

MALAYSIA

1.0 BACKGROUND

Malaysia has several social security schemes, which cover contingencies such as old age, employment injury, occupational diseases and invalidity. The most important of these schemes in term of scope and size are those administered by the *Employees Provident Fund (EPF)* and the *Social Security Organisation (SOCSO)*.

2.0 ECONOMIC AND SOCIAL INDICATORS

2.1 Economic Indicators

Indicators	Year of Valuation		
	2015	2016	2017p
Per Capita Income (RM) ¹	36,093	37,792	41,072
Real GDP (RM billion) ²	1,063.4	1,108.2	1,173.6
Gross National Savings (% of GNI) ²	29.0	29.1	29.2
Headline inflation rate ²	2.1	2.1	3.7
Core inflation rate	-7.4	-1.1	6.7

Source: 1. Department of Statistics Malaysia, Malaysia @ a Glance

2. Bank Negara Malaysia, Annual Report 2017

p = preliminary, e = estimated

2.2 Social Indicators

Indicators	Year of Valuation		
	2015	2016	2017
Population ('000) ¹	31,423	31,899 ^e	32,049.7 ^e
Average Annual Growth Rate (%) ¹	1.5	1.5	1.5
Crude Birth Rate ¹ (per 1,000 population)	16.7	16.6	16.1
Total Fertility Rate	2.0	1.9	1.9
Crude Death Rate ¹ (per 1,000 population)	5.0	5.0	5.1
Infant Mortality Rate (per 1000 live births) ²	6.0	6.9	7.3
Stillbirth Rate (per 1000 live births)	4.4	5.2	5.2

Source: 1. Department of Statistics Malaysia, Malaysia @ a Glance

p = preliminary, e = estimated

2.3 **Life Expectancy (at birth)**

Indicators	Year of Valuation		
	2015	2016	2017
Male	72.4	72.5	72.7
Female	77.1	77.2	77.4

Source: Department of Statistics Malaysia, Malaysia @ a Glance

2.4 **Dependency Ratio**

Indicators	Year of Valuation		
	2015	2016	2017
Total Dependency Ratio	44.73	44.0	43.6

Source : Department of Statistics Malaysia

2.5 **Population Distribution**

Indicators (,000)	Year of Valuation		
	2015	2016	2017
Male	16,110	16,360	16,500
Female	15,070	15,300	15,500

Source : Department of Statistics Malaysia, Malaysia @ a Glance

2.6 **Age Distribution**

Indicators (,000)	Year of Valuation		
	2015	2016	2017
0 – 14	7,775.80	7,763.30	7,732.90
15 – 64	21,588.90	21,983.30	22,314
65 above	1,821.4	1,914.2	2,002.8

Source : Department of Statistics Malaysia, Statistics, Online Services, Quick Info

2.7 **Labour Force**

Indicators	Year of Valuation		
	2015	2016	2017
Total Labour Force (‘000)	14,518.0	14,667.8	14,952.6
Labour Force Participation Rate (Total), %	67.9	67.7	68
Labour Force Participation Rate (Male), %	80.6	80.2	80.1
Labour Force Participation Rate (Female), %	54.1	54.1	54.7

Source : Department of Statistics Malaysia, Malaysia @ a Glance

2.8 Unemployment Rate

Indicators	Year of Valuation		
	2015	2016	2017
Unemployment Rate (%)	3.1	3.4	3.4

Source: Department of Statistics Malaysia, Malaysia @ a Glance

2.9 Employment to Population Ratio

Indicators	Year of Valuation		
	2015	2016	2017
Employment to Population Ratio, %	61.34	61.25	62.31

Source: World Bank Database

3.0 DETAILED DESCRIPTION OF SOCIAL SECURITY SCHEMES

3.1 EMPLOYEES PROVIDENT FUND (EPF)

The EPF Board is a statutory body under the Ministry of Finance. The Board comprises representatives of the government, employers, employees and professionals.

3.1.1 Legislature

The EPF was established on 1 October 1951 under the EPF Ordinance 1951. The EPF Ordinance has since been replaced by the EPF Act 1991 (Act 452). It is the oldest National Provident Fund in the world.

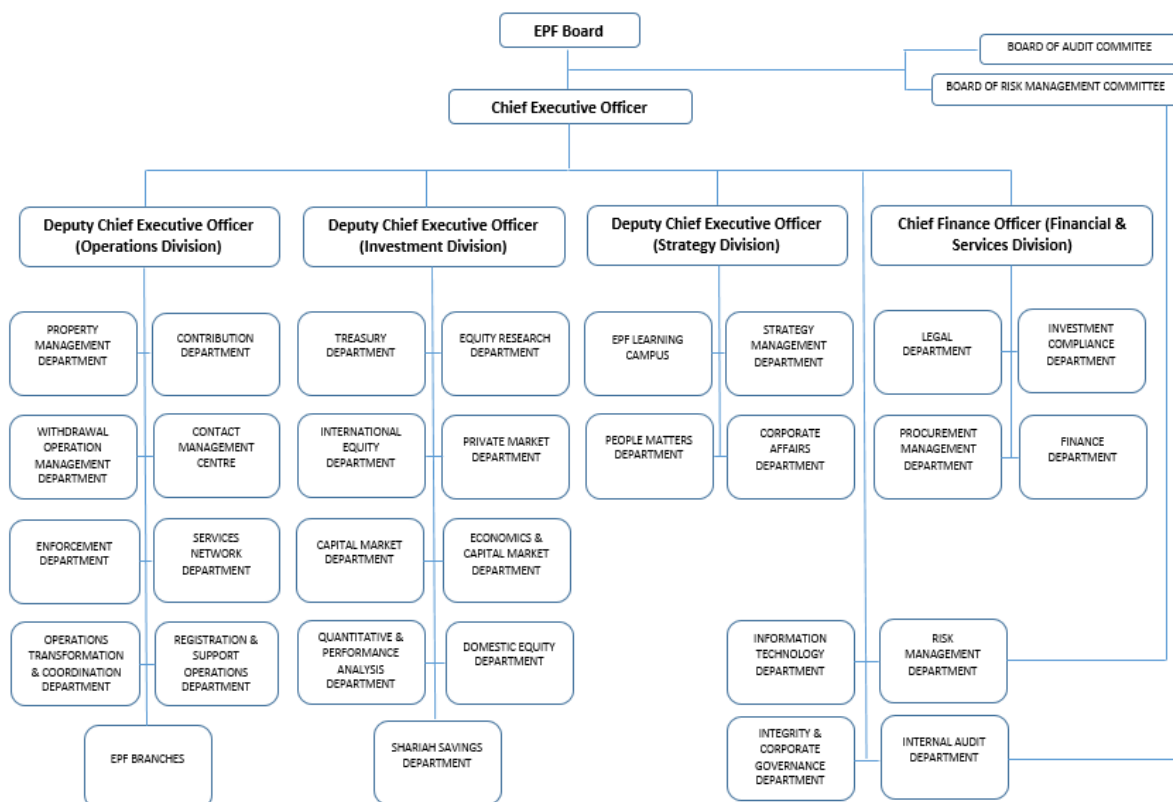
3.1.2 Organisation

The EPF Board is a statutory body under the Ministry of Finance. The Board comprises of a Chairman, five representatives of the Government, four representatives of the workers, four representatives of the employers and four professionals.

In addition to the Board, there is an Investment Panel, which is responsible for the investment of the funds. It comprises of a Chairman, a representative from the Ministry of Finance, a representative of the Central Bank, three professional individuals with expertise in finance and investment and an Ex-Officio.

Both the Board and Investment Panel members are appointed by the Minister of Finance.

The EPF Organisation Chart is as follows:-



3.1.3 The Scheme

The EPF is a national compulsory **retirement** savings scheme. The scheme is funded through contributions both from the employees and their employers. The contributions are paid monthly to the Fund and kept in the individual contributor's account. While the contributions are with the Fund, they are invested and the returns on investment are credited into the contributors' account as dividend, annually. The contributions together with the accrued dividends are returned to the contributors when certain stipulated conditions are fulfilled.

3.1.4 Coverage

i) Compulsory

- a) All private sector employees
- b) Non-pensionable public sector employees

ii) Voluntary Contribution

- a) Self-employed
- b) Domestic servant
- c) Pensionable public sector employees
- d) Foreign workers

- e) Owners of self-proprietorship or business partners who do not receive wages
- f) Retired workers
- g) Housewife
- h) Employees who have withdrawn all their savings under the Leaving the Country Withdrawal Scheme

3.1.5 Contribution

(a) Contribution Rates

Mandatory contribution

Contributors	Rate		
	Employer	Employee	Total
January 2012 – February 2016			
Income RM5,000 and less	13%	11%	24%
Income more than RM5,000	12%	11%	23%
*March 2016 – December 2017			
Members below age 60			
Income RM5,000 and less	13%	*8%	21%
Income more than RM5,000	12%	*8%	20%
Members age 60 until age 75			
Income RM5,000 and less	6.5%	*4%	10.5%
Income more than RM5,000	6.0%	*4%	10%
January 2018 until current			
Members below age 60			
Income RM5,000 and less	13%	11%	24%
Income more than RM5,000	12%	11%	23%
Members age 60 until age 75			
Income RM5,000 and less	6.5%	5.5%	12%
Income more than RM5,000	6.0%	5.5%	11.5%

The above contributors and their employers can pay contribution over and above the mandatory rates as excess contributions.

Voluntary contributions

Persons who are allowed to make a self contribution under the EPF Act 1991 are as below:

- i) A domestic servant working in a residential home and employed by a private individual (owner of the residence).
- ii) Owners of a sole proprietorship or business partners who do not receive wages, retired workers and those who not defined as employers or employees in the EPF Act 1991.
- iii) Malaysian citizen employees who have withdrawn all of their savings under the Leaving the Country Withdrawal Scheme and have returned and working in Malaysia.

(b) Contribution Account

Member's contributions are maintained in two accounts as follows:-

Account I	Account II
70% of savings	30% of savings

3.1.6 Types of Withdrawals

(a) Akaun Emas (Age 60 Withdrawal)

Akaun Emas is an EPF Scheme Enhancement initiative introduced for members who continue to work after age 55, to serve as a second nest egg.

Starting 1 January 2017, members' contribution from age 55 to age 60 will be parked under Akaun Emas, and which can only be withdrawn once members reach age 60.

This facility was introduced in tandem with the increase of the compulsory retirement age from age 55 to age 60, as implemented by the government in July 2013.

(b) Withdrawal Age 50

This withdrawal allows **member** to utilize all of their savings in Account 2 upon reaching the age of 50 years to assist them to start preparing for their retirement. Each member can only make this withdrawal once. Member has the option either to make:-

- (i) Full Withdrawal – withdraw all of your savings in Account 2; OR
- (ii) Partial Withdrawal - choose part of the amount in Account 2

(c) Withdrawal Age 55

This withdrawal enables member to withdraw all their EPF savings upon attaining 55 years of age to provide financial support during their retirement period. Upon reaching the age of 55, members are eligible to withdraw their savings in lump-sum, or partial, or fixed monthly amount, or annual dividend only.

(d) Withdrawal to Purchase / Build a House:

This withdrawal allows member to withdraw their Account 2 savings to finance the purchase of a house. Withdrawal to purchase a second house is allowed after the first house is sold or disposal of ownership of property has taken place. Disposal of ownership refers to 'loss of ownership of the first house owned through previous EPF withdrawal' either due to auction, surrender of property by court order, transfer of ownership because of love and affection, destruction of house due to natural disaster, abandoned housing project or cancellation of purchase.

(e) Withdrawal to Redeem / Reduce Housing Loan:

This withdrawal allows member to withdraw savings from Account 2 savings to reduce or redeem the housing loan balance with the financial institution approved by EPF as follows:

- i) Individual purchase; OR
- ii) Joint purchase with immediate family members (spouse, parents, parents-in-law, step parents, foster parents, child, stepchild, adopted child or siblings) or other individual with no relationship OR
- iii) To assist members' spouse reduce / redeem the housing loan balance.

Withdrawal to reduce / redeem the housing loan balance for a second house is allowed when the first house is sold or disposal of ownership has taken place. Disposal of ownership means loss of ownership of the first house owned through previous EPF withdrawal due to auction, surrender of property by court order, transfer of ownership because of love and affection, destruction of house due to natural disaster, abandoned housing project or cancellation of purchase.

(f) Incapacitation Withdrawal:

This withdrawal allows member to withdraw all of their EPF savings should they become physically or mentally incapacitated to work, having achieved the level of Maximum Medical Rehabilitation (MMI) to work to help earn a living.

(g) Leaving the Country Withdrawal

This withdrawal can be made by Malaysian citizens who have renounced their citizenship in order to migrate to another country OR foreign citizens who have ceased to be employed in Malaysia and wish to return to their country of origin. Members can withdraw all the savings in their EPF account.

(h) Education

This withdrawal allows members to utilize their savings in Account 2 to finance their education or their children's education (including step-children and legally adopted children) at an Institution of Higher Learning either locally or abroad.

(i) Pensionable Employees Withdrawal

This withdrawal allows EPF members who are still employed in the Public Service and have been emplaced in the pensionable establishment to withdraw the employee's share of contribution including the dividends accrued on the contributions if they still have savings in the EPF after returning the government share to Retirement Fund (Incorporated) (KWAP).

(j) Optional Retirement Withdrawal:

This withdrawal allows EPF members who opted for early retirement from the Public Service to withdraw the employee's share of contributions, including the dividends accrued on the contributions if they still have savings, for periods where it was compulsory to contribute to EPF while in the Public Service.

(k) Member Investment Scheme

Members may invest not more than 30% from the savings in excess of the Basic Savings amount in Account 1 through appointed Fund Management Institutions (FMIs) approved by the Ministry of Finance.

Basic Savings is a pre-determined amount set according to age in Account 1 to enable members achieve a minimum savings of at least RM228,000 when they reach age 55. The Basic Savings quantum is benchmarked against the minimum pension of RM950 per month for 20 years to support their basic retirement needs.

Age	Basic Savings (RM)	Age	Basic Savings (RM)
18	1,000	37	60,000
19	3,000	38	66,000
20	5,000	39	72,000
21	6,000	40	78,000
22	8,000	41	85,000
23	10,000	42	92,000
24	12,000	43	100,000
25	14,000	44	108,000
26	17,000	45	116,000
27	20,000	46	125,000
28	23,000	47	134,000
29	26,000	48	144,000
30	29,000	49	154,000
31	33,000	50	165,000
32	37,000	51	176,000
33	41,000	52	188,000
34	45,000	53	201,000
35	50,000	54	214,000
36	55,000	55	228,000

(l) Savings of More than RM1 Million:

This withdrawal allows members to withdraw balance of than 1 million if their credit is RM1.05 million. Minimum withdrawal amount is RM50,000.

(m) Housing Loan Monthly Installment:

This withdrawal allows members to withdraw their Account 2 savings to pay for their housing loan monthly installments taken for the purpose of buying / building a house. This withdrawal is an addition to the existing withdrawal, which is the Withdrawal to Reduce / Redeem Housing Loan.

(n) Death Withdrawal:

This withdrawal allows member's nominees/ administrators/ next-of-kin to withdraw the EPF savings in the event of the member's death.

(o) Health Withdrawal:

This withdrawal allows member to withdraw their savings from Account 2 to pay for medical expenses incurred for the treatment of critical illnesses AND/OR to buy medical aid equipment as approved by the EPF Board.

(p) Hajj Withdrawal:

The Hajj Withdrawal's initiative is to allow EPF members to withdraw their savings from Account 2 to perform their Hajj. The Hajj Withdrawal is intended to supplement the basic expenses to perform Hajj and not the entire cost. The rationale is to ensure that the withdrawal does not affect members' retirement savings.

3.1.7 Investment

Under the EPF Act, the EPF is allowed to invest in Malaysian Government Securities (MGS), loans and bonds, money market instruments, equities, real estate and infrastructure

The following is the EPF's Strategic asset allocations by Broad Asset Class in 2017:-

Asset Allocations	%
Money Market Investment	3
Fixed Income Instrument	51
Equities	36
Real Estate and Infrastructure	10

3.1.8 Dividend

The return on investments is distributed to members as dividends annually. The amount to be appropriated as dividend is the income less operating expenditure and payments of Death and Incapacitation Benefits. The EPF guarantees an annual dividend of at least, 2.5% for conventional savings.

3.1.9 Simpanan Shariah

Simpanan Shariah is an initiative under the EPF's 2013-2017 Strategic Plan, to provide a Shariah-compliant retirement savings option to EPF members. A members' consultation exercise was conducted in April 2015, where a total of 71 per cent of respondents agreed to the introduction of a Shariah-based savings option.

1 January 2017 marks the launch of the first Shariah-compliant retirement savings by the largest retirement fund in Malaysia, the Employees Provident Fund (EPF). The registration of Simpanan Shariah was officially opened to EPF members on 8 August 2016, with an initial fund size of RM100 billion. As at 23 December 2016, a total of RM59.03 billion has been taken up and 635,037 members have switched to Simpanan Shariah.

As at 31 December 2017, a total of 48 per cent or about RM376 billion of EPF's investment assets are shariah-compliant. Shariah portfolio are restricted to Shariah assets only, and Shariah requirements as prescribed by the Shariah Advisory Committee (SAC) are to be observed for pre-and post-investment activities.

3.1.10 Tax Incentives

(a) **For Members**

EPF contributions are tax deductible up to a maximum amount of RM6,000.00 (inclusive of exemption for life insurance premium). Members are exempted from paying income tax for monies withdrawn under the EPF savings withdrawal schemes. Returns on the EPF investment are also tax exempted.

(b) **For Employers**

The employer's share of contributions of up to 19% is tax deductible.