

# ***Giving Value Back***

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“ There has to be full commitment to practising high ethical values and integrity. It sets the tone for the organisation. ”

**Tan Sri Azman Shah Haron**

*Chairman, Board Risk Management Committee*

## INVESTMENT DIVISION



**DATO' MOHAMAD NASIR AB LATIF**

*Deputy Chief Executive Officer*

The Investment Division manages the EPF's investment fund with two primary long-term investment objectives, which are:

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

To ensure that the above objectives are met, two strategic investment targets have been set: firstly, to declare at least 2.50% nominal dividend on a yearly basis and secondly, to achieve at least 2.00% real dividend on a rolling three-year basis.

The division comprises eight departments covering fund management and investment research. The departments responsible for fund management are Treasury, Debt Capital Market, Domestic Equity, Foreign Equity and Private Market. The functions of these departments are reinforced by investment research and advisory provided by the Economics and Capital Market, Equity Research and Quantitative and Performance Analysis departments.

### INVESTMENT HIGHLIGHTS

The year 2015 was a challenging year for the EPF. The slowdown in the growth of the economy and capital markets in the later part of 2014 continued to be a major concern, which was exacerbated by uncertainty and volatility throughout 2015. The United States had finally implemented the long awaited interest rate hike in December 2015, which had resulted in the increase in capital flow, driven primarily by foreign investors, from the emerging markets to the developed markets. Meanwhile, the drop in the global oil price had not only affected the oil and gas companies, but it had also significantly reduced the oil exporting nations' revenues. The year also saw the weakening of world's major currencies against the US Dollar (USD) and the Malaysian Ringgit (MYR) was not isolated from the depreciation.

As a retirement savings fund with an investment size of RM684.53 billion as at 31 December 2015, we were not insulated from the economic slowdown. However, our long term and well diversified investment programme has helped cushion the impact as we invested our assets using a multi-asset class approach in accordance with the EPF's Strategic Asset Allocation (SAA). The SAA was designed to factor in short-term volatilities and changes in the economy and capital market environment. The SAA is reviewed every three (3) years, the last being in 2014.

In line with our risk-and-return profile, the bulk of the EPF's investment assets remained 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 31 December 2015, a total of 51.1% of the EPF's investment was invested in fixed income instruments, 43.8% in equity investments, and the remaining 1.9% and 3.2% in money market instruments and inflation asset class respectively.

Our overseas exposure increased from 23% in 2014 to 25% in 2015. This was primarily due to foreign exchange translation gain, even though the foreign equity markets suffered negative growth in 2015. All exposure to these investments are recorded in Malaysian Ringgit in line with our accounting policy.

About 15% of the EPF's investments are managed by external fund managers. In 2015, we outsourced an additional RM2.30 billion to our external fund managers investing in both domestic equity and fixed income instruments. We will continue to outsource a portion of the fund for diversification and to support the development of the asset management industry in Malaysia. We also leverage on the external fund managers for transfer of skills and knowledge to our internal team.

The EPF's exposure to Shariah compliant investments covering multi asset classes now exceeds 40% of total assets, as the fund gears up for the launch of its Shariah saving scheme in 2017. The EPF also ensures that all investments, including the non-Shariah assets, are ethical in nature, which filters out investments in sectors that manufacture and promote alcohol, gambling and military weapons among others.

### RETURN ON INVESTMENT AND DIVIDEND

The EPF recorded RM44.23 billion in gross income for the financial year ended 31 December 2015, an increase of 13.2% compared with RM39.08 billion in 2014. Equities continued to be the main contributor of income with 58.8% amounting to RM26.01 billion, up 13.5% compared with RM22.91 billion in 2014. The foreign equity portfolio played a significant role in 2015 by generating more than half of the income from equity investment.

The EPF's investments in fixed income instruments continued to provide a stable stream of income. The asset class, comprising MGS & Equivalent and Loans & Bonds, in total contributed 35.4% of the RM44.23 billion gross investment income registered for the year.

The inflation asset class, comprising Real Estate and Infrastructure, contributed RM1.70 billion in investment income in 2015 with annual growth of 22.2% compared with 2014. Within the asset class, the foreign investments, which was initiated in 2010, have shown encouraging performance over the years and began to generate significant income in 2015.

## INVESTMENT DIVISION

The diversification into global assets and currencies allowed the EPF to realise significant gains with profits from non-Ringgit sources making up 48% of the EPF's total gross investment income throughout the year.

The gross investment income achieved in 2015 reinforces the need for the EPF to diversify its investments not only into multiple asset classes, but also in multiple countries and markets. Although the correlation is high among global markets, the diversification strategy allows the EPF to take opportunities through profit realisation while seeking potential investments at attractive valuations.

The gross investment income recorded is equivalent to a return on investment (ROI) of 7.48%, which is 23 basis points higher compared with 7.25% in 2014. The income contribution by the equity asset class generated a commendable ROI of 10.88%, making 2015 the fifth consecutive year the asset class registered a double-digit ROI<sup>1</sup>.

Fixed income instruments continued to register a competitive ROI of 5.09%, maintaining a significant spread over the current low interest rates in both domestic and global markets. The performance of the global fixed income portfolio was buoyed by the gain from foreign exchange translation. Inflation asset class and money market instruments both registered ROIs of 9.60% and 4.43% respectively in 2015.

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, the EPF was able to declare a dividend rate of 6.40%, which is 35 basis points lower compared with 6.75% in 2014. 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 2015, the rolling three year real dividend was 4.05%, 205 basis points higher than the target.

### MALAYSIAN GOVERNMENT SECURITIES (MGS) & EQUIVALENT

The EPF's holdings in MGS & Equivalent stood at RM178.11 billion as at 31 December 2015, RM13.95 billion or 8.5% higher compared with 2014. The asset class represented 26.0% of total investment, a slight increase from 25.8% in 2014. The asset class registered a gross investment income of RM7.18 billion, which grew by 9.0% compared with RM6.59 billion in 2014. The growth is in line with the year-on-year growth of the asset class size, resulting in an equivalent ROI of 4.24%, slightly lower than the previous year's ROI of 4.28%.

### LOANS AND BONDS

This asset class, comprising domestic and global portfolios, increased from RM159.90 billion to RM171.70 billion in 2015. While there were a number of maturities and repayments made during the year, there were also significant bond subscriptions and loan drawdowns.

Gross investment income recorded for 2015 by the asset class was RM8.48 billion, an increase of 12.1% or RM913.52 million against RM7.57 billion in 2014. The increase was also reflected in the ROI, from 5.13% in 2014 against 6.00% in 2015. The global fixed income investment contributed significantly to the overall increase in the ROI, amid the weakening of the Malaysian Ringgit against major foreign currencies.

### EQUITIES

We continue to increase our holdings in Equities, made up of both listed and private equities in the domestic and global markets. This asset class increased from RM269.63 billion in 2014 to RM299.76 billion as at 31 December 2015. Domestic equity managers capitalised on the market downturn by being the net buyer throughout the year.

The asset class contributed RM26.01 billion in gross income, which is equivalent to 58.8% of total gross investment income in 2015. The income was RM3.10 billion, or 13.5%, higher than RM22.91 billion recorded in 2014.

Although the gross investment income for equity asset class recorded a double-digit annual growth, the increase in the asset class size of 11.2%, or RM30.13 billion, led to a reduction in ROI from 11.29% in 2014 to 10.89% in 2015. However, it is worth noting that this was the fifth consecutive year that the asset class had recorded a double-digit ROI.

### MONEY MARKET INSTRUMENTS

While we aim to minimise holdings in this asset class in order to optimise returns, we are at the same time required to maintain a healthy cash balance to cater for members' withdrawals, administrative expenditures and investment drawdowns. At the end of the year, RM12.94 billion or 1.9% of our total asset was in money market instruments, which registered a gross investment income of RM858.18 million or equivalent to ROI of 4.43%.

### REAL ESTATES AND INFRASTRUCTURE

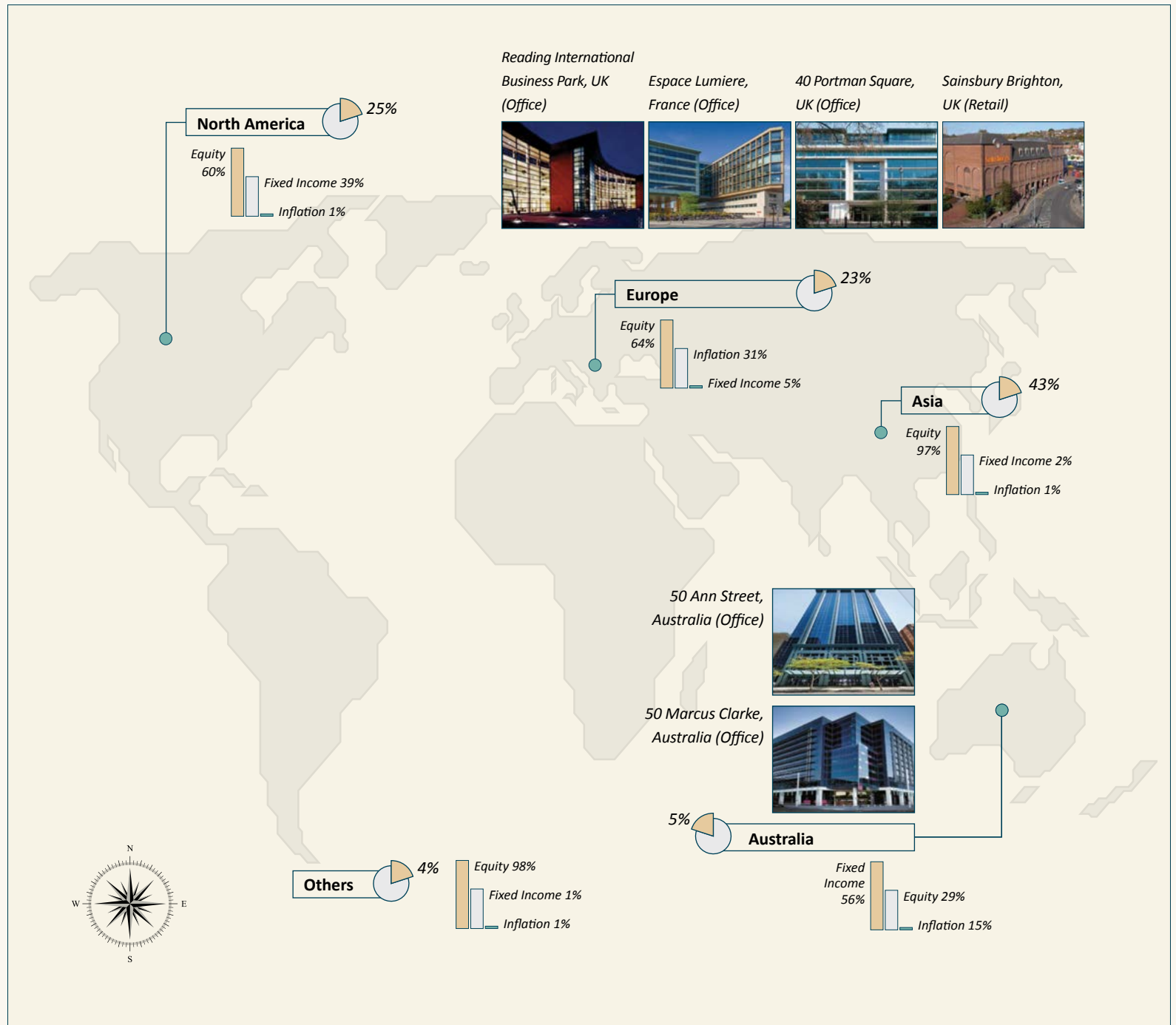
Real Estates and Infrastructure investments provide the EPF with income that is stable and hedged against inflation. It is the EPF's long term and forward looking strategy to continuously increase exposure in this asset class, comprising real estates, infrastructure and natural resources. During the year under review, the asset class recorded growth of 14.8% or RM2.84 billion, from RM19.18 billion in 2014 to RM22.01 billion in 2015.

Most of EPF's investments in the asset class were made through associate and subsidiary companies, of which dividend income from these companies made up the majority of the asset class' gross investment income. For the year 2015, inflation asset class registered a gross investment income of RM1.70 billion, an increase of RM309.65 million or 22.2% compared with RM1.39 billion in 2014. This translated to an ROI of 9.60% in 2015, higher by 68 basis points compared with 8.92% recorded in 2014.

<sup>1</sup> 2011: 10.76%, 2012: 10.06%, 2013: 11.31%, and 2014: 11.29%

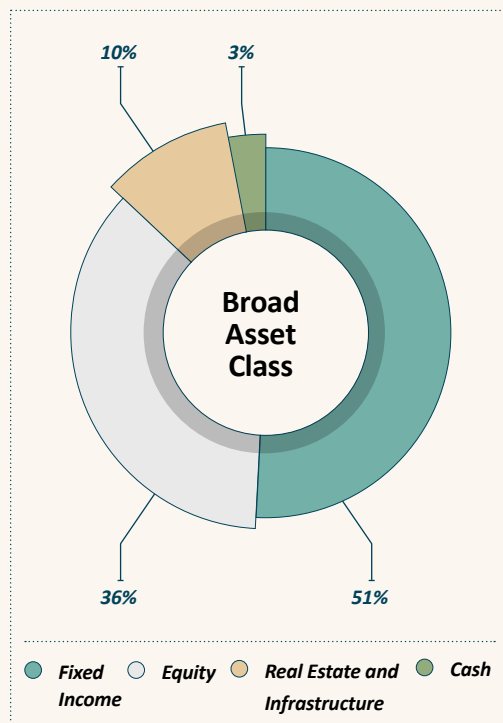
## INVESTMENT DIVISION

### EPF FOREIGN EXPOSURE

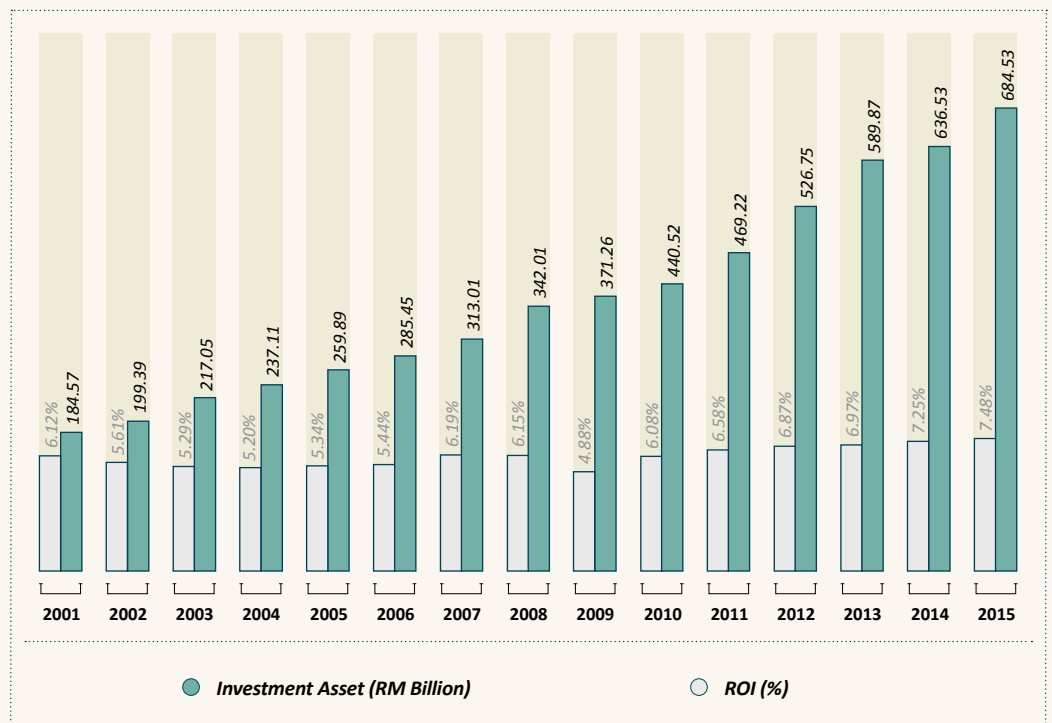


## INVESTMENT DIVISION

Strategic Asset Allocation (SAA) by Broad Asset Class



Investment Asset vs Return On Investment



Investment Asset	2015 (RM Billion)	2014 (RM Billion)	2013 (RM Billion)
MGS and Equivalent	178.11	164.16	156.05
Loans and Bonds	171.70	159.90	154.76
Equities	299.76	269.63	251.60
Money Market Instrument	12.94	23.67	13.08
Real Estate and Infrastructure	22.01	19.18	14.39

Gross Income	2015 (RM Million)	2014 (RM Million)	2013 (RM Million)
MGS and Equivalent	7,180.46	6,587.31	6,206.44
Loans and Bonds	8,479.28	7,565.76	7,509.89
Equities	26,013.56	22,910.86	19,517.38
Money Market Instrument	858.18	619.65	627.86
Real Estate and Infrastructure	1,702.55	1,392.90	1,138.79

## INVESTMENT DIVISION

### FOCUS ARTICLE: INTEGRITY: JUST AN ASPIRATION?

## Integrity: Just an Aspiration?

Integrity is doing the right thing,  
even when no one is watching.

C.S.Lewis

2011 was a noteworthy year in the Malaysian corporate space with the creation of Corporate Integrity Pledge (CIP) for companies to fight corruption, enhance corporate governance, business ethics and corporate social responsibility. Four years down the road however, Malaysia is still beleaguered with poor corporate management and public distrust. As a result, more emphasis has been placed on corporate governance and integrity, role of shareholders and their exercise of power in influencing board composition, conduct and decisions. With EPF being one of the world's largest pension fund, it is imperative to uphold and embed the values of integrity internally.

Integrity is pertinent as it drives our behaviour and is the basic building block of doing business. It embodies the set of characteristics that justify trustworthiness and guarantees confidence among stakeholders, though it is easier said than done, primarily due to the innate human ability to rationalise behaviour. For instance, most school students know that cheating is wrong. Yet, research by the Harvard Business Review suggests that as many as 95% of high school students have engaged in some form of cheating and dismissed it as "not really cheating" or "no big deal" hence, rationalising their situational behaviour. Consequently, this leads to the second reason why integrity is so difficult; everyone has their own definition of integrity. This is further exacerbated by differences in culture. For example, in certain business culture, it is acceptable or even expected to do favours or present gifts, while in other cultures, this will be seen as bribery.

As such, the EPF has made it a high priority to ensure that its internal governance is in place to ensure integrity, optimal performance and instil confidence in the EPF. Internal governance includes Board structure, transparency and disclosure, risk management and internal control as well as communication with stakeholders. Hence, the EPF's investment strategy has been governed by prudent management practices and adheres to approved investment procedures and guidelines that the Board and Investment Panel have established. This include organisational structure and reporting line necessary to plan, execute and periodically monitor investment activities. In order to adhere to this, the EPF has established a Corporate Governance Index in 2007 as a measure and guidance to best Corporate Governance practices, increased transparency and enhanced risk management. More importantly, an effective board is not merely having in place independent boards and committees but one that fosters vision, values and integrity within the EPF. Therefore, the diversity in our Board members with a myriad of experiences, perspectives and ideas ensures that this is maintained.

The EPF is among the pioneering government agency to implement the "No Gift Policy" from July 2013, prohibiting either giving or accepting of gifts between the employees and external parties in relation to official duties. Furthermore, our investment officers are required to declare their interests or relationship with their counterparties including financial institutions, stock broking, asset management companies or any companies that have business transactions with the EPF to ensure that they are not conflicted. In line with the current good corporate governance practices, the EPF also has a Whistleblowing Policy and Chinese Wall Policy in place. The implementation of these policies sets out to eliminate the incidence of insider trading and ensures that all dealings made by the Investment Department are done in the best interest of the EPF and its stakeholders.

While having all the processes above are essential in safeguarding our investments, the doctrine of integrity does not stop here. In the EPF, we believe that the notion of integrity should also be closely linked to the sustainability of an organisation. With the world today going through a phase of unprecedented socio-economic and environmental changes, embedding sustainability within the long term vision of the company, therefore, posits a strong business case for corporates in order to ensure the viability of our future generations. Business leaders will need to understand that both finance and sustainability are not a trade-off, they are business imperatives. The fallacy that investors care only about the stock price, and not the impact on society have clearly been reflected by the unforgiving actions of the investment fraternity in markets across the globe.

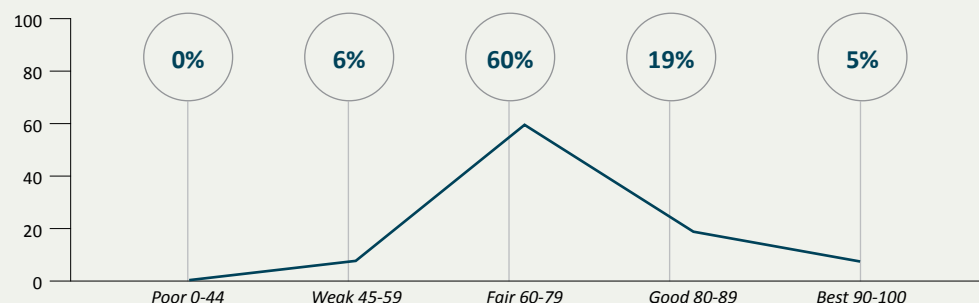
As a retirement savings fund, we also believe that good corporates who uphold a strong sense of integrity and sustainability will have more resilience towards shocks, be it from natural disasters or in the form of financial crises. Therefore, we owe it to our stakeholders to steer clear from companies with questionable integrity. As an example, following the news of a misconduct of land sales by two executive directors of a company in 2013, we decided to dispose all of the relevant shares via open market; premised on our rationale that the integrity of the company has been compromised. While our actions may have induced marginal impairments, it is our duty as a large institutional shareholder to set a precedent of intolerance towards such corporate misbehaviours.

On the same note, we have in 2015, pioneered our first in-house Environmental, Social and Governance (ESG) corporate equity rating tool in order to integrate the element of sustainability, governance and integrity into our investment processes. This rating mechanism does not only extend beyond the traditional focus on corporate governance, but also aims to capture a more holistic picture of what and how a company is performing from the perspective of environmental and social needs. This year alone, we have internally screened about 90 public listed companies (PLCs), and acquired a score which allows us to benchmark them against their peers. While the ESG model still has room for improvement, we believe that the tool at its current stage, grants us a decent ability to identify good companies with a solid vision of sustainability in place, thereby helping us to optimise our stakeholders' returns.

#### Range of scale

Score Range (%)	Rating
0-44	Poor
45-59	Weak
60-79	Fair
80-89	Good
90-100	Best

#### Distribution of Rating

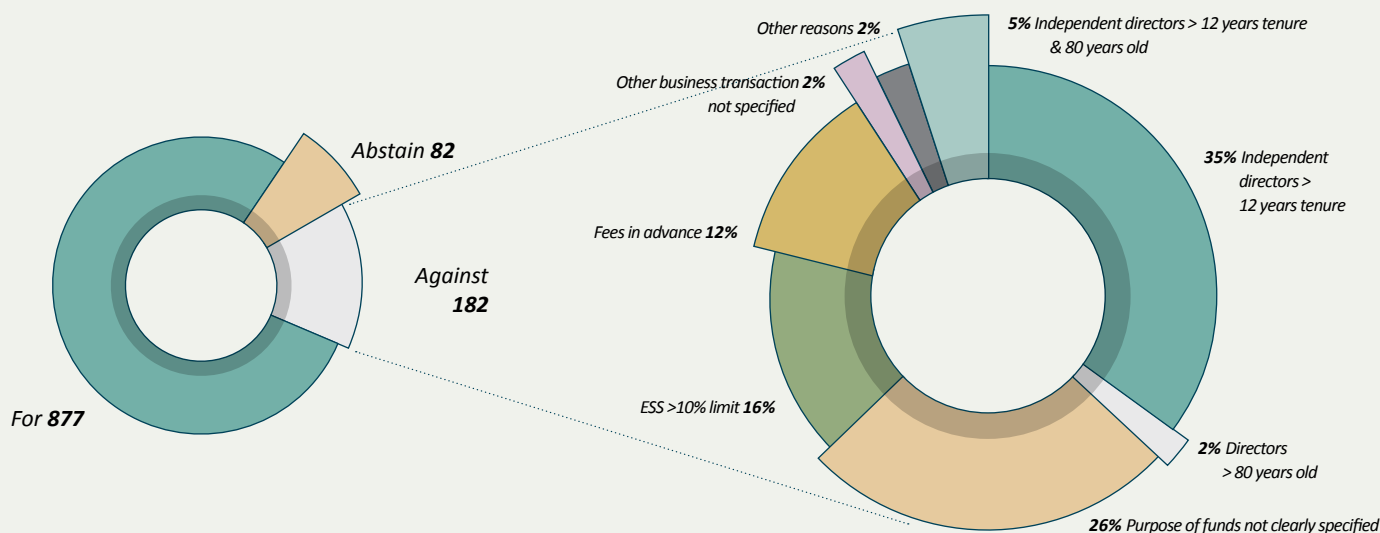


## INVESTMENT DIVISION

### FOCUS ARTICLE: INTEGRITY: JUST AN ASPIRATION?

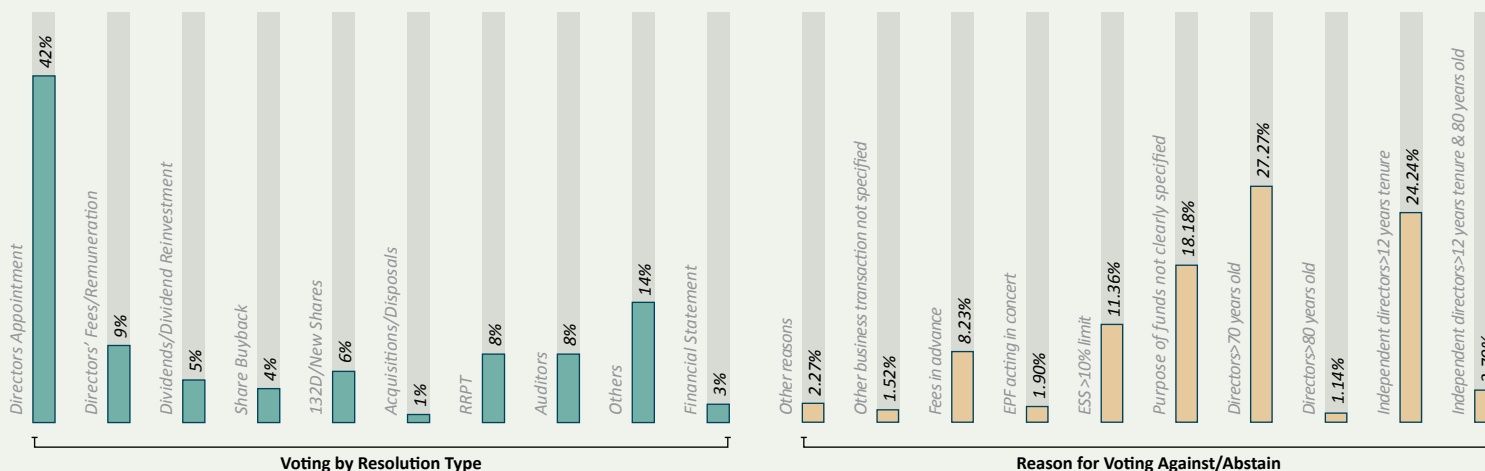
In the spirit of shareholders activism, the EPF has developed and published our very own Corporate Governance Principles and Voting Guidelines in 2010, with a revised edition in 2014. We understand that the scope of Corporate Governance not only extends to corporations and issuers but also encapsulates regulators, policy-makers and more importantly institutional investors. Hence, where necessary and possible, the EPF will pursue issues that need to be addressed or discussed by the investee companies at their Board or general meetings. As the largest institutional investor in Malaysia, we will endeavour to adopt higher standards which are aligned with global policies and regulatory frameworks.

Besides engaging with investee companies on a regular basis, the EPF believes that voting is essentially one of the most paramount instruments in exercising our ownership rights. Voting decisions are made based on the EPF Voting Guidelines and with consideration of individual companies' unique attributes. As at 31 December 2015, the EPF has voted on 1,145 resolutions in 164 AGMs and EGMs. Out of this, 15% of total resolutions were a vote against the resolutions. Based on the pie chart below, one of the apparent issues that stood out is with regards to the approval for Directors' Fees that represents 12% of total AGAINST votes. We believe that the underlying principle of a Board's integrity is obscured in the instance of a substantially higher fees awarded to Directors in spite of the poor performance of the company. Our active ownership helps fortify the foundation for long term profitable business practices and sustainable value creation.



Indeed, integrity is hard to define and the power of rationalisation does not make it a straightforward subject. Nevertheless, it should not be forsaken merely as an aspiration or a corporate buzzword. It is a value that we strive to inculcate in ourselves, be it at the forefronts of our investments to the top-down management of the EPF itself. Our image as a retirement savings fund relies heavily upon the trust of our stakeholders, and it is our core responsibility to provide a worry-free retirement for them.

Hence, while we have all the pertinent policies and framework in place to guard against gross violations of integrity standards, it is critical to foster a culture of integrity at a personal level in both the organisation and the investments that it partakes. We are proud that the EPF has been a paragon of an institutional investor with integrity; building sustainable value for its stakeholders. Be that as it may, we will not be complacent and continue to strive for excellence with integrity. To quote from Forbes, "Success will come and go, integrity is forever".



## OPERATIONS DIVISION



**DATO' MOHD NAIM DARUWISH**  
Deputy Chief Executive Officer

The Operations Division is responsible for overseeing the registration and management of members' and employers' account, contribution payments, withdrawals, nominations and enforcement against employers who fail to make contributions. In addition, the division also manages and oversees operational functions across a network of 68 EPF branches nationwide.

This division also performs the functions of support services for office and property management, operational transformation, legal advisory and secretarial services, as well as investments' compliance.

Services to customers are provided through multiple channels namely the Contact Management Centre (CMC), counter services, kiosks, electronic channels, mobile teams, mail and website.



*“To ensure quality of service delivery to customers, the EPF introduced the ‘Janji Kami’ (Our Promise) charter within our core operational activities, as guidelines and benchmarks to measure the quality of services provided to the customers.”*

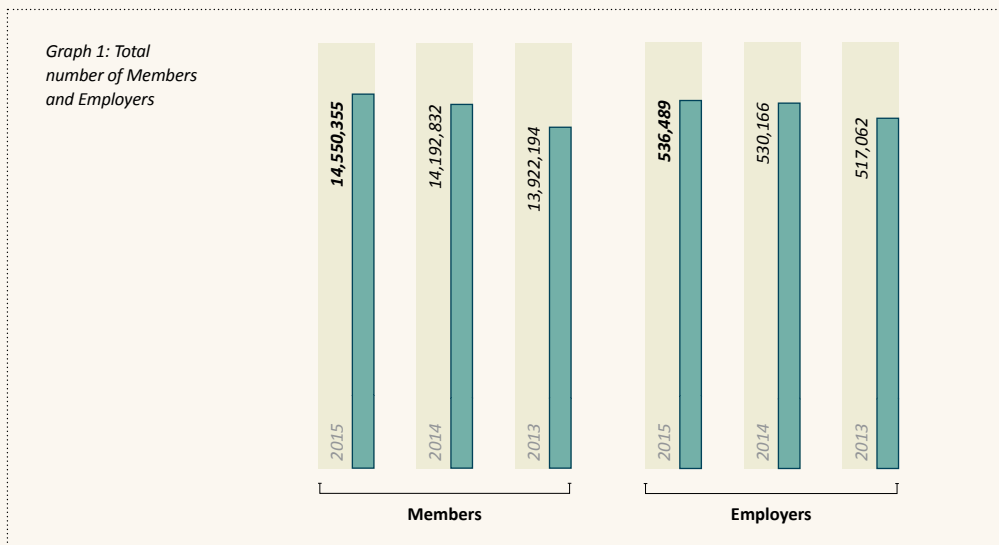
### SERVICE TO CUSTOMERS

The EPF is committed to providing excellent service to our customers, particularly members and employers, who comprise the foundation for EPF's existence. The services offered are based on a concept that focuses on speed, accuracy, convenience, integrity and cost-effectiveness.

To ensure quality of service delivery to customers, the EPF introduced the ‘Janji Kami’ (Our Promise) charter within our core operational activities, as guidelines and benchmarks to measure the quality of services provided to the customers.

### Registration of Members and Employers

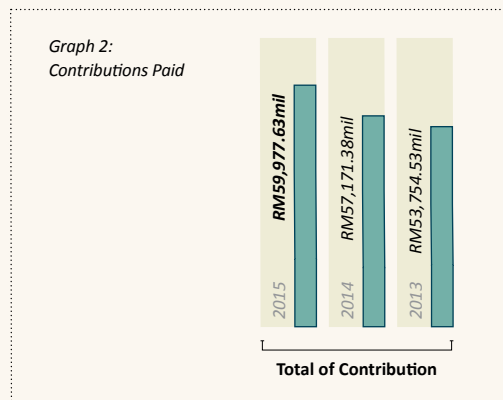
A total of 461,104 individual members were registered in 2015, adding to the total number of members to 14,550,355. The number of registered employers in 2015 was 66,639, an increase of 1.20% from 530,166 in 2014 to 536,489 (after incorporating the number of cancelled employers). On average, a total of 38,425 members and 5,553 employers were registered every month throughout 2015.



## OPERATIONS DIVISION

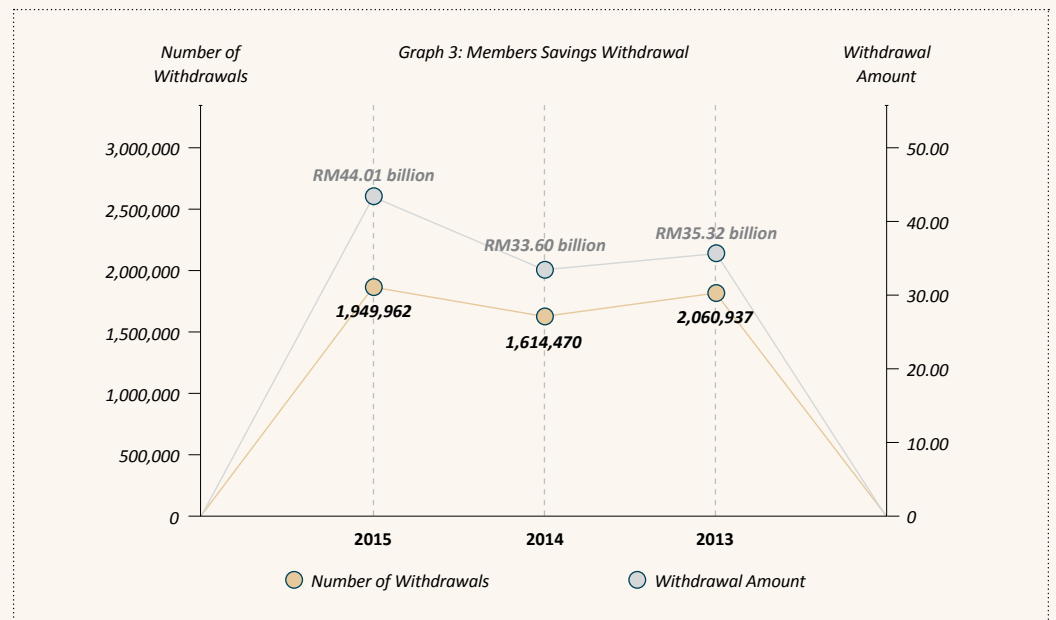
### Management of Contribution Payments

In 2015, the EPF received and managed contribution payments amounting to RM59,977.63 million. This was an increase of 4.91% compared with 2014. This was due to the increase in the number of members, employers and wages. The increase was also attributed to the heightened awareness among employers and employees, as well as regulatory and continuous enforcement activities against errant employers. The EPF provides various payment channels at EPF counters, through bank agents, payment kiosks and electronic channels to assist employers when making payments.



### Withdrawals

The processing of various types of withdrawal applications under the EPF Act 1991 is one of the main activities in the Operations Division. In 2015, a total of 1,949,962 applications were approved, which amounted to RM44.01 billion through various members withdrawal schemes. This was an increase of 20.8% in applications and 31% in ringgit value compared with 2014.



### Enforcement

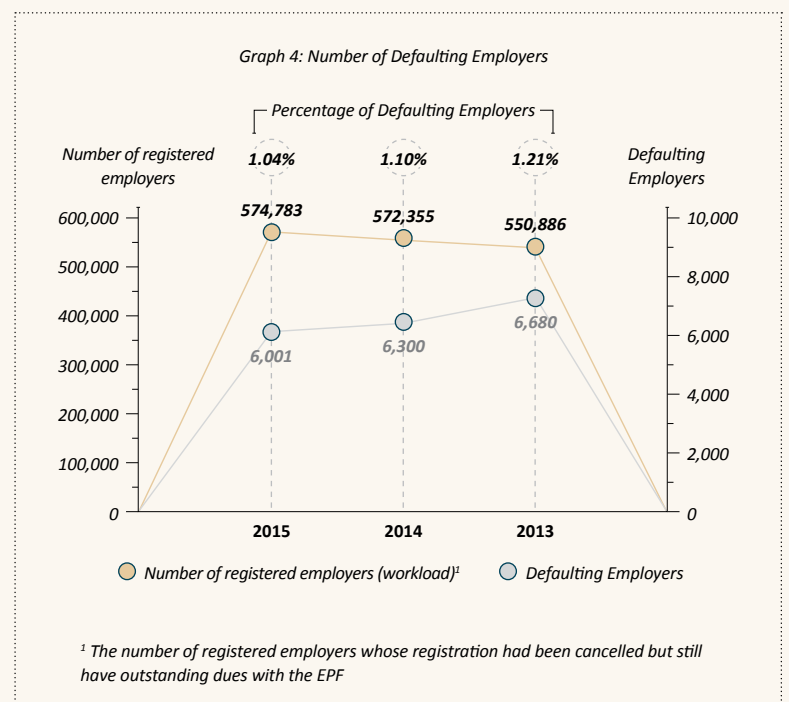
To safeguard the interest of members, the EPF undertakes firm yet prudent methods to regulate, enforce and collect outstanding payments from employers. This is facilitated by robust technological systems to obtain timely and accurate particulars on employers and employees.

As a result, the rate of defaulting employers in 2015 declined by 1.04%, as opposed to 1.10% in 2014.

In 2015, a total of RM2.90 billion contribution payments were received through enforcement action against errant employers who failed to pay within the stipulated time and rates. The year also saw a total of 1,836 company directors and business owners restricted from leaving the country under Section 39 of the EPF Act for failing to settle their employees' contribution arrears, thus adding to the total of 9,960 in 2015. A total of 4,567 new prosecution cases and 963 civil suits cases against errant employers were also filed in the courts in 2015.

### Nomination

The EPF continues to advocate members on the importance of nominating their beneficiaries in order to facilitate the withdrawal of savings upon the member's death. The campaign saw 279,323 new nominations registered in 2015, which add to the number of members' nomination to 4,032,207.



## OPERATIONS DIVISION

### Customer Interactions

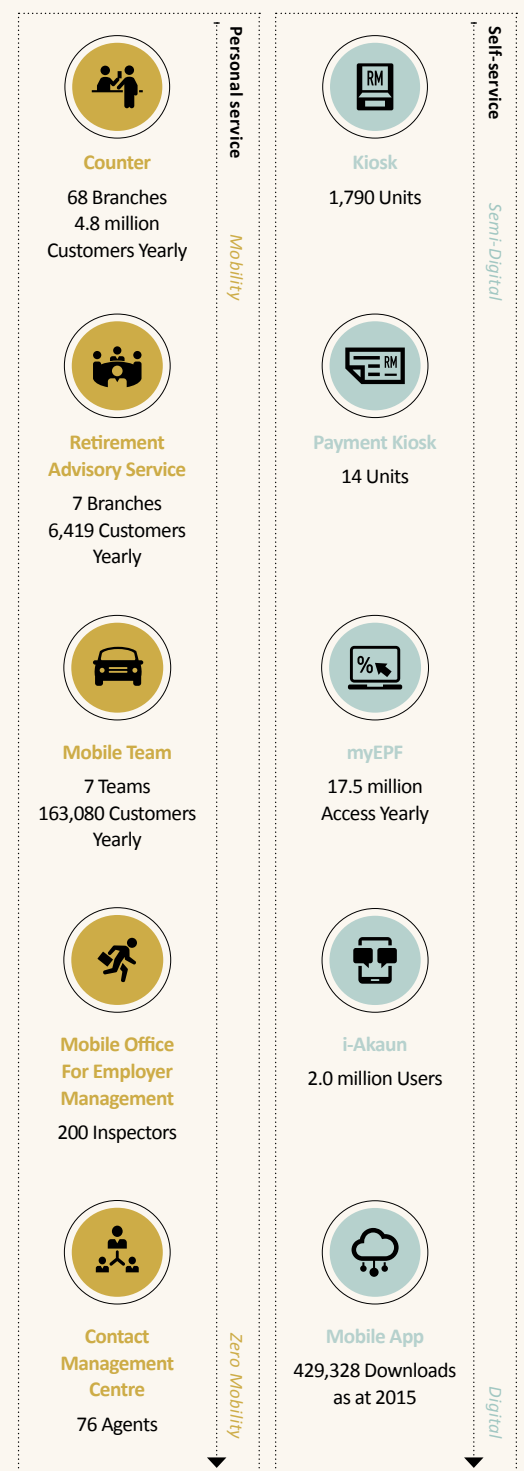
The year 2015 also saw 46,467,644 transactions by customers made through EPF counter, contact centre, myEPF, kiosks, i-Akaun, and via emails. Of this amount, a total of 1,053,304 interactions were made through the EPF Contact Management Centre.


Table 1: Customer's Interaction by Channels

Channels	2015	2014	2013
myEPF	17,533,045	12,659,814	6,434,005
Kiosk	10,456,700	9,310,677	9,192,374
i-Akaun	12,655,924	7,275,364	3,924,026
Counter	4,768,671	5,130,451	5,276,466
Contact Management Centre (telephone)	997,491	853,886	776,166
Contact Management Centre (Email)	55,813	48,246	62,360
<b>Total</b>	<b>46,467,644</b>	<b>35,278,438</b>	<b>25,665,397</b>

In 2015, we enhanced our electronic services and revolutionised the way we transact with our members and employers. Living up to our core value of Customer Focused, we have added communication channels that allow us to reach our members – ‘anytime and anywhere’ more effectively.

### Customer Experience & Delivery: The Omni Channel





## Impeccable service at EPF counter

ON Oct 2 at 3.50pm, I went to the KWSP office in Shah Alam to sort out some problems with my EPF contribution. For some reason, despite my salary being deducted for EPF, the amount was not showing up in my statement.

It turned out that my employer's EPF number had been deactivated after more than a year of inactivity. Furthermore, I was supposed to go to another branch where the account was registered if I wanted to resolve the problem.

But the staff who was the first to attend to me, Haslinda, took the extra effort to check with her senior officer, Norhisham, on how to proceed with my case. Norhisham gave the approval to see another officer, Zamani, who was extremely efficient and knowledgeable as he helped me sort things out.

Despite the fact that it was late on a Friday afternoon, they went above and beyond the call of duty and saved me the trouble of going to the Raja Laut branch, and quite possibly a second trip, due to the sheer amount of information needed to create a new account and have the cash transferred over.

Letter to Editor published in *The Star*, 9 October 2015

### Customers Satisfaction Survey

The EPF strives to ensure customers are given the best service and care to meet their expectations. Together with an independent consultant, the EPF Contact Management Centre had carried out a Customers Satisfaction Survey, which measures customers satisfaction based on their experience during and after their dealings with the EPF. In 2015, the survey revealed that 94.74% of customers were satisfied with EPF services.

### Continuous Improvement Initiatives: Understanding new needs and wants

Technology continues to be an influencer of change and has evolved dramatically to suit the changes in time and expectations. It is a catalyst for improving services, raising productivity levels, and allowing accurate insights from data collection and analysis.

One of the EPF's core strengths lies in our successful integration of emerging technologies into our systems, processes and procedures. In recent years, the EPF members' demographic has changed given the larger number of Gen Ys entering the workforce. Gen Ys, the perfect epitome of the term 'digital natives', make up the bulk of EPF's active members. As at 31 December 2015, a total of 56% of EPF's active members comprised the Gen Ys. This is expected to increase to 68% by 2020.

As the number of our Gen Y members grows, so do their level of expectations. The move to improve our processes has become the linchpin of our operational performance. Many changes have been implemented as we look to continuously and constantly improve our services to ensure we meet members' increasing expectations of professionalism and convenience.

## OPERATIONS DIVISION

### i-Akaun

The i-Akaun was the first-of-its-kind online facility that allows members and employers to verify their EPF contributions and payments, withdrawal application status and entitlement, and to update their profile. A total of 2.0 million members and employers had registered and activated the i-Akaun in 2015.

### e-Pengeluaran

The e-Pengeluaran allows members to submit their withdrawal applications online. As at 31 December 2015, a total of 28,151 members had utilised this facility to submit their applications. The enhanced e-Pengeluaran also resulted in the increase of participating banks from only RHB Bank in 2015 to now include Maybank, Bank Islam, OCBC Bank and BSN.

### e-Caruman

The e-Caruman enables employers to remit monthly contribution payments and/or employees' particulars (Form A) online. This facility was enhanced with the incorporation of the Financial Process Exchange (FPX), an online payment gateway system which enables employers to make secure real-time debiting of employer's internet banking account with 10 participating banks. A total of 13,505 FPX transactions have been recorded since its roll-out.

As at end 2015, a total of 331,759, or 75% of employers utilised the e-Caruman facility every month.

### Driving Innovation Excellence

It is imperative that we continue to innovate and be able to transform by simplifying and improving business and operational processes. A systematic approach has been adopted to ensure that process improvement is implemented based on industry practice. To achieve this, our employees have been trained to leverage the usage of process methods and tools such as the Lean Six Sigma, Design Thinking, TRIZ, PDCA, Data Analysis, Business Model Canvas and project management.

To further cultivate innovation, EPF employees are encouraged to set up innovation and creative circles (ICC) and apply improvement methods in their daily tasks. The ICC is one of the medium for employees to develop innovative capability and creativity through the cumulative process of education, training and work experience. Currently, there are 23 ICC projects from EPF Branches and 10 from the Accelerated Development Programme implemented in the EPF.

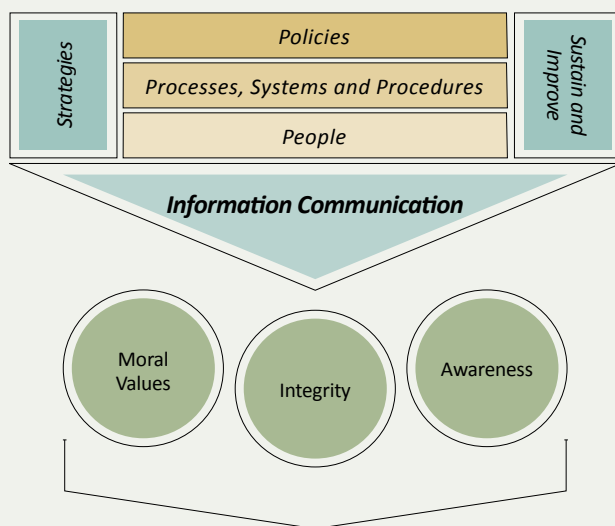
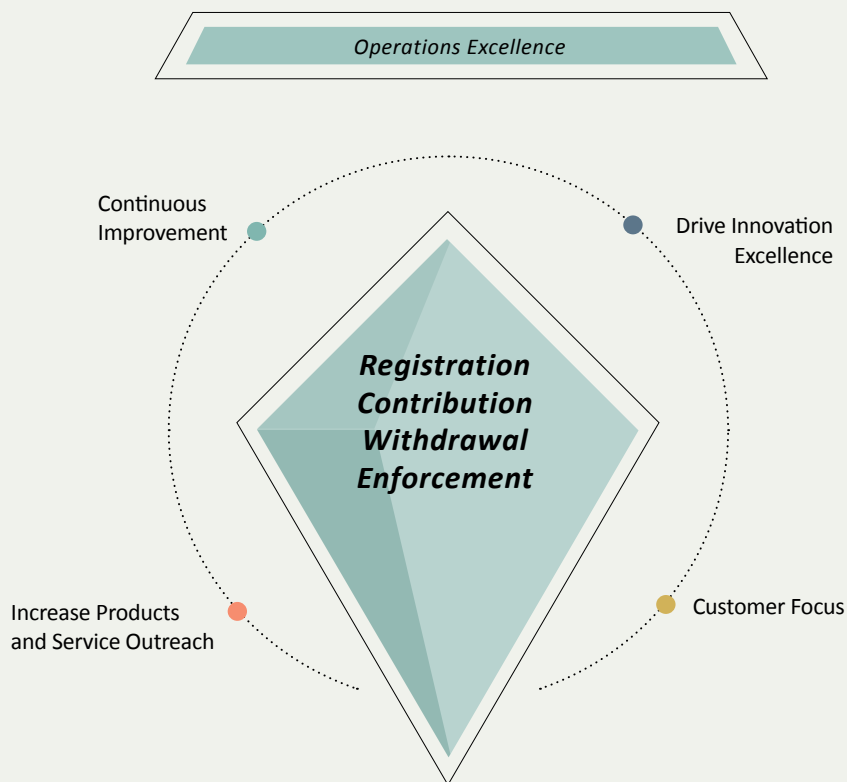
*“The i-Akaun, e-Pengeluaran and e-Caruman facilities were introduced in order to transform the EPF’s service delivery to our members and employers.”*



Letter to Editor, published in the New Straits Times, 17 June 2015

## OPERATIONS DIVISION

### FOCUS ARTICLE: INTEGRITY DRIVES OPERATIONAL EXCELLENCE



Operational Integrity in EPF

#### INTEGRITY DRIVES OPERATIONAL EXCELLENCE

The EPF always put great emphasis on integrity to provide long-term benefits to its stakeholders. Integrity is one of the four core values that underpins the way we do our business and transact with our members. We are each personally accountable for the highest standards of behaviour, including honesty and fairness in all aspects of our work, in line with our customer charter 'Janji Kami' (Our Promise) which aims to provide exceptional customer experience to members and stakeholders.

As custodian to our members' retirement savings, we are conscious of the need to ensure good governance and that all activities are carried out in a transparent manner. The principles of corporate integrity have been inculcated into the hearts and minds of all employees, and in every aspect of their work in order to maintain the trust and confidence of our stakeholders. Codes of conduct, guidelines and control mechanisms are in place to monitor and ensure that integrity is not violated.

*"In line with our customer charter 'Janji Kami' (Our Promise), we are committed to provide exceptional customer experience to members and stakeholders."*




#### INTEGRITY IN OPERATIONS

The EPF's operational activities are monitored based on relevant procedures and guidelines to ensure that any unauthorised movement of data and fraudulent attempts can be detected. In addition, the concept of accountability and transparency are built into every level of control and authorisation throughout the organisation.

## OPERATIONS DIVISION

### FOCUS ARTICLE: INTEGRITY DRIVES OPERATIONAL EXCELLENCE

This way, our employees can perform their duties with integrity and do what is right, as the EPF practices a zero-tolerance policy on breaches of integrity and ethics. Priority is given to safeguard members' rights by ensuring that reasonable methods and mechanisms are established in order to protect members' accounts, minimise loss and prevent fraudulent activities as displayed in the table below:

<p><b>PREVENTIVE</b> to prevent and avoid possibility of threats from occurring</p> 	1.	Official Secrets Act - Prevent disclosure of confidential information
	2.	Personal Data Protection Act - Protect stakeholders personal data
	3.	Chinese Wall Policy - An ethical barrier to avoid conflict of interest
	4.	Anti-Fraud Policy - Deal with potential wrongdoings
	5.	Whistleblowing Policy - Protection to individuals who provide information on wrongdoings and fraudulent activities
	6.	Risk Management System - Managing key risk areas
	7.	Operations Manual - Work instructions, user guide and checklist
	8.	Security Access Matrix - Access to confidential information
	9.	Execute enhancement to systems and procedures
	10.	Set KPI targets - EPF employees work performance level
<p><b>DETECTIVE</b> to identify threats in our systems</p> 	1.	Fraud Exception Report - Automated report on fraud activities
	2.	Anti-Fraud and Whistleblowing Hotline - A platform where reports can be made on fraudulent cases or wrongdoings
	3.	Complaints Monitoring - Monitor and identify areas involved
<p><b>CORRECTIVE</b> to mitigate or lessen the effects of the threat</p> 	1.	Enhancement to Policies, Systems, Procedures and Structure
	2.	Disciplinary Proceedings
	3.	Accountability Action such as disciplinary action
	4.	Police Report

This approach enables the EPF to monitor and control inter-relationships and inter-dependencies among our many processes so that we are able to monitor our overall performance and services. This is supported by policies to uphold integrity while at the same time maintaining the highest level of trust and confidence of the public in the EPF.

The EPF believes that leaders must possess strong ethics and high integrity. The commitment by EPF leaders to uphold integrity and comply with policies is paramount in order to send a clear message to all employees. In addition, this showcases our seriousness in mitigating cases of integrity breaches, fraud and wrongdoings. Various initiatives and communication activities are in place to ensure highest standards of integrity are applied across all departments and among employees. These initiatives also enable employees to identify their strengths and weaknesses so they are able to manage any issues and areas that require attention.

**BH**  
**Jumlah majikan gagal carum KWSP menurun**

Jumlah majikan yang gagal mencarum ke dalam Kumpulan Wang Simpanan Pekerja (KWSP) menurun kepada 110 peratus pada suku keempat berakhir 31 Disember 2014. Timbalan Ketua Pegawai Eksekutif (Operasi) KWSP, Datuk Mohd Naim Daruwish, berkata penurunan itu mencerminkan kesedaran yang meningkat dalam kalangan majikan terhadap kesejahteraan persaraan pekerja mereka. "Kami juga tidak menafikan peranan yang dimainkan oleh golongan pekerja sendiri yang sentiasa membuat semakan KWSP mereka, telah membantu memastikan majikan mencarum bagi pihak mereka dan tepat pada masa," katanya. Beliau berkata, walaupun majikan kebanyakannya patuh dan memahami tanggungjawab untuk mencarum bagi pihak pekerja mereka, tetapi masih ada majikan yang mengabaikan tanggungjawab KWSP mereka dan membuat caruman dalam tempoh yang ditetapkan. Bagi suku tahun dalam kajian, sejumlah RM310,000 denda dikumpulkan daripada 189 majikan yang diambil tindakan di bawah Seksyen 43 (2) Akta KWSP 1991. Sejumlah 278 kes sivil dan 816 kes jenayah

**NEW STRAITS TIMES**  
**Five fined for fraudulent EPF withdrawals**

KUALA LUMPUR: Five people who made fraudulent Employees Provident Fund (EPF) withdrawals were convicted between October and December, last year. In a statement issued yesterday, EPF Deputy Chief Executive Officer (Operations) Datuk Mohd Naim Daruwish said the suspects were fined a total of RM8,500 by the courts. He said they were charged and convicted under Section 59 of the EPF Act 1991 and the fines imposed on each offender ranged between RM1,200 and RM2,000. Under the Act, offenders face a maximum of three years

Article by the New Straits Times, 23 January 2015, on the number of fraudulent EPF withdrawal cases.

Article by Berita Harian, 14 March 2015, on EPF's quarterly report on Operations which among others, reported on the reduction in the number of errant employers.

## STRATEGY DIVISION



**TUNKU ALIZAKRI RAJA MUHAMMAD ALIAS**

Deputy Chief Executive Officer

The EPF views that a good retirement for Malaysians comprises financial security, good physical, mental and emotional health and being able to live a meaningful life. Hence the EPF believes in empowering members to take charge of their retirement planning. Towards achieving this, we actively engage with the Government to develop strong social protection policies that are key to supporting the EPF in achieving our Vision to be a world class social security organisation.

In line with our Mission of providing the best retirement savings for members, the Strategy Division is tasked with managing and coordinating the following core activities:

- understand the present and future retirement landscape for Malaysians to enable the correct policy responses;
- communicate, engage and educate all relevant stakeholders on retirement issues;
- plan, prepare and position the EPF to meet its mandate and objectives; and
- provide the best possible human capital infrastructure and capabilities towards making the EPF one of the best organisations to work for in Malaysia.

### STRATEGIC PLANNING FRAMEWORK: DYNAMIC 5-YEAR ROLLING PLAN

The EPF operates in a highly challenging environment characterised by evolving member demands, retirement income adequacy issues, regulatory pressures, uncertain market conditions, longevity risks and rapid technological advancements. In response to these challenges, we have devised a strategic roadmap towards becoming a world-class organisation with a high performance culture. We have put in place the highest standards of governance and risk management practices, processes and infrastructures to ensure superior customer experiences.

The EPF has adopted a rolling plan approach to enable us to be more forward looking and aligned with our aspirations. The 5-Year Rolling Plan (5YRP) 2016-2020 is reflective of our focus and emphasis to enhance service delivery, increase automation levels and upgrade competency.

The 5YRP 2016 – 2020 is underpinned by six strategic thrusts, namely Investment Excellence, Operations Excellence, Customer Excellence, Retirement Security, People Development, and ICT and Capability Building. It is designed to enhance organisational performance, and add value to our members and key stakeholder groups. Embedded within the 5YRP 2016 - 2020 are the five flagship projects that will significantly transform our business and operating models, which are:

1. Introduction of the Shariah Savings option in 2017
2. Enhancement of e-services
3. Simplification of Business Process, Policy and Procedure (SBPP) to improve internal efficiency
4. Expansion of the Retirement Advisory Services (RAS) throughout the country
5. High financial literacy among all Malaysians

To ensure proper implementation of the strategies outlined in the 5YRP 2016 - 2020, we employ the Balanced Scorecard methodology to drive and measure performance, supported by a robust and structured





*“This robust planning process together with the governance of strategy implementation through the Strategy and Talent Councils have borne fruit which saw the EPF simplifying the processes of five departments as part of efforts to drive operational efficiencies. We have also expanded the Retirement Advisory Services (RAS) from an initial two to five branches, with a total of 23 officers now being able to provide complementary advisory services to our members.”*

monitoring process. Strategic planning is integrated and streamlined with the budgeting process to ensure appropriate resource allocation. The 5YRP plan is shared with all employees through various channels such as CEO town-hall sessions, management meetings at state and regional levels, supported by online learning modules and regular updates via email.

This robust planning process together with the governance of strategy implementation through the Strategy and Talent Councils have borne fruit, which saw the EPF simplifying the processes of five departments as part of efforts to drive operational efficiencies. We have also expanded the Retirement Advisory Services (RAS) from an initial two to five branches, with a total of 23 officers now being able to provide complementary advisory services to our members.

## STRATEGY DIVISION

### CORPORATE SCORECARD PERFORMANCE DECEMBER 2015

Perspective	Strategic Objectives	Measure (KPI)	Achievement	
 Customer/Stakeholder	Enhance Customers' Experience	Mystery Shopper Rating	90.53%	
		Customer Experience Rating	96.79%	
		Net Experience Score	96.91%	
	Ensure Members' Secure Retirement	Percentage of Active Members With Basic Savings	38%	
		Percentage of Members Age 55-60 Opting For Flexi Age Withdrawal In Their First Withdrawal	30%	
 Financial	Optimise Risk-Rated Investment Returns	Risk Rated Investment Returns	0.072%	
		Rolling 3-Year Real Dividend	4.05%	
	Provide Efficient Cost Management	Expenditure per Average Asset Under Management	0.269	
 Internal Process	Enhance Efficiency	Percentage of Core Process Efficiency Index	96.49%	
		Percentage of Core Process Error Index	0.54%	
		Percentage of Identified Key Processes Reviewed, Re-engineered & Implemented	90.00%	
	Service Channel For Members	Service by EPF	18.83%	
		Service by Agents (3 <sup>rd</sup> party)	2.36%	
		Self Service (Online & Kiosk)	78.81%	
	Service Channel For Employers	Service by EPF	23.77%	
		Service by Agents (3 <sup>rd</sup> party)	38.18%	
		Self Service (Online & Kiosk)	38.05%	
	Enhance Stakeholders Management	Net Number of Favourable Policies Approved/Implemented By The Government	9	
		Financial Literacy Index (Awareness & Understanding)	100%	
		Communication Effectiveness Rating (Including of Net Trust Score)	85.06%	
		Net Positive Values of Media Coverage Over Media Investment	1.50	
	Enhance Corporate Governance	Corporate Governance Index	98%	
		Government Audit Rating	4	
Effective Management of Strategic Risk & Compliance	Strategic Risk Culture Index	94.31%		
	Internal Audit Rating	93.3%		
 Organisational Capacities	Living Our Values Everyday	Values Rating	94%	
	Enhance Human Capital Management	Human Capital Index	74.93%	
		Ranking of Malaysia's 100 Leading Graduate Employers	116	
	Enhance ICT Capabilities	ICT Service Index	System Availability	99.99%
			System Performance	96.44%
			Zero Security Incident	0
ICT Readiness Index	6.75			

## STRATEGY DIVISION

### ADDRESSING SOCIAL SECURITY CONCERNS FOR THE COUNTRY

Malaysia is projected to be an ageing nation by 2030, with 14% of the population age 60 years or above. Juxtaposed with the burden of the increasing gap between age of retirement and life expectancy, there is a pressing need for changes in policy and infrastructure development at a national level to supplement members' EPF savings. Worrying statistics show that as at 31 December 2015, only 38% (2.8 million people) of active EPF members have met the Basic Savings amount of RM196,800. Further data shows that 65% of members aged 54 years (163,252 people) have less than RM50,000 in their EPF accounts and assuming that they have no other sources of income or savings, this amount will be exhausted within five years if spending is kept below RM820 a month.

The minimum contribution rate of 24% ranks Malaysia as the fifth highest in the world but this in itself has not been able to effectively address the savings inadequacy issue due to the relatively low wages, which makes it very challenging for Malaysian workers to prepare for retirement.

In addition, Malaysia has allocated between two to three per cent of its Gross Domestic Product (GDP) for the development of social security infrastructure and protection. This is a vast contrast when compared to the developed nations, especially the Western Europe nations, which allocates an average of 27% against GDP, according to the International Labour Organisation (ILO).



Source: International Labour Organisation (ILO)

Country	Percentage
France	33.0
Denmark	28.7
Sweden	28.1
Germany	26.2
United Kingdom (UK)	23.8
USA	20.0
Canada	18.8
Japan	18.2
Australia	16.9
Brazil	14.4
Vietnam	4.9
China	3.7
India	3.0
Malaysia	3.0
Thailand	0.3

### 32<sup>nd</sup> ASEAN Social Security Association Board Meeting 2015



Taking these issues into account, the EPF together with other key agencies and bodies concerned with social security issues, had proposed the establishment of a national coordinating body comprising representatives from key ministries, agencies and social security stakeholders, to look into the holistic development of a social security system and infrastructure for Malaysia. The implementation of this infrastructure will help the Government to have a holistic view of the social security requirements for the country and our citizens, as well as provide effective targeting mechanisms to ensure the right assistance is extended to those who are truly deserving (refer to Current Retirement Scenario in Malaysia, cover flap). Urgent measures are needed to ensure Malaysia does not face critical

## STRATEGY DIVISION

challenges currently being experienced by the more advanced countries. Some steps in the right direction have been taken, such as the recent announcement by the Government in the Budget Speech 2016 to increase the minimum wage for both Peninsular Malaysia (RM900 to RM1,000) and East Malaysia (RM800 to RM920).

The year also saw the EPF strengthening its relations and global network with other international social security bodies with the appointment of CEO, Datuk Shahril Ridza Ridzuan as Chairman of the ASEAN Social Security Association (ASSA) and Deputy CEO (Strategy) Tunku Alizakri Alias as the Secretary-General. The EPF also took the opportunity to organise the ASSA Knowledge Exchange Session, where ASSA members were invited to share their experiences in reforming their respective countries' social security system. In conjunction with the ASSA Knowledge Exchange, the EPF partnered with JP Morgan to organise the annual International Social Security Conference (ISSC) 2015 where global experts were invited to speak about their experiences, ideas and success stories on issues relating to social security and retirement. The conference attracted 450 participants from across the globe, including the International Social Security Association (ISSA) and ASSA members.

### MANAGING MEMBERS' EXPECTATIONS AND PUBLIC PERCEPTION

One of the most significant EPF milestones for the year was the organisation of the largest public consultation exercise ever conducted in Malaysia. The objective of the exercise was to obtain members' feedback on several proposals to enhance the current EPF retirement scheme. More than 96,000 responses were received, indicating that the result of the exercise was statistically representative of EPF members with a margin of error of 0.35%.

 Page 70 (For more details, read Article Focus: Transparency in Enhancing Members' Retirement Savings.)

The year also saw the EPF actively engaging and communicating key initiatives to enhance the level of financial literacy among members and relevant stakeholders, with activities such as nationwide public briefings being organised. As at 31 December 2015, a total of 127 public briefing sessions were conducted, reaching out to 7,500 participants on topics covering EPF's products and services, the importance of retirement planning, updates on Pension Reform, and promotion of the 1Malaysia Retirement Scheme (SP1M), which is a voluntary contribution for those in the informal sector.

In addition, there was close collaboration with the media in line with objectives to educate and raise public awareness on issues related to financial and retirement planning, reaching out not only to members approaching retirement age but also to young professionals entering the workforce. Key among this collaboration included the Retirement Talks, TV and Radio capsules and a 10-episode weekly programme "Let's Du-it" aimed to attract the younger audiences to start planning early for their retirement. The media helped to promote usage of the EPF Savings and Retirement calculator (available on our website [www.kwsp.gov.my](http://www.kwsp.gov.my)) and increase awareness of the EPF Members' Investment Scheme (MIS) option.



Article by The Star featuring news on the expansion of RAS in several market centres such as Kota Kinabalu, Ipoh, and Kuantan simultaneously on 3 November 2015.



The EPF and strategic partners AKPK and PPA collaborated in providing speakers for nine series of Retirement Talks throughout Q4 2015 with editorial support from The Star.

The media also played an important role in supporting the EPF's efforts to expand the Retirement Advisory Services (RAS) nationwide. RAS counters provide free advisory services to members to enable them to make informed decisions about their EPF savings and tips on how to make their money last throughout their golden years. Following the successful launch of the RAS pilot project in Kuala Lumpur and Petaling Jaya branches on 1 July 2014, members residing in Seberang Jaya, Johor Bahru, Kota Kinabalu, Ipoh and Kuantan now have access to RAS at the respective branches. As at 31 December 2015, RAS received more than 9,000 members with an overall satisfaction rating of 99%.

The EPF further pushed the financial literacy agenda by working closely and coordinating multi-agency promotional activities with strategic partners such as Bank Negara Malaysia, Agensi Kaunseling dan Pengurusan Kredit (AKPK), Private Pension Administrator Malaysia (PPA) and the Federation of Malaysian Consumers Associations (FOMCA).



"Let's Du-it" is a 10-episode programme which focuses on challenging contestants to make the best financial decisions, aired every Saturday on TV3 at 11.00pm

## STRATEGY DIVISION

### DEVELOPMENT OF A ROBUST AND RELEVANT HUMAN CAPITAL INFRASTRUCTURE – RIGHT PEOPLE AT THE RIGHT PLACE AND AT THE RIGHT TIME

To achieve the EPF's aspiration in having the best human capital in the industry, several plans have been put in place to facilitate the creation, development and retention of talent that is dynamic and focused on high-performance. We believe that our people should be given the right skills, training and exposure relevant to their tasks and responsibilities. We embarked on an organisation-wide programme to ensure official certification for our people in their particular areas of work and we placed extra emphasis on our non-executive employees in charting their career path. The EPF also successfully implemented a Career Transition Plan to enable a dignified and positive transition for employees aged 40 years and above to pursue opportunities outside of the organisation. The vacancies created by this move enabled a record number of junior employees to be promoted and assume greater responsibility, befitting their experience and contribution to the EPF.

#### Certification Programmes in 2015

The EPF gives particular emphasis on upskilling our talents, specifically the non-executive employees, to better prepare them for new challenges. The Certificate of Office Administration (COA) was designed for the personal development of non-executive employees to ensure that they are equipped with the necessary competencies to be considered for promotion. COA participants are required to complete at least one i-Learning module such as Vision and Mission, and one Corporate Learning Roadmap (CLRM) course, and meet the passing mark of 70 per cent for overall assessment. A total of 180 participants attended the five sessions in 2015, with 100 per cent turnout for every session; overall the sessions garnered an average effectiveness rating of 84 per cent.

To also ensure the knowledge delivery platform was robust, 33 EPF Learning Centre (ELC) executives were sent for certification under the Certified Training Professional (CTP) Programme, conducted by the Asian Regional Training and Development Organisation (ARTDO) in collaboration with the International Institute of Training and Development (ITD).

ARTDO is an international umbrella body whose membership comprise national organisations, educational institutes, multinational corporations, public and private enterprises, and Human Resource management specialists from over 30 countries.

The ELC has taken up Life Membership of ARTDO to ensure that it remains updated on the latest trends in learning and development.

The CTP certificate is only given upon satisfactory completion of a 10-day, five-module competency-based skills development programme. In addition, participants are required to submit certification reports indicating the demonstration and application of the set of training competencies in an actual work setting, within a 90-day post-training assessment period.

As at 31 December 2015, the EPF has gained expertise in the following areas:

Certification	No. of employees
1. Certified Training Professional (CTP)	12
2. Shariah Registered Financial Planner	2
3. Chartered Financial Analyst (CFA)	8
4. STQB Certified Tester Foundation (CTFL)	4
5. Certified Tester Advanced Level Test Analyst (CTL-TA)	1
6. Certification in Leading Strategic HR Transformation and Talent Management	1
7. Australian HR Institute Professional Certification	3
8. Certificate in Estate Agency	2
9. Certified Coaching and Mentoring Professional	1

#### Specialised Training Programmes for Human Capital Development

In order to cater to the needs of new recruits and Gen-Y talent, we have improved our human capital development programmes in terms of enhancing the learning experience, matching learning styles and staff learning preference, in addition to the development and implementation of a specialised learning programme for future EPF leaders.

The on-boarding programme, designed to help new employees acquire the necessary knowledge, skills, and desired behaviours in a fast and conducive way, have been further improved. Prior to the programme, participants are required to complete three i-Learning modules which include the EPF Vision and Mission, Business Continuity Management and ICT Security Awareness. The programme applies a combination of learning methodologies, including formal classroom sessions and experiential learning, such as visits and observation to EPF hub, corporate responsibility activities, teambuilding activities as well as project assignments. In 2015, two sessions were held with a total of 162 participants (41 executives and 121 non-executives) with an average effectiveness rating of 76 per cent.

An ELC regional office in Kuching was set up on 4 February 2015 in order to provide better client management for

employees based in Sabah and Sarawak. ELC Kuching is now able to offer training advisory services, seek and appoint local training facilitators, promote training activities and identify regional issues that are forwarded to the ELC main office for clarification and resolution.

#### The Accelerated Development Programme (ADP)

ADP was established in 2015 with the objective of developing a quality leadership pipeline to meet present and future human capital requirements of the EPF. A two-year programme, the ADP is divided into three target talent groups - senior, emerging and entry levels. Talents are exposed to various developmental programmes designed to strengthen and raise competency levels, build a global mindset and enhance character and leadership skills. A total of 113 participants from various departments across all three divisions were involved in this programme, which is based on the 70:20:10 approach with 70% on experiential learning, 20% on collaborative learning and 10% on classroom-based teaching. Programme activities include company visits, CEO luncheons, and mentoring and coaching. The classroom-based training includes Wellness Programme, Financial Analysis, Strategy Planning, Shared Values, Internal Business Understanding and Financial Literacy classes. The ADP has been well received by both the participating employees as well as the management, with a high satisfaction rating of 95%.

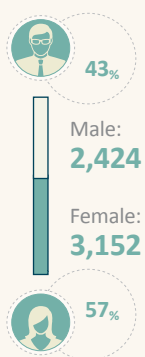
## STRATEGY DIVISION

### EMPLOYEE COMPOSITION

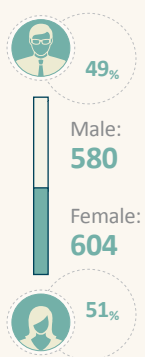
*“The EPF believes that the key to a high performance work culture is a healthy mix of gender, experience, age and races in its workforce.”*

In line with the EPF’s culture of continuous learning and improvement, as at 31 December 2015, more than 77%, or 4,312 out of 5,576 EPF employees, have certifications from institutions of higher learning, both local and abroad. Furthermore, the EPF has put in place a combination of ‘self service’ and guided learning development modules, in an effort to facilitate employees to equip themselves with the correct skills at their own pace.

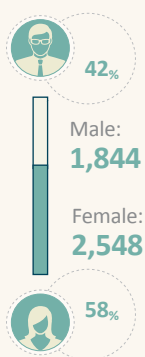
#### Overall Breakdown by Gender



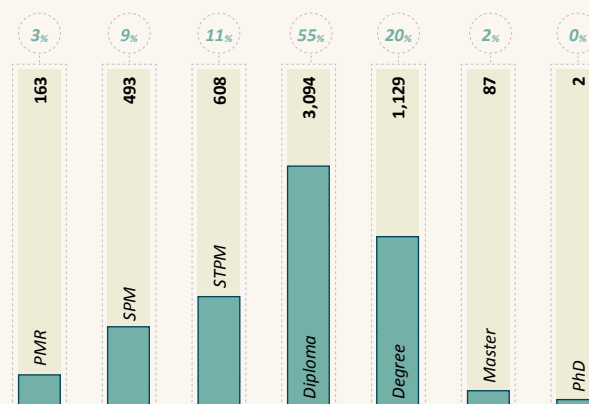
#### Gender Breakdown at Executive Level



#### Gender Breakdown at Non-Executive Level



#### Breakdown by Education Level



100% Total 5,576 EPF employees

Breakdown by Age Group	Baby Boomers		Gen X		Gen Y		Total
	%	No.	%	No.	%	No.	
Executive	24%	224	18%	579	27%	381	1,184
Non-Executive	76%	728	82%	2,610	73%	1,054	4,392



During the floods, care packs were specially delivered to affected areas. Branch and volunteer staff combined resources to clean up affected EPF branches.

#### EXTRAORDINARY EVENTS IN 2015: FLOODS

We are proud to report that even with the severe flooding affecting parts of Malaysia at the end of 2014 and the beginning of 2015, this did not deter the majority of our employees from reporting for duty; often at personal expense. In recognition of their efforts, the Management established the “EPF Flood Disaster Fund” in close cooperation with the EPF Club, Persatuan Pegawai Kanan (Association of Senior Officers), EPF Union, Puspanita (EPF Women’s Association) and Persatuan Kakitangan Islam (Association of EPF Muslim Staff). A total of RM157,500 was raised, which included personal employees contributions.

Three EPF Collection Centres were set up at the EPF Headquarters in Kuala Lumpur, the EPF Petaling Jaya branch and the EPF Learning Centre in Bangi. Three teams of EPF volunteer employees went to the affected areas such Tanah Merah and Kuala Krai, Kelantan from 8 to 10 January 2015 and delivered relief goods, food and money donated by employees and management, and assisted in cleaning houses. In a final gesture of goodwill and empathy, management approved a six-month moratorium on the repayment of EPF staff loans to employees whose property was damaged due to the flooding.

## STRATEGY DIVISION

### FOCUS ARTICLE: TRANSPARENCY IN ENHANCING MEMBERS' RETIREMENT SAVINGS

#### Members' Consultation Exercise 2015

The objective of the Members' Consultation Exercise conducted from 21 April to 5 May, was to seek input and feedback from EPF members on several proposals to improve the current EPF retirement scheme.

The exercise covered the following four key enhancement initiatives:

<b>ENHANCEMENT INITIATIVE 1:</b>	Proposal 1: To increase full retirement savings withdrawal from age 55 to 60; or Proposal 2: To retain full retirement savings withdrawal at age 55, with new contributions post age 55 to be locked in until age 60
<b>ENHANCEMENT INITIATIVE 2:</b>	Align minimum contributions with Minimum Wage, in order to benefit lower income members in the long run and enable a larger savings base
<b>ENHANCEMENT INITIATIVE 3:</b>	Extend the dividend payment from 75 to 100 years old
<b>ENHANCEMENT INITIATIVE 4:</b>	Setting up of a Shariah compliant retirement saving option for EPF members

**4 NEW INITIATIVES**

THE Employees Provident Fund is proposing these initiatives to protect those earning less than RM1,000 a month, while addressing any inadequacies in retirement savings among its members. EPF is asking feedback from its members and stakeholders for the next two weeks before tabling the findings to the board and making recommendations to the government. The initiatives are:

- Aligning the age of full withdrawal with the retirement age of 60
- Allowing members to continue enjoying annual dividends from the current age of 75 to 100 years
- Factoring gross salary into total EPF contributions
- Having a Syariah-compliant retirement savings option

**BH**  
**Inisiatif KWSP lindungi ahli**  
- Penambahbaikan peringkat tempoh bertukar simpanan persaraan

... (Article text) ...

**Kosmo!**  
**Rundingan awam KWSP ditutup**  
Sebanyak 96,448 maklum balas penambahbaikan daripada pencerum diterima

... (Article text) ...

Articles by Berita Harian "Inisiatif KWSP lindungi ahli" and New Straits Times "4 new initiatives" both on 21 April 2015 were among the extensive media coverage on EPF's four new enhancement initiatives and on the Members' Consultation exercise, which became the largest public consultation campaign ever held in Malaysia. The article by Kosmo "Rundingan awam KWSP ditutup" on 7 May 2015 were among news report announcing the closure of the exercise.

## STRATEGY DIVISION

### FOCUS ARTICLE: TRANSPARENCY IN ENHANCING MEMBERS' RETIREMENT SAVINGS

#### Survey Findings

A total of 96,448 responses were recorded and tracked via i-Akaun. The results had a 0.35% margin of error at a 95% confidence level, indicating that the results were statistically significant and representative of the opinion of all EPF members. The survey findings revealed a higher propensity for younger members being very interested in taking charge of their retirement savings as approximately 66% of respondents were aged 40 and below, 25% were between ages 41 and 50, while 9% were between ages 51 and 60, with only 0.2% being above 60 years old.

Of the total respondents, 83% came from the private sector, 12% came from public and statutory bodies and 5% are self-employed. Gender-wise, the current composition of the Malaysian workforce was reflected with a 58% and 42% split between male and female respondents.

#### The Final Results

The Consultation allowed the EPF to engage directly with our members and get valuable input on our efforts to enable a more solid retirement infrastructure for Malaysian workers.

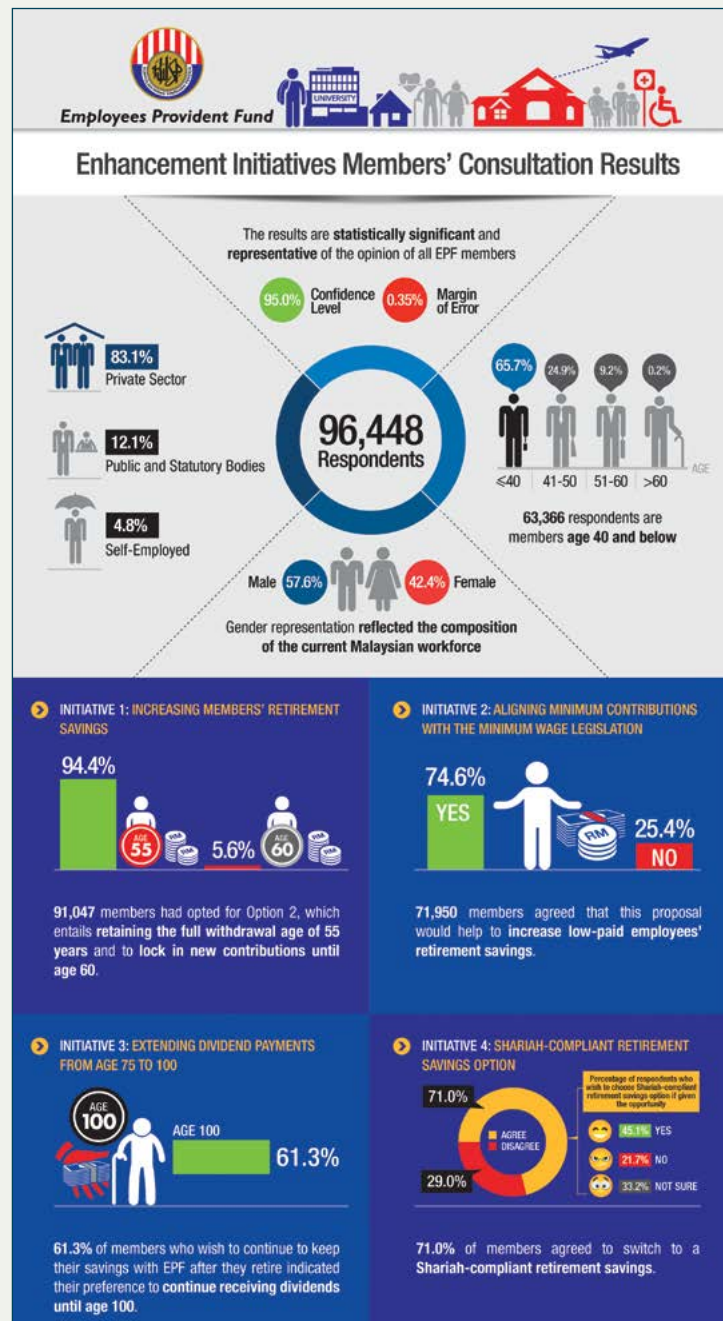
The results according to the four key initiatives were as follows:

<b>ENHANCEMENT INITIATIVE 1:</b>	A total of 94% of respondents chose Option 2, which entails retaining the full withdrawal age of 55, while new contributions from age 55 to 60 can only be withdrawn at age 60.
<b>ENHANCEMENT INITIATIVE 2:</b>	A total of 74% of respondents agreed with the proposal of aligning minimum contributions with the Minimum Wage legislation. This would make it compulsory for both employers and employees to calculate their EPF contributions based on wages stipulated by the Minimum Wage legislation.
<b>ENHANCEMENT INITIATIVE 3:</b>	A total of 61% of respondents agreed with the proposal to continue receiving dividends until age 100.
<b>ENHANCEMENT INITIATIVE 4:</b>	A total of 71% of respondents agreed with the proposal for a Shariah-compliant retirement savings option.

#### Conclusion

The tabling of the Employees Provident Fund (Amendment) Bill 2015, which includes all four enhancement initiatives, was passed by the Dewan Rakyat on 22 October 2015 and the Dewan Negara on 16 December 2015.

*Special Note: The Royal Assent was obtained on 4 February 2016 and the Employees Provident Fund (Amendment) Act 2016 (Act A1504) was gazetted on 18 February 2016. The implementation of all the initiatives will be communicated to members in due course.*



## ACTIVE MEMBERS' PROFILE BY SAVINGS RANGE AND GENDER

As at 31 December 2015

SAVINGS RANGE (RM)	NO. OF MALE	NO. OF FEMALE	TOTAL	SAVINGS (RM)
<1-1,000	209,121	154,669	363,790	174,314,045.53
1,001-2,000	153,366	119,710	273,076	404,214,528.49
2,001-3,000	117,966	93,176	211,142	524,083,135.26
3,001-4,000	99,174	78,628	177,802	620,553,779.63
4,001-5,000	88,336	72,031	160,367	720,497,066.30
5,001-6,000	80,187	65,938	146,125	802,928,772.09
6,001-7,000	74,280	61,159	135,439	880,093,524.04
7,001-8,000	70,722	59,707	130,429	977,605,824.84
8,001-9,000	66,568	55,011	121,579	1,032,892,352.13
9,001-10,000	62,029	53,189	115,218	1,094,076,975.65
10,001-15,000	266,159	226,948	493,107	6,116,714,193.55
15,001-20,000	213,509	186,501	400,010	6,963,564,824.95
20,001-25,000	180,131	158,356	338,487	7,596,879,179.06
25,001-30,000	157,500	137,562	295,062	8,096,978,845.41
30,001-35,000	139,714	119,934	259,648	8,426,515,414.55
35,001-40,000	125,233	105,437	230,670	8,641,098,604.44
40,001-45,000	115,488	96,212	211,700	8,986,778,950.31
45,001-50,000	104,661	83,720	188,381	8,940,232,554.82
50,001-60,000	185,810	145,366	331,176	18,166,063,853.91

SAVINGS RANGE (RM)	NO. OF MALE	NO. OF FEMALE	TOTAL	SAVINGS (RM)
60,001-70,000	157,205	119,395	276,600	17,941,986,112.56
70,001-80,000	132,499	99,838	232,337	17,392,871,104.30
80,001-90,000	113,902	84,429	198,331	16,828,585,966.13
90,001-100,000	96,988	71,303	168,291	15,965,273,327.94
100,001-110,000	83,555	61,581	145,136	15,220,399,329.60
110,001-120,000	72,242	52,606	124,848	14,343,316,816.98
120,001-130,000	62,403	45,809	108,212	13,513,482,277.41
130,001-140,000	54,307	39,019	93,326	12,587,796,148.59
140,001-150,000	47,627	34,049	81,676	11,833,770,515.14
150,001-300,000	311,686	218,847	530,533	108,819,547,476.51
300,001-400,000	62,361	40,122	102,483	35,218,124,367.18
400,001-500,000	32,501	18,686	51,187	22,775,436,385.47
500,001-600,000	19,215	9,988	29,203	15,934,349,873.71
600,001-700,000	12,494	5,851	18,345	11,849,095,886.06
700,001-800,000	8,331	3,686	12,017	8,970,709,688.18
800,001-900,000	5,886	2,474	8,360	7,080,658,564.36
900,001-1,000,000	4,383	1,670	6,053	5,736,144,655.69
>1,000,000	18,867	5,591	24,458	39,844,178,563.59
<b>TOTAL</b>	<b>3,806,406</b>	<b>2,988,198</b>	<b>6,794,604</b>	<b>481,021,813,484.36</b>