

The spread and outbreak of the COVID-19 in 2020 led to a global crisis of unprecedented reach and proportion. However, in Malaysia, the EPF successfully overcame the challenges that arose from this pandemic to post a strong financial performance and maintain its track-record of excellent customer service.

Among the EPF's many notable achievements for the year are the extraordinary COVID-19 relief initiatives to assist members and employers impacted by the pandemic. To deliver these initiatives in record time, the EPF accelerated its digital transformation and swiftly adapted to new work-from-home norms.



Tan Sri Ahmad Badri Mohd Zahir
EPF Chairman

CONVERSATION WITH EPF CHAIRMAN

CONVERSATION WITH EPF CHAIRMAN

We speak to EPF Chairman, Tan Sri Ahmad Badri Mohd Zahir, on how the EPF adapted to the pandemic, its robust financial performance and as well as its plans moving forward.

Q1 • The COVID-19 pandemic severely impacted the global economy as well as upended businesses and livelihoods. Government entities and institutions, including the EPF, were not spared from the business impact caused by this health crisis. Can you tell us how the EPF overcame the many challenges that marked 2020?

The devastation caused by the pandemic to people, communities, and economies is truly heart-wrenching. The corporate world, including government institutions such as the EPF, faced multiple challenges in 2020, but our primary concern was, and always will be, the wellbeing of our customers and, by extension, the *rakyat*.

We knew that many of our members experienced great financial hardship and that employers, especially those who were unable to operate during Government-mandated lockdowns, faced severe cash flow constraints.

The EPF has been a pillar of strength and certainty for Malaysians for decades and we had to rise to the occasion to meet the immediate needs of our customers at great speed. From the onset, our overarching goal for 2020 was to help our members and employers overcome the existential threat brought about by the pandemic.

➤ **We are proud to be among the first pension funds in the world to offer COVID-19 relief initiatives (refer to Special Report, page 18). Our extraordinary measures provided a lifeline to members who faced difficulties paying for their subsistence needs and brought some relief to businesses affected by the sharp slowdown in economic activity.**

As we served our members and employers during the twin health and economic crises, the EPF was moving mountains internally. During the first movement control order (MCO) in March 2020, we swiftly adapted to working from home. This was a sudden transformation from the traditional workplace, that we were used to.

To minimise disruption to our operations and service level, we raced to provide the necessary technology solutions and tools for EPF employees to remain productive while working from home. As we entered a new and exciting tech-enabled remote working environment, we fortified EPF's systems with extensive cybersecurity measures to safeguard our data in off-site workspaces and on online platforms.

CONVERSATION WITH EPF CHAIRMAN

As I reflect on how 'business unusual' seamlessly transformed into 'business as usual', I believe that the EPF has shown that it is possible to be productive outside the workplace and that employees, regardless of age, can learn quickly and embrace remote working technologies.

Another critical obstacle that we had to surmount during the year was to manage our investments in volatile and unpredictable financial markets, locally and abroad. Global stock and bond markets were in turmoil as the pandemic unfolded across the world and asset values fluctuated wildly.

As the country's provident fund with approximately 15 million members, we had to deliver on our mandate to safeguard their savings at all times. This duty is of paramount importance during unprecedented events. To manage periods of volatility and uncertainty across global financial markets, we proactively adjusted our investment strategies and processes. This protected our investment portfolio and boosted returns for the year.

I would be remiss if I do not acknowledge the people who responded swiftly to the numerous challenges in 2020. The EPF management team and employees were its frontliners during the pandemic. They deserve immense credit for EPF's strong performance and accomplishments during this challenging year.

Q2. By registering a strong financial performance, the EPF withstood the trend of declining investment returns for 2020. Can you provide more details on the EPF's performance and how it was achieved?

We declared a 5.2% dividend for Simpanan Konvensional, and a 4.9% dividend for Simpanan Syariah for 2020. Total distribution amounted to RM47.64 billion for 2020 (RM42.88 billion for Simpanan Konvensional and RM4.76 billion for Simpanan Syariah), compared to RM45.82 billion for 2019.

Total investment assets grew 8.15% to RM1,000.10 billion. The EPF also recorded its highest-ever gross investment income of RM63.45 billion, out of which RM6.15 billion was allocated to Simpanan Syariah. Despite the challenging conditions, total contributions received in 2020 increased by 3.27% from 2019 to RM78.41 billion.

Our robust and resilient financial performance stems from a strong team of 250 investment professionals. As mentioned earlier, the team took careful and deliberate measures, early in the year, to adapt to the EPF's investment strategies and processes. Their efforts as well as our prudent investing approach minimised downside risks and optimised returns although global equity markets registered double-digit declines and global bond markets experienced heightened volatility.

➤ Total investment assets grew **8.15%** to **RM1,000.10 billion**

➤ Highest-ever gross investment income of **RM63.45 billion**

➤ **RM6.15 billion** was allocated to Simpanan Syariah

➤ Total contributions received in 2020 increased by **3.27%**

CONVERSATION WITH EPF CHAIRMAN

I would like to stress the intrinsic qualities of the EPF's prudent investing approach. For several years, we have encouraged corporates and individuals to prepare for a world that is Volatile, Uncertain, Complex, and Ambiguous (VUCA). This prudent investing approach, guided by the EPF's Strategic Asset Allocation, reflects the steps that we have taken in anticipation of a VUCA environment and it has, undeniably, proven to be effective in the turbulent and unpredictable financial markets of 2020.

➤ At the end of 2020, the EPF's total assets consisted of fixed income instruments at 46%, equities at 42%, while real estate and infrastructure, as well as money market instruments, stood at 5% and 7% respectively.

Our robust financial performance shows that the EPF was able to strike a delicate balance between safeguarding our members' retirement savings while meeting their subsistence needs during a crisis. This balance was not easy to achieve. It often felt like we were walking a tightrope between supporting our members through difficult times and securing their savings for a dignified retirement in the future.



Q3. As the pandemic has yet to abate at the end of 2020, it seems likely that financially-strapped households are still compelled to use their retirement savings to pay for their immediate needs. This situation must be of pertinent concern to the EPF. Can you share your thoughts on this matter?

The EPF, a 69-year-old institution, is one of the world's oldest pension funds. Our vision and mission have always been to safeguard our members' savings to help them secure a better future.

In 2020, we realised that the economic and social disruption caused by the pandemic threatened livelihoods and the wellbeing of many Malaysians. Members of the public, especially vulnerable groups such as low-skilled workers and low-income workers, faced the risk of falling into extreme poverty while businesses, notably small and medium enterprises, struggled to survive.

Clearly, the EPF had to take immediate and purposeful action to assist our members and employers who faced financial hardship. By allowing them to access their EPF savings and/or reduce their contributions, we supported them in meeting their immediate needs. However, by doing so, there is a real risk that our members may not have enough funds for a dignified retirement in the future.

My view is that the harsh reality of the COVID-19 pandemic necessitated access to savings and that our members have spent wisely on their subsistence needs. Now, the focus should be on rebuilding retirement as well as emergency savings, once Malaysia emerges from this crisis.

CONVERSATION WITH EPF CHAIRMAN

➤ Only **47.5%** of Malaysia's working adult population are covered by the EPF

It is important to note that only 47.5% of Malaysia's working adult population are covered by the EPF. A comprehensive and integrated social protection framework, which considers the most vulnerable groups, is needed to address the human dimension of a crisis.

COVID-19 has also shown that, more than ever, the Government, government agencies, corporations, and institutions, must come together as one. With supportive policies and complementary initiatives, we can overcome the social and economic impact of the pandemic, and support the *rakyat*, especially the most vulnerable groups, across the nation. By doing so, we can ensure that the post-pandemic new normal will be a better one for all Malaysians.

Q4. Tan Sri, what can we expect from the EPF in the coming years?

The challenges that we faced in 2020 has shown that the EPF's digital and strategic initiatives are on the right track. I expect that we must continue to operate and transact with our customers in a low-contact environment to minimise the transmission of infectious diseases. This means that we must consistently deliver great customer service in this environment, ensure that our platforms and digital solutions are up to expectations, and that our data and transactions are safe and secure.

The pandemic highlighted significant differences across our wide spectrum of customers. This has strengthened



CONVERSATION WITH EPF CHAIRMAN

our resolve to instil a customer-centric mindset and approach throughout the organisation. For example, the needs and preferences of our members in rural areas with limited internet access is clearly different from those of our city-dwelling members.

Likewise, members of different age groups prefer to connect and transact with us in different ways. Moving forward, the EPF will plan and design our services and operations to cater to the unique circumstances and needs of our diverse member base. A digital EPF that is customer-centric, future-proof, resilient, and agile is well-positioned to meet the challenges of a VUCA world. I am confident that we will meet and, possibly even, exceed our stakeholders' expectations in the coming years.

Q5. Is there anything else that you would like to add?

On behalf of the EPF, I would like to thank Tunku Alizakri Alias, the previous Chief Executive Officer, who stepped down in March 2021. Tunku Alizakri has given invaluable leadership over his time with us and I wish him all the best in his future endeavours.

We welcome Datuk Seri Amir Hamzah Azizan, who takes over as the EPF's Chief Executive Officer. I believe that all of us will benefit greatly from his wisdom and experience.

➤ I would like to extend my appreciation and gratitude to members of the EPF Board for their guidance and support throughout the year. I would also like to thank the EPF's management and employees — the entire team of 5,811 people — for their hard work and dedication.



Their contributions have made it possible for the EPF to pivot to the new working norm, launch unprecedented withdrawal facilities, as well as upgrade our digital solutions and tools. Thank you for your efforts in serving our customers with excellence and dedication.

My heartfelt appreciation also goes out to the Ministry of Finance, government entities and agencies, and our members and employers. Thank you for your continued trust in us.

Despite the uncertain outlook and the prolonged pandemic, the EPF is committed to reaching greater heights as we deliver on our mandate.