CPF LIFE – Singapore’s National Annuity Scheme

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Singapore Demographics

Chart 1: Life Expectancy at Birth/ at Age 55

1957

1980

2010

Source: Department of Statistics, Singapore, Demographic Indicators.
Central Provident Fund

Contributions
- Employee 20%
- Employer 16%

Fully-funded Defined Contribution

Individual Accounts

Benefits
- Housing
- Old-age
- Medical
### Projected CPF Retirement Balances

**Table 1: Projected CPF Retirement Balances for Active CPF Members Age 55 in 2013**

<table>
<thead>
<tr>
<th>Percentile</th>
<th>Projected CPF Retirement Balances</th>
</tr>
</thead>
<tbody>
<tr>
<td>20\textsuperscript{th}</td>
<td>US$25,000</td>
</tr>
<tr>
<td>50\textsuperscript{th}</td>
<td>US$70,000</td>
</tr>
<tr>
<td>80\textsuperscript{th}</td>
<td>US$170,000</td>
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</table>
The Need for Annuities

- At age 55, members can draw down via programmed withdrawal scheme
  - Only provides payouts for approximately 20 years

- Low rate of voluntary annuitisation
  - Only 1.6% in 2008
National Life Annuity Scheme

- Basic and Affordable
  - Affordable premiums, refundable upon death
  - Steady income for life

- Fair
  - Premiums/payouts actuarially determined & periodically reviewed
  - Payouts proportional to amount committed

- Flexible
  - Provision of options
CPF LIFE

(Lifelong Income For The Elderly)

- Steady income for life (entry age at 55)
- Refund provided upon death
- Actuarially fair premiums and payouts
- Financially sustainable over long-term
- Operated by trusted administrator (CPF Board)
- Extensive public education
CPF LIFE
(Lifelong Income For The Elderly)

- Mandatory for members aged 55 from 2013 with ≥US$32,000

- Coverage: ≈70% of the first cohort and ↑
  - Reduces adverse selection
  - Economies of scale
Risks

- CPF monies backed by special Singapore Government Securities
  Pegged to 10-Year Singapore Government Securities plus 1%

- Non-profit government administrator

- **Idiosyncratic:** Auto-inclusion ensures effective risk-pooling

- **Systemic:** Payouts not guaranteed but designed to be stable
  Payouts adjusted to reflect actual investment returns & mortality
# Choice of Plans

<table>
<thead>
<tr>
<th>Plan</th>
<th>Non-refundable</th>
<th>Refundable</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>(A) Income</td>
<td>(B) Plus</td>
</tr>
<tr>
<td>Monthly Payout</td>
<td>Highest</td>
<td>High</td>
</tr>
<tr>
<td>Bequest</td>
<td>No bequest</td>
<td>Low</td>
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</table>

![Graphs showing bequest amounts for different monthly payouts and ages.](image)
Estimated CPF LIFE Payouts

55-year old male member with US$70,000

<table>
<thead>
<tr>
<th>Plan</th>
<th>Monthly Payout*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td>US$680</td>
</tr>
<tr>
<td>Plus</td>
<td>US$640</td>
</tr>
<tr>
<td>Balanced</td>
<td>US$607</td>
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<tr>
<td>Basic</td>
<td>US$569</td>
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</table>

*Assuming an interest rate of 4%. Actual payouts might vary.
CPF LIFE for Older Members

- Available for opt-in from Sep 2009

- Over 60,000 opt-ins to CPF LIFE
  - Significant compared to 72,000 private annuities sold to date

- Almost US$3 bn committed to the scheme

- Approximately 9-10 cents per premium dollar
  - Compared to average of 6 cents per premium dollar from private annuities
Website: www.cpf.gov.sg