

The Debate on CPF and Retirement Adequacy and the IPS Forum

By Dr Gillian Koh
IPS Senior Research Fellow

There has been a heightened level of interest in the related issues of retirement funding and the Central Provident Fund (CPF) system in the past year among some Singaporeans — it was raised at one of the White Paper rallies of 2013 and after the Prime Minister (PM) Lee Hsien Loong's announcement at National Day Rally 2013 about the MediShield Life initiative — and it has certainly been a hot topic in the blogosphere.

The concerns and questions range from: Are our retirement funds safe? Will they be sufficient? Will we ever get our money back? Can we do a better job of managing our retirement savings?

Singaporeans have been expressing concern about the integrity of the system; they want to know if returns can be improved, and there are even a few commentators who wish for a greater sense of agency over the management of their retirement funds.

These sentiments stem in part from a lack of detailed explanation of the full mechanics of how the funds are managed, and how returns are established and derived. Many do not know how the annuity scheme that lies at the heart of the CPF system circa 2013 works.

It also stems from the fact that the CPF system has changed over the 59 years it has been in place. With new generations of members entering it and its growing complexity, a deficit of understanding and therefore faith in the system is, arguably, only to be expected.

What is also important to note is that there may be an under-appreciation of some of the structural constraints that the system has to respond to — the longevity revolution, the demographic bump of baby boomers, the low-yield investment climate globally, as well as some of the behavioural predispositions that make a compulsory retirement savings scheme like CPF challenging but all the more necessary.

Further interest was drawn to the CPF system when the government announced on 8 May 2014 that the compulsory Minimum Sum (MS) for the cohort turning 55 years old from July 2014 would be raised to \$155,000. Several increases to the MS have been made since 2003, but to those affected and to critics, this has seemed like a never-ending cycle of hikes in the sum of money that the government was “retaining”.

These issues were brought to the fore when the PM's lawyer announced on 19 May 2014 that Mr Lee would sue blogger Roy Ngerng for defamation. A blog post by Mr Ngerng, said

PM Lee's lawyer, was "understood to mean that Mr Lee, the Prime Minister of Singapore and chairman of GIC, is guilty of criminal misappropriation of the monies paid by Singaporeans to the CPF." The law suit focused the attention of many Singaporeans on the workings of the system.

Parliamentarians and certainly the Ministers in charge took pains during Parliament sittings to represent and respond in detail to the concerns expressed by citizens in June 2014.

The Institute of Policy Studies (IPS) decided that it would be useful to listen to and discuss the views of academics, researchers and some private sector experts as well as community leaders on how the CPF system can be improved. At the IPS Forum on CPF and Retirement Adequacy on 22 July, Minister for Manpower, Tan Chuan-Jin and Deputy Prime Minister and Minister for Finance, Tharman Shanmugaratnam, were also present to engage participants and speakers on the feedback and suggestions they had.

The debate on CPF across all quarters has been an important one. It has presented an opportunity to citizens, policymakers and researchers to look afresh at a fundamental pillar to old age security in Singapore that was previously treated as just part of the woodwork. It has created opportunities to articulate concerns and re-establish what must be the contours to the social compact between the government and the people. It has helped us to understand how the CPF system is held together and what sort of commitment the government has made to enhance what we set aside for retirement funding. We are also clearer now about the other factors that must be considered in making it work from 2014 onwards. Most of all, it has demonstrated that we are people who constantly aim to do better.

The Executive Summary and Full Report of the discussions, thoughts and ideas exchanged at the Forum can be found [here](#). The Forum was jointly organised by the Politics & Governance and the Demography & Family research clusters at IPS.

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