

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 approved educational institutions in Singapore.

When the scheme started in 1989, CPF members could use up to 40% of their CPF savings in the Education Scheme, after setting aside the full Minimum Sum. This percentage was subsequently increased to 80% in 1994. To enable more lower-income members to be eligible under the CPF Education Scheme, the Minimum Sum requirement for the Education Scheme was removed from 1 June 2001 and the withdrawal limit changed to 40% of the accumulated Ordinary Account savings excluding amounts withdrawn for housing. Thus, a member could, subject to the amount of tuition fees payable, use the lower of (i) 40% of his accumulated Ordinary Account (OA) savings¹ or (ii) the balance in OA less any amount set aside for housing or other schemes. However, the student has to subsequently repay the amount withdrawn plus interest, in cash, into their own CPF accounts or those of their parents².

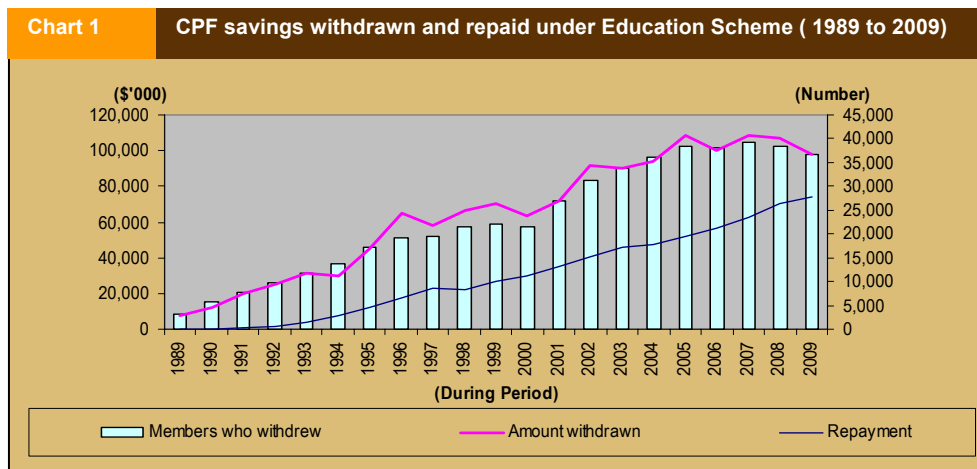
The CPF Education Scheme covers approved full-time government-subsidised undergraduate courses leading to a degree at local universities and Singapore Institute of Technology, and under the Polytechnic-Foreign Specialised Institution ("Poly-FSI") framework². The Scheme also covers approved full-time government-subsidised diploma courses at LaSalle-SIA College of the Arts, Nanyang Academy of Fine Arts, local Polytechnics and Institute of Technical Education (for students pursuing a Technical Engineer Diploma).

This article aims to provide an analysis of CPF savings withdrawn and repaid under the CPF Education Scheme since its implementation.

Monies withdrawn for education have increased

Amount withdrawn and repaid

When the scheme started in 1989, 3,253 CPF members withdrew their CPF savings in that year under the CPF Education Scheme. The number has grown to 36,579 in 2009. In tandem with the growth in the number of members who made withdrawals, the amount withdrawn³ also rose from \$7.5 million in 1989 to \$98.2 million in 2009 (Chart 1). One reason for the increase in the amount withdrawn is the removal of the Minimum Sum requirement in June 2001 which made it easier for members to use their CPF savings for education purposes. Another reason is the increase in tuition fees for tertiary education over time. The most recent fee revision up till 2009 was made by the three local universities in academic year 2008.



- 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).
- Please refer to the following link for the list of approved institutions and subsidised courses covered under the CPF Education Scheme: <http://ask-us.cpf.gov.sg/Home/hybrid/Themes/CPF/related.asp?MesId=6818024&FolderID=0&Selected=2&CSRId=&SourceId=1>
- Amount withdrawn refers to the amount after deducting any tuition fee refund returned to CPF by the approved educational institution. For example, a refund is made when students are awarded scholarships. Repayments refer to payments made to CPF by the students to repay the loans.

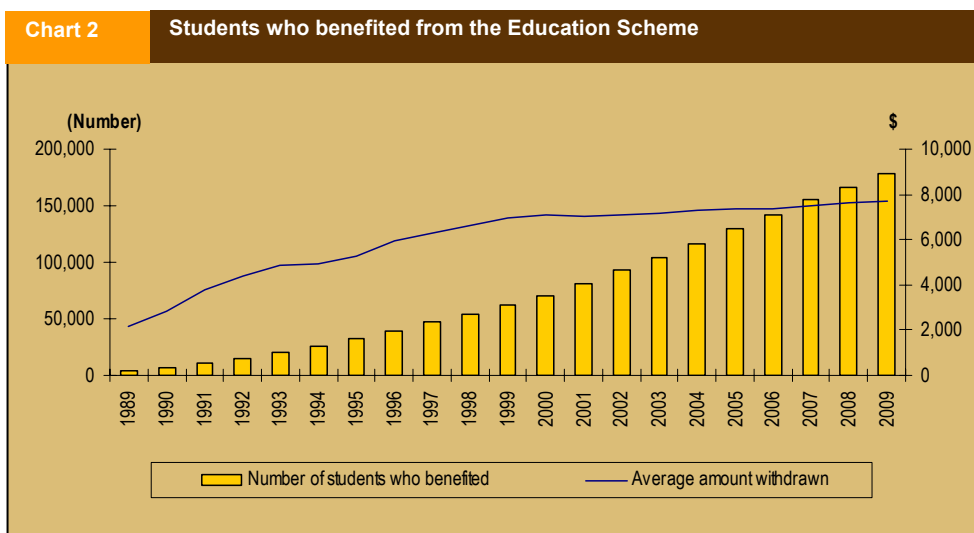
Repayment has increased steadily over the years

Students must start repayment one year after graduation. Repayment can be made in one lump sum or as monthly installments over a maximum period of 12 years. As more students graduate and start repayment, the amount repaid has steadily increased over the years, reaching \$74 million in 2009⁴.

Increase in number of students who benefited

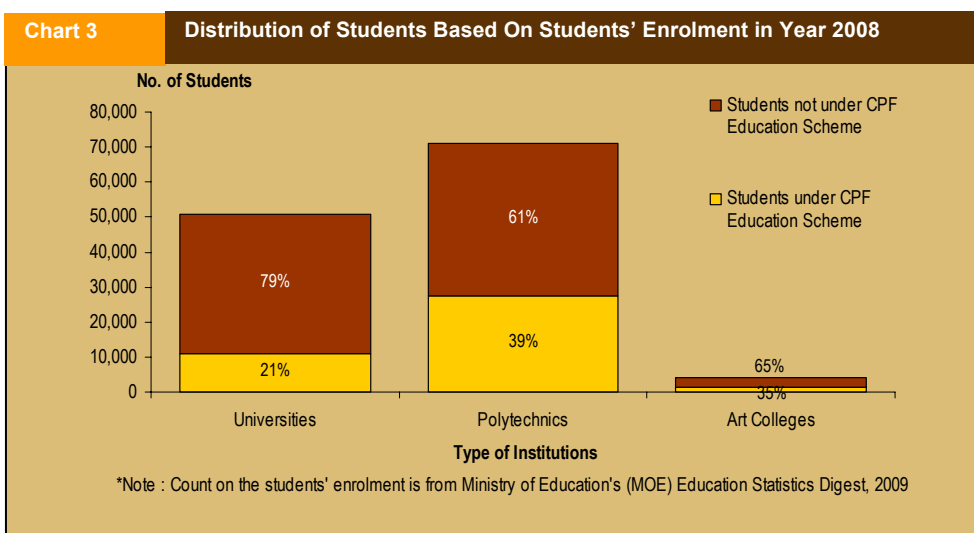
Number of students who benefited from the scheme has grown to 178,000

Since the implementation of the scheme to year 2009, the average amount withdrawn per student grew at a compound annual growth rate (CAGR) of 6.6%. As at Dec 2009, about 178,000 students have benefited from the Education Scheme and the average amount withdrawn per student was \$7,679 (Chart 2).



A greater proportion from polytechnics and art colleges used CPF monies compared to those from universities

Based on total student enrolment statistics in 2008 available from the Ministry of Education's website⁵, we observed that a greater proportion of students from the polytechnics and art colleges are using CPF monies for their full-time studies as compared to those from the universities (Chart 3).



4. It is to be noted that the difference between the amount withdrawn and repayment in a given year does not give the increase in aggregate outstanding amount to be repaid under the scheme.

5. Source: Ministry of Education, 2009, *Education Statistics Digest 2009*, Table 27, Pg 43.

Summary

The CPF Education Scheme is a loan scheme meant for low income families to provide their children with a basic tertiary education. However, the primary use of CPF savings is still for retirement. Therefore, it is of utmost importance that students conscientiously repay the CPF savings withdrawn from their parents' and/or their own CPF accounts. This is to ensure that members have sufficient CPF savings for their retirement.

About *CPF Trends*

CPF Trends is a regular series of papers produced by the Management Information Department to disseminate analyses of statistical data and trends on CPF related issues. These papers are generally brief and aimed at a broad audience interested in CPF related issues.