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RETIREMENT SCHEMES, ITS CHALLENGES AND WAYS OF REFORMATION: A CROSS-BORDER STUDY

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ABSTRACT

The number of aging population (age 65 years and above) is expected to increase and grow double digit by the 2030s (Employees' Provident Fund (EPF), 2015). This scenario implies that there should be enough effort and preparation done by an individual or government to face any difficulties especially with regards to financial stability of people on their golden age. In view of this issue, this research aims to study existing retirement/pension plan offered by different countries in the world and Malaysian pension system. This study also highlighted the issues and challenges faced by existing retirement system and ways of reformation. To achieve the said objective, this research is conducted qualitatively based on literature review and observation on existing retirement planning that offered by selected countries in the world. The findings of this study will enable policy makers and researchers to consider further development in regards to the reformation needed to the retirement plan.

Contribution/ Originality: This study contributes in the existing literature and would be useful for policy makers to identify the gaps in the existing pension system as well as necessity of reformation of pension system. Finally, this study may trigger insurance companies to develop retirement plans for future retirees.

1. INTRODUCTION

There are many drawbacks in the human life cycle which have to be taken into consideration. The life of retiree is not fixed individually; some live longer whereas others live shorter than the expectation. In reality, the retiree plan for an expected period of retirement expenditure with savings but in retirement period, there might be some unplanned events occurred which reduced the funds significantly. This may lead to the need to cut down the living standards which bring several difficulties in retirement life such as lack of funds for health care or other events. The lifetime of a person is uncertain and the longevity has increased over the period due to rapid improvements on medical treatment, health consciousness and the education level (Baird, 2016; Rappaport, 2017).

The rapid changes of economic and technological advancement in the world initiate the policy makers, investors, business people, and services providers to update, develop, and change the existing pattern of various

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industry, product segmentation, design, and services. In order to balance the movement of this transformation of economic pattern, the retirement plan is also moving from 'distinct benefit' to 'distinct offerings' for the both public and private employment (Poterba, Venti, & Wise, 2009). Distinct benefit generally provides the distinguished outcome that followed by the basic formula that consider the duration of employment (Alaudin, Ismail, & Isa, 2017) and the wage history whereas the distinct offerings refers the specified amount put into employee's retirement account, then the authorized body determine the savings and the investment of the amount deposited in the purpose of retirement plan which can be invested by the employer or government in order to generates more benefit (Benartzi & Thaler, 2007). There are few ways to set retirement income level which includes the ratio of income and expenses, living standard (Yuh, Hanna, & Montalto, 1998) during employment period and the demands for retirement period (Alaudin, Ismail, & Isa, 2016). However, the developed countries have the plan for retirement while the under developed countries are still struggling with economic growth to develop retirement plan (Gupta & Pradhan, 2017). There are various types of retirement plan and implementation which differs according to countries. Some countries follow their individual decision and system to determine the retirement plan based on personal savings, salary income (Pascucci, Vázquez Cendón, & Calvo-Garrido, 2012) as the government do not support and others follow the arrangement of distinct contributions and distinct benefits (Gupta & Pradhan, 2017) by the government (Butt, Donald, Foster, Thorp, & Warren, 2018). Majority of people prefer to have simple and designed retirement plan offered by employer or insurance companies led by traditional process (Benartzi & Thaler, 2007).

The main purpose of this study is to explore different pension system around the world and point out their flaws, gaps and challenges. This study is also aim to examine the Malaysian pension system and issues. Finally, this study hopes to prove that the reformation of current pension system is necessary in order to offer sustainable retirement system which is able to face or answer the issues of growing ageing population. The study will firstly discusses the pension systems around the world, challenges and evidence of reforms followed by Malaysian pension system, issues and challenges, and necessity of reform retirement system with conclusion.

2. LITERATURE

2.1. Pension Systems around the World

Public retirement scheme is basic, fixed-rate pensions, universal, providing benefits depend on certain working periods and generally financed by tax revenue. However, there are several retirement and pension system exists in the world (Tolos, Wang, Zhang, & Shand, 2014). Thus, several countries follow their individual decision and system to determine the retirement plan based on personal savings, salary income (Pascucci et al., 2012) as the government do not support and others follow the arrangement of distinct contributions and distinct benefits (Gupta & Pradhan, 2017) by the government (Butt et al., 2018). Hence, both individuals and societies are stressed with inclusion of financial protection during retirement whereas most countries are contending with the social, economic and financial effects of ageing population (Mercer, 2018). Hence, retirement-earning administrations are diverse and designed with various programs; furthermore, categorizing pension system and various retirement-earnings scheme is subsequently tough (Organization for Economic Cooperation and Development (OECD), 2017). A multi-pillar pension systems proposed by several organizations including the World Bank, the ILO, The Geneva Association and IMF (Ostaszewski, 2012).

There are basically five pillars retirement/pension income security which was introduced by the World Bank (Robert Holzmann, Paul, & Dorfman, 2008). For instance; Zero pillar (non-contributory basic), first pillar (public pension with contributions liked to earnings), second pillar (defined contribution, occupational or personal pension), third pillar (voluntary and fully funded) and fourth pillar (voluntary).

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Table-1. Five pillars of modern retirement system.

Pillar	Essential Characteristics
Pillar 0	Non-contributory minimal assistance to the poor, typically means-tested
Pillar 1	Public pension schemes to provide for basic needs; contributory and redistributive and typically financed on a pay-as-you-go basis
Pillar 2	Private occupational pension schemes to supplement pillar 1; can be voluntary or mandatory and can comprise defined benefit or defined contribution plans
Pillar 3	Individual savings to provide for future withdrawals and/or annuities in various forms; can be voluntary, but often enforced by the state
Pillar 4	A set of labor market policies to extend work life and enable more part-time work for the formally retired; informal family support as additional dimension

Source: Robert Holzmann et al. (2008); World Economic Forum (WEF) (2013).

Thus, five pillar retirement system introduced by the World Bank is a conceptual framework of national retirement system around the world (Robert Holzmann et al., 2008; Sinha, 2018). Consequently, every individual pillar is the design of different pension plan and five pillars together institute a retirement system. These various pension plans constituted the national retirement system to secure the old age financial endeavors (Sinha, 2018). Public retirement scheme is basic, fixed-rate pensions, universal, providing benefits depend on certain working periods and generally financed by tax revenue. However, later, pension system comprehends the combination of defined contribution from defined benefits which is fully funded pillar in or out of prevailing tool (Ponds, Severinson, & Yermo, 2011; Schwarz & Demirguc-Kunt, 1999). Thus, developed countries improved the scheme from defined benefit to defined contribution to social insurance model to protect income which depends on past contributions and earnings (Poterba et al., 2009). Few countries have introduced pre-funded mandatory plans where collected funds invested in different sectors (Hohnerlein, 2019). Besides, every country has its own unique system to serve retiree (Nomura, 2019). Indeed, the main purpose of the pension system around the world is social welfare for retirees (Koutronas & Yew, 2017).

Almost all countries have changed the retirement age linked to the growth of life expectancy for instance; Bermuda, Latvia, Lithuania, Paraguay and Greece (Schwarz & Demirguc-Kunt, 1999). Unstable economic development, greater inflation and unemployment rates steadily weakened the financial strength of pension system (Koutronas & Yew, 2017). As a result, there was reformation of pension system through automatic modification tools which could identify actuarial challenges beyond impacting mechanical features of system (Koutronas & Yew, 2017). Indeed, the main purpose of reformation to improve pension efficiency, thus concentrating necessary changes, for instances; retirement age, input (contribution) rate, replacement rate, advantage indexation (Brooks, 2009; Hur, 2010). Subsequently, there are few European countries focused on lowering replacement rates and also reducing distributions, for example; Switzerland, Italy, Portugal, Germany, Sweden, France and Finland (Modigliani & Muralidhar, 2004). In contrast, South American countries such as; Brazil, Chile and Peru have concentrated to increase replacement rates as well as distributions (Brooks, 2009). On the other hand, Asian countries such as; Japan, South Korea, Hong Kong, Singapore and Taiwan implemented mixed of both options (Hur, 2010).

Ponds et al. (2011) stated that several countries transferred their public servants to main public pension system such as; USA, Spain, Poland, Greece, Mexico, Czech Republic, Hungary, Chile whereby few countries added a full-funded-defined contribution for instance; Poland, Mexico, Hungary, Chile and Denmark. Not to mention, there are some countries have reformed their pension systems required apparatuses to backing a new fully-funded system such as ; Kazakhstan, Hungary, Poland, Bolivia, Chile, El Salvador and Mexico (Koutronas & Yew, 2017). Furthermore, several countries shift to pay-as-you-go from provident funds such as; Nigeria or individual notional accounts from pay-as-you-go system (the retirement benefits are imposed from present employees) such as; Poland, Latvia, Italy and Sweden (Schwarz & Demirguc-Kunt, 1999).

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Table-2. Melbourne mercer global pension index 2018.

Grade	Index Value	Countries		Description
A	>80	Netherlands Denmark		A first class and robust retirement income system that delivers good benefits, is sustainable and has a high level of integrity
B+	75-80	Nil		A system that has a sound structure, with many good features, but has some areas for improvement that differentiates it from an A-grade system.
B	65-75	Finland Australia Sweden Norway Singapore Chile New Zealand	Canada Switzerland Ireland Germany	
C+	60-65	Colombia UK Peru France		A system that has some good features, but also has major risks and/or shortcomings that should be addressed. Without these improvements, its efficacy and/or long-term sustainability can be questioned.
C	50-60	Saudi Arabia USA Malaysia Brazil Hong Kong Spain	Poland Austria Indonesia Italy South Africa	A system that has some desirable features, but also has major weaknesses and/or omissions that needs to be addressed. Without these improvements, its efficacy and sustainability are in doubt.
D	35-50	Japan Korea (South) China	Mexico India Argentina	
E	<35	Nil		A poor system that may be in the early stages of development or non-existent

Source: Mercer (2018).

According to Mercer Global Pension Index Table 2, Denmark and Netherlands have the significant and top pension system in the world those received an A-Grade in 2018 which are considered as sustainable and highly integrated system. Denmark reported to have the best pension system in the world (Mercer, 2018). On this earth, it is the home of happiness for some people despite the long, dark winter and overcast skies (Klitgard, 2017). Surprisingly, there is no country with B+ grade pension system recorded in 2018 which leads to the huge gap between best two countries to other countries. Consequently, Countries like Finland, Australia, Singapore, New Zeeland, Norway and Canada have B-grade pension system those carry out good structure but still lacking some mechanisms. UK, France, Colombia and Peru fall under C+- Category whereas USA, Saudi Arabia, Indonesia, Malaysia and few other countries have C-grade pension system those system has few good features with major weaknesses. Unexpectedly, Japan, South Korea and China have D-grade pension system which has few desirable features and there is no country found under E-grade system which is in early stages of development or non-existent. It indicates that almost every country has pension system.

3. METHODOLOGY

This research is conduct qualitatively by observing the practice of retirement scheme among countries like Malaysia, United Kingdom (UK), USA, Spain, Poland, Greece, Mexico, Czech Republic, Hungary, Chile, Singapore, and others. The main objective is to observe various challenges and way of reformation of retirement scheme both in Malaysia and other countries.

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4. FINDINGS

4.1. Challenges of Pension System in Different Countries

The rapid growth of ageing population due to less fertility and higher longevity globally affects negatively on economic expansion, changes in house behaviour, workforce, retirement facilities, public revenues and redistribution of income (Koutronas & Yew, 2017). Apart from the growth of life expectancy, steady growth/interest economic environment lower down long term benefit of compound interest especially distressing defined contribution provisions (Knox, 2018). These issues put an impact on family solidity and functioning, living activities, housing and movement (Koutronas & Yew, 2017). Furthermore, retirement income is under pressure in the world (Say, 2018). Thus, there are discrepancies with retirement income in between young retires and older retirees (75 years and above) that leads to higher poverty risk for elderly retirees in many countries (Hohnerlein, 2019). Pointedly, government debt distresses to provide benefits in the pay-as-go-system of few countries and long term adequacy of pension benefits are affected through high household debt in other countries (Knox, 2018). Likewise, unstable economic development, greater inflation and unemployment rates steadily weakened the financial strength of pension system (Koutronas & Yew, 2017). As a result, global policy makers concern over reform existing retirement plans responding to the demographic changes (higher growth of life expectancy and lower birth rate) with greater emphasize on systemic issues and financial sustainability, for instance, moving system to private and contribution pension scheme and developing multi-pillar systems (Drahokoupil & Domonkos, 2012; Ebbinghaus, 2015; Grech, 2012; Hohnerlein, 2019; Holzmann, 2012; Orenstein, 2011; Schwarz et al., 2014).

Consequently, Danish pension market is promptly reshaping due to increase of divorce rates, enhanced job mobility and pressure of modern life (Klitgard, 2017). Danish pension system is also facing significant threat towards its sustainability (Jensen, 2018; Klitgard, 2017) due to growth of ageing population like other developed countries (Klitgard, 2017; World Economic Forum (WEF), 2017) low returns from retirement saving which reduce incentives to save for retirement (Jensen, 2018; World Economic Forum (WEF), 2017) fall in solidity of trade union and zeitgeist (changing in traditional system) over collective and mandatory system and tax system's uncertainty (Jensen, 2018). According to European Trade Union Institute, Danish pension system are having two issues in pension rations causing from public and private pension supports such as; (1) low supplementary pension pay as 20-25% working population is not covered by occupational pensions, (2) low to middle income group labors may have small reimbursements from their accrued savings for last period on the labor market those are covered by occupational pensions due to growth of extra private pension privileges (European Trade Union Institute, 2017). Surprisingly, Andersen (2016) also highlighted several problems such as; gender discrimination in Danish pension system specially middle class women those do not receive pension points during their maternity leave and annual pensions are disparately lower for women even though the number of women pensioners and life expectancy higher; pension earning is subject to income tax; people misapprehend their incentives as the system is quite complex; social inequality in life expectancy and health is high and finally poverty trap. In short, Danish pension system solved economic challenges largely but few social issues are intensified and also political intimidations taken over economic intimidations (Andersen, 2016).

Netherlands, similar to other developed countries, are facing issues on their retirement plan due to growth of ageing population and lower birth rate (Price Waterhouse Coopers (PWC), 2017; World Economic Forum (WEF), 2017) insufficient savings rate (World Economic Forum (WEF), 2017) low return on investment (Price Waterhouse Coopers (PWC), 2017; World Economic Forum (WEF), 2017) individual responsibility to manage retirement savings (World Economic Forum (WEF), 2017) technological changes, social changes, political and legislation changes (Price Waterhouse Coopers (PWC), 2017). Above and beyond, nearly two-thirds of Dutch people do not have confidence on maintaining or desired their standard of living during retirement. Subsequently, Canada is facing issues over retirement plan due to life expectancy growth and lower birth rates (CommonWealth, 2017; Deraspe, 2016; World Economic Forum (WEF), 2017) insufficient saving rates (Milligan, 2018; World

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Economic Forum (WEF), 2017) lower investment return (CommonWealth, 2017; Deraspe, 2016; World Economic Forum (WEF), 2017) pension inequality (CommonWealth, 2017) and individual responsibility to manage retirement savings (World Economic Forum (WEF), 2017). Likewise, UK policy makers are also facing issues on sustainability of retirement plan such as; growth of life expectancy and lower birth rates, lower financial literacy rate, deficiency of access into pension plan and insufficient saving rates (Cowler, 2019; World Economic Forum (WEF), 2017).

Not to mention that most of the countries are facing issues of life expectancy growth with lower birth rates, similarly, several issues are facing by Asian pension systems due to demographic changes, growth of life expectancy and low birth rates, low investment returns (Anderson, 2019). Notwithstanding, Japan's ageing populating is increasing rapidly whereas 27% of older population (65years and above) was recorded in 2016 and projected increase to 39% in 2050 (World Economic Forum (WEF), 2017). Besides life expectancy growth and lower birth rates (Nippon, 2019; Nomura, 2019; World Economic Forum (WEF), 2017) lower financial literacy rate, deficiency of easy access to pensions (World Economic Forum (WEF), 2017) and insufficient saving rates (Nippon, 2019; World Economic Forum (WEF), 2017) are current issues for Japanese retirement scheme. Unexpectedly, even Singapore has the best pension system in Asia region, it is still facing some challenges in its retirement plan due to growth of life expectancy and lower birth rates (Global-is-asian, 2018; Sen, 2019; World Economic Forum (WEF), 2017) lower retirement income (Global-is-asian, 2018) lower financial literacy rates, low return on investment and individual responsibility to manage retirement savings (Sen, 2019; World Economic Forum (WEF), 2017) retirees' expenses are higher than retirement income, lack of awareness over retirement needs, dependency on adult children (Sen, 2019).

Public pension system enables to provide sufficient, reasonable, supportable and robust benefits (Holzmann et al., 2005) only sixty percent of replacement rate can be given (Grech, 2013) within fifteen years of retirement (Schwarz, 2006). In this consequence, younger generation may pay higher tax in order to receive same replacement rates during their retirement (Koutronas & Yew, 2017). In these above consequences, it is proven that pension system around the world is facing several issues such as growth of ageing population and lower growth of birth rates, lower retirement income, lower financial literacy rates, unstable economic situation, insufficient saving rates, inflation, lack of awareness on retirement income and dependency on children.

4.2. Evidence and Necessity of Reform Pension System

From the raised issues and challenges , it is evident that the reformation of the current retirement system is really necessary, therefore, governments should take reform strategies and policies which will enable the system to stay financially stable in order to deliver efficient and robust coverage to the public (Koutronas & Yew, 2017). Thus, many policy makers around the world has taken initiatives to respond towards sustainability issue of public pension system (Koutronas & Yew, 2017). Developed countries improved the scheme from defined benefit to defined contribution to social insurance model to protect income which depends on past contributions and earnings. Few countries have introduced pre-funded mandatory plans where collected funds invested in different sectors (Hohnerlein, 2019). Furthermore, policy makers have emphasized on public retirement plan reformation in order to provide secured income for elderly people along to alleviate poverty risks during retirement (Hohnerlein, 2019). As a result, most developed and developing countries are shaping their retirement plans through increasing retirement age, influencing people work longer, enhancing funding levels and reducing withdrawal amount before retirement age (Anderson, 2019). As part of reform in pension system, Danish government has decided to increase retirement age from 2025 (Klitgard, 2017). Similarly, UK government planning to extend retirement age to 75 (Cowler, 2019). Undeniably, the main purpose of reformation to improve pension efficiency, thus concentrating necessary changes, for instances; retirement age, input (contribution) rate, replacement rate, advantage indexation (Brooks, 2009; Hur, 2010).

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There was reformation of pension system through automatic modification tools which could identify actuarial challenges beyond impacting power-driven features of system (Koutronas & Yew, 2017). Almost all countries changed retirement age linked to the growth of life expectancy for instance; Bermuda, Latvia, Lithuania, Paraguay and Greece (Schwarz & Demirguc-Kunt, 1999). Thus, South American countries such as; Brazil, Chile and Peru have concentrated to increase replacement rates as well as distributions (Brooks, 2009). In contrast, several European countries focused on lowering replacement rates and also reducing distributions, for example; Switzerland, Italy, Portugal, Germany, Sweden, France and Finland (Modigliani & Muralidhar, 2004). On the other hand, Asian countries such as; Japan, South Korea, Hong Kong, Singapore and Taiwan implemented mixed of both options (Hur, 2010).

Pension system comprehends the combination of defined contribution from defined benefits which is fully funded pillar in or out of prevailing tool (Ponds et al., 2011; Schwarz & Demirguc-Kunt, 1999). There are some countries who have reformed their pension systems required apparatuses to backing a new fully-funded system such as ; Kazakhstan, Hungary, Poland, Bolivia, Chile, El Salvador and Mexico (Koutronas & Yew, 2017). Subsequently, several countries transferred their public servants to main public pension system such as; USA, Spain, Poland, Greece, Mexico, Czech Republic, Hungary, Chile whereby few countries added a full-funded-defined contribution for instance; Poland, Mexico, Hungary, Chile and Denmark (Ponds et al., 2011). On other hand, there are few countries shift to pay-as-you-go from provident funds such as; Nigeria or individual notional accounts from pay-as-you-go system such as; Poland, Latvia, Italy and Sweden (Schwarz & Demirguc-Kunt, 1999).

However, the main purpose of the pension system is social welfare for retirees and the movement from defined benefits to defined contribution may reduce the undesired risks of social welfare (Koutronas & Yew, 2017). Surprisingly, most of reformation of pension funds basically concentrated on cutting pension expenditures rather than improving funding or investment mechanisms (Hauner, Leigh, & Skaarup, 2007; Schneider, 2009). Several Asian countries do not have sufficient pension funds, as a result, most Asian governments required to take initiative to reduce financial pressures and sustainability of retirement scheme for future generation (Anderson, 2019). Moreover, pension system is formed for long term commitments to its retirees, therefore, the stability of retirement system is very essential (Nomura, 2019).

Shockingly, Health expenses are increasing at higher pace than income which affecting greater contribution rates or the limitation of reimbursements (Bradford & Burgess, 2015; Weber, 2010). Similarly, expenditure on healthcare and care for ageing population are increasing in Singapore which become serious concern for policy makers (Global-is-asian, 2018). As a result, Singapore introduced 'Medisave' scheme where citizens put a part of income for future medical services, but the savings are not sufficient due to higher expenses of health services and increased inflation (Global-is-asian, 2018).

There is an urgent necessity to improve robust and sustainable revenue retirement products in order to fulfil the demands from retirees (Knox, 2018). He also suggested for the development of a healthy and robust retirement system which may support stable and strong economy for each nation. In this consequence, early preparation for retirement required to be taken by both policy makers and individuals to respond to the changes in social, economic, demographic and political events (Koutronas & Yew, 2017). Therefore, it is highly beneficial to observe and consider the social behavior (cultural aspects) of citizens and challenges of retires in order to develop retirement plan (Gupta & Pradhan, 2017; Nitisha, 2019; Nomura, 2019; Wang & Su, 2012).

4.3. Pension System in Malaysia

All public servants are entitled to receive pension income after retirement which designed according to defined benefit (Civil Service Pension) (Tolos et al., 2014). Employment Provident Fund (EPF) is the full-funded retirement scheme that designed by defined contribution for all individual employee in the private sector which is compulsory national saving scheme (Allianz Global Investors, 2019; Tolos et al., 2014). EPF covers all private sector employees

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and non-pensionable public sector employees and also allow participants to withdraw some benefits for some specific segments such as education, house loans and health expenses (Allianz Global Investors, 2019; Say, 2018).

The retirement system is the combination of direct public tax-funded, contributions from employees and employers (EPF & SOCSO) and private insurance scheme that used by wealthy companies Table 3 (Ahmad, Gomez, & Williams, 2017). The high dependency on tax-funded pension system put a high pressure on the system that decreases the generosity of benefits (Ahmad et al., 2017). Occupational pensions are not popular in Malaysia and it is mostly limited to large companies (Allianz Global Investors, 2019) the pension system of Malaysia is consider as stable at "c" grade (Mercer, 2018) which is comparably better than most of Asian countries except Singapore (Mercer, 2018; Say, 2018). Hence, current public servants' pension system designed as unfunded plan (pay-as-you-go) whereas it is distributed straight from public federal budget (Economic Outlook, 2019).

Table-3. Pension design in Malaysia.

Components	Pension Management Entities	Type of Pension Scheme
Pensionable public sector employees	Public Service Department Kumpulan Wang Persaraan (Diperbadankan)	Defined benefits
Armed forces	Armed Forces Fund Board	Non pensionable compulsory contribution Pensionable compulsory contribution Voluntary contribution
Private and non-pensionable public sector employees	Employees Provident Fund (EPF)	Defined mandatory
Self-employed and individuals without fixed monthly income	Employees Provident Fund (EPF)	Voluntary contribution scheme

Source: Kumpulan Wang Persaraan (KWAP) (2019).

4.4. Issues and Challenges of Malaysian Pension

Malaysia is experiencing the growth of ageing population similar to every country (Allianz Global Investors, 2019; Zahid, 2019). And the growth of elderly population enables the enhancement of public pension payment which results in higher public expenditure Figure 1 (Economic Outlook, 2019). Hence, pension and retirement charges nearly tripled in between 2007-2017 in Malaysia from RM8.25 billion to RM21.76 billion and estimated to be tripled from 2017 to 2030 (Yeap & Alima, 2017). Shockingly, payments for public servants increased along with national debt of one trillion Ringgit on public finances (Theedgemarkets.com, 2019).

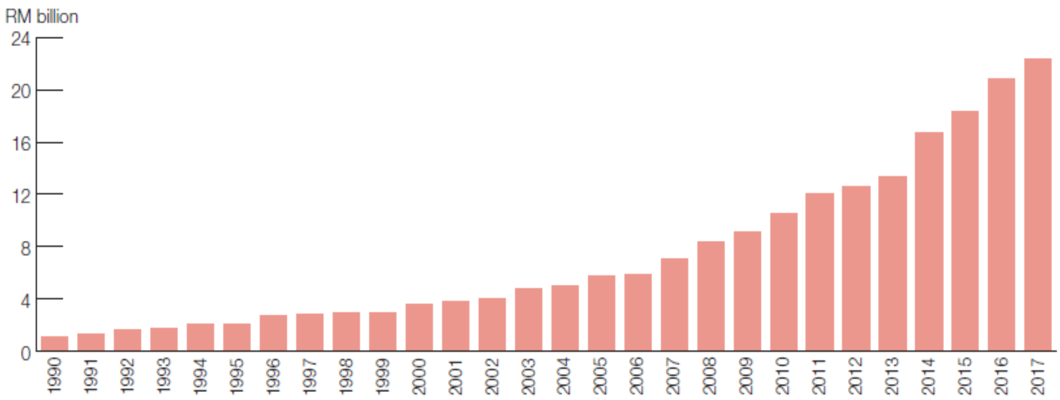

Figure-1. Public expenditure for pension.

Source: Ministry of Finance (2019).

In this consequence, present retirement scheme will affect financial shock to the public fiscal system over long term (Malaysian Institute of Economic Research (MIER), 2019). Tun Dr. Mahathir Mohamad (Prime Minister of Malaysia) stated in Kyoto on 7th September, 2019,

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"We are paying pension to wives and children (of deceased retired civil servants). We want to continue (paying pensions), but we have to find a way that the government can afford and government officers don't lose out" (Theedgemarkets.com, 2019).

Notwithstanding, sustainability score of Malaysian pension system reduced to 60.5 from 61.2 based on the index (Mercer, 2018). Hash Piperdy (CEO, Mercer Malaysia) mentioned that Malaysian pension system is having long term sustainability risk with insufficient pension savings for Employees' Provident Fund (Say, 2018). Surprisingly, Hussein (2016) stated that EPF are having adequacy and coverage issue , not sustainability issue. In fact, the fund (100% annual pension obligation) in between 2017 and 2027 may sustain payments only for another seven years after that (Yeap & Alima, 2017). According to EPF report, there is only 18 percent of participants have minimum savings target of maintaining retirement life for 20 years in their account by the age of 55 (Hussein, 2016; Say, 2018). Furthermore, living costs have increased due to inflation which causing shocks among retirees (Theedgemarkets.com, 2019). Additionally, retirees are not only facing financial issues but also healthcare, mobility and family supports Ahmad et al. (2017). As a result, the growth of ageing population will drain the healthcare systems along with putting pressure on pension scheme (Zahid, 2019).

4.5. Necessity for the Reformation of Malaysian Retirement Plan

Although, Malaysia has stable pension system but it requires reformation to respond towards growth of retirees that expected to be five million by 2030 and ten million by 2050 Figure 2.

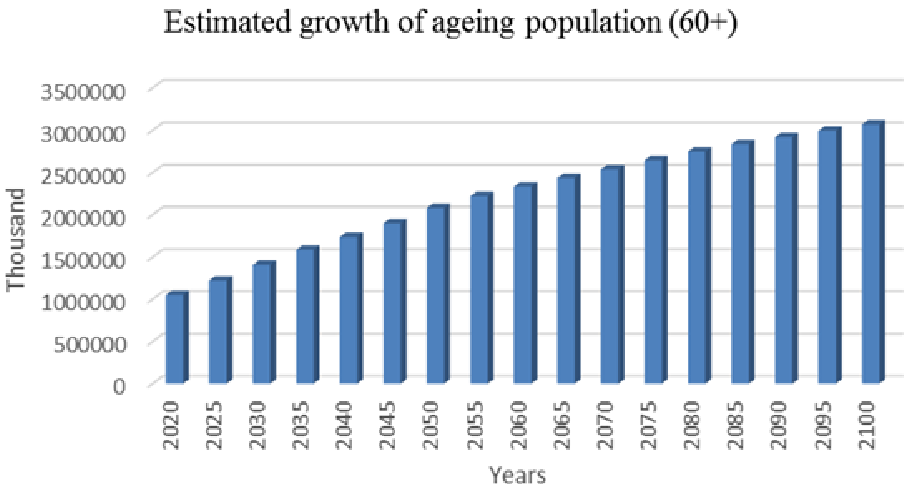

Figure-2. Estimated growth of retirees.

Source: UN (2019) .

Balqais Yusoff (Head, EPF Strategy Management Department) stated that 78% of the contributors towards the Employees Provident Fund (EPF) in Malaysia did not even have enough money to live a simple lifestyle in retirement (Bernama, 2016). This is supported by the Employee Provident Fund (EPF) that more than half of the Malaysian have no financial assets (financial asset is an intangible asset where value is derived from a contractual claim, such as bank deposits, bonds and stocks) (Employees' Provident Fund (EPF), 2015). Therefore, one should start saving at a young age and learn to manage financial matters to prepare for the retirement period. In addition, the 4th Malaysian Population and Family Study by the National Population and Family Development Board which was matched with the result of the population and housing census in 2010 found that about 23%, or 538,000 of the 2.4 million senior citizens in Malaysia suffered from the 'empty nest' syndrome. This number is believed to increase further in the future if no awareness and preparation done by the Malaysian household.

As a result, policy makers should take steps to reform retirement scheme to secured future financial situation ahead of ageing population (Economic Outlook, 2019; Tolos et al., 2014). According to mercer, Malaysian

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retirement system can be improved through taking several steps, such as; a) enhancing support level for poor elderly individuals, b) increasing household savings and decreasing household debt, c) retirement benefit should be taken as income stream, d) and expanding retirement age as life expectancy is growing (Say, 2018). Therefore, retirement scheme for public servants might be developed and reformed through adopting defined contribution system, for new public servants recruitment (Economic Outlook, 2019). Thus, the purpose of scheme should focus on the self-reliance of individuals rather than dependency on tax-funded system (Ahmad et al., 2017). Subsequently, Hussein (2016) suggested to extend retirement age and also transform defined benefit to compulsory defined contribution system for public servants which will ensure sustainable financial condition. Similarly, Ahmad et al. (2017) suggested several improvements for current pension system such as; enhance the retirement age to 65 years old, limit the number of public sector employees, provide more tax-incentives to private sector when they offer support for employees' savings, reduce the household debt through little tax inclusion and offer incentives for savings such as provide tax exemption.

5. CONCLUSION

The growth of global population exposed significant challenges for global policy makers and leaders to properly apportioned capital and limited resources (Zahid, 2019). Dutch pension system has universal system that paid for through contributions and related to the minutest wage and indexed for inflation, also an occupational pension funded from salaries and employer contributions and a voluntary pension tier (Hussein, 2016). Indeed, most of the OECD countries are operating defined benefit schemes together with multiple schemes, even though defined contribution and mixed schemes have become very popular (Hussein, 2016). The benefit of having a separate branded fund is it increases the link and visibility.

While the existing pension infrastructure has solid foundations, there are gaps to address to ensure the longer-term sustainability of the system moving forward. In this context, Malaysian employers can do more to help their employees prepare for retirement and play a larger role in building up a more sustainable pension program. It is about the financial wellness of staff - looking after employees' financial health by providing financial education, guidance and more access to investment and savings products, among others.

The most important issues and challenges of the retirement and pension plan all around the world is not only to have a good and effective one but also to ensure that the system and plan is able to sustain for a very long time. Therefore there should be a lot of effort to be taken not only by the government but also the people and even the old aged themselves. This is the responsibilities of all the parties involved to make sure that the retirement system which the country should have can provide for the protection of all the retirees or old age and it has to be sustainable so that the protection will be able to cover those people for their whole lifetime.

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