

# SHARING OF GOOD PRACTICES

EMPLOYEES' SOCIAL SECURITY ORGANIZATION  
(SOCSO) APPROACH TO  
GOOD INVESTMENT PRACTICES

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## SOCOSO MALAYSIA

- ▶ A defined benefit scheme established on 1<sup>st</sup> Jan, 1971.
- ▶ Operates as an agency under Ministry of Human Resources Malaysia;
- ▶ Run with cooperation of employers, employees and government
- ▶ Covers approximately 365,000 employers with an estimated 5.9 million employees;



## .. continue

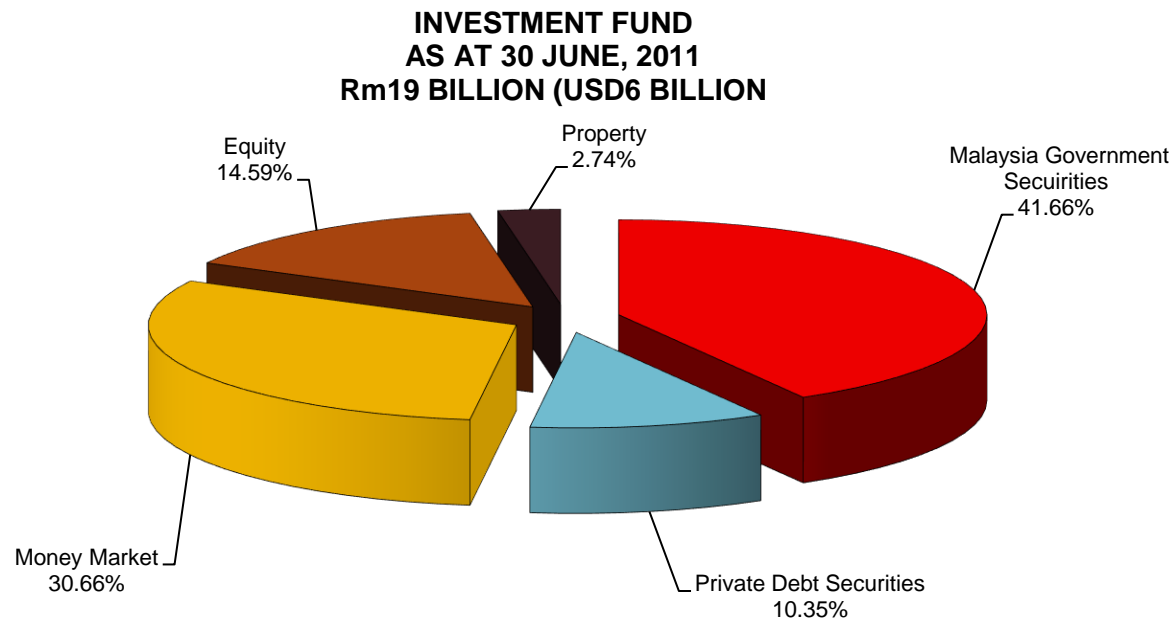
- ▶ Administers 2 schemes namely:-
  - i. Employment Injury Scheme;
  - ii. Invalidity Pension Scheme;
- ▶ Disburses cash and non cash benefits
- ▶ The GOM/MOHR are the sponsors of the scheme where else the SOCSO is the administrators of the scheme.



## SOCIAL SECURITY FUND

- ▶ Comes from the contributions
- ▶ 1971 – 1984, Government of Malaysia (GOM) bore the administration expenses
- ▶ Manages its own affairs and financially independent
- ▶ Fund size as at June 2011 – RM19 billion
- ▶ 90% of investible fund is managed by in-house staff

## .. Continue – Fund size



## INVESTMENT POLICY/PHILOSOPHY

Reflects investment principles:-

- ▶ Conservative
- ▶ Capital preservation
- ▶ Prudence
- ▶ Satisfactory rate of return



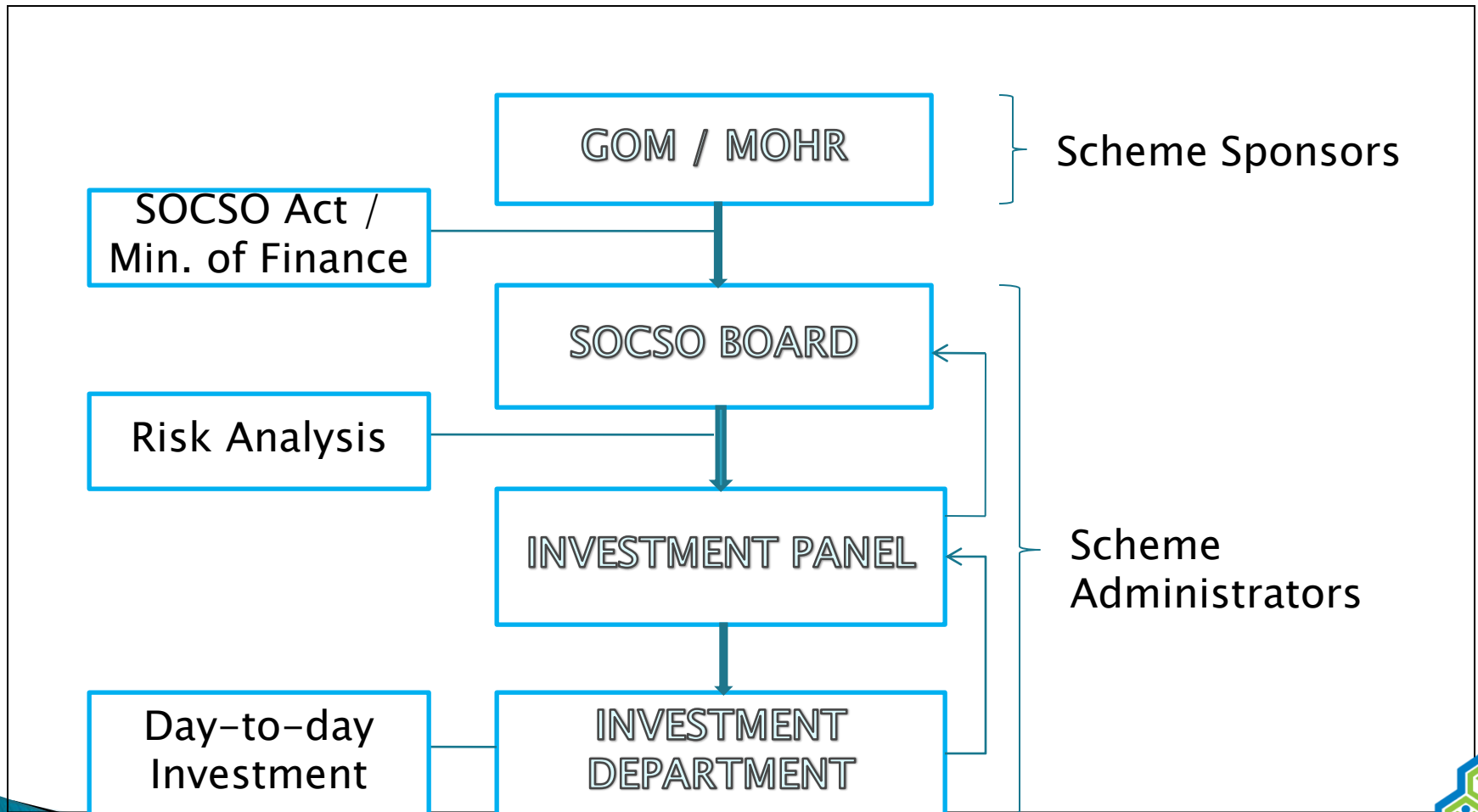
# INVESTMENT PRACTICES

## Governance

- a. framework / function
- b. delegation
- c. objectives
- c. communication / reporting / monitoring
- d. prudence



## Framework / Function





## EFFECTIVE DELEGATION

- ▶ Means separating governing function (eg The SOCSO Board and an executive function (eg . Investment Panel).
- ▶ Alternatively, delegate to third party service providers with clearly defined mandate and mechanisms to monitor and review the delegated function to ensure prudence and rightly executed

## CLEAR OBJECTIVES

- ▶ Minimise conflicts within governance structure
- ▶ Consistent with risk tolerances of the Fund
- ▶ Consistent with , liabilities assets and return on investment

## COMMUNICATION/REPORTING

- ▶ To ensure consistency in investment process.
- ▶ Monthly reporting Investment Panel
- ▶ Bimonthly report to SOCSO Board
- ▶ External Asset Managers evaluated quarterly and asked to brief on their performance

## PRUDENCE

- ▶ Making decisions based on proper consideration of adequate information, documenting final and reasons for decision and documenting the circumstances that were considered.
- ▶ Involves good governance structure for deliberations and monitoring

## MOVING FORWARD

- ▶ Liability driven investment (LDI)
  - match assets with liability profile
- ▶ Diversifying
  - dynamic



**THANK YOU**

