

Executive Summary and Recommendations at a Glance

Forming the CPF Advisory Panel

1. At the National Day Rally in 2014, Prime Minister Lee Hsien Loong announced the setting up of a CPF Advisory Panel to study possible enhancements to our CPF system.
2. **Terms of Reference.** The 13-member Panel, chaired by Professor Tan Chorh Chuan, comprises academics, financial industry practitioners and community representatives from the unions, social sector and grassroots. Our Terms of Reference are to study:
 - a. How the Minimum Sum should be adjusted after 2015, in order to meet the objective of delivering a basic monthly retirement payout for life;
 - b. How to enable CPF members to withdraw more as a lump sum upon retirement, and the circumstances for their doing so, taking into consideration the impact on retirement adequacy for different groups;
 - c. How to provide an option for members who prefer CPF payouts that are initially lower but rise with time to help with increases in the cost of living; and
 - d. How to provide more flexibility for members who wish to
 - i. Seek higher returns while balancing the higher investment risks involved, through private investment plans;
 - ii. Invest in private annuities when they retire as an alternative to CPF LIFE.
3. This report lays out Part I of our recommendations to the Government which will cover the first two terms of reference, and describes the principles and trade-offs considered in arriving at the recommendations. In the course of our deliberation, the Panel benefited from having heard the views and suggestions of Singaporeans from different walks of life through a series of Focus Group Discussions (FGDs) and written feedback¹.

¹ More than 400 Singaporeans took part in the FGDs, which included sessions jointly organised with the People's Association, the National Trades Union Congress, and self-help groups i.e. CDAC, MENDAKI and SINDA. The Panel also received over 150 pieces of written feedback and comments from individuals, industry associations and professional bodies such as the Investment Management Association of Singapore and the Singapore Actuarial Society, and from the National Trades Union Congress.

Executive Summary and Recommendations at a Glance

Key Guiding Considerations

4. In arriving at our recommendations, the Panel was guided by three key considerations and the need to achieve a reasonable balance between them:
 - a. Adequacy
 - b. Flexibility
 - c. Simplicity
5. We elaborate on these considerations below.

ADEQUACY:

6. **The CPF and home ownership are two key pillars that support retirement adequacy. Home ownership is integral to retirement adequacy** as it provides us with a roof over our heads. Owning our homes also means that we do not have to pay rent in old age, and that we have a valuable nest egg that we can draw on if we need to. There are a number of existing ways that Singaporeans can choose from to obtain income from their homes in retirement, depending on their family circumstances, preferences and needs, and these are described in Annex A.
7. **The special focus of the CPF should be to provide for a stable, lifelong income stream that can help support a basic level of retirement expenses. This is especially important in the context of Singaporeans' high and increasing longevity².** It is important to maintain the focus of the CPF on providing a basic level of retirement support even as more flexibility is introduced.
8. The current CPF system is well-placed to enable active workers to accumulate sufficient savings for their retirement. This is the case for the large majority of younger cohorts that are just entering the workforce today. However, for the cohorts of members approaching the age of 55, a significant proportion have lower CPF savings. In addition, for members with low CPF savings, the main factors contributing to this and proposals for assisting them are discussed from paragraphs 30 to 38.

² According to data from the Department of Statistics, someone who turned 65 in 1980 could expect to live 14 more years, but someone who turned 65 in 2013 could expect to live 21 more years. In addition, amongst those turning 65 years old today, 1 in 2 will live beyond 85, and 1 in 3 beyond 90.

Executive Summary and Recommendations at a Glance

FLEXIBILITY:

9. **The retirement needs of individuals and households will vary with household income and circumstances. Different cohorts of CPF members also have somewhat different concerns.** The current CPF system can be enhanced by offering some additional flexibility that could help cater to some of the varying needs of retirees.

SIMPLICITY:

10. We recognise that many members of the public do not have a good understanding of the CPF system, and how it works to provide lifelong support in retirement. While we must further improve public understanding of CPF policies, we should also endeavour to keep the design of new policies as simple as possible, particularly as we introduce more flexibility.

Overview of key points

11. CPF LIFE provides lifelong monthly payouts that help support a basic level of retirement expenses. For a member turning 55 in 2016 and who owns his own property, the Panel assessed that it would be prudent that he sets aside sufficient CPF savings to provide for a basic payout of \$650-\$700 when he retires in 10 years' time. For his CPF to provide this "Basic Payout", he would need to set aside half the stipulated Minimum Sum as a premium for CPF LIFE. We propose to name this sum the "Basic Retirement Sum" (\$80,500 in 2016).
12. At age 55, members who wish to withdraw CPF savings above the Basic Retirement Sum can do so if they own a property and have a CPF charge/pledge³ on the value of the property. As they already own a property, they do not need to rent a house to live in. In addition, they have the ability to obtain an additional income in retirement from the value of their homes if they need to, through various housing monetisation options (refer to [Annex A](#) for details).

³ A CPF property charge/pledge does not affect ownership of the property. A charge is created when a member withdraws savings from his Ordinary Account to finance the purchase of his property and pay his housing loan instalments. A pledge is created when a member withdraws sums in excess of the Basic Retirement Sum under the property pledge withdrawal rules. When the property is sold, the amount of the charge/pledge will be returned to the member's CPF account from the proceeds of the sale. It can then be re-used for subsequent housing purchases or drawn down if a member has entered into retirement.

Executive Summary and Recommendations at a Glance

13. Members who do not own their homes or who choose not to pledge their property should set aside a retirement sum that is two times the Basic Retirement Sum. We propose to name this sum, the “Full Retirement Sum” (\$161,000 in 2016). At age 55, such members would only be able to withdraw CPF savings in excess of this sum.
14. We further recommend that members who want higher payouts be given the option to top up their CPF LIFE premiums with their CPF savings or cash, up to an “Enhanced Retirement Sum”, set at three times the Basic Retirement Sum (\$241,500 in 2016).
15. For members who may not need their payouts to start at the Payout Eligibility Age⁴, the Panel recommends providing the option to defer their payout start age, up to age 70, so as to permanently enjoy higher monthly payouts for the rest of their retirement years. For every year that the payout start age is deferred, monthly payouts permanently increase by 6% to 7%.
16. The Basic Payout for successive cohorts will need to increase to ensure it continues to remain adequate for basic needs, taking into account long-term inflation, and some increase in the standard of living. The Basic Retirement Sum that is necessary to deliver the Basic Payout will also increase accordingly. The Panel recommends that the Basic Retirement Sum for members turning 55 from 2017 to 2020 be increased by 3% for each successive cohort. This will provide future cohorts advance notice time for planning.
17. We recommend that 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 would be eligible to withdraw from age 55. As this will reduce the lifelong monthly payout levels, the Panel recommends that the government provide incentives to encourage members not to make the withdrawal at the Payout Eligibility Age unless there is a pressing need to do so.
18. Specific and timely information, and financial counselling, should be provided to enable members to make good and informed choices.
19. The Panel recognises the important role that the family already plays in helping members with low CPF balances below the Basic Retirement Sum, including housewives who have not worked regularly in the past (paragraphs 30 to 38). While encouraging this, the Panel also proposes several ways in which the government can assist such members.

⁴ Also known as the Draw Down Age, which will be 65 from 2018 onwards.

Executive Summary and Recommendations at a Glance

Recommendations

20. Part I of the Panel's recommendations can be divided into two broad categories:
 - a. Framing the Minimum Sum to focus on payouts, with greater assurance and certainty; and
 - b. Providing flexibility for a lump sum withdrawal at the Payout Eligibility Age.

FRAMING THE MINIMUM SUM TO FOCUS ON PAYOUTS, WITH GREATER ASSURANCE AND CERTAINTY

21. When planning for retirement, the key is to focus first on the estimated monthly income required. This income stream should be lifelong to avoid the risk of outliving one's savings. CPF LIFE provides lifelong monthly payouts that help support a basic level of retirement expenses. Through CPF LIFE, the sum of money to be set aside as a premium is then actuarially determined⁵. Singaporeans who wish to maintain monthly expenditure levels above the basic level supported by CPF would need to have additional savings, investments or other income sources.
22. The Panel deliberated on what should be considered an appropriate basic level of payout in retirement. The Panel recognised the need to establish a threshold for a basic level of CPF payouts, but also observed from Focus Group Discussions that the needs of households and individuals vary widely. Some may have additional sources of income outside the CPF system, including support from family members. Others may require higher payouts to also support their dependants. We reviewed data from the Household Expenditure Survey by the Department of Statistics, and took reference from the lower-middle⁶ retiree household expenditure per person. Such a retiree spends about \$500 to \$550 per month today, or about \$650 to \$700 in 10 years' time. This takes into account the fact that most retirees own their homes and hence do not need to pay rent.

⁵ CPF Board employs external actuaries to determine the payouts that can be distributed to members while ensuring the long-term sustainability of the CPF LIFE system.

⁶ As proxied by the average of the 2nd quintile (i.e. 21st - 40th percentile) retiree household expenditure per person.

Executive Summary and Recommendations at a Glance

23. **Recommendation 1: The Panel assessed that it would be prudent for a member who retires in 10 years' time to set aside CPF savings to provide for a payout of about \$650 to \$700 per month.** This assumes that the retiree owns a home and does not need to pay rent⁷. **We propose to name this level of payout, the “Basic Payout”.**
24. To receive the Basic Payout for life, members would need to set aside a corresponding premium for CPF LIFE. **We propose to name this as the “Basic Retirement Sum”.** The Panel noted that for CPF members who turn 55 in 2016, the Basic Payout of \$650 to \$700 per month can be attained for life from age 65, if they set aside the Basic Retirement Sum of \$80,500 as a premium for CPF LIFE⁸.
25. Those who wish to withdraw savings in excess of the Basic Retirement Sum can do so, subject to making a property pledge. This recognises the fact that members who own a property do not need to pay rent and can also derive additional income from the value of their property if they need or choose to. Bearing this in mind, it is necessary to ensure that should a member sell his property, there will be enough of the sale proceeds returned to his CPF to supplement his basic payouts, particularly if the retiree now needs to rent accommodation.
26. Today this assurance is provided via the property pledge rules. However, for the large majority of members who use their CPF to purchase housing, there is already a CPF charge on the property that can serve this purpose and provide this assurance. The Panel proposes that **such members not be required to make a property pledge if they wish to withdraw savings in excess of the Basic Retirement Sum, as this would simplify the process for them.** For the others who have no or insufficient CPF charge on their property, they would still need to make a property pledge, as per the current practice.
27. **Recommendation 2: The Basic Retirement Sum would apply to members who own a property, and should continue to be subject to a charge/pledge⁹ on the value of the property. At age 55, such members would be able to withdraw their CPF savings in excess of the Basic Retirement Sum.**

⁷ More than 90% of resident households own a home (Department of Statistics).

⁸ The Panel notes that those who do not meet the Basic Retirement Sum can still receive CPF LIFE payouts. Members who join CPF LIFE with less savings will receive a correspondingly lower payout. They do not have to top up the Retirement Accounts with cash.

⁹ A CPF property charge/pledge does not affect ownership of the property. A charge is created when a member withdraws savings from his Ordinary Account to finance the purchase of his property and pay his housing loan instalments. A pledge is created when a member withdraw sums in excess of the Basic Retirement Sum under the property pledge withdrawal rules. When the property is sold, the amount of the charge/pledge will be returned to the member's CPF account from the proceeds of the sale. It can then be re-used for subsequent housing purchases or drawn down if a member has entered into retirement.

Executive Summary and Recommendations at a Glance

28. The Panel is mindful that in addition to providing for themselves, many CPF members will have to provide for their spouses as well. Among CPF members approaching age 55 today, there is still a high proportion of households where there is only a single breadwinner and the CPF savings of the other spouse are likely to be significantly lower. Those who have savings in excess of the Basic Retirement Sum should keep in mind that alternative plans will be needed for their spouses, if they choose to withdraw savings in excess of the Basic Retirement Sum.
29. **Members who do not own their homes or do not wish to pledge it, should set aside a retirement sum that is double the Basic Retirement Sum. We propose to name this sum, the “Full Retirement Sum”.** At age 55, such members would only be able to withdraw CPF savings in excess of this sum. This takes into account the fact that members without a property do not have the option to derive additional income from property and may also need to pay rent. For the member with a property who does not have a charge on the property nor choose to pledge it, should he sell the property, none of the proceeds will return to his CPF to supplement his basic payouts, hence affecting his retirement adequacy.

Members with CPF balances below the Basic Retirement Sum

30. The Panel recognises that a significant number of Singaporeans approaching the age of 55 will still fall short of having enough CPF savings to meet the Basic Retirement Sum at 55. There are several reasons for this. Wages were generally lower in the past so the amounts set aside via the CPF were correspondingly less. Older members also had a shorter runway to benefit from the 1% Extra Interest on the first \$60,000 of balances which was introduced in 2008, and the Workfare Income Supplement scheme which was introduced in 2007 and tops up the CPF accounts of lower income members. Labour force participation rates of women were also lower in the past. The use of CPF savings to pay for housing will also result in lower CPF balances, although the home is an asset that can be tapped on to supplement retirement savings if necessary.
31. Nevertheless, the Panel notes that the balances of each successive cohort of CPF members are improving. For example, 55% of active members who turned 55 in 2013 had accumulated enough CPF savings to meet their Basic Retirement Sum. It is expected that among the cohort of CPF members turning 55 in 2020, about 7 in 10 active members will be able to accumulate enough CPF savings to meet their Basic Retirement Sum.

Executive Summary and Recommendations at a Glance

32. While members with CPF balances below the Basic Retirement Sum will still receive monthly CPF payouts from their Payout Eligibility Age¹⁰, the level of payouts will be correspondingly lower.
33. The Panel has several suggestions on how to mitigate the transitional problem of older CPF members with low balances, but notes that the Government may need to consider mechanisms outside of the CPF system to fully address this issue. In particular, the proposed Silver Support Scheme¹¹ will play a key role in providing support to lower-income households in retirement.
34. **Recommendation 3: Encourage each CPF member to have his/her own CPF LIFE plan, with incentives to top up the CPF accounts of lower-balance or non-working family members.** The Panel is of the view that we should encourage and incentivise every CPF member to have his/her own CPF LIFE plan. This ensures that every member would have an assured source of post-retirement payouts for life. This is especially important for women who have a longer life expectancy than men, and who are generally younger than their spouses¹². Given that women tend to outlive their husbands, if they are completely reliant on their husbands' CPF LIFE payouts, they would be left without a sustained income should their husbands pass on before them and the CPF LIFE payouts cease.
35. The Panel notes that today there are tax-based incentive schemes to encourage family members to top up the CPF accounts of their loved ones. The Panel proposes that the Government further encourage the topping-up of the CPF accounts of lower-balance or non-working family members so that they can each have their own CPF LIFE plan. For example, CPF rules could be relaxed to **allow members to transfer their CPF savings above what they require for the Basic Retirement Sum, to their spouses' Special or Retirement Accounts**. This will allow both husband and wife to take full advantage of the Extra Interest on lower balances and enjoy a higher effective interest rate overall.

¹⁰ Also known as the Draw Down Age, which will be 65 from 2018 onwards.

¹¹ The Silver Support Scheme, announced by Prime Minister Lee Hsien Loong at the National Day Rally in 2014, will provide low-income elderly with a cash bonus to supplement their payouts from their own CPF savings.

¹² Women's average life expectancy at age 65 is 3 years longer than men's. In addition, among married couples in resident households where both spouses are aged 60 and above, the wife is typically the younger spouse, with a median age difference of 3 years. Source: Department of Statistics, Complete Life Tables 2008 – 2013 for Singapore Resident Population, Department of Statistics, 2010 Census of Population.

Executive Summary and Recommendations at a Glance

36. **Recommendation 4: Allow members the option to defer their payout start age, up to age 70, for permanently higher monthly payouts.** About 40% of Singapore Residents between the ages of 65 and 70 continue to receive an income from work¹³. Some may not need their payouts to start at their Payout Eligibility Age¹⁴ and hence, the Panel recommends providing them the option to voluntarily delay their payout start age in exchange for higher payouts for life. For every year that the payout start age is deferred, monthly payouts permanently increase by 6% to 7%. This will help more members with low CPF balances to receive the Basic Payout.
37. For clarity, the Panel also proposes to **rename the “Draw Down Age”**, which is the earliest age at which payouts can commence, to the “Payout Eligibility Age”. This will distinguish it from the payout start age, which is the age that members choose to commence their payouts.
38. To help members with low balances further, the Panel also strongly supports the Government’s commitment to **raise the CPF contribution rates for older workers** and notes that the Government has committed to equalising the contribution rates for those aged above 50 to 55 to the rates for those aged 50 and below. This will also boost CPF savings and retirement payouts.

Members with higher CPF balances (above the Basic Retirement Sum)

39. **Recommendation 5: Allow members who desire higher payouts to top up their CPF LIFE premiums with their CPF savings or cash, subject to a cap.** The Panel recommends providing the option for members to commit higher amounts to CPF LIFE of up to an “**Enhanced Retirement Sum**”, set at **three times the Basic Retirement Sum**, either through their CPF savings or through cash.
40. The Panel is also of the view that it would be timely for the Government to consider raising the CPF contribution salary ceiling, to keep pace with wage growth and enable more CPF members to accumulate higher levels of savings for retirement.

¹³ Source: Ministry of Manpower’s Labour Force Survey, 2014.

¹⁴ Also known as the Draw Down Age, which will be 65 from 2018 onwards.

Executive Summary and Recommendations at a Glance

41. In summary, possible options for CPF LIFE payouts for members turning 55 in 2016, are illustrated in the table below:

Illustration of CPF LIFE Monthly Payouts based on the CPF LIFE Standard Plan for Members Turning 55 in 2016

<u>CPF LIFE Monthly Payouts at 65</u>	<u>Sums Required at 55</u> <i>(see footnotes¹⁵)</i>
\$650 - \$700	Basic Retirement Sum: \$80,500
\$1,200 - \$1,300	Full Retirement Sum: \$161,000
\$1,750 - \$1,900	Enhanced Retirement Sum: \$241,500

Providing Longer Notice to the Adjustment of the Retirement Sums

42. As we continue to live longer and our society ages further, it is essential that financial planning for retirement is started early and revisited at key milestones. Knowledge of the CPF payouts and the retirement sums can be a very useful starting point and target for members to work towards to ensure basic post-retirement financial adequacy.
43. **Recommendation 6: Adjust the retirement sums after Calendar Year 2016 to account for both inflation and increases in the standard of living.** Based on the Department of Statistics Household Expenditure Survey in 2002/2003 and 2012/2013, lower-middle retiree household expenditure has risen at about 5% annually over the last decade¹⁶, outpacing inflation. This reflects the higher income of each successive cohort of retirees and rising living standards. In view of this, to help ensure adequacy in basic retirement support, the payouts for each successive cohort should take into account inflation and some increase in the standard of living. This requires in turn, a corresponding increase in the premiums for the CPF LIFE annuity, or the retirement sums.

¹⁵ (a) Monthly payouts for life from age 65 are estimates based on the CPF LIFE Standard Plan parameters today. Payouts do not increase proportionately with the retirement sums required because of the greater impact of Extra Interest on lower balances. The Panel notes that the Extra Interest helps lower balance members grow their savings faster, and provides a higher payout per dollar set aside for lower balance members;

(b) The Basic Retirement Sum applies to members who own a property and have an adequate charge or pledge against it;

(c) The Full Retirement Sum applies to members who do not own a property or who own a property but do not wish to pledge it.

¹⁶ The average monthly retiree household expenditure per person at the 2nd expenditure quintile (i.e. 21st - 40th percentile) increased from \$315 in 2002/2003 to \$518 in 2012/2013.

Executive Summary and Recommendations at a Glance

44. **Recommendation 7: The Panel recommends that from 2017 to 2020, each cohort of members turning 55 in a calendar year should have its Basic Retirement Sum increased by 3% from the cohort in the preceding year.** It should be noted that the Basic Retirement Sum for a cohort will not change after it has been set for that cohort when it turns 55. The rate of adjustment recommended takes into account both long-term inflation, and some increase in expectations of each successive cohort of retirees for a higher standard of living. The Panel felt that using a long-term inflation rate was more appropriate given the long duration over which the monthly payouts would be made. It would allow for the adjustments to the Basic Retirement Sum to be made known ahead of time and also avoid significant year-to-year variations to the Basic Retirement Sum which would be difficult to plan for. The Panel took reference from the 20-year rates for headline and core inflation of 1.9% and 1.7% respectively, and noted that the lower-middle retiree household expenditure grew at an average of about 5% annually over the past decade.
45. The recommended fixed rate of increase in the Basic Retirement Sum is significantly lower than the average annual increase in the Minimum Sum of about 6% per year since 2003 when there was a structural adjustment to the Minimum Sum to raise it to a level that would meet basic needs. It is expected that among the cohort of CPF members turning 55 in 2020, about 7 in 10 active members will be able to accumulate enough CPF savings to meet their Basic Retirement Sum.
46. For simplicity, the changes in the Basic Retirement Sum should apply to members turning 55 on a calendar year basis, starting from Calendar Year 2017.
47. The Basic Retirement Sum should also be announced ahead of time, to ensure that cohorts nearing 55 will have longer advance notice of the retirement sums applicable to them. There should also be a review of the rate of adjustment periodically to take into account more updated data on long-term inflation and retiree expenditures.

Executive Summary and Recommendations at a Glance

PROVIDING FLEXIBILITY FOR A LUMP SUM WITHDRAWAL AT THE PAYOUT ELIGIBILITY AGE

48. **Recommendation 8: The Panel recommends allowing members the option to withdraw up to 20% of their Retirement Account Savings at the Payout Eligibility Age.** This withdrawal should be:
- a. Inclusive of the \$5,000 that can already be withdrawn unconditionally from age 55. This will ensure that members with very low balances do not deplete their retirement savings further.
 - b. Made available to CPF members who turned 55 from 2013 onwards, as older cohorts already had more liberal withdrawal rules and were able to withdraw 20% or more of their retirement savings from age 55¹⁷.
49. Members who exercise this flexibility of withdrawing 20% of their Retirement Account savings should bear in mind that their monthly payouts will decrease and may fall below what they would need in retirement. The impact of this option on retirement payouts for members with different balance levels is illustrated in the table below. Members should therefore exercise this option with care. The Panel proposes that the Government consider providing incentives to encourage CPF members, particularly those with low balances, to leave their retirement savings in the CPF if they have no urgent need to make a withdrawal.

Illustrative Impact of Lump Sum Withdrawal on Retirement Payouts

@ Age 55		@ Age 65		
Set aside for withdrawal at any time	Remaining CPF savings that are moved to the Retirement Account (RA)	Estimated Payouts from RA Balances (before withdrawal)	Withdrawal Amounts from RA	Estimated Payouts from RA Balances (after withdrawal)
\$5,000	\$80,500	\$680	~\$19,700	\$580
\$5,000	\$40,000	\$360	~\$7,700	\$320
\$5,000	\$20,000	\$180	~\$1,400	\$170
\$5,000	\$15,000	\$140	\$0	\$140

(See footnotes¹⁸)

¹⁷ An allowance can be made for members who turned 55 in 2012 to withdraw an additional 10% of their RA savings at the Payout Eligibility Age, as they were only able to withdraw 10% of their balances from age 55.

¹⁸ (a) The \$5,000 is set aside outside of the Retirement Account, and is not counted towards the Retirement Account balances at age 55. It can be withdrawn at any time from the age of 55;
 (b) Figures assume Retirement Account savings grow with interest at current CPF interest rates, a payout start age of 65, and that annuitisation of premiums occur at 65. For simplicity, additional savings from CPF

Executive Summary and Recommendations at a Glance

50. **Recommendation 9: Provide appropriate and timely information, and financial counselling, to help members make informed choices.** Recognising that these additional options in retirement could be confusing for some members, the Panel observes that more public education will be necessary to improve members' understanding of the CPF system and to enable them to make informed decisions best suited to their own unique circumstances.
51. The provision of specific and timely information to members is particularly critical for two key decisions:
- a. At 55, members who own a property can set aside the Basic Retirement Sum, subject to a charge/pledge on the value of the property. There might be situations when a member has a spouse with insufficient CPF savings of her own, or both members as a couple may have limited sources of post-retirement support outside the CPF. If the member has CPF savings above the Basic Retirement Sum, he should consider annuitising the full amount rather than just the Basic Retirement Sum, so as to secure the higher level of payouts needed. Alternatively, he could use the excess savings above his Basic Retirement Sum to top up his wife's CPF. The Panel recommends that members in such situations be offered financial counselling on their retirement needs as a couple prior to opting to pledge their property so as to set aside the Basic Retirement Sum.
 - b. At Payout Eligibility Age, members can opt to withdraw 20% of their Retirement Account savings. For those with RA savings that are less than the Basic Retirement Sum, opting for such a withdrawal will result in a decrease in their monthly payouts which may fall below what the members would require to cover basic expenses.

contributions between age 55 and 65 are not shown in the illustration. Payouts are estimates for males based on the CPF LIFE Standard Plan;

(c) For the member with \$15,000 in his RA at age 55, no further withdrawal is allowed at age 65 because the member can already withdraw the \$5,000 that is set aside at 55 or later, which is more than 20% of the Retirement Account savings that he has at age 65.

Executive Summary and Recommendations at a Glance

Hypothetical illustrations

52. To illustrate the Panel's recommendations from the point of view of CPF members, three hypothetical examples are outlined as follows:

Example #1:

Mr Ang turns 55 in 2016 and has CPF savings of \$20,000.

At 55, \$5,000 is set aside and can be withdrawn at any time, and the rest (i.e. \$15,000) would need to be set aside in the Retirement Account.

By the time he reaches his Payout Eligibility Age (age 65), the sum of \$15,000 in his Retirement Account would have grown to \$24,000 because of the interest received from CPF¹⁹.

At 65, he would not have the option to make a further 20% withdrawal in view that the \$5,000 he could withdraw at 55 or after, is more than 20% of his Retirement Account savings at 65. As he has low CPF balances, this is meant to ensure that his monthly CPF payout stream is not reduced further.

He can opt to join CPF LIFE which would provide him with monthly payouts of about \$140 for life. If he joins CPF LIFE, he would need to choose his payout start age, as well as a CPF LIFE plan.

If he decides not to join CPF LIFE, his CPF savings will be streamed out as monthly payouts until the sum is exhausted.

Example #2:

Mr Bakar turns 55 in 2016 and has CPF savings of \$85,500.

At 55, \$5,000 is set aside and can be withdrawn at any time, and the rest (i.e. \$80,500) would need to be set aside in the Retirement Account.

By the time he reaches his Payout Eligibility Age (age 65), the sum of \$80,500 in his Retirement Account would have grown to \$123,600 because of the interest received from CPF²⁰.

¹⁹ If he continues to work and make contributions to his CPF after 55, his Retirement Account savings would have increased further by age 65.

²⁰ See previous footnote.

Executive Summary and Recommendations at a Glance

At 65, he would first decide whether or not he wants to set aside for withdrawal, 20% of \$123,600 less the \$5,000 that he could already withdraw anytime after 55 (i.e. \$19,700). If he makes the withdrawal, however, it would lower the monthly payout that he will subsequently receive from \$680 to \$580.

Next, he would need to choose his payout start age. He can opt to have monthly payouts start at 65, or later, at 66, 67, up to age 70. For every year that his payout start age is deferred, monthly payouts permanently increase by 6-7%. Before his payouts commence, he would choose his CPF LIFE plan.

Example #3:

Mr Chan turned 55 in 2016 and has CPF savings of \$200,000.

At 55, he can set aside the Full Retirement Sum of \$161,000 which would provide him a monthly payout of about \$1,300/mth starting at age 65, for life. He can withdraw his CPF savings in excess of this Sum (i.e. \$39,000).

If he has a property, he can opt to set aside the Basic Retirement Sum of \$80,500, subject to a charge/pledge on the value of the property. His Retirement Account savings above the Basic Retirement Sum of \$80,500 can also then be withdrawn (i.e. a total of \$119,500 can be withdrawn at 55). The payout that he will receive from age 65 will vary according to the Sum set aside.

Alternatively, he could opt to set aside an Enhanced Retirement Sum which can vary from above \$161,000 to a maximum of \$241,500 (i.e. 3x the Basic Retirement Sum) so as to receive a higher monthly payout. For example, if he chooses to top up to the maximum allowed, he could do this with his excess CPF savings (of \$39,000) and cash (of \$41,500).

If we assume that he opted for the Full Retirement Sum of \$161,000 at 55, by the time he reaches 65, the sum he had set aside would have grown to \$240,500 because of the interest received from CPF.

At his Payout Eligibility Age (age 65), he would first decide whether or not he wants to set aside as a sum for withdrawal, 20% of \$240,500 less \$5,000 (i.e. \$43,100). If he makes the withdrawal, however, it would lower the monthly payout that he will subsequently receive from \$1,300/mth to \$1,060/mth.

Next, he would need to choose his payout start age. He can opt to have monthly payouts start at 65, or later, at 66, 67, up to age 70. For every year that his payout start age is deferred, monthly payouts permanently increase by 6-7%. Before his payouts commence, he would choose his CPF LIFE plan.

Executive Summary and Recommendations at a Glance

Conclusion

53. The CPF system is fundamentally sound and has served Singaporeans well. The Panel believes that Part I of our recommendations will help to improve the CPF further by providing greater certainty and assurance to CPF members while providing the flexibility of more payout and withdrawal options in retirement to meet the varied needs of Singaporeans. This will help ensure the CPF system continues to remain relevant for Singaporeans today, and in the years to come.