

Pension scheme for new civil servants to go ahead

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PUTRAJAYA: The government is left with no choice but to implement the contributory pension scheme for new civil servants despite preliminary objections from Cuepacs.

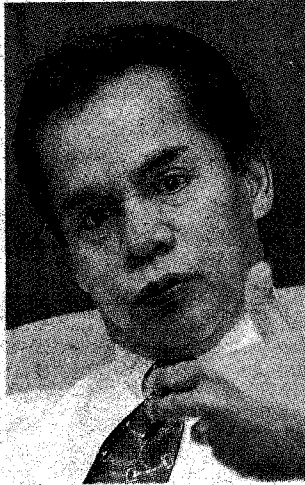
This is because any more delays would have serious financial implications for the government.

"We have been studying this scheme since the mid-1990s. We have no choice but to implement it as the pension bill alone has increased by almost RM5 billion in the past 15 years," said a government official.

If efforts were not taken to address the burgeoning pension bill now, the cost may increase to RM10 billion in the next six to eight years.

He said many Commonwealth countries, which had inherited the present pension scheme from the British, had abandoned it.

"Even India introduced the new scheme three years ago."



Omar Osman says Cuepacs does not object to the scheme in its entirety

The government, said the official, might implement the scheme as early as next January. Amendments to the relevant laws, including the Pensions Act, are expected in the middle of this year after a series of discussions with Cuepacs.

He said with more people being recruited every year compared with those retiring, the present scheme was no longer viable.

The government has close to 1.1 million employees, including members of the armed forces, on its payroll. On top of this, it takes care of the well-being of close to half a million retirees and their family members.

Under the new scheme to be managed by the Pensions Trust Fund, new recruits would have to contribute 11 per cent of their salaries to the fund monthly. The government will pay 12 per cent.

The officer said Cuepacs had, during a meeting with chief secretary to the government Tan Sri Mohd Sidek Hassan on Thursday, hinted it was not against the scheme.

"They instead asked, among others, if the employees' contribution rate could be reduced."

The next meeting with Cuepacs is on Jan 30.

Under the contributory

scheme, civil servants would get about 30 per cent of their total savings when they retire and paid a pension for life.

Their medical bills would also be taken care of. If they died within a few years after retirement, their savings would be paid to their next of kin.

When contacted, Cuepacs president Omar Osman said there was no objection to the scheme in its entirety.

"The problem is that until today, we do not have the full details."

Cuepacs, said Omar, was aware of the financial implications for the government if the present pension system continued.

Omar said Cuepacs would also want to know if they would be represented on the board of directors of the Pension Trust Fund when it is formed.

"We do not want the board to comprise people who are no longer needed elsewhere."

He also asked that civil servants be allowed to withdraw from the trust fund.

"Since the scheme is designed based on the Employees Provident Fund principle, shouldn't government employees be allowed to make withdrawals to reduce their mortgage like EPF contributors?"

Cuepacs is also unhappy the government is now recruiting the bulk of new recruits on contract basis.

"I know of government servants who had been working on a contract basis for 15 years and were dismissed because the particular department had no budget for the following year."

These contract employees are not pensionable.

Omar said many did not mind joining the civil service although they were paid lower salaries than the private sector because of the pension factor.

"If you take this away without compensating them in other ways, then the government will have a tough time filling positions, particularly in the lower categories."