



Employees Provident Fund

J.P.Morgan

INTERNATIONAL SOCIAL SECURITY CONFERENCE *2015*

SOCIAL SECURITY IN MALAYSIA: ISSUES & CHALLENGES

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Issues and challenges

ISSUES



 Longer Life Expectancy

 Escalating Cost of Living

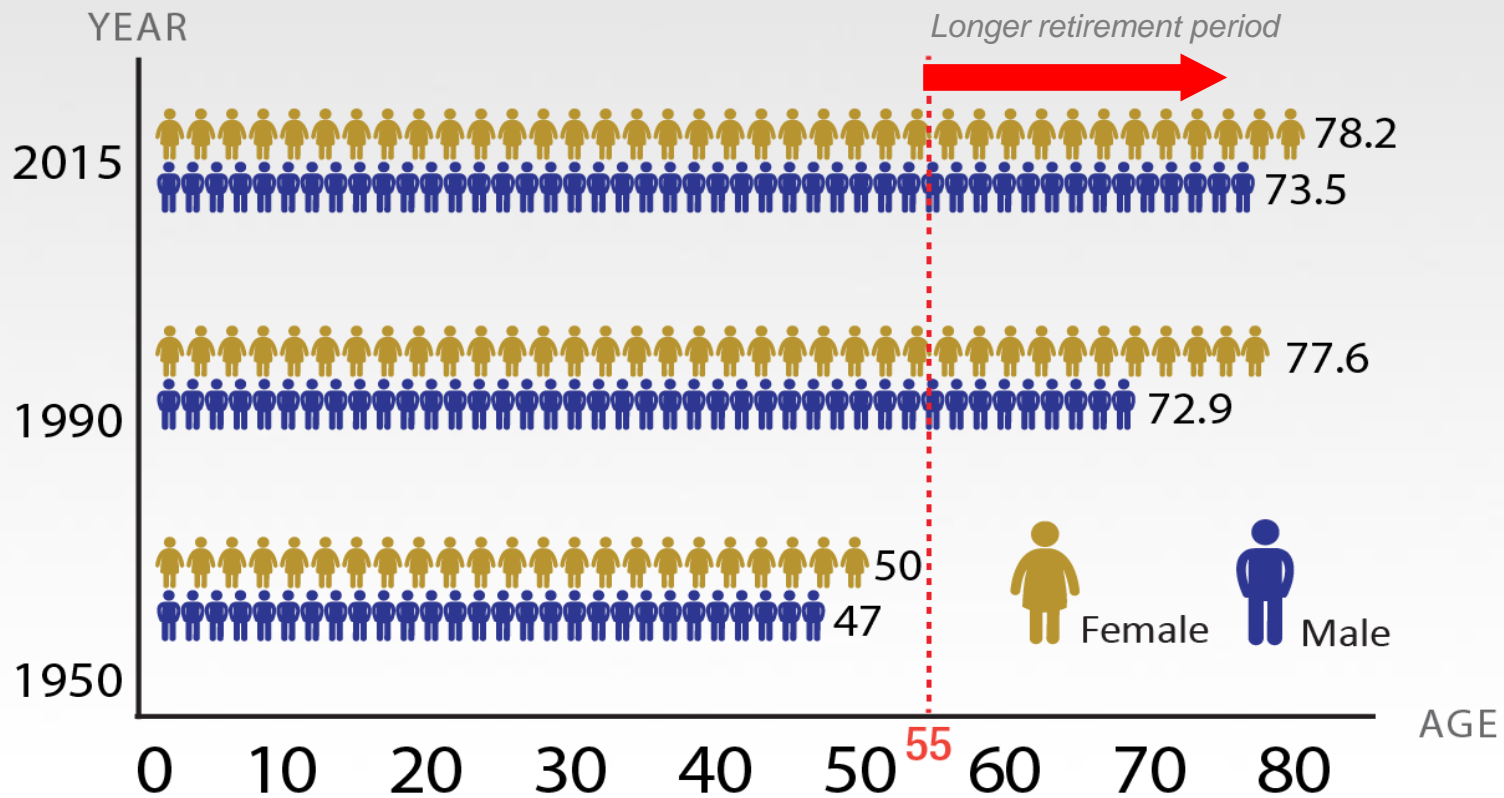
 Not Meeting Basic Savings



Longevity risk

Malaysians are living longer

- Average life expectancy: \approx 75 years old
- Retirement savings withdrawal is still at 55 years old since 1952



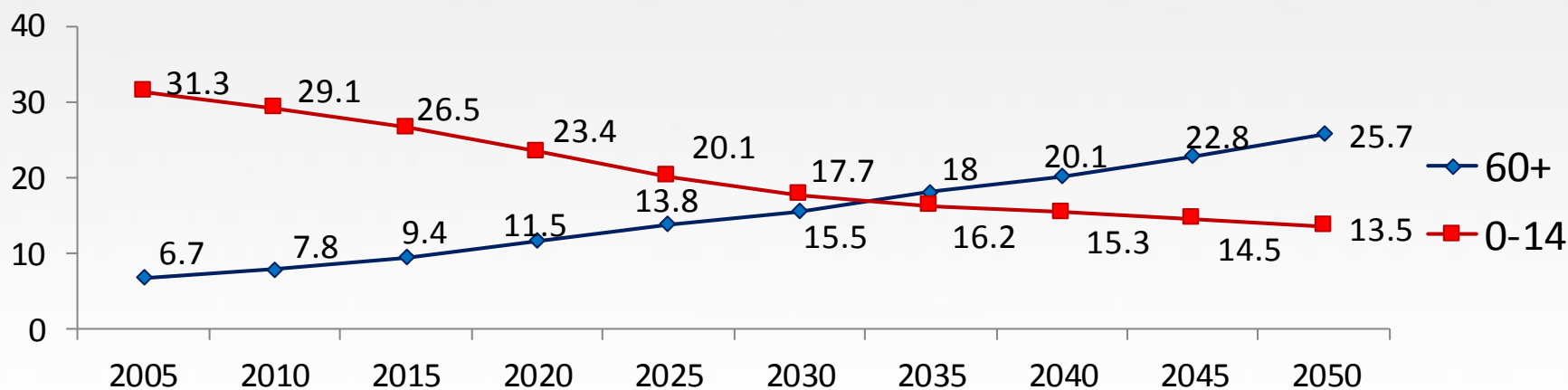
Source: United Nations Population Division



Longevity risk

Larger elderly population

- Malaysia is forecasted to become an **aged nation by 2030** when the elderly accounts for **15% of population**
- **Loss of healthy life expectancy: Women 10 years; Men 7 years (WHO)**
- Government's burden: Larger elderly population, longer life expectancy and higher medical cost, lower number of productive population



Source: United Nations Population Division, World Population Prospects, The 2008 Division (Malaysia)



Longevity risk

Global retirement age

55-59	60	61-64	65	>65
<ul style="list-style-type: none">  Bangladesh, 55  Benin  Burkina Faso  Central African  Fiji  Gambia  Guinea  Kenya  Kuwait  Mali  Nepal  Nigeria  Papua New Guinea  Senegal  Sri Lanka 	<ul style="list-style-type: none">  Algeria  Antigua & Barbuda  Bahrain  Brunei  Cambodia  China  Dominican Republic  Ghana  Guatemala  India  Indonesia  Jordan  South Korea  Laos  Lebanon  Philippines  Thailand  Vietnam  Malaysia (1 July 2013) 	<ul style="list-style-type: none">  Armenia  Azerbaijan  Bulgaria  Colombia  Costa Rica  Cuba  Kazakhstan  Kyrgyzstan  Latvia  Lithuania  Malta  Moldova  Nicaragua  Panama  Romania  Serbia  Seychelles  Singapore, 62 	<ul style="list-style-type: none">  Albania  Andorra  Argentina  Australia  Austria  Bahamas  Barbados  Belgium  Brazil  Cape Verde  Chile  Croatia  Denmark  Finland  Georgia  Germany  Greece  Honduras 	<ul style="list-style-type: none">  Belize  Bermuda  Canada  Iceland  Norway



Escalating cost of living

Rising healthcare cost

Type of Illness	Estimated Cost (Surgery Only) (RM)		Percentage Increase
	Year 2006	Year 2013	
Heart Attack	9,035	10,335	Approximately 14%
Stroke	6,145	7,030	
Chronic Lung Disease	6,335	7,250	
Tuberculosis (TB)	4,115	4,710	
Lung Cancer	6,335	7,250	
Kidney Disease	6,335	7,250	
Colon Cancer	1,750	2,000	

Source : Private Healthcare Facilities and Services (Private Hospitals and Other Private Healthcare Facilities (Amendment) Order 2006 and 2013, Ministry of Health

CHALLENGE
3

Many members not meeting basic savings



68%

Members aged 54 have savings **lower than RM50,000**



50%

EPF members above age 55 exhausted their EPF savings in **5 years**



33%

Active members achieving the **Basic Savings Quantum** according to age band



22%

Active members aged 54 achieving the **Basic Savings**



18%

EPF members achieving the **Basic Savings Quantum** according to age band

Assuming that the members spend only RM820 per month, **RM50,000 can only last for 5 years.**



Many members not meeting basic savings

89% of active members earning ≤ RM5,000 (2014)

- Low salary structure
- 76% active members earn monthly salary of RM3,000 and below (Urban low income)
- 30% active members earn less than RM900 per month

SALARY RANGE (RM)	ACTIVE MEMBERS	PERCENTAGE (%)
<500	571,703	8.6
500 - 1,000	1,438,659	21.6
1,001 - 2,000	1,973,192	29.6
2,001 - 3,000	1,043,845	15.7
3,001 - 5,000	905,677	13.6
5,001 - 7,000	314,997	4.7
7,001 - 10,000	200,986	3.0
>10,000	209,977	3.2
TOTAL	6,659,036	100.0

89%
5.9 million
active members

Approach to enhance EPF scheme



Increase members' savings and contributions

Lengthen the accumulation phase for retirement savings



Leveraging the power of compounding

Longer lasting period through:

- Flexi withdrawals
- Compounding dividend payment



Empowering members' financial decisions

Awareness and education on the importance of:

- Financial planning
- Retirement planning

Enhancement of EPF scheme



INITIATIVE 1

Alignment of full withdrawal age to minimum retirement age



INITIATIVE 2

Implement minimum contributions based on Minimum Wage



INITIATIVE 3

Dividend payment until 100 Year



INITIATIVE 4

Introduce Shariah-compliant retirement savings

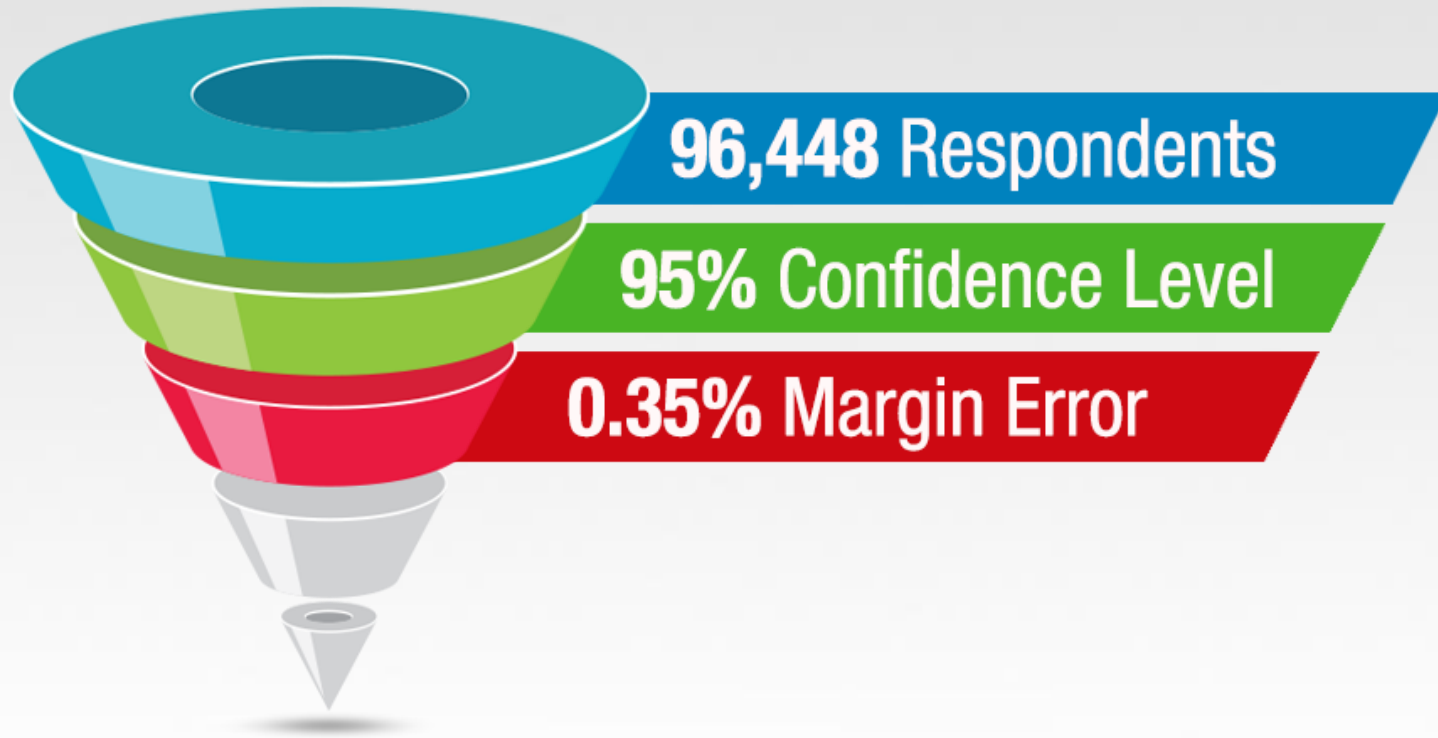
Members Consultation Programme

Survey (21 April – 5 May 2015)

96,448 respondents

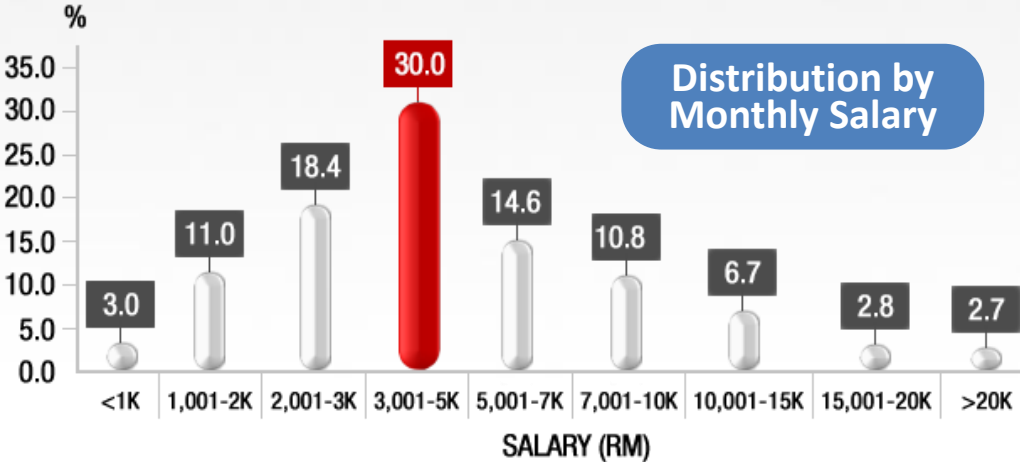
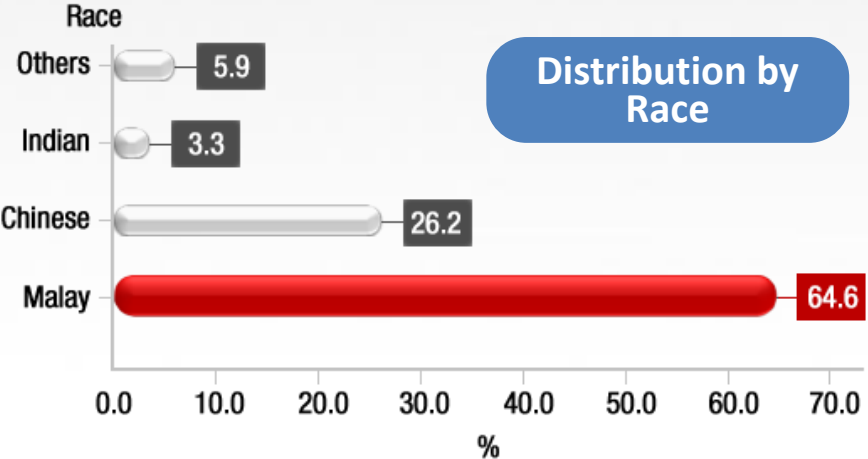
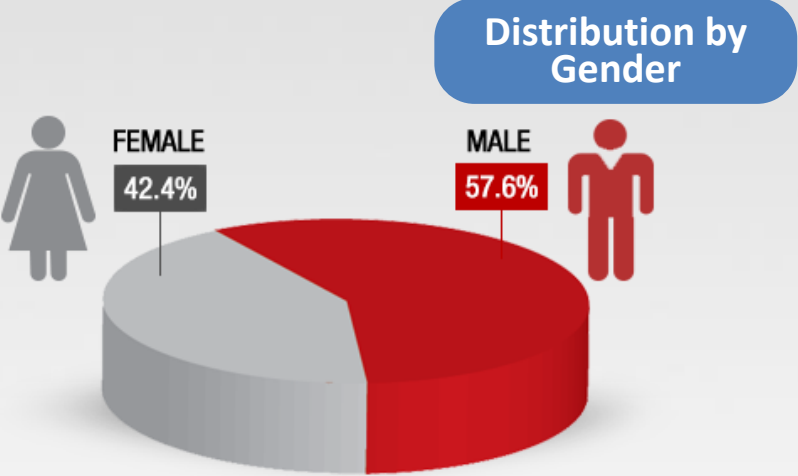
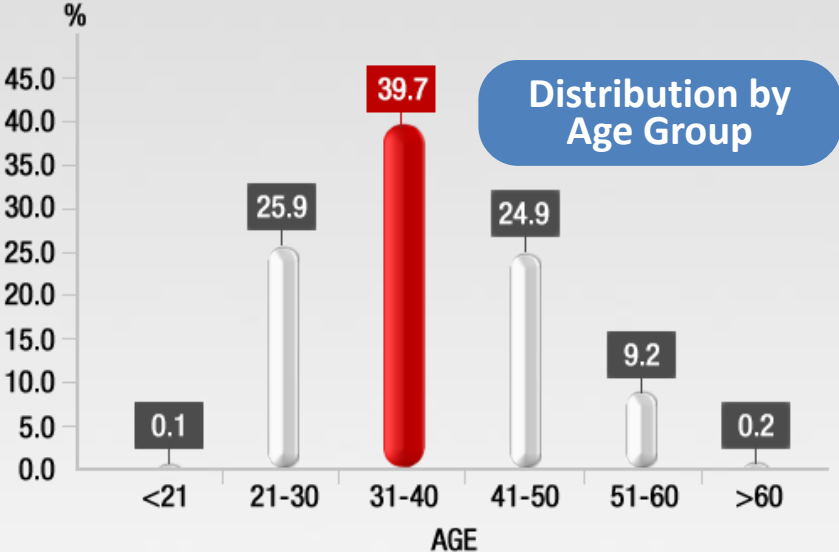
Outlook:

96,448 EPF members participated in the survey

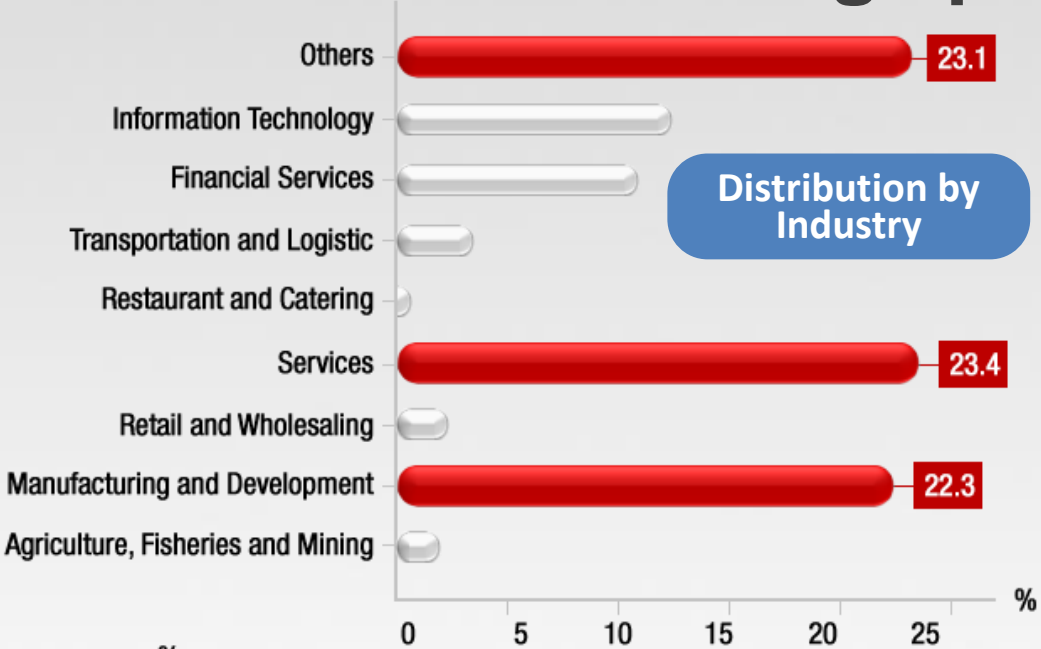


EPF Survey Findings

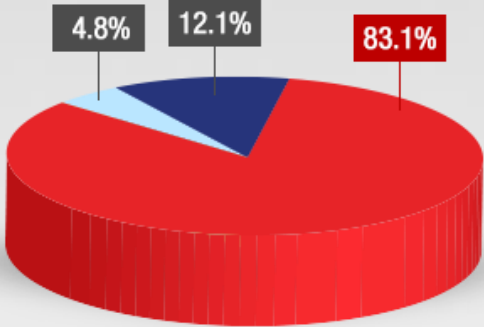
Demographic Profile



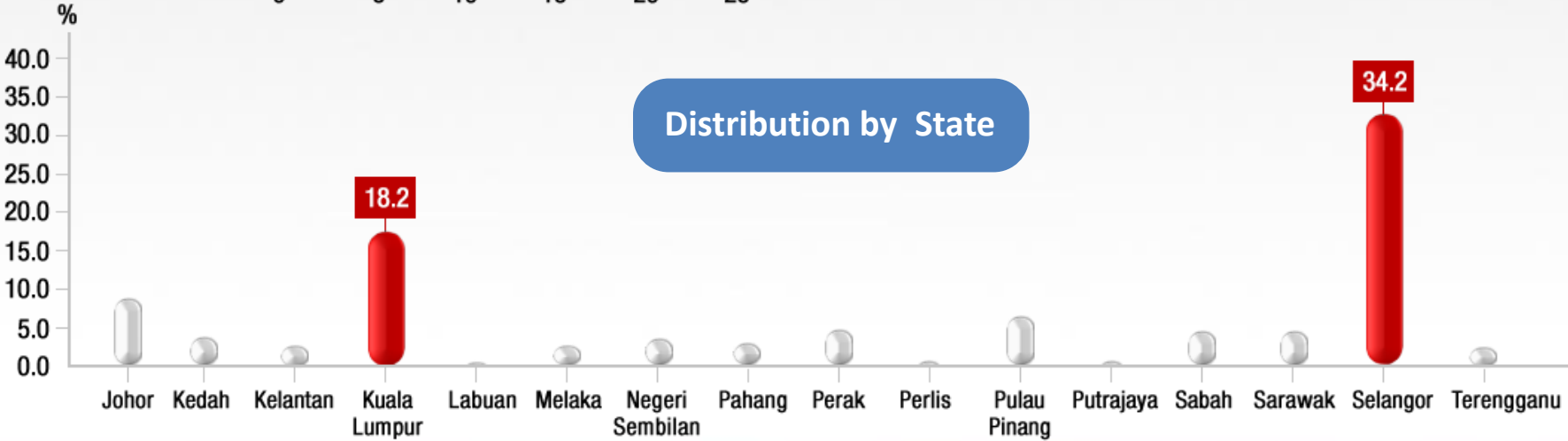
Demographic Profile



Distribution by Sector



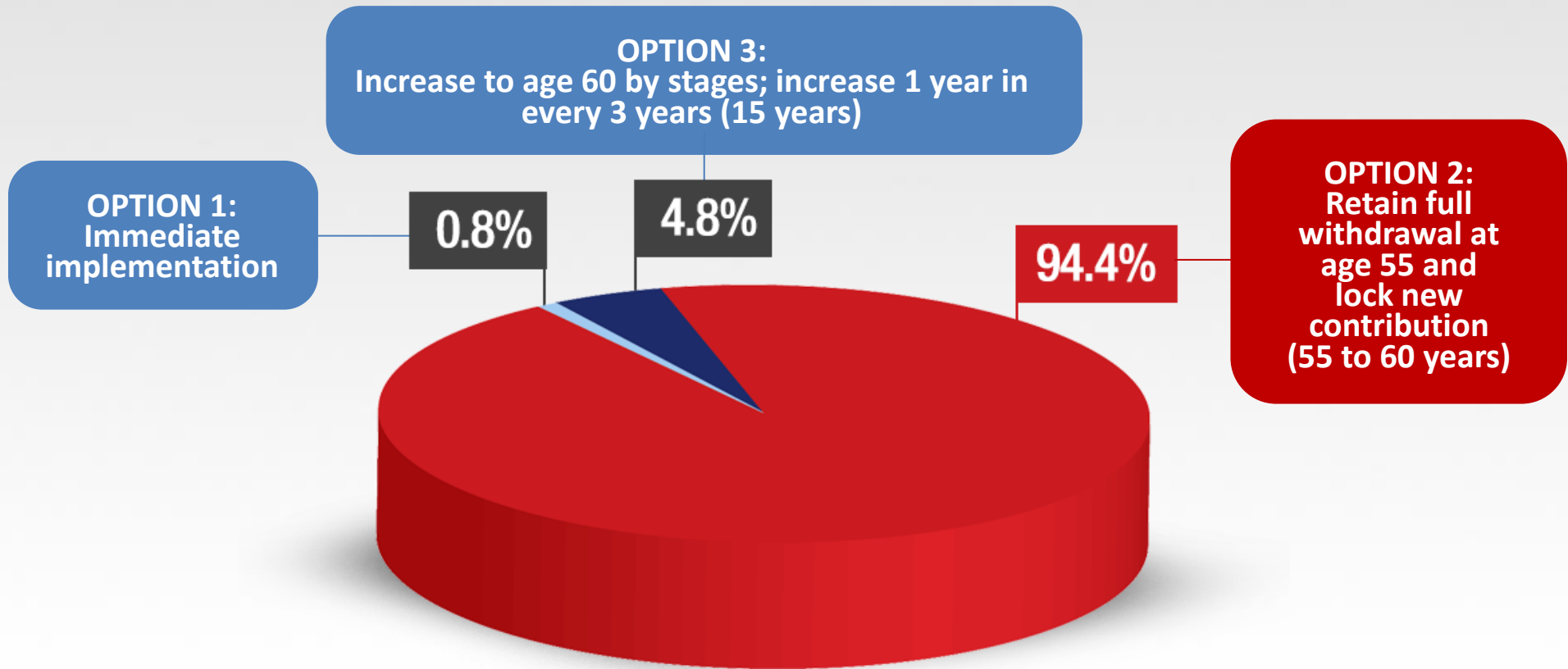
- PRIVATE
- PUBLIC / STATUTORY BODY
- SELF-EMPLOYED / OTHERS





To align full withdrawal age with minimum retirement age

Survey Results





To align minimum contributions to minimum wage

Minimum Wage Order 2012



RM900

Peninsular Malaysia



RM800

Sabah, Sarawak and
Federal Territory of Labuan

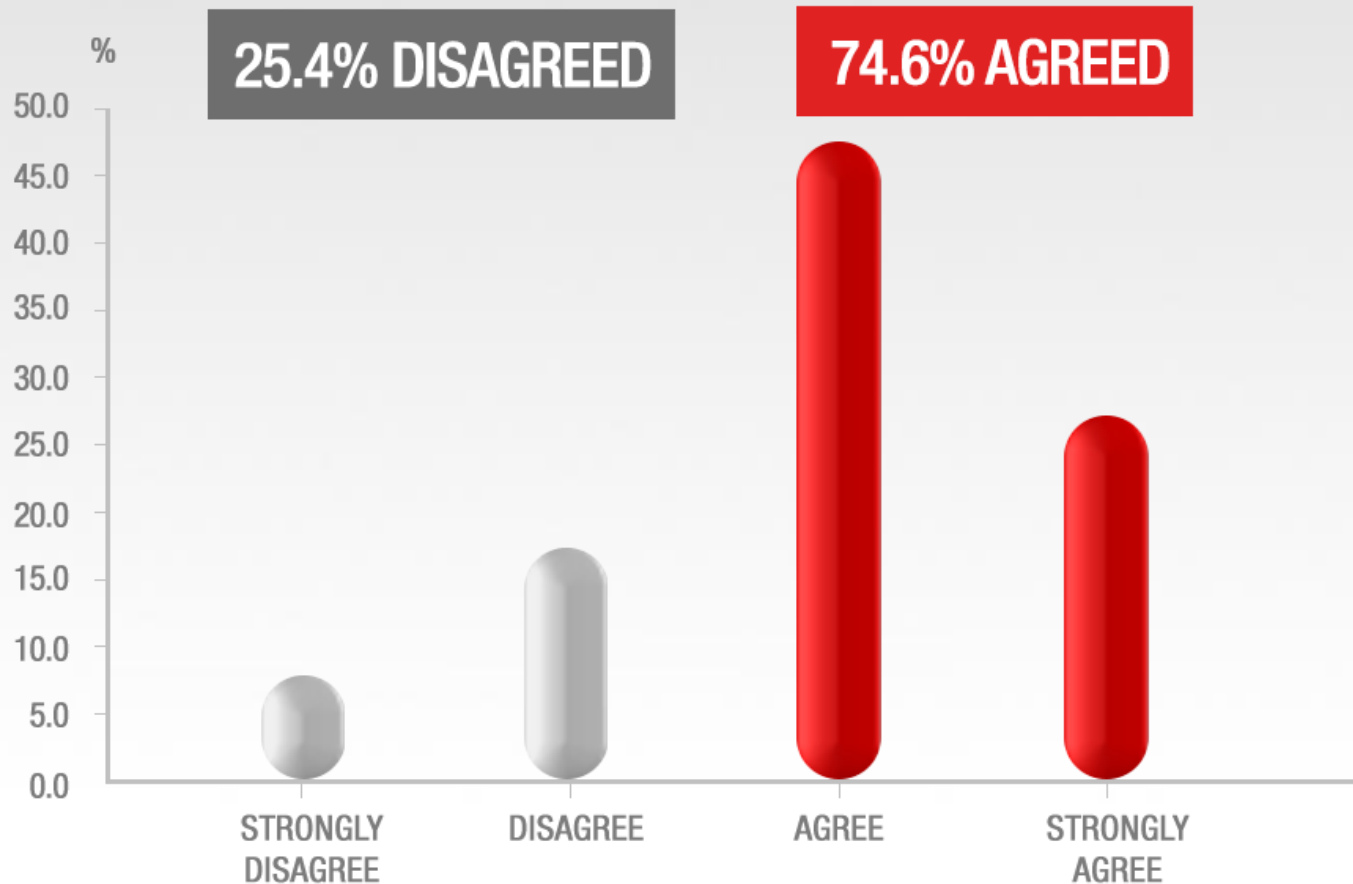


**Introduce Minimum
Contributions in line with
the minimum wage**



To align minimum contributions to minimum wage

Survey Results





Dividend payment and unclaimed moneys

Continue to pay dividend

Members can continue to make withdrawal in accordance to current policy



Transfer

to the Registrar of Unclaimed Moneys after 100 years

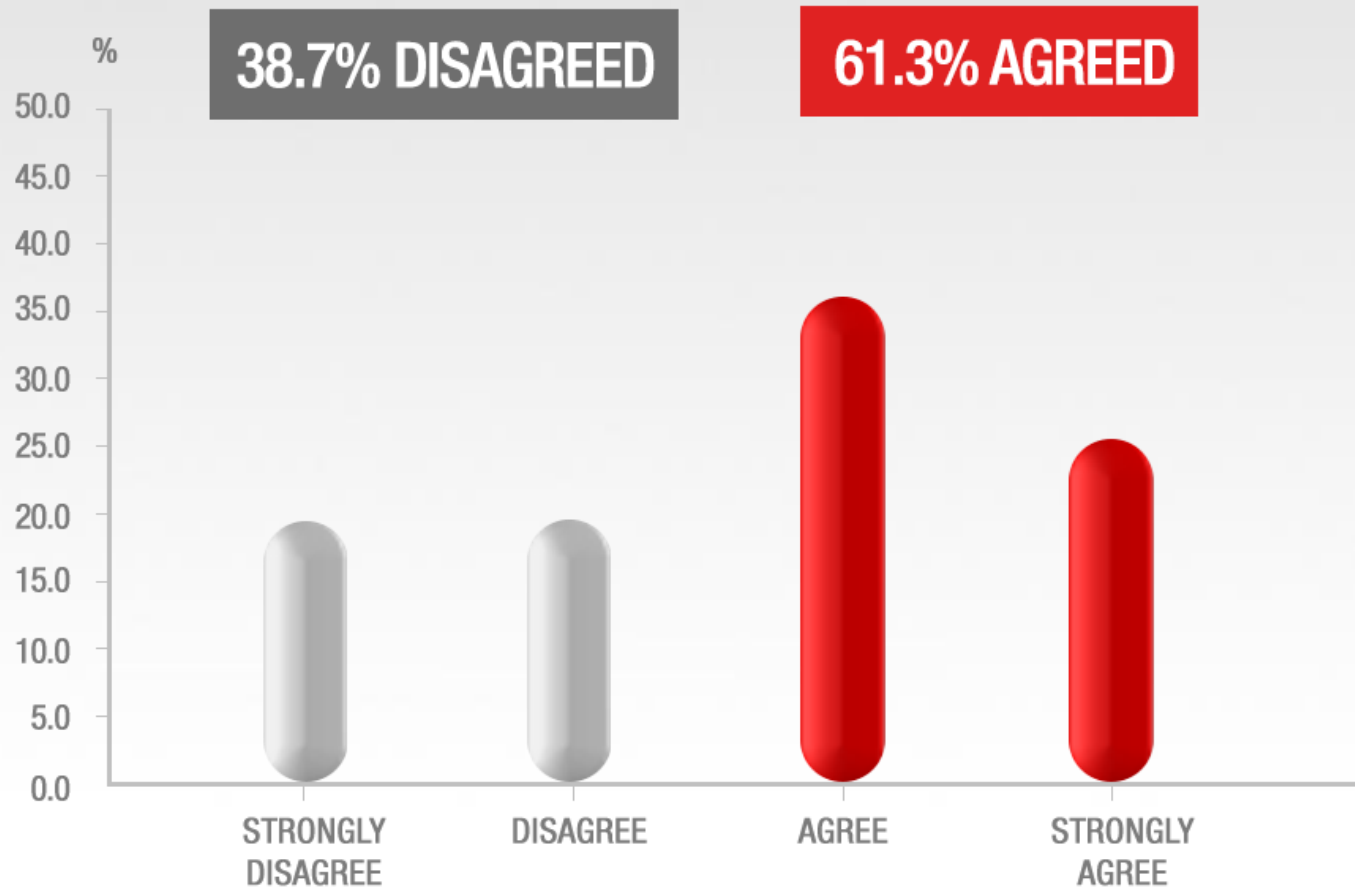
RATIONALE

- Encourage members to **save longer**
- Allow members to continue to enjoy **annual dividend up to the age of 100 years**
- Age 100 years is sufficient for members' next of kin to make Death Withdrawal



Dividend payment and unclaimed moneys

Survey Results





Providing Shariah-compliant retirement savings option for EPF members



Increasing Global Demand for Islamic products



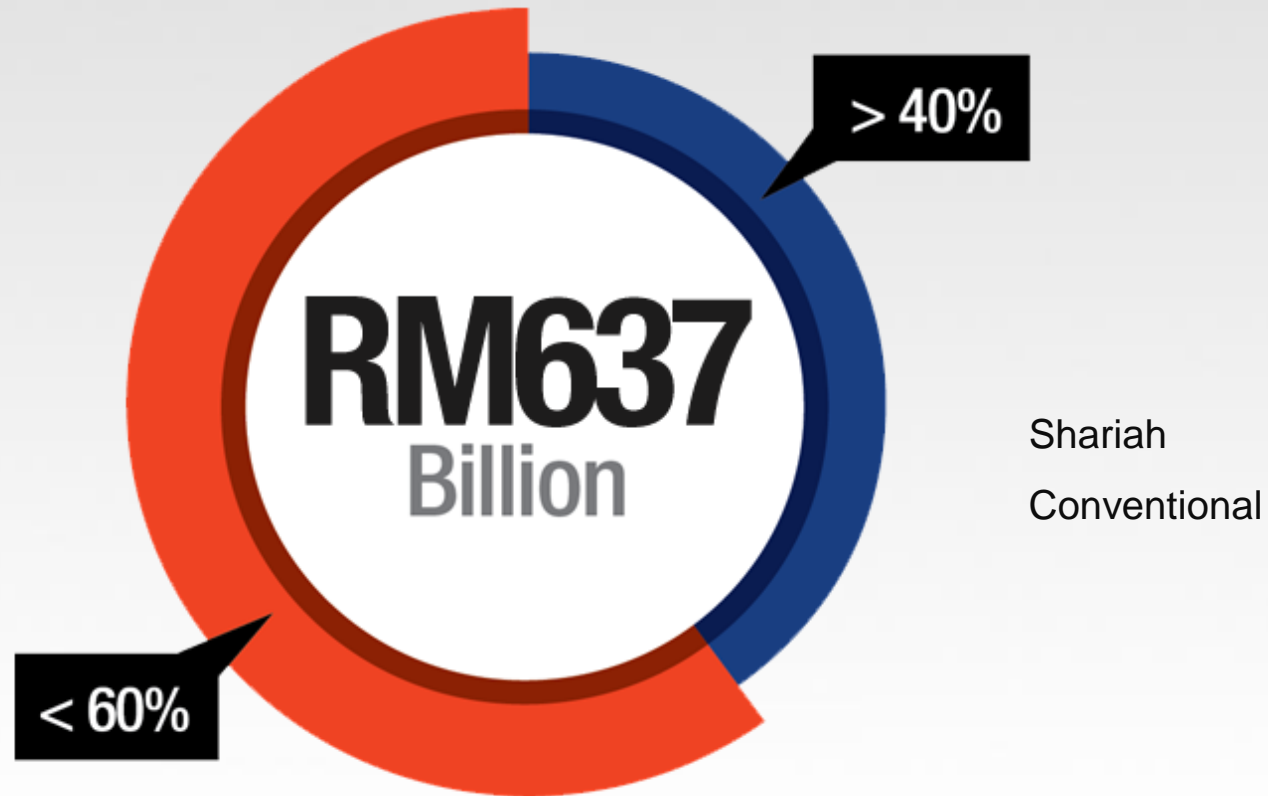
In line with the **government's aspiration** to establish **Malaysia as an Islamic Financial Hub**



Demand by EPF members for Shariah-compliant retirement savings option



Providing Shariah-compliant retirement savings option for EPF members

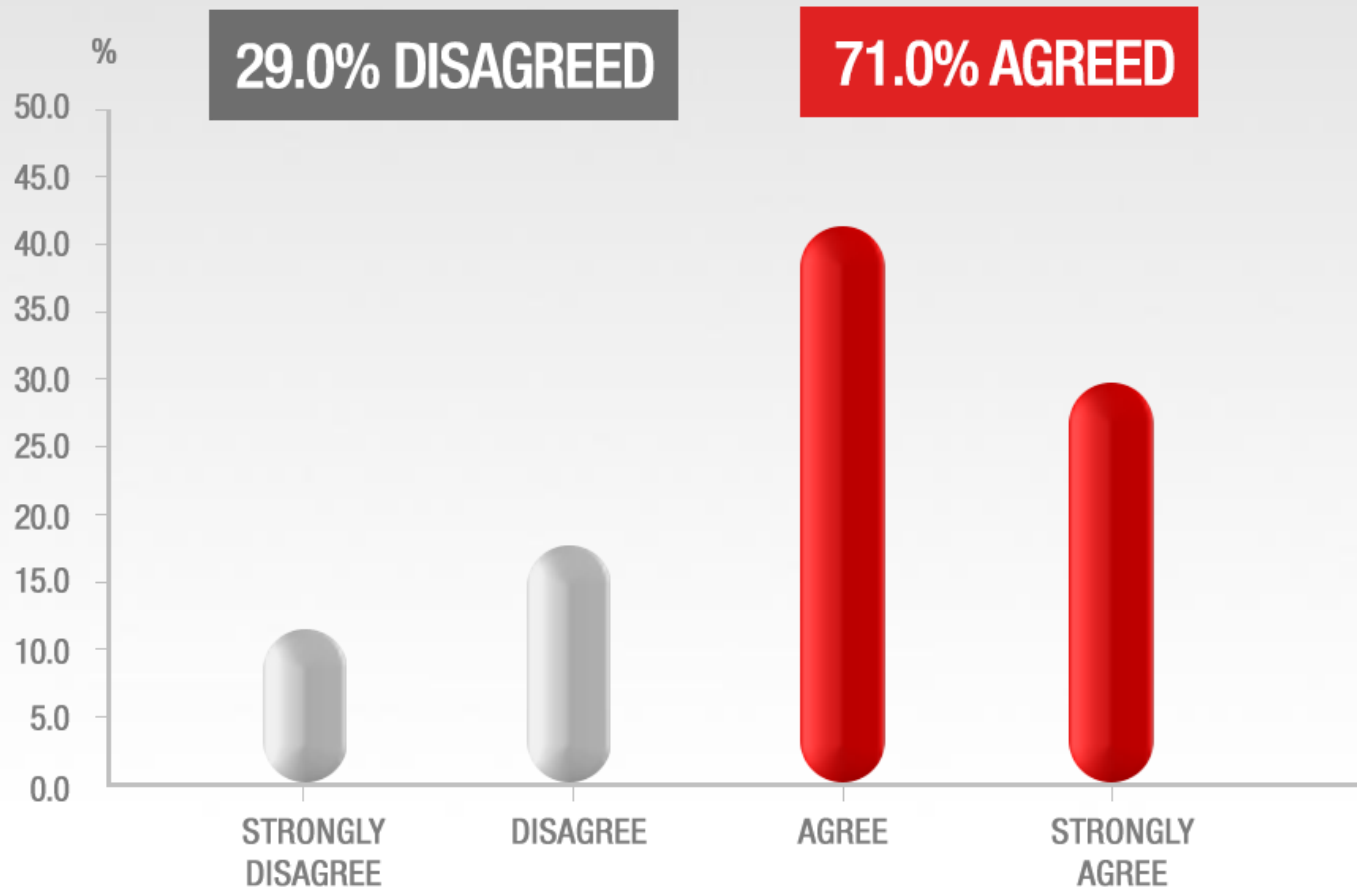


Total asset size as at **31 December 2014**



Providing Shariah-compliant retirement savings option for EPF members

Survey Results



National Social Security Task Force: A holistic of Malaysia Management Social Security System

The World Bank's Pension Conceptual Framework



What is the road map for the future?

US magazine: Malaysia's healthcare is No. 3 worldwide

BY TAN YI LAM



PETALING JAYA: A study by Malaysia's healthcare system a Retirement Index - beating out countries.

WAY FORWARD - Address longevity risks and to meet future needs due to demographic changes

- Annuity (re-introduce)
- Critical Illness Insurance
- Coverage to informal sector
- Retirement Advisory Service (RAS)
- Social Security Master Plan



THANK YOU

