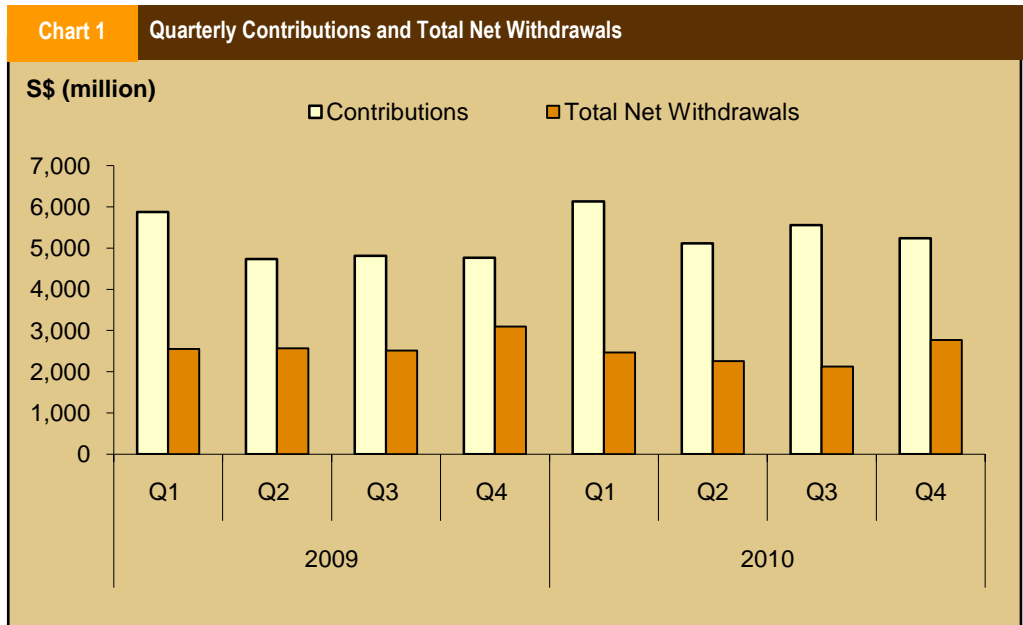


Background

This article analyses CPF members' contributions and net withdrawals in 2009 and 2010 using quarterly data. It also examines the various types of withdrawals made during these two years.

Contributions exceeded withdrawals in 2009 and 2010

CPF contributions have increased in 2010 compared to 2009. It reached a high of \$6,134 million in the first quarter of 2010 (Chart 1) mainly due to the rapid recovery of the economy after the 2008 downturn. Contributions are usually higher in the first quarter of every year as most employees receive their bonuses during this period. Net withdrawals¹, on the other hand, increased in the final quarter of both years mainly due to members signing up for CPF Lifelong Income Scheme (CPF LIFE) and the corresponding withdrawals for CPF LIFE annuity premiums. Overall, contributions exceeded net withdrawals for all quarters in 2009 and 2010.

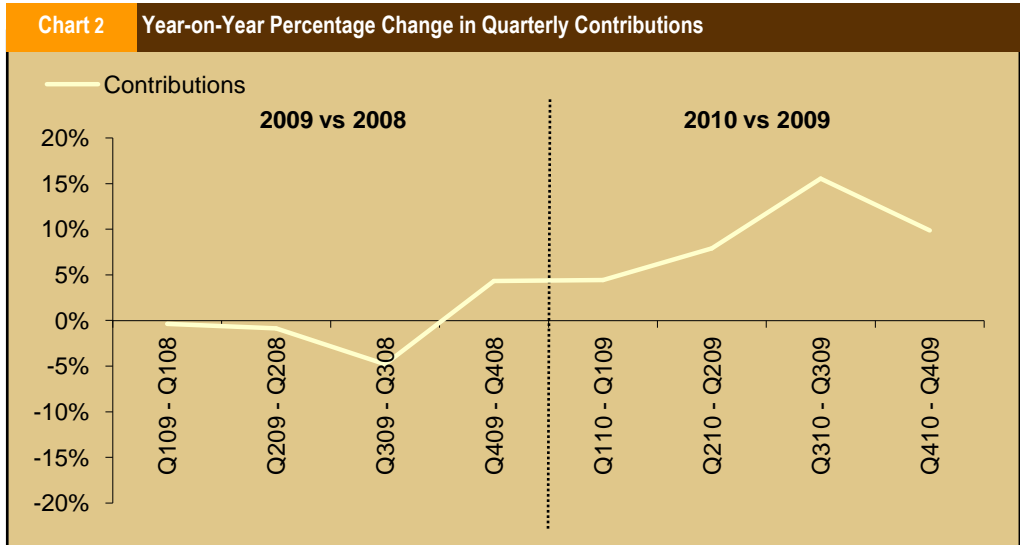


1 Net withdrawals refer to gross withdrawals net of refunds.

An increase in employer contribution rate from September 2010 could have driven contributions upwards

The first three quarters of 2009 saw lower year-on-year (YoY) contributions than the previous year due to the effects of the economic downturn which started in 2008 (**Chart 2**). Contributions however rebounded in the last quarter of 2009 in tandem with the economic recovery, resulting in a YoY growth of 4%.

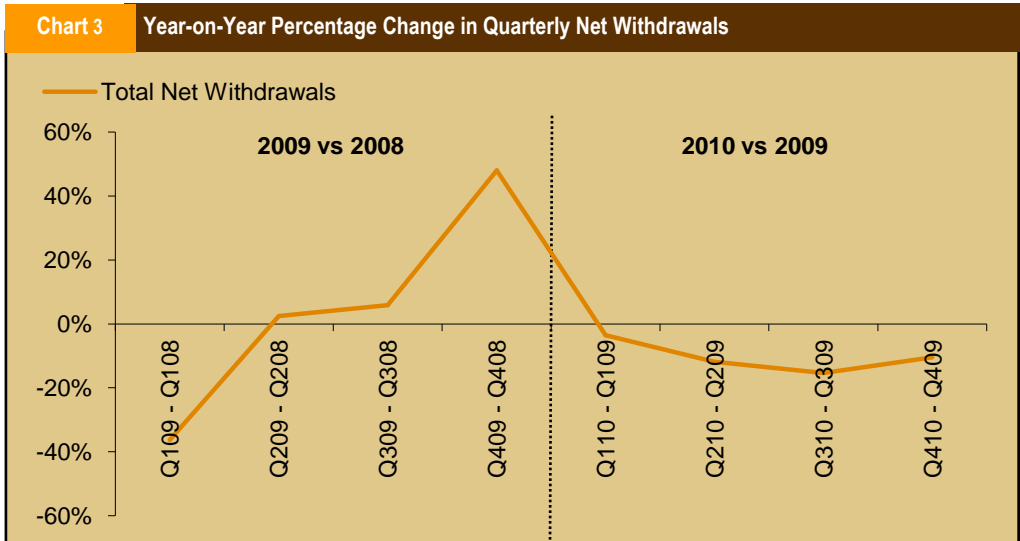
In 2010, the YoY percentage change in contributions rose from 4% to a peak of 16% in the third quarter of 2010. This increase in contributions may be due in part to the adjustment of the employer contribution rate in September 2010 from 14.5% to 15.0%.



Total net withdrawals generally declined after fourth quarter of 2009

The YoY percentage change in total net withdrawals was negative after Q4 2009 (**Chart 3**), implying that net withdrawals had started to decline from that quarter. In contrast, during the earlier period from second to the fourth quarter of 2009, the YoY growth of total net withdrawals registered positive growth, reaching 48% in the last quarter of 2009. This spike was mainly due to withdrawals under CPF LIFE - which had been made available on an opt-in basis from September 2009.

To determine the reasons behind the decline in total net withdrawals from 2009 to 2010, we review withdrawals under the various schemes in the next section.

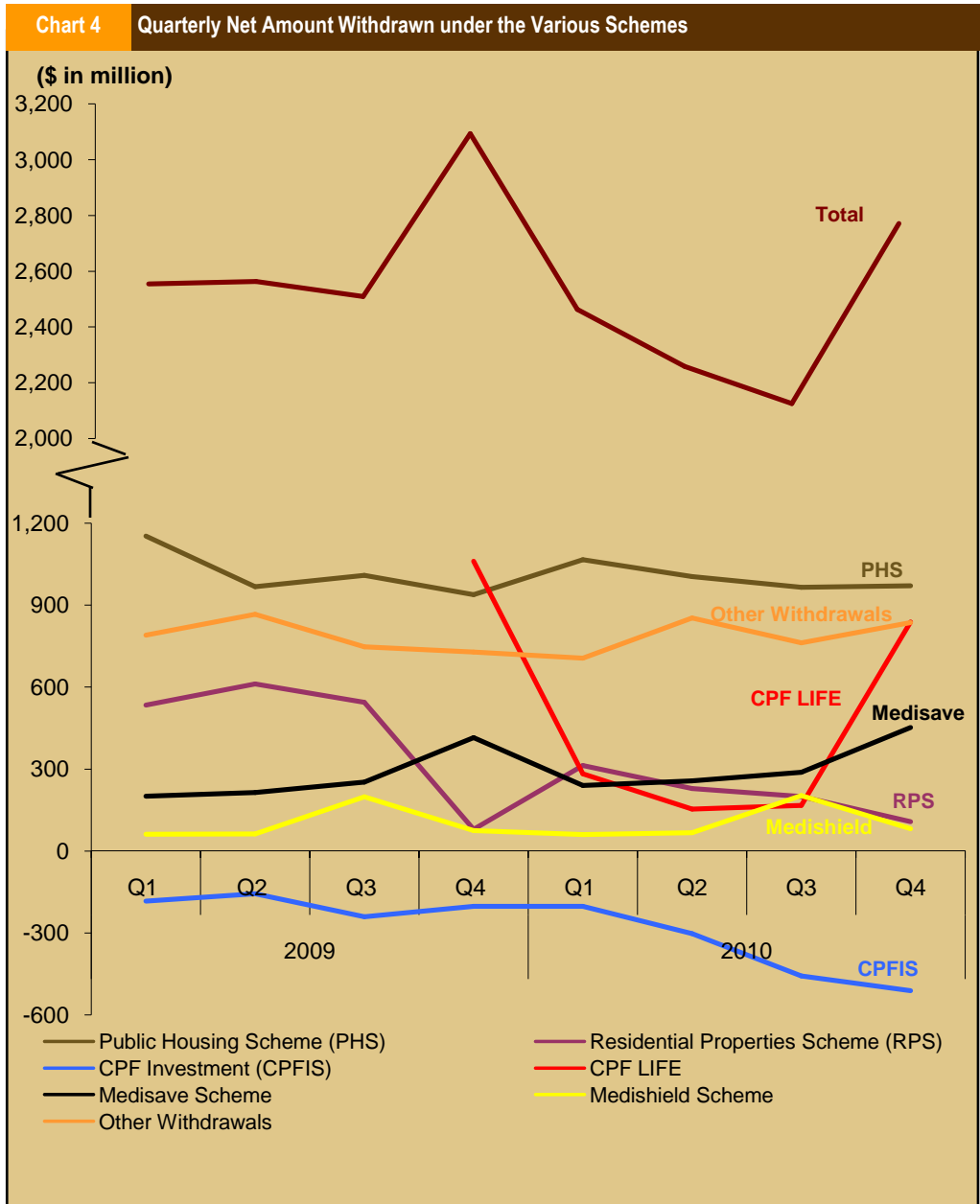


Withdrawals under Various CPF Schemes

Net withdrawals under RPS decreased in 2010 due to higher refunds from sales of private properties

Housing - Housing constituted the largest component of total withdrawals. A further breakdown of net withdrawals under the housing schemes shows that net withdrawals under the Public Housing Scheme (PHS) remained fairly stable in 2010 (Chart 4).

On the other hand, fluctuations in net withdrawals under the Residential Properties Scheme (RPS) can be observed. Net withdrawals under RPS for the first three quarters of 2010 were lower than the corresponding quarters in 2009. This is due to higher refunds from the sale of private properties. Withdrawals under RPS continued to fall in the last quarter of 2010 - which could have resulted from the cooling measures introduced by the government in August 2010 to stabilise the property market.



CPF Investment Scheme (CPFIS) - Net withdrawals under CPFIS for all quarters of 2010 were lower compared to the corresponding quarters in 2009. This was likely due to an increase in refunds from the sale of investment products in 2010. Upward revisions in the amount of Special Account (SA) savings that must be set aside (in May 2009 and July 2010)² before investments can be made probably also contributed to a further drop in the overall net amount withdrawn under CPFIS. This is consistent with the downward trend in the amount withdrawn under CPFIS (**Chart 4**) from the third quarter of 2009 onwards.

Fluctuations observed in net withdrawals under CPFIS and CPF LIFE

CPF LIFE - Since CPF LIFE was made available in the fourth quarter of 2009, applications processed resulted in notable withdrawals for CPF LIFE annuity premiums. As for the increase in net withdrawals seen in the last quarter of 2010, this is likely due to an increase in the number of members who joined CPF LIFE to enjoy LIFE Bonus (L-Bonus)³ before it expired for opt-in cohorts on 31 December 2010.

Medisave and Medishield - Net withdrawals under Medisave and Medishield in 2010 exhibited similar trends to that seen in 2009. Withdrawals were largely affected by the timing for payment of premiums - Eldersshield cover is renewed yearly in October while Medishield cover is renewed in the third quarter of the year⁴.

Other Withdrawals⁵ - Other withdrawals remained stable. Trends in 2010 were similar to that of 2009, where withdrawals were slightly higher in the second quarter of every year. This was mainly due to premium payments for yearly renewal of Dependants' Protection Scheme coverage in May⁴.

From the trends outlined above, we observe that the overall year-on-year decrease in total net withdrawals in 2010 may be attributed to lower net withdrawals in housing and CPFIS.

Summary

Using CPF data, we observed that contributions increased while net withdrawals decreased in 2010 compared to the previous year. Through an analysis of withdrawals under the various CPF schemes, we observed that the year-on-year decrease in overall net withdrawals in 2010 was mainly due to lower withdrawals in housing and CPFIS.

In particular, RPS net withdrawals fluctuated notably in 2010 due to refunds, compared to PHS net withdrawals which remained fairly stable. Fluctuations were also observed in net withdrawals under CPFIS and CPF LIFE. Fluctuations in the net withdrawals under CPFIS were likely due to changes in the CPFIS-SA policy that required a larger amount to be set aside in the SA before monies can be used for investment. For CPF LIFE, the fluctuations were due to an increase in the number of members who joined the scheme. In summary, contributions and net withdrawals have been influenced by policy changes and economic environment in the past two years.

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.

- 2 CPFIS-SA policy change in May 2009 and July 2010 where members need to set aside \$30,000 and \$40,000 in their SA respectively before they can invest.
- 3 For more information on L-bonus, please visit <http://ask-us.cpf.gov.sg/explorefaq.asp?category=23000>
- 4 Refers to renewal of cover for majority of CPF members under the respective insurance schemes.
- 5 Other Withdrawals include withdrawals under the Home Protection Scheme, Dependants' Protection Scheme, Education Scheme, Special Discounted Shares Scheme, Non Residential Properties Scheme, Minimum Sum Scheme, Section 15 and 25 of CPF Act.

Type of CPF withdrawals

CPF members can withdraw their CPF savings for the following uses:

Housing

- Public Housing Scheme (PHS) and Private Residential Housing Scheme (RPS)

Investment

- CPF Investment Scheme using Ordinary Account balances (CPFIS-OA) and CPF Investment Scheme using Special Account balances (CPFIS-SA)

CPF LIFE

Healthcare

- Medisave Scheme, MediShield Scheme, Private Medical Insurance Scheme (allows CPF members to use their Medisave savings to buy Medisave-approved Integrated Shield Plans) and ElderShield Scheme

Other Withdrawals

- Home Protection Scheme, Dependants' Protection Scheme, Education Scheme, Special Discounted Shares Scheme, Non Residential Properties Scheme, Minimum Sum Scheme, Section 15 and 25 of CPF Act

Withdrawals under Section 15 refer to withdrawals at age 55 and under non-retirement grounds. Withdrawals under Section 25 refer to withdrawals upon death.