MISSION AND VISION

Mission

To enable Singaporeans to have a secure retirement, through lifelong income, healthcare financing and home financing.

Vision

A trusted and respected social security organisation, committed to enable Singaporeans to have a secure retirement.

CPF FACTSHEET

[The information is accurate as of May 2019]

INTRODUCTION

Social Security Framework

Singapore's social security system is premised on self-reliance with active government support. The four pillars of the system – home ownership, the Central Provident Fund (CPF) system, healthcare assurance and Workfare –are designed to preserve an ethic of work, personal effort and responsibility for the family. They also reflect collective responsibility and the Government's redistributive role to provide support for lower- and middle-income Singaporeans. In addition to the four pillars, the government provides safety nets through assistance schemes like ComCare and MediFund.

The CPF plays an integral role in supporting all four pillars of Singapore's social security system. As a defined contribution scheme with individualised accounts fully-funded by both employees and employers, the CPF enables active CPF members to save regularly to meet their home financing as well as healthcare and retirement expenses. The CPF Board also administers MediShield Life, which provides universal healthcare insurance protection, and the Workfare Income Supplement (WIS) scheme, which supplements the wages and CPF savings of low-wage workers.

CPF Board

The CPF Board was established on 1 July 1955 to provide financial security for employees in their retirement or when they are no longer able to work. Over the years, it has evolved into a comprehensive social security savings scheme, which not only takes care of CPF members' retirement income, but also their healthcare, housing and family protection needs.

The CPF Board is organised under four main business groups namely, Employers and Finance, Services, Infocomm Technology Services and, Policy and Corporate Development.

Governance Structure

The CPF Board is established by legislation as a statutory authority under the purview of the Minister for Manpower and is the trustee of the Central Provident Fund, into which all CPF members and employers' contributions are made. The Board is headed by a Chairman appointed by the Minister, with the concurrence of the President, and includes representatives from the government, employers and trade unions. This composition facilitates active tripartite engagement to manage the interests of stakeholders.

The Board is responsible for the administration of the Home Protection Scheme (HPS), a national mortgage term insurance scheme for public housing; the CPF LIFE scheme, a national life annuity scheme that provides lifelong monthly income in retirement; as well as MediShield Life, a national health insurance scheme that provides lifelong protection for all Singapore citizens and Permanent Residents against large hospital bills.

Funding and Investment Activities

CPF members are not directly exposed to investment risks as the CPF Board invests their CPF savings in special non-traded securities issued by the government, which pay the CPF Board the same interest rates that CPF members receive. Insurance funds are managed separately and are invested in a diversified range of assets including equities and fixed income instruments.

Coverage

Participation in the CPF scheme is compulsory under the law for all employed Singapore Citizens and Permanent Residents (including those in part-time, temporary and full-time employment), and their employers. For the self-employed, contribution to their MediSave Accounts (which provides for the accumulation of healthcare savings) is mandatory.

Tax Incentives

Mandatory CPF contributions are tax-exempt, as are the returns on CPF balances and investment gains via the CPF Investment Scheme. Withdrawals are exempted from income tax. Tax relief of up to S$7,000 annually is applicable for voluntary contributions made to one's own Special or Retirement Account. An additional tax relief of up to S$7,000 annually is also applicable for voluntary cash contributions made to the Special or Retirement Accounts of loved ones.[1][2]

[1] Spouse, siblings, parents, parents-in-law, grandparents, and grandparents-in-law.
[2] To qualify for tax relief for cash top-ups for spouse or siblings, they must not have an annual income (including salary or tax exempt income such as bank interest, dividends, and pension) exceeding S$4,000 in the year preceding the year of top-up. This threshold does not apply to parents, grandparents, handicapped spouse or handicapped siblings (handicapped is defined as being incapacitated by reason of physical or mental infirmity).

Nomination

CPF members can nominate beneficiaries for their CPF savings. If the CPF member has no valid nomination at the time of his demise, his CPF savings will be transferred to the Public Trustee and distributed in accordance with intestacy laws or the Inheritance Certificate (for Muslims). These savings exclude cash and investments held under the CPF Investment Scheme, as well as properties bought with CPF savings, which will form part of the CPF member's estate and distributed in accordance with prevailing laws.

SAVINGS ACCUMULATION

Contribution Rates

Employees contribute to the CPF as long as they earn more than S$500 a month. Employee contribution rates vary from 0% to the full contribution rate of 20%, depending on the employee's age and level of income. Employers contribute to the CPF for employees earning more than S$50 a month. The full employer contribution rate of 17% is payable for all employees aged 55 years and below.

CPF members can voluntarily contribute to their CPF accounts over and above their mandatory contributions - subject to applicable limits - to build up their retirement savings.

Members' Accounts

CPF members' CPF contributions are credited to three accounts, with age-dependent allocation rates to each of these accounts.

Ordinary Account (OA)

OA savings are primarily for retirement and housing needs, and may also be used for insurance, investment and other approved purposes. A higher OA contribution at the start of the individual's working life allows CPF members to purchase their first home earlier.

Special Account (SA)

SA savings are for retirement income needs and can be used for investment in retirement-related financial products.

MediSave Account (MA)

MA savings help CPF members meet their personal or immediate family's hospitalisation, day surgery and certain outpatient expenses, and may also be used for payment of premiums for approved medical insurance schemes such as MediShield Life, ElderShield and private medical insurance, with an annual cap for private schemes. The percentage credited to MA increases with age as individuals' need for medical care increases significantly as they age.

Retirement Account (RA)

A fourth account, the Retirement Account (RA) is opened for CPF members when they reach the age of 55. At 55, a member's Special and/or Ordinary Account savings will be transferred to their RA to form the retirement sum. The retirement sum will provide members with a monthly payout from their payout eligibility age, which is currently at age 65 for members who were born in 1954 or later. The amount of monthly payout would depend on the retirement sum they have set aside in their RA (i.e. the more savings set aside in the RA, the higher the payout) and the chosen plan under CPF LIFE, an annuity scheme that provides monthly payouts for life.

Returns

CPF savings earn a minimum guaranteed return of 2.5% per annum (p.a.). OA savings earn a market-related interest rate based on the 3-month average of major local banks' interest rates, or the legislated minimum of 2.5% p.a., whichever is higher. SA and MA savings earn a return pegged to long-term government bond rates, or the current floor interest rate of 4% p.a., whichever is higher. Interest rates on OA, SA and MA savings are revised quarterly.

RA monies credited each year will be invested in newly-issued Special Singapore Government Securities (SSGS) which will earn a fixed coupon rate equal to either the 12-month average yield of the 10YSGS plus 1% computed for the year, or the current floor rate of 4% per annum, whichever is higher. The interest rate earned by RA monies is the weighted average interest rate of the entire portfolio of these SSGS, which is adjusted in January each year to take into account the coupon rates payable by the new SSGS issuance.

An extra 1% p.a. interest is paid on the first S$60,000 of a CPF member's combined CPF balances. From 1 January 2016, the government also pays an additional 1% interest on the first S$30,000 of the combined CPF balances of members aged 55 and above.

These translate to returns of up to 5% p.a. for members aged below 55, and up to 6% p.a. for members aged 55 and above.

CPF Investment Scheme (CPFIS)

CPF members with higher risk appetites can choose to invest their OA and SA savings in excess of applicable thresholds in products included under the CPFIS to pursue higher returns. The amount available for investment can be placed in fixed deposits, or used to purchase government-related bonds, insurance, as well as unit trusts and Exchange Traded Funds.

For investments using OA savings, up to 35% can be invested in shares, property funds and corporate bonds and up to 10% can be used to buy gold through approved agent banks. Profits made from investments under the CPFIS cannot be withdrawn as the purpose of investing is to grow savings for retirement.

SAVINGS DECUMULATION

Retirement Income

In 2012, a study was commissioned by the Singapore Ministry of Manpower and conducted by two professors from the National University of Singapore to examine whether the CPF system can provide adequate retirement savings for a young Singaporean joining the workforce today. The study used an international measure for retirement adequacy known as the Income Replacement Rate (IRR) and found that amongst entrants to the workforce today, the median male earner will be able to replace 70% of his wages when he retires while the IRR for the median female earner is 64%. These Income Replacement Rates are comparable to IRRs in OECD countries.

Withdrawals at Age 55 and 65

At 55, members can withdraw the first S$5,000 or savings above the Full Retirement Sum or Basic Retirement Sum for those who own a property, whichever is higher. Members who turn 55 from 2013 or later also have the option to withdraw up to 20% of their RA savings at 65 (inclusive of the first S$5,000 that can be withdrawn from 55).

CPF LIFE

Singapore has one of the highest life expectancies in the world. About half of Singaporeans who are aged 65 today are expected to live beyond 85, and one-third of them beyond 90. To address the challenges of increasing life expectancy and an ageing population, a life annuity scheme termed 'CPF LIFE' was introduced in September 2009. The scheme provides CPF members with a monthly payout for as long as they live. CPF members who turn 55 from January 2013 and who have balances above a designated threshold are automatically enrolled into the CPF LIFE scheme, depending on the amount of Retirement Account balances they have. Under CPF LIFE, members can receive a lifelong monthly payout from the payout eligibility age (which is currently at age 65 for those turning 55 from 2009). The payouts that members will receive depends on the retirement sum they have set aside and their choice of LIFE plan. Members can choose from three CPF LIFE plans – the Standard Plan, the Basic Plan and the Escalating Plan. The Standard and Basic Plans give members the option to choose between getting higher monthly payouts or leaving higher bequest to beneficiaries. The CPF LIFE Escalating Plan will start with lower initial monthly payouts (about 20% lower than the payouts from Standard Plan) and grow at 2% per year over time. This plan is suitable for members who do not have an immediate need for higher payouts at the start. Members can increase their payouts for life by deferring their payout start age (up to age 70), or by topping-up up to the Enhanced Retirement Sum. In addition, members can transfer CPF savings above their Basic Retirement Sum to their spouses so they can enjoy lifelong payouts as well.

To ensure the long-term sustainability of the scheme, payouts may be adjusted yearly to take into account investment returns of the funds and mortality experience[3].

CPF Retirement Sum Scheme (RSS)

Members who are not placed on CPF LIFE will remain in the CPF Retirement Sum Scheme (RSS). RSS provides members with a monthly stream of payouts for a basic standard of living during retirement until their RA balance is exhausted. Members on this scheme receive a minimum payout of S$250. They can also apply to join the CPF LIFE scheme which provides monthly payouts for life (see above) if they are below 80 years of age.

Housing Monetisation

To help lower-income elderly CPF members enhance their retirement income via housing monetisation, the government has introduced the Silver Housing Bonus (SHB) and the Lease Buyback Scheme (LBS). Under these two schemes, eligible elderly households will receive a bonus of up to S$20,000, if they right-size to a smaller HDB flat (under the SHB scheme) or sell the tail-end lease of a HDB flat[4] (under the LBS), and commit the net proceeds obtained to purchase a CPF LIFE plan that will provide a life-long retirement income.

CPF SCHEMES

CPF savings may be withdrawn before age 55 under various approved schemes for asset-enhancement and to support various social objectives, such as home ownership, and insurance for home or family protection. The withdrawal of CPF savings is allowed, provided CPF members meet certain requirements to safeguard their retirement funds.

Housing

Under the Public Housing Scheme (PHS) and Private Properties Scheme (PPS), CPF members may buy public housing or private property using their OA savings. Withdrawal limits are set to ensure that CPF members' ability to save for retirement is not compromised. Upon the sale of the property, CPF members are required to refund to their CPF the principal amount withdrawn as well as the interest that could have been earned if the monies were not withdrawn.

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[3] Refers to the likelihood of death at various ages. If more persons live longer, the monthly payout might be lower and vice versa.
[4] Excluding short-lease flats, HUDC, and Executive Condominium units

Healthcare

CPF members may use their MA savings towards the payment of hospitalisation, day surgery and certain outpatient expenses for themselves or their immediate family members under the MediSave scheme. MA savings may also be used for payment of premiums for approved medical insurance schemes such as MediShield Life, ElderShield and private medical insurance, with an annual cap for private schemes.

MediShield Life is a basic health insurance plan administered by the CPF Board to help pay for large hospital bills and selected costly outpatient treatments, such as dialysis and chemotherapy for cancer. It is sized for subsidised treatment in public hospitals and provides lifetime coverage for all Singapore Citizens and Permanent Residents.

ElderShield is a basic long-term care insurance scheme targeted at severe disability, especially in old age. It provides a flat monthly cash payout of $300 or $400 for up to 5 or 6 years.

To provide better protection and greater assurance for Singaporean's long-term care needs, the ElderShield scheme will be enhanced and renamed as CareShield Life. CareShield Life, to be introduced in 2020, will provide higher payouts (starting at $600 in 2020) that increase over time with no cap on payout duration. The Government will provide subsidies and financial support to ensure that the premiums are affordable, and nobody will lose coverage because of an inability to pay. CareShield Life payouts will complement Government subsidies, personal savings, and family support to meet Singaporeans' long-term care needs.

Family Protection

a. The Dependants' Protection Scheme (DPS) is a term insurance that helps CPF members and their family to tide over the initial years should the insured member pass away, suffer from terminal illness or total permanent disability.

b. The Home Protection Scheme (HPS) is a mortgage-reducing term insurance that protects CPF members and their families from losing their HDB flat in the event of death, terminal illness or total permanent disability.

INCOME SUPPLEMENTATION

Workfare Income Supplement (WIS) Scheme

The WIS scheme is part of the government's comprehensive Workfare policy which encourages Singaporeans to work and undergo training to improve their employability. Administered by the CPF Board, the scheme rewards regular work and individual effort of low-wage workers by supplementing their income and building up their CPF savings. WIS recipients have to meet eligibility criteria such as age, income and property.

Silver Support Scheme

The Silver Support is a permanent feature in our social security system to provide greater support in retirement. It is targeted at the bottom 20 per cent of Singaporeans aged 65 and above, with a smaller degree of support extended to cover up to 30% of elderly. Eligible low-income senior citizens will receive quarterly cash payouts of between S$300 and S$750 under the Silver Support Scheme, to supplement their incomes in retirement and help mitigate life's inequalities. Citizens will be means-tested based on criteria such as lifetime wages, household support and housing type.