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MTUC: Waive 7pc charge

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KUALA LUMPUR, Sat. - The Employees Provident Fund should ask the consortium of insurance companies to waive the seven per cent penalty for contributors to transfer their annuity funds back to the EPF.

This follows the announcement by Prime Minister Datuk Seri Dr Mahathir Mohamad yesterday that the annuity scheme would be managed by the EPF.

Malaysian Trades Union Congress secretary-general G. Rajasekaran said the seven per cent penalty was too high.

He said insurance companies should only charge RM50 as agreed upon when the annuity scheme was first introduced in July last year.

"As far as we know, only Takaful Nasional and Syarikat Takaful were complying with the RM50 charge as an administrative fee while the others impose a seven per cent penalty."

Rajasekaran said EPF should hold negotiations with the insurance companies, Malaysian Assurance Alliance Bhd, MCIS Insurance Bhd, Hong Leong Assurance Bhd, Malaysia National Insurance Bhd, Maybank Life Assurance Bhd, John Hancock Life Assurance Bhd, Takaful Nasional and Syarikat Takaful on the matter.

"We do not want these insurance companies to make money out of the contributors' annuity fund as the money is meant for their old age," he added.

MTUC welcomed Dr Mahathir's announcement last night that EPF will take over the management of the EPF annuity scheme, replacing the role previously played by private insurance firms.

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.

Dr Mahathir said 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 to agents.

The annuity scheme was introduced in July 2000, but was suspended since May 9 to allow a consultant appointed by EPF to conduct a study on whether it should be managed by EPF.

The EPF annuity scheme attracted close to 200,000 applications prior to its suspension. It is learnt that to date, participating insurers had raked in premiums totalling RM5 billion from some 140,000 participants.

Rajasekaran said they hoped EPF would start managing the annuity scheme without any further delay.

Federation of Malaysian Consumer Associations Fomca president Datuk Hamdan Adnan said it was a good move.