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**SPEECH BY DR LEE BOON YANG, MINISTER FOR LABOUR AND
SECOND MINISTER FOR DEFENCE, AT THE OFFICIAL OPENING OF
THE CENTRAL PROVIDENT FUND (CPF) TAMPINES BUILDING
ON SATURDAY, 23 APRIL 1994 AT 12.00 NOON**

I am happy to be here this afternoon to officiate the opening of the Central Provident Fund (CPF) Tampines Building and the Board's Branch Office.

The opening of this building marks another milestone in the Board's efforts to improve service to CPF members and employers. This branch office will offer those who live and work in the eastern part of Singapore a whole range of services connected to their CPF accounts. In addition, a bank and post office are co-located in the building so that CPF members and employers can obtain more services under one roof.

The CPF has served Singaporeans well since 1955. CPF began as a simple old-age savings scheme. Singaporeans contributed to CPF while they worked, and withdrew their CPF savings at age 55 when they retired.

Today, the CPF Scheme has evolved into a highly dynamic network of saving schemes to meet the changing needs of Singaporeans. Just ten years ago, there were only six CPF schemes, including Medisave which was introduced in 1984. Today, we have 16 CPF schemes helping Singaporeans to save for their retirement, own homes, pay medical bills and buy insurance for their families. The number of CPF members has also increased significantly during this period, from 1.8 million in 1984 to 2.4 million last year. Many self-employed and housewives who were not covered by the CPF before are now CPF members after the CPF Share Ownership Top-Up Scheme (SOTUS) was introduced last year.

Corresponding to these changes in membership and schemes, the demand for the CPF Board's services has also changed. Previously, the CPF Board need only to deal with employees and the employers. Now, it has also to deal with hospitals, banks, insurance companies, educational institutions and many other organisations. The types of services provided by the CPF Board have multiplied, from paying CPF members their CPF savings when they reach 55, to paying housing loans, hospital bills and settling share transactions on behalf of the members. The demand for each type of service is also high. For instance, in 1993 alone, the CPF Board handled 310,000 withdrawals for share purchases. This excludes withdrawals made at the agent banks and those for Singapore Telecom (ST) shares during the Initial Public Offering (IPO). Under such circumstances, the CPF Board's service is often subjected to strenuous demand. This was what happened in October last year during the IPO of ST when a large number of CPF members became share investors overnight.

To cope with the surge in demand, which was made worse because of the bullish stock market, procedures were simplified, computer systems upgraded and the CPF PAL Phone service enhanced. In addition, the Board expanded its electronic link-up with the Stock Exchange and CPF agent banks to expedite the settlement of share transactions and applications for shares at IPOs using CPF savings. Despite its heavy workload, the Board, working with the banks, the Stock Exchange and the Monetary Authority of Singapore, was able to respond quickly to new demands and expectations.

The evolution of the CPF is a continuous process to ensure that it remains relevant and responsive to the needs of its members and changes in our society. For example, the Minimum Sum Scheme has been revised recently to prepare CPF members for a longer retirement period resulting from longer life expectancy. The average Singaporean can expect to have 20 years of retirement after age 60. As announced, we will raise the Minimum Sum from \$35,400 today to \$40,000 on 1 July 1995. Thereafter, it will be gradually increased by \$5,000 a year until it reaches \$80,000 in July 2003. In order to ensure that CPF members have some cash

for living expenses in retirement, part of the increase will be in cash. The cash component will form half of the Minimum Sum when it reaches \$80,000 in 2003. This \$80,000 is sufficient to give the retiree the equivalent of \$345 per month in present dollars, for the 20 years in retirement. It is therefore not a big sum, but adequate for a modest standard of living. Putting aside this amount is prudent planning for retirement that each and every Singaporean ought to do. Many who have the savings are putting aside more than this amount on their own. For those with less savings, there is all the more reason for them to safeguard their savings to last them 20 years in retirement. Otherwise, they will encounter financial problems in old age. The Minimum Sum Scheme helps in this respect.

The CPF Board has received numerous enquiries since the announcement of the revision of the Minimum Sum Scheme. Two of the most commonly asked questions indicate that there is still a lack of understanding over how the cash component of the Minimum Sum will affect CPF members. Some younger CPF members are worried that they may not have any CPF savings left to service their housing loans after they have set aside the cash component of the Minimum Sum. Such worries are unnecessary. Let me clarify that CPF members need to set aside the Minimum Sum only when they reach 55. CPF members below the age of 55 years can continue to use all their CPF savings in their Ordinary Account as well as future contributions to the Ordinary Account to service their housing loan, subject to existing rules of the housing schemes.

Another common misunderstanding is that CPF members do not have a choice over how to preserve or enhance the value of their Minimum Sum. This is a misconception. In fact, CPF members can withdraw their entire Minimum Sum from the CPF Board at age 55 and place it in an approved bank, or use it to buy an approved annuity from an insurance company. The objective of the Minimum Sum Scheme is to ensure that CPF members put aside part of their CPF savings for their future retirement when they withdraw their CPF savings at age 55. If they find that putting aside the Minimum Sum amount in a bank or with an insurance

company yields better returns, we will encourage them to do so.

Apart from helping members better prepare for retirement and old age, the CPF Board has also introduced a more comprehensive medical insurance for members. This is the MediShield Plus. MediShield Plus insures CPF members for more than basic health care expenses. CPF members who take up MediShield Plus are covered for hospitalisation in Class A and B1 wards up to 70 years. This is another example of The CPF Board responding to new needs of members, in this case, mostly civil servants who were affected by the recent revision to civil service medical benefits.

The CPF Board is also reviewing the Dependants' Protection Scheme. Currently, this scheme provides members' families with financial protection in the event of death before 55 years. We hope to raise the present age limit of 55 to 60, which is the current retirement age. The CPF Board will also consider giving premium discounts to those workers who join the scheme from young and remain in it after age 55. To give better protection to CPF members, the Board will also be raising the assured sum from the present \$30,000 to \$36,000, with corresponding increases in premium. The adjustment of the assured sum takes into account wage increases over the years since the inception of the Dependants' Protection Scheme in 1989.

In conclusion, I wish to reiterate that the CPF is a dynamic system to serve the needs of Singaporeans when they are working and in their retirement. The CPF Board will strive to deliver quality services through exploitation of technology and upgrading of its facilities. This new building is one example of such upgrading efforts. I congratulate the Board for its foresight and constant effort to serve CPF members better.

It is now my pleasure to declare open the CPF Tampines Building and the CPF Branch Office.

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