

EPF down from 11% to 8%

PETALING JAYA: Employees can choose to reduce their EPF contributions to increase their disposable income next year.

The Government has allowed employees to reduce their contributions by three percentage points from 2009 to 2011.

Presently, the employer's EPF contribution is 12% while employees contribute 11%.

"With the reduction, the total contribution is still at a reasonable rate of 20%, which is 12% from the employer and 8% from employee,"

Govt allows cut to create more disposable income

said Deputy Prime Minister Datuk Seri Najib Tun Razak.

Najib, who is also Finance Minister, said if all contributors chose to reduce their contributions, it would come up to RM4.8bil annually.

"Assuming that only 50% of contributors take up the option, private spending is expected to go up by RM2.4bil," he said.

"A person earning RM2,000

could gain an extra disposable income of RM60 monthly, while one earning RM6,000 will have an extra RM180 to spend."

On the RM5bil fund injection into government investing agency Valuecap to stimulate capital market activity, Najib said similar moves had been implemented in other countries such as the Tracker Fund in Hong Kong in 1998, and recently by Qatar Investment

Authority and the largest pension fund in Korea.

"The extra fund is acquired from EPF loans which is guaranteed by the Government. Therefore, the loan does not only guarantee higher returns compared with deposit rates from banking institutions but is also a minimum risk investment to EPF," he said.

But, some workers' unions felt that savings will be reduced and it

will affect the people's retirement funds.

National Union of Bank Employees (NUBE) secretary general J. Solomon said he hoped that the voluntary offer was only for the time being during the economic crisis.

MTUC president Syed Shahir Syed Mohamud said that reduced savings would not benefit contributors.

"When savings go down it will be followed by a decrease in dividends.