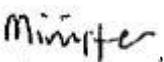


27 July 2016

Mr Lim Swee Say
Minister for Manpower

Dear ,

On behalf of the CPF Advisory Panel, it is my pleasure to submit Part Two of our report which covers the Panel's last two Terms of Reference.

In February 2015, the Panel submitted Part One of our recommendations. The Government accepted these recommendations and has worked to implement them from January this year.

For the second part of the Panel's work, we have recommended the introduction of an additional CPF LIFE option with escalating payouts. This will provide Singaporeans with the flexibility to choose a CPF LIFE plan that can help them cope with increases in the cost of living during their retirement years.

The Panel spent considerable time deliberating on our final Term of Reference relating to private investment choices. The Panel observed that a significant number of CPF members hope to obtain higher returns from their CPF savings by taking some investment risks. For such members, there is currently the CPF Investment Scheme (CPFIS), but the Panel feels that it has some limitations. In particular, the CPFIS is not specifically designed to meet the needs of CPF members who wish to invest but feel they lack the financial expertise and/or time and resources to actively manage their investments. These members would benefit from an investment scheme that is simpler to choose from and has significantly lower fees as compared to what can be realised by CPFIS, which mainly operates on a retail basis where funds are marketed and sold to individual investors.

Looking ahead, it is likely that there will be an increasing number of CPF members, particularly younger members, who would wish to invest their CPF savings to achieve higher returns because of larger CPF balances and greater expectations in terms of their lifestyles in retirement.

The Panel therefore believes there is a need to provide an additional investment avenue that can better help such CPF members earn higher expected returns than the CPF interest rates in a simpler way than CPFIS. This is why the Panel has recommended introducing a CPF Lifetime Retirement Investment Scheme. The

Scheme will offer CPF members access to low-cost aggregated investment choices that adopt a long-term investment approach and that will be simpler for members to choose from. With the introduction of the CPF Lifetime Retirement Investment Scheme, the Government could then review the CPFIS to better target it at CPF members with the financial knowledge and the time to actively manage their CPF investments.

In arriving at our recommendations, the Panel consulted members of the public to better understand their preferences with regards to their CPF savings. In addition, the Panel held industry consultations with representatives from the Investment Management Association of Singapore (IMAS) and the Life Insurance Association of Singapore (LIA) to better understand investment trends in Singapore and the challenges faced by insurance companies in offering annuity products to CPF members. Given the specialised and technical nature of the study on private investment choices, the Panel also engaged Mercer as a consultant to help study the feasibility of our recommendations for the private investment choices.

We are grateful to everyone who has taken the time to share their experiences, views and suggestions with the Panel. Their perspectives were invaluable in helping us better understand various perspectives, and contributed significantly to the shaping of the Panel's deliberations and eventual recommendations.

It has been our 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. We would like to thank the Government, in particular the Ministry of Manpower and the Central Provident Fund Board, for your strong support during both phases of our work. We hope that our recommendations will help contribute to strengthening the retirement adequacy of Singaporeans through the CPF system.

Yours sincerely,



Professor Tan Chorh Chuan
Chairman, CPF Advisory Panel

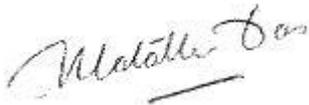
CPF Advisory Panel Members:



Professor Joseph Cherian
Practice Professor of Finance,
NUS Business School



Ms Sylvia Choo
Director, Special Duties
NTUC International Affairs



Ms Malathi Das
President,
Singapore Council of Women's
Organisations



Mrs Hauw Soo Hoon
Operating Partner,
iGlobe Partners



Professor Benedict Koh
Associate Dean,
SMU Lee Kong Chian School of
Business



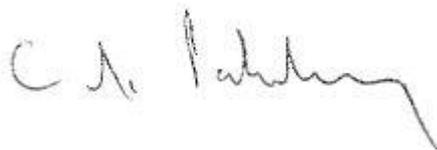
Mr Terry Lee
President,
Singapore Insurance Employees' Union



Mr Muhammad Faizal bin Othman
Vice-Chairman,
Taman Jurong Citizens' Consultative
Committee



Mr Ng Cher Yan
Immediate Past Chairman,
Braddell Heights Citizens' Consultative
Committee



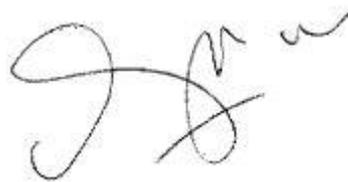
Mr Colin Pakshong
Independent Actuarial Consultant



Mr Saktiandi Supaat
Head of FX Research, Global Markets,
Maybank



Dr Tan Bee Wan
Executive Chairman,
Integrative Learning Corporation and
ACE (Active, Contributive and
Engaged) Seniors



Mr Christopher Tan
Chief Executive Officer,
Providend