CPF's Retirement Sum Scheme payout age now at 90 years

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***The Independent**, 5 November 2019*

Singapore — In Parliament on Monday, November 4, Josephine Teo, the country's Manpower Minister, announced a change of payout rules starting from next year, when payouts will only be given until a member reaches the ages of 90, instead of 95.

Feedback from Central Provident Fund (CPF) members who found the payout duration until age 95 to be too long was the cause of this change.

The shortened duration means an increase in payout amounts for members, dependent on various factors such as their current ages, circumstances, present Retirement Account balance, and the payout amount they are already receiving, as well as withdrawals or top-ups from their Retirement Accounts.

The amended ruling concerning the change in payout rules is applicable to CPF members turning 65 years old from July 1 onwards.

CPF members who are older will have the new rules apply to them from January 1, 2020, onwards, but only if the adjusted amount is higher than the sum they are currently receiving.

A letter from the CPF Board will be sent out at the beginning of 2020 to all members receiving their payouts already, stating details on the changes to their CPF payouts.

The Manpower Minister added that for members born in 1954 and upwards, the changes to the rules do not apply.

The Ministry of Manpower and the CPF held a review of the payout rules together and came to the conclusion that a change was necessary, TODAY reports.

On October 7, MOM announced that it reviewed the scheme upon hearing from CPF members that they find the present payout duration to be too lengthy.

This Retirement Sum Scheme is meant to give members payouts every month for 20 years, or until the depletion of their Retirement Account balance.

In 2008 and 2016 respectively the Extra Interest and Additional Extra Interest component were added, should the payout duration need to be lengthened after 20 years, in order to reduce "the risk of members running out of savings in old age," according to MOM.

Alternatively, the CPF Lifelong Income For the Elderly (Life), which began in 2009, can be the option for CPF members who wish to get their monthly payout until the end of their lives. Under the Retirement Sum Scheme, joining CPF Life is one option for members, who may apply to join it at any point from the time they begin their payout eligibility age until before they turn 80 years old.

According to MOM, due to the increase in life expectancy, there is now a higher risk that members will live longer than their payouts.

“In 2018, more than half of Singapore residents aged 65 were expected to live beyond age 85, and about one in five were expected to live past age 95,” MOM said.

With concerns over an aging society, CPF has been much in the news this year. In June, a policy brief from the Institute of Policy Studies (IPS) showed how increasing the Central Provident Fund (CPF) contribution rates for older workers to put them at the same level of those of younger workers would be helpful in helping them save between S$31,000 and S$145,000 more by the time their retirement period comes around.

The brief from IPS said that, depending on the income bracket, a 55-year-old employee would be able to put together this amount in savings in his or her Ordinary and Special accounts, if the total rate of contribution is raised to 37 percent until the employee reaches the age of 65.

At present, this CPF contribution rate of 37 percent is only given to employees until they are 55 years of age. As the worker grows older, the rate gets smaller. From the ages of 55 to 60, the rate goes down to 26 percent, and for those older than 65, the rate is 12.5 percent.

Increasing CPF contribution rates for older workers may also give them an incentive to stay as part of the workforce, and younger workers all end up with greater savings during their years of employment, said Damien Huang, IPS research associate, and senior research fellow Christopher Gee, in the policy brief.