

Annex C: Views from the Public and Industry

The CPF Advisory Panel engaged Singaporeans from different walks of life to gather views on their preferred structure of CPF LIFE payouts. This was part of the Panel's first phase of public consultation.

The Focus Group Discussions (FGDs) were organised, with facilitated group break-outs to provide opportunities for participants to share their views on the Panel's first three Terms of Reference (TOR).

1. The feedback gathered from the Panel's first two TORs were summarised in [Annex B](#). [Annex C](#) summarises the feedback that the Panel received for its third and fourth TOR.
2. In relation to the Panel's third TOR, most FGD participants expected the cost of living in Singapore to increase over time and conveyed a diversity of views on their preferred structure for CPF LIFE payouts.
3. Some participants were in favour of receiving CPF LIFE payouts that would increase over time to cater for inflation, but were reluctant to start with a lower payout in the initial years. There were other participants who expected to continue working beyond age 65 and were thus willing to have their CPF LIFE payouts start later, or wanted the flexibility to be allowed to top-up their CPF LIFE premiums so that they could receive higher payouts.
4. There were also other participants who expected to spend more in their initial retirement years when they were still active, and only adjust their lifestyles or spending habits later on.
5. Still other participants preferred the greater certainty that level payouts provided, as they felt that this would make it easier to plan for their expenses. They were also concerned about the possibility of an early demise, and preferred not having lower initial payouts as they might not live long enough to enjoy the higher payouts from a CPF LIFE plan with escalating payouts.

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“My preference is for level payouts, because I value cash in hand. CPF is only going to be a small part of my retirement financial planning. I want flexibility in managing my monies.”

“Your needs increase over time, not just with inflation. As you get closer to death, your medical needs increase. An escalating payout provides for this.”

“Flexibility is the key... We should be offered an option, which payout structure we want.”

“I would prefer the certainty of the level of payout from 65, rather than a lower payout at the start.”

“My personal preference is to keep up with inflation. In that sense, the changes we go through in life are not so sudden. It is gradual. At least the money’s value is retained.”

6. Several participants asked to be provided with choices on the CPF LIFE payout structure so that they could choose a CPF LIFE plan that best suited their individual needs. However, some were also concerned that having too many CPF LIFE plans might be confusing to CPF members and could further complicate the CPF system.

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The second phase of the Panel's work involved gathering Singaporeans' views and suggestions on suitable options for investing CPF savings. The feedback from the public has been invaluable in helping the Panel understand the different investment preferences of individual CPF members, and contributed significantly to the shaping of the Panel's deliberations and eventual recommendations.

Similar to the first phase of public consultation, the public engagement for the second phase took the form of FGDs, with facilitated small group break-outs to allow participants to share their experiences and views in relation to the Panel's fourth TOR.

More than 60 Singaporeans took part in the FGDs. The FGD participants comprised a mix of people who invested their CPF savings on their own and some who did not. The majority were currently investing their CPF savings under the CPF Investment Scheme (CPFIS) as they were seeking to achieve higher returns. Those who did not do so gave a range of reasons for not investing. Some felt that their CPF savings were already earning relatively high CPF interest rates, while others said they lacked the time to evaluate the options and to monitor an investment portfolio.

The Panel also held industry consultations. The Panel met representatives from the Investment Management Association of Singapore (IMAS) to hear their views on the Panel's study to provide more flexibility for CPF members who wish to seek higher returns while balancing the higher investment risks involved. The Panel also met members of the Life Insurance Association Singapore (LIA) to obtain the industry's perspectives on the Panel's study to provide more flexibility for CPF members who wish to invest in private annuities when they retire, as an alternative to CPF LIFE.

The Panel received detailed feedback through comprehensive discussions with IMAS and LIA during these sessions. This feedback has helped the Panel to better understand investment trends in Singapore and the challenges faced by insurance companies in offering annuity products to CPF members.

The Panel also received more than 30 pieces of written feedback, comments and ideas from the public through emails and REACH. The paragraphs below broadly highlight the major points of discussion.

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Factors that influence members' decisions to invest their CPF savings

7. An important consideration for many FGD participants was whether they were confident of achieving higher returns through their own investment of their CPF savings, than the CPF interest rates that CPF provides for the Ordinary Account (OA) and Special Account (SA). Another commonly cited factor was the need to consider their age, as well as any existing financial commitments which required the use of their CPF savings (e.g. housing or education payments).
8. Participants said that they would be more open to investing their CPF savings on their own if there was more guidance available. One example raised was an investment guide that outlined the potential returns and risk levels of the different products, as well as the necessary charges and fees. The provision of such a guide would help to increase awareness on how to invest CPF savings.

“I should be allowed to invest my CPF savings without restrictions, rather than having some of my OA/SA savings sitting idle.”

“An investment guide would be helpful in showing me the key information that I need when deciding what to invest in. People should be educated in the options that they can choose from, so that they do not anyhow choose.”

Views on key features of investment options adopted by other retirement systems

9. Participants were asked for their views on several common features of investment options adopted by retirement systems in other countries.

Feature 1: Fewer investment options that still offer good mix of risk-return characteristics

10. Participants gave mixed views on this feature. Those who saw themselves as being less financially savvy agreed that this feature would simplify their investment choices. They said that the current CPF Investment Scheme (CPFIS) had too many choices, which made it confusing. They also highlighted that it was important for members to be adequately educated on the investment options, so that they could make informed decisions.
11. On the other hand, participants who considered themselves to be more financially savvy said that this feature would limit their investment options. For this group,

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the CPFIS provided a wide range of investment options for them to actively manage their investments. However, there were some who felt that the range of CPFIS investment options was not sufficiently well-diversified and that the fees for investing through the CPFIS were too high.

Feature 2: Well-diversified and passively managed investment options

12. Most participants agreed that passively managed investment options would lead to lower costs for members. While some expected such funds to give better returns in the long term than most actively managed funds after factoring in investment costs, others preferred actively managed funds, highlighting the need to pick good fund managers in order to achieve higher returns.

Feature 3: Options to stay invested for the long term

13. Participants who were not in favour of this feature tended to be those who considered themselves to be more financially savvy. To them, such a feature would restrict their ability to switch between asset classes at different periods of time. They also said that younger members, who could have other uses for their CPF savings, may not wish to invest for the long-term. There were other participants who acknowledged that such a feature would be useful in improving the chance of achieving better returns, and were prepared to stay invested for as long as 10 to 30 years.

“It is like eating at a restaurant. Non-savvy investors can just choose the set meal, while savvy investors can order a la carte.”

“If a person is aware that he is incurring transaction costs when churning, he should be allowed to churn if he feels that it is in his best interest, rather than being imposed with such a restriction.”

“Don’t allow people to invest their CPF because this is for retirement. We should not allow the retirement fund to be used to do all sorts of things, and have too many options. Investment savvy people should use their private savings.”

“Banks today are already introducing regular savings plans where people can put in a specific sum of money monthly to invest in low-cost options such as Exchange Traded Funds (ETF). CPF should consider having such an investment plan as well.”

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Views on duration to stay invested and flexibility to switch in and out of investment options

14. Some participants indicated that they would be willing to remain invested for as long as they continued to receive reasonable returns, while others indicated an investment period of 10 years or more.
15. Most participants valued retaining some flexibility to decide when to switch in and out of investment options, as restricting this would hinder their ability to make adjustments based on unforeseen circumstances, such as a new home purchase. Some participants said that switching investments was a matter of individual choice, and that members should not be overly restricted in terms of investment duration.

“If I’m a savvy investor, I would know when to get in and out.”

“How long you stay invested depends on the objective of the investment. If it is for retirement, then it should be invested for a long term.”

“The current system works for me. Full flexibility should be allowed when one is young, and as one ages, some restrictions might be important”

The Panel would like to register its appreciation to all who have taken the time and effort to share their views and feedback with the Panel through various platforms. In addition, the Panel would like to thank representatives from IMAS and LIA for taking the time to meet and share their views. The Panel has carefully considered all the feedback received in its deliberations on its third and fourth Terms of Reference.