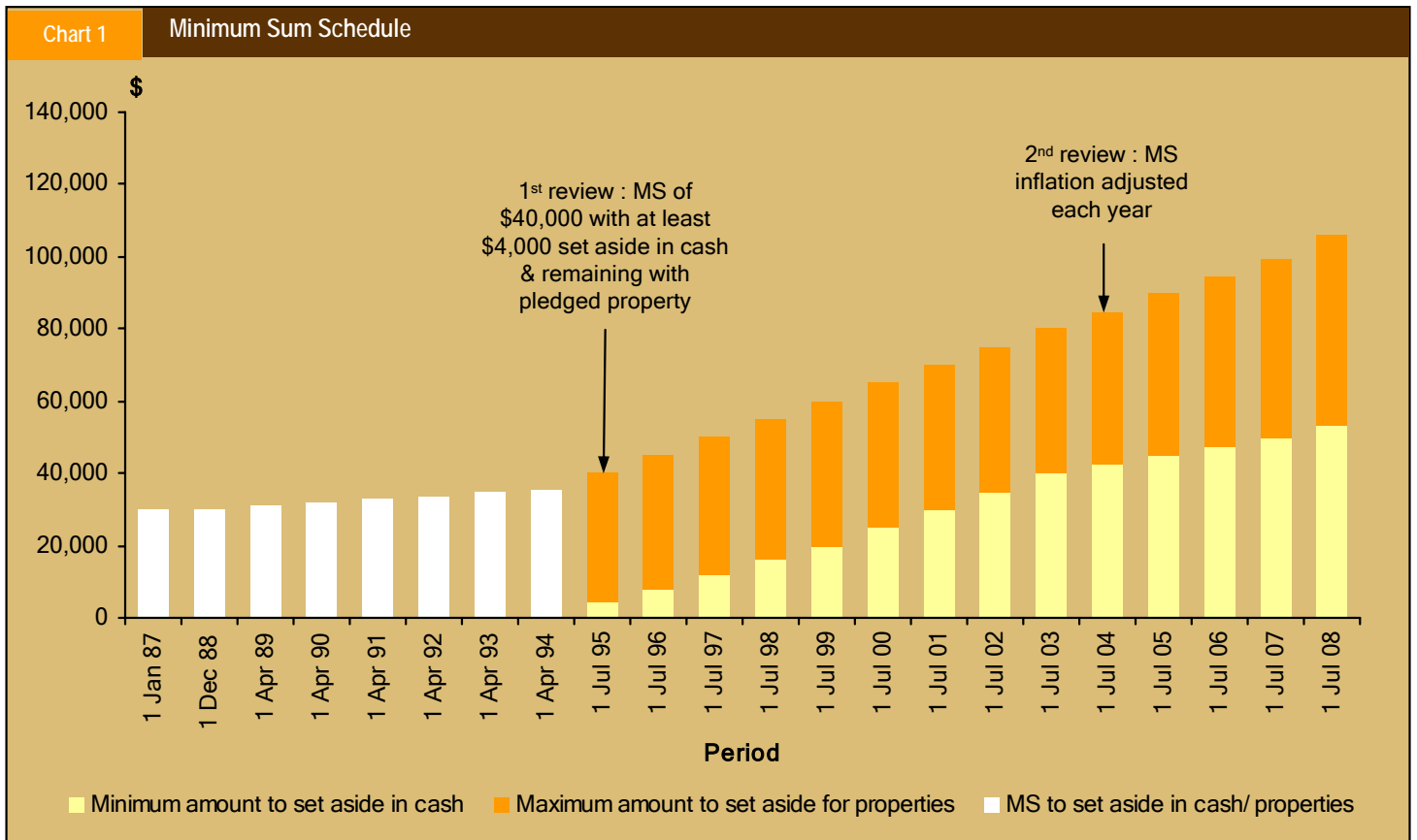


Background

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.

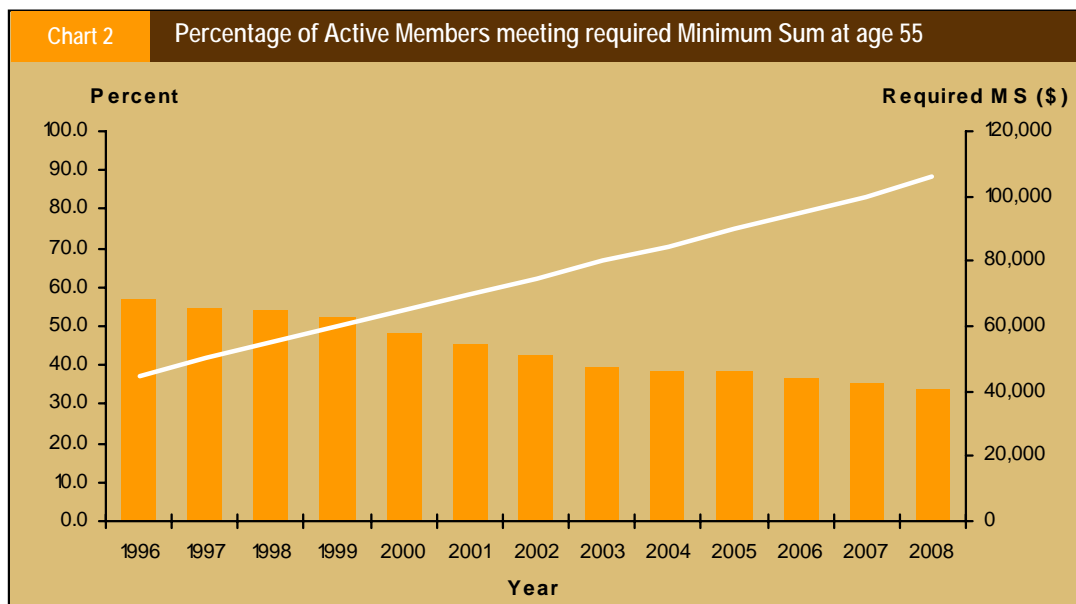
When the scheme first started, members were required to set aside a Minimum Sum (MS) of \$30,000 in their Retirement Account (RA) upon reaching 55 (Chart 1). On 1 July 1995, MSS was revised and members were required to set aside a MS of \$40,000, of which at least \$4,000 must be set aside in cash and the remaining \$36,000 could be in the form of a property pledge. The cash portion ensured members of a monthly income in retirement. The MS was raised gradually by \$5,000 a year until it reached \$80,000 in 2003, with \$40,000 required to be set aside in cash. A member could set aside the MS fully in cash or pledge his property up to 50% of the MS.

In 2003, another round of revision to the MSS was announced. The required MS would be inflation adjusted each year from 1 July 2004, until it reaches \$120,000 (in 2003 dollars) in 2013.



Close to a third of active members met the required Minimum Sum at age 55 in 2008

Among the active members who turned 55 in 2008, about one-third (33.8%) met the required MS (Chart 2). This is a drop from 57.1% in 1996, and could be attributed to the increase in the required MS from \$40,000 in July 1995 to \$106,000 in July 2008, and cuts in CPF contribution rates in 1999 and 2003.



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

Summary

From 1 January 2009, members who reach 55 can only withdraw 40% of their Special and Ordinary Account balances, and then the remaining balances, if any, after they have met the CPF Minimum Sum and the Medisave Required Amount in the Medisave Account. This percentage of withdrawal will go down by 10 percentage points each year until the year 2013. With this, CPF members will be able to have more savings set aside in their Retirement Account.

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.