

Opting for EPF scheme offers adaptability to economic conditions

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Even in the 2024 Budget, the government appropriated RM32 billion or 10.7 per cent of its total operating expenditure just for retirement charges and this is expected to rise every year. - NSTP file pic

LETTERS: THE drastic changes in the world landscape and unpredictable socio-economic and socio-political developments have posed many challenges to the nation.

This has prompted the government to strategise and chart affirmative plans, particularly for permanent new recruits in the public sector. The idea is primarily to reduce the country's financial burden as it costs the government an estimated RM120 billion for pension payments by 2040.

Even in the 2024 Budget, the government appropriated RM32 billion or 10.7 per cent of its total operating expenditure just for retirement charges and this is expected to rise every year.

The civil service, which plays a pivotal role in the country's development and governance, needs a fresh outlook. As the landscape of retirement benefits evolves,

it becomes crucial to assess and enhance existing systems to ensure the wellbeing and motivation of civil servants.

As I am interested to join the civil service after graduation and being a future public sector employee, I would like to share some thoughts in strengthening the civil service through the implementation of Employees Provident Fund (EPF) scheme over the traditional pension scheme for new intakes.

One of the key strategies for bolstering the civil service is to leverage the flexibility offered by the EPF scheme. Unlike the rigid structure of a pension scheme, the EPF allows civil servants to have greater control over their retirement savings.

Employees can choose their contribution rates based on individual financial goals and circumstances. This flexibility empowers civil servants to actively participate in shaping their financial future, fostering a sense of ownership and responsibility.

The EPF scheme provides a broader range of investment opportunities compared with the traditional pension scheme. By investing in diverse instruments such as equities, bonds, and real estate, civil servants can potentially achieve higher returns on their contributions.

This not only helps to grow individual savings but also contributes to the overall economic development of the nation. The ability to earn competitive returns on investments ensures a more robust financial foundation for civil servants during retirement.

The EPF scheme offers the advantage of partial withdrawals for crucial life events, such as purchasing a home, medical expenses or funding further education. This flexibility aligns with the dynamic needs of civil servants, providing a safety net during unforeseen circumstances.

The ability to access funds when needed enhances the overall financial security of civil servants, making the EPF scheme a more responsive and adaptive solution compared with the rigid structure of a pension scheme.

Inflation can erode the purchasing power of retirement savings over time. The EPF scheme, with its diverse investment options, serves as a hedge against inflation.

By offering higher returns that outpace inflation, civil servants can preserve and potentially grow their wealth. This protection ensures that the retirement savings accumulated through the EPF helps maintain their real value, providing a more secure financial future for civil servants.

The EPF scheme operates with transparency, providing regular updates on individual account balances and investment performance. This transparency builds trust among civil servants, assuring them that their contributions are managed prudently and professionally.

The visibility into their financial standing instils confidence and a sense of security, fostering a positive relationship between civil servants and the retirement benefits system.

The EPF scheme's adaptability to economic changes is a significant advantage. In times of economic uncertainty, the EPF can adjust its investment strategies to mitigate risks and maximise returns. This adaptability ensures that the retirement savings of civil servants remains resilient, even in challenging economic conditions.

In conclusion, transitioning from the pension to EPF scheme offers a range of strategies to strengthen the civil service. The flexibility, investment opportunities, access to funds, inflation protection, transparency and adaptability provided by the EPF scheme collectively helps contribute to a more robust and responsive retirement benefits system.

As the nation progresses, aligning the civil service retirement framework with modern financial practices is essential to ensure the wellbeing and motivation of civil servants.

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The views expressed in this article are the author's own and do not necessarily reflect those of the New Straits Times