

# Annuity scheme is good but needs to be refined: PM

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**'EPF should find a way to manage this scheme; let's refine it and move forward'**

THE Employees Provident Fund's (EPF) annuity scheme was thought to be a good idea but it needed to be refined due to objections from various quarters, Prime Minister Datuk Seri Dr Mahathir Mohamad said.

"Maybe there are some misgivings currently with regard to EPF's annuity scheme. Many insurance companies have been brought together to operate one scheme. They are not grouped as one, hence there are weaknesses there.

"The EPF should find a way to manage this scheme. Let's refine it and move forward," Dr Mahathir said when interviewed by Bernama in conjunction with the 50th anniversary of EPF on October 1 2001.

The EPF's annuity scheme was launched in July last year but was suspended in May this year due to strong objections,

especially from the Malaysian Trades Union Congress.

On July 1 last year, EPF launched two versions of the annuity scheme — the conventional and takaful insurance — with the aim of providing members with regular income for life during the post-retirement years.

The scheme provides an option for members who do not wish to withdraw their savings in one lump sum to convert their full or partial EPF funds into the annuity scheme which provides regular post-retirement income for life or, in the case of the Takaful version, up to the age of 100.

The annuity scheme is a retirement programme where a portion of workers' contributions, upon their consent, is managed and disbursed just as pension payments on a monthly basis upon their retirement.

On the occasion of EPF's 50th anniversary, Dr Mahathir congratulated the fund for its management over the years and for its success since its

establishment.

"I consider EPF a successful institution and has achieved its role as designed," he said, adding that the fund had grown tremendously with its membership now standing at 10 million and handling about RM180 billion.

However, he said, EPF needed to rethink its role, especially with regards to one-off payments.

"I think that is not very helpful because almost invariably they (contributors) finish all their money (rather quickly).

"People who retire should have a source of income that is more permanent, however small. Perhaps the EPF should offer more options to its members — they can take part of their savings as a one-off payment and leave behind something that will generate more returns.

"People may want to withdraw all their money and invest it in business but they may not be capable of investing well and all their money would be lost," he said.

As such, he said, the EPF should continue to work to provide retirement income for its members.

"Working people must have savings to support them at the end of their careers. Ordinarily we will not save on our own unless it is forced upon us. The EPF provides a good means of ensuring compulsory savings, to help us in our later years," he said.

Once an EPF member, Dr Mahathir said he knew the importance of savings, and thus reminded the fund not to lose sight of its primary goal which was to provide retirement income to its members even as it reassessed its role in society from time to time and dealt with the challenges posed by an increasingly ageing population.

On suggestions that EPF invest overseas to raise its revenue, Dr Mahathir said they (EPF) can but have to be very careful, particularly about the expectations of their contributors. At the same time, he said, contributors must learn that

their investments are not guaranteed.

"There is no such thing as a guaranteed investment. Yes, loans to government and bonds are secure investments but since the Government hasn't the capacity to absorb all EPF funds, then the EPF has to invest actively in other areas, such as in the private sector which comes with risk," he said.

On early withdrawals, Dr Mahathir said it would not be a wise move if members withdraw their contribution for consumption rather than future investment.

"We need to remind ourselves of the need to have definite income after retirement. We need to stand on something that gives us more returns.

"If you want to withdraw from EPF to buy a computer for yourself, then you are enhancing your skills. But if you want to withdraw for consumption, without adding to your potential to increase your earnings, then I would not encourage it," he said.