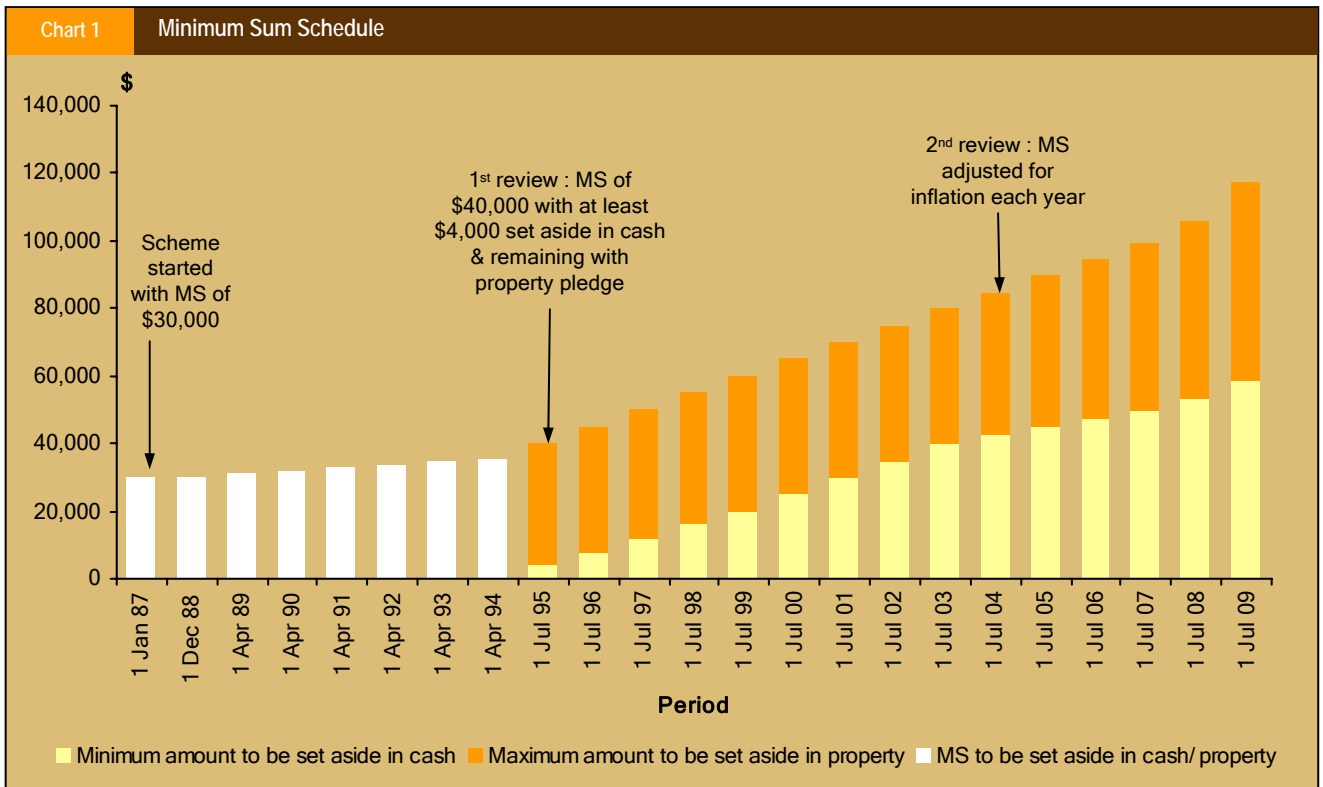


The MSS has undergone changes over the years to enhance CPF members' retirement adequacy

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.

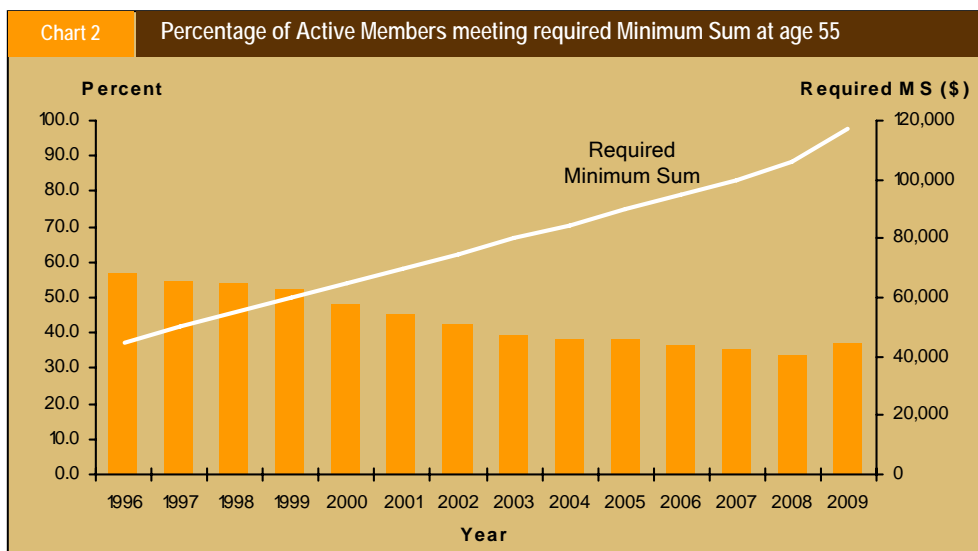
When the scheme first started, members were required to set aside a Minimum Sum (MS) of \$30,000 in their Retirement Account (RA) upon reaching 55 (**Chart 1**). On 1 July 1995, the MSS was revised and members were required to set aside a MS of \$40,000, of which at least \$4,000 must be in cash and the remaining amount in the form of a property pledge. 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. A member could set aside the MS fully in cash, or up to 50% in the form of a property pledge. In 2003, another round of revisions to the MSS was announced. From 1 July 2004, the required MS would be raised yearly, and adjusted for inflation, until it reaches \$120,000 (in 2003 dollars) in 2013.



In 2009, the downward trend in the percentage of active members meeting the required MS was arrested

Among the active members¹ who reached 55 in 2009, more than one-third (37.5%) met the required MS. This is an increase of 3.7% from 33.8% in 2008. As shown in **Chart 2**, the percentage 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. However, in 2009 this downward trend was arrested due to the change in the withdrawal rule. Between 1 January 2009 and 31 December 2009, members who reached 55 could only withdraw 40% (previously 50%) of their Special and Ordinary Account balances, and after setting aside the CPF Minimum Sum and the Medisave Required Amount in the Medisave Account, the remaining balances, if any.



* 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 percentage of active members meeting the required MS at age 55 is likely to be reversed, and the percentage is expected to increase until 2013. This is because the percentage of CPF savings that can be withdrawn by members under the withdrawal rule will decrease by 10 percentage points each year until zero by 2013.

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.

¹ 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.