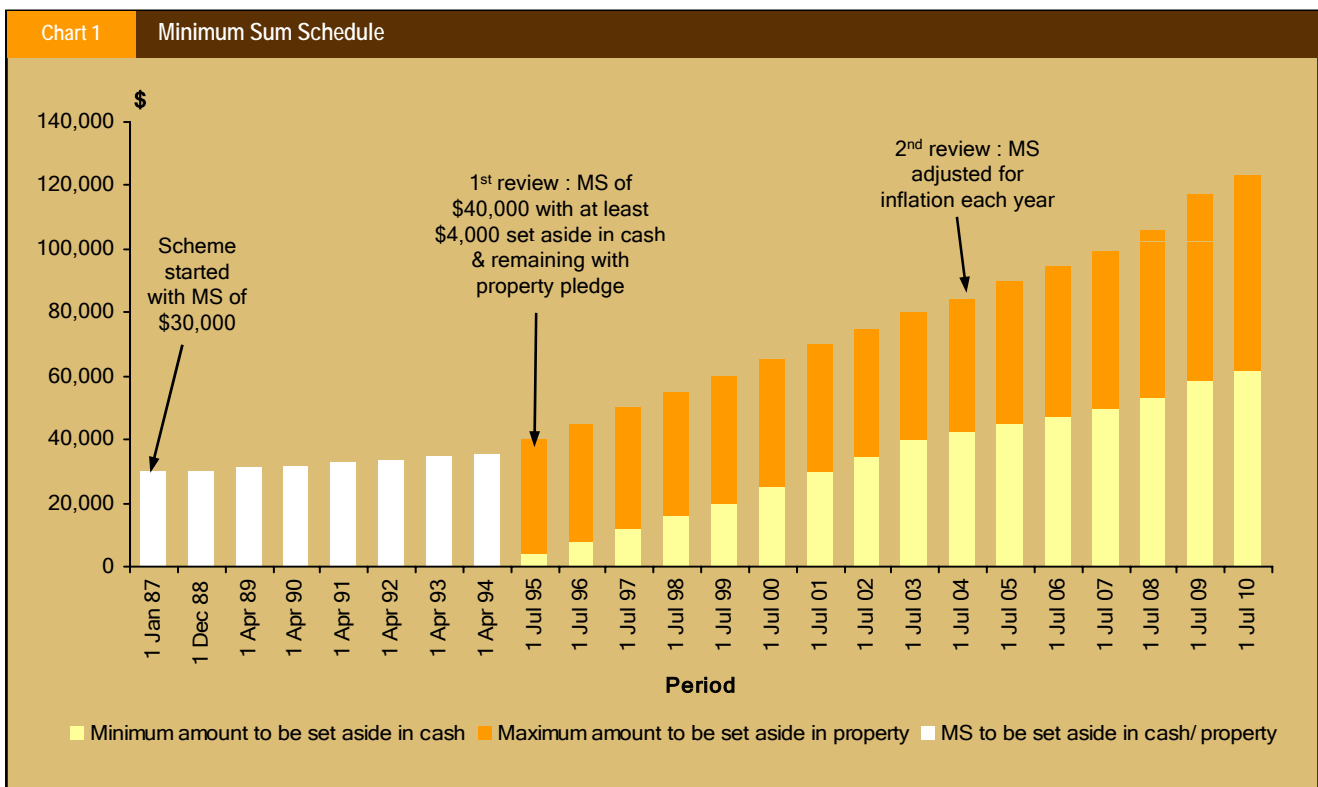


The MSS has undergone changes over the years to enhance CPF members' retirement adequacy

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.

In the beginning, members were required to set aside a Minimum Sum (MS) of \$30,000 in their Retirement Account (RA) upon reaching age 55 (**Chart 1**). On 1 July 1995, the MSS was revised and members were required to set aside a MS of \$40,000, of which at least \$4,000 had to be in cash and the balance in the form of a property pledge¹. The cash portion aimed to provide members with a monthly income in retirement.

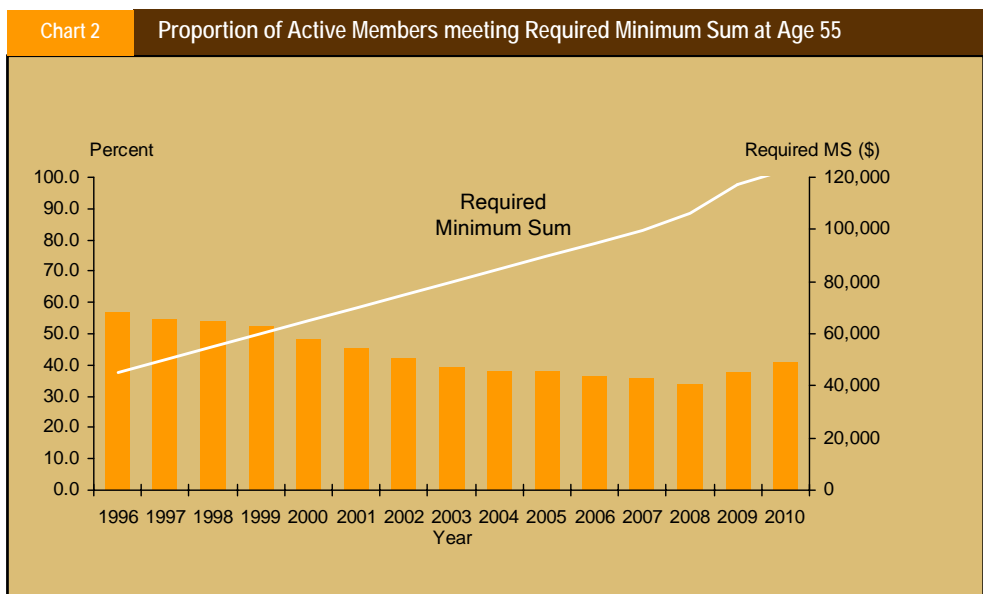
In subsequent years, the MS was raised gradually by \$5,000 a year until it reached \$80,000 in 2003, with at least \$40,000 required to be set aside in cash and up to 50% of the MS allowed to be set aside in the form of a property pledge. Another round of revisions to the MSS was implemented in 2004. From 1 July 2004, the required MS would be raised yearly, and adjusted for inflation, until it reached \$120,000 (in 2003 dollars) in 2013. The required MS since 1 July 2010 has been set at \$123,000.



¹ If a member is unable to set aside his full Minimum Sum in cash, his property, bought with his CPF savings, can be pledged for up to his Minimum Sum shortfall after setting aside the cash portion. From 1 July 2003 onwards, a member's property is automatically pledged for up to half of his Minimum Sum if CPF monies had been used.

The proportion of active members meeting the required MS has increased since 2009

Among the active members² who reached 55 years old in 2010, about 40.7% met the required MS. This is an increase of 3.2 percentage points from 37.5% in 2009 and an increase of 6.9 percentage points from 33.8% in 2008. As shown in **Chart 2**, the proportion of active members meeting the required MS at age 55 was generally on a downward trend from 2002 to 2008. This could be mainly attributed to the rising nominal MS from \$40,000 in July 1995 to \$117,000 in July 2009 and the cuts in CPF contribution rates in 1999 and 2003. This downward trend was reversed in 2009. This could be due mainly to the changes in the withdrawal rule. Between 1 January 2009 and 31 December 2009, members who reached the age of 55 could only withdraw 40% (previously 50%) of their Special and Ordinary Account balances, as well as any balance after setting aside the CPF Minimum Sum and the Medisave Required Amount. The withdrawal percentage was further reduced to 30% in 2010. The increase in the employers' CPF contribution rate in 2007 might also have contributed towards the increase in proportion of members meeting the required MS at age 55.



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

Summary

The downward trend in the proportion of active members meeting the required MS at age 55 has been reversed since 2009, with the gradual reduction of the percentage allowed to be withdrawn at age 55. This proportion is expected to continue increasing until 2013 as the percentage of CPF savings that can be withdrawn by members under the withdrawal rule decreases each year until it reaches zero in 2013. This will serve to retain more CPF savings in member accounts after 55 and enable the member to enjoy higher payouts after his draw down age.

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 Active members refer to persons who have at least one CPF employment contribution paid for them for any of the four months preceding the members' birth month.