SHARING OF GOOD PRACTICES

EMPLOYEES' SOCIAL SECURITY ORGANIZATION (SOCSO) APPROACH TO GOOD INVESTMENT PRACTICES

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SOCSO
Malaysia

PERKESO

SOCSO MALAYSIA

- A defined benefit scheme established on 1st Jan, 1971.
- Operates as an agency under Ministry of Human Resources Malaysia;
- Run with cooperation of employers, employees and government
- Covers approximately 365,000 employers with an estimated 5.9 million employees;

PERKESO

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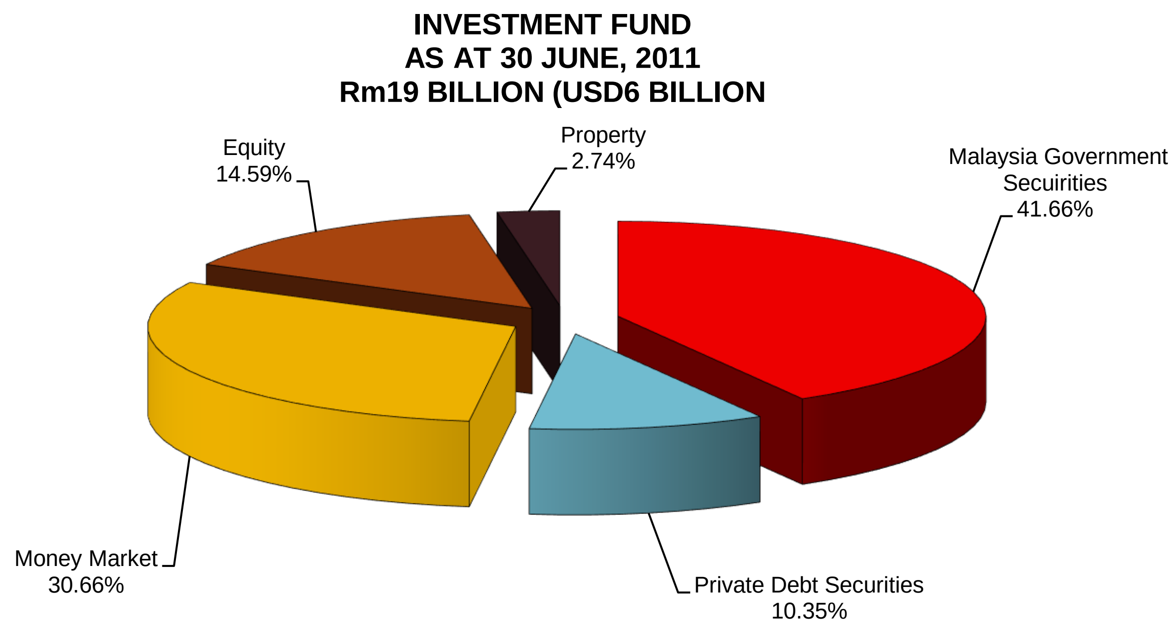
- Administers 2 schemes namely:-
  i. Employment Injury Scheme;
  ii. Invalidity Pension Scheme;
- Disburses cash and non cash benefits
- The GOM/MOHR are the sponsors of the scheme where else the SOCSO is the administrators of the scheme.

SOCIAL SECURITY FUND

- Comes from the contributions
- 1971 – 1984, Government of Malaysia (GOM) bore the administration expenses
- Manages its own affairs and financially independent
- Fund size as at June 2011 – RM19 billion
- 90% of investible fund is managed by in-house staff

PERKESO

.. Continue – Fund size



INVESTMENT POLICY/PHILOSOPHY

Reflects investment principles:-

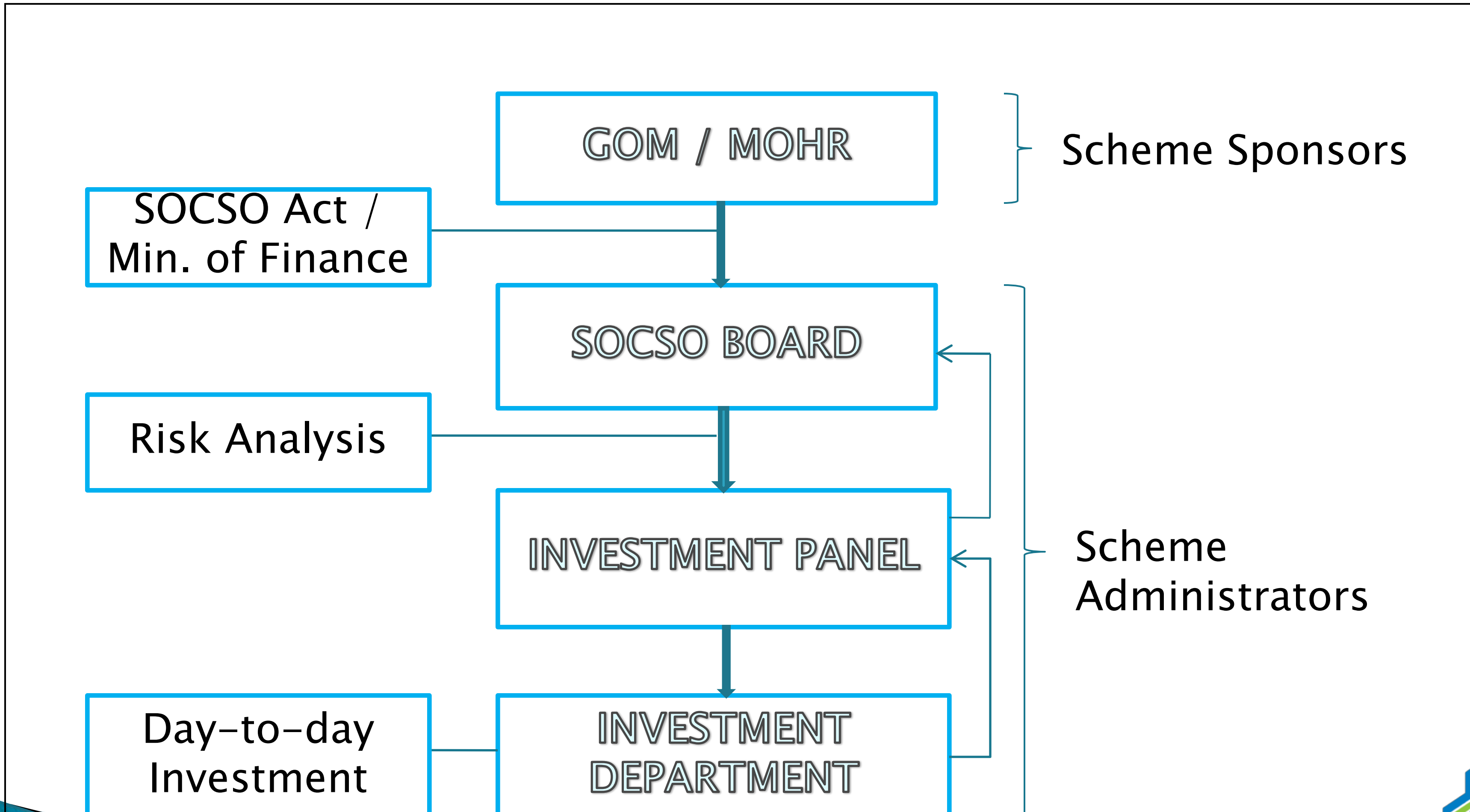
- Conservative
- Capital preservation
- Prudence
- Satisfactory rate of return

INVESTMENT PRACTICES

Governance

a. framework / function
b. delegation
c. objectives
c. communication / reporting / monitoring
d. prudence

Framework / Function



EFFECTIVE DELEGATION

- Means separating governing function (eg The SOCSO Board and an executive function (eg . Investment Panel).
- Alternatively, delegate to third party service providers with clearly defined mandate and mechanisms to monitor and review the delegated function to ensure prudence and rightly executed

CLEAR OBJECTIVES

- Minimise conflicts within governance structure
- Consistent with risk tolerances of the Fund
- Consistent with , liabilities assets and return on investment

COMMUNICATION/REPORTING

- To ensure consistency in investment process.
- Monthly reporting Investment Panel
- Bimonthly report to SOCSO Board
- External Asset Managers evaluated quarterly and asked to brief on their performance

PRUDENCE

- Making decisions based on proper consideration of adequate information, documenting final and reasons for decision and documenting the circumstances that were considered.
- Involves good governance structure for deliberations and monitoring

MOVING FORWARD

- Liability driven investment (LDI)
  – match assets with liability profile
- Diversifying
  – dynamic

THANK YOU