



P R E S S R E L E A S E

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GOVERNMENT ACCEPTS CPF ADVISORY PANEL'S RECOMMENDATIONS: AN ADDITIONAL CPF LIFE PAYOUT OPTION & A NEW SIMPLE, LOW-FEE INVESTMENT SCHEME

The CPF Advisory Panel has submitted Part Two of its report to the Government. The report, which covers the last two of the Panel's terms of reference, recommends introducing an optional CPF LIFE plan with payouts that rise over time, and an optional investment scheme that is simpler and catered to CPF members who wish to invest but lack the financial expertise, time and resources to do so.

2. The recommendations come after a two year period of deliberation that included a public consultation exercise with Singaporeans. Part One of the Panel's report was submitted and accepted by the Government in February 2015. Taking both parts of the report together, the Panel's recommendations aim to provide additional choices to cater to varying needs in retirement, while maintaining simplicity as a core design principle of the CPF system.

A new CPF LIFE plan with Escalating Payouts to address increases in the cost of living in retirement

3. CPF LIFE ensures that a CPF member will never outlive the payouts from his CPF savings. However, these CPF payouts currently do not increase over time. To address concerns expressed by some CPF members with the rising cost of living with each passing year, **the Panel has recommended introducing an optional CPF LIFE plan with payouts that increase at a set rate of 2% per year.** This will enable members to cope with the rising cost of living if one lives longer.

A new Lifetime Retirement Investment Scheme that is simple and low-fee

4. The Panel has also **recommended introducing an optional investment scheme** called the Lifetime Retirement Investment Scheme to cater to members who wish to earn higher expected returns by taking on some investment risk.

5. The Panel expects that an increasing number of CPF members, particularly the young, may desire and have the ability to invest their CPF savings because of

their larger CPF balances and higher aspirations of their standard of living in retirement.

6. The Panel observed that the current CPF Investment Scheme has a wide menu of investment products that may be daunting for those who lack the financial expertise, time and resources to actively manage their investments.

7. The Lifetime Retirement Investment Scheme will offer CPF members access to a small number of low-fee, passively managed investment choices that adopt a long-term investment approach and that will be simpler for members to choose from.

8. The Panel has also recommended that the Government promote public awareness and understanding of the Lifetime Retirement Investment Scheme, and that it should set up an expert investment council to advise on implementation of the new investment scheme. Additionally, the Panel has recommended that the Government review the CPFIS to better target it at knowledgeable CPFIS investors who have the financial expertise and time to manage their investments on their own.

Conclusion

9. In a letter to the Minister of Manpower, Mr Lim Swee Say, Panel Chairman Prof Tan Chorh Chuan said that “it [had been an] honour and privilege to spend the last two years studying how the CPF system may be enhanced to make it more flexible to meet the varied retirement needs of more Singaporeans”. He also thanked Singaporeans who had taken time to share their experiences and suggestions with the Panel, saying “their perspectives were invaluable...and contributed significantly to the Panel’s deliberations and eventual recommendations.”

10. In his response, Minister Lim accepted the Panel’s recommendations and described them as “elegant in their simplicity and far sighted”. He added that the Government would work to implement the recommendations.
