

## **FACTSHEET ON CPF CHANGES TO HELP SINGAPOREANS SAVE MORE FOR RETIREMENT**

The following Budget 2015 initiatives will help Singaporeans save more for retirement:

- (A) Higher CPF Salary Ceiling and Supplementary Retirement Scheme Contribution Cap;
- (B) Raising CPF Contribution Rates for Older Workers; and
- (C) Enhancing progressivity through Extra CPF Interest

### **(A) Higher CPF Salary Ceiling and Supplementary Retirement Scheme (SRS) Contribution Cap**

2 To keep pace with wage growth in recent years, the CPF salary ceiling will be raised from \$5,000 to \$6,000<sup>1</sup>. This will enable middle-income Singaporeans to accumulate more CPF savings for their retirement. The change applies to all age groups and will take effect from 1 January 2016, to give employers sufficient time to adjust to the changes.

3 Consequently, the annual contribution cap within the SRS will be raised in line with the higher CPF salary ceiling from 1 January 2016 as shown in Table 1 below.

**Table 1: increase in Annual Contribution Cap for the Supplementary Retirement Scheme**

	<b>Singaporean/ Singapore Permanent Resident</b>	<b>Foreigner</b>
Current Cap	\$12,750	\$29,750
<b>New Cap</b>	<b>\$15,300</b>	<b>\$35,700</b>

4 The existing limits on tax reliefs for CPF and SRS contributions will be raised accordingly.

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<sup>1</sup> The last change in the CPF salary ceiling was in 2011, when it was increased from \$4,500 to \$5,000.

(B) Raising CPF Contribution Rates for Older Workers

5 The CPF contribution rates for workers aged 50 to 65 years will be increased from 1 January 2016 as shown in Table 2 below.

6 This final step will restore the contribution rates for workers aged 50 to 55 years to the same level as those for younger workers.

**Table 2: Increase in CPF Contribution Rates for Older Workers**

Employee Age (Years)	Increase in Contribution Rates (% of wage)		
	Contribution by Employer	Contribution by Employee	Total
Above 50 to 55	+1	+1	+2
Above 55 to 60	+1	-	+1
Above 60 to 65	+0.5	-	+0.5

7 The increase in employer contribution rates will go to the Special Account. The increase in employee contribution rates will go to the Ordinary Account.

8 The existing limits on tax deduction for employers' statutory CPF contributions and tax relief for employees' CPF contributions will be raised accordingly.

*New CPF Contribution Rates for Employees*

9 Table 3 shows the new CPF contribution rates for employees.

**Table 3: New CPF Contribution and Allocation Rates from 1 January 2016 for Employees (increases are underlined)**

Date	Employee Age (Years)	Contribution Rate (% of wage)			Credited Into (% of wage)			
		Contribution by Employer	Contribution by Employee	Total	Ordinary Account	Special Account	Medisave Account	Total
With effect from 1 Jan 2016	35 and below	17	20	37	23	6	8	37
	Above 35 to 45				21	7	9	37
	Above 45 to 50				19	8	10	37
	Above 50 to 55	17 (16+ <u>1</u> )	20 (19+ <u>1</u> )	37 (35+ <u>2</u> )	15 (14+ <u>1</u> )	11.5 (10.5+ <u>1</u> )	10.5	37 (35+ <u>2</u> )
	Above 55 to 60	13 (12+ <u>1</u> )	13	26 (25+ <u>1</u> )	12	3.5 (2.5+ <u>1</u> )	10.5	26 (25+ <u>1</u> )
	Above 60 to 65	9 (8.5+ <u>0.5</u> )	7.5	16.5 (16+ <u>0.5</u> )	3.5	2.5 (2+ <u>0.5</u> )	10.5	16.5 (16+ <u>0.5</u> )
	Above 65	7.5	5	12.5	1	1	10.5	12.5

Note:

1. The rates in Tables 2 and 3 are applicable for Singapore Citizens and Singapore Permanent Residents (SPRs) in the 3rd year and onwards of obtaining SPR status and earning monthly wages of  $\geq \$750$ . As per current practice, the employee CPF contribution rates for employees earning  $> \$500$  but  $< \$750$  will be pro-rated. Further details on the changes to the contribution rates will be made available on CPF Board's website: [www.cpf.gov.sg](http://www.cpf.gov.sg).
2. The Ordinary Wage Ceiling will be at \$6,000.

(C) Enhancing Progressivity through Extra CPF Interest

10 An additional 1% Extra Interest on the first \$30,000 of CPF balances will be provided from the age of 55. This will take effect from 1 January 2016.

11 Together with the existing 1% Extra Interest on the first \$60,000 of CPF balances, older CPF members can earn up to 6% interest on their balances (See Table 4).

**Table 4: CPF interest rate for members aged 55 years and above from 1 January 2016**

<b>CPF Balances</b>	<b>Interest Rate<sup>2</sup></b>
First \$30,000	6%
Next \$30,000	5%
Amounts above \$60,000	4%

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<sup>2</sup> Based on prevailing interest rates on balances in Retirement, Special and Medisave Accounts. Balances in Ordinary Account can earn up to 4.5% for members aged 55 and above.

## (D) Additional Background Information

### *CPF Salary Ceiling*

12 The CPF salary ceiling sets the maximum amount of CPF contributions payable for Ordinary Wages. The CPF salary ceiling was last increased from \$4,500 to \$5,000 in September 2011.

### *CPF Contribution Rates for Older Workers*

13 CPF contribution rates for older workers were lowered in the past to enhance their employability. The employment rate of older residents has since improved considerably, with good progress made by tripartite partners in wage restructuring and other efforts to enhance the employability of older workers. The employment rate of residents aged 50 to 54 years was 80%, comparable to the 82% employment rate of residents aged 45 to 49 years, as of June 2014.

14 In 2012, after consultation with tripartite partners, the Government committed to eventually equalise the CPF contribution rates for workers aged 50 to 55 years with that for younger workers. The increase in CPF contribution rates for older workers has been phased in gradually to moderate the impact on business costs and take-home pay of the employees. Since September 2012, two increments in CPF contribution rates for older workers aged 50 to 55 years have been made, with smaller increases for workers aged 55 to 65 years.

## (E) More information

15 Members of the public may visit [www.cpf.gov.sg](http://www.cpf.gov.sg) or contact the CPF Board for more information.

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