

25/05/2001

EPF likely to take over annuity scheme

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THE meeting yesterday between the unions and a consultant appointed by the Employees Provident Fund (EPF) to study the annuity scheme ended with the possibility that the scheme would be managed by the EPF.

A source said there was an indication from the study that the administration of the annuity scheme by a consortium of six insurance firms and two Takaful insurers could be transferred to the EPF.

However, Malaysian Trades Union Congress (MTUC) and Congress of Unions of Employees in the Public and Civil Services Cupeacs (Cuepacs) leaders, met after the meeting, declined to reveal details of the actuarial study by the consultant.

MTUC president Senator Zainal Rampak was tightlipped about details of the study.

However, his beaming face and that of MTUC officials, including secretary-general G. Rajasekaran, who attended the meeting, gave the impression that their demand was nearly realised.

Both Zainal and Cuepacs president N. Sivasubramaniam told reporters during a separate press conference that they were satisfied with the study.

"We are quite happy with the content of the study and the consultant will include our input in the final report to be submitted to the EPF Board, which will meet next month," Zainal said after the nearly two-hour meeting at the EPF headquarters in Kuala Lumpur.

The meeting was held following the MTUC's move to defer its nationwide picket on May 12 for three months when Prime Minister Datuk Seri Dr Mahathir Mohamad gave an undertaking in a letter to shelve the annuity scheme until the completion of a study conducted by a consultant engaged by the EPF.

Ten representatives from the MTUC and four from Cuepacs attended the first meeting with the consultant, Qu Won Fah, who is the managing director of AON Consultant (M) Sdn Bhd.

The consultant is now drafting the findings of the study and Zainal said they will meet the unions again before the report is finalised.

Both MTUC and Cuepacs accept the annuity scheme but they want the scheme to be managed by the EPF, instead of the insurance firms.

By bypassing the practice of giving commission to agents under conventional insurance, the unions reasoned that the premium paid by the EPF contributors would be less and the returns would be higher as all the profits from the scheme will go into the EPF.

Zainal reiterated that the unions were not against the annuity scheme but they were opposed to the idea that the scheme was managed by private insurance firms.

Before the scheme was suspended to allow the study to be done, it was offered by six conventional and two Takaful insurers.

The six were Malaysian Assurance Alliance Bhd, MCIS Insurance Bhd, Hong Leong Assurance Bhd, Malaysia National Insurance Bhd, Maybank Life Assurance Bhd and John Hancock Life Assurance Bhd; while the Islamic-based insurers are Takaful Nasional and Syarikat Takaful.

Zainal said todate, the scheme had mobilised some RM4 billion EPF savings from 200,000 contributors.

"If the EPF can approve such an amount of money for the annuity scheme over a short period of time, I am sure it can handle the scheme

efficiently," he said when queried about the EPF's competence to manage the scheme, given the current backlog of withdrawal cases experienced by the pension fund.

"The EPF has the capability....it has proven this by administering the largest fund, amounting to RM200 billion in 9.7 million accounts. No banks can handle such a large fund," he added.

Zainal also said that EPF contributors who had signed up with the scheme but not satisfied with the terms offered by the insurance firms, could withdraw from the scheme any time.

"There is a penalty for withdrawal but we will talk to the EPF management on how to reduce it," he said.

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