The Central Provident Fund

Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland and Germany),
Solicitor (England & Wales and Hong Kong)
Of Counsel, KGP Legal LLC
alexander.ressos@kgplegal.com.sg
www.ressos.com.sg

Origins in the colonial debate on old-age security

The Central Provident Fund grew out of a debate of the early 1950s about how to provide for workers in old age. On 22 May 1951 Tan Chye Cheng of the Progressive Party introduced a bill in the Legislative Council for a compulsory central provident fund for all employees, under which workers earning at least $100 a month and their employers would each contribute 5 per cent of salary. A Retirement Benefits Commission, convened by the Governor in the same month, recommended a pension scheme in its report of February 1952. On 17 June 1952 the Legislative Council rejected the pension proposal in favour of a provident fund. The amended bill was passed on 24 November 1953. The two sources give different dates in late 1953, probably because one records the vote and the other the completion of the ordinance.[1]

The choice between a pension and a provident fund was a choice between two philosophies. A pension promises a defined income and spreads risk across generations. A provident fund credits each member's contributions to an individual account, so that what a worker receives depends on what has been saved for him. Sydney Caine, who chaired a colonial committee on minimum standards of livelihood, described the scheme in 1957 as "in essence one of compulsory saving,

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

not of social insurance". The CPF history of 2025 notes that the pension plan would have benefited workers within a few years, whereas the provident fund was expected to provide adequate amounts for retirement only fifteen to twenty years later.[2]

The start was difficult. The Fund was due to open on 1 May 1955, but three days before that date the Minister for Labour and Welfare, Lim Yew Hock, announced a postponement after legislators criticised the burden of contributions on workers whose wages barely covered basic needs. An amending bill passed on 29 June 1955 exempted workers earning less than $200 from their own contribution, while their employers continued to pay. The Fund began operating on 1 July 1955. By September 1955 the CPF Board had received more than $1.5 million in contributions, with 160,000 employees and 12,900 employers registered.[3]

From retirement savings to home ownership and health care

The governments of the People's Action Party inherited the Fund and transformed it. The decisive step came in September 1968, when the Public Housing Scheme allowed members to use their savings to buy flats from the Housing and Development Board.[4] Housing turned an abstract retirement account into a visible asset. A worker's contributions now paid the instalments on a home, which gave the scheme a popularity it had lacked in the 1950s and tied the savings of households to the national programme of home ownership described in Chapter C.III.

The scheme then grew into a system covering most of the needs that other welfare states meet through taxes and social insurance. Private residential property followed in 1981. The Medisave account for hospital expenses started in 1984, the Minimum Sum Scheme for retirement in 1987 and the CPF Investment Scheme, which allowed members to invest part of their balances in approved products, in 1986. The Minimum Sum began at S$30,000 in 1987 and stood at S$148,000 in 2013. CPF LIFE, a national annuity scheme, followed in 2009. Since 1 January 2025 the

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

Enhanced Retirement Sum, the highest amount a member may set aside for retirement payouts, has been four times the Basic Retirement Sum, or $426,000 for that year.[5]

Lee Kuan Yew later explained his government's preference for the provident fund over a European welfare state. In his memoirs he wrote that "we decided to avoid this debilitating system". He concluded that "The CPF has made for a different society."[6] The statement is political as much as economic. A system of individual accounts makes each household responsible for its own provision. It also gives the state a large and predictable flow of domestic savings.

Contribution rates as an instrument of economic policy

Contribution rates have been one of the most powerful levers of economic policy in Singapore. From 1955 to 1967 employers and employees each paid 5 per cent of wages. The combined rate rose to 13 per cent in 1968, 30 per cent in 1974 and 42.5 per cent in 1981, before reaching its peak of 50 per cent in 1984 and 1985, when employers and employees each paid 25 per cent.[7] Savings on this scale financed housing and gave the government a captive domestic market for its debt. They also reduced consumption at a time when the economy was growing fast.

The same instrument served to cut costs in recessions. In 1986, after the recession of 1985, the employer's share was reduced from 25 to 10 per cent, lowering the total from 50 to 35 per cent.[8] During the Asian financial crisis, which Chapter D.III examines, the employer's rate was again cut to 10 per cent in 1999, bringing the total to 30 per cent. The reduction lowered labour costs without cutting take-home pay and became a model for crisis management that could be reversed once growth returned.

The rates have since been rebuilt in stages. For workers aged 55 and below the total contribution now stands at 37 per cent, of which the employer pays 17 per cent and the employee 20 per cent, while the monthly ceiling on ordinary wages subject to

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

contributions rose to $8,000 on 1 January 2026.[9] For older workers the rates are lower and are being raised gradually, so that the scheme supports longer working lives.

Special Singapore Government Securities

The way CPF savings are invested is central to the relationship between the Fund and the reserves. The CPF Board invests members' balances in Special Singapore Government Securities, which the government issues for this purpose and guarantees. These securities are not traded. They pay the CPF Board the interest it credits to members, so that members receive the announced rates whatever happens in financial markets.[10]

Members earn at least 2.5 per cent a year on the Ordinary Account and at least 4 per cent on the Special, MediSave and Retirement Accounts. Extra interest of up to 2 percentage points a year on the first tranches of their balances raises the maximum to 5 per cent for members below 55 and 6 per cent for members aged 55 and above. The government thus bears the investment risk. The proceeds of the securities are pooled with other government funds and managed by GIC on a consolidated basis, which means that the return on CPF savings and the return on the reserves are linked only at the level of the state's balance sheet.[11]

This arrangement has been criticised from two directions. Some argue that members should share in the higher long-term returns that GIC earns on the pooled assets. Others point out that the guaranteed floor rates have exceeded market yields on safe assets for long periods and that the guarantee itself has value. The government's position is that a risk-free return is the right product for compulsory retirement savings, while the residual return accrues to the reserves and benefits the population through the budget.

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

The CPF in the financial system today

In June 2026 the CPF had 4.3 million members and balances of $689 billion. In the second quarter of 2026 it received $14.4 billion in contributions, while members withdrew $1.9 billion for home ownership and $1.4 billion for health care. Interest credited in 2025 amounted to $23.6 billion. The growth over a generation is striking. Total CPF balances amounted to $41 billion in 1990 against a gross domestic product of $71 billion. By 2015 they had reached $300 billion, against a GDP of $402 billion.[12]

For the financial centre the CPF matters in three ways. It absorbs a large share of household savings that in other countries would flow into bank deposits, mutual funds and life insurance. It channels part of those savings into public housing and health care, which reduces the demand for private retirement products. Through the CPF Investment Scheme it also gives members limited access to unit trusts, insurance products and shares, which makes the scheme a gatekeeper for parts of the retail fund industry. Only balances above $20,000 in the Ordinary Account and $40,000 in the Special Account may be invested in this way. In June 2026 members had $21.5 billion invested through the scheme.[13]

Notes

1. Lim Tin Seng, "How the CPF Scheme Came to Be", *BiblioAsia*, vol. 20, no. 4, January–March 2025: bill introduced by Tan Chye Cheng on 22 May 1951 "to establish a compulsory central provident fund for all employees"; contribution of 5 per cent of salary, matched by employers, with 3 per cent interest; Retirement Benefits Commission convened on 19 May 1951, report of February 1952 recommending a pension scheme. Lim Tin Seng, "How the CPF Scheme Came to Be", *BiblioAsia*, vol. 20, no. 4, 2025: rejection of the pension proposal on 17 June 1952; amended CPF Bill passed on 24 November 1953. The CPF Board's anniversary history gives 11 December 1953 as the date on which the CPF Ordinance was passed: Central Provident Fund Board, *Save & Sound: 70 Years of CPF*, chapter 1, "Beating the Odds", p. 37. ↩

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

2. Lim Tin Seng, "How the CPF Scheme Came to Be", *BiblioAsia*, vol. 20, no. 4, 2025, quoting Sydney Caine, *Report of the Committee on Minimum Standards of Livelihood*, 1957, p. 43. Central Provident Fund Board, *Save & Sound: 70 Years of CPF*, chapter 1, "Beating the Odds", p. 37: the provident fund scheme "was estimated to provide adequate amounts for retirement until 15 to 20 years later". ↩

3. Central Provident Fund Board, *Save & Sound: 70 Years of CPF*, chapter 1, p. 35: "Three days before the CPF Board was due to open, then-Minister for Labour and Welfare Mr Lim Yew Hock announced its postponement"; workers "could not afford to contribute 5 per cent of their monthly salary". Lim Tin Seng, "How the CPF Scheme Came to Be", *BiblioAsia*, vol. 20, no. 4, 2025: amending bill of 29 June 1955; Fund took effect on 1 July 1955. Central Provident Fund Board, *Save & Sound: 70 Years of CPF*, chapter 1, p. 37: "By September 1955, two months after its July launch, the CPF Board had received over $1.5 million in contributions, with 160,000 employees and 12,900 employers registered." ↩

4. Benedict S. K. Koh, "Singapore's Social Security Savings System", presentation, Singapore Management University, March 2014, slide 9 (CPF schemes and year introduced): Public Housing Scheme 1968, Residential Properties Scheme 1981, Medisave Account 1984, Minimum Sum Scheme 1987, CPF Investment Scheme 1986, CPF Life Annuity 2009. Lim Tin Seng, "How the CPF Scheme Came to Be", *BiblioAsia*, vol. 20, no. 4, 2025: Public Housing Scheme launched in September 1968. ↩

5. Benedict S. K. Koh, "Singapore's Social Security Savings System", SMU, March 2014, slide 9. Benedict S. K. Koh, "Singapore's Social Security Savings System", SMU, March 2014, slide 21: Minimum Sum "Increased from S$30,000 in 1987 to S$148,000 in 2013". Lim Tin Seng, "How the CPF Scheme Came to Be", *BiblioAsia*, vol. 20, no. 4, 2025: CPF LIFE introduced in 2009; from 1 January 2025 the Enhanced Retirement Sum rose to four times the Basic Retirement Sum, $426,000, up from $308,700. ↩

6. Lim Tin Seng, "How the CPF Scheme Came to Be", *BiblioAsia*, vol. 20, no. 4, 2025, quoting Lee Kuan Yew, *From Third World to First: The Singapore Story 1965–2000*, edition of 2015, p. 126 ("we decided to avoid this debilitating

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

system") and p. 127 ("The CPF has made for a different society"). The first edition appeared with Times Editions, Singapore, in 2000; its pagination differs. ↩

7. Benedict S. K. Koh, "Singapore's Social Security Savings System", SMU, March 2014, table of contribution rates 1955–2000 (employer, employee, total): 1955–1967 5/5/10; 1968 6.5/6.5/13; 1974 15/15/30; 1981 20.5/22/42.5; 1984 and 1985 25/25/50; 1986 10/25/35; 1999 10/20/30. ↩
8. Benedict S. K. Koh, "Singapore's Social Security Savings System", SMU, March 2014, table of contribution rates: employer rate 10 per cent and total 35 per cent in 1986; employer rate 10 per cent and total 30 per cent in 1999. ↩
9. Wikipedia, "Central Provident Fund" (accessed November 2026): contribution rates for members aged 55 and below of 37 per cent (17 per cent employer, 20 per cent employee); ordinary wage ceiling of $8,000 from 1 January 2026. ↩
10. Central Provident Fund Board, "What are CPF monies invested in?", *CPF Clarifies* (cpf.gov.sg, accessed November 2026): CPF savings are invested in SSGS issued and guaranteed by the government; returns on SSGS match the CPF interest rates; pegging CPF interest to GIC returns "would subject CPF members to investment market risks". ↩
11. Central Provident Fund Board, "What are CPF monies invested in?" (cpf.gov.sg, accessed November 2026): floor rates of 2.5 per cent (OA) and 4 per cent (SA/MA/RA); extra interest of up to 2 per cent; up to 6 per cent for members aged 55 and above and up to 5 per cent for those below 55. GIC, "FAQs" (gic.com.sg, accessed November 2026): CPF monies are not directly transferred to GIC, but SSGS proceeds are one source of the funds that GIC manages. Central Provident Fund Board, "What are CPF monies invested in?": SSGS proceeds are pooled with other government funds and managed by GIC on a consolidated basis. ↩
12. Central Provident Fund Board, "CPF statistics" (cpf.gov.sg, accessed November 2026): 4.3 million members and $689 billion in balances as of June 2026; contributions of $14.4 billion, home ownership withdrawals of $1.9

© 2026 Dr Alexander Ressos. General information only, not legal, tax or investment advice. No client relationship is created. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. More information at SingaporeIQ.com and ressos.com.sg.

billion and healthcare withdrawals of $1.4 billion for April–June 2026; interest credited of $23.6 billion for January–December 2025. Government of Singapore, *White Paper on the Review of Specific Aspects of the Elected Presidency*, 2016, p. 8, table: GDP $71 billion (1990) and $402 billion (2015); CPF balances $41 billion and $300 billion; official foreign reserves $48 billion and $351 billion; Temasek's net portfolio value $9 billion and $266 billion. ↩

13. Wikipedia, "Central Provident Fund" (accessed November 2026): from 1 July 2010 only savings above $20,000 in the OA and $40,000 in the SA can be invested. Central Provident Fund Board, "CPF statistics" (cpf.gov.sg, accessed November 2026): $21.5 billion invested from Ordinary and Special Accounts as of June 2026. ↩

Disclaimer

This article is provided for general information only. It is based on publicly available sources as at its date of publication. These sources have not been independently verified against licences, regulatory registers or the records of the entities concerned. It is not legal, tax, financial or investment advice. Nor is it a recommendation to invest in, transact with or use the services of any entity mentioned. Law and regulation change frequently, so the content may be incomplete or outdated. To the fullest extent permitted by law, Dr Alexander Ressos and the publisher of SingaporeIQ exclude all liability for loss or damage arising from the use of or reliance on this article. Readers should obtain advice on their specific circumstances before acting or refraining from action.

Names and trademarks of the entities discussed belong to their owners and are used for identification only. Their mention implies no endorsement, affiliation or allegation of wrongdoing. All Singapore law advice is provided by a duly licensed and regulated firm of Singapore advocates and solicitors only on the basis of an express written letter of engagement. Corrections and updates: contact@ressos.com.

© 2026 Dr Alexander Ressos. This article may be quoted with attribution to SingaporeIQ (SingaporeIQ.com). Reproduction in full and any commercial use require prior written consent. The Legal Terms at https://singaporeiq.com/legal-terms apply.

Author contact: Dr Alexander Ressos, TEP · contact@ressos.com