

This article compares the CPF contributions and net withdrawals¹ of members in 2009 with those of 2008 and examines possible reasons for the fluctuations.

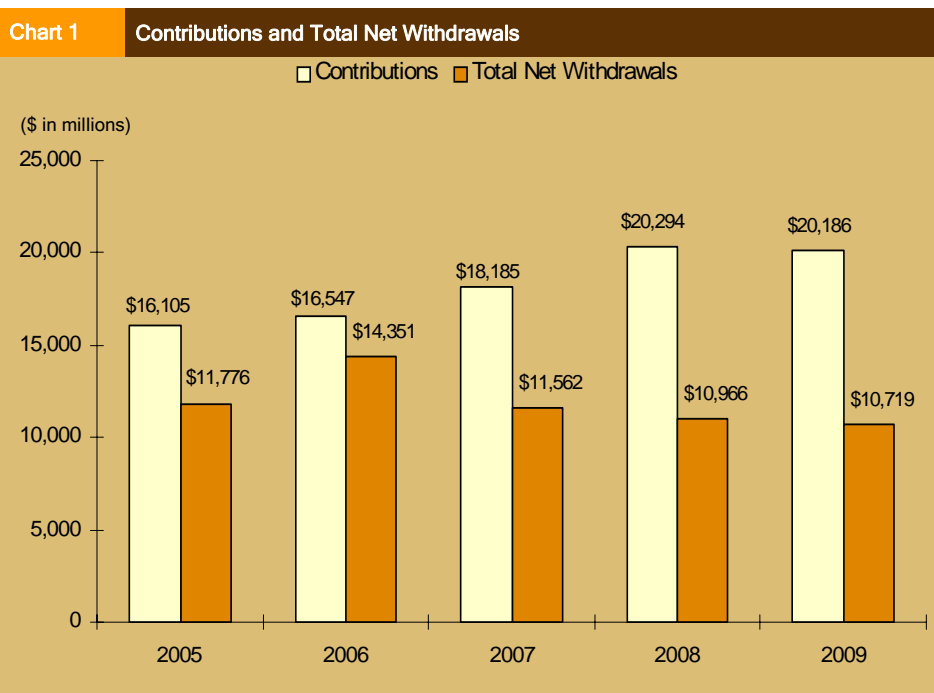
Contributions and net withdrawals dipped marginally

Contributions fell marginally year-on-year in 2009, likely due to counter-cyclical measures taken by the government

Aggregate contributions increased from 2005 to 2008 (**Chart 1**). The increase in aggregate contributions during this period could be attributed to (i) policy changes such as the increase in the CPF contribution rate from 33% to 34.5% in 2007 (ii) stronger wage growth amidst a robust economic environment. In 2009, contributions were marginally lower at \$20,186 million compared to \$20,294 million in 2008. Compared to previous economic downturns, contributions did not dip as much. This was likely due to decisive counter-cyclical measures undertaken by the government including the Jobs Credit Scheme and Skills Programme for Upgrading and Resilience (SPUR).

Net withdrawals dropped slightly in 2009

Total net withdrawals in 2009 fell by \$247 million to \$10,719 million as members could have been more cautious in withdrawing their CPF monies for investment or property purchases, as a result of the uncertain economic climate. The higher interest rates paid on CPF balances compared to what members could earn in capital markets could also be a contributing reason.

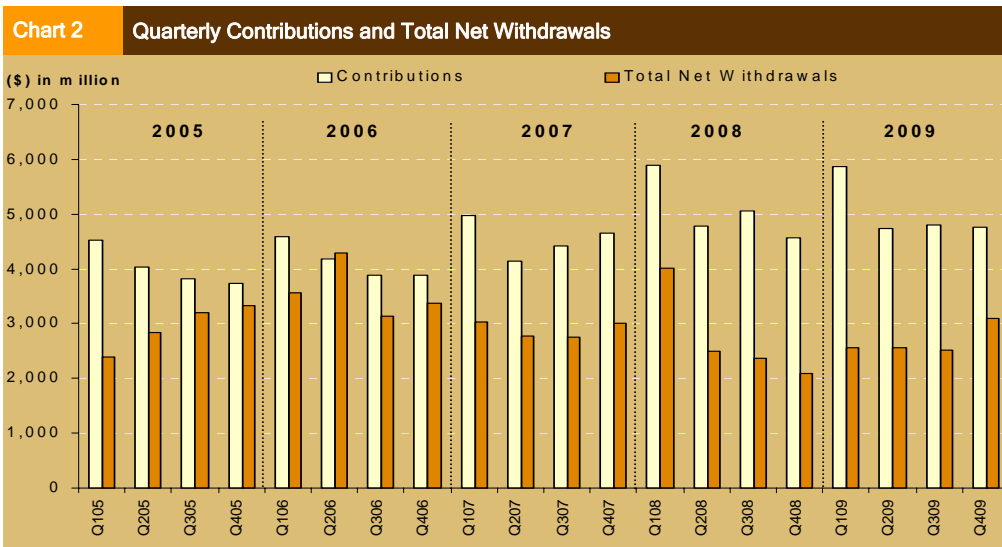


¹ Net withdrawals refer to gross withdrawals net of refunds.

Quarterly contributions exceeded withdrawals except for 2nd quarter of 2006

Quarterly contributions exceeded withdrawals

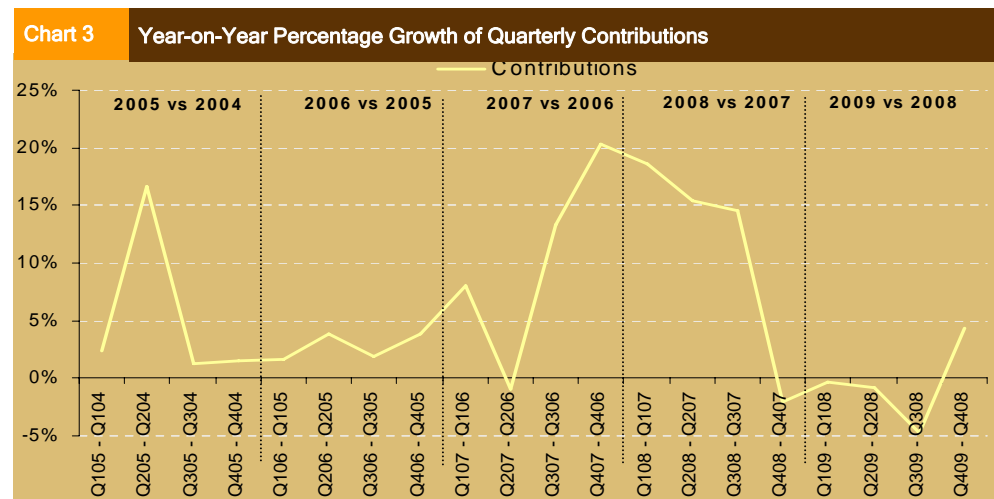
Contributions surpassed net withdrawals for all quarters in 2009, a trend similar to previous years (Chart 2). The only exception was in the second quarter of 2006 when withdrawals exceeded contributions. This was due to an increase in withdrawals for capital repayments under the Residential Properties Scheme (RPS), and an increase in withdrawals for investments under the CPF Investment Scheme (CPFIS)². Contributions peaked in the first quarter of 2009, and remained relatively stable for the other quarters in the year. Conversely, for the first three quarters of 2009, net withdrawals remained stable until the last quarter when net withdrawals increased, due mainly to withdrawals for annuity premiums for CPF Lifelong Income Scheme (LIFE). The various types of quarterly withdrawals will be examined in detail in the later part of this article.



As Singapore emerged from the recession, contributions picked up in last quarter of 2009 compared to 2008

Year-on-year contributions picked up in the last quarter of 2009

As observed in Chart 1, contributions in 2009 were marginally lower than in 2008. On a year-on-year basis, contributions for the first three quarters of 2009 were lower than the previous year (Chart 3). The lower contributions in the first three quarters of 2009 could be attributed to the economic downturn. In the last quarter of 2009, contributions were higher compared to the corresponding quarter in 2008 as Singapore started to emerge from the recession.



² CPF Investment Scheme comprises the CPF Investment Scheme-Ordinary Account (CPFIS-OA) and CPF Investment Scheme-Special Account (CPFIS-SA).

Year-on-year net withdrawals on the increase

Total net withdrawals were lower in the first quarter of 2009 compared to the corresponding quarter in 2008 (**Chart 4**). For the rest of the quarters in 2009, net withdrawals were higher than 2008.

CPF members can withdraw their CPF savings under various circumstances (please see **Annex** for a description of the types of withdrawals). The next section examines the various types of withdrawals and the possible reasons for the fluctuations.

Chart 4 Year-on-Year Percentage Growth of Quarterly Net Withdrawals

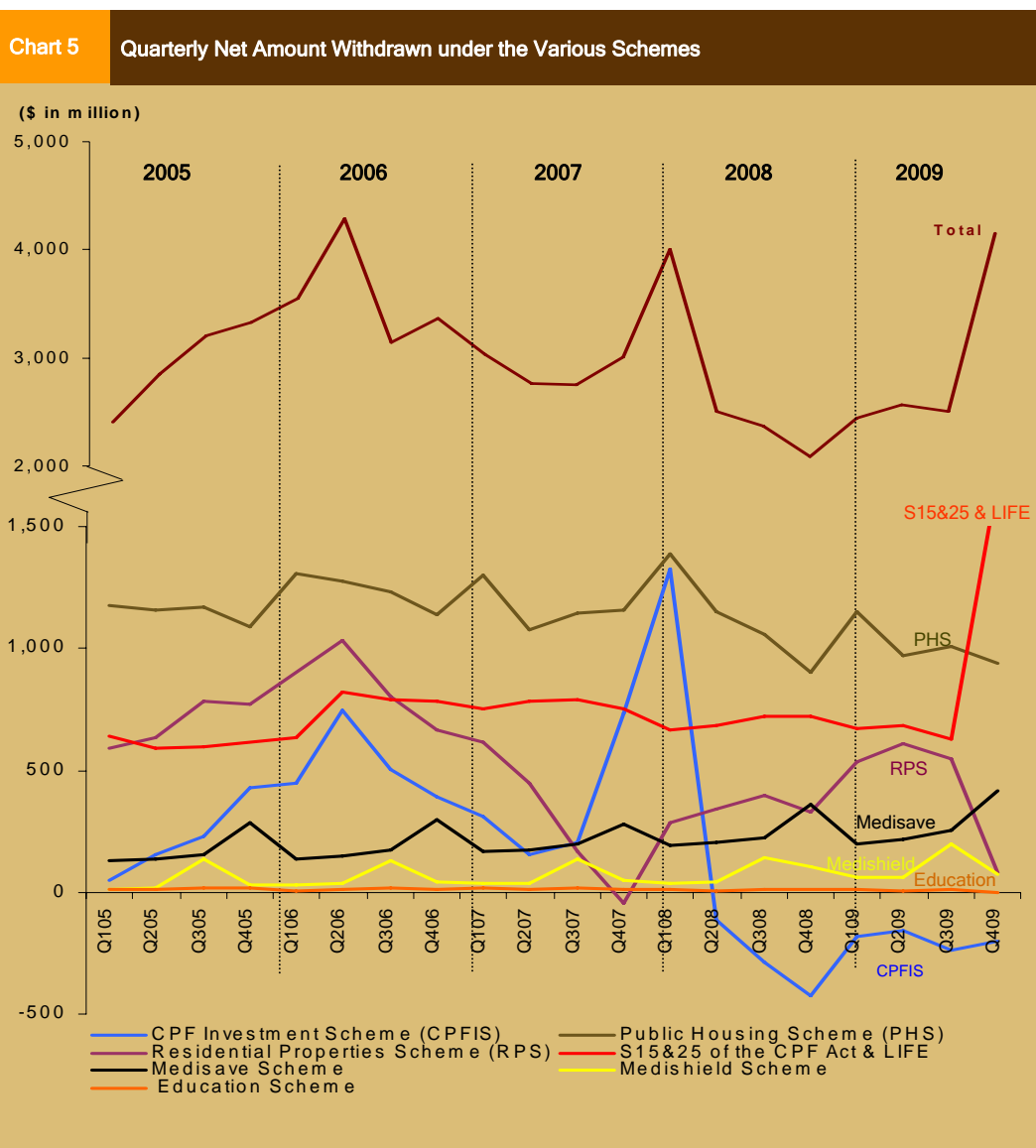


Fluctuation of public and private housing net withdrawals due to refunds

Net withdrawals for public and private residential housing fluctuate mainly due to refunds

Net withdrawals under the Public Housing Scheme (PHS) in 2009 were much lower compared to the previous year (Chart 5). On a quarter to quarter comparison, the dip in public housing net withdrawals³ in quarter two of 2009 was mainly due to the increase in the amount refunded arising from the enbloc sales of two Housing Urban Development Corporation (HUDC) estates.

The buoyant private property market in 2009 might have accounted for the increase in private property withdrawals for the first three quarters of 2009 compared to the same quarters in 2008. Withdrawals dipped sharply in the last quarter as there was an influx of refunds.



³ Net housing withdrawals refer to gross housing withdrawals net of refunds.

Total net withdrawals under other schemes remained stable until fourth quarter of 2009

Withdrawals under the CPFIS also fluctuated with market conditions in 2009 - in particular, in response to the contagion effects of the sub prime crisis which were felt in Singapore from the second quarter of 2008 onwards. There were more refunds than withdrawals from this quarter onwards, probably reflecting the cautious mood among CPFIS investors. However, investment withdrawals started to pick up after the last quarter of 2008 as the worst of the crisis passed. Net investment withdrawals rose slightly in the second quarter of 2009 due to an increase in the amount withdrawn for the purchase of unit trusts and insurance under CPFIS-SA. Members could have rushed to withdraw their monies under CPFIS before the change in CPFIS-SA rule took effect from 1 May 2009. Specifically, the CPFIS rules were tightened to allow only SA monies above the first \$30,000 to be invested instead of \$20,000 previously.

CPF LIFE was introduced in the last quarter of 2009 and members made withdrawals from their Retirement accounts for annuity premiums

Withdrawals under Section 15 and Section 25⁴ of the CPF Act remained relatively stable for the first three quarters of 2009. The sudden spike in the fourth quarter of 2009 was due to the introduction of CPF LIFE, as annuity premiums were withdrawn from members' Retirement account when members joined CPF LIFE.

The trend for Medisave withdrawals for the first three quarters of 2009 was similar to that of 2008. It is observed that Medisave withdrawals usually peak in the last quarter due to the renewal of covers for Eldersshield in October every year.

Medishield withdrawals in 2009 remained steady. The trend was similar to previous years. Members renewed their Medishield coverage in the third quarter of the year which explained the yearly spike in withdrawals in the third quarter.

Withdrawals under the Education scheme formed the smallest proportion of total net withdrawals and they remained fairly stable throughout the years. The fluctuations are usually due to withdrawals for polytechnic and university tuition fees in the second and third quarter respectively.

Contributions and net withdrawals dipped marginally in 2009 compared to the previous year. Compared to previous economic downturns, contributions did not dip as much in 2009 probably due to the decisive counter-cyclical measures taken by the government. Total net withdrawals for public and private housing were lower due to refunds. Withdrawals for other CPF schemes remained stable until the last quarter of 2009 when CPF LIFE was introduced. In summary, contributions and net withdrawals are generally likely to be affected by changes in CPF policies and the economic climate.

Summary

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.

⁴ Withdrawals under Section 15 refer to withdrawals at age 55 and under non-retirement grounds. Withdrawals under Section 25 refer to withdrawals upon death.

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)

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

Others

- Home Protection Scheme, Dependants' Protection Scheme, Education Scheme, Special Discounted Shares Scheme, Minimum Sum Scheme

CPF members can also withdraw their CPF savings under the following circumstances:

- Section 15 and 25 of the 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.