

What will it be for new civil servants?

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MALAYSIA is probably among a handful of countries where some former civil servants and elected representatives receive more than one pension.

For example, if a Muslim civil servant has three spouses who work for the government, he will be entitled to their pensions in the event he outlives them.

Then you have state assemblymen who served as MPs at one time or were in the government as exco members, ministers or deputy ministers. They too are entitled to the pensions for all the positions they had held.

Even those who have migrated overseas continue to receive their pensions.

And like several other countries including Britain from which our pension system was formulated, Malaysia too is hard-pressed to review the automatic pension benefits paid out to retiring civil servants.

For the record, we have more than 510,000 pensioners today, with the number growing fast.

The government spends some RM4bil on them annually. You don't have to be an economist to work out that this is a huge chunk and if left to grow, we will have our own pension crisis in a decade or two.

Among the major considerations when the system was implemented was the life expectancy, mostly of men who dominated the civil service in the early days of the country.

It was about 58 to 65 years for men, which meant the Government then needed to pay the pension for less than 10 years after a civil servant retires. This also includes the derivative pension for the living spouse.

However, with rapid advances in medicine and healthcare, everyone lives longer these days. The 9th Malaysia Plan has stated that an average Malaysian man lives until 72 these days and the average woman, 77.

Over 55% of government servants today are women. Based on this, the state has to pay pensions to retired civil servants or their spouses for about 20 years.

While we now expect to live 20 years more than our grandparents did, the number of working years remains almost the same. To some, this equation does not seem to make sense as this is sustaining the pensioners at the taxpayers' expense.

In view of this, the Government may not be wrong in wanting to review the current pension system and introduce a retirement fund. After all, it has been made very



COMMENT

By K. PARKARAN

clear that any change will not affect the existing 900,000 civil servants but only the new ones.

The Retirement Fund Bill was tabled for first reading in Parliament last week.

Under the proposal, an employee contributes 11% of his basic salary to the fund while the government foots 12%. And when the employee retires, he is allowed to withdraw between 20% and 30% of his savings while the remainder is paid out to him monthly for a fixed period.

Cuepacs has rejected the proposal, saying such a scheme may lead to problems as EPF studies have shown that Malaysians tend to finish their savings within three years of retirement.

While the congress' stand has its merits, it must look at the larger picture that involves the long-term plans of the nation. Perhaps civil servants are feeling too comfortable, as the government has been very kind to them, making them too dependent.

The government has to seriously consider several pertinent aspects of the civil service if it is to convince Cuepacs that the fund will be a viable system.

Cuepac's main concern is medical benefits. They have every reason to worry as plans are afoot to privatise healthcare. Civil servants and pensioners want continued easy and free access to specialist healthcare.

The question of annual dividends is another point many have raised. Although EPF guarantees a minimum of 2.5% dividends annually under the law, it has been giving out more than 5% over the last decade. What does the Retirement Fund guarantee?

For civil servants, another major lure currently is the low interest rate of 4% for housing and car loans.

The congress should perhaps have an open mind to further discuss the issue as it will help reduce the government's burden.

One thing is clear here - the plan is a major one and needs a thorough and comprehensive study before the current scheme is replaced for the new civil servants as it will affect our children and grandchildren.

Let's bear in mind that the civil service affects all of us directly or indirectly.