

4 February 2015

CPF ADVISORY PANEL RELEASES PART ONE OF RECOMMENDATIONS - TO PROVIDE GREATER ASSURANCE AND MORE FLEXIBILITY

The CPF Advisory Panel, set up in Sep 2014 to review ways to strengthen the CPF system, has submitted Part One of its recommendations to the Government. The Panel's report covers the first two of the areas under review by the Panel, pertaining to future adjustments to the Minimum Sum and the issue of lump sum withdrawals.

2. In its report, the Panel recognised that the retirement needs and concerns of CPF members varied widely. Its recommendations aimed to strike a balance between ensuring that the focus of the CPF remains on providing a basic level of lifelong support in retirement, while offering additional flexibility to cater to varying needs.

Clearer Choices over CPF LIFE Payouts and the Retirement Sums to Set Aside

3. In explaining its proposals for adjustments to the Minimum Sum, the Panel has recommended focusing first on the desired level of monthly payouts in retirement, as this is a more intuitive way of planning for retirement.

4. Referencing retiree household data from the Department of Statistics, the Panel has assessed that it would be prudent for CPF members turning 55 in 2016, to set aside enough CPF savings to provide for a Basic Payout of about \$650 to \$700 per month when they retire in 10 years' time. To receive this Basic Payout, members would need to set aside a Basic Retirement Sum (BRS) of \$80,500 as premiums in 2016. This premium amount is calculated by CPF Board's external actuaries. Of active CPF members turning 55 in 2020, it is expected that about 7 in 10 will have enough CPF savings to meet the Basic Retirement Sum.

5. CPF members can withdraw their savings above the BRS subject to a CPF charge/pledge on the value of their property. This means that if the member sells his property, the amount of the charge/pledge will be returned to his CPF to supplement his basic payout, particularly if he now needs to pay rent on his accommodation. Members who do not own their homes should set aside the Full Retirement Sum (FRS) at two times the BRS, or \$161,000 in 2016.

6. The Panel has also recommended that CPF members who want higher CPF LIFE payouts be allowed to voluntarily top up their CPF LIFE premiums with savings or cash up to the Enhanced Retirement Sum (ERS), which is set at three times the BRS, or \$241,500 in 2016.

7. CPF members should also be given the flexibility to defer their payout start age, up to age 70, to enjoy permanently higher monthly payouts of 6-7% for every year deferred.

Providing Longer Notice to the Adjustment of the Retirement Sums

8. The Panel emphasised that the Basic Payout for successive cohorts should increase so that it remains adequate for basic retirement needs, taking into account long-term inflation and some increase in the standard of living. To receive the increased Basic Payout, the Basic Retirement Sum will also have to be adjusted accordingly. The Panel recommended that the Basic Retirement Sum (of \$80,500 in 2016) be increased by 3% for each successive cohort of members turning 55 from 2017 to 2020. This will give future cohorts longer lead notice of the Basic Retirement Sum applicable to them, as compared to the current system where the Minimum Sum is announced only a few months in advance.

Flexibility for a Lump Sum Withdrawal at the Payout Eligibility Age¹

9. To cater for members who may have shorter-term cash needs in retirement, the Panel recommended that CPF members be given the option to withdraw up to 20% of their Retirement Account Savings at the Payout Eligibility Age, inclusive of the \$5,000 that they were eligible to withdraw from age 55. The Payout Eligibility Age is currently 64 and will rise to 65 in 2018. The Panel stressed that CPF members who exercise this option should bear in mind that their monthly CPF LIFE payouts will permanently decrease as a result.

Top-Ups to Members with Lower CPF Balances

10. The Panel highlighted that every CPF member should be encouraged to have his/her own CPF LIFE plan, with incentives to top up the CPF accounts for lower-balance family members. This is especially important for housewives who are reliant on their husbands' CPF LIFE payouts, as women tend to outlive their husbands. The Panel proposes that members be allowed to transfer their CPF savings above what they require for the Basic Retirement Sum, to their spouse's Special or Retirement Accounts. In this way, each spouse would benefit from the Extra Interest on lower CPF balances, and have their own lifelong income from CPF LIFE.

Targeted Information and Financial Education

11. With these additional options in retirement, the Panel recommended that specific and timely information, and financial counselling, should be provided to members to enable them to make informed choices.

12. In a letter to Minister of Manpower Tan Chuan-Jin, Panel Chairman Prof Tan Chorh Chuan said that he was "grateful to everyone who [had] taken the time to share their experiences, views and suggestions with the Panel", and added that "the Panel hopes that our recommendations will provide useful insights in helping the Government to improve the CPF system and ensure that Singaporeans are adequately supported in retirement, with sufficient flexibilities to meet their varied needs."

¹ Also known as the Draw Down Age, which will be 65 from 2018 onwards.

13. In his response, Minister Tan said that the Government has accepted the Panel's recommendations and will provide details on the CPF changes it will make in response to the Panel's recommendations at the Budget and Committee of Supply parliamentary debates later this month.

14. The Panel will continue its work on two other areas under its purview on alternative private investments and annuities and introducing a CPF LIFE plan with an escalating payout structure. It aims to complete its study and submit Part Two of its recommendations by mid-2015.




Recommendations at a Glance

3 ways how the CPF Advisory Panel's recommendations can benefit you

Helping you plan ahead for your retirement

If you turn 55 in 2016, these are the different payout options at 65 to better suit your needs

1

	From age 65	At age 55
 If you own a property*	Basic Payout You receive \$650-\$700 per month for life.	Basic Retirement Sum (BRS) required: \$80,500.
 If you do not own a property	Full Payout You receive \$1,200-\$1,300 per month for life.	Full Retirement Sum (FRS) required: \$161,000.
 If you wish to put in more savings in CPF LIFE	Enhanced Payout You receive \$1,750-\$1,900 per month for life.	Enhanced Retirement Sum (ERS) required: \$241,500.

*With sufficient property pledge or CPF charge

Know your options ahead of time

For each new cohort, payouts need to be higher to account for long-term inflation and rising standards of living. Correspondingly, the Basic Retirement Sum to be set aside has to increase.

For members turning 55 from 2017 – 2020, the Basic Retirement Sum will be increased by 3% from the cohort in the previous year.

Flexibility to withdraw your Retirement Account savings at 65

If you turn 55 from 2013 or later, you can withdraw up to **20%** of your Retirement Account savings at 65 (inclusive of the \$5,000 that can be withdrawn from 55).



If you do not have urgent needs, you can leave the amount in CPF to earn attractive interest.

2

Flexibility to receive higher CPF Retirement Payouts for life

3

1

Start your payouts later, up to age 70



40% work beyond 65

Receive 7% more payout for every year that payout is deferred.

2

Top up your spouse's CPF so that he/she can also have higher payout*

*as long as you set aside the Basic Retirement Sum.



3

Put in more savings in CPF LIFE

You can top up to the Enhanced Retirement Sum.

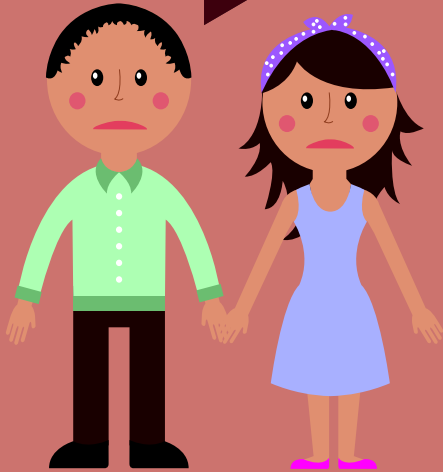


Planning for retirement

What the CPF Advisory Panel's recommendations mean for 3 families

01

Who will take care of my wife after I'm gone?



Top up spouse's CPF

Bala & Shanti



Factory Supervisor
 Earns \$3.5k/month
 4-room HDB flat (fully paid)
 \$121k in CPF*



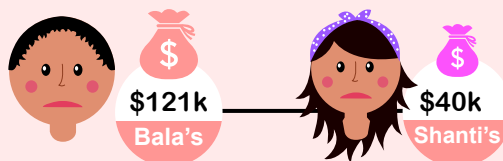
Housewife
 No Income
 4-room HDB flat
 \$40k in CPF*
(from work previously)

*Ordinary Account (OA) & Special Account (SA)

Blissfully married for 30 years, Bala and Shanti turn 55 in 2016. Bala's biggest worry is what will happen to his wife if something were to happen to him. She has been the stronghold of their family, but having stopped work after their first child to be a homemaker, she has low CPF savings. What can he do?

Bala decides to transfer some of his CPF savings to Shanti's account so that she can also receive a Basic Payout for life.

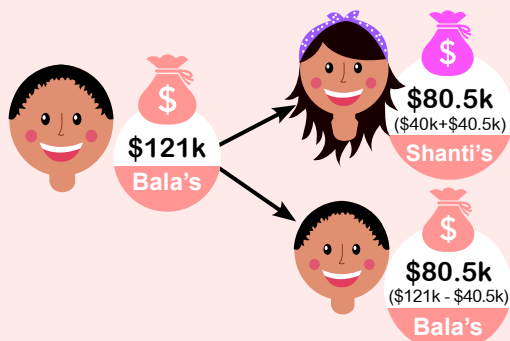
Bala & Shanti's payout if he doesn't top up his wife's CPF account



Shanti gets \$350/month from 65 years old
Bala gets \$1,000/month from 65 years old

Will Shanti have enough if Bala passes on?

Bala & Shanti's payout after top-up



Shanti gets \$650/month from 65 years old

Bala gets \$720/month from 65 years old

Shanti is no longer reliant on Bala's CPF LIFE payout!

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02

My daughter is my pride and joy.



Lump sum withdrawal at 65

Andrew Lim & family



-  Computer Technician
-  Earns \$2.4k/month in 2015
-  3-room HDB flat (fully paid)
-  \$65k in CPF* in 2015

*Ordinary Account (OA) & Special Account (SA)

Andrew's dream is to see his teenage daughter graduate and settle down. He does not have much in his CPF but he is not too worried as his flat is fully paid, his wife has some CPF savings of her own, and he knows his daughter will pitch in too when she is grown up.

He withdrew \$5,000 at 55, and has \$60,000 left in his Retirement Account. In 10 years this amount will grow with interest to \$90,000. He can either withdraw another \$13,000 at 65, or he can leave the money in and receive a higher payout.

Andrew is thinking of withdrawing the lump sum amount so he has more that he can use for his daughter's wedding.

Age	Andrew's options
65	He has \$90k in his Retirement Account. He can receive \$530 monthly for life. Or He can withdraw \$13k (20% x \$90k - \$5k) His monthly payout will drop to \$450.

After learning that his payout will drop significantly if he withdraws his \$13k, Andrew's daughter advised him to keep his Retirement Account savings at 65 intact. She assured him that she would have enough to pay for her wedding. 😊

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03

I'd like to stay active in my golden years.



More payout options

Bachelor Burhan



- Engineer
- Earns \$5k/month
- 4-room HDB flat with siblings (and owns it)
- \$180k in CPF* → exceeds Full Retirement Sum

*Ordinary Account (OA) & Special Account (SA)

Burhan turns 55 in 2016. He stays in a 4-room flat with his sister and brother-in-law. He co-owns the flat with his sister.

He could set aside the Basic Retirement Sum but he thinks the Basic Payout may be too low for him and would like a little extra; he likes to travel and would like to pursue his hobby of photography in his retirement years. What can he do?

He receives a letter from CPF Board:

Dear Mr Burhan,

Would you like to...	What to do
Get the basic payout of \$700/month	You need to set aside the Basic Retirement Sum of \$80,500. You can withdraw any savings above this amount provided you have sufficient charge on your property. <i>(Our records show you already do so based on the amount of CPF you used to purchase your flat).</i>
Get the full payout of \$1,300/month	You need to set aside the Full Retirement Sum of \$161,000. You can withdraw any savings above this amount.
Get the enhanced payout of \$1,900/month	You need to set aside the Enhanced Retirement Sum of \$241,500. You can top up your Retirement account with your CPF savings (of \$19,000 above the Full Retirement Sum) and with cash of \$61,500 (e.g. from your personal savings).