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Dr M: EPF to take over annuity scheme

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KUALA LUMPUR, Fri. - The Employees' Provident Fund will take over the management of the EPF annuity scheme, replacing the role previously played by private insurance firms, Prime Minister Datuk Seri Dr Mahathir Mohamad said tonight.

Under the scheme, contributors would be paid a monthly sum for 20 years after retirement based on the remaining balance in their EPF accounts.

Contributors have the option of either withdrawing the total amount upon reaching the age of 55, or a portion of it.

"If the contributor wants to withdraw part of his savings to set up a business, he can. The other portion will be paid in instalments over 20 years and be entitled to dividend," he said.

Dr Mahathir, who is also Finance Minister, said this in his speech during EPF's golden jubilee celebration dinner at the Palace of the Golden Horses in Seri Kembangan.

He added that the scheme was similar to the one initially run by private insurance firms but the returns would be higher as there would be no commission paid to agents.

The Prime Minister described the scheme as a "middle road" one due to strong opposition from workers' union when it was first introduced.

Later, when asked by reporters if the scheme had been approved by the EPF Board, he said: "We have already formulated its structure. It will become a decision later, I believe."

On when the scheme would be implemented, Dr Mahathir said the EPF was working on it.

He expressed hope that there would not be any opposition to the scheme this time.

The scheme was launched in July last year but was strongly opposed by the Malaysian Trades Union Congress before being suspended last May, pending a review.

Dr Mahathir said the scheme was first introduced because some retirees did not know how to handle their finances and there were cases of people who used up all their EPF savings within months of withdrawing them.

He also advised contributors to accept the possibility of lower dividend due to the poor economic outlook.

Some local companies, he added, were making losses or had closed down and this would affect EPF which had investments in some of these companies.