

## **Reply to UN Questionnaire – Social Protection of Older Persons**

As the mainstay of Singapore's social safety net, the Central Provident Fund (CPF)'s original and foremost objective is to provide for the financial security of Singaporeans in their retirement years. To meet the evolving needs of increasingly sophisticated and educated Singaporeans, the CPF scheme has been progressively liberalized since 1968 to include other social objectives including home ownership, healthcare needs, family protection and asset enhancement.

### **Legal and Institutional Framework**

2. The CPF Board was constituted in 1955 with the establishment of the CPF and is a statutory authority under the Ministry of Manpower (MOM). CPF Board's primary role is to serve as trustees of the CPF.<sup>1</sup> The CPF Board, headed by a Chairman, is appointed by the Minister for Manpower with the concurrence of the President, and includes representatives from the government, employees and employers. The CPF Board is responsible for the administration of CPF schemes, including collection of contributions, custody of funds and payment of benefits.

3. The President of the Republic of Singapore has oversight of the CPF Board's budget and investment powers. His concurrence is needed for the following:

- a. Under Section 22B of the Singapore Constitution, the President has to approve the CPF Board's budget or supplementary budget, if in his opinion the budget is likely to draw on reserves not accumulated by the Board during the current term of office of the Government; and
- b. Under Section 22E of the Singapore Constitution, the President's concurrence is required for any Bill which provides, directly or indirectly, for varying, changing or increasing the powers of the CPF Board to invest the moneys belonging to the CPF.

### **Programme Costs and Coverage**

4. Under Section (7)(1) and (13A)(1) of the CPF Act, the CPF covers all Singaporeans and Permanent Residents (PRs) who are self-employed (statutory obligation for Medisave contribution) or employees. For sustainability, the system is self-funding with individual savings built up through the person's own contributions. This is also consistent with our philosophies of self-reliance and reinforcing the work ethic.

5. CPF contributions are credited into three accounts:

- i. Ordinary Account (OA) – the savings can be used for home ownership, investment, education and insurance premiums (e.g. for home protection and dependant protection);

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<sup>1</sup> Section 6(2) of the CPF Act states that the Board shall be the trustee of the Fund. The Board here refers to the 15 individual Board Members appointed with the President's concurrence.

- ii. Special Account (SA) – for retirement, investment in retirement-related financial products and contingencies; and
- iii. Medisave Account (MA) – for healthcare expenses and approved medical insurance.

CPF members aged above 55 will also have a Retirement Account (RA) for monies set aside as their Minimum Sum.

6. The Minimum Sum is determined to provide for a basic standard of living in retirement for Singaporeans. CPF members can withdraw their savings in excess of the Minimum Sum at age 55.<sup>2</sup> At draw-down age<sup>3</sup>, members can start drawing down their CPF savings under the Minimum Sum scheme which is designed to provide a monthly payout for around 20 years. Starting from Sep 09, members can use their CPF savings to join CPF LIFE, an annuity scheme which provides a lifelong monthly income from draw-down age.

### **Implementation Procedures**

7. New CPF members receive a letter which outlines the CPF system and interest rate structure upon their first CPF contribution. Subsequently, they will receive a yearly statement which summarises the various transactions in their accounts. Just before they turn age 55, members are informed of the Minimum Sum applicable to them and the corresponding payouts via a letter. The CPF website also has information on the various CPF schemes, and online retirement calculators to enable members to project the amount of financial assets, including CPF savings, they could accumulate by the time they reach their desired retirement age. Informational materials for major CPF schemes (e.g. CPF LIFE<sup>4</sup>) are also made available to the public in Singapore's four official languages.<sup>5</sup>

### **Monitoring Mechanisms and Complaints Procedures**

8. Under existing legislation, CPF Board as trustee is legally liable for exercising reasonable care and diligence in the administration of the CPF. Should CPF Board be remiss in its duties to do so, members have the right to sue CPF Board for breach of statutory duty/fraud. CPF Board's financial statements must also be submitted to Parliament and published in annual reports. As a Fifth Schedule statutory board, it is also accountable to the President for its expenditure. These requirements oblige CPF Board to adhere to a strict standard of governance and help to protect members from acts of mismanagement. Also, under Section 6(5) of the CPF Act, if CPF Board at any time is unable to pay any sum that is to be paid from CPF under the CPF Act, CPF Board is able to borrow from the Government's Consolidated Fund to meet such payments. This represents another form of protection for CPF members. In addition, CPF contributions are fifth

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<sup>2</sup> The Minimum Sum is \$117,000 as at July 2009. This will be progressively increased.

<sup>3</sup> The draw-down age of CPF members turning age 55 from 2009 onwards is 65.

<sup>4</sup> The CPF LIFE Information booklet – "A Guide to CPF LIFE" provides detailed explanations of CPF LIFE and how it works.

<sup>5</sup> Singapore's four official languages are English, Chinese, Malay and Tamil.

in line to be secured (Section 328 of the Companies Act) in the event that a company/employer becomes insolvent.

## **Other Social Protection**

### *Workfare*

9. Workfare provides assistance to low-wage Singaporeans while encouraging self-sufficiency and upholding the work ethic. It encompasses a suite of measures and is driven by MOM and the CPF Board. The most prominent scheme under the Workfare pillar is the Workfare Income Supplement (WIS) Scheme, which gives income supplements to older, low-wage workers. The WIS scheme, introduced in 2007, also aims to encourage workers to find work and stay in work, and to build up their savings for retirement, housing and healthcare needs.

### *Housing*

10. Housing needs for the general population are provided by the Housing Development Board (HDB), a statutory board under the Ministry of National Development. An extensive building programme, with generous subsidies and grants provided by the Government, has housed 8 in 10 Singaporeans in HDB flats. 9 in 10 of these Singaporeans own their flats, an asset that will appreciate with the economic development of Singapore. In their old age, elderly Singaporeans can then opt to unlock the housing equity of their HDB flats under the Lease Buyback Scheme (LBS), while aging in place. Under the LBS, HDB buys back the tail-end portion of the lease such that the elderly can continue to stay in their flat for 30 years. The proceeds will be used to buy an annuity which will provide the elderly a constant stream of income for life. Alternatively, they can sublet their flats or rooms to earn rental income. They may also purchase smaller Studio Apartments which are flats on shorter leases, and designed to specifically meet the needs of the elderly. These Studio Apartments cost less than flats sold on 99-year lease, allowing the elderly another avenue to monetise their flats. In addition, the HDB also provides heavily subsidised rental flats for needy citizens with no other housing options.

### *Healthcare*

11. Healthcare coverage in Singapore is universal, with a mixed financing system providing multiple tiers of protection to ensure that no Singaporean is denied access to basic healthcare for lack of money.

12. The first tier of protection is provided through heavy government subsidies that are designed to provide more generous assistance (up to 80% subsidy) for lower-income citizens. The second tier is via Medisave, a compulsory individual medical savings account for working Singaporeans to save part of their income for their family's and their own future healthcare expenses. The third tier is insurance - MediShield. MediShield is a basic medical insurance scheme to protect individuals against the costs of catastrophic illnesses. ElderShield is a severe disability insurance to help defray the cost of long-term care for the severely disabled. There are also commercially-provided add-ons to Medishield which provide enhanced cover.

13. The final tier is a safety net formed by Medifund and Medifund Silver. Singaporeans who are still unable to afford their medical bills after Medisave and MediShield may be assisted through Medifund, an endowment fund set up by the Government. In 2007, Medifund Silver was established in order to provide even more targeted assistance towards needy Singaporeans aged 65 years and older.

#### *Financial Assistance*

14. The Community Care Endowment Fund (ComCare) is a government endowment fund which addresses the basic financial needs of low-income Singaporeans and their families. The various ComCare schemes help needy Singaporeans achieve self-reliance and integrate into society. The policies for ComCare are driven by the Ministry of Community Development, Youth and Sports.

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