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THE ISSUES AND CHALLENGES OF PRIVATE RETIREMENT SCHEME IN AIA PENSION AND ASSET MANAGEMENT SDN. BHD.

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Abstract: *A Private Retirement Schemes (PRS) is a voluntary, long-term savings and investment plan created to help individuals increase their retirement funds. The PRS aims to expand the options accessible to all Malaysians, regardless of employment status, to improve their retirement funds under a structured and organized framework. This study was conducted through interviews to obtain data from the general manager of AIA Pension and Asset Management Sdn. Bhd. (APAM) which is used to obtain information from informants orally. The researcher used semi-structured interviews in which the researcher incorporated a set of open-ended questions that had been set by giving the researcher the opportunity to explore further topics related to issues and challenges in PRS. This research explores the issues and challenges of the PRS offered by APAM with a focus on implementation related to the scheme. Despite their potential to provide secure and structured retirement savings, SPS face several issues, including investment performance due to market volatility, low financial literacy and awareness among Malaysians and lack of competent staff. The study identifies key areas for improvement and offers strategic recommendations to increase the effectiveness and appeal of PRS. In this article include funding important public education initiatives, reducing administrative and management costs and fostering strategic partnerships. By addressing these issues and challenges, APAM can increase participation rates and ensure contributors reach their retirement goals, thereby strengthening the overall stability and attractiveness of their SPS offering.*

Keywords: *Private Retirement Scheme (PRS), long-term savings, retirement funds*

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Introduction

The Private Retirement Scheme (PRS) is an integral part of Malaysia's retirement planning framework, established to address the growing need for a comprehensive retirement savings system that goes beyond the traditional Employees Provident Fund (EPF). The PRS is a voluntary long-term investment scheme, designed to supplement mandatory retirement savings and provide individuals with additional financial security in their retirement years. The implementation and management of PRS by entities such as AIA Pension and Asset Management Sdn. Bhd. (APAM) play a crucial role in shaping the retirement landscape in Malaysia, offering diversified investment options tailored to meet the varying needs and risk appetites of contributors (Tai & Sapuan, 2018).

Several economic factors can be linked to the PRS's development. Like several other nations, Malaysia is undergoing demographic transitions marked by a rise in the number of old individuals and a longer life expectancy. These developments highlight the shortcomings of the EPF in providing adequate retirement income for all retirees, increasing the burden on the traditional pension system. Even while the EPF offers a solid retirement fund, retirees sometimes find that it cannot provide a sufficient income to last throughout their retirement years, particularly considering the challenges presented by inflation and growing healthcare expenditures. As a result, more savings mechanisms—like the PRS—are desperately needed to close these gaps and improve Malaysians' overall preparedness for retirement (Shah et al., 2023).

APAM has emerged as a key player in the administration of the PRS, leveraging its extensive experience in the financial services industry to offer a range of retirement planning solutions. APAM's approach to managing PRS funds is characterized by a commitment to providing diversified investment options that align with the long-term financial goals of contributors. This involves the strategic allocation of assets across various investment classes, including equities, bonds, and money market instruments, designed to optimize returns while managing risks. APAM's investment strategies are underpinned by robust research and market analysis, ensuring that the PRS funds are positioned to deliver consistent performance and capital growth over time (Shah et al., 2023).

PRS under APAM management has wide-ranging effects on both the macroeconomic and individual levels. Individually, Malaysians now have more influence over retirement planning thanks to PRS availability, which enables them to make well-informed decisions about their financial futures. A range of investment funds are available for contributors to select from, considering their investment horizon, risk tolerance, and retirement goals. This flexibility is a big benefit since it makes it possible for people to customize their retirement savings programs to correspond with their situation, which increases the possibility that they will reach their financial objectives (Tai & Sapuan, 2018).

Moreover, APAM's expertise in asset management ensures that PRS contributors benefit from professional fund management services, which are critical for optimizing investment returns. The firm's rigorous investment process, which includes regular portfolio reviews and adjustments, aims to maximize returns while mitigating risks associated with market volatility. This professional oversight is particularly valuable in a dynamic economic environment, where market conditions can change rapidly and unpredictably. By entrusting their retirement savings to experienced fund managers, contributors can achieve greater peace of mind, knowing that their investments are being managed prudently and strategically (Tai & Sapuan, 2018).

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The expansion of PRS offers potential for improving the macroeconomic stability of Malaysia's retirement scheme. Long-term financial sustainability of the retirement framework may be ensured by the PRS, which can serve to relieve the pressure on the government and the EPF by promoting extra savings and investments. PRS assets also help Malaysia's capital markets expand by offering a consistent stream of investment funds that may foster development and economic progress. Consequently, a strong economy leads to increased returns on retirement funds, which strengthens pensioners' financial stability.

In conclusion, the Private Retirement Scheme, as administered by APAM represents a vital component of Malaysia's efforts to build a more robust and comprehensive retirement savings system. The PRS addresses critical gaps in the traditional pension framework, offering individuals the opportunity to enhance their retirement readiness through diversified investment options and professional fund management. APAM's expertise and strategic approach to managing PRS funds ensure that contributors can achieve optimal returns on their investments, thereby securing their financial well-being in retirement. As Malaysia continues to navigate demographic and economic challenges, the PRS will play an increasingly important role in ensuring the sustainability and adequacy of retirement income for future generations.

Literature Review

Concept of Private Retirement Scheme

Retirement is described as the act of ending one's employment or the time after a permanent end of employment (Tai & Sapuan, 2018). Malaysian Labor Law enforced that the age of retirement is at 60 years. On the other side, according to Amirah Fatin et al. (2022), retirement can be defined as a decision to permanently quit the workforce during the stage of life. The average retirement age in Malaysia is 65. With careful retirement planning, people may estimate the likelihood and speed at which they will be able to achieve their retirement objectives.

To increase and complement retirement savings, Private Retirement Schemes (PRS) were introduced in 2012. The most frequent question about PRS is probably about its advantages and need, particularly because self-employed people and workers already make contributions to the Employees Provident Fund (EPF), Malaysia's primary retirement savings vehicle. Like the EPF, PRS is a kind of retirement savings fund. Only a small number of private asset managers that are subject to Securities Commission Malaysia regulation provide PRS (CIMB, 2021).

PRS is supervised by the Private Pension Administrator (PPA), which has been approved by the Securities Commission and is responsible for "protecting the interests of PRS members and educating the public." (CIMB, 2021). Meanwhile, according to Mohd Ali et al. (2016), the PRS, a retirement scheme introduced by the PPA in addressing the inadequacy of retiree's savings in meeting their retirement needs to accommodate the increasing life expectancy and rising living standards.

According to Shah et al. (2023), PRS is defined as a trust-governed retirement plan offered or made available to the public with the sole purpose of or with the effect of enabling participants to accumulate long-term savings for retirement under Section 139A of the Capital Markets and Services Act 2007 (CMSA). The number of benefits will be determined exclusively by reference to the contributions made to the plan as well as any disclosed income, gains, and losses. Applications for PRS may be submitted by any Malaysian citizen, permanent resident, or non-permanent resident who is at least eighteen years old and in possession of a valid work permit.

PRS functions and runs a bit differently from EPF in terms of returns and advantages. The PPA Account, which is the contributors' account, is divided into two accounts: Sub Account A, which contains 70% of the contributed money and may be withdrawn upon achieving retirement age, and Sub Account B, which contains 30% of the amount and can be taken annually. Contributors are offered three alternatives: Growth Fund, Moderate Fund, and Conservative Fund. These options vary in terms of investment horizons and risk profiles, and they are tailored for distinct age groups (Mohd Ali et al., 2016).

Differences between Employees Provident Fund (EPF) and Private Retirement Scheme (PRS)

PRS provides a range of schemes to suit different risk tolerances and objectives. This is the primary distinction between PRS and EPF, as well as its benefit. The age-based allocation default fund option bases the prevailing investment strategy on the risk profiles and life goals of the employees at different phases of their lives. The employees are not able to select how their money is invested for growth while using an EPF. A minimum yearly return of 2.5% is promised to EPF participants (for the Conventional Account). Meanwhile, the employees may possibly earn higher return (with more risks) by selecting PRS fund allocation (CIMB, 2021).

Moreover, EPF is an obligatory savings plan for employees, administered by the government. Employees and employers both contribute; employees put in 13% and employees 11% of their pay. This required configuration guarantees steady savings. Conversely, PRS is a private investment plan that lets people make voluntary contributions. PRS funds are provided by several financial institutions and allow for variable contribution levels (Versa, 2023).

Besides that, there is the difference between EPF and PRS in their flexibility. The employee has less control over how their money is invested when they use an EPF. To safeguard their investments, EPF mostly employs safe investment alternatives. However, they can withdraw funds for emergencies or significant occasions. On the other hand, PRS allows the employee to have greater influence over how their money is spent. Based on their investing preferences, financial objectives, and risk tolerance, they may select PRS funds. Safe options, balanced alternatives, and growth-focused funds are just a few of the investing possibilities that PRS provides. There are restrictions on how much money may be taken out, even though PRS promotes long-term saving. However, in other circumstances, like those involving housing or health, it does provide flexibility (Versa, 2023).

Additionally, Shah et al. (2023) stated in the context of EPF tax relief, public employees receive RM7,000, while non-public employees receive RM4,000. Meanwhile, the tax relief for the employee who contributed to PRS is just RM3,000. This data makes it very clear that EPF offers more tax relief than PRS. It should be noted, nevertheless, that the tax relief associated with the contribution to either funds is subject to changes, which might include an increase or decrease in the amount of the tax relief or even its elimination.

Issues and Challenges of Retirement Planning in Malaysia

A secure financial future and a decent living during a person's elder years are largely dependent on retirement planning. Effective retirement planning is increasingly more important as Malaysia's population ages and life expectancy rises. This comprehensive study explores the

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issues and challenges related to retirement planning in Malaysia. In this study, I will explain about the issues and challenges of retirement planning generally that occur in Malaysia which consist of low level of financial understanding, healthcare expenses and insufficient retirement planning tools.

a) Low level of financial understanding

One of the biggest issues to retirement planning effectively is the low level of financial understanding among Malaysians. Many people don't have the knowledge and abilities needed to manage their finances wisely and save enough for retirement. This lack of awareness makes it much harder for people to create a solid retirement plan. People who lack financial literacy find it difficult to manage their investments, save as much as possible, and set realistic retirement objectives. As a result, people might struggle to live the retirement lifestyle they had envisioned and would be more susceptible to financial hazards (Chek & Ismail, 2023).

According to Tai & Sapuan (2018), they stated that just 36% of adult Malaysians are financially literate. Due to this, Malaysia has been ranked 66th out of 150 nations. People are inadequate to make financial management decisions if they lack a fundamental comprehension of financial principles. Financially knowledgeable people can make wise decisions about borrowing, investing, saving, and other financial matters. Ignorance of finances has serious consequences. Customers who fail to understand the idea of interest compounding spend more on transaction fees, accumulating more debt, and paying higher loan interest rates.

b) Healthcare expenses

One of the vital issues that scholars rarely talk about is healthcare. Aside from savings for housing, living expenses, and education for children, future treatment funds are crucial because healthcare costs are on the rise. However, as voluntary contributions are deducted from public and private employees' monthly salaries, there is no need for concern. However, some self-employed individuals may not make the effort to save for retirement. To providing healthcare coverage, the government of Singapore mandates that self-employed individuals make contributions to their Medisave Accounts. Due to the lack of regulations for them to save for retirement, efforts to promote voluntary savings in the industry have failed. Yet, to ensure their retirement, self-employed people also need to save for medical expenses (Mohd Fadil et al., 2022).

Meanwhile, according to Chek & Ismail (2023), retirement savings are severely impacted by Malaysia's rising healthcare expenditures. Because people's healthcare demands tend to rise with age, retirement planning must include healthcare planning. However, retirement funds can be quickly depleted due to the raising expenses of long-term care, medications, and medical treatments. Throughout their retirement years, pensioners find it difficult to make sure they have enough money to pay for their medical expenditures. This issue is made worse by an expected increase in healthcare costs, requiring mindful planning and savings for unforeseen medical bills.

c) Insufficient access to retirement planning tools

Furthermore, there aren't many easily accessible and user-friendly retirement planning materials available to Malaysians. The complexity of financial planning and a lack of trustworthy resources for advice and tools make it difficult for people to make comprehensive retirement plans. People are unable to maximize their retirement funds and make well-informed decisions due to a lack of access to comprehensive retirement planning tools. It will need work to develop

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easily available and user-friendly retirement planning materials to address this issue. Enhancing the availability of trustworthy retirement planning tools for individuals may be greatly assisted by innovative ideas and technology (Chek & Ismail, 2023).

Using digital platforms, mobile applications, and interactive educational materials, people may get the information and direction they need to make wise retirement planning choices. To guarantee that people have a comfortable and financially secure retirement, retirement planning in Malaysia has several challenges that must be overcome. The reliance on EPF, insufficient retirement age regulations, and limited availability of retirement planning resources are some of these difficulties. Through the study of alternative retirement savings methods, flexible retirement age regulations, and utilization of modern technology, Malaysians may overcome these challenges and seize the opportunities offered by a successful retirement journey (Chek & Ismail, 2023).

Methodology

Qualitative research is mostly focused on gathering unstructured text-based data. Textual data includes interview transcripts, observation notes, information, and experiences. Data analysis is defined in qualitative research as the process of locating and arranging interview transcripts, experience, or other non-textual instruments obtained by the researcher to gain a better understanding of the topic. From data analysis, the research will know the implication of PRS in APAM which will be answered by the informant. The researchers also can examine the differences between EPF and PRS in some aspect. Next, the issues and challenges of PRS in APAM also can be identified besides determining the concept of PRS from the respondent's point of view which has her own answer and opinion.

This study was done via interviews to acquire data from the general manager of APAM, and the researchers will utilize qualitative methods as a research tool. The first tool is an interview, which is used to acquire information from the subject orally. Researchers employed semi structured interview in which the interviewer combines a pre-determined set of open questions with the opportunity for the interviewer to explore particular themes or responses further of the topic and implications of PRS (George, 2023). In addition, this interview was conducted by asking questions of the respondent, with some open-ended questions and no limitless questions or essays. As a result, these tools supported this study in obtaining an informant from the general manager of APAM to identify and analyze the implications of PRS.

Results

Concept of Private Retirement Scheme in AIA Pension and Asset Management Sdn. Bhd.

As already mentioned in the previous part of this study, Private Retirement Scheme (PRS) was known as the retirement planning instrument to the employees which will increase their savings upon their retirement. Retirement planning can be defined as the process of determining retirement income goals and the actions and decisions necessary to achieve those goals. It involves identifying sources of income, estimating expenses, implementing a savings program, and managing assets and risk (Ali Kasim, 2024). According to Mohd Fadil et al. (2022), the process by which an individual gets ready for their retirement years is called retirement planning. Maintaining physical and mental well-being in later life requires a positive retirement adjustment. Previous research indicates that retirement well-being is predicted by pre-retirement planning. Establishing long-term financial objectives

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and risk tolerance is the first step in creating a retirement plan. Next, steps to achieve those objectives must be taken such as joining to contribute to PRS. The earlier in the working years the better, although the process can start at any point (Kagan, 2024).

PRS can be defined as voluntary long-term savings and investment plans created to assist individuals in increasing their retirement savings. Public Mutual (2024) also defined the same definition of PRS by defining it as a voluntary retirement scheme which enables individuals to contribute based on their retirement needs, investment goals and risk appetite. PRS aims to expand the possibilities available to all Malaysians, regardless of employment status, to increase their retirement funds under a well-structured and regulated environment (PPA, 2024).

Regarding PRS, it offers unique benefits. First and foremost, PRS is like a second EPF and was established solely to help retirees increase their retirement savings. PRS, in contrast to EPF, may assist in preventing employees from misusing their retirement funds with its withdrawal limits. Additionally, retirees might boost their retirement savings by contributing a minimum of 10% of their monthly earnings to PRS. Simple investing options include age-based default funds, self-selected funds, and provider choice. Retirees can also benefit from an annual personal tax relief of up to RM3,000. Finally, Private Pension Administrator Malaysia (PPA) which known as PRS Central Administrator provides ongoing member services, a one-stop account administration solution, to protect and serve the interests of its members (Aşkun et al., 2021).

In contrast, regarding the withdrawal in PRS, no rule or legislation guarantees that funds held in PRS would generate profits. Employees invest because they want to receive a return, which makes this concerning. To the employee, it appears like nothing if there is no return. Furthermore, there is no guarantee that the contributors' interests will be served. Uncertainty like this creates anxiety for employees especially when thinking about their retirement plan. Moreover, the incentives provided to the employees are insufficient. Employees participate in PRS because they hope to earn, not lose money, hence this is not possible. In addition, among other disadvantages, the PRS funds are neither protected nor safeguarded, and they get very little exposure. To build employee trust in PRS, PRS should increase its publicity efforts. Employees are unlikely to choose to invest in PRS if there isn't any confidence like this. As with most investment vehicles, PRS plans do not guarantee a minimum return, therefore there is a likelihood that the depositors' investment would decrease to less than what was first deposited (Aşkun et al., 2021).

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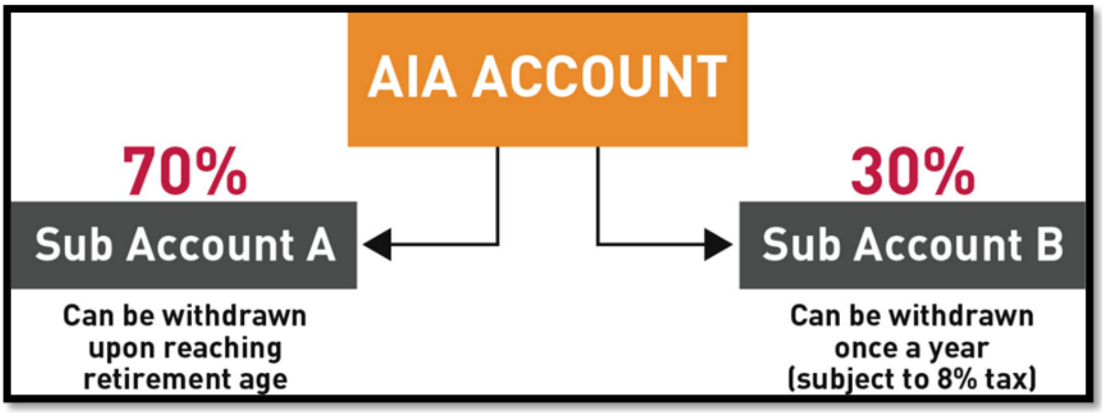

Figure 1: Sub Account A and Sub Account B of PRS in APAM
Source: (APAM, 2022)

Based on the figure above, contributions to a Private Retirement Scheme (PRS) are frequently split into Sub-Account A and Sub-Account B, which have different objectives and time frames. Primarily meant for retirement, Sub-Account A is supposed to hold 70% of the contributions (Principal, 2024). Stricter withdrawal restrictions apply to the money in Sub-Account A in order to guarantee that it builds up over time and may be used in retirement. The focus of this account is usually on long-term growth, with investments spread across a variety of assets that have the potential to increase in value over time, including stocks and other high-growth instruments. The focus here is on building a substantial retirement nest egg that can provide financial security in the later stages of life (Ali Kasim, 2024).

Meanwhile, Sub-Account B allows for more flexibility when it comes to withdrawals and holds the remaining 30% of the contributions. Sub-Account B permits partial withdrawals under certain circumstances, such as for certain financial requirements or crises before attaining retirement age, even if its primary objective is still retirement savings. In contrast to Sub-Account A, this account could be invested in more conservative assets, offering a balance between growth and accessibility. Combining the long-term investment benefits of Sub-Account A with the liquidity and flexibility of Sub-Account B, the dual-account structure of Sub-Account A and Sub-Account B in PRS offers a strategic approach to retirement planning. This arrangement guarantees both the development of savings and access to money when needed, assisting people in managing their retirement assets more effectively (APAM, 2022).

Upon retirement, Private Retirement Schemes (PRS) often offer flexible options to suit the diverse financial needs and preferences of retirees, primarily through two choices:

1) **Option A: Fixed Amount**

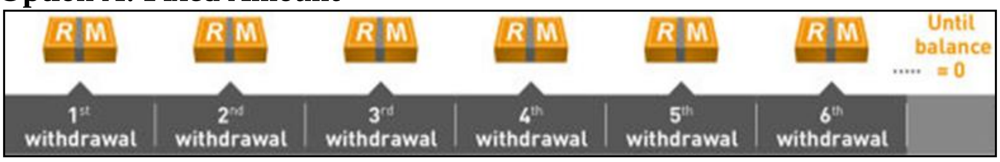

Figure 2: Option A (Fixed Amount) withdrawal of PRS in APAM
Source: (APAM, 2022)

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Option A allows retirees to withdraw a fixed amount from their retirement savings on a regular basis, typically monthly or annually. It is required to withdraw at least RM100 in multiples of RM100 on a regular monthly basis (APAM, 2022). This method provides a predictable and steady stream of income, helping retirees manage their finances more comfortably and ensuring they have a consistent amount to cover their living expenses. This option is particularly beneficial for those who prefer certainty and stability in their retirement income, as it helps in budgeting and financial planning (Ali Kasim, 2024).

2) **Option B: Fixed Period**

Figure 3: Option B (Fixed Period) withdrawal of PRS in APAM

Source: (APAM, 2022)

Option B, the Fixed Period option, permits retirees to withdraw their retirement savings over a predetermined period. In this scenario, the total retirement savings are divided into equal payments distributed over the chosen time frame, which could be 5, 10, 15 or 20 years. This technique offers a planned and organised approach to retirement spending by guaranteeing that the retiree's finances are gradually depleted throughout the chosen period. The Fixed Period option is advantageous for those who want to ensure their retirement savings last for a specific duration, aligning their withdrawals with their financial needs and life expectancy (APAM, 2022).

Both alternatives have their own benefits: Option B emphasizes systematic distribution over a predetermined time, while Option A concentrates on delivering financial security and predictability. Retirees may select the strategy that best suits their financial objectives, risk tolerance, and retirement lifestyle choices according to the different withdrawal alternatives offered by PRS (Ali Kasim, 2024).

The Differences between Private Retirement Scheme and Employees Provident Fund

Private Retirement Schemes (PRS) are a voluntary long-term saving and investing scheme that have been around for eight years, but they are starting to acquire pace. Over 500,000 Malaysians invested over RM5 billion in assets under management in these programs last year, primarily for retirement. Several certified financial advisors and other industry participants believe that PRS is a worthwhile idea. Regarding whether it is the ideal investment vehicle for retirement savings outside of the Employee Provident Fund (EPF), opinions differ. In addition to the personal tax benefit, PRS's lock-in provision is beneficial since it encourages investors to make long-term investments. Withdrawals made from PRS funds before retirement will result in an 8% tax penalty on the total amount withdrawn. It assists those who lack the self-control to continuously save and invest for their retirement over an extended period of time (Vanessa & Kuek Ser, 2021).

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Besides that, Private Retirement Schemes (PRS) and Employees Provident Funds (EPF) serve the common purpose of facilitating retirement savings. According to Shah et al. (2023), the general goal of both is to help people build up their asset and retirement fund portfolios. One way to describe PRS is as assisting EPF contributors in receiving additional contributions for retirement savings. However, they differ significantly in structure, management, and benefits.

First and foremost, EPF payments are required of all employees in the public and private sectors who are not eligible for pension plans. With a few exceptions, all employees with employment contracts are required to contribute to the EPF (Versa, 2023). This was clarified by the EPF Act of 1991's section 43(1), which requires both employers and employees to make monthly payments using the amount of earnings earned in that month at the rate listed in the Third Schedule. This demonstrates clearly that employees in the public and private sectors, both pensionable and non-pensionable, are required to contribute to EPF (Shah et al., 2023).

Table 1: Third Schedule in EPF Act of 1991 Section 43(1)

	Salary	**Employee A**	**Employer Contribution Rate (i)**	**Employer Voluntary Excess (ii)**	**Employer Contribution (i) + (ii) = B**	**Payable Contribution A+B**
Employess aged below 60 and earns a salary of **less** than RM5,000	RM1,000	11%= RM110	13%	5%	18% X RM1,000 = RM180	RM290
Employees aged below 60 and earns a salary of **more** than RM5,000	RM6,250	11%= RM693	12%	5%	17% X RM6,250 = RM1,062.50	RM1,755.50 = RM1756 (rounded to the next ringgit)
Employees aged 60 and over with a salary of **less** than RM5,000	RM1,000	0% = RM0	4%	5%	9% X RM1,000 = RM90	RM90
Employess aged 60 and over with a salary of **more** than RM5,000	RM6,250	0% = RM0	4%	5%	9% X RM6,250 = RM562.50	RM562.50 = RM563 (rounded to the next ringgit)

Source: (EPF, n.d)

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In contrast, PRS is a long-term voluntary savings and investment strategy intended for higher retirement savings, available to those 18 years of age and older who are self-employed or employed. Employees can choose to make voluntary contributions (Versa, 2023). Just like with the EPF, contributions can be made monthly. Given that PRS can supplement EPF funds, provided the individual is a member, it is an additional instrument for boosting retirement savings. Members of EPF are not allowed by law to withdraw funds from their EPF accounts to make payments into the PRS, even though this is a voluntary basis.

Second, there is a tax relief in the EPF of RM7,000 for public employees and RM4,000 for non-public employees. Meanwhile, there is just RM3,000 in tax savings as compared to PRS. This data demonstrates that EPF offers more tax reduction than PRS. It is important to remember that the tax benefit associated with the contribution is subject to changes, which might include a rise or decrease in the amount or even the abolishment of tax relief (Shah et al., 2023).

Thirdly, in terms of EPF, pre-retirement withdrawals are allowed from Account II for approved expenses such as building or buying a home, PR1MA housing, paying off a mortgage early, withdrawals for flexible housing, funding medical or educational costs for a contributor or their children, savings of more than one million ringgit, losing the ability to perform hajj, and so on. The applicants must be foreign nationals or Malaysians, between the ages of 50 and 55 but not yet 55 and hold Account II. Like EPF, PRS allows for partial or whole withdrawals from sub-account B before the individual’s retirement age. But it can only be applied in specific situations, such as those involving housing, healthcare, and COVID-19 (Ali Kasim, 2024). Regretfully, withdrawals done before to the legal retirement age of 55 may result in tax implications and 8% of tax penalty (Shah et al., 2023).

Furthermore, since the EPF system safeguards participants' funds, the Ministry of Finance, which supervises it, is obligated to offer a minimum guaranteed return to its depositors of 2.5% yearly. Return is beneficial as it guarantees the employee that their investment is sustainable. Unfortunately, because PRS is reliant on the performance of the fund, there is no assurance of returns. The option of funds they choose might cause some of them to lose money (Ali Kasim, 2024).

In conclusion, while both schemes aim to secure individuals' financial futures, PRS offer more personalized investment options and potential for higher returns at the cost of higher risk and management fees. On the other hand, EPF provides a more stable and secure growth path with mandatory contributions and lower risk, ensuring a consistent retirement income supported by governmental oversight and guarantees. These fundamental differences shape the choice between PRS and EPF based on individual preferences for control, risk tolerance, and the desired security of retirement savings (Ali Kasim, 2024).

Issues and Challenges of Private Retirement Scheme in AIA Pension and Asset Management Sdn. Bhd.

Issues and challenges are not uncommon thing in any organization in carrying out a project especially regarding Private Restirement Scheme (PRS) in AIA Pension and Asset Management Sdn. Bhd. (APAM). The growth of PRS in Malaysia is dependent on good governance. It establishes public trust in PRS institutions and can serve as a platform for increased public engagement in PRS investment. However, there are some key issues and challenges in the governance of PRS institutions, particularly APAM which can be summarised as follows.

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a) Investment performance due to market volatility

The inconsistency of investment performance in Private Retirement Schemes (PRS) due to market volatility is a significant challenge for AIA Pension and Asset Management Sdn. Bhd. (APAM). This issue can have far-reaching implications for both current and potential contributors. Market volatility refers to the fluctuations in the value of investments over short periods. These fluctuations are influenced by various factors, including economic conditions, political events, changes in interest rates, and global market trends for example when the COVID-19 epidemic occurred at the beginning of 2020, several investors sold off their equity holdings out of fear or refused to make investments (Public Mutual, 2024). When the market experiences high volatility, the value of PRS investments can rise and fall unpredictably. This inherent unpredictability can lead to inconsistent returns on investments.

According to Mai (2023), stock volatility, or the volatility of financial asset prices, is a measure of the unpredictability of asset returns and a means of expressing the risk level of financial assets. Lower stock volatility leads to smoother financial asset price fluctuations and better assurance about the asset return; higher stock volatility produces more unpredictable financial asset price fluctuations and greater uncertainty about the asset return.

It can be concerning for PRS contributors to think about such fluctuations. The goal of having predictable and stable retirement funds is one that many people pursue, but market volatility can make this goal more difficult to achieve. PRS can produce significant returns during periods of strong market performance, increasing the value of retirement savings. However, investments may see an immediate decrease in value during market downturns, potentially result in losses. Because of this inconsistency, contributors may be hesitant to invest their money to PRS because of concern that a downturn in the market may deplete their savings (Ali Kasim, 2024).

For people who are getting close to retirement age, the effects of market volatility are more noticeable. When the markets decline, these people don't have as much time to recover before they must start using their retirement funds. Just before retirement, an extensive drop in the value of their PRS assets might have a disastrous effect on their financial stability. This risk emphasizes how crucial it is to manage assets carefully, particularly as contributors get closer to retirement. Thus, APAM must maintain a careful balance between reducing risks and pursuing larger profits to manage this volatility. To minimize the impact of a single market event and diversify portfolios, investment strategies need to be properly designed. Spreading assets throughout a variety of asset classes, such as stocks, bonds, and real estate, can help achieve diversification since these classes have different characteristics in how they react to market conditions. By doing this, APAM may mitigate some of the volatility and eventually produce returns that are more constant (Ali Kasim, 2024).

Furthermore, it is essential to have transparent communication with contributors regarding the nature of market volatility and how it affects PRS. Contributors must recognize that although there are going to be short-term fluctuations, PRS may still provide development and stability over long periods of time. Contributors' negative impressions of volatility can be lessened by informing them of the advantages of staying invested during market fluctuations rather than reacting to short-term market movements (Ali Kasim, 2024).

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b) Low financial literacy and awareness among Malaysians

Investment plans called private retirement schemes (PRS) are made to assist people with retirement savings. Potential investors are still mostly unaware of these initiatives, despite their obvious benefits and potential for financial stability. Limited financial literacy is one of the main causes of the lack of awareness. A large percentage of people lack a full understanding of investment products and their advantages. They are less prepared to investigate or think of PRS as a good alternative for retirement savings if they lack sufficient understanding (Ali Kasim, 2024).

From an early age, working individuals must possess financial literacy and awareness. Financial responsibilities are a frequent challenge faced by most young working individuals. Therefore, financial knowledge is essential, even at a young age, for efficient retirement planning. For example, the earlier study shown that individuals with more financial literacy are more prepared to plan for their retirement through better insurance and savings strategies. Moreover, a more exceptional capacity to handle unforeseen costs and unexpected revenue fluctuations is linked to financial literacy (Zulfaka & Kassim, 2021).

Meanwhile, the other previous study also opined the same idea which according to Tai & Sapuan (2018), individuals with excellent financial literacy can make well-informed decisions about borrowing, investing, saving, and other financial matters. Being unaware about finances has serious consequences such as being unaware of interest compounding, consumers spend more on transaction fees, accumulate more debt, and pay higher interest rates on loans. It was proven by Tai & Sapuan (2018), which found that just 36% of adult Malaysians are financially literate. Due to this, Malaysia is now rated 66th out of 150 nations in the study. People are insufficiently prepared to make financial management decisions if they lack a fundamental comprehension of financial principles.

In addition, the younger generation, especially those attending universities, is usually ignorant of the role and importance of the pension system. Some of them thought there was no need to start saving for retirement early since their pensions would cover them for the same level of living in retirement as they had throughout their working years. Young people's retirement planning is impacted by a lack of financial literacy, which also makes it more difficult for them to save the money they will need when they retire. In addition, college students also think that since retirement takes long-term planning, it is too far away from their current age and that the preparation and planning are burdensome (Idris et al., 2023).

c) Shortage of competent staff

Next, shortage of competent staff also become as an issue in the company of APAM. Staff are a valuable resource for any organization, and most of them invest a large amount of funds in their recruitment, administration, and training. Staff are an organization's fundamental building block and its primary vehicle of change. According to modern organizational behavior theory, a happy staff is essential for an organization to succeed, and motivated, devoted, and satisfied staff perform better, which eventually boosts an organization's performance (Poulston, 2017). According to Engetou (2017), staff are hired by an organization to support it in continuing to engage with clients to generate revenue. Staff have the power to make a company or organization succeed or fail, according to a scientific management philosophy known as "taylorism," which was developed in 1917.

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In the previous study, staff shortages have been found to be a strong predictor of organizational performance. Lack of staff means that the current staff have more tasks and workloads, which increases the risk of errors and other inefficiencies. These factors have a negative effect on worker performance as well as client care and, eventually, organizational performance (Cheema & Asrar-Ul-Haq, 2017). Meanwhile, Ali Kasim (2024) explained that this shortage can have far-reaching consequences, affecting the quality of service, the efficiency of operations, and ultimately, the satisfaction and trust of clients. A lack of staff can lead to increased workloads for existing employees, resulting in burnout and decreased morale. Overburdened staff are more likely to make mistakes, potentially leading to compliance issues or financial mismanagement. This can expose the organization to legal risks, financial penalties, and damage to its reputation. Furthermore, it also can affect the quality of service provided to clients, with longer response times, reduced attention to detail, and a general decline in customer satisfaction.

An insufficient workforce can also result in operational difficulties, which affect essential processes like investment strategy implementation, account administration, and compliance checks. The overall effectiveness of the PRS organization may be affected by these inefficiencies, which could additionally decrease its marketability (Ali Kasim, 2024). According to an earlier study, this can be seen in the context of staffing management policies. To accomplish both individual and organizational goals, staffing is the traditional management function of attracting and selecting the best candidates, placing them in positions where their abilities and skills can be put to use, and retaining these candidates through bonuses, incentives, and job enrichment programs. Lack of staff indicates that the organization is short in human resources, which prevents it from carrying out its policies fully and effectively (Engetou, 2017).

As a conclusion, all the above issues and challenges have their own solutions to be addressed in a PRS institution, especially APAM. According to Ali Kasim (2024), APAM managed to keep developing by the issues and challenges of the PRS by conducting frequent meeting and close monitoring on what are the problems and its solutions to keep APAM to be progressive and efficient in the eyes of the investor. They will identify and analyze any issues that are relevant, then they will resolve them based on the provisions of the Malaysian law.

The Implementation of Private Retirement Scheme in AIA Pension and Asset Management Sdn. Bhd.: Issues and Challenges

Private retirement schemes, or PRS, have grown in popularity as people want greater control over their retirement funds and as traditional pension plans are becoming less common. These programs present several advantages as well as challenges for people and the whole economy. One of the primary implications of PRS is the enhancement of individual financial security. PRS provides a personalized approach to retirement savings, allowing individuals to choose investment options that align with their risk tolerance and financial goals. This flexibility can lead to more effective retirement planning and potentially higher returns on investment compared to traditional pension plans. Individuals can tailor their contributions and investment strategies based on their unique circumstances, such as age, income, and retirement objectives (Ali Kasim, 2024).

The PRS's default choice of core funds make investing in the individuals' retirement savings simple, which is one of its unique characteristics. A bundled combination of underlying asset classes, including growth, moderate, and conservative risk, is provided by the PRS default option for core funds. Returns are based on the progression of the investor's life stage toward retirement. Three core funds must be available as the default choice in each PRS by the PRS

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Provider (PPA, 2024). If the investors select the default choice, the following core funds will be assigned to them according to their age group:

Table 2: Default Option for Core Funds

Core Funds	Age	Principle
Growth Fund	Below 45 years	Focus is on growing the portfolio. Goals: • Focuses on gradually expanding the portfolio. • Determine the optimal level of risk for earning profits. • Seeking returns that outpace inflation (after covering all fees and expenses of the fund); and • Tolerate a high level of investing volatility.
Moderate Fund	45-54 years old	Focus is on growing the portfolio whilst seeking income. Goals: • Maintain the real growth of the portfolio. • Method of investing that achieves a balance between risk and profit. • Only assume risk when it is considered reasonable and avoid taking on excessive market risk; and • Allows for a moderate level of investment volatility.
Conservative Fund	55 years old and above	Focus is on generating income consistent with getting the portfolio ready for utilization. Goals: • Emphasises capital conservation. • Primarily allocate the investments to things that provide income. • Take risk that would not jeopardise the value of investments generated; and • Accept minimum volatility.

Source: (PPA, 2024)

Based on table 2 above, it shows that the PRS Provider, particularly APAM provided three different core funds which are Growth Fund, Moderate Fund and Conservative Fund. The first fund known as growth fund will be assigned to the investors age below 45 as their target market and its principle is focus on growing the portfolio. Secondly, the next category of core fund provided by APAM known as Moderate Fund which will be assigned to the investors age 45 to 54 years old with its focus is on growing the portfolio whilst seeking income. Moreover, the third core fund known as Conservative Fund which will be assigned to the investor age 55 years old and above with the focus is on generating income consistent with getting the portfolio ready for utilization. Thus, it proves that flexibility becomes part of the implication of PRS in APAM by providing the choice of funds to the investors as they also can switch the fund based on their risk appetite and investment profile (APAM, 2022).

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In addition, one of the main components of PRS, which encourages people to save money for the future, is tax benefits. According to the Public Ruling No. 9/2021 which issued by Lembaga Hasil Dalam Negeri (LHDN), for the first ten years following the assessment year of 2012, there would be individual tax relief of up to RM3,000 year, in addition to the annual tax relief allocated for both life insurance premiums and EPF contributions. Tax-deferred growth is one of the biggest tax benefits. Contributions to a PRS are tax-free until they are withdrawn under this scheme, which makes it possible for investments to compound more effectively over time. Because investment returns, including interest, dividends, and capital gains, are tax-free each year, this can significantly boost retirement savings. The individual's existing tax burden is lessened by this immediate tax relief, which may also encourage higher savings rates (Ali Kasim, 2024).

Besides that, employer contributions to PRS are eligible for a tax deduction of up to 19% of the total remuneration of their employees. Since these contributions are frequently tax deductible for employers and may not be taxable for employees until withdrawal, PRS is an attractive benefit for everybody involved. These tax benefits have significant implications. By increasing the attraction of PRS and motivating people to start saving sooner, they improve retirement savings. For many, this might result in a retirement that is more financially secure (APAM, 2022).

Next, PRS can encourage economic growth on a larger scale by directing personal savings into capital markets. People add to the pool of cash available for businesses to grow and expand when they invest in a variety of funds with a minimum investment of RM100 which is affordable to any investors (APAM, 2022). This financial inflow may foster innovation, the construction of infrastructure, and the creation of jobs, all of which will enhance the state of the economy. Moreover, more people participating in the capital markets may result in more stable and liquid markets. However, the efficiency of the financial markets and the accessibility of investment possibilities determine whether PRS will be successful in promoting economic growth. For investors to be protected and trust to be maintained, regulatory frameworks need to guarantee that markets function effectively and openly. Furthermore, the economy may be exposed to systemic risks due to the concentration of retirement resources in financial markets, necessitating close observation and risk management (Ali Kasim, 2024).

Discussion and Recommendation

The private retirement scheme (PRS) offered by AIA Pension and Asset Management Sdn. Bhd. (APAM) holds significant implications for both contributors and the broader financial landscape. These schemes are designed to provide individuals with a structured and disciplined approach to saving for retirement, offering potential benefits such as tax incentives and diversified investment options. All people need to understand the advantage and importance of PRS to society to increase their awareness to contribute in PRS to guarantee enough savings during retirement.

Furthermore, the researcher believes that approaching the general manager of AIA Pension and Asset Management Sdn. Bhd. (APAM) to be interviewed is the right and preferable option to complete this study. The purpose of choosing the general manager from APAM is to obtain detailed information about the implication of PRS in APAM, as well as viewpoints on the concept and strategies to address such issues. The researcher then analyses the information gathered during the interviews. The results give detailed information on the interviewee's viewpoints, allowing the study objectives to be met. At the same time, it adequately addresses the research questions and is backed up by relevant previous research.

In summary, retirement planning is essential to maintaining current lifestyle after retirement. In Malaysia, where the population is ageing quickly, retirement planning is becoming increasingly important. Private Retirement Scheme (PRS) and employee provident fund (EPF) that are now offered in Malaysia are insufficient to support the retirees. Research indicates that the predetermined amount of money acquired by the provident fund's governing body is not enough to sustain them till their death. Money loses a lot of its value due to the changing economy (Tai & Sapuan, 2018).

To spread knowledge of PRS and its advantages, APAM needs to fund significant public education initiatives. To reach a larger audience, these initiatives might make use of workshops, seminars, and social media, among other media channels. Enhancing potential contributors' financial literacy and spreading information may also be accomplished through partnerships with academic institutions and financial advisors. Participation rates can be greatly increased by educating the public about the value of retirement planning and PRS benefits (Zulfaka & Kassim, 2021).

Moreover, the second recommendation is APAM must reduce administrative and management costs. Excessive managerial and administrative expenses might reduce the returns on investment and reduce the attraction of PRS. To find areas where savings might be realised, APAM should thoroughly examine its cost structure. Using technology to streamline administrative tasks may save expenses and increase operational effectiveness. Examples of this include automated portfolio management and online account administration. Reducing contributor costs can also be achieved by providing less expensive investing choices, such as passive index funds (Ali Kasim, 2024).

The last recommendation is APAM must foster strategic partnerships. PRS may increase its influence by forming strategic relationships with financial advisors, employers, and other stakeholders. Employers may encourage employees to participate in PRS by providing incentives such as matching contributions. Financial advisors may offer continuous assistance and assist in customising PRS solutions to meet specific needs. Promoting the advantages of PRS and encouraging participation may also be accomplished by working in partnership with other stakeholders, such as trade groups and community organizations.

Conclusion

In conclusion, this study is on the implications of the Private Retirement Scheme (PRS) in AIA Pension and Asset Management Sdn. Bhd. (APAM) highlights the critical role that PRS plays in enhancing individual financial security and promoting economic growth in Malaysia. Through qualitative research and interviews with key stakeholders, particularly the general manager, the study reveals that PRS not only provides individuals with structured savings options but also offers tax benefits and encourages broader participation in capital markets. The findings underscore the necessity of increasing public awareness and understanding of PRS, as well as addressing the challenges faced by the industry, such as low financial literacy and insufficient access to retirement planning tools. By fostering a culture of saving for retirement and ensuring effective regulatory frameworks, the PRS can significantly contribute to the financial well-being of individuals and the overall stability of the economy. Ultimately, the study advocates for collaborative efforts among employers, financial advisors, and community

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organizations to promote the advantages of PRS, thereby ensuring a more secure financial future for all Malaysians.

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