

CPF: SECURING SINGAPOREANS' FUTURE

RECOMMENDATIONS OF THE ERC

Why change the CPF system when it has been working well all along?



Because our economy is changing, and our families too.



With fewer children to rely on, we must depend more on our own CPF savings when we retire.

I see: what is sufficient now may not be enough in the future.



All right!

Sorry - you don't get MORE pocket money!



■ The CPF system is fundamentally sound, and it has helped us save for the three key needs of retirement, healthcare and home ownership.

■ But the CPF system needs to be refined in order to stay relevant in the new environment.

MINIMUM SUM



■ Changes should be made to ensure that more CPF members should have at least the Minimum Sum at 55, so as to receive a basic level of income in their retirement years.

PROPOSAL

Increase the Special Account contribution rate by 1%-point as the overall CPF rate is restored to 40%. The Minimum Sum should be increased gradually over time beyond \$80,000.

HOUSING

[excluding those who buy HDB flats on subsidised HDB mortgages]

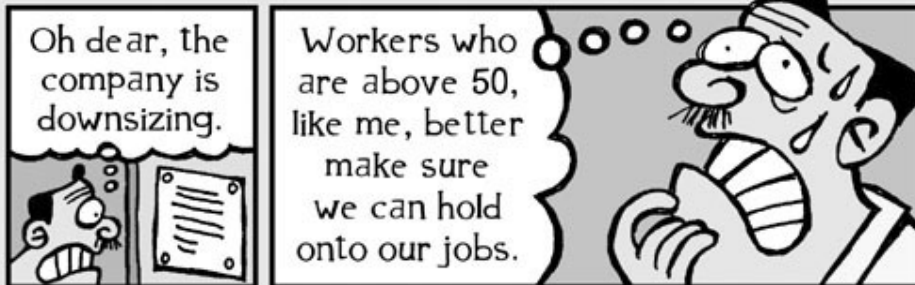


- Many CPF members are "asset-rich and cash-poor" at retirement because they have used large amounts of their CPF savings to buy property.
- Members should buy homes which they can comfortably afford. This will leave them with more cash balances in their CPF accounts to supplement their retirement income.

PROPOSAL

To cap CPF withdrawals for housing purchases to 150% of the value of the house, and gradually bring the cap down to 120% over 5 years.

KEEPING JOBS



■ With a greying workforce, sharper competition and increased economic uncertainty, there is greater need to re-structure the seniority-based wage system.

PROPOSAL

For those aged 50-55, hold employer's CPF contributions at 16%, and bring employee's contributions down to 16% over time.

■ Keeping the employer's CPF contribution rate unchanged for the 50-55 age group is only one of many measures needed to increase employability. We will also need more variable wages and skills retraining.

