

Business Review - Investment Division



MOHAMAD NASIR AB LATIF
Deputy Chief Executive Officer

The Investment Division manages the EPF's investment fund with two long-term primary investment objectives;

1. To preserve and enhance the value of capital from members' contribution
2. To maintain stable and consistent returns over the long term within tolerable risk limits

In ensuring the objectives are met, we have put in place two investment strategic targets; to declare at least 2.50% nominal dividend on a yearly basis and at least 2.00% real dividend on a rolling three year basis.

The division comprises various departments responsible for fund management, research and analysis on multiple asset classes to ensure our investments are prudent and members interest are well protected while simultaneously generating sustainable income and optimum growth.

INVESTMENT HIGHLIGHTS

As a retirement savings fund, we have adopted a long term well diversified investment plan, investing our assets using multi-asset class approach in accordance with the Fund's Strategic Asset Allocation (SAA). In line with its risk and return profile as a retirement fund, the bulk of the investment assets remain in low risk fixed income instruments which provide a stable stream of income in the long term, followed by equities and inflation-linked assets.

As at December 2014, our investment assets stood at RM636.53 billion. Of this amount, 50.9% was invested in fixed income instruments, 42.4% in equity investments, and the balance 3.7% and 3.0% in money market instruments and inflation asset class respectively.

Given the prolonged low interest rate environment and the challenges posed by rising level of economic uncertainty, we continue to explore and diversify into inflation-linked investment comprising real estates, infrastructures and natural resources. The asset class, which is an effective inflation hedging mechanism, fits in well with our long-term objectives as a retirement fund. During the year under review, the inflation asset class through foreign real estate portfolio has grown by 33.3% or RM4.79 billion to RM19.18 billion as at December 2014.

While domestic investments remain an integral part of the EPF investments, additional USD7,231 million worth of new injections were made to our global portfolios during the year. Close to 50% of this amount was invested into equity specifically listed equity, 32% in fixed income instruments while the remaining 21% in real estate and infrastructure investments. As at year end 2014, these portfolios represented 23% of our total investment and contributed 33% of our 2014 gross investment income.

About 85% of the EPF investment is being managed internally over the years. In 2014, we outsourced an additional RM6,297 million to our external fund managers investing in both equity and fixed income instruments for both domestic and global mandates. We set high standards of performance on our fund managers to continuously deliver and ensure full commitment in managing the funds professionally and prudently. We will continue to outsource a portion of funds for diversification and to support the development of the asset management industry in Malaysia.



- ★ We maintained the previous year's momentum with Return on Investment (ROI) of 7.25%, 28 basis points higher than 2013.
- ★ Our total gross investment income was RM39.08 billion, making an increase of 11.65% from 2013. RM22.91 billion came from Equities, RM14.15 billion from Fixed Income, RM1.39 billion from Real Estate and Infrastructure and RM0.62 billion from Money Market Instruments.
- ★ We are please to declare a dividend rate of 6.75%, which is 40 basis points higher as compared to 6.35% in previous year.
- ★ The global investments, since 2011 until 2014, have registered encouraging annual ROI of 6.90%, 7.13%, 8.89% and 10.45% respectively; adding value to the EPF's overall portfolio ROI.

Business Review - Investment Division (Cont'd.)

STRATEGIC ASSET ALLOCATION

We have recently reviewed our SAA for the period 2014 until 2016. The latest revision saw a more thorough and detailed breakdown by sub-portfolio level compared to previously. The SAA for the fixed income instruments was reduced from 55% to 51% while for equity, there is also a slight reduction from 37% previously to 36%. While there is a reduction in the percentage of allocation for these asset classes, both asset classes will continue to increase in absolute terms albeit at a slower growth rate.

We have also increased our allocation to inflation asset class from 5% to 10%, with an allocation of 6% for real estates and 4% for infrastructure and natural resources.

Based on the revised SAA, we have obtained approval from the Minister of Finance to increase our foreign investment exposure to 26% of the total fund investment. The previous approval was up to 23% as targeted under the SAA 2011- 2013.

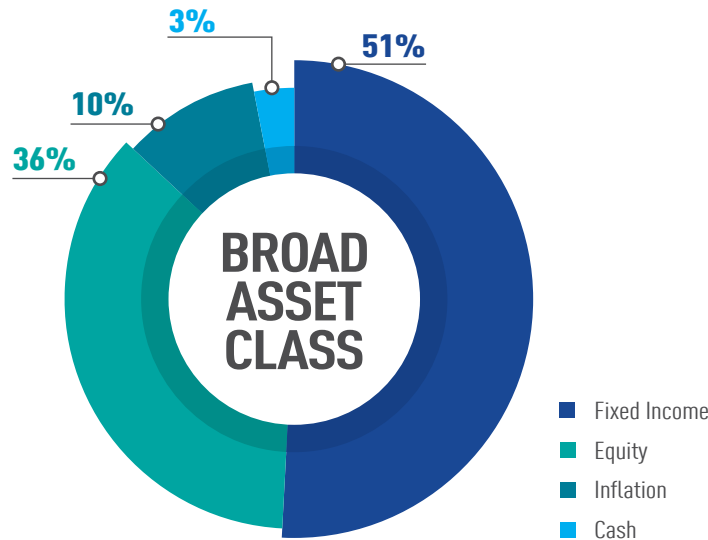
Apart from the SAA, EPF has also put in place the Tactical Asset Allocation (TAA) and Dynamic Asset Allocation (DAA) programs that serve as a guide to respond to prevailing market conditions.

ESG INVESTMENT

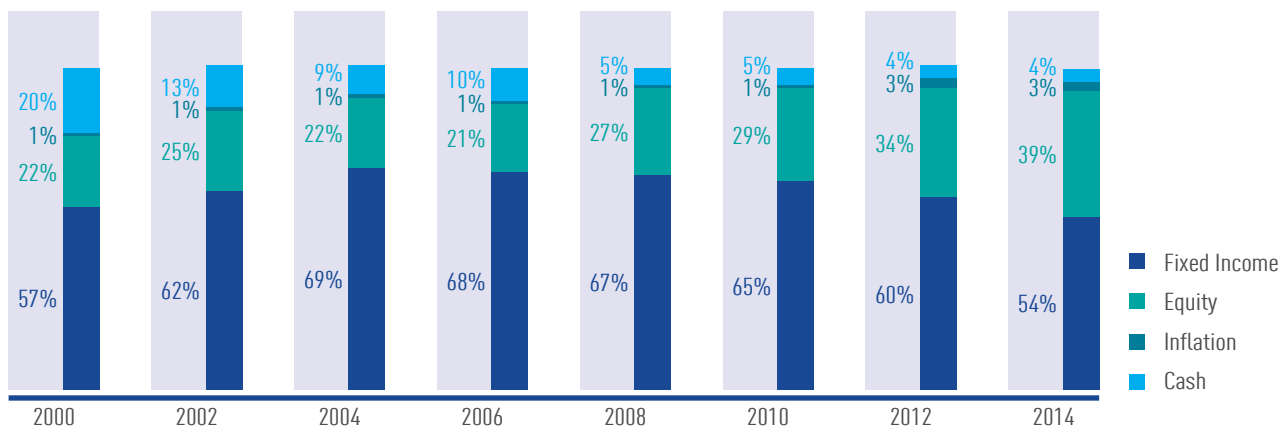
We have adopted the ethical investment practices in all of our investments since 2000. In 2015, we will adopt the Environmental, Social and Governance (ESG) principles, starting with business screening for fixed income instruments and followed by other asset classes. The ESG is an extension of our current investment practices, which includes the practice of ethical and responsible investing.

By working with experts in ESG investing, we will screen investments with business involvement in unethical activities such as gambling, adult entertainment and those that promote alcohol/liquor or in manufacturing, distributing and marketing of arms or military equipment. The ESG criteria will be incorporated in the investment analysis and decision making process.

STRATEGIC ASSET ALLOCATION (SAA) BY BROAD ASSET CLASS



EPF INVESTMENT POSITION (BOOK VALUE) BY BROAD ASSET CLASS



Business Review - Investment Division (Cont'd.)

RETURN ON INVESTMENT AND DIVIDEND

The year 2014 has been a challenging for us particularly towards the year end which saw a slump in global oil prices and the weakening of the ringgit. However, our prudent diversification approach has given us the edge and resilience to weather these economic conditions, particularly in the global markets. For the year under review, we were able to generate a gross investment income of RM39.08 billion, a Year-on-Year (YoY) increase of 11.65%.

The 2014 gross investment income was mainly driven by Equities in the domestic and global markets consisting of both emerging and developed countries. The asset class recorded an investment income of RM22.91 billion in 2014, up 17.4% compared with RM19.52 billion in 2013, and contributed 58.6% to the total gross investment income in 2014. Almost half of the income of the equity investment was derived from EPF's global portfolios.

Our investments in fixed income instruments continue to provide us with a stable stream of income. The asset class which comprises MGS & Equivalent and Loans and Bonds in total contributed 36.2% of the RM39.08 billion registered for the year. The inflation asset class contributed RM1.39 billion in investment income in 2014 with annual growth of 22.3% compared to 2013. The investments which we first started in 2010 have over the years showed encouraging performance.

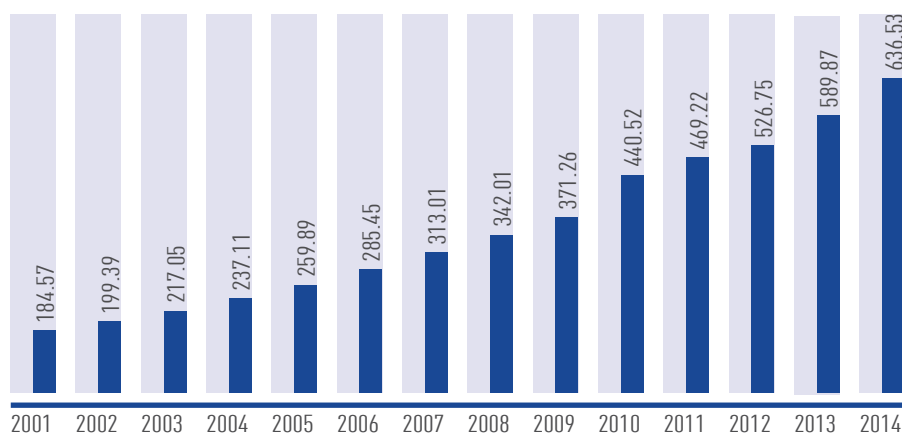
The gross investment income recorded is equivalent to ROI of 7.25%, 28 basis points higher compared to 6.97% in 2013. The income contribution by the equity asset class generated a commendable ROI of 11.29%, making 2014 the fourth consecutive year the asset class registered double digit ROI (2011: 10.06%, 2012: 11.12%, 2013: 11.31%).

Fixed income instruments continue to register a competitive ROI of 5.13%, maintaining a significant spread over the current low interest rates environment in both domestic and global markets. Inflation asset class and money market instruments both registered 8.92% and 3.04% respectively during the year under review.

After deducting the net impairment allowance on financial assets, unrealised losses due to foreign exchange movements and derivatives prices, investment expenses, operating expenditures, statutory charges as well as dividend on withdrawals, we are pleased to declare a dividend rate of 6.75%, which is 40 basis points higher compared to 6.35% in the previous year. The dividend rate is the highest we have declared in this new millennium. We were able to meet our two investment strategic target of at least 2.50% nominal dividend on yearly basis and at least 2.00% real dividend on a rolling three year basis. For 2014, the rolling three years real dividend was 4.11%, 211 basis points higher than the target.

INVESTMENT ASSET VS RETURN ON INVESTMENT

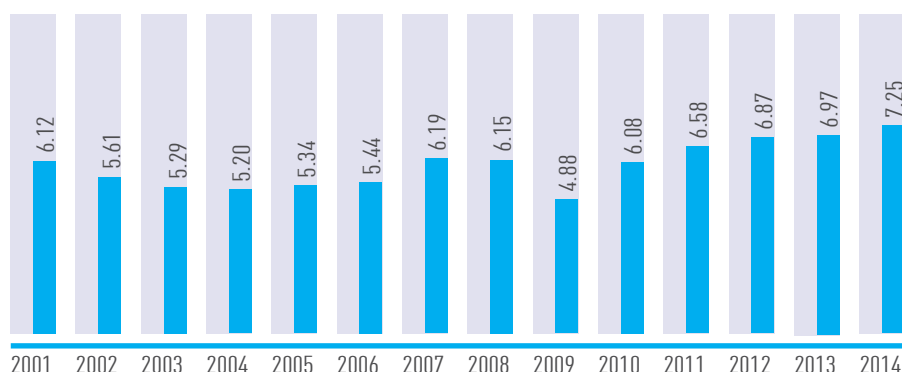
INVESTMENT ASSET (RM BILLION)



Investment Asset (RM Billion)

2014 (%)	2013 (%)	ASSET CLASS
164.16	156.05	MGS & Equivalent
159.90	154.76	Loans & Bonds
269.63	251.60	Equities
19.18	14.39	Real Estate & Infrastructure
23.67	13.08	Money Market Instruments
636.53	589.87	Total

RETURN ON INVESTMENT (ROI%)



Return on Investment (ROI %)

2014 (%)	2013 (%)	ASSET CLASS
4.28	4.28	MGS & Equivalent
5.13	5.08	Loans & Bonds
11.29	11.31	Equities
8.92	9.97	Real Estate & Infrastructure
3.04	2.97	Money Market Instruments
7.25	6.97	Total

Business Review - Investment Division (Cont'd.)

FOCUS ARTICLE

GLOBAL REACH

Foreign Investment

Venturing into global markets is part of the EPF's overall risk and return diversification strategy. Our fund size has continuously grown at an average of 10% and 11% annually, outpacing Malaysia's Gross Domestic Product (GDP) annual growth of 4% to 6%. As a result, funds as large as ours are constrained by the domestic market's liquidity making it imperative for the EPF to invest globally. In addition, the initiative provides us with broadened investment opportunities with better or at least similar risk-return profiles compared to domestic investments.

We have started our global investment program as early as 1996 by investing in private equity. Since then, we have further increased our global exposure by venturing in global listed equity in 2006, followed by the introduction of global fixed income and real estate portfolios in 2010. As a result, the book value of our offshore investments on average has been growing at 23% per annum since 2006, from RM2.99 billion to RM145.29 billion as at end 2014.

Recognising the need for the EPF to invest in the international market, the Minister of Finance has gradually increased the ceiling on our foreign exposure from 20% in 2011 to 26% for the period 2014-2016. As at end of December 2014, the EPF's total overseas exposure constituted 23% of our total investment assets, with 18% invested in foreign equities, 3% in bonds and remaining 2% in real assets and private equity.

During the year under review, USD7,231 million worth of additional fund was injected into foreign investments portfolio. Of the total amount, USD2,687 million was invested in listed equity, USD2,312 million in bonds, USD1,444 million in real estate while the remaining USD748 million and USD39 million were invested in private equity and infrastructure respectively.

Currently, the Fund has exposure in over 30 countries, comprising both developed and emerging markets. The EPF recently launched KWASA Invest, its first overseas office in London. The wholly-owned subsidiary of the EPF is the Fund's investment research hub that covers global real estate, listed and private equity. The London office enables us to leverage on our close proximity to global markets, particularly in the United Kingdom and Europe. This allows us to gain insights on the market and discover potential investments which are poised for long-term sustainable growth and returns.

Whilst we increase our exposure in overseas investments, domestic investments continue to be the integral part of our investment structure and have been consistently registering a healthy growth of 7% in the portfolio's size annually since 2006.

With the increase in our overseas investments for the past four years, these investments in total have enhanced the fund's total return. As of December 2014, the portfolio's gross investment income represented 33% of the RM39.08 billion registered during the year despite its exposure of only 23% from the fund's RM636.53 billion of investment. This is also reflected through the Return on Investment (ROI) of which the global portfolio has continuously added value to our overall yearly ROI from 2 basis points in 2011 to 91 basis points in 2014. The global investments since 2011 until 2014 have registered annual ROI of 6.90%, 7.13%, 8.89% and 10.45% respectively.

Foreign Real Estate & Infrastructure

Due to the high proportion of the fund being invested in fixed income instruments compared to equity, our returns are naturally influenced by interest rates and inflation movements. We have over the years since 2009 been further diversifying our investments in Inflation asset class which comprises of Real Estates and Infrastructures. These investments best serve as an effective hedge against inflation while supporting our investment diversification program. We have allocated 10% (5% previously) of our investments in the asset class of which 7% allocation is for the foreign portfolios in line with the current 2014-2016 SAA.

Over the past four years, our foreign real estate and infrastructure investments have grown by an average of more than 50% per annum, and represented RM11.27 billion of the EPF's total assets (or 1.77% of our total investment assets) as at end 2014. Cumulatively in 2014, income from these investments totalled RM1,068 million versus RM504 million in 2013, contributing to 2% of the EPF's total income. Of the amount, 78.0% was from real estate investment while the balance was from infrastructure.

As we have increased the size of this asset class, we have also expanded the geographical zone of our investments, from the UK and Australia initially, to France and Germany in 2014.

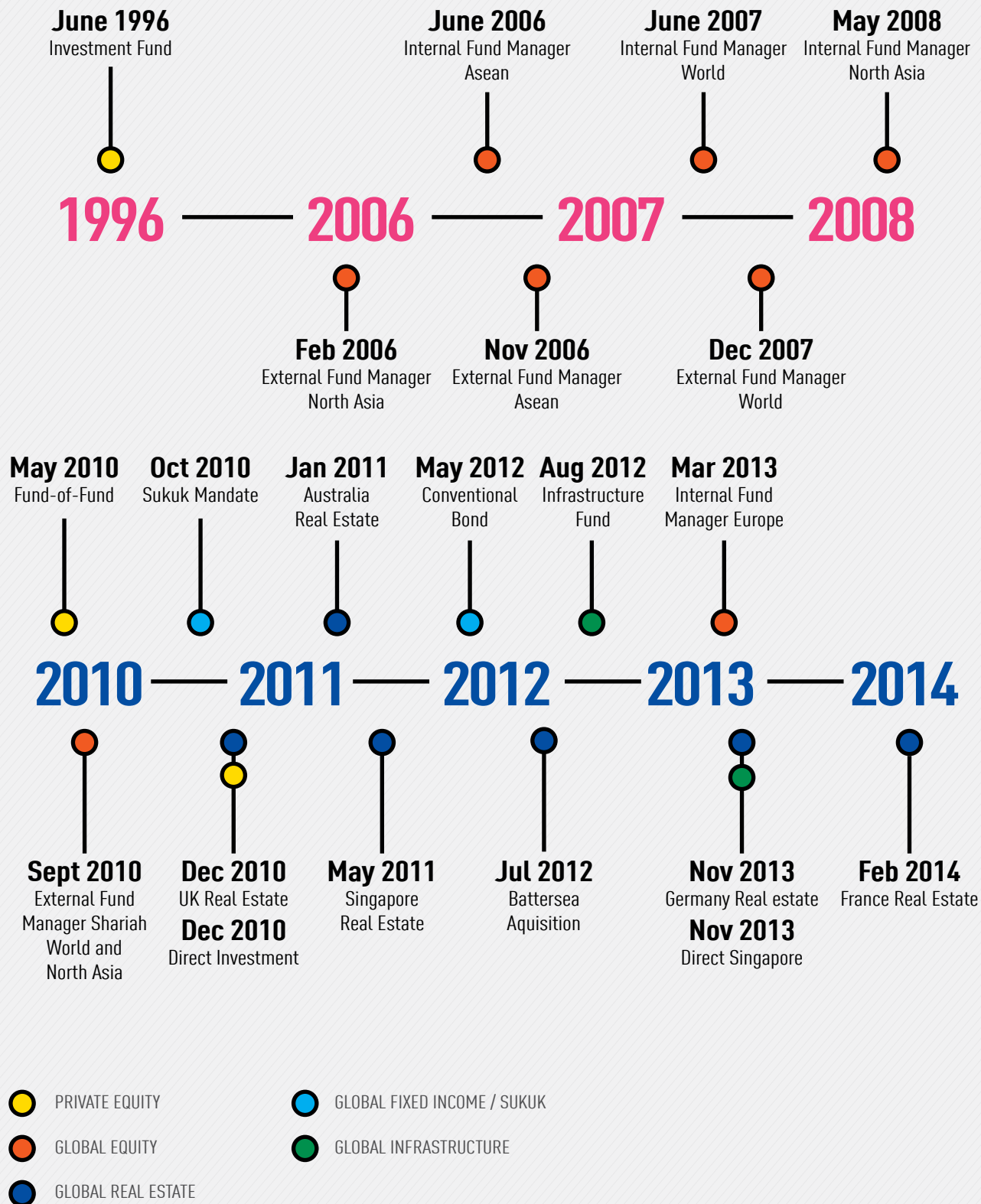
Nonetheless, as we grow our investment overseas, we continue to uphold our prudent and conservative investment strategy. Stringent investment processes and framework are put in place to ensure that the fund's objectives are met and members' interests are safeguarded.

Business Review - Investment Division (Cont'd.)

FOCUS ARTICLE

FOREIGN INVESTMENT

Key Milestones



Business Review - Investment Division (Cont'd.)

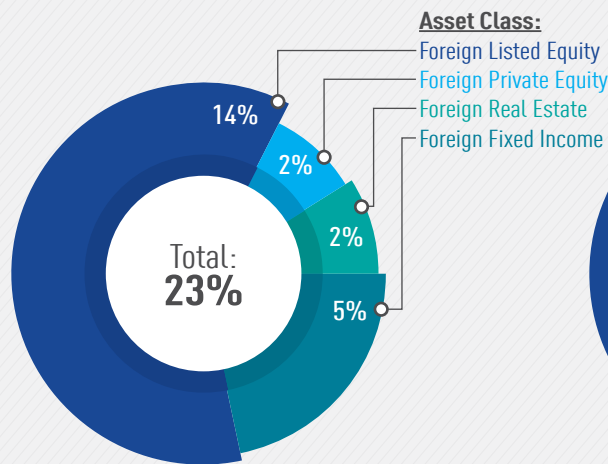
FOCUS ARTICLE

FOREIGN INVESTMENT

Foreign Investment Strategic Asset Allocation

2011

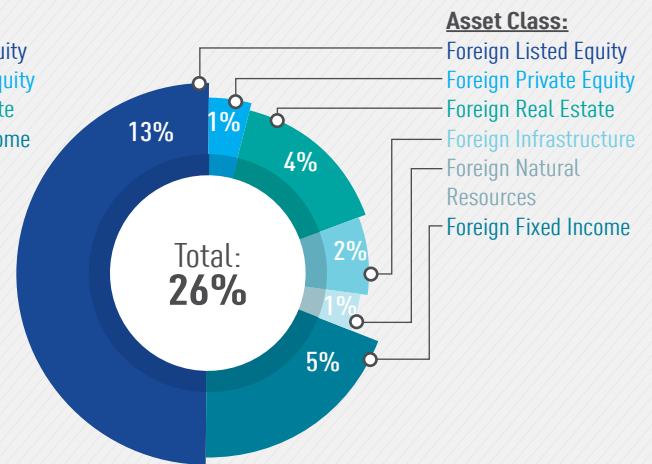
20%
as per Budget 2011
announced by
the Prime Minister



STRATEGIC ASSET ALLOCATION

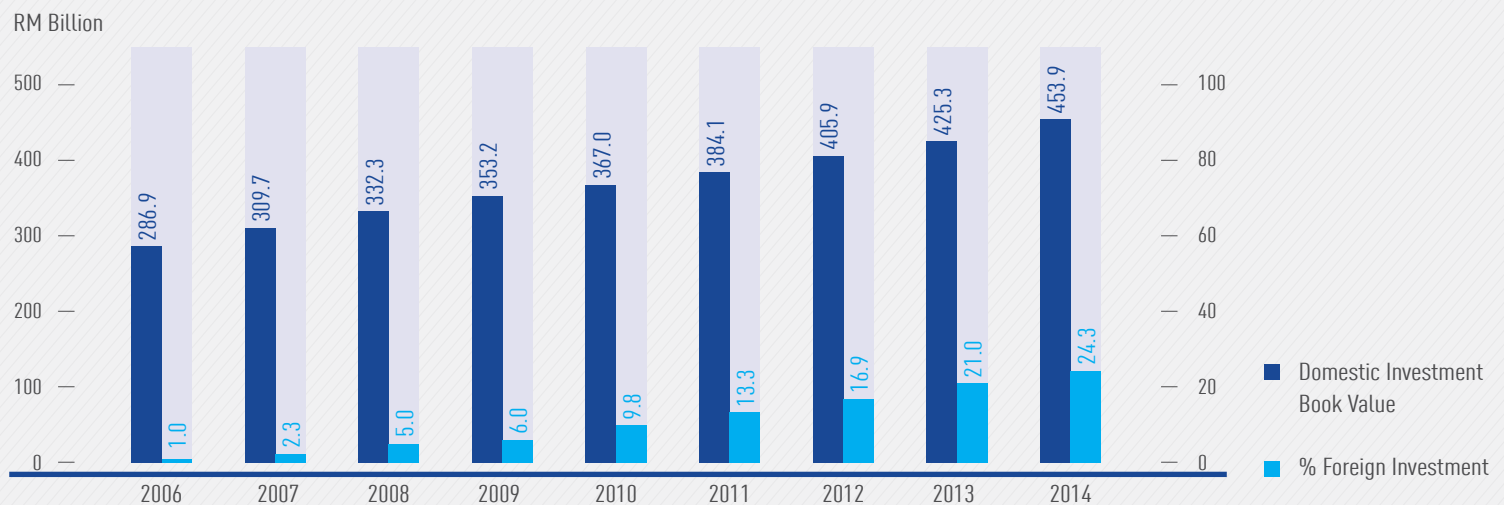
2011-2013

2014-2016



STRATEGIC ASSET ALLOCATION

Foreign Investment vs. Domestic Investment

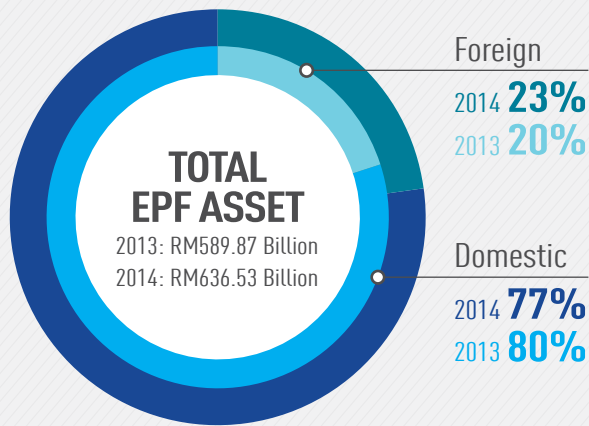


Business Review - Investment Division (Cont'd.)

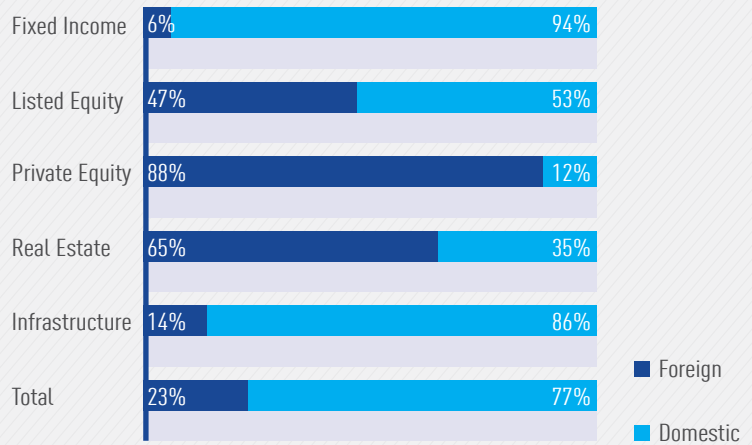
FOCUS ARTICLE

FOREIGN INVESTMENT VS. DOMESTIC INVESTMENT

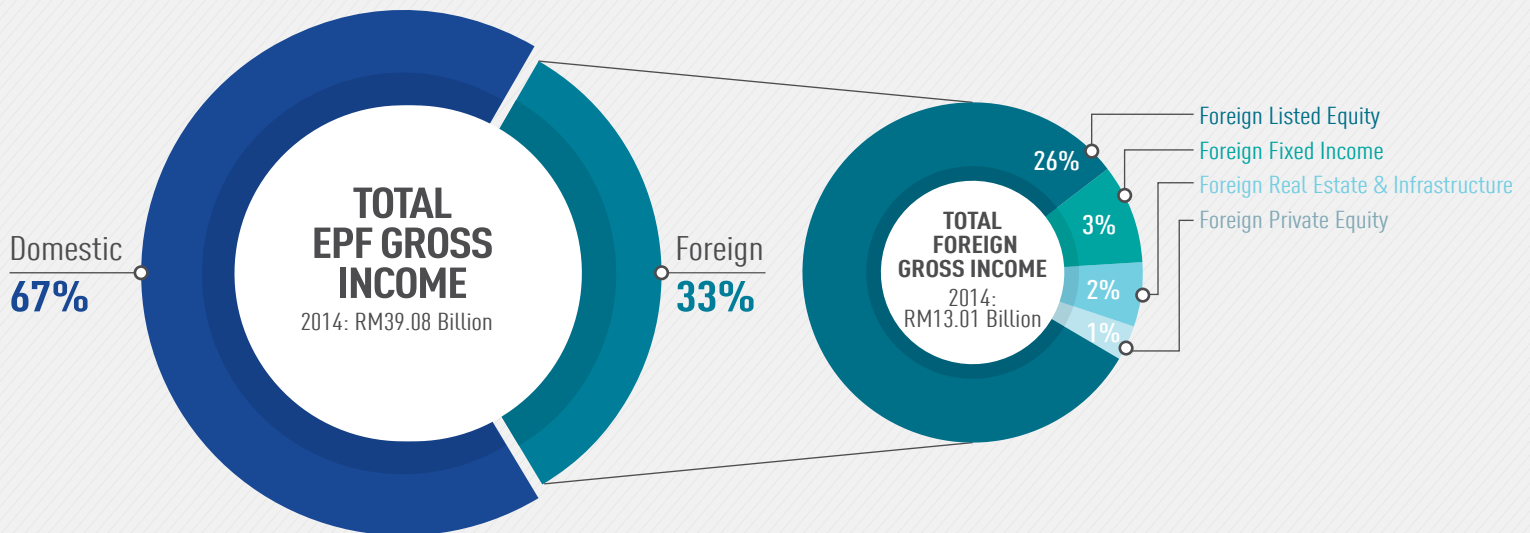
INVESTMENT POSITION



INVESTMENT POSITION BY ASSET CLASS (BY BOOK VALUE)



2014 GROSS INCOME



Business Review - Investment Division (Cont'd.)

FOCUS ARTICLE

FOREIGN INVESTMENT

Foreign Allocation

FIXED INCOME INVESTMENT

I. DEVELOPED MARKETS

United States

United Kingdom

Australia

Japan

France

Germany

Switzerland

Canada

Spain

Italy

the Netherlands

Sweden

New Zealand

Other European Union countries

II. ASIA / EMERGING MARKETS / ex-JAPAN

Singapore

China

Thailand

South Korea

Hong Kong

United Arab Emirates

Qatar

Saudi Arabia

Bahrain

Latin America (Mexico, Brazil)

South Africa

Russia

EQUITY INVESTMENT

I. DEVELOPED MARKETS

United States

United Kingdom

Australia

Japan

France

Germany

Switzerland

Canada

Spain

Italy

the Netherlands

Sweden

Other European Union countries

II. ASIA / EMERGING MARKETS / ex-JAPAN

Singapore

China

Thailand

South Korea

Indonesia

Taiwan

Hong Kong

Philippines

India

South Africa

REAL ESTATE & INFRASTRUCTURE

I. DEVELOPED MARKETS

United States

United Kingdom

Australia

Germany

France

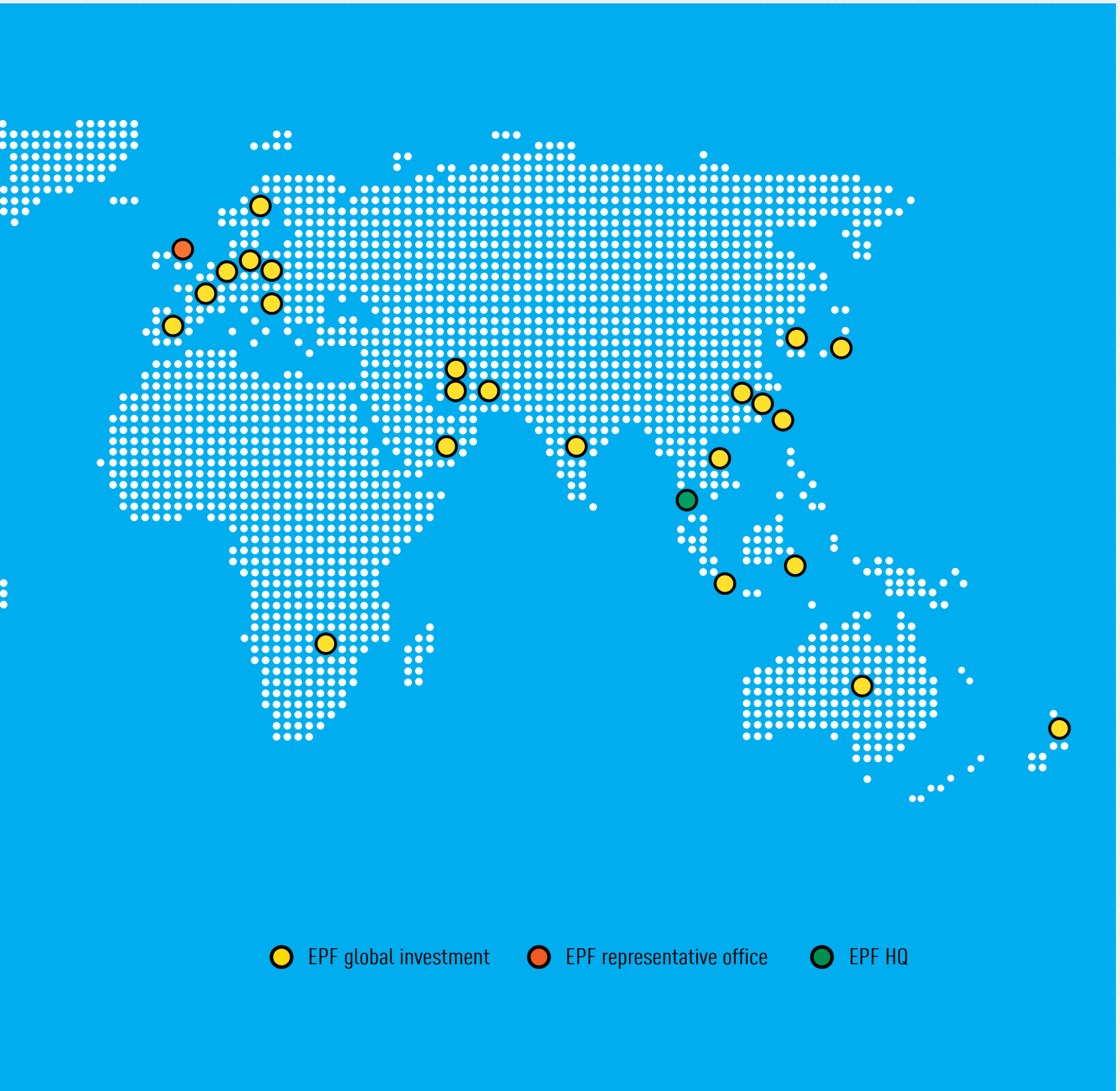
II. ASIA / EMERGING MARKETS / ex-JAPAN

Singapore

China



Business Review - Investment Division (Cont'd.)

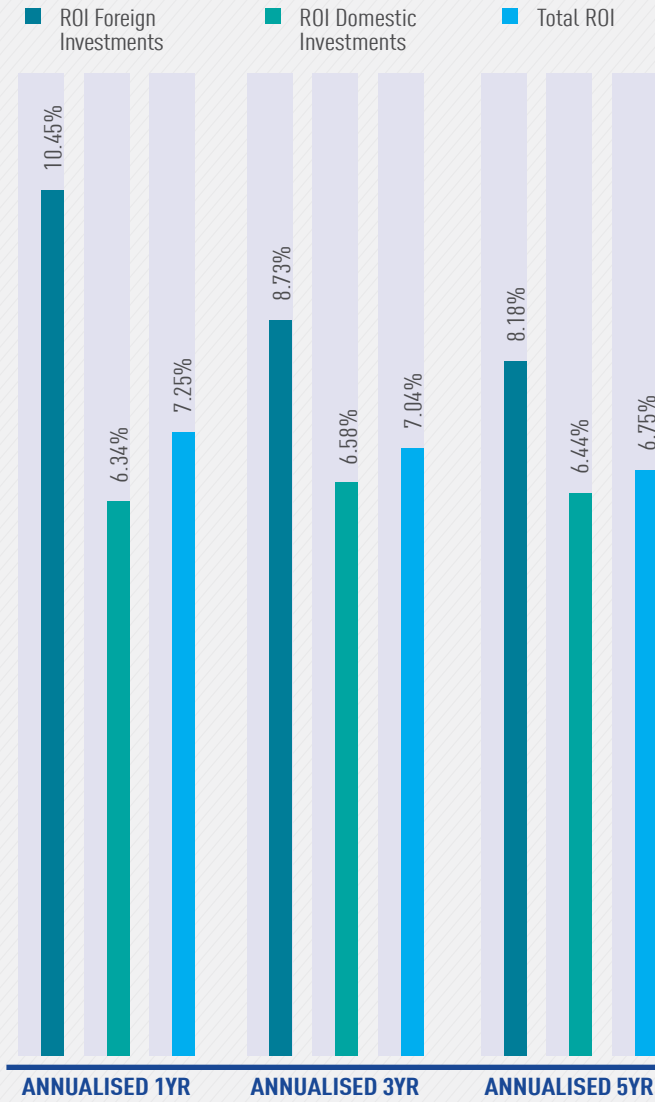
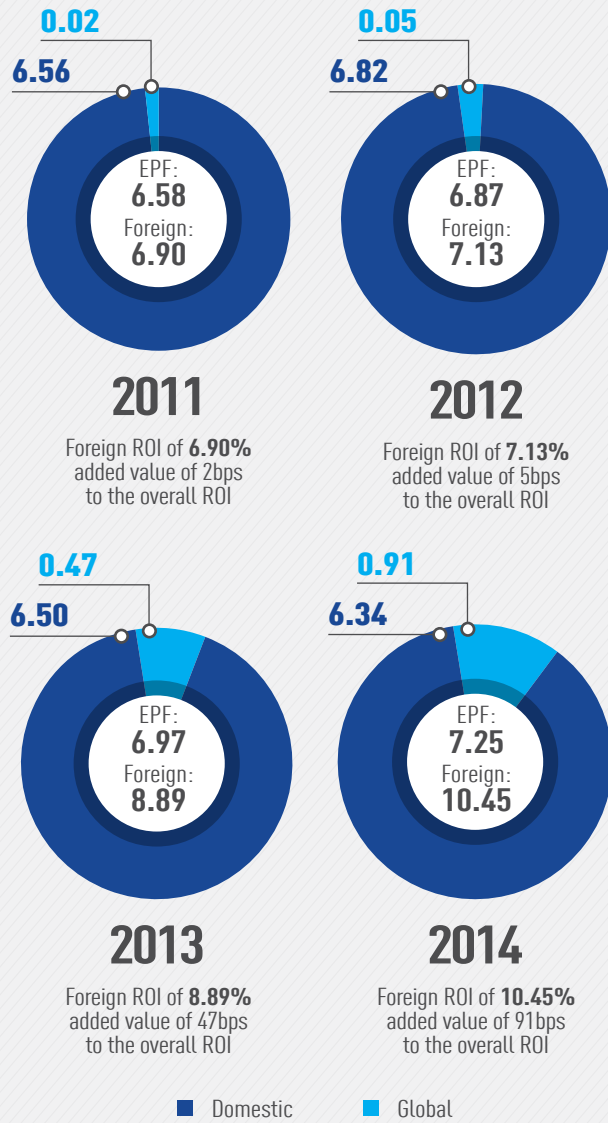


Business Review - Investment Division (Cont'd.)

FOCUS ARTICLE

FOREIGN INVESTMENT

Performance of Foreign Investment 2011-2014 (Return on Investment %)

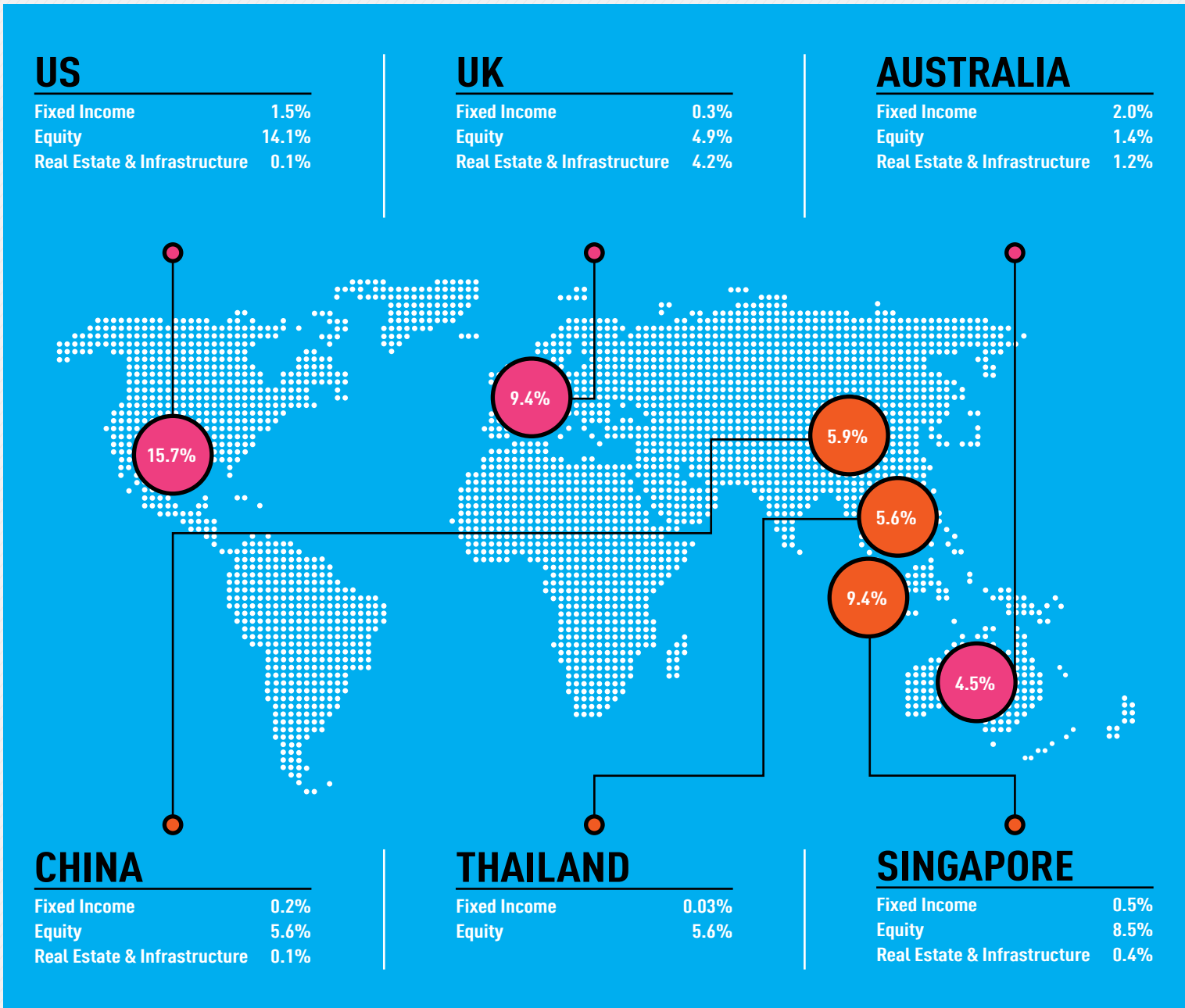


Business Review - Investment Division (Cont'd.)

FOCUS ARTICLE

FOREIGN INVESTMENT

Top 3 Foreign Investment by Markets



US

Fixed Income	1.5%
Equity	14.1%
Real Estate & Infrastructure	0.1%

UK

Fixed Income	0.3%
Equity	4.9%
Real Estate & Infrastructure	4.2%

AUSTRALIA

Fixed Income	2.0%
Equity	1.4%
Real Estate & Infrastructure	1.2%

CHINA

Fixed Income	0.2%
Equity	5.6%
Real Estate & Infrastructure	0.1%

THAILAND

Fixed Income	0.03%
Equity	5.6%

SINGAPORE

Fixed Income	0.5%
Equity	8.5%
Real Estate & Infrastructure	0.4%

DEVELOPED MARKET	
Fixed Income	5.7%
Equity	32.3%
Real Estate & Infrastructure	6.93%
Total	45.0%

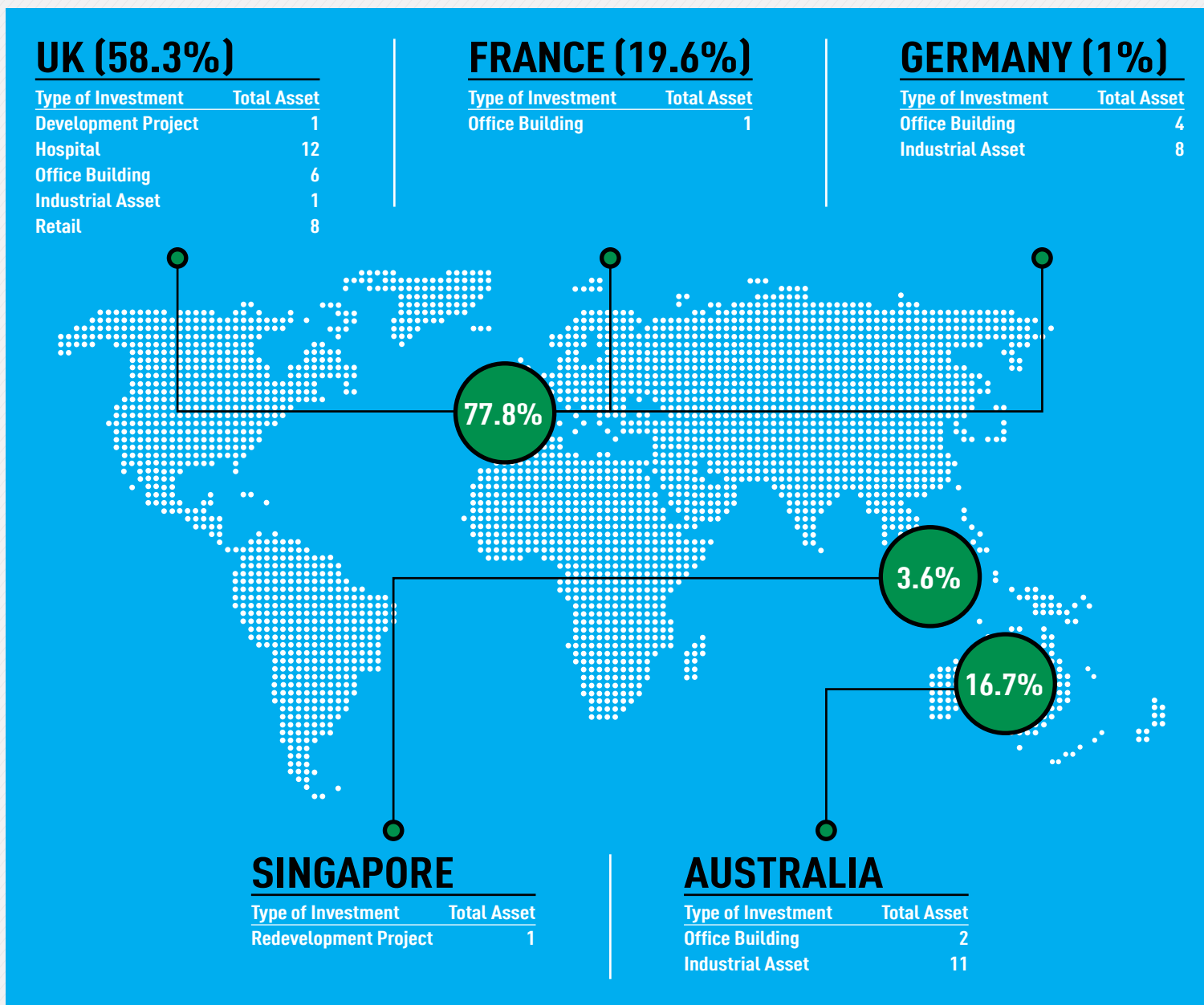
ASIA EMERGING MARKET EX JAPAN	
Fixed Income	6.1%
Equity	37.5%
Real Estate & Infrastructure	0.4%
Total	44.0%

Business Review - Investment Division (Cont'd.)

FOCUS ARTICLE

FOREIGN INVESTMENT – REAL ESTATE

Foreign Investment of Real Estate Investment by Country



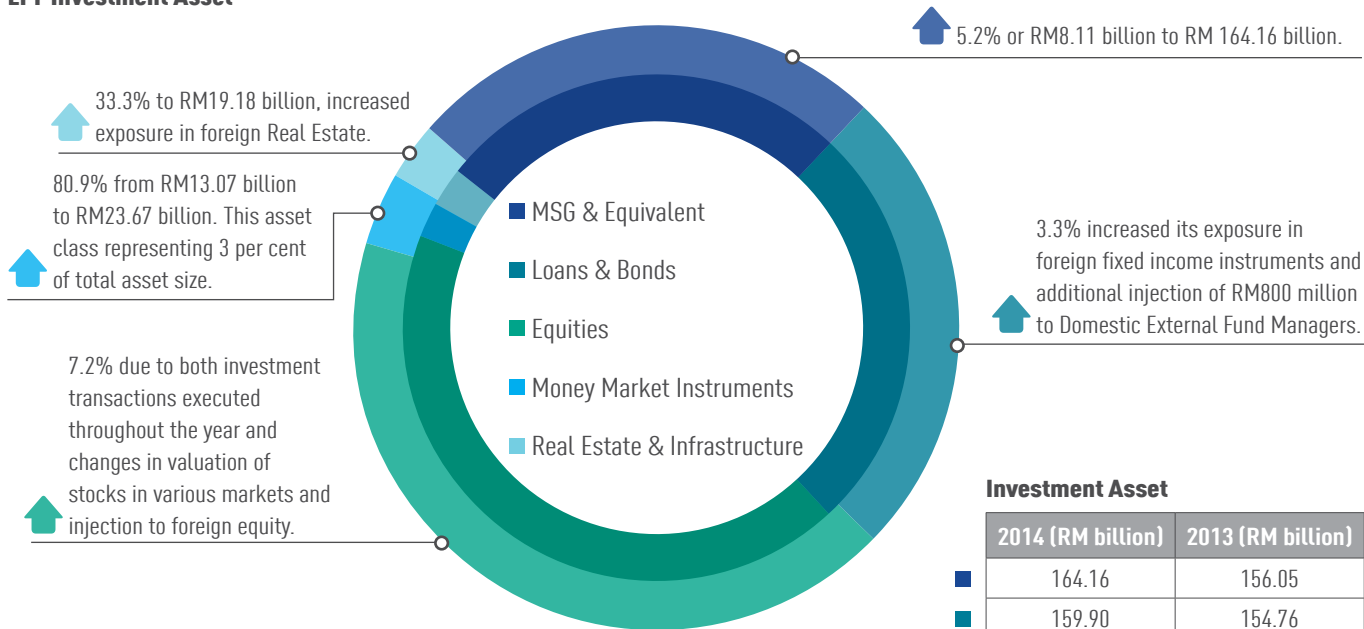
COUNTRY	TOTAL ASSET / PROJECT
UK	28
Australia	13
Germany	12
Singapore	1
France	1
Total	55

* Additional 1.9% allocated through fund investment

Business Review - Investment Division (Cont'd.)

HIGHLIGHTS

EPF Investment Asset

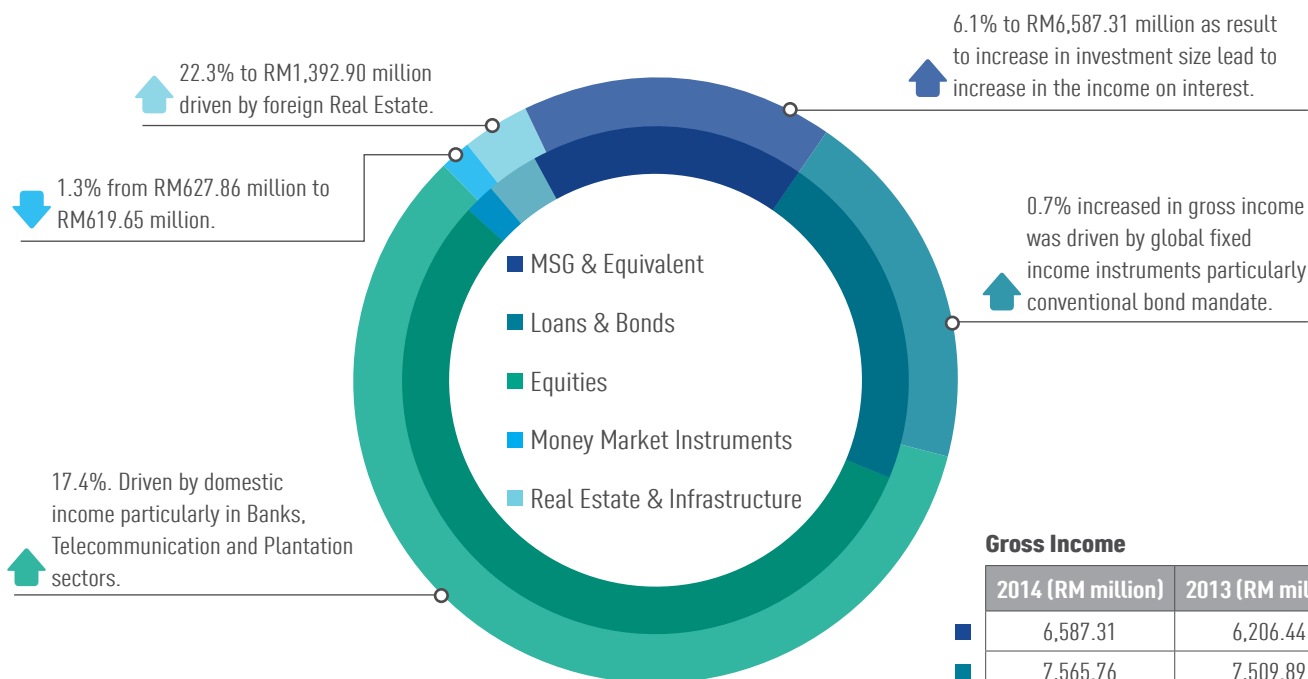


Inner : 2013 Total Investment Asset RM589.87 Billion
Outer : 2014 Total Investment Asset RM636.53 Billion

Investment Asset

	2014 (RM billion)	2013 (RM billion)
■	164.16	156.05
■	159.90	154.76
■	269.63	251.60
■	23.67	13.08
■	19.18	14.39

Gross Income



Inner : 2013 Total Investment Income RM35,000.36 Million
Outer : 2014 Total Investment Income RM39,076.48 Million

Gross Income

	2014 (RM million)	2013 (RM million)
■	6,587.31	6,206.44
■	7,565.76	7,509.89
■	22,910.86	19,517.38
■	619.65	627.86
■	1,392.90	1,138.79

Business Review - Investment Division (Cont'd.)

MALAYSIAN GOVERNMENT SECURITIES AND EQUIVALENT (MGS & EQUIVALENT)

Our holdings in MGS & equivalent stood at RM164.16 billion as of 31 December 2014, RM8.11 billion or 5.2% higher as compared to the previous year. The asset class represents 25.80% of our total investment, slight decrease from 26.46% in 2013.

The asset class registered a gross investment income of RM6.59 billion, growing by 6.1% as compared to RM6.21 billion in 2013. The growth is in line with the Year-on-Year growth of the asset class size, resulting in an equivalent ROI of 4.28%, similar to the previous year's ROI.

LOANS & BONDS

The asset class comprising domestic and global portfolios, increased from RM154.76 billion to RM159.90 billion. While there were a number of deals executed by the domestic portfolios, there were also significant maturities and repayments in 2014. During the year, we injected additional funding to our global fixed income portfolios, which are managed by both our internal and external fund managers.

Gross investment income recorded for the year by the asset class was RM7.57 billion, an increase of 0.7% or RM55.87 million against RM7.51 billion in 2013. The increment was also reflected in the ROI, from 5.08% in 2013 against 5.13% in 2014. The global fixed income investment enhanced the ROI of the asset class by 7 basis points in 2014.

EQUITIES

We continue to increase our holdings in equities which is made up of both listed and private equity in both domestic and global markets. The asset class increased from RM251.60 billion in 2013 to RM269.63 billion as of December 2014. While we continue to increase our domestic portfolio, the global portfolios particularly on the listed space grew at a faster pace. During the year, global equity and private equity received an additional injection of USD2,687 million and USD748 million respectively.

The asset class as a whole contributed RM22.91 billion in gross income which is equivalent to 58.63% of the EPF 2014 total gross investment income. The income was RM3.39 billion or 17.4% higher than RM19.52 billion recorded in 2013. Almost half of the contribution was from global listed equity and private equity.

Although the gross investment income for equity asset class recorded double digit annual growth, the increase in the asset class size of 7.2% or RM18.03 billion led to slight reduction in ROI from 11.31% in 2013 to 11.29% in 2014. However, it is worth noting that this is the fourth consecutive year that the asset class has recorded double digit ROI.

MONEY MARKET INSTRUMENTS

Although we aim to minimise our holdings in money market instruments in order to optimise our returns, we recognise the need to maintain a healthy cash balance to cater for members' withdrawals, administrative expenditure and investment drawdowns. At the end of the year, RM23.67 billion or 3.7% of our total asset was in money market instruments, which registered a gross investment income of RM620 million or equivalent to an ROI of 3.04%.

REAL ESTATES & INFRASTRUCTURE

Part of the EPF 2014 and forward strategy is to increase our exposure in inflation asset class, comprising real estates, infrastructure and natural resources. During the year under review, the asset class recorded growth of 33.3% or RM4.79 billion from RM14.39 billion to RM19.18 billion in 2014. The main driver of the growth was investments made in global real estates of which USD1,444 million was injected during the year.

Most of our investments in the asset class were made through our associate and subsidiary companies, of which dividend income from these companies made up the majority of asset class' gross investment income. For the year 2014, inflation asset class registered a gross investment income of RM1.39 billion, an increase of RM254 million or 22.3% as compared to 2013 of RM1.14 billion. Similar to equity, due to the high growth of the asset class size, the ROI fell to 8.92% from 9.97% in 2013.

Business Review - Operations Division



DATO' MOHD NAIM DARUWISH
Deputy Chief Executive Officer

The Operations Division oversees the entire value chain of the EPF's customer service, from the registration of employers and employees to the payment of contributions, withdrawals and enforcement. It also manages the EPF's contact centre and online service network as well as all EPF's properties.

GROWTH OF THE EPF

As at end 2014, our membership stood at 14,192,832, marking an increase of 1.94% from 13,922,194 in 2013. Of these members, 6,659,036 are actively contributing towards the Fund. The number of employers registered with us also continued to increase, from 517,062 in 2013 to 530,166. Annual contribution to the Fund, meanwhile, stood at RM57,171.38 million, compared with RM53,754.53 million in 2013.

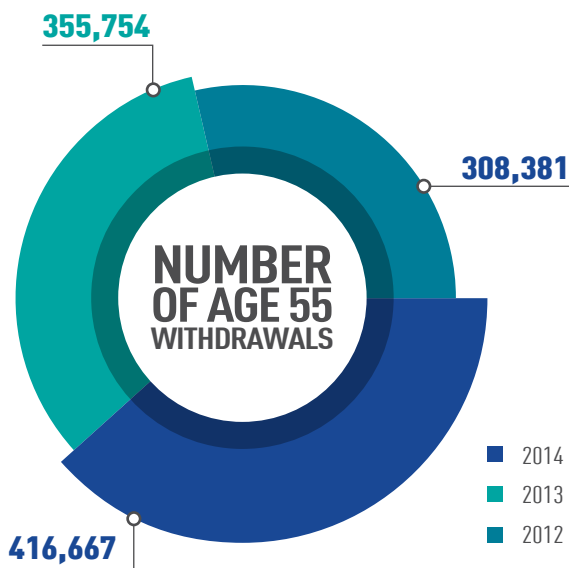
OPERATIONAL PERFORMANCE

Withdrawals

During the year, we approved a total of 1,614,470 withdrawal applications, compared with 2,060,937 in 2013. The total amount withdrawn decreased by 4.8% to RM33.78 billion, down from RM35.47 billion in 2013.



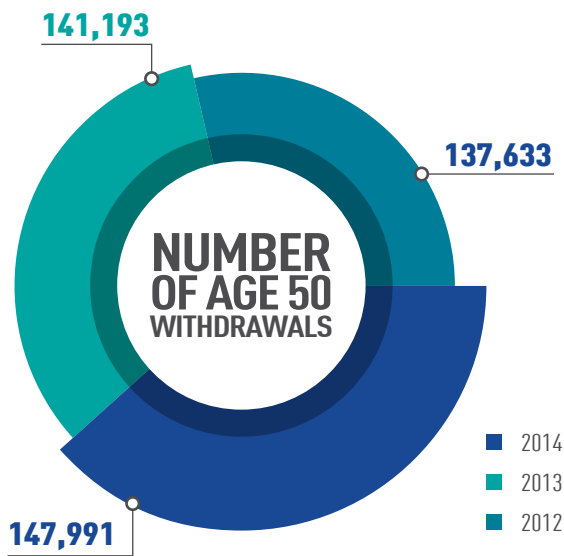
- ★ As at end 2014, our membership stood at 14,192,832, marking an increase of 1.94% from 13,922,194 in 2013.
- ★ Of these members, 6,659,036 are actively contributing towards the Fund.
- ★ The number of employers registered with us also continued to increase, from 517,062 in 2013 to 530,166.
- ★ Employers' default rate has fallen steadily from 2005 to 2014, and currently stands at 1.10%.



Age 55 Withdrawal

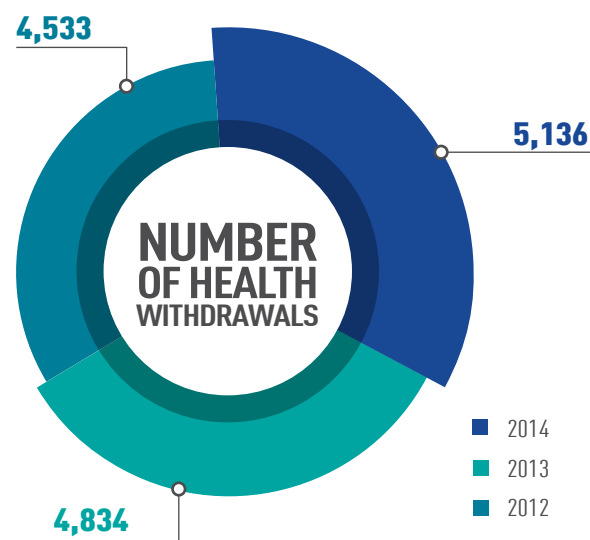
We approved a total of 416,667 Age 55 Withdrawals, compared with 355,754 in 2013. The total sum withdrawn in 2014 was RM14.10 billion, marking a 6.6% increase from the total of RM13.23 billion withdrawn in 2013.

Business Review - Operations Division (Cont'd.)



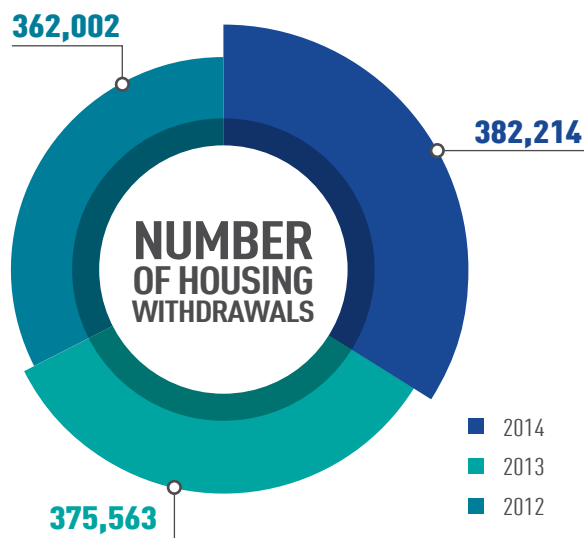
Age 50 Withdrawal

Members can withdraw all of their savings in Account 2 at age 50. In 2014, we approved a total of 147,991 applications for Age 50 Withdrawal, totalling RM3.94 billion. In comparison, a total of 141,193 applications were approved in 2013, amounting to RM3.84 billion.



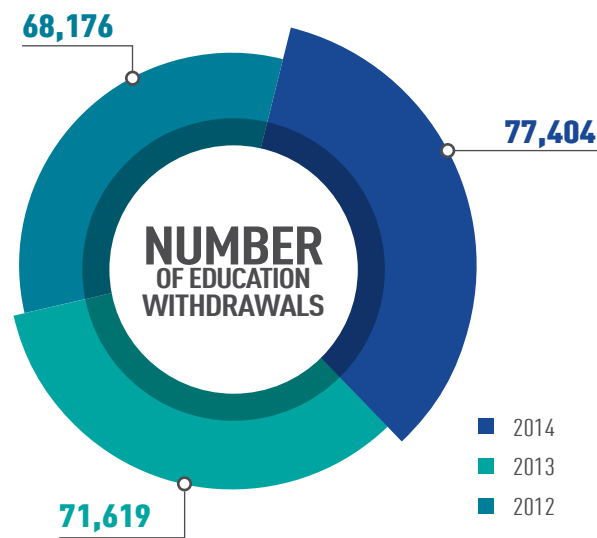
Health Withdrawal

A member is allowed to withdraw from his / her Account 2 to pay for the treatment of critical illnesses, either for the member or for his / her immediate family members such as spouse, children and parents. A total of 5,136 applications were approved, totalling RM46.06 million. This marked a 6.8% increase from RM43.13 million in 2013.



Housing Withdrawal

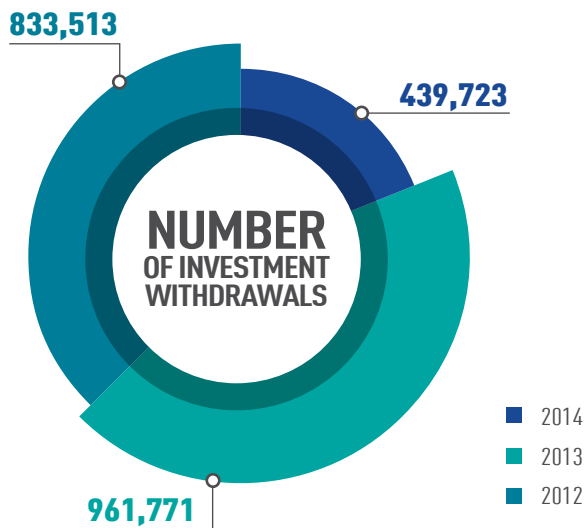
A member may withdraw his / her savings to purchase or build a house, reduce a housing loan or pay monthly instalments on a housing loan taken by the member or by his / her spouse. In 2014, the EPF approved 382,214 applications for Housing Withdrawal, totalling RM5.10 billion. This was 2.8% higher than the RM4.96 billion withdrawn for housing purposes in 2013.



Education Withdrawal

A member may withdraw from his / her Account 2 to pay for the member or his / her children's education, at the diploma level and above. In 2014, a total of 77,404 applications approved with a total of RM372.94 million, up 10.3% from RM338.14 million in 2013.

Business Review - Operations Division (Cont'd.)



Investment Withdrawal

A member with savings above the Basic Savings quantum, which increases according to age, is entitled to invest in unit trusts managed by approved external fund management institutions. In 2014, a total of 439,723 applications for this facility were approved, amounting to RM7.84 billion. Beginning 1 January 2014, the Basic Savings quantum has been set at RM196,800 for members reaching the age of 55.

Nomination

In the event that a member dies while still having savings in his or her EPF account, the money will be paid out to the person(s) nominated by the member. For Muslim members, the nominee will act as an administrator (wasi) to distribute the savings to deserving family members in accordance with the Faraid Law. For non-Muslim members, the nominee is the actual beneficiary who will receive the deceased's savings. If the member had not named any nominees to receive or manage his / her account, the savings will be paid out to the next of kin once an application to withdraw the member's savings is received.

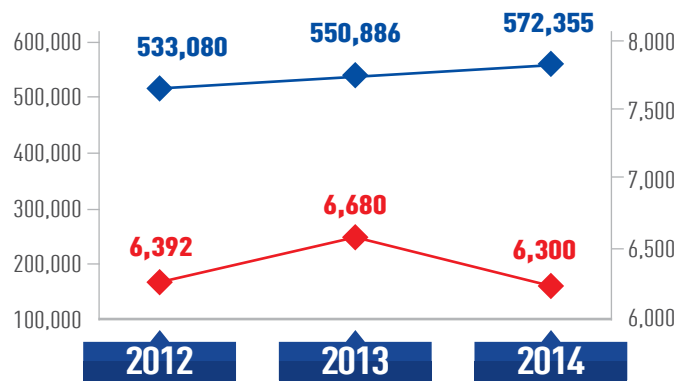
To ensure the savings are paid to the right person(s) without delay, we strongly encourage our members to nominate their beneficiaries as well as to update their nominations when necessary. We regularly carry out campaigns to remind our members of the importance of nominating their beneficiaries and updating their nominations. As at December 2014, a total of 3,860,139 members had made their nominations.

FOR MUSLIM MEMBERS, THE NOMINEE WILL ACT AS AN ADMINISTRATOR (WASI) TO DISTRIBUTE THE SAVINGS TO DESERVING FAMILY MEMBERS IN ACCORDANCE WITH THE FARAIID LAW.

Protecting Members Through Enforcement

The EPF has always placed the highest priority on protecting the rights of our members by ensuring that employers fulfil their obligation to remit contributions on behalf of their employees. We have put in place a comprehensive Enforcement Management System, which allows us to detect and take action against employers who do not remit their contributions. This includes conducting random checks on work premises.

We also encourage employees to send written complaints to us or visit any EPF branch if their employers do not abide by our regulations so that we can follow up with the managements of the employers concerned. Today, having launched the social media as another platform of communication with members, we are receiving an increasing number of reports by employees against errant employers through this interactive and efficient channel.



- ◆ The number of registered employers includes employers whose registration had been cancelled but still have outstanding dues with the EPF
- ◆ Defaulting Employers

Our enforcement framework includes taking legal action as provided under the EPF Act 1991. This includes prosecuting errant employers, taking civil action against them and preventing identified company directors from leaving the country. As a result of our conscientious efforts to enforce the EPF Act, aided by our non-legal enforcement action, the employers' default rate has fallen steadily from 2005 to 2014, and currently stands at 1.10%.

In 2014, we successfully recovered RM2.75 billion in arrears from errant employers. Of this sum, RM37.61 million was derived from 4,800 employers prosecuted in court (the courts further imposed a total of RM1.0 million in fines against these employers); RM67.15 million was from 1,225 civil suits filed against errant companies and their directors; RM23.86 million was from restricting 1,191 directors from leaving Malaysia; and RM2,616.58 million was from non-legal enforcement action.

Business Review - Operations Division (Cont'd.)

FOCUS ARTICLE

Delivering A High Customer Experience for Our Members

The EPF's service delivery has gone through significant transformation over the last decade. Embracing digital technology, we have revolutionised the way we interact with our members, with a focus on creating and delivering added value. While many changes have been implemented, continuous efforts are made to ensure we meet members' increasing expectations of professionalism and 24x7 convenience. In 2012, we drafted a five-year strategic plan aimed at service excellence. In line with this plan, the next three years will see a number of changes across the board at the EPF as we introduce more e-services.

Long-Term Focus: Service Transformation

Our customer service transformation began in 2007, when the EPF implemented a Business Process Reengineering (BPR) programme to enhance the effectiveness and efficiency of our service delivery. In our transformation, we are guided by social demographics to apply the most appropriate technologies that appeal to the changing profile and lifestyles of our customers, keeping pace with the best organisations in the private and public sectors.

As at December 2014, the Gen Y represents 62.7% (4.23 million) of our active members. By 2020, we expect to have 10.27 million members belonging to this tech-savvy group, of whom 7.86 million will be active members. These numbers clearly point to the need for the EPF to step up the use of technology, to be able to offer instant services and facilities that are accessible anytime and anywhere via phone or online.

As it is, our customers are ready and willing to transact online. In December 2014, 76.02% of our members' transactions were performed online via i-Akaun and Kiosks, compared with 23.98% through non-self-service channels. This excludes users who access the myEPF portal to obtain information and download forms.

Customer Portability: Omni Service Strategy

At the EPF, we offer a range of products and services that cater to different customer profiles and needs. Members can also choose more traditional means to be served via our personal service channels such as contact centres and counters, while the more IT savvy have the option of using our self-service channels such as myEPF, i-Akaun, mobile app and kiosks. Our ultimate aim, however, is to migrate more non self-service customers to our online service channels to benefit from enhanced speed, accuracy, security assurance and convenience as there is minimal requirement for supporting documentation and other forms.

Customer Service: Channel Support

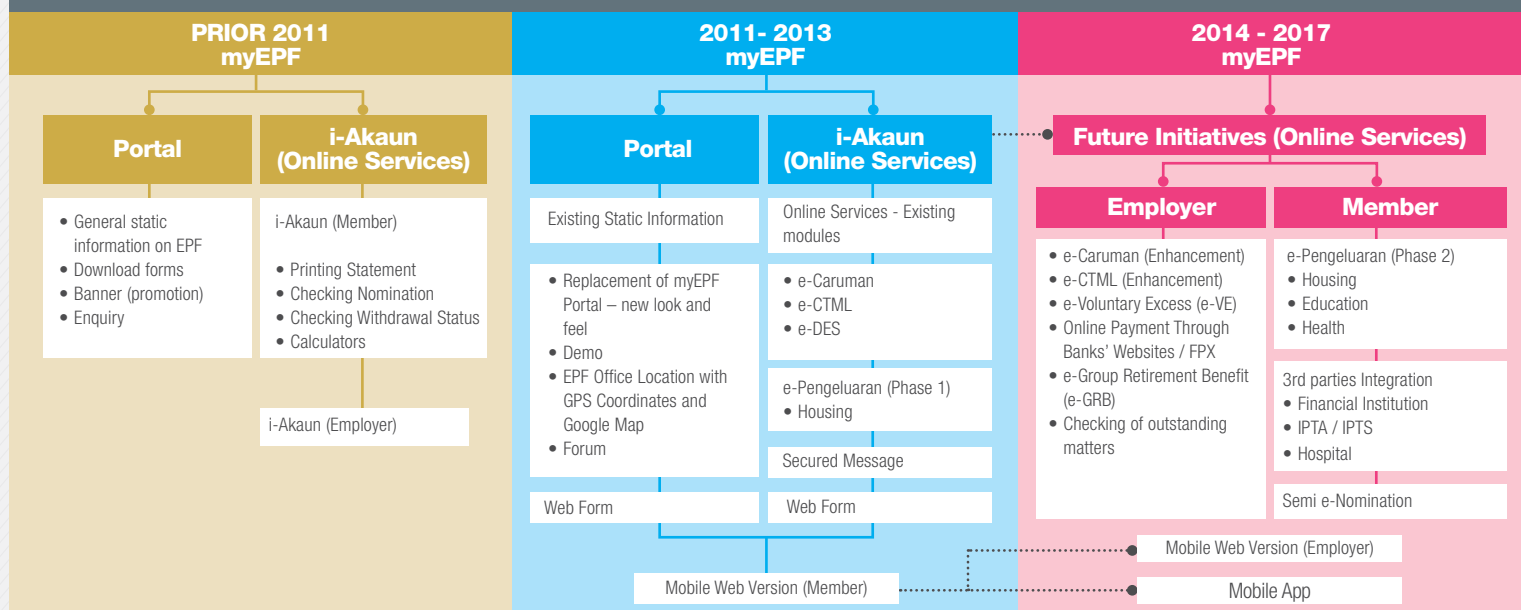
The EPF is applying the Lean Six Sigma and Design Thinking methodologies to eliminate waste and reduce variation, thus improving business efficiency and performance.

Towards this end, we have established win-win partnerships with four government agencies, 18 banks and 10 universities to speed up the process of withdrawals, direct crediting of withdrawal payments and employers' contribution. By leveraging on shared service technology, data can be verified more easily, quickly and cost-efficiently since it is obtained directly from the relevant third parties. This approach will reduce the number of manual processes, and wrong data entry.

As work processes are streamlined, innovated and transformed with technology, certain jobs will disappear and new jobs created in areas like retirement advisory, business analysis and product marketing. In preparation for this natural evolution, we are investing in further developing the professional competencies and capabilities of our staff to be able to take on new roles.

OUR DELIVERABLES

MYEPF INITIATIVES FOR ONLINE SERVICES



List of online services offered at respective channels

Business Review - Operations Division (Cont'd.)

FOCUS ARTICLE

e-Services

A major milestone was achieved with the launch of online contributions, e-Caruman, a first-of-its-kind product that assists employers to make their monthly submissions and payments via i-Akaun. The e-services integrates our system with banks' payment gateways for speed and efficiency. Since its introduction, the number of e-Caruman users has increased from 200 in January 2013 to 243,269 in December 2014. Of the current total of 530,166 employers, we target 80% will migrate to e-Caruman by 2016.

As part of our continuous improvement, the e-Caruman was further improved to be more user-friendly with new payment channels, additional functions and screens, as well as an online demonstration on its functionalities.

Another breakthrough came about in June 2013 with the pilot e-Pengeluaran online withdrawal product. For this pilot project, the EPF collaborated with RHB Bank and focused on two types of withdrawals – the Housing Loan Monthly Instalment Withdrawal and Reduce / Redeem Housing Loan Withdrawal. As at December 2014, a total of 1,199 e-Pengeluaran applications have been approved, 88% of which were for Housing Loan Monthly Instalments and the remaining 12% for the Reduce / Redeem Housing Loan Withdrawal.

The entire e-Pengeluaran process is done online. However, for security purposes, members still need to verify their identity with thumbprints at any EPF office. By the end of 2014, the e-Pengeluaran service had been extended to Maybank customers, while other major banks will be connected to the online system by end 2016.

October 2015 will mark another new chapter at the EPF, when online education and health withdrawals will be offered to members. We are currently in discussion with 10 universities and colleges such as Open University Malaysia (OUM), Universiti Teknologi MARA (UiTM), International Islamic University Malaysia (IIUM), Asia e-University and Kolej Universiti Islam Antarabangsa Selangor (KUIS) to integrate their systems with ours. Among the hospitals that we have identified for the smart partnership are the National Heart Institute of Malaysia (IJN), Pantai Medical Centre, Gleneagles and KPJ.

1. Functions:	Third parties
Collection of contribution payments	
Services: <ul style="list-style-type: none"> Over-the-counter payment Payment kiosks (Public Bank only) Internet banking e-Caruman Database look-up Electronic fund transfers Cheque processing Mailbox collection Online bill payment 	Banks Maybank, Public Bank, RHB, CIMB Bank, BSN, Ambank, Citibank, UOB, Hong Leong Bank, OCBC, HSBC, Bank Islam Malaysia Berhad, Alliance Bank, Affin Bank, Deutsche Bank, Kuwait Finance House

2. Functions: EPF Smart Kiosk	Third parties Banks Public Bank, CIMB, Ambank, RHB, Citibank, UOB, HSBC, Maybank, Hong Leong Bank, OCBC, Standard Chartered, Malaysia Building Society Berhad, Courts, National Heart Institute (IJN), Permodalan Nasional Berhad (PNB), AEON Credit
3. Functions: Online housing loan verification for housing withdrawals	Third parties Financial Institutions RHB Bank, Maybank, Public Bank, Hong Leong Bank, Panel lawyer
4. Functions: Direct crediting on withdrawal payments	Third parties Financial Institutions Maybank, Public Bank, RHB, CIMB, Bank Simpanan Nasional, Ambank, Citibank, UOB, Hong Leong Bank, OCBC, Alliance Bank, Affin Bank, Bank Islam Malaysia Berhad, Bank Muamalat, Bank Rakyat, HSBC, Standard Chartered, Kuwait Finance House Institutions of Higher Learning Universiti Teknologi MARA (UiTM), Universiti Malaya (UM) / University of Malaya (UM), Universiti Islam Antarabangsa Malaysia (UIAM) / International Islamic University Malaysia (IIUM), Universiti Putra Malaysia (UPM), Universiti Pertahanan Nasional Malaysia (UPNM) / National Defence University of Malaysia (UPNM), Universiti Tenaga Nasional (UNITEN), Universiti Terbuka Malaysia / Open University Malaysia, Universiti Multimedia Malaysia (MMU) / Multimedia University Malaysia (MMU), Asia e University (AeU), Kolej Universiti Islam Sains (KUIS) Education Loan Providers PTPN

Business Review - Operations Division (Cont'd.)

FOCUS ARTICLE

<p>5. Other Functions:</p> <ul style="list-style-type: none"> • Identification of members • Enforcement • Release of government share contributions • Registration of employers • Hajj Withdrawal • Online registration of members by employers via eKL website 	<p>Third parties</p>
<p>Services:</p> <ul style="list-style-type: none"> • Database to identify members • Directors prevented from leaving the country • Pension withdrawal • MyCoID - refers to companies' incorporation number, used as a single source of reference for registration and transaction purposes with other relevant Government agencies • eKL 	<p>Government Agencies</p> <ul style="list-style-type: none"> • National Registration Department (JPN) • Immigration Department • Public Service Department of Malaysia (JPA) • Companies Commission of Malaysia (SSM) • MAMPU • Lembaga Tabung Haji

Table: Third Party Integration

Leveraging on greater ownership of smart mobile phones, the EPF has also developed an application that can be downloaded for free from Play Store and Apple Store. The EPF Mobile App enables members with i-Akaun to access their latest statements anytime and anywhere. Released in February 2014, the number of total downloads hit 174,083 at Google Play Store and 46,600 at Apple App Store by December 2014. The app comes with multifaceted functions such as the latest EPF news, contributions and withdrawals, an investment calculator as well as EPF Contact Centre details. In addition, the app is equipped with GPS technology to assist members to locate EPF offices throughout Malaysia. More services will be offered in due course.



EPF i-Akaun Mobile App

Innovating on the Kiosk, the EPF has collaborated with banks to design a smart handheld device to generate statements after member thumbprint verification. This new technology helps banks and the EPF to speed up their work processes.



Handheld machine

The Enforcement team also embarked on the Mobile Office for Employer Management project. This system will provide inspectors with remote access to all EPF systems and applications anytime, from anywhere, on any device, using Virtual Desktop Infrastructure (VDI) technology. At the same time, it enables the inspectors to become a Central Point of Contact for employers. A pilot project was implemented in 2014 in nine branches, to be followed by other branches and users, namely inspectors and mobile service teams.



Virtual Desktop Infrastructure (VDI) technology

To further improve operational efficiency, an Anugerah Inisiatif Terbaik (Best Initiative Award) was introduced in 2013 to recognise innovative products and services and to encourage departments to create new and more effective processes. The award drew the participation of 16 departments, which submitted 35 innovative products, six of which were shortlisted as finalists. This competition was repeated in 2014 due to the positive response.

ANUGERAH INISIATIF TERBAIK (AIT)

IMPLEMENTATION	<ul style="list-style-type: none"> • Introduced in 2013 • 16 participation from Departments
LIST OF WINNER 2013	<ul style="list-style-type: none"> • First prize: Pendaftaran i-Akaun Ahli dan Majikan (Services Network Department and Contact Management Centre) • Second Prize: Smart FAQ (Enforcement Department in Partnership with EPF Learning Centre) • Third Prize: Paperless Meeting (Legal Department)
PRIZES	<ul style="list-style-type: none"> • First Prize: RM7,000, trophy and certificate • Second Prize: RM5,000, trophy and certificate • Third Prize: RM3,000, trophy and certificate



Winners of Anugerah Inisiatif Terbaik 2013

Business Review - Strategy Division



TUNKU ALIZAKRI RAJA MUHAMMAD ALIAS
Deputy Chief Executive Officer

The Strategy Division enables the EPF to achieve our Mission and Vision by ensuring organisational readiness to serve present and future needs of our stakeholders.

INTRODUCTION

The EPF has noble ambitions of becoming a world-class social security organisation that provides the best retirement savings for Malaysians. Towards achieving our ambitions, the organisation has formulated a comprehensive and integrated mid to long-term planning and strategy mechanisms to ensure adequate policies and infrastructures are in place to implement key initiatives.

ORGANISATIONAL STRATEGY AND PLANNING INFRASTRUCTURE

The EPF has a robust process to formulate and track the implementation of strategy in our Five-Year Strategy Plan 2013-2017 (5YP 2013-2017). To date, positive results have been seen with the introduction of several new initiatives such as online services and retirement planning advisory services. This is to ensure we are able to provide good investment returns at a cost effective level.

In 2014, the Fund introduced the Annual Corporate Plan 2015 (ACP 2015) which details the strategic outcomes and initiatives to be implemented for the year. The ACP 2015 is a core strategic tool that has strengthened the strategy management process by integrating the budget and resource planning into one comprehensive document.

Under the ACP 2015, five long-term focus areas were identified as critical for the EPF to achieve our corporate ambitions by way of investment excellence, customer-focused operational excellence, social security excellence, human capital excellence and ICT excellence.

In terms of governance, two management level committees – the Strategy Council and Talent Management Council – were introduced in 2014 to oversee the development and implementation of the EPF's strategy.

The Strategy Council, which was established to support the Board Strategy Committee, is responsible for planning, monitoring and ensuring proper implementation of the Strategy Plan while the Talent Management Council was established to ensure strategic issues pertaining to human capital such as succession planning and talent development are properly implemented.

In terms of the implementation of our strategy, the EPF employs the Balanced Scorecard monitoring system to measure performance within the four main perspectives of Customer, Finance, Internal Processes and Organisational Capacities. Each perspective consists of several strategic objectives (SO) owned and led by specific departments with their own key performance index (KPI). The KPIs serve as indicators and provide the organisation with concrete and quantifiable data to track the performance of each initiative undertaken. There are 12 SOs and 23 KPIs in the EPF's 2014 Corporate Scorecard. As an organisation, the EPF achieved a total score of 8.93 on our Corporate Scorecard which was 2.26 points above the target set for 2014.







★ **Online communication and social media have helped to reach out to our target audience faster and more easily. For example, we issued press statements and Facebook / Twitter blasts on top of advertisements on the launch of the i-Akaun mobile app, as well as to increase awareness of e-Caruman, the online facility for employers to submit their contributions; to announce the launch of the Retirement Advisory Service (RAS); and to increase awareness of the availability of SP1M (Skim Persaraan 1 Malaysia) as a viable retirement savings option for the self-employed, housewives and business owners.**

★ **With an average growth of 28,628 new fans per month, EPF's Facebook attained 506,827 fans as at 31 December 2014.**

Business Review - Strategy Division (Cont'd.)

EPF uses the Balanced Scorecard as an essential tool to measure our performance within the four major perspectives of the Customer, Finance, Internal Processes and Organisational Capacities. Each perspective comprises several Strategic Objectives (SO) owned and led by specific departments, while each SO has its own Key Performance Index (KPI) serving as indicators and providing the organisation with concrete and quantifiable data. There are 12 SOs and 23 KPIs for the EPF's 2014 Corporate Scorecard.

EPF 2014 CORPORATE SCORECARD			Target (%)	Achievement (%)
 CUSTOMER PERSPECTIVE	S01	Enhance Service to Customer KPI1 Customer Satisfaction Rating	93	94.88
	S02	Enhance Corporate Governance KPI2 Corporate Governance Index KPI3 Government Audit Rating	92 4	96 4
	S03	Ensure Members' Secure Retirement KPI4 Percentage of active members aged 54 with Basic Savings (RM196,800) KPI5 Percentage of members aged 55 joining Flexi Withdrawal Scheme	20 28	22 29
 FINANCE PERSPECTIVE	S04	Optimise Risk-Rated Investment Returns KPI6 Risk-Rated Investment Returns KPI7 Rolling three-year Real Dividend	-0.125 2	0 4.11
	S05	Provide Efficient Cost Management KPI8 Expenses per Average Asset under Management (AUM)	0.28	0.268
 INTERNAL PROCESS PERSPECTIVE	S06	Continuous Process Improvement KPI9 Core Processes Efficiency Index KPI10 Core Processes Error Rate Index	95 1.00	97.63 0.58
	S07	Enhance Strategic Communication to Stakeholders KPI11 Communication Programme and Activities KPI12 Communication Effectiveness Rating	80 80	82.6 88.32
	S08	Enhance Strategic Input to Government KPI13 Number of strategic alliance initiatives with government/government agencies KPI14 Number of EPF Scheme Improvement Proposals submitted to MOF and/or relevant ministries	3 4	6 4
	S09	Effective Management of Strategic Risk and Compliance KPI15 Corporate Risk Rating KPI16 Internal Audit Rating	5.29 90	5.57 95.5
 ORGANISATIONAL CAPACITIES PERSPECTIVE	S010	Enhance Corporate Culture KPI17 Corporate Culture Rating KPI18 Percentage of staff participation in culture programmes/activities	83 83	89.16 83.56
	S011	Enhance Human Capital Development KPI19 HR Readiness Index KPI20 Percentage of key positions (HOD) with succession planning	75 85	81.71 100
	S012	Enhance ICT Capabilities KPI21 System Availability KPI22 System Performance KPI23 ICT Readiness (Enabler) Index	99.50 95 6.67	98.72 94.74 5.48

Business Review - Strategy Division (Cont'd.)

The set-up of these processes and governance structures enables the EPF to address issues in a more comprehensive and strategic manner to ensure intended outcomes are achieved.

However, these alone may not be sufficient if messages are not transmitted properly to our 5,452 strong workforce. Hence, the EPF has undertaken several measures, which include enhanced automation and knowledge-sharing events and activities, to cascade corporate ambitions clearly and consistently across the board. Underpinned by a strong set of values and the right high performance environment and culture, we are set to achieve our vision of becoming a successful organisation that will remain relevant to our stakeholders.

KEY FOCUS ISSUES IN 2014

In efforts to continuously improve ourselves, the EPF identified several key focus issues in 2014:

- Addressing the inadequacy of retirement savings by members
- Managing and meeting members' expectations and the public's perception
- Ensuring a robust human capital infrastructure relevant to the times
- Putting in place a modern IT infrastructure to keep pace with the industry

a) Addressing the inadequacy of retirement savings by members

Malaysia is projected to be an ageing nation by 2030, with 14% of the population aged 60 years or above. Coupled with an increasing gap between the age of retirement and life expectancy, there is a pressing need for national-level policies and proper infrastructure to supplement members' EPF savings. As at 31 December 2014, only 33% of active members achieved the Basic Savings amount of RM196,800 which would translate to approximately RM820 per month for 20 years. This shortfall was further corroborated by data, as at 31 December 2014, that 68% of members aged 54 years have less than RM50,000 in their EPF accounts which on a conservative measure would last only five years post-retirement, assuming there are no other means of income generation.

At the minimum rate of 23%, Malaysia's mandatory contribution rate ranks fifth highest in the world. This leaves little room for further increases in mandatory contribution if the adequate retirement savings is to be achieved before one reaches retirement. As such, alternative measures are needed to allow for adequate savings at an early stage for a comfortable retirement.

The EPF had mooted the idea of a National Social Security Taskforce (NSST) comprising key ministries, agencies and social security stakeholders. The NSST, which would report to the Malaysian Economic Council, would be tasked to make holistic recommendations to the Government in addressing social security issues. The EPF is pleased to report that the Government is taking heed of the call for action and will hopefully proceed to finalise the formation of the NSST soon.

The EPF is of the view that members need to be empowered to make the right decisions, and this can be achieved through greater financial literacy. In 2014 the EPF introduced the Retirement Advisory Service (RAS) at our Kuala Lumpur and Petaling Jaya branches. This pilot project has received encouraging response from the public, prompting us to proceed with expanding the service to six more branches nationwide in 2015.

b) Manage and meet members' expectations and public perception

Maintaining the EPF's good reputation among the different stakeholders is paramount as we have been entrusted by more than 14 million members to manage their retirement savings in a responsible and sustainable manner. With the proliferation of social media and citizen reporting, it is a challenge to ensure accurate information is communicated effectively to the different demographic segments. The needs of our stakeholders have also evolved such that

mere media releases are no longer sufficient; close engagement is a necessity in these modern times. As such, a new Corporate Affairs Department was created to proactively engage all key stakeholders on as many different platforms as possible. In addition, our brand positioning was streamlined and strengthened by a new Brand and Marketing Communications section in May 2014. Leveraging on both the traditional and new media, we were able to communicate our targeted messages efficiently based on the specific needs of our diverse stakeholder profile.

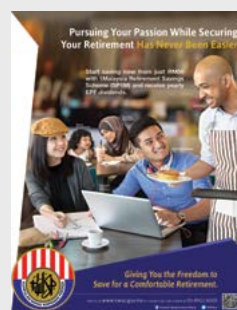
The introduction of the new look and feel of all EPF advertisements and the extension of media buy into online platforms have opened new avenues for engagement between the EPF and our members. Taking into account that over 62.7% of our active members belong to the Gen Y, this move has seen positive results, reaching over 10 million viewers on traditional media per campaign and an average of 20 million impressions online per campaign. The key message being continually emphasised is that retirement is no longer an issue confined to the elderly, and action needs to be taken as early as possible.

Online communication and social media have helped to reach out to our target audience faster and more easily. These channels also enable us to engage more directly with our members whose feedback and queries are vital for us to stay relevant. For example, we issued press statements and Facebook / Twitter blasts on top of advertisements on the launch of the i-Akaun mobile app, as well as to increase awareness of e-Caruman, the online facility for employers to submit their contributions; to announce the launch of RAS; and to increase awareness of the availability of SP1M (*Skim Persaraan 1 Malaysia*) as a viable retirement savings option for the self-employed, housewives and business owners.

In announcing our quarterly results, video presentations and infographics were used to simplify complex information so our members would better understand the data. We uploaded these reports onto YouTube and our Facebook and Twitter pages, and received very encouraging responses and 'shares'. With an average growth of 28,628 new fans per month, EPF's Facebook attained 506,827 fans as at 31 December 2014.



Advertisement creative of i-Akaun campaign which ran from 23 June to 24 July 2014. A first Integrated Marketing Communication (IMC) campaign comprised of multiplatform online, radio, print (newspapers and selected magazines), out-of-home LED boards and TV advertisement.



Advertisement creative of SP1M appearing on online, print and radio from 12 to 31 December 2014 aimed to increase new registrations.



This infographic was posted on EPF Facebook in conjunction with the completion of the EPF 2013 Annual Report in April 2014.

Business Review - Strategy Division (Cont'd.)



Online banner for the Retirement Advisory Service (RAS) campaign which ran from 19 November to 31 December 2014.

As part of our continuous media engagement, we provide content as well as 'exclusives' on issues of high interest. For example, as part of the RAS campaign, we not only provided content for an article appearing in one of the country's mainstream newspapers, but also gathered the EPF's key spokespersons for a language exclusive media interview.

A similar interview was carried out after announcing our Q3 2014 Investment results in which our CEO Datuk Shahril Ridza Ridzuan discussed the EPF's performance in depth. Another media interview session was held with our Deputy CEOs on investment and social security issues.

Seeding new topics with the media has become an essential part of our activities, and is achieved effectively via media roundtables where we gather our key spokespersons and industry experts with media representatives to talk about special areas of interest such as social security, financial literacy and changes in policy. One such roundtable, on *Demographic Changes: Recognising the Challenges and Opportunities*, was organised during the EPF International Seminar 2014 in September.



News report by The Sun, 9 September 2014, an early seeding of messaging to call for a holistic Social Security framework for the nation.



Mingguana Malaysia Merdeka pullout on 31st August 2014

The EPF also contributes articles to various other government-linked agencies for increased exposure. Every year, we contribute write-ups to the ASEAN Social Security Association's (ASSA) newsletter, which serves as an important mouthpiece for all social security organisations in the region. This year, we also provided a write-up on the EPF for a special Merdeka Day pullout in a Malay daily on Malaysia's top government-linked companies.

c) Ensure a robust human capital infrastructure relevant to the times

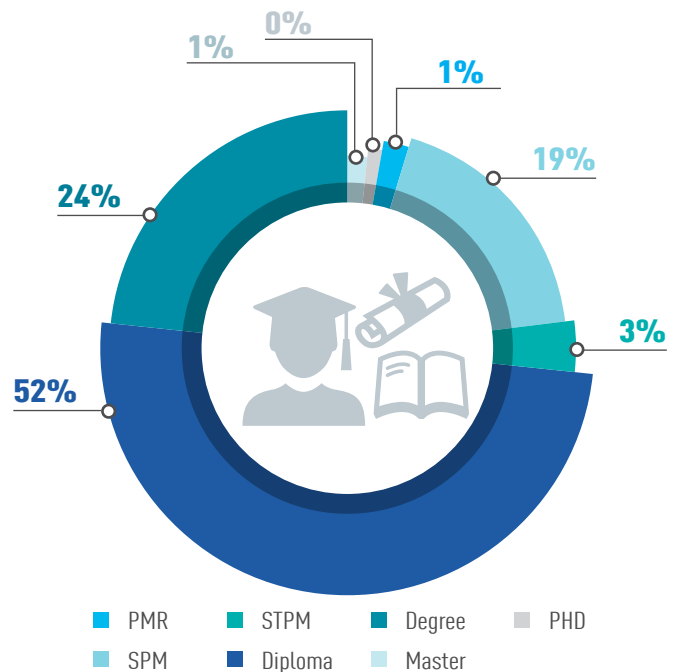
Human capital management in the EPF has evolved from one which is highly transactional to being more strategic and internally customer-centric. Both the Human Capital Department and EPF Learning Centre have undergone a rebranding process to reflect the growing needs of a much more dynamic organisation with an increasingly global presence. Structural changes were also made to create cohesive human capital development planning through the setting up of a Client Management Section which ensures all matters pertaining to human resources and learning are handled by a focal point of contact.

Creating a Vibrant and Diverse Workplace

The EPF's workforce has become increasingly diverse over the last few years. Employees of both genders come from different generations and cultural backgrounds. This creates an urgency to develop appropriate policies to close generation gaps and to build an inclusive and harmonious workplace, which in the long run will promote employee happiness and satisfaction.

The EPF aims to attract and retain quality talent via the introduction of attractive remuneration benefits and other solutions to facilitate everyday people management. Proactive resource planning and readiness are also being actively developed with close engagement with the departments in order to gauge not only current but also mid-term requirements. Functions deemed to be more mundane are gradually being outsourced. For example, the administration of medical processes of our employees with over 2,000 clinics and hospitals nationwide are being handled by PMCare.

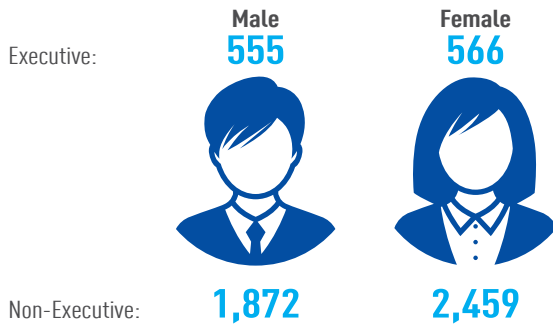
HIGHEST ACADEMIC QUALIFICATION
Developing EPF's workforce as knowledge workers by encouraging higher qualifications.



Business Review - Strategy Division (Cont'd.)

LEVELS

Gender balance in the EPF's workforce



LEVELS AND AGE GROUP

The dominant age group at the Executive level comprises the Generation X at 47.9%, followed by the Generation Y at 33.72% and Baby Boomers at 18.37%.

The trend continues at the Non-Executive level where the Generation X represents 55.58%, followed by the Generation Y with 29.53% and Baby Boomers with 14.89%.



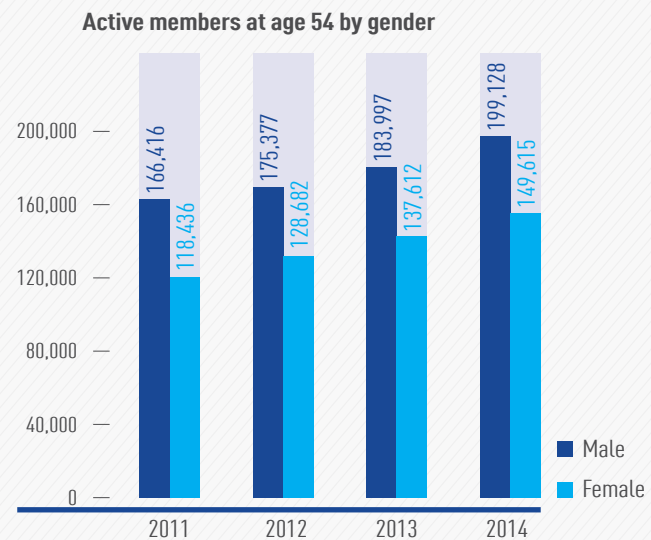
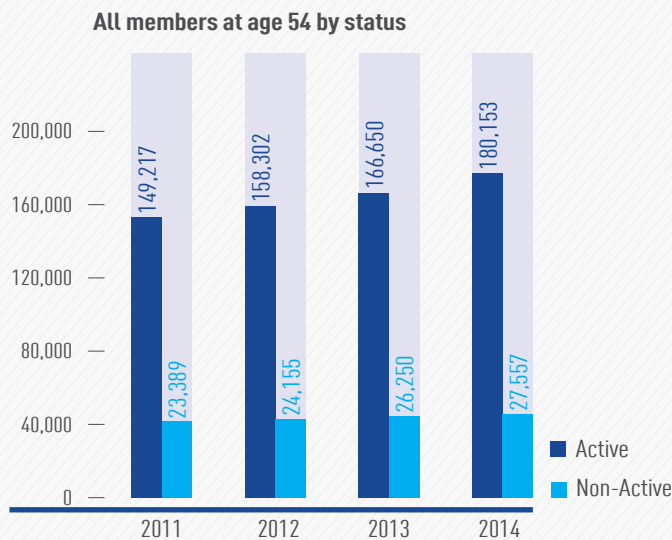
FOCUS ARTICLE

The Importance of Retirement Planning

The need to plan for one's retirement has become increasingly important in recent years. That everyone will retire at some point in their lives is a given; that everyone will have sufficient funds to sustain themselves during retirement is highly debatable. Without any fresh income, retirees depend on their savings to live on. And the fact is

that in Malaysia, most retirees will not have saved enough during their working lives to maintain the lifestyle they are used to. This means becoming dependent on help from relatives or social welfare. Neither presents itself as an entirely viable option.

Average savings of members at age 54 (2011-2014)



Year	Active Members		Non-Active Members	
	No.	%	No.	%
2011	62,358	30	146,172	70
2012	68,151	31	157,425	69
2013	73,168	30	160,131	70
2014	76,424	32	166,131	68

Year	Male		Female	
	No.	%	No.	%
2011	40,004	64	22,354	36
2012	43,230	63	24,921	37
2013	45,805	63	27,363	37
2014	47,135	62	29,289	38

In Asia, adults used to take care of their aged parents, partly as recompense for the sacrifices made by parents to secure a good future for their children. However, this cultural norm is fast disappearing. Due to the stressful demands of modern society and rising cost of living, it is becoming increasingly rare for the working population

to care for those other than their immediate families. This change in dynamics has not been lost on our ageing population. Four out of five of today's retirees worry about "being poor and in need of money", becoming "a burden to their children", being "in ill health" and "having no one to care for them".

Business Review - Strategy Division (Cont'd.)

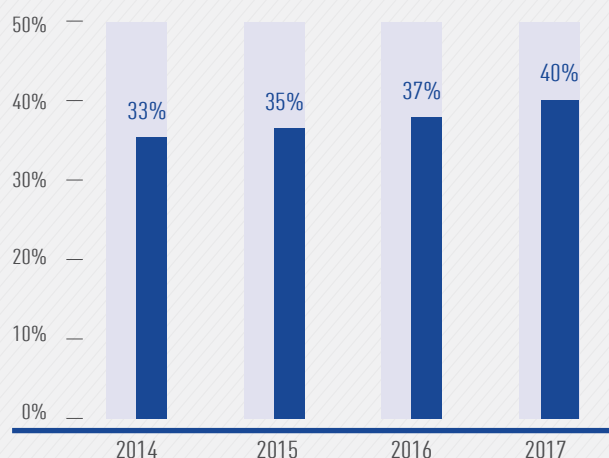
FOCUS ARTICLE

Issues and Challenges > Inadequacy of Savings > Savings

Savings Range (RM)	Members	Percentage (%)
< 50,000	164,730	68
50,001 - 100,000	27,971	12
100,001 - 200,000	25,846	11
200,001 - 300,000	10,740	4
300,001 - 400,000	4,698	2
400,001 - 500,000	2,610	1
500,001 - 1,000,000	4,333	2
> 1,000,000	1,627	1
Total	242,555	100

68%
of all members aged 54
in December 2014 have less than RM50,000

Source: EPF Database



Only
33%
of active members (all ages)
met Basic Savings as at December 2014

- Basic Savings is set at RM196,800 to give a monthly income of RM820 for 20 years until age 75
- RM 820 is a minimum pension for public sector employees

As for social welfare in Malaysia, the Department of Social Welfare under the Ministry of Women, Family and Community Development provides RM300 a month to the elderly who qualify for such aid. While this certainly comes as a boon to those who have no other financial support, it is not enough for the average retiree to live on comfortably. In other words, it is critical that all Malaysians start planning for their retirement, and the earlier the better. As Malaysians are living longer, we will need to save even more than before as our savings will have to stretch over a longer period.

Indeed, retirement planning is a form of long-term planning through which a person can fulfil his financial needs during retirement by providing maximum benefits from his available resources. A good plan ensures that a desired lifestyle is possible at retirement supported by sufficient income.

Currently, the only significant form of savings for most Malaysians is the amount they accumulate in the Employees Provident Fund (EPF). However, while the EPF recommends at least RM196,800 upon retirement, statistics show that only 22% of active 54-year-old contributors met this minimum last year. Even more alarmingly, 68% of all EPF members of the same age had less than RM50,000 in their accounts.

Based on the retirement age for Malaysians of 60 years, and the life expectancy of 72.6 years for men and 77.2 years for women, the total savings above would require a retiree to survive on just RM700 a month for the rest of his or her life. This is even less

than the poverty threshold of RM830 per month in 2012 as declared by the Statistics Department.

It is important to start planning for retirement as early as possible because acquiring the savings habit requires discipline and adequate time. The longer one saves, the more one accumulates in one's retirement cache. For our part, the EPF is trying to inculcate a culture of planning for retirement by educating our members and the public at large via various communication campaigns and other initiatives.

In July 2014, we launched a pilot project aimed at increasing knowledge on basic financial and retirement planning by offering a Retirement Advisory Service (RAS) at the two EPF branches – in Kuala Lumpur and Petaling Jaya. The EPF has also organised public seminars and briefings throughout Malaysia on the topic.

In addition, we encourage employers to establish appropriate programmes in the workplace to boost the financial literacy of their employees. While these mark a beginning, we believe more can be done by various stakeholders to increase Malaysians' financial literacy and awareness of the importance of retirement saving. The EPF will continue to review, enhance and propose new policies and programmes towards this end, and wish to see other stakeholders play their part in what needs to be a multi-stakeholder collaboration for the benefit of the nation.

Business Review - Strategy Division (Cont'd.)

Human Capital Development Initiatives

The EPF has embarked on a journey to transform our training centre into a learning centre in order to provide a structured and systematic approach to enhance the learning experience for all staff. The Corporate Learning Roadmap (CLRM), which encompasses professional and soft skills, plays a vital role in ensuring all staff have access to equal standards of methodology and content delivery. In 2014, a total 126 CLRM sessions were conducted, involving 4,429 participants from throughout the EPF, recording a participant satisfaction rate of 86.97%.

To ensure that all EPF staff are updated with the required technical skills, a Functional Learning Roadmap (FLRM) was also introduced. In addition, learning methods have been enhanced by providing hands-on and interactive modules to ensure that experiential learning takes place. In this context, the management introduced the blended learning methodology providing 22 iLearning modules to complement and supplement classroom learning. These include video podcasts, tutorial and trailer videos, simulation, web and mobile Applications and e-Books. To ensure tacit knowledge also takes place, the Knowledge Management (KM) framework was approved. In 2014, six K-Channel Events were organised involving 560 participants nationwide, with 95% of the participants rating their experience as 'Good' or 'Excellent'. As a result of the various learning interventions, 97.98% of staff met their training KPIs in 2014.

Certification Programmes

To continuously enhance the competency of the different departments, selected candidates have successfully completed certification programmes such as Certified Training Professional (CTP), Certificate in Human Resource Practice and Certified Human Resource Business Professional. New certification programmes are being developed to upskill non-executives to take on positions and roles in line with the EPF's evolution.

Succession Planning

The EPF acknowledges that the main issue that needs to be emphasised is on our retiring senior team members and the need to fill the vacancies with potential successors. As such, early efforts of identifying critical positions as well as potential successors have been initiated and will continue into the early part of 2015. The management has outlined a 1:2 ratio for each critical position and identified potential successors to fill the position immediately.

Wellness Programme

It is critical for any organisation to not only have well-trained personnel but also people who are healthy from a physical, mental and emotional perspective. Recognising that highly engaged and happy people contribute significantly more to the organisation, the EPF has started to implement a holistic wellness programme designed to empower staff to lead a healthier and more balanced lifestyle.

Various health oriented programmes were conducted in 2014 such as the BMI Programme, Fitness Classes, 5-Minute Stretching, Zero Day Campaign, Fruit Day, Instrumental Music Programme and My Best Buy Co FAMA. These efforts have received positive response from staff and will be extended nationwide with additional modules focusing on physical and mental aspects in 2015.

d) Putting in place a modern IT infrastructure to keep pace with the industry

The EPF has gradually transformed our daily manual work processes into a viable automated process covering various aspects of the organisation's support areas such as human resources management, human capital development and internal communication.

The Human Resources Management System (HRIS) was enhanced to cover all EPF staff using a web server for leave applications, viewing pay slips, managing claims and applications for training. The HRIS was upgraded from version 8.9 to 9.1 in 2014, with new features to manage workforce data, absence, payroll, e-share (for the declaration of employees' own shares), e-harta (declaration of employees' assets) and applications to join training modules. These functionalities are accessible by all staff via desktop self-service single sign-on infrastructure.

In the area of human capital development, there was a major revamp of the new iLearning portal, which includes six new features: 1) a new look and feel to the landing page; 2) upgrade from version 1.9 to 2.5; 3) the creation of auto login via single sign-on; 4) synchronised user data with active directory; 5) iLearning portal accessible via mobile devices; and 6) the creation of achievement badges which track the completion of any iLearning module by staff.

The employees' intranet system, Infoklik, featuring updated contact details by departments, news and events, was also enhanced with a new look and feel. To facilitate the upgrade, a change management communication plan was developed to inform employees about the new functionalities, which include using SharePoint 2013 featuring the new Microsoft Outlook and Microsoft Lync software.