

NTUC calls for flexibility in CPF withdrawal, transparency in Minimum Sum

The labour movement plans to submit to the Government its recommended changes to the CPF system following focus group discussions with union leaders and workers.

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SINGAPORE: The National Trades Union Congress (NTUC) has called for a “holistic enhancement” to the Central Provident Fund (CPF) system, including flexibility in lump sum withdrawal and greater transparency and predictability of the Minimum Sum.

In a media release on Wednesday (Jan 21), the labour movement said it held focus group discussions over two months in late 2014 with more than 250 union leaders and workers on their CPF concerns.

“Their feedback will be shared with the Government through the CPF Advisory Panel so that the impending CPF changes will take into account the needs and concerns of our workers,” it said.

MORE FLEXIBILITY, TRANSPARENCY

NTUC urged the Government to set a 10-year Minimum Sum Schedule with corresponding monthly payouts. Any adjustment or change to the Minimum Sum should also be explained to members in advance, it said.

Said Ms Cham Hui Fong, Assistant Secretary-General of NTUC: “A 10-year schedule is to really provide some clarity and certainty to the CPF member. As in, this will be the amount that we can expect to have in our CPF accounts and at the same time, to also share with us the reasons and factors that were considered. Some of the factors that we look at must be the employment rate, the labour force participation rate, the wage growth and of course, the cost of living, as there will be changes, because it all depends on how the economy will grow.

“And we should also put forth that there should be a mid-year review - maybe a five-year review even when you have set up this 10-year schedule,” she added.

On Lump Sum withdrawal, the labour movement said it recommends a percentage withdrawal of the Retirement Account balance – even for those who do not meet the Minimum Sum. To help CPF members understand the impact of withdrawals on monthly payouts, financial counselling should be provided, NTUC said.

“We are also mindful that some of those may not wish to draw down because it would certainly be affecting their CPF Life payouts, and therefore we will suggest to the Government to actually provide a non-withdrawal incentive that is significant enough to probably encourage them to

actually keep the money in the CPF and therefore allow them to have probably a higher drawout instead of withdrawing it," Ms Cham said.

MORE HELP IN BUILDING UP CPF SAVINGS

One suggestion was for contribution rates to be aligned for workers aged 50 to 55 years ago with those aged 50 and below. There is currently a gap of 2 percentage points in contribution rates for the two groups. NTUC also called for an increase in contribution rates for workers over 55 years old.

Said Ms Cham: "The rates that we are seeing today are no longer the rates that we have agreed upon in 2003 when we did the retuning of the CPF. So there will be some uncertainties and to be fair to the employers and to be fair to the employees, I think it is also necessary for us to really review what would be a long term CPF contribution rate that is sustainable for both the employees and for the employers."

NTUC also said that the CPF Ordinary Wage Ceiling – currently at S\$5,000 – should also be raised by between S\$500 and S\$1,000, and progressively adjusted to correspond with the 80th income percentile, which was S\$6,000 in 2012.

It also called for the wage ceiling to qualify for the maximum payouts under the Workfare Income Supplement (WIS) Scheme – which augments the income of low-wage workers – to be raised from the current S\$1,000 to S\$1,200.

NTUC also proposed that the Government provide WIS top-ups to the Special Accounts of the self-employed if they make contributions to the accounts, and introduce incentives to encourage service buyers and employers to contribute to the CPF savings of self-employed and freelancers.

Additional tax reliefs should be given to those who contribute to their family members' CPF, and computed based on the number of family members receiving top-ups, NTUC said, adding that the income ceiling of the receiving spouse or siblings should also be raised from the current S\$4,000 to S\$12,000 per annum.

Currently, CPF members receive an additional 1 per cent interest on the first S\$60,000 combined CPF savings. The S\$60,000 limit should be raised, NTUC said.

INCREASE MONTHLY PAYOUTS

CPF members should also have an option of receiving an increasing monthly payout, instead of the flat monthly payout they currently receive during retirement, it said. The Government could provide incentives to those who opt for lower initial monthly payouts or choose to defer the monthly payout to a later age.

For those able to meet the Minimum Sum, NTUC suggested that they be given the option to voluntarily top up their Minimum Sum beyond the national stipulated amount, subject to a cap.

The CPF Life Scheme should be strengthened as the basic national life annuity plan, NTUC said. Any alternative investment or annuity plans, that are high risk-high return, should be optional and supplement the scheme, it added.

REACTION FROM THE PUBLIC

Singaporeans whom Channel NewsAsia spoke with said they were generally supportive of the idea of being able to withdraw a percentage of funds from their retirement account. They also preferred the idea of starting with lower monthly payouts, which increases over time, compared to deferring the payouts to a later age.

“For me, I think choosing a smaller payout, will be better, at least I can ration my budget,” one person said.

Another agreed and said: “I feel that being able to withdraw a certain percentage will be good because the standard of living is high and that they will need the money at that time.”

Research Fellow at the Institute of Policy Studies Christopher Gee said an escalated payout system would favour those earning higher income rather than lower-income earners who may need a higher payout immediately.

The suggestion to allow a percentage withdrawal from the retirement account, even if one does not meet the Minimum Sum, should also be considered carefully, he said.

“This is quite tricky, because clearly the Minimum Sum is a number that you need to have to ensure that you get a certain amount of monthly payout once you retire but if you start messing around with that number than it just becomes very complex.

“Everyone has their own number and there is no point in having a Minimum Sum scheme at all at the end of the day. So it might be appropriate to have think about this more holistically other than think about a tweak. Maybe the Minimum Sum scheme itself needs to be re-thought and re-looked at in more details.”