

06/03/1998

Lower EPF payout due to sluggish market: Mahathir

Jimmy Yeow; Fadzil Ghazali

PRIME Minister Datuk Seri Dr Mahathir Mohamad yesterday attributed the lower dividend declared by the Employees Provident Fund (EPF) to the sluggish stock market.

"The EPF invests in the market. We know that due to foreign pressure, the value of shares plunged. Companies' profits also dropped. Therefore, it will definitely be linked to the EPF dividend," he told reporters in Kuala Lumpur yesterday after opening the 1998 International Tropical Timber Conference.

For 1997, EPF declared a dividend of 6.7 per cent for contributors, down from 7.7 per cent in 1996.

Meanwhile, unit trust managers and the Malaysian Trades Union Congress said the lower dividends declared by EPF for 1997 was understandable given the situation of the country's financial markets especially during the second half of the year.

They said the 6.7 per cent dividend declared by EPF last year was lower than the average returns paid out by other funds and financial institutions.

Unit trusts and other investment funds paid out an average of 10 per cent dividends last year, a senior unit trust company official said.

"They could not afford the risk of higher gains or losses in the investments as safety of the investments come first. Furthermore, they are not in the driver's seat," he pointed out.

Although they have the largest amount of funds for investments, the EPF board has to play safe as they are dealing with the public's money, he added.

Another manager said while the RM994.27 million income generated from the equity market looks good but in terms of the returns, it is a disappointment with only 4.04 per cent to the RM24.57 billion investment in that sector.

"But overall, considering the economic and financial situation during the second half of last year, the EPF did okay," he added.

The MTUC expressed disappointment with the dividends declared by EPF for last year, saying that it was hoping for at least 7 per cent.

Its president, Encik Zainal Rampak, said as the employees' representative in the EPF board, the MTUC had requested the board during several meetings to pay out higher dividends than was announced.

He said while the MTUC was dissatisfied, they took note of the downturn of the country's economy.

The EPF, in announcing its results, explained that its investments in equities were affected by the stock market crash.

And in line with its current accounting practice the diminution in asset value was reflected in the net income, hence the lower dividend payout.

(END)