

Singapore's Social Security Savings System

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Presentation

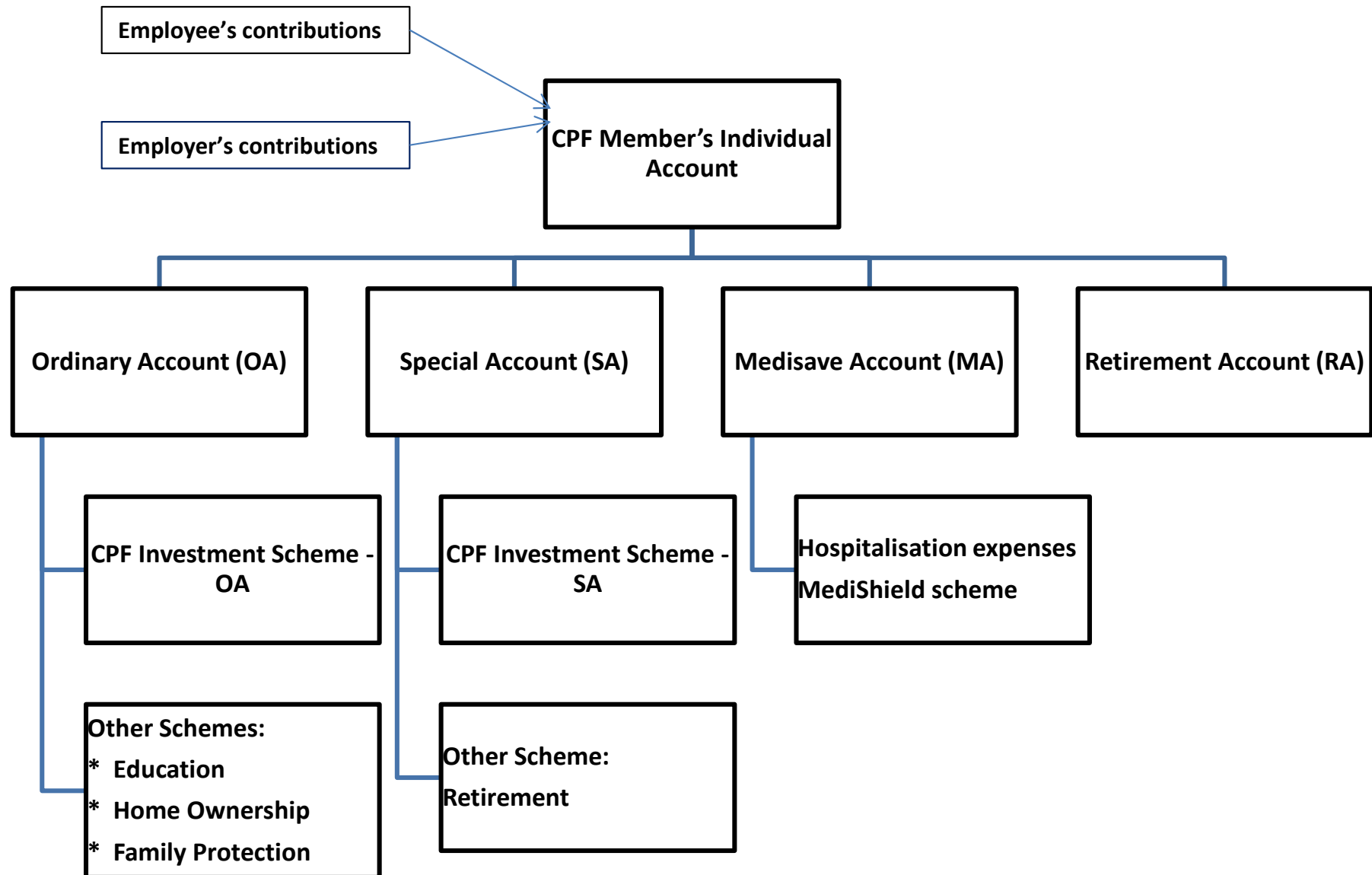
1. Structure of Singapore's Social Security Savings System
2. Review of Singapore's Social Security Savings System
 - a) Home Ownership
 - b) Financial Protection for families
 - c) Healthcare Coverage
 - d) Retirement Security
 - e) Asset Enhancement
3. Reforms
 - a) Retirement Adequacy
 - b) Healthcare coverage
 - c) Asset Enhancement



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Central Provident Fund

Structure of Central Provident Fund



CPF's Summary Statistics



	2008	2009	2010	2011	2012	2013
Total Number of CPF Members (mil)	3.23	3.29	3.34	3.38	3.42	3.51
Total Number of Active CPF Members (mil)	1.61	1.64	1.7	1.74	1.79	1.85
Total Contributions (S\$m)	20,294	20,125	21,993	24,628	26,048	28,530
Ordinary Account (OA) (S\$m)	65,341.10	70,593.80	77,939.50	85,084.80	91,862.00	98,336.20
Special Account (SA) (S\$m)	30,547.30	35,389.20	40,392.70	46,533.70	53,191.90	60,142.60
Medisave Account (MA) (S\$m)	42,928.20	46,238.00	50,671.20	55,329.30	60,024.40	65,576.00
Retirement Account and Others (RA) (S\$m)	12,490.50	14,583.00	16,884.60	20,597.70	25,079.30	28,913.80
Total Members' Balance (S\$m)	151,307.10	166,804.00	185,880.00	207,545.50	230,157.70	252,968.60

CPF's Contribution Rates



Year	Contribution Rate (for monthly wages ≥ \$750)			Credited to			Income ceiling for CPF contributions (S\$)
	Contribution by Employer (% of Wage)	Contribution by Employee (% of Wage)	Total Contribution (% of Wage)	Ordinary Account (% of Wage)	Special Account (% of Wage)	Medisave Account (% of Wage)	
1955 to 1967	5	5	10				500
1968	6.5	6.5	13				2,308
1969	6.5	6.5	13				2,308
1970	8	8	16				1,875
1971	10	10	20				1,500
1972	14	10	24				1,500
1973	15	11	26				1,500
1974	15	15	30				1,500
1975	15	15	30				2,000
1976	15	15	30				2,000
1977	15.5	15.5	31	30	1		2,000
1978	16.5	16.5	33	30	3		3,000
1979	20.5	16.5	37	30	7		3,000
1980	20.5	18	38.5	32	6.5		3,000
1981	20.5	22	42.5	38.5	4		3,000
1982	22	23	45	40	5		3,000
1983	23	23	46	40	6		4,000
1984	25	25	50	40	4	6	5,000
1985	25	25	50	40	4	6	6,000
1986	10	25	35	29	0	6	6,000
1987	10	25	35	29	0	6	6,000
1988	12	24	36	30	0	6	6,000
1989	15	23	38	30	2	6	6,000
1990	16.5	23	39.5	30	3.5	6	6,000
1991	17.5	22.5	40	30	4	6	6,000
1992	18	22	40	30	4	6	6,000
1993	18.5	21.5	40	30	4	6	6,000
1994	20	20	40	30	4	6	6,000
1995	20	20	40	30	4	6	6,000
1996	20	20	40	30	4	6	6,000
1997	20	20	40	30	4	6	6,000
1998	20	20	40	30	4	6	6,000
1999	10	20	30	24	0	6	6,000
2000	12	20	32	24	2	6	6,000
2001	16	20	36	26	4	6	6,000
2002	16	20	36	26	4	6	6,000
2003	13	20	33	22	5	6	6,000
2004	13	20	33	22	5	6	5,500
2005	13	20	33	22	5	6	5,000
2006	13	20	33	22	5	6	4,500
2007	14.5	20	34.5	23	5	6.5	4,500
2008	14.5	20	34.5	23	5	6.5	4,500
2009	14.5	20	34.5	23	5	6.5	4,500
2010	15	20	35	23	5	7	4,500
2011	16	20	36	23	6	7	5,000
2012	16	20	36	23	6	7	5,000
2013	16	20	36	23	6	7	5,000
2014	16	20	36	23	6	7	5,000

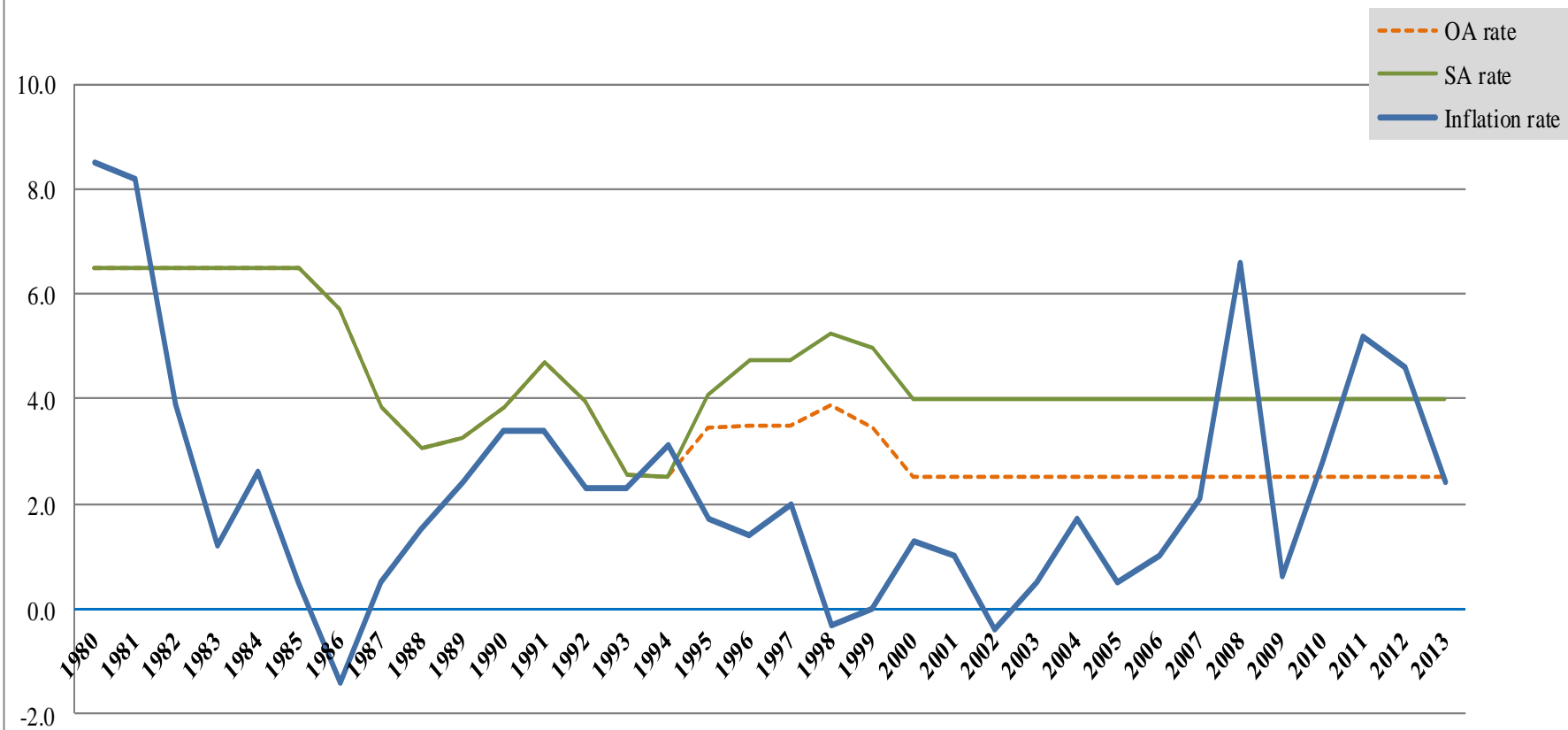
CPF's Contribution Rates for various age groups



Employee Age (Years)	Contribution Rate (for monthly wages \geq \$750)			Credited to		
	Contribution by Employer (% of Wage)	Contribution by Employee (% of Wage)	Total Contribution (% of Wage)	Ordinary Account (% of Wage)	Special Account (% of Wage)	Medisave Account (% of Wage)
35 & below	16	20	36	23	6	7
Above 35-45	16	20	36	21	7	8
Above 45-50	16	20	36	19	8	9
Above 50-55	14	18.5	32.5	13.5	9.5	9.5
Above 55-60	10.5	13	23.5	12	2	9.5
Above 60-65	7	7.5	14.5	3.5	1.5	9.5
Above 65	6.5	5	11.5	1	1	9.5

CPF's Interest Rates

CPF OA and SA Interest rates and Inflation Rate



CPF Schemes

Goal	Scheme	Year introduced
1) Home Ownership	a) Public Housing Scheme b) Residential Properties Scheme	1968 1981
2) Protection for family	a) Home Protection Scheme b) Dependant's Protection Scheme	1981 1989
3) Healthcare Financing	a) Medisave Account b) MediShield Scheme c) Medifund d) Eldershield	1984 1990 19993 2002
4) Retirement Adequacy	a) Minimum Sum Scheme b) CPF Top-up Scheme c) CPF Life Annuity	1987 1995 2009
5) Asset Enhancement	a) CPF Investment Scheme * b) Non-residential Properties Scheme	1986 1986
6) Others	a) Tertiary Education financing for children	1989

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Home Ownership

Home Ownership

1. Public Housing Scheme

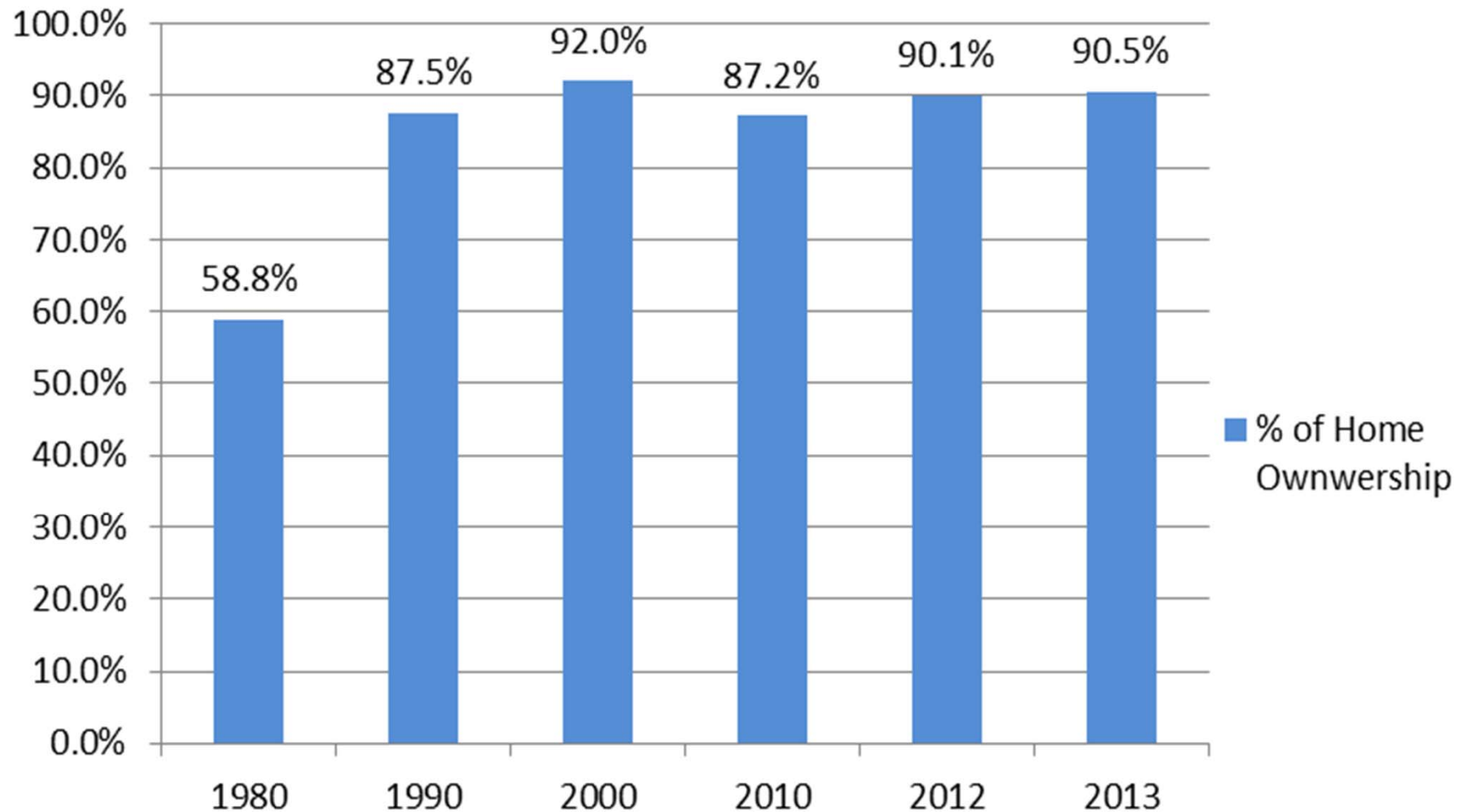
- Introduced in 1968
- Public Housing apartments

2. Residential Properties Scheme

- Introduced in 1981
- Private Housing
- Much higher cost of ownership

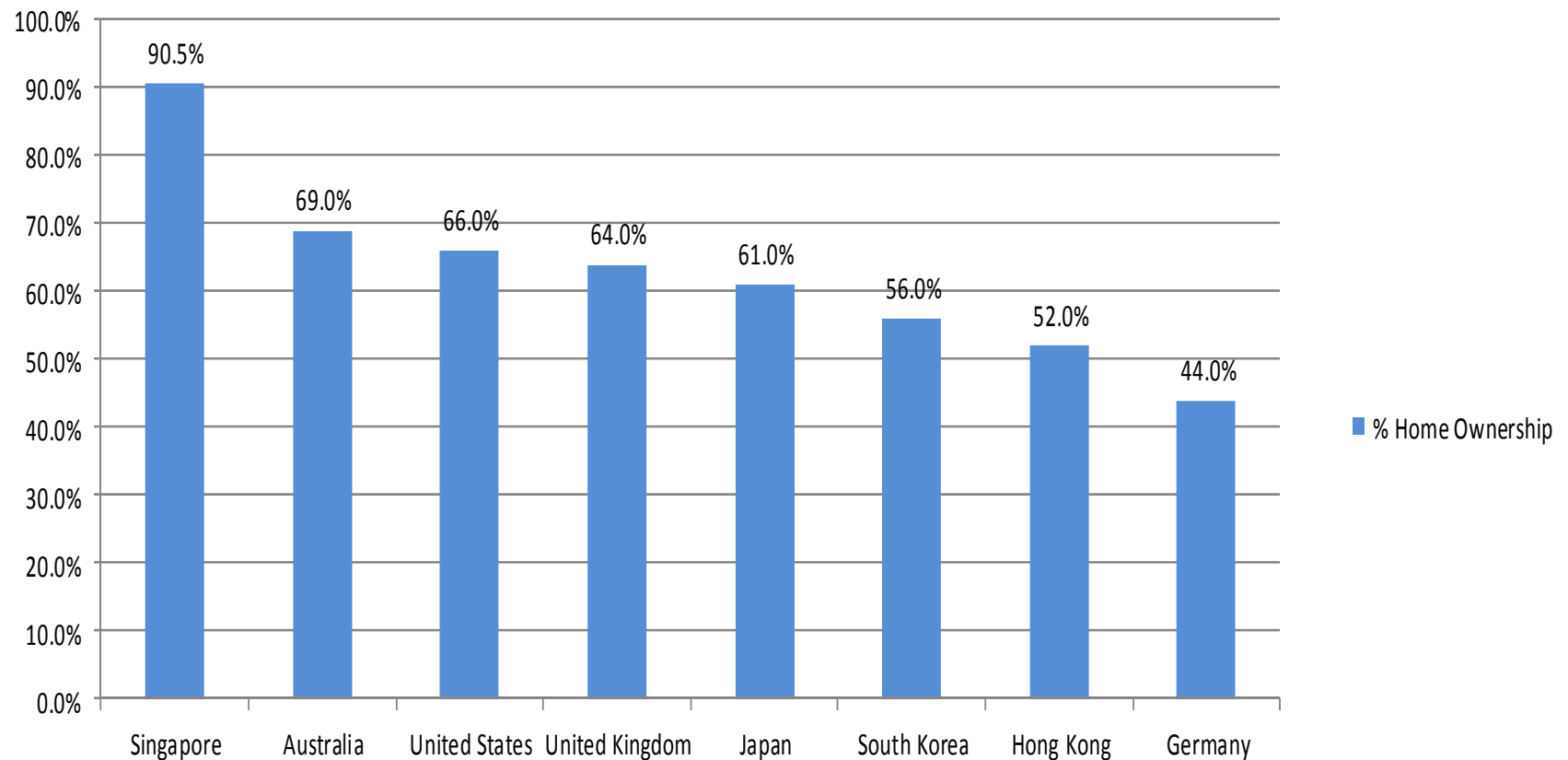
Singapore's Home Ownership

Home Ownership in Singapore



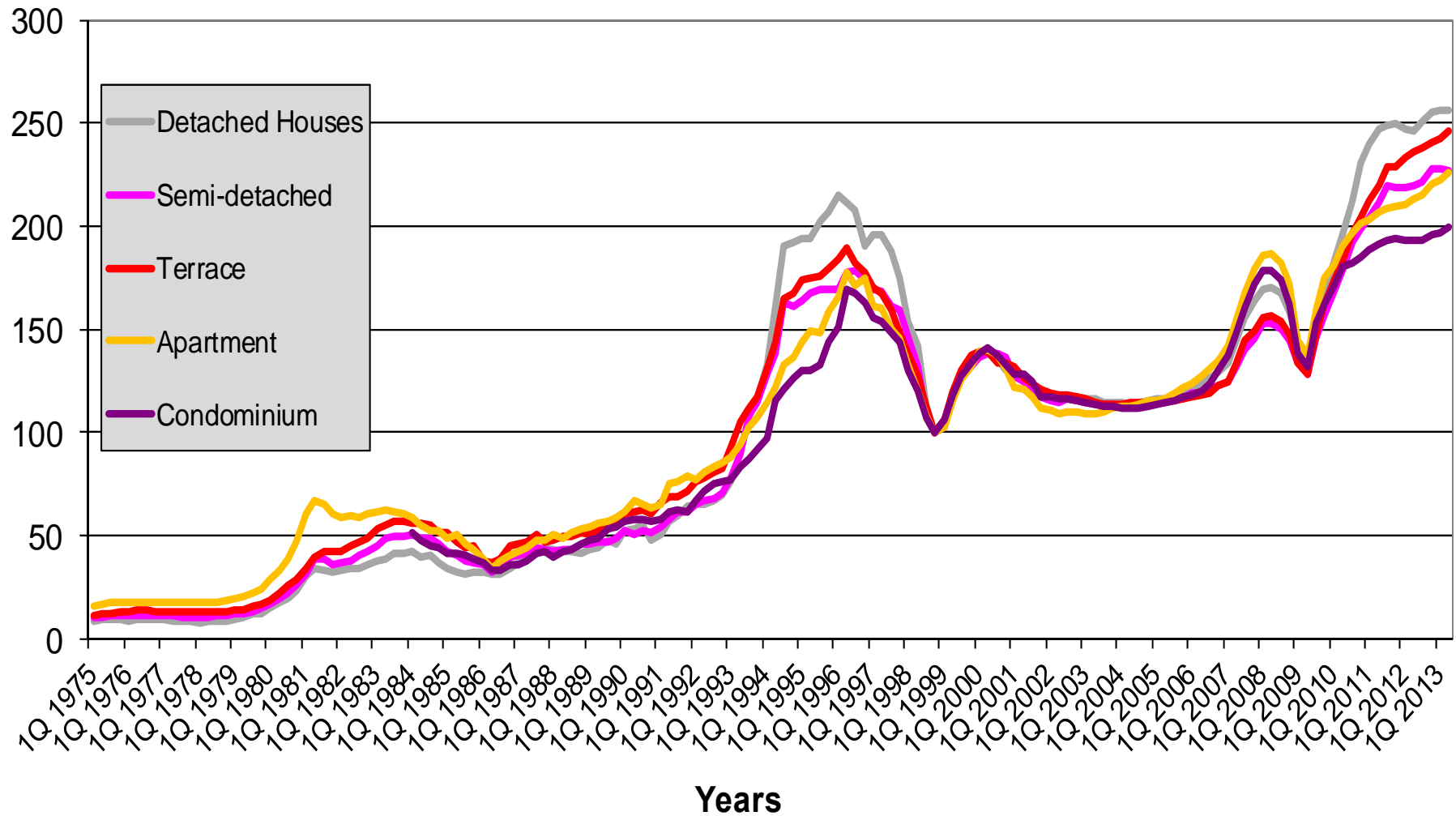
Home Ownership across countries

Percentage of Home Ownership across Countries



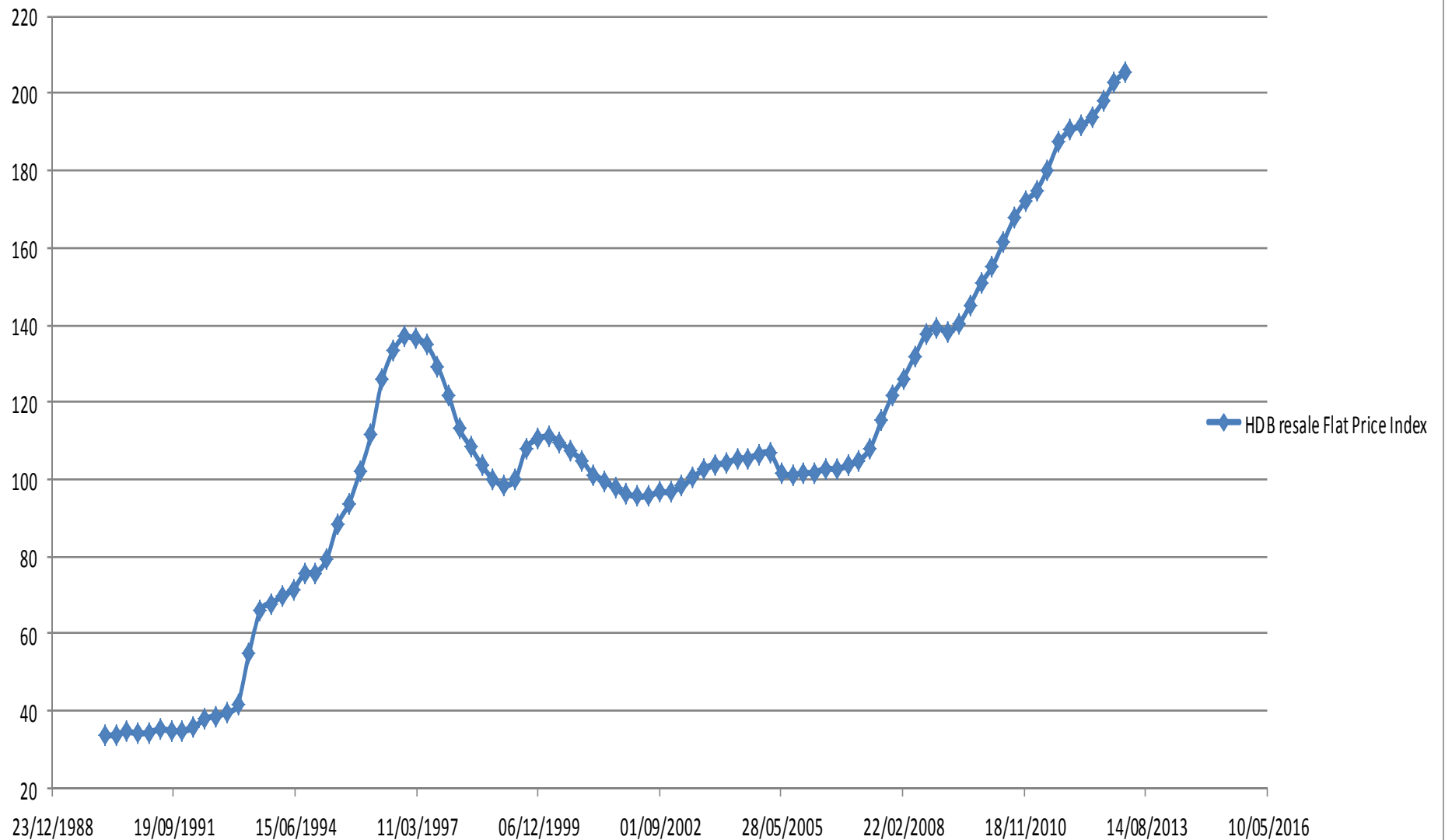
Private Property Prices in Singapore

URA Property Index (Property Market in Singapore)



Public Property Prices in Singapore

HDB resale Flat Price Index



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Financial Protection for families

Home Ownership

1. Dependant's Protection Scheme

- Term insurance protection for S\$46,000
- Coverage up to age 60
- Affordable premium

2. Home Protection Scheme

- Mortgage reducing insurance
- Pay off housing loan upon death or permanent disability
- Mandatory for public housing purchases

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Healthcare Coverage

3- M Framework for Healthcare

Medisave Account

- 1) Savings used to pay hospital bills
- 2) allowed for members and their dependants

- 3) Gradually liberalised to allow selective outpatient treatments, care in community hospitals and hospices
- 4) Pay premiums of medical insurance plans

MediShield

Medical insurance to pay large hospital bills

Insurance coverage up to age 85

Medifund

Subsidized medical care for financially poor

Means-tested for eligibility

CPF MediShield Scheme



MediShield Scheme	2005	2006	2007	2008	2009	2010	2011	2012
No. of Persons	1,955,392	2,763,673	2,870,631	3,075,994	3,298,682	3,389,815	3,496,523	3,542,898
*Percentage of Insured Persons	56%	78%	78%	84%	88%	90%	92%	93%
Singapore Population_residents ('000)	3,467.8	3,525.9	3,583.1	3,642.7	3,733.9	3,771.7	3,789.3	3,818.2

Retirement Adequacy

1. Minimum Sum Scheme

- finance living expenses during old age
- Increased from S\$30,000 in 1987 to S\$148,000 in 2013
- Amount increased to adjust for inflation

2. CPF Members do not have sufficient Cash Savings

- Contribution rate to SA may be too low
- Too much savings invested in housing

3. Policy changes

- Increase contribution rates to Special Account
- Increase interest paid on SA savings

CPF Minimum Sum Scheme



Minimum Sum Scheme (MSS)	2005	2006	2007	2008	2009	2010	2011	2012	2013
Required MSS Amount	90,000	94,600	99,600	106,000	117,000	123,000	131,000	139,000	148,000

CPF Members Turning 55

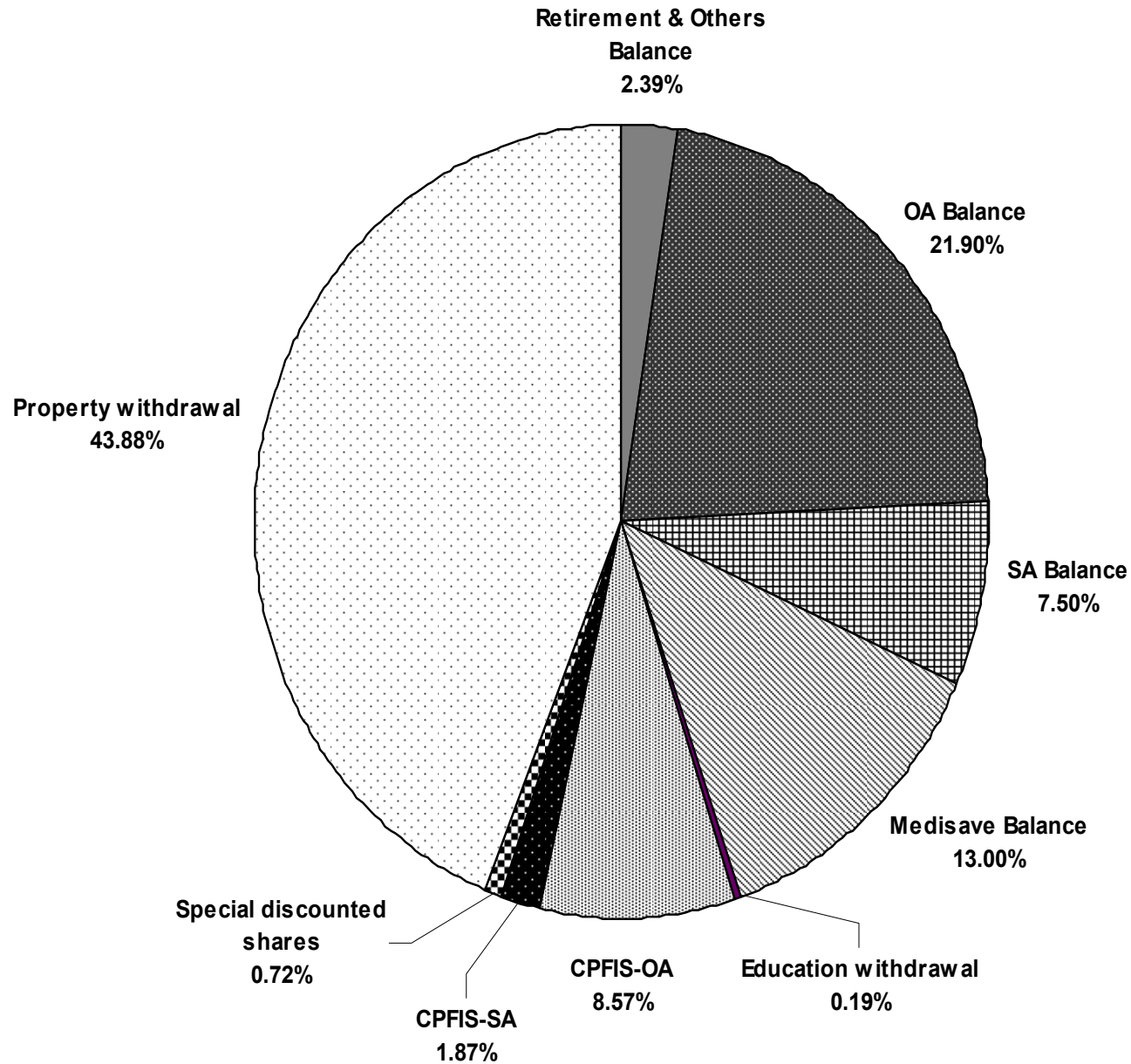
No. of persons	57,754	57,129	59,262	71,613	80,969	30,916	33,644	35,182	
% of persons meeting MS requireme	37.5%	36.4%	36.3%	33.8%	37.5%	40.7%	45.0%	48.7%	

CPF Balance across age groups

Distribution of CPF members' balances by Age group and Sex (as at Dec 31 2012)

Age group	No of males	Balances (thousands)	Average balance for males	No of female	Balances (thousands)	Average balance for females
Up to 20	56,576	48,218	852.27	56,244	67,265	1,196
>20-25	114,632	732,012	6,385.76	121,947	1,463,692	12,003
>25-30	123,723	4,112,847	33,242.38	128,918	5,271,792	40,893
>30-35	148,315	8,882,045	59,886.36	155,347	9,532,861	61,365
>35-40	163,037	13,915,684	85,352.92	163,692	14,009,962	85,587
>40-45	173,840	18,254,820	105,009.32	172,694	16,196,750	93,789
>45-50	215,515	21,629,108	100,360.10	191,606	16,970,595	88,570
>50-55	208,845	22,876,385	109,537.62	181,458	16,741,320	92,260
>55-60	173,140	17,470,724	100,905.19	155,668	12,621,079	81,077
Above 60	338,603	17,486,199	51,642.19	350,356	11,827,654	33,759
Unspecified	15,831	29,885	1,887.75	3,803	8,386	2,205
All groups	1,732,057	125,437,927	72,421.36	1,681,733	104,711,356	62,264

Employment of Cumulative CPF Savings



Asset Enhancement

1. CPF Investment Schemes

- CPFIS – OA Scheme
- CPFIS – SA Scheme

2. Wide variety of investment options

3. Low participation rate in investment scheme

- Lack of financial literacy and overwhelmed by wide choice
- High transaction costs
- Professional fund managers lack stock selection and market timing skills

CPF Investment Scheme



CPFIS-OA

Full Ordinary Account savings can be invested in:

Fixed Deposits
Singapore Government Bonds
Statutory Board Bonds
Bonds Guaranteed by Singapore Government
Annuities
Endowment Insurance Policies
Investment-linked Insurance Products
Unit Trusts
Exchange Traded Funds
Fund Management Accounts

Up to 35% of investible savings[#] can be invested in:

Shares
Property Funds (or real estate investment trusts)
Corporate Bonds

Up to 10% of investible savings[#] can be invested in:

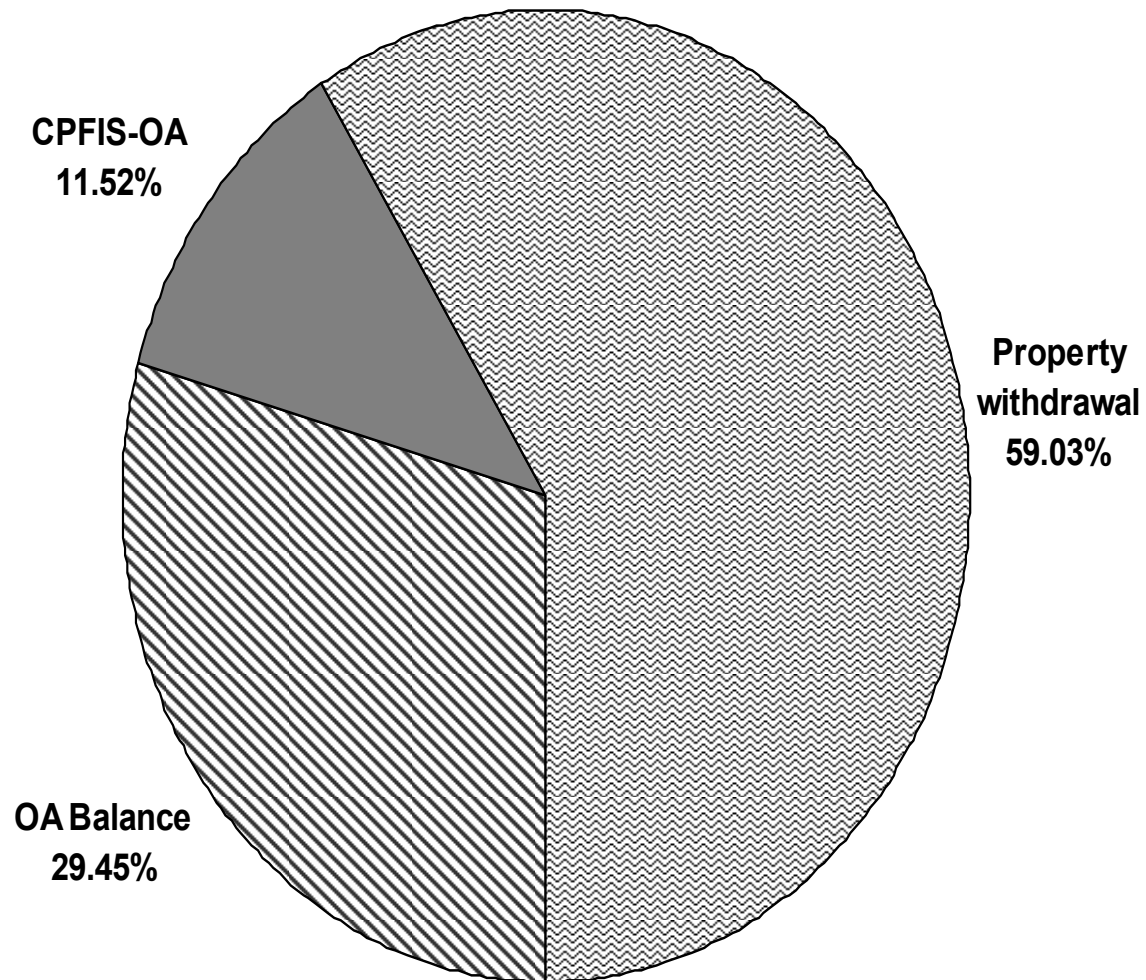
Gold (currently only UOB offers new gold investments)

CPFIS-SA

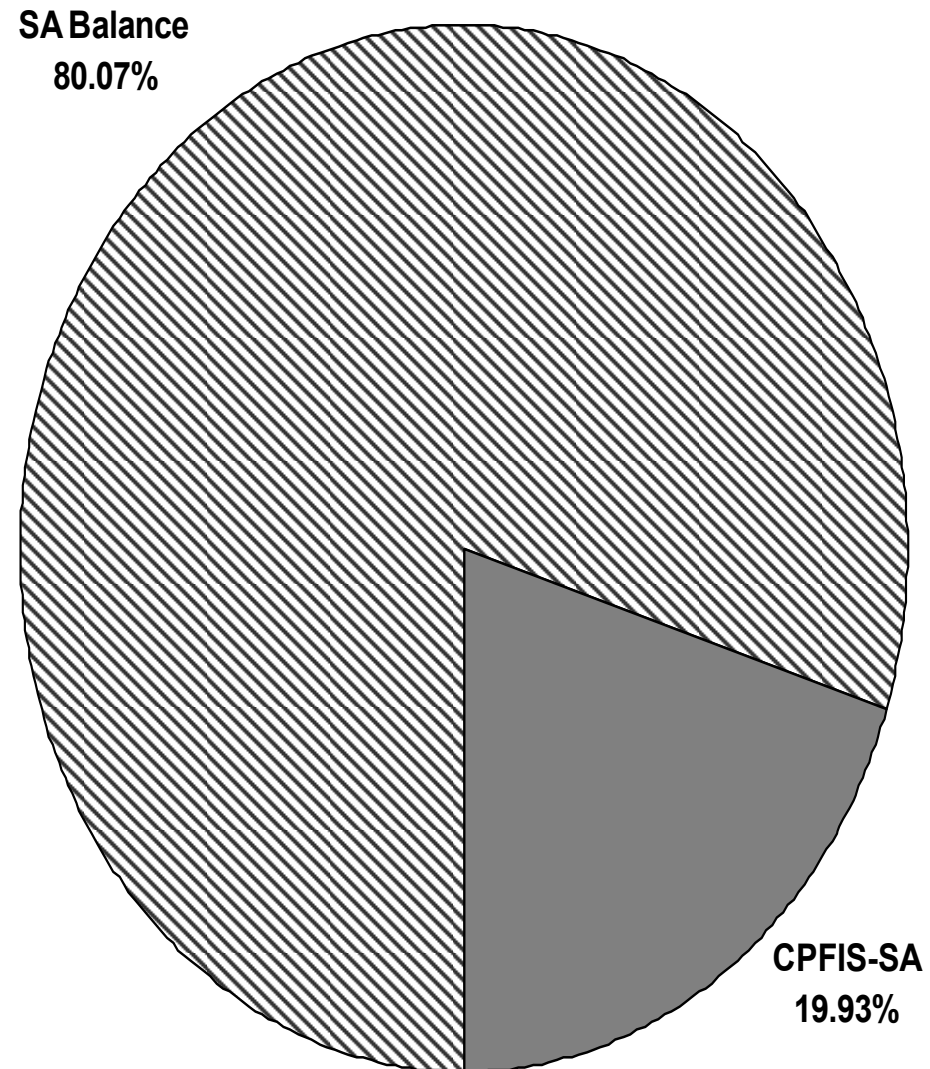
Full Special Account savings can be invested in:

Fixed Deposits
Singapore Government Bonds
Statutory Board Bonds (Secondary Market only)
Bonds Guaranteed by Singapore Government
Annuities
Endowment Insurance Policies
Selected Investment-Linked Insurance Products*
Selected Unit Trusts*
Selected Exchange Traded Funds*

Employment of Ordinary Account Savings



Employment of Special Account Savings



CPFIS Transaction Costs



	Number of funds sampled	Average sales loads	Average management fee	Average expense ratio
Equity Funds	167	4.9%	1.4%	2.1%
- <i>active</i>	164	5.0%	1.4%	2.1%
- <i>passive</i>	3	2.1%	0.7%	1.0%
Balanced Funds	26	4.8%	1.3%	1.9%
- <i>active</i>	22	5.0%	1.3%	2.1%
- <i>passive</i>	4	3.5%	1.0%	1.3%
Income Funds	39 [#]	2.1%	0.9%	1.1%
Cash Funds	3	0.1%	0.5%	0.7%
Sample mean		4.4%	1.3%	1.9%

CPFIS Transaction Costs

fund types years	1	5	10	20
Equity	-6.9%	-3.0%	-2.6%	-2.3%
Balanced	-6.6%	-2.9%	-2.4%	-2.2%
Income	-3.2%	-1.5%	-1.3%	-1.2%
Money market	-0.8%	-0.7%	-0.7%	-0.7%

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R reforms

Reforming Singapore's Social Security Savings System

1) Retirement Adequacy

- Raise contribution rates of older age groups
- Monetization of Homes
- Limit withdrawal of savings for housing
- Increase return on default accounts
- Enhance features of life annuity
- Avoid using CPF as Macro-economic tool
- Extending retirement age

2) Healthcare coverage

- Universal and lifetime health insurance

3) Asset Enhancement

- Low cost default portfolios
- Reducing transaction costs

— **End of Presentation**