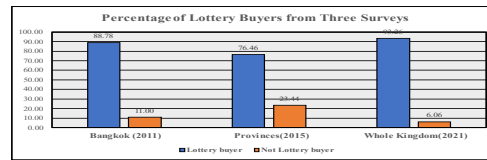
#### 2) Rethinking Lotteries as Pension Tools

- The use of lotteries as pension tools has faced challenges, primarily because they are often associated with promoting gambling.
- Historically, lotteries have funded public services like education and infrastructure. In some cases, they evolved into savings incentives, such as Japan's Lottery-Linked Deposit Accounts and Indonesia's "SIMPEDES" program.
- Lotteries often function as a regressive tax, disproportionately affecting lower-income individuals. Redirecting lottery revenue to fund retirement benefits for the poor could help reduce this inequity and promote fairness.



Increasing lottery participation from surveys in 2011, 2015, and 2021 reflecting its appeal over traditional financial strategies which pose a threat to long-term savings

Note: 1) For the 2011 Bangkok survey and the 2015 survey of provinces outside Bangkok, the observations consist of workers with education lower than a bachelor's degree, with 4,000 and 4,800 observations, respectively.  
2) For the 2021 survey of the entire kingdom, the observations consist of informal workers, with 2,640 observations.



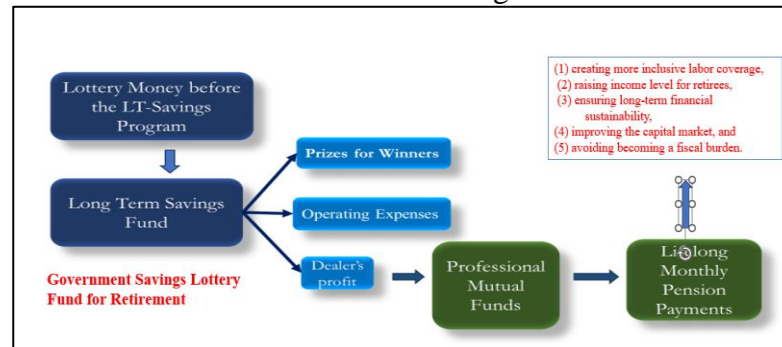
To reduce wasteful lottery spending, the study proposes reimagining the lottery as a financial asset and redirecting lottery profits into a pension program, helping informal workers save and secure better financial support for retirement

### 3) The mechanism for converting lottery funds into pension payments

The paper proposes establishing a voluntary savings program named the "Government Savings Lottery Fund for Retirement."

Mechanism for converting lottery funds into pension payments involves dividing lottery ticket sales into three categories: prizes, operational costs, and contributions to the pension fund. The growth of this fund would depend on how much of the third category is allocated, and how well the professional mutual funds manage in the capital market.

The proposed system mirrors the National Savings Fund (NSF) in calculating pensions and offers individual capital management accounts. To ensure a steady income for members after retirement, proceeds from the sale of the financial instrument should be invested in a professionally managed fund. These funds can then be gradually disbursed as lifetime retirement benefits once individuals reach age 60.



### 4) Promptness of the Respondents for New Pension Schemes

The sustainability of a long-term savings program relies on participants staying until retirement without dropping out. Commitment is assessed by three factors: lottery ticket purchase frequency, purchase motivation, and source of funds. Surveys from 2011 (Bangkok), 2015 (outside Bangkok), and 2021 (nationwide) show that over 60% of lottery buyers met all three criteria (Table 1). This indicates that over half of low-income earners, including informal workers, exhibit consistent lottery-buying behavior throughout their lifetime, enabling them to remain in the program until retirement.

**Table 1: Proportion of Participants Meeting Lottery Purchase Criteria**

Indicators	Bangkok	Outside Bangkok	Whole Country
Regularity (at least 1 purchase/year)	85.18%	70.8%	96.65%
Motivation (to win prize)	75.6%	67.8%	75%
Source of money (earned income/prize)	83.66%	75.6%	73%
% Meeting All Three Criteria	69.78%	62.9%	75.05%

Note: 1) For the 2011 Bangkok survey and the 2015 survey of provinces outside Bangkok, the sample consists of workers with education lower than a bachelor's degree, with 4,000 and 4,800 observations, respectively.

2) For the 2021 survey of the entire kingdom, the sample consists of informal workers, with 2,640 observations.

The retirement lottery aims to increase NSF membership beyond the current level. To encourage informal workers to voluntarily contribute to the fund, this study suggests that the Thai government develop lottery savings tickets tailored to their needs. A 2021 survey indicates that adding these key criteria to this financial instrument could make 75.05% of informal workers (14.7 million people) eligible, potentially increasing GSF membership from 2.49 million.

### Timeline of the Study: Converting Lottery Money into Savings for Retirement

Year	Activity
2006	Advised a graduate student's workshop on lottery purchasing and savings behavior in two villages in Sisaket Province for the National Institute of Development Administration.
2008	Presented "Analysis of the Possibility of Changing Lottery Money into Savings" at an academic conference on grassroots economics organized by the Working Group on Macroeconomics, Finance, and Fiscal Policy, National Economic and Social Advisory Council, April 2008.
	<b>Result:</b> The idea of treating lotteries as financial assets for the poor faced resistance, as the majority viewed them as gambling behavior.
2010	Published the article "Behavior of Lottery Players and the Possibility of Shifting Lottery Money to Long-Term Savings" in Development Journal, Vol. 50, No. 3 (2010); published on September 27, 2012.
2010-2011	Conducted research on "The Feasibility of Converting Lottery Money into Savings: Bangkok," funded by the National Research Council and presented research findings to the public.
	<b>Result:</b> The idea of using lotteries as financial tools for the poor faced resistance, being seen mostly as gambling.
2012-2013	Conduct research on the Feasibility of Converting Lottery Money into Savings for Provincial Residents, funded by the National Research Council. After presenting findings to GSB and BAAC, banks adopted sales-boosting recommendations, but regulatory barriers blocked long-term retirement savings products.
2013-2019	Continued promoting the idea of converting lottery money into pension funds to various institutions, including the Fiscal Policy Office and Parliament.
	<b>Result:</b> Gradually gaining wider acceptance
2014	Produced an article titled "The Possibility of Reshaping Lottery Money to Long-Term Savings: A Case Study in Bangkok, Thailand," (in Thai) published in the NIDA Development Journal, Volume 54, Number 1 (2014), aiming to gain more support for the idea.
2018	Produced an article titled "An Evaluation of the Possibility in Reshaping Lottery Money to Long-Term Savings for the Poor in Outer Bangkok, Thailand" (in Thai) published in the NIDA Development Journal, Volume 58, Number 1 (2018), aiming to gain more support for the idea.
2022-2023	Conducted research on the Government Savings Lottery Fund for Informal Workers' Retirement, co-authored with Parichat Klingthong from the Ministry of Finance. After in-depth interviews and positive feedback from seven public and private organizations regarding the use of lottery money for pension funds, the project was proposed to NSF.

	<b>Result:</b> Published an article, "A Study on Converting Lottery Money into Pensions for Thailand's Informal Workforce," (in English) in the NIDA Development Journal (2024), to encourage international adoption of the model.
2023	Presented joint papers on "Converting Lottery Money into Pensions" at the Thailand Research Expo on August 11 (in Thai) and the NIC-NIDA Conference on August 18 (in English). <b>Result:</b> Achieving significant acceptance of the concept.
February 2024	Proposed the project to the National Savings Fund (NSF) and presented it to the Deputy Finance Minister. <b>Result:</b> On February 2024, the cabinet approved the concept of the retirement lottery on July 16. The NSF law will need to be amended to accommodate the retirement lottery. The revised Act is expected to be presented to the Cabinet by mid-October.
September 2024	Presented “Transforming Lottery into Pension Schemes: Reimagining Retirement Savings in Thailand” at International Conference and Workshop on "Enhancing Well-Being by Realizing Family Dynamics and Promoting Intergenerational Solidarity for an Inclusive Society”, The conference is organized in collaboration with various civil society, academic, and the international organizations, with Kenan Foundation Asia, FOPDEV, and IPSR playing key roles in shaping the program. <b>Result:</b> A Japanese PhD student requested a detailed study of the concept for his dissertation after it gained significant acceptance from the audience.

