

Providing Updates on CPF Statistics...

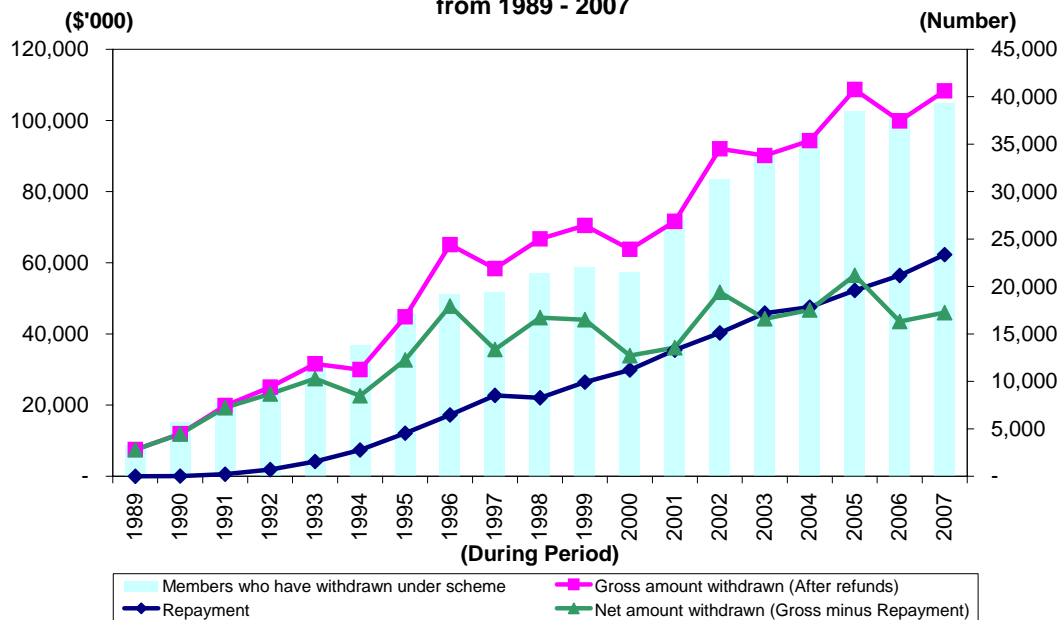
CPF Education Scheme

Background

The CPF Education Scheme was implemented on 1 June 1989 to help lower income families support themselves or their children through full-time studies in local tertiary institutions that are subsidised by Government. Initially, in 1989, CPF members could use up to 40% of their CPF savings (subsequently increased to 80% in 1994), after setting aside the full Minimum Sum. From 1 June 2001, the Minimum Sum requirement was removed. Thus, a member could, subject to the amount of tuition fees payable, use the lower of (i) 40% of his accumulated Ordinary Account (OA) savings^[1], or (ii) the balance in OA less any amount set aside for housing or other schemes. The students have to repay the amount withdrawn plus interest, in cash into their own parent's CPF

accounts subsequently. Over time, the number of institutions included under the scheme has increased. At the start of the scheme, it covered full-time degree programmes at Nanyang Technological University and National University of Singapore, and full-time diploma courses at Nanyang Polytechnic, Ngee Ann Polytechnic, Singapore Polytechnic and Temasek Polytechnic. From 15 December 1999, CPF savings could be used to pay the tuition fees for full-time diploma courses offered by LaSalle-SIA College of the Arts and Nanyang Academy of Fine Arts. The list later grew to include Singapore Management University (from 1 July 2000) and Republic Polytechnic (from 1 July 2003).

Chart 1 - CPF Savings Withdrawn and Repayment under Education Scheme from 1989 - 2007



[1] This is made up of the balance in the Ordinary Account plus Ordinary Account savings already withdrawn for education and investments (the amount used for housing is excluded).

When the scheme was implemented in 1989, the gross amount withdrawn that year was \$7.5 million^[2] (see Chart 1). This amount rose to \$108.3 million in 2007. Correspondingly, the number of CPF members who have withdrawn their CPF savings grew from 3,253 in 1989 to 39,267 in 2007. While the amounts withdrawn have fluctuated over the years, a general upward trend is observed. The monies withdrawn for education have increased substantially since the removal of the Minimum Sum requirement in June 2001. Another reason for the increase is that tuition fees for tertiary education have increased over time, the most recent fee revision being in academic year 2005.

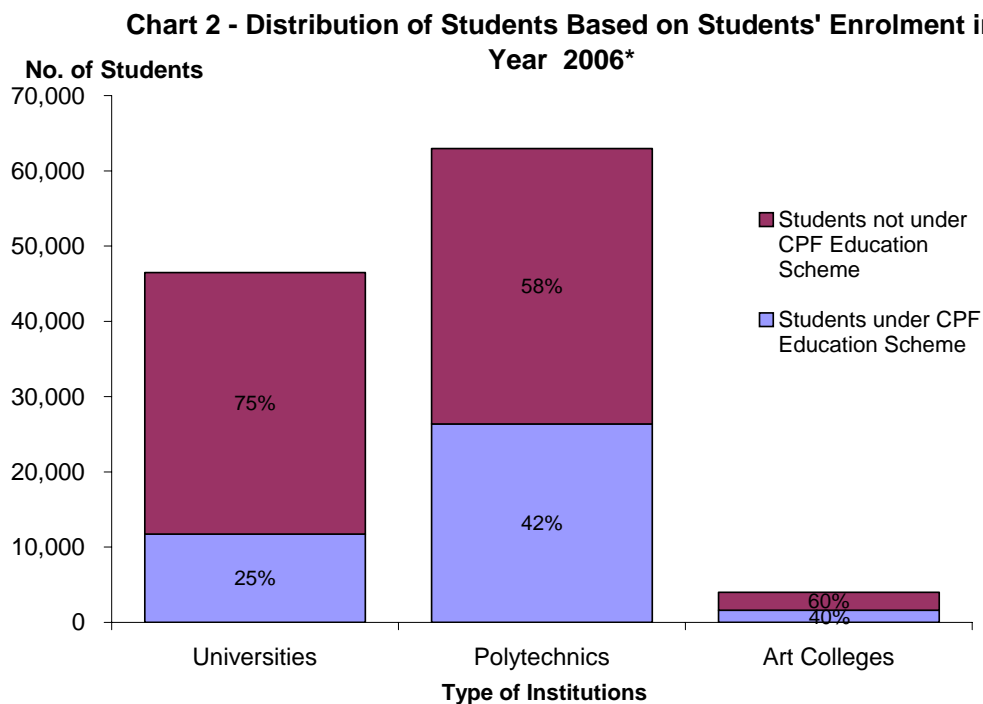
Repayment amounts have also increased gradually, as a growing base of students repay the

CPF savings to their parent's and/or their own CPF accounts over a period of time. Students can make repayments in one lump sum or in monthly installments over a maximum period of 12 years. For the year 2007, the amount repaid to members' accounts was \$62.3 million as compared to \$108.3 million of CPF monies withdrawn that year.

Who Benefited from the Scheme

As at 31 Dec 2006, 142,258 students have benefited from the Education Scheme and the average amount withdrawn per student was \$7,394.

Based on total student enrolment figure in 2006 available from Ministry of Education's website^[3], we observed that a greater proportion of students from the polytechnics and art colleges applied to use CPF monies for their full-time studies as compared to students from the universities (see Chart 2).



*Note : Count on the students' enrolment is from Ministry of Education's (MOE) Education Statistics Digest, 2007^[3]

^[2] This refers to the amount after refunds of tuition fees by institutions back to CPF. An example of such scenario is where students are awarded scholarships.

^[3] Source: Ministry of Education, 2007, *Education Statistics Digest 2007*, Table 27, Pg 43.

Viewed 25 Feb 2007, <<http://www.moe.gov.sg/esd/Default.htm>>.

Rate of Repayment

The scheme requires students to repay the amount withdrawn for their studies one year after graduation or one year after leaving the course. However, there are some students who have defaulted in making payments back to their own or parent's CPF account.

As at Dec 2007, 14% of students who have used CPF savings for their studies in Singapore have defaulted¹⁴ in the repayment of CPF into their parents' and/or their own CPF accounts.

To safeguard members' retirement savings, students who failed to respond to the board's reminders will face legal actions.

Students are reminded that the primary use of CPF savings is for retirement. Therefore, it is of utmost importance that students take responsibility in repaying the CPF withdrawn from their parents' or their own CPF accounts. This is to ensure that members have sufficient CPF savings for their old age needs.

¹⁴ Students are considered to have defaulted their repayment of CPF if they have 4 or more consecutive arrears.

