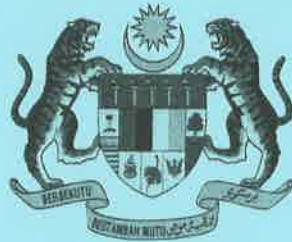


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**Rabu
11 Jun 2014**



MALAYSIA

LAPORAN PROSIDING

**MESYUARAT JAWATANKUASA
KIRA-KIRA WANG NEGARA**

Mengenai:

Pengurusan Pelaburan Hartanah Luar Negara
Kementerian Kewangan
Kumpulan Wang Simpanan Pekerja

**PARLIMEN KETIGA BELAS
PENGAL KEDUA**

**MESYUARAT JAWATANKUASA KIRA-KIRA WANG NEGARA
BILIK MESYUARAT JAWATANKUASA 1,
PARLIMEN MALAYSIA
RABU, 11 JUN 2014**

AHLI-AHLI JAWATANKUASA

Hadir

YB. Datuk Nur Jazlan bin Mohamed - *Pengerusi*
YB. Dr. Tan Seng Giaw [Kepong] - *Timbalan Pengerusi*
YB. Dato' Abd. Aziz Sheikh Fadzir [Kulim-Bandar Baharu]
YB. Puan Mas Ermieyati binti Samsudin [Masjid Tanah]
YB. Dato' Kamarul Baharin bin Abbas [Telok Kemang]
YB. Dato' Kamarudin bin Jaffar [Tumpat]
YB. Datuk Chua Tee Yong [Labis]
YB. Datuk Madius bin Tangau [Tuaran]
YBhg. Datuk Roosme binti Hamzah - *Setiausaha*

Tidak Hadir [Dengan Maaf]

YB. Datuk Seri Reezal Merican [Kepala Batas]
YB. Tuan Liang Teck Meng [Simpang Renggam]
YB. Tuan Haji Hasbi bin Haji Habibollah [Limbang]
YB. Datuk Wee Jeck Seng [Tanjong Piai]
YB. Tuan Tony Pua Kiam Wee [Petaling Jaya Utara]
YB. Tuan William Leong Jee Keen [Selayang]

URUS SETIA

Encik Che Seman Pa Chik [Setiausaha Bahagian Pengurusan Dewan]
Encik Amisyahrizan bin Amir Khan [Ketua Penolong Setiausaha (Perundangan dan Prosiding)]
Encik Nasrul Izani bin Ramli [Penolong Setiausaha I (Perundangan dan Prosiding)]

HADIR BERSAMA

Jabatan Audit Negara

Puan Ong Swee Leng [Pengarah (Sektor Audit Badan Berkanun Persekutuan)]
Encik Toha bin Sharif [Timbalan Pengarah (Sektor Badan Berkanun Persekutuan)]
Puan Nor Hasimah Rahmat [Ketua Penolong Pengarah]
Puan Zarina Md. Sidek [Penolong Pengarah Audit]
Puan Shireeta Mohd Arifin [Penolong Pengarah Audit]

samb/-

HADIR BERSAMA (*samb/-*)**Kementerian Kewangan**

Encik Rosli bin Yaakub [Timbalan Setiausaha Bahagian]
Encik Dzulhilmil Zulkarnain [Ketua Penolong SUB (Kawalan & Pemantauan)]
Encik Hazim Jamaluddin [Timbalan Setiausaha Bahagian Pelaburan Strategik]
Puan Suzilawaty Shuib [Ketua Penolong Setiausaha]

Jabatan Akauntan Negara

Puan Maslina Kamarudin [Ketua Penolong Pengarah]

Jabatan Perkhidmatan Awam

Encik Mohd Azraie bin Harun [Ketua Unit Integriti]

Unit Perancang Ekonomi

Encik Azlan Abdul Rashid [Timbalan Pengarah (Seksyen Makro)]

SAKSI**Kementerian Kewangan**

YBhg Dato' Fauziah Yaacob [Timbalan Ketua Setiausaha Perbendaharaan]

Kumpulan Wang Simpanan Pekerja (KWSP)

Tuan Haji Md. Jafar Abdul Carrim [Ahli Lembaga Pengarah]
YBhg Datuk Shahril Ridza bin Ridzuan [Ketua Pegawai Eksekutif]
Dato' Ibrahim bin Taib [Timbalan Ketua Pegawai Eksekutif (Operasi)]
Encik Mohamad Nasir Ab. Latif [Timbalan Ketua Pegawai Eksekutif (Pelaburan)]
YM Tunku Alizakri Raja Muhammad Alias [Timbalan Ketua Pegawai Eksekutif (Perancangan & Pengurusan Strategi)]
Encik Sazaliza bin Zainuddin [Pengurus Besar Kanan (Jabatan Kewangan)]
Encik Badrul Hisham bin Dahalan [Pengurus Besar (Jabatan Kuantitatif & Analisa Prestasi)]
Encik Jamal Isnen Hadziri [Timbalan Pengurus (Jabatan Kuantitatif & Analisa Prestasi)]
Puan Nik Nur Hasreni Nik Hassan [Pejabat Ketua Pengarah]
Encik Ahmad Fauzi Kamarudin [Jabatan Komunikasi Korporat]
Cik Ng Say Fen [Penolong Pengurus Komunikasi Korporat]

LAPORAN PROSIDING**MESYUARAT JAWATANKUASA KIRA-KIRA WANG NEGARA
PARLIMEN KETIGA BELAS, PENGGAL KEDUA****Bilik Mesyuarat Jawatankuasa 1, Parlimen Malaysia, Kuala Lumpur****Rabu, 11 Jun 2014****Mesyuarat dimulakan pada pukul 10.55 pagi***[Yang Berhormat Datuk Nur Jazlan bin Mohamed
mempengerusikan Mesyuarat]*

Tuan Pengerusi: Selamat pagi saya ucapkan kepada Yang Berhormat Timbalan Pengerusi Jawatankuasa PAC dan juga wakil daripada Jabatan Audit Negara dan wakil-wakil kementerian. Selamat pagi dan selamat datang ke Mesyuarat PAC pada pagi ini. Ada satu perkara sebelum kita mulakan Mesyuarat saya hendak maklumkan, saya sudah mengeluarkan surat untuk panggil Kementerian Perdagangan Dalam Negeri, Koperasi dan Kepenggunaan (KPDNKK) dengan Kementerian Pertanian dan Industri Asas Tani untuk datang ke PAC pada 19 hari bulan ini khusus untuk membincangkan isu subsidi diesel yang baru-baru ini hangat di dalam *press*.

Oleh kerana ia hangat di dalam *press*, kita pun kena mulakan prosiding walaupun Jabatan Audit Negara belum lagi mengadakan audit secara keseluruhan.

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Jadi saya minta Jabatan Audit Negara kalau boleh apa-apa kajian yang telah dibuat sebelum ini berkenaan dengan isu subsidi diesel ini iaitu secara keseluruhan dari segi strukturnya, dari segi dasarnya bagaimana dan juga dari segi *internal control* bagaimana isu penyeludupan ataupun penyelewengan diesel ini boleh terus berlaku. Mungkin ada kelemahan dari segi *internal control* yang perlu diatasi. Mungkin kita perlu lihat kepada struktur diesel ini secara keseluruhan.

Saya rasa MOF pun memang agak kluatir juga kerana ketirisan daripada subsidi diesel ini bukan puluhan juta, tetapi sudah masuk kepada bilion sekarang ini. Jadi, elok juga kalau kita memulakan. Saya cadang kita mulakan minta mereka beri penerangan, tetapi kita sambung jika perlu sebab banyak agensi yang terlibat. Ada KPDNKK, MOA yang terlibat dengan diesel penilaian, selepas itu polis juga bahagian penguatkuasaannya, kastam juga iaitu maknanya banyak ketirisan di sempadan. Jadi saya mencadangkan kita buat prosiding pada 19 hari bulan, hari terakhir Parlimen.

Encik Rosli bin Yaakub [Timbalan Setiausaha Bahagian, Jabatan Audit Negara]: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: Itu perlu panggilkah? Memang mereka terlibat?

Encik Rosli bin Yaakub: Ini kerana bagi saya *distribution* diesel itu banyak kepada NEKMAT. NEKMAT yang jual kepada pembeli-pembeli. Jadi di situ ada ketirisan. *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: Okey, boleh.

Encik Rosli bin Yaakub: Saya nampak ada dari segi peningkatan pengeluaran lesen laut dalam ini. Peningkatan pengeluaran lesen... *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: Okey. Panggil NEKMAT dengan LKIM sekali untuk mereka bantu dia punya KSU. Jadi, hendak maklumkan sekali lagi juga pada minggu hadapan kita akan panggil, hari Selasa... *[Disampuk]* Tidak, hari Selasa dahulu. Hari Khamis 19 hari bulan, LKIM fasal isu diesel. Pada hari Selasa sebelum itu kita akan panggil JKR mengenai isu Lebuhraya Pantai Timur. Hari Rabu kita akan panggil Kementerian Pertanian dan Industri Asas Tani juga pasal isu Empangan Paya Peda di Terengganu dan pada hari Isnin nanti Jabatan Audit Negara akan mengadakan pembentangan Laporan Prestasi Audit Siri Kedua. Jadi, minggu hadapan kita penuh jugalah kita punya *schedule*. Ini kerana saya hendak kejar kalau boleh kita dapat seberapa banyak kerja yang boleh sebelum puasa dan raya, kita boleh hilang hampir dua bulan.

Dato' Abd. Aziz Sheikh Fadzir [Kulim-Bandar Baharu]: Isnin, Selasa penuh. Isnin, Selasa, Rabu, Khamis?

Tuan Pengerusi: Isnin, Selasa, Rabu, Khamis. Jadi, tanpa melengahkan masa lagi, pada hari sebenarnya kita bermesyuarat untuk berbincang mengenai pengurusan pelaburan hartanah luar negara yang melibatkan Kementerian Kewangan dan juga Kumpulan Wang Simpanan Pekerja. Sebenarnya tujuan kita panggil pada hari ini pun adalah untuk EPF memberikan penerangan lebih lanjut mengenai operasi mereka khususnya ditumpukan kepada *risk management* iaitu pengurusan risiko yang dipakai oleh EPF untuk memastikan bahawa kemungkinan kerugian kepada pelaburan mereka tidak berlaku. Tujuan kita panggil EPF ini bukan fasal mereka ada masalah tetapi cuma kita hendak meninjau lebih dalam lagi mengenai apa fungsi EPF.

Jadi, kalau tidak ada apa-apa lagi, kalau boleh saya minta Jabatan Audit Negara beri kita sedikit *background* dan juga kalau ada apa-apa soalan yang perlu ditimbulkan.

Puan Ong Swee Leng [Pengarah Sektor Audit Badan Berkanun Persekutuan, Jabatan Audit Negara]: Terima kasih. Selamat pagi, selamat sejahtera dan salam 1Malaysia. Yang Berhormat Tuan Pengerusi PAC, Yang Berhormat Timbalan Pengerusi PAC, Yang Berhormat Ahli-ahli PAC, wakil-wakil daripada kementerian dan jabatan, tuan-tuan dan puan-puan.

Seperti dimaklumkan, sesi ini adalah berkaitan dengan Kumpulan Wang Simpanan Pekerja (KWSP) di mana Jabatan Audit telah pun menjalankan pengauditan pada bulan Ogos sampai November 2013 terhadap pelaburan hartanah luar negara terutamanya di Australia. Laporan telah pun dimasukkan dalam Siri 1 tahun 2013 dan kita dapati bahawa pengurusan berkaitan dengan pelaburan hartanah luar negara, Australia ini adalah baik. Walau bagaimanapun, ingin memberi sedikit berkaitan dengan pengurusan hartanah itu di mana EPF ada satu alokasi aset strategi yang merangkumi beberapa jenis pelaburan yang boleh dilabur iaitu dalam ekuiti, pinjaman bon, sekuriti Kerajaan Malaysia dan bon sama taraf, hartanah dan infrastruktur serta instrumen pasar wang.

Bagi pelaburan hartanah di luar negara, EPF telah pun melabur di empat negara iaitu United Kingdom, Australia, Singapore dan Eropah dengan jumlah pelaburan sebanyak RM6.46 bilion sehingga

tahun 2013 seperti di dalam slaid itulah. Pengurusan atau pecahan berkaitan dengan pelaburan yang dibuat terhadap hartanah luar negara atau pelaburan di KWSP adalah hartanah dan infrastruktur. Dalam tahun 2013 is RM14.36 bilion, instrumen pasar wang RM13.06 bilion, ekuiti RM252 bilion, pinjaman dan bon RM154 bilion and sekuriti Kerajaan Malaysia RM153 bilion. *Up to the investment*, pendapatan pelaburan secara kasar, kita dapati bahawa jumlah yang diperoleh adalah RM35 bilion.

This is the update of the first quarter for 2014 mengenai pelaburan KWSP di mana jika dibandingkan dengan tahun 2013, meningkat sebanyak 1.77%. Berkaitan dengan pendapatan pelaburan kasar KWSP *for the first quarter 2014*, didapati *first quarter is RM8.81 bilion*.

Pengurusan pelaburan hartanah, kita lihat analisis pendapatan pelaburan kasar hartanah dan infrastruktur yang diterima tahun 2013 menunjukkan KWSP telah menerima pendapatan sebanyak RM1.14 bilion berbanding dengan pelaburan yang dibuat RM14.60 bilion. Pecahan adalah seperti dalam slaid di mana hartanah deposit 5.2%, hartanah luar negara 4% dan infrastruktur 21%.

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Dato' Abd. Aziz Sheikh Fadzir: / hendak tanya...

Puan Ong Swee Leng: Ya.

Dato' Abd. Aziz Sheikh Fadzir: Dari segi *risk management* ini but 7.9, 4.3 *international investment*, don't you think that the exposure is to thin? You know, it can actually be any change of currency, it might effect for that 7.9% or 4.3%, you invest at overseas. If you put that money in local, you not only stimulate the whole economic but you can also solve that problem. To the Audit Negara, what is the minimum yield that you should look at for international? It is because 7.9 and 4.3, why don't you do it in Malaysia? With so many exposure.

Puan Ong Swee Leng: Yang Berhormat, *regarding this question on what is the best return and risk management*, give...

Dato' Kamarudin bin Jaffar: [Bercakap tanpa menggunakan pembesar suara] ...Yang 7.9 itu domestic, bukan? It is 1.5, 3.9, 4.0, is it?

Puan Ong Swee Leng: *This one is the luar negara* punyalah. Australia is 4.3, ya. *Actually before they do any investment overseas, they have to get approval from the Minister. So, the Minister will give the approval and then it goes to the panel of the investment in EPF which comprises of MoF and Bank Negara and entry of other professionals peoples, inside. This group is supposed to do some new diligent regarding the investment that they are going to put in, see? So, I believe they have taken into consideration the risks involve on the due diligent portion, okay. So, but...*

Dato' Abd. Aziz Sheikh Fadzir: [Bercakap tanpa menggunakan pembesar suara] ...Why you go and help to... *property market everywhere, when you can help here and their rattle effect is spread, you know? So, that is why I said – I mean we know they have got all the professional body but sometimes... Is it because they have 10%, they must go with the international? If 30% they must go with bon. So, because of that I am worried because they have that blanket, they are trying to make it up and they went into this kind of thing.*

Puan Ong Swee Leng: *Yes, actually they have these policy – which we said just now, the asset allocation, strategy plan. How many percent you can invest and in what type of investment? So, they have this percentage involved and how they come out with that percentage is to their own research which they have to get approval from Treasury. I understand recently they applied because every three years they were review this plan.*

So, recently they have applied to the Treasury for approval of the plan that Yang Berhormat is saying and Treasury has given kelulusan. It says that jumlah pelaburan luar negara KWSP sebanyak 26% daripada jumlah pelaburan terkumpul diluluskan dengan syarat pelaburan di luar negara dalam bidang yang tiada peluang dalam negara dan perlu membawa balik keuntungan luar negara supaya akaun semasa tidak terjejas. So, they have the clause down here where Treasury gives them the approval. So it is subject to that clause.

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara] ... Clause itu kata tiada dalam negara?*

Puan Ong Swee Leng: *Syarat melabur di luar negara dalam bidang yang tiada peluang dalam negara. Maybe it is a different type of investment. [Ketawa]*

Tuan Pengerusi: *[Bercakap tanpa menggunakan pembesar suara]*

Puan Ong Swee Leng: *Ya, maybe we can ask them.*

Tuan Pengerusi: *[Bercakap tanpa menggunakan pembesar suara] ...Akan tetapi tiada satu piawaian?*

Puan Ong Swee Leng: *No, we do not have.*

Tuan Pengerusi: *[Bercakap tanpa menggunakan pembesar suara]*

Puan Ong Swee Leng: *Correct.*

Tuan Pengerusi: *[Bercakap tanpa menggunakan pembesar suara] ...The right investment in domestic...*

Puan Ong Swee Leng: *Tidak ada. That is why we based on their plan, whatever they have and see whether they complied to it because their plan has already been approved by Treasury. So, ours is more on compliance portion.*

Tuan Pengerusi: *Maknanya Treasury sets their performance? Treasury set all the piawaian, dia punya benchmark semualah?*

Puan Ong Swee Leng: *No, they will come out with their plan first.*

Tuan Pengerusi: *Yes but Treasury approve. Maknanya...*

Puan Ong Swee Leng: *Ya, then Treasury approved.*

Tuan Pengerusi: *Maknanya sudah jadi mereka punya KPI kan?*

Puan Ong Swee Leng: *Ya.*

Tuan Pengerusi: *Adakah performance mereka rendah daripada KPI yang telah ditetapkan oleh MoF?*

Puan Ong Swee Leng: *So far yang kita tahu because there is a range, they have to go on that range. So far we see that range was not over budgeted.*

Tuan Pengerusi: *Not over budgeted?*

Puan Ong Swee Leng: *[Bercakap tanpa menggunakan pembesar suara]*

Tuan Pengerusi: *No, no. We are more worried about it been below the...*

Puan Ong Swee Leng: *Below is okay, the only thing is that they cannot be...*

Tuan Pengerusi: *In that range, they are above minimum?*

Puan Ong Swee Leng: *Yes.*

Tuan Pengerusi: *They are below maximum?*

Puan Ong Swee Leng: *Yes.*

Tuan Pengerusi: *So, they actually working within the KPI.*

Puan Ong Swee Leng: *KPI. They are in the julat.*

Tuan Pengerusi: *Okey. Tanya mereka.*

Puan Ong Swee Leng: *Actually one of the reason they told us why they have to invest oversea is more or less that local is saturated. So, they have to find returns from outside but maybe you can ask them.*

Dato' Abd. Aziz Sheikh Fadzir: *[Bercakap tanpa menggunakan pembesar suara]*

Puan Ong Swee Leng: *That one 20% sahaja.*

Dato' Abd. Aziz Sheikh Fadzir: *I know but you make money on the development, not just a yield. Is that right or not? That one will be different because there are many – you made a lot of changes. You make money on development, you make money on the yield, bukan? Macam Australia they just buy building 4.3%. What I am just trying to say is it is better for you to invest here. You will and get 4.3%.*

Puan Ong Swee Leng: *Maybe that question is what... [Ketawa] Okay. So next, this is the break out in the countries concern, investment. Next, okay our conclusion regarding the investment overseas is quite a good return in the sense that pelaburan hartanah telah meningkat sebanyak 10% dan pendapatan juga telah meningkat sebanyak 91%. Kita dapati bahawa secara keseluruhan pengurusan hartanah di luar negara, di Australia adalah baik dan beri pulangan yang menguntungkan serta mencapai objektif pelaburan.*

Next, I will show you some pictures on the investment that they have done oversea, yang ini yang di Australia. This one, Australia, Melbourne and Brisbane. Next, Melbourne and Canberra, these are mostly office building and warehouse. Next, okey yang ini dekat Australia juga, di Sydney dan Melbourne. Next, ini di UK. We did an audit in UK also, that was somewhere in July to September 2012. This is some of the office building and warehouse. Next, in UK. Retail and supermarket, this one is recently they bought a hospitals in UK on 2013 where they also invested in 12 hospitals so far, okay. That is all Tuan Pengerusi.

[Saksi-saksi dari Kumpulan Wang Simpanan Pekerja (KWSP) mengambil tempat di hadapan Jawatankuasa]

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Tuan Pengerusi: Selamat pagi Dato' Fauziah, Timbalan Ketua Setiausaha Perbendaharaan, Datuk Shahril Ridza bin Ridzuan, Ketua Pengarah Eksekutif Kumpulan Wang Simpanan Pekerja dan Encik Mohamad Nasir Ab. Latif, Timbalan Ketua Pegawai Eksekutif (Pelaburan) untuk KWSP serta Tuan Haji Md. Jafar Abdul Carrim, Lembaga Pengarah KWSP serta Pengerusi Jawatankuasa Audit KWSP, pegawai-pegawai daripada KWSP, tuan-tuan dan puan-puan sekalian. *Assalamualaikum warahmatullahi wabarakatuh*, selamat pagi dan selamat datang ke mesyuarat PAC kita pada pagi ini.

Sebenarnya Dato' Fauziah, kita punya tujuan hendak panggil KWSP pada pagi ini adalah untuk hendak mendengar *the success story of KWSP* dalam menguruskan simpanan hari tua rakyat. Selalunya PAC ini kita panggil kerana ada masalah. Kali ini kita panggil kerana tidak ada masalah tetapi kita hendak mendapatkan penjelasan daripada KWSP dan Kementerian Kewangan mengenai peranan Kementerian Kewangan, peranan KWSP dalam menguruskan wang simpanan hari tua rakyat ini.

Perkara yang kita hendak tumpukan pada hari ini adalah mengenai struktur pengurusan sendiri. Maknanya struktur pengurusan KWSP dan juga apakah mekanisme pengawalan yang digunakan oleh Kementerian Kewangan terhadap KWSP. Mungkin rakyat tidak faham ya bahawa Kementerian Kewangan mempunyai mekanisme pengawalan yang secara langsung kepada KWSP. Kadang-kadang kita ingat bahawa Lembaga Pengarah KWSP memberi kuasa penuh tetapi sebenarnya bukan. Sebenarnya kerajaan ada juga main peranan dalam memastikan pengurusan KWSP ini.

Kedua kita hendak tahu sama ada pengurusan risiko dalam KWSP ini mantap yang akan memastikan bahawa wang rakyat tidak akan dibazirkan, tidak akan berlaku ketirisan dan juga dari segi *investment mix* nya itu akan menghasilkan satu pulangan yang cukup untuk hendak memberikan dividen kepada pencarum dan sekali gusnya mengembangkan lagi dana yang telah dikutip oleh KWSP ini. Saya pun difahamkan bahawa KWSP mengutip berpuluh bilion jugalah tiap-tiap bulan daripada pencarum baru yang menjadi sumber dan dana kepada KWSP untuk digunakan sebagai pelaburannya. Mungkin juga ini timbul masalah rakyat rasa macam wang KWSP ini macam skim Pak Man Telo jugalah pasal kalau rugi pun boleh *cover* balik dengan wang pencarum baru yang masuk.

Ini kerana di Malaysia ini kadar simpanan rakyat memang tinggilah. Saya tidak tahu dia punya jumlah rasmi tetapi kalau ekonomi Malaysia ini secara berjumlah katalah dalam RM1 trilion dia punya besarnya ekonomi kita. Maknanya kalau kadar simpanan kita 30% tiap-tiap tahun, kadar tabungan rakyat sebanyak RM300 bilion setahun yang menunjukkan bahawa rakyat kita memang suka menabung dan suka menyimpan duit. Ini juga menimbulkan masalah di mana mereka takut kalau ada pengurusan yang tidak baik atau kurang baik dari segi wang simpanan mereka yang akan menyebabkan KWSP sendiri tidak cukup - perkataan orang putihnya maknanya KWSP ini *is fully funded* atau tidak. Kalau soalan itu dapat dijawab, adakah KWSP segala liabilitinya boleh ditanggung oleh kekuatan cairan KWSP sendiri

tanpa wang baru yang masuk ini. Itu akan menunjukkan bahawa KWSP sebenarnya mantap dari segi pengurusannya.

Sekarang saya balik semula kepada isu yang ditimbulkan daripada Jabatan Audit Negara iaitu mereka telah mengaudit kepada portfolio pelaburan hartanah KWSP di luar negara. Baru-baru ini juga ada juga orang yang menimbulkan isu bahawa kenapa KWSP terlalu cepat sangat dan terlalu ghairah sangat untuk hendak melabur di luar negara. Kami juga faham bahawa KWSP perlu *diversify, you have to diversify your investment portfolio but at the same time we want to know whether the investment that has been made overseas is prudent investment, investment that will give higher return.*

Tadi ada Jawatankuasa PAC maklumkan kepada kami bahawa kenapa KWSP tidak melabur di Malaysia. Kenapa perlu melabur di luar negara yang akan mendatangkan risiko yang lebih tinggi kepada pelaburan di luar negara tersebut. Juga kenapakah pulangan yang dikehendaki oleh KWSP untuk melabur di dalam negara lebih tinggi pulangan yang diminta itu berbanding dengan pulangan yang dikehendaki daripada pelaburan di luar negara. Itu juga menimbulkan keraguan dan kalau boleh dapat dijawab sekalilah oleh Datuk serta pengurusan daripada KWSP. Jadi tanpa melengahkan masa lagi saya minta kalau boleh Datuk memperkenalkan pasukan Datuk dan memulakan taklimat kepada kami. Terima kasih.

Dato' Fauziah Yaacob [Timbalan Ketua Setiausaha Perbendaharaan]: Terima kasih Yang Berhormat Tuan Pengerusi. *Bismillahi Rahmani Rahim. Assalamualaikum warahmatullahi wabarakatuh* dan salam sejahtera. Yang Berhormat Datuk Nur Jazlan, Pengerusi Jawatankuasa Kira-kira Wang Negara, Yang Berhormat-Yang Berhormat Ahli Jawatankuasa Kira-kira Wang Negara, Tan Sri-Tan Sri, Datuk-datuk dan tuan-tuan dan puan-puan yang hadir pada pagi ini. Saya Fauziah binti Yaacob mewakili Tan Sri KSP ke mesyuarat pagi ini. Beliau memohon maaf kerana beliau ada mesyuarat lain yang perlu dihadiri

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Sukacita saya memperkenalkan wakil-wakil dari Kementerian Kewangan dan KWSP yang ada hadir pada pagi ini. Di sebelah saya ialah Datuk Shahril Ridza bin Ridzuan, Ketua Pegawai Eksekutif KWSP dan Encik Mohamad Nasir Ab. Latif iaitu Timbalan CEO Pelaburan KWSP, Encik Hazim bin Jamaluddin iaitu Timbalan Setiausaha Bahagian Pelaburan Strategik, Kementerian Kewangan, Tuan Haji Md. Jafar Abdul Carrim iaitu Ahli Lembaga Pengarah KWSP, pegawai-pegawai kanan Kementerian Kewangan dan pegawai-pegawai kanan KWSP.

Seperti mana yang telah disentuh oleh Jabatan Audit Negara dalam Laporan Audit Negara pada kali ini, Kumpulan Wang Simpanan Pekerja (KWSP) perlu mendapat kebenaran bertulis daripada Yang Berhormat Menteri Kewangan selepas mendapat perakuan daripada Jawatankuasa Pelaburan KWSP dan Lembaga Pengarah KWSP dan juga setelah dibuat penelitian dan pulangan pelaburan serta mengambil kira risiko-risiko pelaburan yang akan dihadapi. Jadi, pada pagi ini untuk memberi maklum balas pada perkara yang dibangkitkan dan juga untuk memberi taklimat saya jemput CEO KWSP Datuk

Shahril untuk memberi taklimat beliau dan juga menjawab sekiranya ada persoalan yang berbangkit daripada taklimat tersebut. Saya jemput Datuk.

Ketua Pegawai Eksekutif Kumpulan Wang Simpanan Pekerja [Datuk Shahril Ridza bin Ridzuan]: Terima kasih Dato'. *Assalamualaikum warahmatullahi wabarakatuh* dan selamat pagi Yang Berhormat Tuan Pengerusi dan Ahli-ahli Jawatankuasa. Pada pagi ini KWSP akan memperkenalkan isu-isu yang telah pun dibangkitkan oleh Jabatan Audit Negara dan juga satu taklimat mengenai operasi dan *investment* yang dilakukan oleh KWSP. Agenda pada pagi ini yang pertama sekali, kita akan membuat satu taklimat berkaitan struktur tadbir urus untuk KWSP. Kemudiannya, untuk memperkenalkan pengurusan pelaburan di luar negara dan termasuk juga pelaburan hartanah di luar negara serta juga pelaburan hartanah Australia yang merupakan *subject matter* untuk *Auditor General*. Seterusnya kita akan memperkenalkan prestasi pelaburan suku tahun pertama 2014 untuk memberikan satu penggambaran yang jelas kepada Ahli-ahli Jawatankuasa mengenai *investment form in KWSP* dan akhirnya pencapaian utama operasi iaitu *service* yang kita lakukan untuk ahli-ahli kita serta juga para majikan di Malaysia.

Pertama sekali, dari segi struktur tadbir urus, *I think* Tuan Pengerusi *has pointed out* dari segi *approval* yang diperlukan KWSP membuat *investment* dengan *approval* daripada *Ministry of Finance*. Ini mengikut Akta KWSP terutamanya seksyen 26, Akta KWSP. Di mana dari segi pelaburan yang dilakukan itu di bawah naungan Panel Pelaburan KWSP. Panel Pelaburan KWSP yang dilantik oleh Menteri Kewangan mempunyai ahli-ahli yang telah pun diperkenalkan di bawah akta itu. Iaitu termasuk juga satu wakil daripada Kementerian Kewangan, satu wakil daripada Bank Negara Malaysia, tiga wakil profesional atau *independent* yang merupakan ahli-ahli perniagaan ataupun ahli-ahli *regulator* yang memang mempunyai *experience* dan *expertise* di dalam bidang pelaburan.

Dari segi struktur pelaburan kita ini Panel Pelaburan mempunyai Jawatankuasa Pengurusan Risiko Pelaburan iaitu *Risk Management Committee of the Investment Panel* yang mengawasi dari segi had-had atau limit kepada *investment* yang kita boleh buat. Selain itu ia juga yang menetapkan polisi dari segi risiko yang perlu diambil oleh KWSP dalam menentukan *investment* yang kita buat, sama ada di dalam negara ataupun di luar negara. Di bawah Panel Pelaburan kita ada satu *committee* iaitu *Management Investment Committee* iaitu satu jawatankuasa pengurusan yang akan menapis semua pelaburan ataupun menapis semua cadangan yang diperakukan kepada Panel Pelaburan. Sebelum dinaikkan ke Panel Pelaburan dan selepas Panel Pelaburan telah pun meluluskan cadangan tersebut ataupun *investment* yang telah pun diperakukan. Dia akan dinaikkan kepada Yang Berhormat Menteri Kewangan untuk kelulusan beliau.

Tuan Pengerusi: Mesyuarat ini berapa kali setahun?

Datuk Shahril Ridza bin Ridzuan: Mesyuarat Panel Pelaburan dilakukan sekali setiap dua minggu. Memang kerap dan Mesyuarat Jawatankuasa Pengurusan Risiko Pelaburan sekurang-kurangnya sekali dalam tiga bulan iaitu *every quarter*. Kita akan meneliti had limit kita dan akan

mengemaskinikan had-had risiko yang diperakukan kepada KWSP. Ini ialah struktur organisasi yang lebih mendalam.

Dato' Kamarul Baharin bin Abbas: Tuan Pengerusi, *clarification*. Keahlian dia ini *permanent* ataupun *ad hoc committee*, keahlian untuk Panel Pelaburan?

Datuk Shahril Ridza bin Ridzuan: Keahlian Panel Pelaburan telah ditetapkan di bawah Akta KWSP.

Dato' Kamarul Baharin bin Abbas: Tidak, maksudnya ahlinya itu *permanent* ataupun...

Datuk Shahril Ridza bin Ridzuan: Memang tetap. Biasanya Ahli-ahli Panel Pelaburan akan dilantik untuk tempoh sekurang-kurangnya dua tahun setiap penggal.

Dato' Kamarul Baharin bin Abbas: *Permanent member* ya?

Datuk Shahril Ridza bin Ridzuan: *Permanent members*.

Dato' Kamarul Baharin bin Abbas: Maknanya wakil MoF itu diwakilkan seorang, BNM pun sama ya?

Datuk Shahril Ridza bin Ridzuan: Ya, sama juga.

Dato' Kamarul Baharin bin Abbas: *They attend meeting regularly right?*

Datuk Shahril Ridza bin Ridzuan: *They attend every meeting if possible. We also allowed for video conferencing and phone conferences, if they are not able to attend in person he can attend by a teleconferencing.*

Tuan Pengerusi: *What level of representation, KSU, TKSU kah?*

Datuk Shahril Ridza bin Ridzuan: Dari segi MoF adalah TKSU. *For Bank Negara Malaysia is a Deputy Governor. This is the more detail organization structure of KWSP as we can see yang dalam kotak merah itu that is the section that basically deal with investment di bawah Panel Pelaburan. Seperti yang saya telah berikan maklumat terlebih dahulu, kita ada Jawatankuasa Risiko di bawah Panel Pelaburan. Di bawah pengawasan saya ialah Timbalan KPE Bahagian Pelaburan iaitu Encik Mohamad Nasir Ab. Latif and under him is all the Investment Department which handle the different investment. Ini termasuk equity domestic, ekuiti luar negara, corporate market, property infrastructure, research and all the supporting function of investment.*

Dato' Kamarul Baharin bin Abbas: *Risk Management Committee* ini siapa *Chairman* dia?

Datuk Shahril Ridza bin Ridzuan: *The Risk Chairman Committee at the panel level the Chairman is Dato' Sri Nazir Razak, The CEO of CIMB. He is one of the panel members. The other members are the other two independent members of the panel, Mr. David Lau who is the ex CFO of Shell Malaysia and Datuk Azlan Hashim yang dahulunya Pengerusi Bursa Malaysia. Dari segi objektif dan sasaran strategik. Here, I will be explaining in English because it is quite complicated. Essentially, the way the EPF manages the fund of EPF, we actually look at our long term risk target. [Merujuk slaid] If we look on the right hand side, we have two very clear risk target that we looked at. The first basically is to make sure that the absolute dividend we declare every year is the minimal of 2.5%. Ini disebabkan di bawah Akta KWSP telah pun menetapkan bahawa KWSP mesti memenuhi matlamatnya untuk*

membayar dividen yang minimum iaitu 2.5% nominal setiap tahun. So, *that is the first and the most critical risk management that we looked at.*

Keduanya dari segi matlamat KWSP ialah untuk memastikan bahawa ada pulangan yang munasabah kepada simpanan member kita. *We looked at the real return. When we look at the real return, what we are targeting essentially is 2% above the rate of inflation on the rolling basis for over three years. So when you looked at basically how we structure the asset allocation is based on this two very critical risk principal. The first risk principal in terms of making sure we have at least 2.5% means we have to minimize the chances of us losing money in terms of our investment. So, because of that if you notice later I will show you, our asset allocation typically has a very high percentage of fix income. Mostly is government back fixed income as well high corporate credit rating fix income because we need to protect the principal of KWSP and also make sure we maintain at least the 2.5% dividend.*

In order for us to achieve the second target which is to get the rolling return, what we called the 2% above the rate of inflation. We invest in equities, we invest in infrastructure and properties because this provide longer term higher returns while still maintaining basically affair money safety for us. We will go through the details of all the investment shortly but I will explain how we manage the rest portion of it. So, basically there are the two that we call the two main part of our risk management policy in terms of how we... structure the asset allocation. So, before I get into that, just a brief snap short in terms of our total asset allocation for KWSP as of today.

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At the end of 2013, this is the audited number by Auditor General as of last year, we had asset of RM586.6 billion in total. Of that, basically the amount invested overseas is about RM118.3 billion and if we look at the breakdown that RM118.3 billion the bulk of it is actually in global equities 16.7%. Pinjaman and bon which is basically fixed income instrument about 2.4%, RM13 billion. Property and infrastructure together is only RM6.46 billion or 1.1% of our total asset.

So, the total asset invest overseas is only about 20.2% of the total amount. This is inline with the approval given to the KWSP oleh Kementerian Kewangan yang telah pun menetapkan bahawa had limit yang diberikan kepada KWSP adalah supaya aset yang dilaburkan di luar negara tidak boleh melebihi 23% pada tahun 2013. Had itu telah pun dinaikkan semula for the next three years. We are now looking at a maximum of 26% going by 2016 as we increase our investment. So, if you look essentially like I said only 1.1% is actually in properties which are invested overseas.

Dari segi justifikasi ataupun sebab-sebab kenapa KWSP terpaksa melabur di luar negara. *There are a few reasons. The first one, most important actually is diversification. What we looking at is in terms of risk management for KWSP and our asset. We have a very high risk kalau semua aset kita dilaburkan di dalam satu market sahaja iaitu Malaysia. So far the reason why we are doing the investment overseas is to essentially diversify market risk, actually we spread out between Malaysia which is still categories as emerging market among global investors with develop market. So we have high level of investment in develop market such as the US, UK, Europe, Japan, Australia and also the emerging market as well.*

The reason for this is essentially is to prevent what we call asymmetrical risk, which means basically there are times during market cycle when one market effected worst than others. So, we have seen in the past katakan during the Asian crisis during 1998-1999, semasa global investors in the big sell down of Asian investment. The Asian market termasuklah Malaysia, semua telah menjunam and you remember the Malaysian market at time even Bursa went down to only 200 over points. So, part of the strategy yang kita buat ini ialah untuk mengelakkan that kind of asymmetrical risk. So, in the event basically that we have the situation again in the future whereby katakan Malaysia is sold down very heavily by foreign investors, we have excess overseas that allow us to capture return supaya kita boleh memberi pulangan yang munasabah kepada pelabur-pelabur kita.

The second one is basically is a fundamental issue iaitu perbezaan pertumbuhan aset KWSP dengan KDNK ataupun the GNP of the country. Kalau di lihat aset KWSP bertambah sebanyak 10% on average every years on the compounded basis. Ini adalah disebabkan oleh dua faktor. Satu iaitu penambahan caruman daripada member-member kita there is a net in flow of cash to the amount of roughly about RM18 billion per annum plus because of the structure in KWSP, we are reinvest all the income that we earn for the members.

Like last year, we make the income over RM30 billion we had to reinvest the income. So because of that, the asset of KWSP growth by 10% per annum but as you know the GNP of Malaysia right now is growing at between 4% to 5% insya-Allah maybe 6% in a better cycle. We have an excess capacity dari segi our ability to invest in Malaysia. If you want to maintain the same risk level. So we look at Malaysia what we are investing typically are fairly low risk investment either in government securities, high credit rating corporate bon, we invest in blue-chip equities. We do not want to reduce our risk threshold to put money into risky investment, because it does not meet our risk criteria.

So because of that we find equivalent asset overseas which provide us with the same amount of risk return. So katakan walaupun kita invest in equity luar negara, we invest in very high grade equities. So for instance we are no shareholders of things like Procter & Gamble, shareholders of thing like Coca Cola. Basically all the blue chips globally. Equity markets globally as you know are much bigger and deeper than Malaysia market. Therefore it gives us an opportunity to get the right level of risk return in terms of our investment without taking on the additional risk. Katakan kita terpaksa...

Tuan Pengerusi: *I like your argument just now about if EPF asset growth is 10%, Malaysian economic growth is 6%, so there is excess capacity. That is why you lightweight your investment in Malaysia because of the excess capacity in terms of asset growth but why do you invest in Britain where their growth rate is 1%?*

Datuk Shahril Ridza bin Ridzuan: *Ya, can I just answer that? Basically we look at – there is two as stress in the question, one basically in terms of our investment in Malaysia. Even though we are investing more in overseas, our investment in Malaysia is continuing to grow. As you point it out, dari segi GDP growth in Malaysia what we do to make sure that we match that is we put in growth in Malaysia as*

well in term of investment asset that matches the rate of growth of the Malaysian GDP in terms of the opportunity.

When we invest overseas, most of the company we invests in even though they are listed, let say on the UK stock market or listed on US stock market, they tend to be global companies. So, their sources of revenue tend to come from global sources. So, for instance we have investment even in France or Germany but those are French company or German company like Siemens who if you look the revenue, their revenue is essentially global in nature. So that is why there is a big misunderstanding. Where the company is listed it is not necessary where the company mix their revenue or all their profit. When we are look at the company that we are invest in, katakan on the equity market, we actually look at their total revenue profile to see where actually our exposure is coming from.

Fourthly, I think we look at it as a way increasing our returns and what is quite important is actually liquidity. A part of the issue that we have to face in terms of our investment in Malaysia is an issue of liquidity. Because of our heavy exposure to Bursa Malaysia I think as you know EPF is a significant shareholder in a lot of companies in Bursa. So katakan macam the bank for instance we typically own between 10% to 15% of all the listed banks, the big listed banks like Maybank, CIMB, Public Bank and the problem basically is that when you own a lot of shares we have an issue of liquidity.

When we want to actually exit an investment it takes a long time to exit investment. Whereas for the company overseas, they tend to be much bigger in terms of listed capital. For the same of amount of money that we put in let say in Public Bank we only need to own maybe about 1%, let say Samsung. That allows us liquidity and if anything go wrong with the company we can exit very quickly. Adversely dekat Malaysia ini if everything was go wrong with big companies that we owned and it is very hard for us to exit and we had this problem. We have had investment in some companies before where it took us a long time to be able liquidate our position that put us at disadvantage against smaller fund managers.

Tuan Pengerusi: *Can I interject? There have been allegations in the past that EPF have been directed by the government to take up investment in companies that are not doing well or whatever. Have EPF been directed in that circumstances?*

Datuk Shahril Ridza bin Ridzuan: *No, I think there is a miss consumption there. I think when people look at EPF because of the role of the Ministry of Finance in approving investment, they seem to belief that Ministry of Finance direct EPF to invest in. It is actually the reverse. The Ministry of Finance only considers proposal that we put up to them. So, essentially all investment decision are taken at the panel level and if anything, the Ministry of Finance basically has a veto power, if they can basically say yes or no to the proposal from investor panel. There is no instance whereby the Ministry of Finance basically asks us or instructs us to actually... income of investment in terms of...*

Tuan Pengerusi: *The reason is because you raise the matter about investing in companies which is illiquid, the equities illiquid which there was some allegation before that maybe EPF was directed to invest in this companies which is illiquid.*

Datuk Shahril Ridza bin Ridzuan: *No, I think a lot of time what happened is when we invest in the company normally at the point in time the prospers look good, I give an example for instance like Malaysia Airlines. At the start EPF was investor of substantial shareholder of Malaysia Airlines. During the first part of cycle it was a good investment. About obviously things has change and... is illiquid because when we hold a big percentage at that point of time we hold maybe about 6% of Malaysia Airlines. For us to get out of it, takes a while for us to reduce.*

Tuan Pengerusi: *To sell on block, sell a little bit – selling bit by bit which is takes you a long time and you may suffer more loses.*

Datuk Shahril Ridza bin Ridzuan: *That is right, that is right.*

Tuan Pengerusi: *Once EPF sell you encourage everybody else to sell. [Ketawa]*

Datuk Shahril Ridza bin Ridzuan: *That is the problem because you know it is very different when like EPF, you running a RM600 billion fund against the funds majors... when you running RM600 million fund. They can exit much faster than we can in terms of this investment.*

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Dato' Kamarul Baharin bin Abbas: *Hendak tanya MoF, pernah atau tidak ada tidak setuju dengan cadangan EPF untuk buat pelaburan? Ada tidak?*

Datuk Shahril Ridza bin Ridzuan: *There have been occasion where MoF has disagreed or they have basically put in conditions on investment. Normally we will have discussion dengan MoF to understand their concern atau apa, then if necessary we will carry out based on whatever MoF instruct us, dari segi condition that they are going to place. So, katakan for instance they may want us to limit exposure to a certain sector, so we will do a limit of exposure for that sector.*

Dari segi report daripada Auditor General, basically it was focus on the global property side. They did an extensive review especially on our Australian investments. Here basically I just want to give the background dari segi pelaburan di dalam hartanah luar negara as I mentioned earlier is about RM6.46 billion. Australia merupakan RM1.55 billion out of that total amounts and that has been invested in Australia for the past two or three years they have started.

Dari segi objektif program hartanah luar negara, what we invest in primarily are in a few core strategies. When we look at our portfolio of property investment, we actually split it between cores and by core this tends to be very long term rentals with high grade corporate tenant. So for instant, we have exposure or building where we rent out to people be like visa and credit card company on a very long term basis, 10 years, 12 years to some of the bigger law firm and something like that. Core plus tend to be building where a bits of reinvestment are required to upgrade the building. Values add opportunity can be a very small portions.

So, this include thing like our investment in Battersea where we did a joint venture sekali dengan Sime Darby dan SP Setia. When we look at our total portfolio, the bulk of our portfolio basically tents to be core and core plus, meaning focus priory on income return or rental return. Only a very small portion, currently less than 5% is in opportunistic which include developmental like Battersea and similar thing.

Dari segi jenis hartanah yang kami labur kebanyakannya adalah bangunan pejabat atau *office building*. *We have significant interest in hospitals, retail and logistics. These are the four keys category for us. We do not do hotels and we do not do residential for yield, only residential for development.* Dari segi lokasi, *when we do our asset location, it is again based on weightage of the popularity market on a global basis. So, based on country and then we look at whether it is central business district or it is regional district.*

Dari segi pelaburan hartanah Australia yang menjadi subjek Auditor General pada tahun lepas, lokasi pelaburan *basically is only in four key cities. Canberra which is a federal capital of Australia. Brisbane which is basically a resources base economy, mostly oil and gas as well as agriculture and mining. Melbourne and Sydney, they are more services, finances, trade and manufacturing in term of basically the core economies. Part of the reason why we invest in Australia, it is one of the few develop countries which has had unbroken record of growth for 30 years. They have always set positive growth. Very well manage financially. They are one of few remaining triple A countries.*

So, when we look at the investment that we do, we normally look at what we call the spread to the risk free rate. Essentially as an example, in Malaysia the risk free rate is Bank Negara OPR roughly about 3.5% right now. Rental, when we rent the building we can get a yield about 6% to 6.8%, so the spread is about 300 to 350 basis points, above the...

Tuan Pengerusi: *Just to want be clear untuk pencatat, risk free ya.*

Datuk Shahril Ridza bin Ridzuan: *Risk free rate.*

Tuan Pengerusi: *Risk free rate. Tidak, you cakap laju tadi.*

Datuk Shahril Ridza bin Ridzuan: *Sorry. I slow down a bit. Sorry. When you look at the risk free rate, normally when we look at our investment analysis for an investment, we look at the spread to the risk free rate and then understand whether we getting the right return for the amount of risk we are taking. So Australia basically the risk free rate very low and the spread is equal to or higher than Malaysia. There has been a question about... You know, when we invest for instance in UK. Why would we invest in UK when the yearly yield that we get is about 6%? It was about the same as Malaysia but in UK, the risk free rate now is only about 0.5% because Bank of England rate is 0.5%. So, when you look at that, the spread that we get to the risk free rate is much higher in UK than actually in Malaysia.*

Part of the problem is because in Malaysia there is very few investible building that we can invest in compared to the other markets, there are much bigger profit market. In Malaysia you have a lot of funds which are chasing the same building. So... yield is actually compress substantially in Malaysia. Five years ago, six years ago when EPF was doing investment in properties in Malaysia, we are getting yield of about 8% also. Those yield are not compress to only 6% because people have been chasing the same building and are willing to pay a higher price and therefore getting a low yield on those building.

So in Australia, basically we invest through three primary methods. The first one is a joint venture that EPF has with the Goodman Group of Australia. Goodman Group is the second largest logistics and distribution property developers and owners in the world. They are second to Prologis whereby we owned

60% and they have invested 40% of their money and together we owned 11 logistics hub, this are distribution warehouses and all that. We will show you the details later. Core investment, we have core investment basically in office building in Canberra which is lease back to the Federal Government of Australia on a 15 years plus basis. It is a very long term leases with inflation step-up. Through a fund, we have invested in a fund which is manage for us by CIMB TrustCapital whereby they are four office building in that fund. So, we are investing in the funds.

Tuan Pengerusi: *Do you only invest through recommendation from this vehicle or do you also accept pool call, people who come to KWSP uninvited solicitation of proposal?*

Datuk Shahril Ridza bin Ridzuan: *In term of basically how we source deals in the logistic space, we work together with Goodman. So, there are a joint venture which cover that and jointly we work through that joint venture because it is safer. They have the experiences, they are the biggest logistic developer in Australia, so they have the advantages in term of understanding the business very well. For office buildings, typically we work through the fund, the CIMB TrustCapital fund and most investment are done through them. We are approach all the time in term of solicitation. Normally we will channel those opportunity or basically those offers to basically of partners for them to work with us in the evaluation and the due diligence on those offers.*

Tuan Pengerusi: *Because there have been allegation also that you know, maybe EPF has done deals and some brokers are benefited from deal, whether it is unsolicited proposal or it is through your partners? So, you can confirm that you do not do unsolicited deals where a middle man can make commission from them except through those authorized channel.*

Datuk Shahril Ridza bin Ridzuan: *Through vehicle, yes. Basically like I said, we gets unsolicited offers all the time. Not in term of properties, in term of equities, everything. But what we do essentially is that for all those offers, they will go through a formal channel for evaluation in terms of brokerage or agency fees and any of the sorts. What EPF has established essentially with our partners is standardize fee. So essentially says for instance with estate agent, we pay in negotiated standardize fee so essentially there is no... scope for them to make money on top of that because essentially everything is free negotiated upfront in term of most of our asset manages.*

Tuan Pengerusi: *Any conflict of interest between your head of investment committee and CIMB TrustCapital? Whatever it is, this is a naughty question. [Ketawa]*

Datuk Shahril Ridza bin Ridzuan: *Whatever conflict of interest basically are handled at panel level. So, we adopt the same standard as government in term of handling conflict of interest. For instance if there... we now just mentioned CIMB TrustCapital, sometimes when we look at transition even in Malaysia, which are advised by CIMB for instance, Datuk Nazir will actually leave the room and will abstain from all proceeding. It goes to the extent that we do not even distribute the paper to him.*

Dato' Kamarul Baharin bin Abbas: *Datuk Nazir is the Chairman of the Risk Committee?*

Datuk Shahril Ridza bin Ridzuan: *He is the member of the Investment Panel and the Chairman of the Risk Committee. Yes.*

Dato' Kamarul Baharin bin Abbas: *Who compromise that?*

Datuk Shahril Ridza bin Ridzuan: *Sorry?*

Dato' Kamarul Baharin bin Abbas: *[Bercakap tanpa menggunakan pembesar suara]*
...Compromise that?

Datuk Shahril Ridza bin Ridzuan: *No. There is not compromise because the Risk Committee makes no decision. Risk Committee only sets policy in term of risk management, in term of the amount of risk we can take on investment. The Investment Panel makes decision on investment. So, when it comes to the investment decision, if it involve CIMB, the paper are not distribute to him and he will always abstain from the discussion as well as the proceeding.*

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Tuan Pengerusi: *If CIMB TrustCapital recommending investments, therefore is there any buyers in selection of a the investment to be made just because Datuk Nazir is there?*

Datuk Shahril Ridza bin Ridzuan: *No. There is not because like I said when let say there is a proposal by CIMB TrustCapital to investment panel, it decided by the other panel members. There... instances where their members have rejected a proposal or have revive the proposal. So, it is essentially independent of who they are.*

This is just a snapshot of some of the asset that we have in Australia. These are the typical industrial logistics distribution warehouses that we owned in our joint venture with Goodman Group. Basically we concentrate in two areas, Sydney and Melbourne and they are basically distribution for logistic firm, retail, people like cold supermarket and all the like of them. 50 Marcus Clarke, this is the building that we lease to the Federal Government Australia in Canberra, fully occupied with a yield of about 7.5%. This are basically the office building under our funds under CIMB TrustCapital, mostly again in Melbourne and Brisbane in terms of the assets.

In terms of the total assets invested in global properties by the end of 2013, essentially Australia like I said is roughly about RM1.5 billion, UK about RM4 billion and giving us basically a dividend yield about 4%. The dividend yield that you see here essentially a cash flow that we dividend back up to KWSP. We do not dividend all the money back. So, that is balance cash we leave in diverse countries for the reinvestment but like I said because EPF is a very conservative when it come into accounting, we only recognize as income for distribution to our members, the money that we dividend back. So, it is never...

Tuan Pengerusi: *So the yield is actually not including the money that you leave overseas?*

Datuk Shahril Ridza bin Ridzuan: *Correct.*

Tuan Pengerusi: *Because there was confusion just, now why the rate that you demand for domestic investments is different from the rate that you demand from foreign investment. So, part of the explanation is that you leave part of that money overseas for reinvestment.*

Datuk Shahril Ridza bin Ridzuan: *Yes. For two things, a reinvestment is one, because what we do overseas in order to manage our currency risk is that for global properties we tend to also borrow in*

the local currency. So, katakan we buy a building at Australia, we will borrow in Australian dollars in order to hedge the currency. We will leave cash in Australia to essentially for the settlement or repayment of the loans based on the system of the loan. So that is why in terms of cash flow coming back to KWSP, we only dividends back basically certain amount of cash. We leave the rest basically for reinvestment and for repayment of that.

Dato' Kamarul Baharin bin Abbas: *The investment in Singapore have downward return on 2012 to 2013 but there is an increase of investment in spite of the lower rate of return. Can you explain that?*

Datuk Shahril Ridza bin Ridzuan: *Yes. The Singapore basically is an investment – If you look at the different between year 2012 to 2013, primary is because we have taking part in a joint venture for the development of Tanjung Pagar Centre in Singapore. This is the joint venture with GuocoLand of Singapore. Right now it is in development phase. So both partners are putting in equity and capital but returns will not come until we complete sales upon completion of the projects. That is slightly different. That is why we look the yield has degrees.*

Tuan Pengerusi: *Is this part of the settlement between Malaysia and Singapore?*

Datuk Shahril Ridza bin Ridzuan: *No, no. This is...*

Tuan Pengerusi: *This is your own initiative?*

Datuk Shahril Ridza bin Ridzuan: *It is a purely commercial transaction.*

Tuan Pengerusi: *Purely commercial transaction and it is not part of the Malaysia and Singapore agreement?*

Datuk Shahril Ridza bin Ridzuan: *No. We are not part of that. That one is with the Khazanah only.*

Dato' Kamarul Baharin bin Abbas: *You are saying that the increase in investment is because of the Tanjung Pagar project?*

Datuk Shahril Ridza bin Ridzuan: *Yes.*

Dato' Kamarul Baharin bin Abbas: *Without that, the return is still lower than year 2012?*

Datuk Shahril Ridza bin Ridzuan: *Yes. The return basically in Singapore partly also is from shopping centre – basically the... advances that we put forward, that is why it increase to RM546 million for the Tanjong Pagar Centre development. The return basically in Singapore – previously we use to own a stake in shopping centre in Singapore which have sold as well. So that is why there is a reduction.*

Tuan Pengerusi: *[Bercakap tanpa menggunakan pembesar suara] ...Beginning of your investment cycle because you reinvesting in a new building but then you sold the old building that give you the return? That is why your yield is lower?*

Datuk Shahril Ridza bin Ridzuan: *That is right.*

Tuan Pengerusi: *Okay.*

Datuk Shahril Ridza bin Ridzuan: *In terms of – I think the audit finding from Jabatan Audit Negara, I am glad to say basically that they seems to be happy with the conduct. Dari segi prestasi*

pelaburan, tahun 2013 telah melebihi sasaran our bajet. Dari segi alokasi aset strategik, we are in-line basically with the mandate given to us by MoF.

Tuan Pengerusi: *This is very rare, you know? This kind of recommendation by Jabatan Audit Negara is very rare. Are you sure there was no sweetener incentive for them to come out with this recommendation?*

Datuk Shahril Ridza bin Ridzuan: *No, no. I have to say and I have to thank the Jabatan Audit Negara. They have been very tough with us but they are very fair in terms of taking our comments.*

Dato' Abd. Aziz Sheikh Fadzir: *The reason kita panggil mereka pun, kita hendak enjoy session jugalah. [Ketawa]*

Datuk Shahril Ridza bin Ridzuan: *So, dari segi perakuan, I think from Ketua Audit Negara, I think you already see the report essentially what they are saying we have meet all our objectives and the conduct basically has been very well done. I think one of the thing at KWSP we take a lot of care, we make sure have a very robust compliant system to make sure that dari segi documentation, processes, our people complied all the processes.*

I like to take this opportunity also to brief the committee on our financial performance. I think it is a good platform for the committee to understand a bit more on what we do. Dari segi the first quarter of 2014, this is our announcement that we have just done recently. For first quarter in 2014, our total asset have grown to RM597 billion from RM560 billion in the end of 2013. This is in-line with as I have mention earlier, our expected 10% growth per annum in terms of our total assets. We actually estimate that at this rate we will reach RM1 trillion incise in the year of 2021 or 2022.

Again, not much changes in term of our asset location, we do not tend to make big changes in terms of asset allocation from quarter to quarter or year to year. So lokasi kita kepada pelaburan di luar negara masih tetap at about 20%, slightly increase in 20.8% now from just 20%, domestic is about 9% but as you all have noticed, domestic has continued to growth. Even though luar negara is going slightly faster but in terms of absolute amount, domestic will continue to grow as well. Pendapatan pelaburan, we did well for the first quarter. Relative to the first quarter of last year essentially we reach RM8.8 billion of income for quarter one of 2014 against RM5.6 billion for quarter one of 2013. Driven mostly by equities and this is where our diversification in terms of global assets has really works for us.

In the first quarter of this year, the Malaysian market was fairly down in terms of volume and in term of prices increases but we made a lot of money basically trading in the equity markets in the US, Europe, UK, which we have a big up search in the first quarter. So, a single potion of our return basically came from global assets in the first quarter. So, if you look back essentially while global assets only constitute about 20% of our total asset based, for the first quarter of 2014 they contributed roughly about 40% of income. So, it is an outsize performance. There is where the benefits of diversification comes in, as I mentioned earlier, when the Malaysian market is not doing as well, we have opportunities to make money in other market to help the overall performance.

Tuan Pengerusi: *Just to answer question that outstanding increase in your equity portfolio. Is it because of the tripartite arrangement between you, Khazanah and PNB? The three of you because of your heavy weight status in their local stock market, you are the one that driving their market up.*

Datuk Shahril Ridza bin Ridzuan: *Actually no. Like I mentioned earlier, for the first quarter 2014, most of our equity money was actually made from overseas.*

Tuan Pengerusi: *Local bend down?*

Datuk Shahril Ridza bin Ridzuan: *Local went down. Local, basically it was trading sideways, even up a bit, down a bit and it did not really move very much.*

Tuan Pengerusi: *What is your long terms view of the local market? No, no, we have to ask you that question because it is a relevant question because there are a lot of governments investments listed entities especially like MAS that risk to be restructure and weather EPF is a part of the restructure process whether you are going to buy bonds issued by MAS.*

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I am referring to a article in Utusan Malaysia in 2012 saying that –I do not know whether it is true or not but it says here according to this report, it is not verified but then it said here that, “EPF and PNB will be buying RM5.3 billion bonds to buy six A380 and two A330 aircraft.” I have to ask this question because at the end of the day you said that local stock market performing badly and you may have to be call upon to assist in restructuring some of our GLCs. So, what is your view of, first, the stock market and number two, of buying bonds in these GLCs which need restructuring?

Datuk Shahril Ridza bin Ridzuan: *Okay. On the first question which on the stock market. This one, we has to be careful on what we see on the stock market because... the position, it tends to move the market but I think the way we view the local Malaysian market today, we take comfort that corporate earnings has quite robust, quite strong. We think basically that corporate earnings will continue to be okay, going forward. The main issue with valuation on our local market is the fact that the foreign investors has not been very big buyers especially in the first quarter.*

For the second quarter now, I think they have started to come back into the market and that is why you see the market has started to move up again but I think in terms of earnings, earnings will continue to support the market and Malaysia has... been a very defensive market. Foreign investors like Malaysian market because of our company can give a very strong dividend yield. We tend to have very high dividend yield relative to other regional markets. So that is something we like as well. We are always encouraging our companies that we invest in to pay higher dividend.

Tuan Pengerusi: *Only for the top 30 stocks?*

Datuk Shahril Ridza bin Ridzuan: *Yes, but EPF only invest really in the – only in the biggest counters in Bursa Malaysia. We already invested about 180 companies only.*

Seorang Ahli: *Liquidity?*

Datuk Shahril Ridza bin Ridzuan: *Because of liquidity. On the second question about restructuring, we look at every case on case-to-case basis obviously but I will assure the committee*

basically that we only make an investment if it fit into our risk return profile. So, in the instance of Malaysia Airlines, like I mention earlier, we used to be shareholder of Malaysia Airlines when it was doing well. In the last few years...

Tuan Pengerusi: 1994 you had 30% of...

Datuk Shahril Ridza bin Ridzuan: Sorry?

Tuan Pengerusi: In 1994 before... EPF used to be a very big shareholder of MAS right?

Datuk Shahril Ridza bin Ridzuan: The highest we ever had in MAS I think was about just over 10%, about 11%-12% at the peak. When MAS started getting into trouble we cut our position. About three years ago, we only held about 6%. At that time I think there was, they already talked about restructuring plan all that but when we took a look at it, we felt that there is too much risks. So, we actually need to cut our holdings in Malaysia Airlines. In fact today we do not own any shares in Malaysia Airlines at all.

Tuan Pengerusi: So, according to this Utusan Malaysia report in 2012, you did not actually buy those bonds that was...

Datuk Shahril Ridza bin Ridzuan: Those bonds were marketed to us but we did not pick them up. No.

Tuan Pengerusi: So, you are very prudent?

Datuk Shahril Ridza bin Ridzuan: We try to be very prudent.

Tuan Pengerusi: Because your sister company, sister organization is the one responsible for this restructuring, Khazanah. So, there is no sort of... relationship going on? [Ketawa]

Datuk Shahril Ridza bin Ridzuan: No, no.

Tuan Pengerusi: [Bercakap tanpa menggunakan pembesar suara]

Datuk Shahril Ridza bin Ridzuan: As you know, all the agencies operate independently of each other.

Tuan Pengerusi: I like to asks that naughty question. So, are you okay?

Datuk Shahril Ridza bin Ridzuan: Sure, sure. It is a breakdown basically like I said. Our global investment performs very well for us, outsize in terms of the asset size. So, 20% of our assets contributed 30% over of our income for us in terms of global assets. In terms of return on investment, just to give a rough idea how our global assets are performing relative to domestic assets. Over one year period, global assets return 9.7% against domestic assets at 6.7%, giving us total EPF return about 7.3%. Over three years, still an out performance on the global assets by about 7.7% to 6.6% for us and over five years also is about 7.2% to 6.2%. So, the global assets has performed a role for us in terms of both diversification as well as enhancing yield for our membership base.

Dato' Kamarul Baharin bin Abbas: Overseas investment not much except for Singapore, no investment in ASEAN countries?

Datuk Shahril Ridza bin Ridzuan: We actually have a significant investment in Indonesia, Thailand, Philippines, Taiwan, Hong Kong, Japan and Korea. If you look at mandates, the way we divide our equity for instance, we have what we call a global develop markets mandate which covers the OECD

countries, US, Europe, Australia, Japan. We have North Asia section which basically covers Taiwan, Hong Kong, Korea and through Hong Kong some exposure to China and we have South East Asia section which look at basically at the South Asian markets. So, primarily Singapore, Indonesia, Thailand and Philippines.

Dato' Kamarul Baharin bin Abbas: Tidak ada rekod ya?

Tuan Pengerusi: Yang Berhormat, you want to ask for information on the portfolio of investment overseas? Can you provide that?

Datuk Shahril Ridza bin Ridzuan: Sorry?

Tuan Pengerusi: Yang Berhormat Telok Kemang wants a portfolio, a list of your overseas investment portfolio, if possible.

Datuk Shahril Ridza bin Ridzuan: Yes, I think we can provide the list, we can do a breakdown base on the countries we have invested. So you can see how much we invested in each countries.

Tuan Pengerusi: Can you later on pass over to PAC?

Datuk Shahril Ridza bin Ridzuan: We will pass it to the committee.

Tuan Pengerusi: Thank you.

Datuk Shahril Ridza bin Ridzuan: Yes. I will go now on to our operation slide. This is basically where our members meet us on face-to-face basis. This is our services to members. In 2013 essentially we did 20 over million transactions, 25 million transactions to be exact with our membership base. As you know our members today, 13 million members of which, just over six million are active members. By active we mean basically members who mencarum at least once every three months. People who are in at least some kind of semi-regular employment. So when we look at total membership base on 13 million that includes people who have drop off the workforce maybe to become housewife or they have stop working, we still have a lot of retirees in our system as well. Those who are not fully taken out their money with us. So, total membership is much bigger than the active working population in a private sector base.

So, we have 25.6 million transactions last year. In the first quarter of this year alone we have 11.7 million transactions. We managed as of the end of April, 523,000 employers and I am very please to inform the committee that in term of default rate, the percentage of employers who failed to mencarum to EPF, it is now down below 1.5%. We have done a very good job in terms of managing that... We follow up and chase up with employers.

As I mention about 13.98 million total membership, 6.5 million active members, and jumlah caruman, this is the amount that comes in, is about RM19.4 billion for the first quarter. As you can see there is a rising trend from year to year. RM33 billion in 2009 to RM49.6 billion for 2013. This is a gross caruman, the amount of money coming in.

In terms of pengeluaran, these are the key withdrawal transactions that we managed for our members. Basically the three biggest, persaraan as you can imagine, when they hit their 50 and 55 withdrawals. Perumahan, which is where we allowed people to withdraw money for investment in property as well as pelaburan. This is basically the unit trust scheme because we give freedom to members who

have savings above the certain basic savings amount to manage their own investment. So they can transfer money from the EPF to their choice of unit trust managers, unit trust scheme as decide basically be – we work together with the industry to basically set out which funds are eligible to be invested by our members.

The balance of the transactions in terms of withdrawal are very small relatively and they range from basically kesihatan or medical where we support our members to allow them to withdraw for critical illnesses, hilang upaya dan kematian. The other big one is of course pendidikan. We see an increasing trend in terms of our members withdrawing money to fund their children education.

Tuan Pengerusi: *What is your forecast peak for the withdrawal? I mean, when the population gets older then the replacement, the new people coming in?*

Datuk Shahril Ridza bin Ridzuan: *In terms of our current projection, when we look at the balance between pencarum and withdrawals. We are looking at basically being cash flow positive, net inflow of money into EPF at least until about 2025, base on current projection. Of course that may actually go and increase further because peoples income continues to rise as well as the fact that people tend to stay and work longer as well now it is.*

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So, that current projection is base on today scenario where we foresee most people retiring out at 60 or just before 60 but as that progresses we expect that may... push out to be further.

Tuan Pengerusi: *Because retirement age goes up and then because we have a younger population, the replacement rate is quite healthy.*

Datuk Shahril Ridza bin Ridzuan: *That is right.*

Tuan Pengerusi: *So therefore there will be new people to support the older, more new people supporting less older people withdrawing the money because of the extension retirement age.*

Datuk Shahril Ridza bin Ridzuan: *Yes, correct but I think at this point it is probably worth me explaining the difference between EPF and your normal pension scheme. EPF basically is the define contribution scheme. Every member has their own account and every member has their own money with the EPF. There is no element of unlike in pension scheme whereby you have to replace the money with new people coming in, in order to pay out pension. At the end of the day, the only thing you take out of the system is whatever you have put in together with the dividends credited to your account. So that is never an element of EPF being unfunded as well as my concern. Actually to be exact if you actually look at EPF balance sheet it is extremely healthy. For every RM1 of member's money in their account, we actually have bought RM1.08 of asset. So, we actually in over funded position because of the success of our investments overtime, we able holding a lot of unrealized value or unrealized income on those asset.*

Tuan Pengerusi: *Another question which this is unrelated in a way but is related in a way. The Government Pension Fund, Kumpulan Wang Amanah Pencen how is it that structure compared to EPF?*

Datuk Shahril Ridza bin Ridzuan: *Kumpulan Wang Amanah Pencen is slightly different because Kumpulan Wang Amanah Pencen does not maintain individual accounts for the pensioners.*

What they do basically manage the money that being set aside by the government which set aside to cover their future pension liabilities.

Tuan Pengerusi: *Of the government servants kan?*

Datuk Shahril Ridza bin Ridzuan: *Of the government servants. That is right, they are very similar to something like... If you looked in the global scenario whereby they are managing the pool of assets on behalf of the state entity and they are growing those asset in order to meet the future pension liabilities for the state. So it is very different where is EPF is very much like CPF or the super funds of Australia where do you have essentially individual account for the members it is define contribution scheme. So it is a different concept.*

Tuan Pengerusi: *Dato' Fauziah, KWAP punya management structure, is it the same as EPF?*

Dato' Fauziah Yaacob: *Yang mana?*

Tuan Pengerusi: *KWAP punya management structure is same like EPF? Is it professional?*

Dato' Fauziah Yaacob: *They are management professional.*

Tuan Pengerusi: *The mandate still the same. You need to get MoF approval and everything?*

Dato' Fauziah Yaacob: *...At our approval for investment.*

Tuan Pengerusi: *Okay, how big is KWAP compared to corporation today in size of the fund?*

The government the money put aside...

Datuk Shahril Ridza bin Ridzuan: *I think they are about RM100 billion in size, around that.*

Tuan Pengerusi: *RM100 billion?*

Datuk Shahril Ridza bin Ridzuan: *RM100 billion in asset size.*

Tuan Pengerusi: *Because the reason why I asked also because in this Utusan Malaysia punya report pun it is said that KWAP was offered to buy bond in MAS, buy bond in other organizations. So, that is why EPF can reject the investment but I do not know whether KWAP actually invested in the MAS bond or not.*

Datuk Shahril Ridza bin Ridzuan: *Oh!*

Tuan Pengerusi: *That is not the question for you to answer and then that will be something at the – can have later hearing on the how KWAP is being manage. So far the bottom line is EPF is fully funded.*

Datuk Shahril Ridza bin Ridzuan: *It is actually more than fully funded.*

Tuan Pengerusi: *More than fully funded and is healthy for the next how many years?*

Datuk Shahril Ridza bin Ridzuan: *It is essentially because maybe to... back, I can explain a bit on our accounting policies and how we manage the financial side of EPF. KWSP is extremely conservative when it comes to the way we manage our assets. So when I mention basically that we have about RM1.08 of asset for every RM1 of members account. When you looked at the unrealized portion, the unrealized gain on balance sheet, the way EPF accounts for unrealized gain and loses is basically very conservative. We will take into our PNL on yearly basis, an unrealized losses which is... certain threshold. For instance if we have been holding unrealized loss on the particulars stock, let say for more*

than 18 months, we will absorb it on PNL but we will never recognize unrealized gain as part of PNL. So, it is extremely conservative. We only recognize unrealized losses which have hit the threshold but unrealized gain basically will sit on the balance sheet only.

Tuan Pengerusi: *I asked because the impression of people out there is government is abusing EPF and then EPF might not be in healthy financial situation. So, in this case, your opinion is EPF will still healthy for a decade to come?*

Datuk Shahril Ridza bin Ridzuan: *I think if EPF continues on the part that we have set in terms of being very prudent in term of risk management, in terms of our assets allocation. So, I think we will meet those objectives which is like I said the primary one is to protect the capital of our members provide that minimum 2.5% return and achieve that 2% over inflation which is basically the long term real return target we set for ourselves. So that there is the real growth in the members money.*

Tuan Pengerusi: *I think you should do more public service announcement on this matter because you know out there people thinking that EPF money is being mismanage by the government. So, that is the suggestion from the PAC for you.*

Datuk Shahril Ridza bin Ridzuan: *Noted.*

Dato' Abd. Aziz Sheikh Fadzir: *Give confidence to those contributors rather than they are trying to take the money out whenever they reach the level or the age to retire the money to go somewhere else which expose them to bigger risk compared to they stay with you in EPF. For the reason they took out the money because they feared expect EPF is not manage that good compare other fund that which is available. On top that bila Dato' Sri Mohd. Najib punya announcement yesterday, that we are allowing the unit trust or foreign unit trust to come and take our money here. We will expose more kalau dia orang tidak confident dengan EPF ini.*

Datuk Shahril Ridza bin Ridzuan: *Yes, understood. We will look and see and what we can do more in terms on our communication with the members and with the media.*

Tuan Pengerusi: *Because at the end of the day what Dato' Abd. Aziz Sheikh Fadzir say is correct. Why should they want to go to commercial trust fund when they can, when the retirees can stay with EPF? I think that is also another issue that you can... I mean it is another threat to your business that you should actually address. I am not suggesting that you go against government policy and trying to encourage unit trust but if you are managing the money as well as them all even the better, why should retirees move their money out from EPF?*

Datuk Shahril Ridza bin Ridzuan: *In fact we have been doing a lot of a education to our members upon retirement to reconsidered taking out the money in lump sum. Because our studies have shown that if you take out money in lump sum, you tend to use up all the money in very short time and that campaign has been quite successful with increase of percentage members who upon retirement still keep money with us and they enter a plan with us whereby we can allow for a phase withdrawal, let say on the monthly basis. I think we are now up to about I think 20% of our total age 55 withdrawers have*

move to phase withdrawal... suppose to a lump sum withdrawal. I think that is part of actually more financial literacy and will come to that shortly in term of our planning to do.

This is basically just an example how we manage EPF. We have very strict operational KPI that we impose on our people, our staff. So, we are very strict target of for instance when it comes to registration of members. We expect that we can raise all the members within one to five days. Right now we are running about 99.7% in terms of registration of employers. Our target is T+1 (T plus 1). So this is an example. We have a lot of KPIs that we set to our people and we do a very strict job of monitoring and meeting those KPIs.

The most important is I think the blue one at the bottom. [Merujuk slaid pembentangan] This the peratus majikan gagal mencarum. This is the key part of the EPF focus and mission which is to make sure that employers actually do the right contribution. We have been able to manage that down from I think maybe 10 years ago, maybe about 5% to 6% and now we brought it down to 1.35% but this tend to fluctuate. When the economy does badly, you can expect this number to go up as employers get a bit squeeze on cash flow but we have been able to monitor and manage this measure.

Just to give an idea, EPF now has 66 branches over the whole of Malaysia. We also operate six mobile teams. This is to reach out to members and employers in areas where we do not have a physical present. Primarily in Sarawak as you can imagine it is bit harder for us to have so many permanent officer. So we used mobile teams to get around especially to the smaller towns but the mobile teams also operate in Peninsular Malaysia because we need to grow the number of branches that we have. Most recently we open in Rawang and Pekan and now looking opening one in Kulim later this year as well.

Beberapa Ahli: [Bercakap tanpa menggunakan pembesar suara]

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Datuk Shahril Ridza bin Ridzuan: Yes, it is driven by demand because there has been significant growth at Kulim in terms of employers and employees. [Ketawa]

Beberapa Ahli: [Bercakap tanpa menggunakan pembesar suara]

Datuk Shahril Ridza bin Ridzuan: The other thing, we are trying to make a big push from now, is just like the bank, just like most of industries, move more transaction on the internet and through some service channel. For example, we have been investing very heavily in terms of electronics channels, in 2010 we had about 67% what we call layan diri. That means either through our kiosk, through internet myEPF or through basically the i-Akaun. That is now move to 76% of transaction now. Our goal is to reach probably about 80% plus of transaction to essentially be source service on internet.

For two reasons, much more efficient, faster respond for our members and in lowest overall cost for EPF, meaning we pay higher dividend to our members. We also monitor very closely customer feedback, we record every instance of customers feedback to us. As you can see basically for 2014 you know we had 304 customer compliments, we had three aduan so far this year and you know we take... basically in terms of recognition by our customer base. EPF is a very high level service organization and in terms of customers satisfaction.

Consider we do like I said over 20 million transactions a year to only generate a handful of complaints I think it is very good, it is indication that our team are doing very well. Of course you know we have won award and all that. Invest sectors, even in investment I think globally we are recognize to be one of the most advance sovereign or basically pension funds in terms of the way we doing investments. Especially in the field Islamic finance, we have been winning award in terms of Islamic finance transaction.

One of the keys issues which we think we will face and we will grapple with basically is the growth in what we call the 'Gen Y' the younger generation. That driving a lot of changes we doing now in terms moving to internet, moving to other services that we doing because we expect by 2020 roughly about 42% of our... members will be Gen Y, those who are born in the late 80s onwards.

So, one of things we are really looking at basically is again constantly involving our customer process, moving more internet base, self service. We now have even mobile apps so essential of members can transact over their smart phones on mobile everywhere and we are basically going to invest more heavily in terms of distribution channel.

Again, like I said electronic, we also are moving the employer through the electronics channels. This is very important to us because right now especially for this small medium employer, those with less than 20 employees which make out the bulk of employer in Malaysia, they still tend to submit to us manually. Even they submit to us a manual form we have... we have a longer processing time. So, we have been pushing very hard to move them to submit electronically to us. This year we are imposing that all employers with 50 employees and more must do electronic now.

By next year we expect we will then move that down to say all employers with 10 employees and more. The idea basically is that we can shift it forward. You can see from the statistic here, if you look at the circle a. Majikan. [Merujuk slaid pembentangan] Right now about 20% of majikan are submitting electronically. This is tend to be all the big employers and that 20% covers roughly about 58% of our members and about nearly 70% of all caruman, right. But the bulk of employers are still the small medium size employers that 70% basically still moving manually with us. So, that one we are targeting to move to electronic channel.

This is basically our roadmap. I would not go into details but we have a very clear our roadmap about all our services moving electronically, even the withdrawal. Over time we are expect that our members can also submit to us electronically, they no longer need to come to branches to submit forms and this will again cut our processing time and save time for our members as well in terms of their cost and expense. The last part basically is new service we are pioneering this year.

One of the thing which we feel basically has been the major problem with the membership base is financial literacy. I think as most of the members here know, the financial literacy level among Malaysian are very poor. So, what we doing is we setting up a service that we call are retirement and financial service. Those who are hitting the age of 50 and 55 withdrawal can come to our branches and get advice

on how to make the money last longer, how to budget for their retirement and essentially do financial planning for them.

We are starting with our two pilots and two bigger branches KL main, which is in HQ and Petaling Jaya but insya-Allah over the time I think we expect to expand this service to all of our main branches in Malaysia as well. This I think will be quite a big step because it is a brand new service that we are introducing for members. So with that, to conclude my presentation to the Committee, we are happy to take any further question from that.

Dr. Tan Seng Giaw: Okay, thank you. The correct commendable thing, that this a – your overseas investment, the return is very high. That is commendable and the failure although this non-compliance companies reduce from 1.35 to 1.5. That is commendable but let look at this way, compare to CPF, how do you compare?

Datuk Shahril Ridza bin Ridzuan: If we look at CPF, CPF is our equivalent in Singapore, essentially operate very similar to us. They operate a mandatory contribution scheme whereby they collect from both employee and employer. The main difference is in contribution rates. In Malaysia as you know employee contribute 11%, employer contribute 12% or 13% depending on whether its below of RM10,000 per month in term of salary. In Singapore is a much higher contribution rate, all together the contribution rates in Singapore is roughly about 40% combine between employee and employer.

So, their growth on access is much faster because the contribution rates is much higher but they have a different issue, their return is much lower than EPF. CPF does not operate like we do in investment. The way CPF actually operate on investment is all the money that is collected from employees and employers is essentially given to the Government of Singapore. That is how there fund Temasek, GIC and all the Singapore investment agencies. What the government then provides to CPF is basically just a fix income return and that is essentially taken as an average of their fix deposit rate. That is why if you look at Singapore CPF, their return is roughly about 2.5% compare to what we have been managing, 6%. So, they did not operate in investment site.

What actually the government does which I think is pretty good for the sake of government is that they are being... the different rate of return. So, they essentially borrowing money from CPF at 2.5%, they are investing it into GIC and Temasek and the access return that they get from investment is captured in the government balance sheet not in the CPF account. So, the CPF members basically do not get the full benefit of the investment driver but what they do get instead is certainty, government will pay you 2.5% no matter what happen.

Dr. Tan Seng Giaw: How do you compare with the superannuation fund in Australia? Since you are investing...

Datuk Shahril Ridza bin Ridzuan: Yes, if you look at the superannuation, slightly different. Superannuation in Australia is actually have a very high equity component and that is because the way they account for their return is essentially on Net Asset Value Basis (NAV) as oppose to what we do, which is basically a realize annual dividend, driven from the profits and actual cash flow of our

investment. So their objective is slightly different whereas our objective is to provide the capital protection and stable return. The Super Funds for instance, they normally operate different funds. So, when you are a member of Super Fund in Australia, you have an option of investing either in aggressive fund where buyer targeting higher return but you take much more risk or you target basically lower return and lower risk. So, you have... return depending on your risk appetite, for the members.

For EPF, essentially because our focus is the mandatory 2.5% return under the EPF Act, we tend to be much more conservative in terms of the overall investment.

Dr. Tan Seng Giaw: *Today what is the EPF position compare with the other similar fund in the world?*

Datuk Shahril Ridza bin Ridzuan: *You talks about overall size or...*

Dr. Tan Seng Giaw: *Yes, the overall size.*

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Datuk Shahril Ridza bin Ridzuan: *If you talk about overall size, when we talk about the pension system funds in the world, we are around number six or seven globally. Six or seven, it tends to fluctuate depending on the action because they measure it in US Dollars. We are now number seven based on US Dollars rate, we are at USD175 billion dollars. The biggest system in the world is the Japanese system, they have USD1.3 trillion in size.*

Dr. Tan Seng Giaw: *Are they offered the same basis as us?*

Datuk Shahril Ridza bin Ridzuan: *No. The Japanese JPF, essentially what they do is that they take all the money from their system and they invest almost fully in Japanese Government Bond (JGB). So, if you look at their actual return, their targeted return is something like 1% but it is okay because in Japan, inflation is negative. They have been in deflation mode anyway. So, 1% return in Japan is acceptable.*

Dr. Tan Seng Giaw: *Now, I notice that 55 years, has been there for years, is there any move to try and raise it because...*

Datuk Shahril Ridza bin Ridzuan: *It is something which actually if you think about it, at this point in time it does not make sense. You have a retirement age which is move to 60 years old but the withdrawal age is still at 55 years old. So, what you have in this situation right now is that under the current rules, you can reach the age of 55, withdraw whatever you have in the EPF, still work for another 5 years and but then in 60 years old you may have depleted all of your saving. So, EPF is looking at potentially revising the age of withdrawal the 55 years old to bring it in line with the mandatory retirement age. That I think is something that we will discuss with the government, what is the best way to implemented if that is a right way to go forward.*

Dr. Tan Seng Giaw: *I hope you do it fast because we keep getting people coming to us asking for assistance. When we ask them what his position, what about your EPF? He says already withdraw.*

Datuk Shahril Ridza bin Ridzuan: *Correct.*

Dr. Tan Seng Giaw: *It is withdrawn.*

Datuk Shahril Ridza bin Ridzuan: *Yes, but that is why like I mentioned to Yang Berhormat, we are trying to tackle this problem in a few ways. Of course the structural fixed to this will to be move the 55 withdrawal to match retirement age. On top of that, we also doing a lot of education now. That is why I mentioned the retirement advisory services. When our members now come to our branches to make their 55 withdrawal, we will be advising them on how are they going to use the money, how to budget for it, so it will last longer for them. A lot of people do not understand how quickly money can be spend, I think, when they are age 55. I think that is part of the problem that we have. The third thing we have doing which I think I have mentioned earlier is we encouraging members to keep the money with us and enter into a phase withdrawal plan. So, we can actually do a monthly crediting to your account. You let us know how much you need on a monthly basis, we credit it to your account. It works almost like a pension system.*

Dr. Tan Seng Giaw: *Now, let me ask about... the concern of everybody, although the chairman is happy about it. It is the good thing that you do not have any share in MAS, so nobody can blame you on MAS restructuring. Are you going to take up some more on MAS?*

Datuk Shahril Ridza bin Ridzuan: *MAS?*

Dr. Tan Seng Giaw: *Yes.*

Datuk Shahril Ridza bin Ridzuan: *Like what I has mentioned, I think we always look at every investment at the appropriate time. So, for instant if MAS will come out with a restructuring plan, we will look at it and we trying decide first whether it makes sense or not. Like I mentioned three years ago when we look at that restructuring plan, we did not think it was going to works. So, that is why we reduce our position in Malaysian Airlines. In the future, they may come out with something workable and if it is workable, we may well look at getting in some investment into it.*

Dr. Tan Seng Giaw: *Now, what is your total involvement in GLC's in Malaysia right now?*

Datuk Shahril Ridza bin Ridzuan: *Total investment in GLC's?*

Dr. Tan Seng Giaw: *Yes.*

Tuan Pengerusi: *Listed or unlisted?*

Dr. Tan Seng Giaw: *Whether it listed or unlisted, does not matter.*

Datuk Shahril Ridza bin Ridzuan: *Also depends on how you define GLC. So for instance, we owned significant shares for instance in big corporation like Sime Darby, Axiata, which are defines as GLC but actually operate fully commercially. We do not tend to view them as GLC. When we look at our investment that we do, it is always based on purely commercial returns. So, we tend to avoid pure GLC. You know when we talk about... government, pure government listed company or government agencies, we tend to not have much investment in those except where for instance we have made loans which are government guarantee. Then that to us is fine because to us that is part of our government exposure from a risk or credit point of view but otherwise, it is all listed entities only. When we look at listed entities, they tend to be commercial enterprises, not really government enterprises.*

Dato' Kamarudin bin Jaffar: *Just one questions, follow-up on Yang Berhormat Timbalan Pengerusi regarding the employer-employee contributions. Do you play a role in advising the government on the rates? Number two, when the rate changed, how do you react? Do you prefer like Singapore higher contribution by both side or do you prefer, since you have access funds di situ, lower contribution...*

Datuk Shahril Ridza bin Ridzuan: *In term of contribution rates, the government does discuss with us whenever there is any plan to look at the contribution rates. So for instance I think two years ago when they increase contribution rates from 12% to 13% for those employees earning less than RM5,000, they did consult with EPF just to make sure that our systems are able to make the changes quickly. So, we generally believe that in term of the average Malaysian worker probably does not save enough for the retirement but that was because previously retirement age was 55 years old. So, we were actually been working quite close with government on the issue of the minimum retirement age. We work together with government in term of policy changes to move that to 60 years old so that workers can work longer and have shorter retirement period for their money to fund and also on minimum wage because we think minimum wage is a vital step to make sure that there is a certain base minimum wage for all workers in Malaysia. So that people can have livable salary.*

On contribution rates itself, I think it is a difficult question because you can have a higher contribution rates which will help in term of your retirement savings but it will sacrifice basically your immediate spending ability and the problem that we have in Malaysia is that wage level tends to be very low. So, if we look at people wage level relative to their commitment or their outgoing, housing loan, car loan and everything. If you would take more on the contribution side, it will lead people with less money in the pocket on the month to month basis. So, it is very much longer term problem that I think we need to look at. So, you just have to do both in tandem. I think you can only have a higher contribution rates as wage level move up and people can actually afford on a monthly basis to contribute more money.

Tuan Pengerusi: *This hearing is not exciting for us because there is nothing to bite on. [Ketawa]*

Datuk Shahril Ridza bin Ridzuan: *But I hope it been educational for the committee...*

Tuan Pengerusi: *Wait, wait. One last question from me. Special one I kept to the last. Your domestic property investment especially concerning the RRI land in Sungai Buloh. Why did you go into the investment? Meaning that, was it done through a proper evaluation, proper analysis because that piece of land is actually quite long term in nature. That is number one.*

Datuk Shahril Ridza bin Ridzuan: *Correct.*

Tuan Pengerusi: *Number two, there is a lot of talk about why did EPF go into joint venture (JV) with MRCB or you took a stake in MRCB and people outside say now it become likes your property vehicle to basically undertake projects in the country. That is like EPF moving away from a role where you are just like a small investor in a company looking at the making returns on the share and instead of – what happening is you are going into a properties business because of your substantial shareholding in*

MRCB. So, can you explain the rationale for these two investments? Does it mean that the EPF policy still on core or have made a diversion also to something else?

Datuk Shahril Ridza bin Ridzuan: *Two separate issues. I think one on RRI. The way EPF views properties investment in Malaysia like I mentioned earlier we segmentize into different sectors. So we have core sector which is basically existing building that we rent out to people. Within a Malaysian context for instance, I am not sure whether committee knows but we actually owned a significant number of the Giant Hypermarket. So we owned the Giant Hypermarket. We lease it back to Giant on very long term leases, 20 years to 30 years which provides very a nice stable income to us. We owned like Sogo in Jalan Tunku Abdul Rahman, we actually owned the building. We lease it back to Sogo again it is a 20 years lease.*

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We owned office building and the like of that. So, that is one element of the property side. The second part of it basically was that the panel felt that as one of the main things that we are targeting is actually to fight inflation and to provide an inflation adjusted return to our members. We want to increase our exposure to property in Malaysia. So that as you know property acts as an inflation hedge, it tends to move up in value due to inflation and the cost of construction. The biggest opportunity we could get was actually acquire ROI because when we acquire ROI, we acquired 2,300 acres of land which really in terms of value will last for 20 over years.

The way essentially EPF is managing that investment is that EPF itself is not doing any development on the land. What we are doing is we setup a subsidiary called Kwasa Land, similar to the way Iskandar was done. They do the master plan for the entire land and the parcel of land are then put up into market and bid out on a transparent manner. So, we have recently done the first tender of land which is a 70 acres piece of land for the commercial hub. We qualified 20 profit companies, all the big profit companies in Malaysia to bid for it.

We have received six... bid from these 20 companies and these are from all the big companies, GuocoLand, YTL, SP Setia, UEM Sunrise, Berjaya Holdings, MRCB and they are bidding for the land. Our assurance is of market... always conduct all the tenders on transparent basis. This is the map of the RRI land. If I can just show you the one that we just tendered out, this one. [Merujuk kepada slaid pembentangan] ...Mark the towns centre, right. So that 70 acres basically has gone out to tender, we will be tendering out two more parcel of land hopefully the rest of this year. Now, our strategy on this is very simple. We will hold the land, it will act as essentially an inflation buffer for us and we will progressive sell the land into the market to... value at higher and higher rates. The first parcel, just for the committee information, our reserve price for first parcel basically was RM300 per square foot for the land. The bids coming in are comfortably well above that RM300.

So, we fully expect basically that overtime will make a very decent return on this land for our members. When we bought this land, we basically bought the land, was not like comparison because we bought it as agricultural land at that time. We bought it at RM21 per square foot. [Disampuk] Now it is

actually RM300, yes. How we get return for our members, yes. [Ketawa] On the second question, which have relation to MRCB. EPF holdings MRCB, is a bit of historical thing, we always held a high percentage MRCB but I am not sure whether you are aware but what we done in the last couple of years basically is that we have actually resolve that EPF does not one to be a manager of companies.

So, MRCB for instance, what we done is actually we introduce an entrepreneur to take over the company through basically an... of his company and now it is an entrepreneur driven. EPF is still the largest shareholder but we are basically a passive shareholders as far as our shareholder concern. So, it is fully entrepreneur driven and it is not the properties arm of EPF. If we actually look at our investment in property companies, our investment in MRCB as an absolute amount is actually very small relative to our investment in companies like SP Setia or even in IOI properties...

Tuan Pengerusi: *That is now?*

Datuk Shahril Ridza bin Ridzuan: Ya.

Tuan Pengerusi: *But you mean the differences is that one investment control the company as oppose to bigger investment in Sime Darby but because of the bigger equity value.*

Datuk Shahril Ridza bin Ridzuan: *Correct but that one is like what I said, as far as MRCB concern EPF not take a back seat in term of management, it is manage basically by the entrepreneur who has taken...*

Tuan Pengerusi: *So you are not involved in property development? I think that was my question just now, which I do not re-phase very well.*

Datuk Shahril Ridza bin Ridzuan: *We are not involved in property development but as far as RRI is concern what EPF is doing is we are reserving one parcel of land which is next to the town centre as our own land for investment and we anticipate basically to build corporate headquarter for a number of big firms and collect rental over the long term. So that is about the only extent of properties development that we doing.*

Dr. Tan Seng Giaw: *Ya, Chairman, one last question from me. With the panel, with the risk committee, how long does it take for approval of a proposal? How many months or how many weeks or how many days?*

Datuk Shahril Ridza bin Ridzuan: *It depends on the complexity of the proposal. For instance if it an investment in bond issue, a listed bond issue, with a proper credit rating and where they know they have full information and everything else, just normally very fast. From the time that the management receives the information memorandum to the time we get it approved at our panel can be a short as two weeks. Those are very straight forward, those are market transaction. When it come to something more complex like a property investment, we have to do due diligent while we get engineers to inspect the properties first before we decide what we want to invest in it. That can take between two to four months depending on the complexity of the transaction. So it really depends, there is no real... and fast rule but normally the way we budget it basically for investment we have to do particular due diligent likes properties. Normally we budget two to four months to get the deal done.*

Tuan Pengerusi: *Okay, our quorum also reduce to three, he have to go out also, we have no quorum after this. [Ketawa] There is one last question to close the matter, Tuan Haji Md. Jafar from the Committee Chairman, are you satisfied with the management? Internal practices, corporate governance?*

Tuan Haji Md. Jafar Abdul Carrim [Ahli Lembaga Pengarah Kumpulan Wang Simpanan Pekerja]: *Tuan Pengerusi, one of the questions you ask earlier was whether it is possible for EPF to be like a “Pak Man Telo” scheme. That question I think the CEO has address but let me just emphasize that one of the section of the Act of Parliament requires that the EPF cannot declare a dividend if it will undermined the financial integrity of the EPF. So to support this we subscribe to Malaysia Financial Reporting Standard and where it is against the act, we will follow the act which is generally more conservative, as such EPF will only realize a profit on actual transaction, transacted gain. The role of the Audit Committee therefore is to ensure that the in payments are made on the assets that the EPF has is done properly. We go through the whole asset list and look through the in payments they are made. We look at the cost to ensure that all the cost are properly book and we make sure that all the gains that are book, the profit that are book are actually transacted profit.*

Tuan Pengerusi: *Oh! No unrealized gain right? But loses, unrealized losses, you realize as fast as you can?*

Tuan Haji Md. Jafar Abdul Carrim: *That is right. We book the unrealized losses but the unrealized gains remain in the balance sheet, does not get move to the PNL.*

Tuan Pengerusi: *Okay, I think there is nothing else for us to say except very well done Datuk Shahril. I think your explanation has been very enlightening and then you did not refer to any notes on your table. That means you know the subject matter at your finger tips. Dato’ Fauziah you should be happy with – MoF should be happy with such a outstanding CEO to come here and face the PAC and just fly through. We try to korek here and there but could not shake him. [Ketawa] So, congratulation and well done. Thank you very much for your contribution on this day.*

Datuk Shahril Ridza bin Ridzuan: *Thank you Yang Berhormat. On the behalf of the EPF and all our management and our staff, thank you very much.*

Tuan Pengerusi: *Dato’?*

Dato’ Fauziah Yaacob: *Terima kasih Yang Berhormat. Saya juga bagi pihak MoF dan wakil-wakil yang datang pada hari ini ingin mengucapkan terima kasih atas jemputan PAC pada pagi ini.*

Tuan Pengerusi: *Terima kasih. Jadi, makanan tengah hari disediakan. Sila jemput ke tempat makan. Terima kasih, ya.*

[Mesyuarat ditangguhkan pada pukul 1.19 petang]