

Glossary

1. MEMBER

An EPF member according to the EPF Act is an individual who has an account and savings with the EPF. EPF members comprise private and non-pensionable public sector employees, and those who have opted to contribute.

2. ACCOUNT 1

70 per cent of a member's savings, which is dedicated specifically for retirement.

3. ACCOUNT 2

30 per cent of a member's savings, which can be utilised for pre-retirement withdrawals to enhance retirement well-being.

4. STRATEGIC ASSET ALLOCATION (SAA)

The primary goal of the EPF's Strategic Asset Allocation is to create an asset mix that will provide optimal balance between expected risk and return for long-term investments.

5. CONTRIBUTION

A contribution is the amount of money paid into a member's EPF account every month based on the monthly salary of the employee. EPF contributions are made by both employees and employers (on behalf of their employees).

6. DIVIDEND

Return to members' savings from investment activities. The dividend for every member's account is calculated based on an aggregate daily balance.

7. i-AKAUN

i-Akaun refers to a member's or employer's EPF online account.

8. SOCIAL SECURITY

Social Security refers to the government's programmes to promote the welfare of the population, ensuring adequate resources such as food and shelter, while promoting the health and well-being of everyone including children, the elderly, sick and unemployed.

9. EMPLOYER

- An employer is a person or party who employs an employee to work under a contract of service or apprenticeship. Employers include: managers, agents or any persons responsible for the payment of wages to an employee;
- Any group of persons, whether statutory or non-statutory or incorporated; and
- The government and any government department, statutory body, local authority or other body as specified in the Second Schedule of the EPF Act 1991.

10. EMPLOYEE

An employee is a person employed by an employer under a contract of service or apprenticeship.

11. PRE-RETIREMENT WITHDRAWALS

Pre-Retirement Withdrawals have been approved by the EPF to allow members to take out a certain amount from their savings before they reach the retirement age. This is to help them to prepare for retirement.

12. RETIREMENT WITHDRAWAL

Retirement Withdrawals allow members to withdraw all of their savings upon reaching the retirement age, or upon death, incapacitation or leaving the country. Pensionable employees or those opting for retirement can also make retirement withdrawals. Retirement withdrawals are paid either in lump-sum, in monthly instalments, in a partial sum, through annual dividends, or a combination of monthly, partial and annual dividends.

Glossary (Cont'd.)

13. NOMINATION

A nomination is a written declaration in Form KWSP 4 to elect / nominate one or more individuals to be beneficiaries (for non-Muslim members) or executors / administrators (for Muslim members) of members' EPF savings upon their death.

14. FINANCIAL PLANNING

Financial planning is an ongoing process to help individuals make sensible decisions about money with the ultimate objective of achieving long-term goals.

15. RETIREMENT PLANNING

Retirement planning is the process of determining retirement income goals and the actions necessary to achieve those goals. It includes identifying sources of income, estimating expenses, implementing a savings programme and managing assets. Future cash flows are estimated to determine if the retirement income goal can be achieved.

16. RETURN ON INVESTMENT (ROI)

Return on Investment (ROI) is the ratio of realised income gained or lost against the average fund size (at cost) for the year.

17. BASIC SAVINGS

Basic Savings refers to the minimum amount of savings in Account 1 that a member should have upon reaching age 55, as determined by the EPF. As of 1 January 2014, the Basic Savings has been set at RM196,800, which is equivalent to a monthly retirement income of RM820 for 20 (240 months) years from age 55 to 75.

18. WAGES

Wages are all monetary remuneration due to an employee under his / her contract of service or apprenticeship, whether it was agreed to be paid monthly, weekly, daily or otherwise.

19. MULTI-PILLAR PENSION FRAMEWORK

The World Bank advocates a multi-pillar pension framework, envisaging retirement income from at least five sources (or pillars) to ensure a comfortable retirement. The sources or pillars are: i) means-tested social assistance for poor elderly or retirees; ii) basic monthly income provided by the government; iii) retirement income from mandatory savings; iv) retirement income from voluntary savings; and v) informal financial and non-financial support such as the healthcare system, having a home as shelter, as well as financial support and non-financial support from family members.

20. RETIREMENT ADVISORY SERVICE (RAS)

The EPF began providing free retirement advisory services (RAS) for members at selected EPF offices. This includes providing information on the EPF's services in general, options on retirement savings, and tips on how to create a retirement plan and boost retirement savings to achieve a reasonable level of comfort during golden years.