

Attractive pension plan for civil servants

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PUTRAJAYA: All new government employees will receive a gratuity, medical benefits and lifelong pension for spouses under a contributory pension scheme expected to be implemented next year.

At present, civil servants who had opted for the Employees' Provident Fund scheme are not eligible for medical benefits upon retirement, a pension or gratuity.

Those on the pensionable scheme receive gratuities of between RM40,000 and RM300,000, depending on their rank.

Under the new scheme, the deceased retiree's spouse

would receive a full pension for life. Their children would also be eligible until they complete their first degree.

Now, a pensioner's spouse receives only 70 per cent of the pension in the event of the retiree's death after 12 years of retirement.

Civil servants who had opted for the EPF scheme would be allowed to opt for the new scheme.

"This is truly revolutionary," said a senior government officer,

"The new scheme will also help us address the problems raised by the retirees all these years, such as insufficient pension because the government will contribute towards the employees' savings for as long as he is in service."

Thailand and India have a similar scheme.

Some 40,000 people are recruited by the government every year. The civil service has 1.1 million employees, including those in the armed forces. One in 10 have opted for the EPF scheme.

Under the contributory scheme, employees will pay 11 per cent of their monthly salaries to the Pensions Trust Fund (PTF), and the government 12 per cent.

Contributors will not be allowed to make any withdrawals until their retirement, unlike the EPF scheme.

Upon retirement, they would be paid between 25 per cent and 30 per cent of their savings. The remaining sum

would be kept in the fund, and they would receive the monthly pension for life.

"But if the person dies, say, two or three years after retirement, his spouse or eligible children will get the full pension for life as well as medical coverage."

The official said if the retiree had no direct beneficiary, then his savings would be given to other family members. In this case, no pension will be paid.

He said the new scheme was better than the existing one.

"At present, the pension is calculated on a 25-year formula. Under the new scheme, if the individual works for the government for 35 years, the government will make contributions for 35 years."

Still under discussion is whether the PTF will give an annual dividend to its members.

"We are also looking at allowing civil servants who go for optional retirement, or who are sacked, to have their money moved to the EPF.

"That way, they will be able to join the private sector without losing out."

The officer said although the main objective of the new scheme was to help the government reduce its pension bill, which is expected to skyrocket to RM6 billion next year, it would also provide for the retirees and their spouses.

The government will hold more talks with Cuepacs, the umbrella organisation for unions in the public sector.