

## **CPF system will evolve to meet changing needs: DPM Tharman**

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The Government is considering studying ways to provide better options for Central Provident Fund (CPF) members who are able to take higher risks to earn higher income from investing their CPF monies.

Speaking at a forum on CPF and Retirement Adequacy organised by the Institute of Policy Studies on Tuesday (July 22), Deputy Prime Minister and Finance Minister Tharman Shanmugaratnam said options like private pension plans have to be studied carefully and it is important that people understand the risks involved.

Mr Tharman said the CPF system has served Singaporeans well, and it will keep evolving to meet their changing needs. However, even as improvements are being made, it is important to keep the basic strengths of the CPF system, he added. These strengths include giving a fair return to ordinary CPF members, without exposing them to financial risks they cannot carry.

For those who can stomach higher risks, he said he agreed that the Government should study how to provide options so that they can try to earn higher returns than what is currently provided under the CPF investment scheme.

Private pension plans remain an option for the future, but he warned that they come with higher risks. "Private pension plans will not be a walk in the park. In principle you should expect to earn a higher return in the long term, by investing more in riskier plans," he said. "But in practice you can go through long periods, five years or even 10 or 15 years, without seeing higher returns. The investment markets move in cycles and the cycles are often long."

The main challenge will be for private pension plans to offer a realistic chance of achieving better returns than the four to five per cent on the CPF Special Account, he said.

Other areas that the Government will study include strengthening retirement adequacy for irregular participants of the workforce (such as spouses who are in and out of the workforce), and ensuring that CPF Life keeps pace with inflation.

Responding to questions from blogger Roy Ngerng, Mr Tharman said the GIC manages a pool of assets irrespective of the sources of funds.

"The real strength of our system is that beside the CPF, we have unencumbered Government assets, Government assets that don't have a liability like the CPF, and the GIC is therefore able to invest blind to where the funds come from, is able to invest the whole pool of funds for the long term," he said.

"It is the Government that then takes the risks that the performance of GIC from year to year, sometimes over five-year periods, may not be adequate for it to meet commitments to the CPF, but the Government's balance sheet takes the risk to ensure that it can meet the commitment and that's the strength of the system. The strength of the system is that we have assets that exceed our liabilities and it allows us to meet our commitments."

During the hour-long dialogue, participants also raised issues including concerns about not meeting the Minimum Sum and whether the majority of Singaporeans will have adequate retirement income. Mr Tharman said the CPF system, combined with the Government's Budget subsidises for lower- and middle-income Singaporeans will provide a "solid foundation for the future".