

CPF Trends

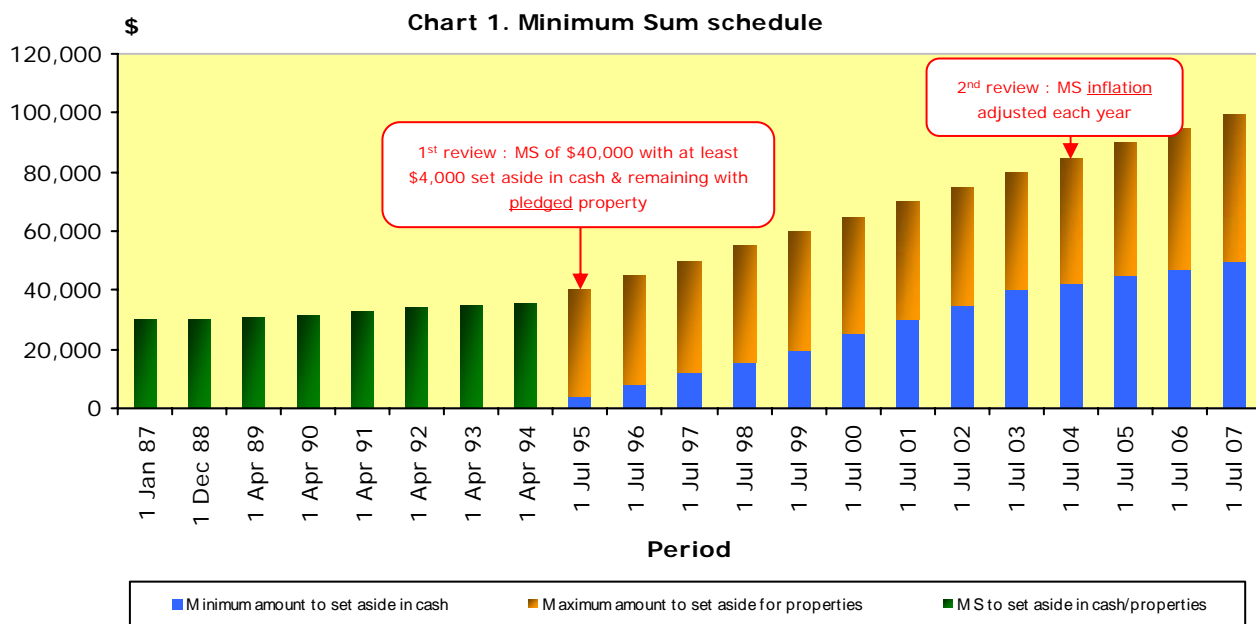
October 2008

Minimum Sum Scheme

The Minimum Sum Scheme (MSS) was introduced in January 1987 to provide CPF members with a monthly income to support a basic standard of living during retirement.

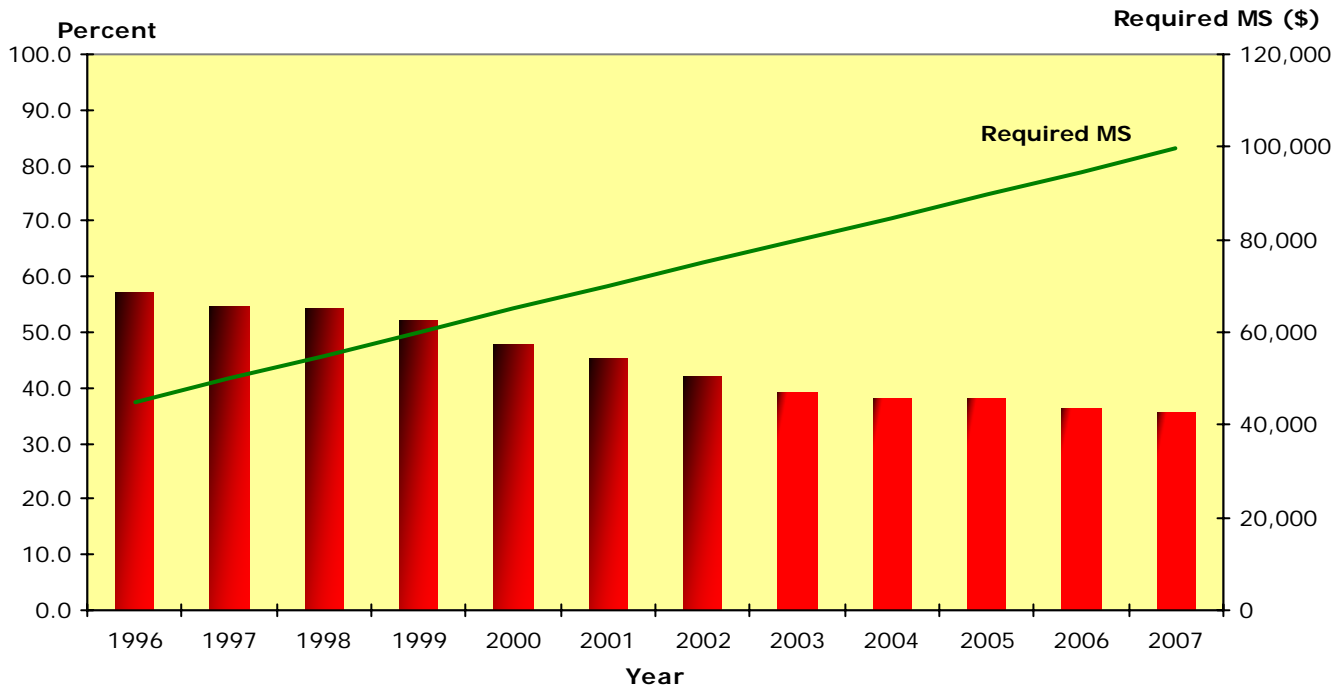
When the scheme first started, members were required to set aside a Minimum Sum (MS) of \$30,000 in their Retirement Account (RA) upon reaching 55 (See Chart 1). On 1 July 1995 MSS was revised and members were required to set aside a MS of \$40,000, of which at least \$4,000 must be set aside in cash and the remaining \$36,000 could be in the form of a property pledge. The cash portion ensured members of a monthly income in retirement. The MS was raised gradually by \$5,000 a year until it reached \$80,000 in 2003, with \$40,000 required to be set aside in cash. A member could set aside the MS fully in cash or pledge his property up to 50% of the MS.

In 2003, another round of revision to the MSS was announced. The required MS would be inflation adjusted each year from 1 July 2004, until it reaches \$120,000 (in 2003 dollars) in 2013.



Among the active members who turned 55 in 2007, about one-third (35.6%) met the required MS (See Chart 2). This is a drop from 57.1% in 1996, and could be attributed to the increase in the required MS from \$40,000 in July 1995 to \$99,600 in July 2007, and cuts in CPF contribution rates in 1999 and 2003.

Chart 2. Percentage of active members who met required Minimum Sum at age 55



Note: Figures prior to 2002 refer to all active members. From 2002, figures refer to active members who are Singaporeans or Permanent Residents.

With a 10-percentage-point reduction in percentage of withdrawal each year, from the current 50% for total balance in Ordinary and Special Accounts, commencing 1 January 2009, it is likely that more active members will be able to meet the required Minimum Sum at age 55.

[1] Active CPF members refer to persons who have at least 1 CPF employment contribution paid for them for any of the last four months of the year.