

CHAPTER 1 : PENSION

UK Context

Introduction

A pension is a source of regular income to live on when you retire and is one of the most effective ways to save money for retirement. This is because you can get tax relief on the money you save in a pension scheme.

Pension Options

A. State Pension

The State Pension is made up of:

- i. Basic State Pension
- ii. Additional State Pension

You may be entitled to either or both when you reach State Pension age if you meet the qualifying conditions.

i. Basic State Pension

The Government pays the basic State Pension to people who claim it and have reached State Pension age. You qualify for it by:

- paying;
- being treated as having paid; or
- being credited with

ii. Additional State Pension

The additional State Pension is money paid to you by the Government each week. The amount you get depends on your earnings and National Insurance record throughout your working life. You do not have to be getting the basic State Pension to get additional State Pension.

B. Contracting Out

If you work for an employer and earn more than £4,524 in 2007/2008, you will be automatically included in the additional State Pension scheme. But some people choose to leave the additional State Pension and join a contracted-out occupational pension if they think it will give them a higher income, or other benefits, when they claim it. Or some people may choose to do this by setting up a personal pension arrangement with an independent pension provider. This is called 'contracting out'.

C. Occupational Pension

An occupational pension scheme is an arrangement an employer makes to give its employees a pension when they retire. Occupational pensions are also known as company or work pensions. By not joining you could be missing out on tax relief as well as contributions towards your pension made by your employer. You can get an occupational pension on top of any State Pension you may be entitled to.

Personal Pension

A personal pension is a kind of pension that you buy from a pension provider such as a bank, life assurance company or building society. It is entirely your own, which means you can continue to contribute to it if you move jobs.

Stakeholder Pension

Stakeholder pensions may be a good choice for you if you do not have access to an occupational pension or a good-value personal pension. If you are self-employed, or not earning, a stakeholder pension could also be the best option for you.

Stakeholder pensions are money purchase pensions. As with other types of personal pensions, the pension you get does not depend on your salary and the money you save is put into investments for you. Your fund will then be used to buy an annuity from an insurance company, to give you a regular income when you retire.

Malaysia Context

Introduction

The pension scheme is intended to provide financial security for retired Government employees. Retirees who opt for the pension scheme will be paid a fixed monthly income, a service gratuity payment and enjoy benefits such as free medical treatment at Government hospitals.

Objectives of Pension Scheme

- i. To acknowledge and appreciate the excellent service, with loyalty, dedication and honesty, rendered to the Government by a personnel;
- ii. As a bondage for personnel to retain their service with the Government;
- iii. To provide the life subsistence for the dependants of personnel who have passed on during the term of service with the Government or after their retirement; and
- iv. To develop a form of Compensation Scheme for personnel who are required to retire or passed away due to an injury or contracted a disease because of exposure to harm in the course of carrying out his/her duties.

Types of Pensions:

- i. Compulsory Pension Under Section 10 Act 227/239
- ii. Compulsory Retirement at the Instance of the Government Under Section 11 Act 227/239
- iii. Optional Retirement Under Section 12 Act 227/239
- iv. Retirement due to Privatisation of a Government Agency Under Sections 10(5)(b), 12 and 12A/13 Act 227/239

Types of Pension Benefits

Pensionable officer who retires or asked to retire from Government service is eligible for the following pension benefits:

- Service Pension (monthly payment);
- Service Gratuity (lump sum payment); and
- Cash Award in lieu of Leave, when applicable (lump sum payment).

Derivative Pension

The Pension Scheme in Malaysia also extends the pension benefits to the dependants of pensionable officer who dies whether still in Government service or after retirement. The benefit is known as Derivative Gratuity and Derivative Pension.