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Govt satisfied with EPF investment panel

Kamarul Yunus; Ramlan Said

THE Government is satisfied with the performance of the current Employees Provident Fund (EPF) investment panel.

Prime Minister and Finance Minister Datuk Seri Dr Mahathir Mohamad said there is no immediate need to change the panel members.

"Yes (I am confident of the investment panel). You can change the investment panel, but it is not going to make any difference.

"It is the company (that EPF is investing in) not doing well, it is not the panel," he told reporters after delivering his keynote address at the opening of the China Economic Conference in Petaling Jaya yesterday.

In its annual report for 2001, the EPF equity investments were listed as RM40.1 billion, or 21 per cent of total investment allocations as at end-2001. This was a growth of 5 per cent from the previous year.

Dr Mahathir was asked whether he was confident of the existing EPF investment panel since the pension fund had been declaring lower dividends in the past few years.

It was reported last Thursday that the EPF is expected to announce a dividend for 2001 lower than the 5 per cent registered last year.

Dr Mahathir said the amount of dividend to be paid depends on the performance of the stock market.

"If you look at the stock market, you know that it is not doing well. There is a belief among some people, no matter how bad the economy is, they must have high dividend; that is not possible.

"The dividend comes from investing, and investment today for everyone is very bad. A lot of people, even to meet margin calls, lost money from the investments.

"So, if we have low dividend, that I think is already a good thing. All over the world today, business is very bad. Everybody is jittery about the possibility of war," he added.

He cited the Dow Jones, Nikkei and stock exchanges in other countries which are down and which have affected the local bourse.

In fact, he said, the stock exchanges in other countries are down by a much greater percentage than in Malaysia.

"So, you cannot expect big dividends all the time. If you want big dividends, help Malaysia grow economically and we will pay you good dividends," he said.

Asked whether the EPF should consider revising its current investment portfolios, the Prime Minister said there is limited choice of viable companies for the pension fund to invest in.

"We can revise (investment portfolios), but there is not much choice. Can you tell me which companies the fund should invest in?"

On whether the EPF can invest in sovereign bonds, Dr Mahathir said the fund had, indirectly, been investing in government bonds.

"The Government has been borrowing from the EPF and giving returns based on interest rate that is a fix return for the EPF.

"So, in a way, it is the EPF's investment in government bonds," he said.

Dr Mahathir said the US dollar bond is also a good way to raise funds.

"The US dollar bond is fine to us because we are pegged to the US dollar. So if the US dollar depreciates, our currency (ringgit) also depreciates. Thus, the US dollar bond will give us good earnings," he said.

In March, the EPF had announced a 5 per cent dividend for its 10 million

contributors for last year, based on the fund's net income of RM9.01 billion for the year, the lowest declared in 20 years.

Members of the panel include EPF chairman Tan Sri Abdul Halim Ali, representative from Bank Negara Mohd Razif Abd Kadir and the Treasury's Datuk Siti Hadzir Mohd Ismail.

Others are Malaysian Accounting Standards chairman Raja Datuk Arshad Raja Tun Uda, Malayan Banking Bhd group managing director Datuk Amirsham Abd Aziz and Affin Bank chief executive officer Datuk Raja Aman Raja Ahmad. EPF chief executive officer Azlan Zainol is ex-officio member.