

Malaysia

Exchange rate: US\$1.00 equals 3.80 ringgits (M\$).

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1951 (provident fund).

Current laws: 1969 (social security) and 1991 (provident fund), with 2001 amendment.

Type of program: Provident fund (old-age, disability, and survivors) and social insurance (disability and survivors) system.

Note: Employees' Provident Fund (EPF) operates three types of mandatory individual accounts: Account 1, to finance old-age, disability, and survivor benefits and the purchase of approved investments; Account 2, to finance old-age, disability, and survivor benefits and to finance the purchase of a house and education costs; and Account 3, to finance old-age, disability, and survivor benefits and to pay for designated critical illnesses and prosthetic appliances. A voluntary fourth account may be opened to finance periodic payments between ages 55 and 75.

Coverage

Provident fund: Private-sector employees and nonpensionable public-sector employees.

Voluntary coverage for domestic servants, foreign workers, self-employed persons, and pensionable public-sector employees.

Exclusions: Nomadic aborigines and prisoners or other persons detained in rehabilitation centers or psychiatric hospitals.

Special system for government employees.

Social insurance: Employees up to age 55 earning M\$2,000 or less a month (or earning M\$2,000 or less a month when first employed) and casual workers.

Voluntary coverage for employees earning more than M\$2,000 a month, on agreement between the employer and the employee.

Exclusions: Domestic servants, foreign workers, and the self-employed.

Special system for public-sector employees.

Source of Funds

Insured person

Provident fund: 11% of monthly earnings according to wage classes; pensionable public-sector employees may voluntarily contribute between M\$50 and M\$5,000 a month. (60%, 30%, and 10% of monthly contributions are placed in Accounts 1, 2,

and 3, respectively. If voluntary Account 4 is opened, it is credited with up to 50% of the balance of Account 1 and subsequently 50% of the contributions to Account 1 until the member is age 55.)

Insured persons can make voluntary additional contributions to the provident fund.

The minimum monthly earnings for provident fund contribution purposes are R\$10.

There are no maximum earnings for provident fund contribution purposes.

The (mandatory and voluntary) provident fund contributions (up to R\$5,000 a month) are tax deductible.

Social insurance: 0.5% of monthly earnings according to 24 wage classes.

There are no minimum monthly earnings for contribution purposes for social insurance (for the lowest wage class of under M\$30, the contribution is based on M\$20).

The maximum monthly earnings for contribution purposes for social insurance are M\$2,000.

Social insurance contributions are tax deductible.

Self-employed person

Provident fund: Voluntary contributions of between M\$50 and M\$5,000 a month.

The voluntary provident fund contributions (up to R\$5,000 a month) are tax deductible.

Social insurance: Not applicable.

Employer

Provident fund: 12% of monthly earnings according to wage classes. (60%, 30%, and 10% of monthly contributions are placed in Accounts 1, 2, and 3, respectively. If voluntary Account 4 is opened, it is credited with up to 50% of the balance of Account 1 and subsequently 50% of the contributions to Account 1 until the member is age 55.)

Employers can make voluntary additional contributions to the provident fund.

Social insurance: 0.5% of monthly payroll according to 24 wage classes.

There are no minimum monthly earnings for contribution purposes for social insurance (for the lowest wage class of under M\$30, the contribution is based on M\$20).

The maximum monthly earnings for contribution purposes for social insurance are M\$2,000.

Government

Provident fund: None.

Social insurance: None.

10% of the total insured person and employer provident fund contributions finance certain medical expenses (see Sickness and Maternity, below).

The minimum and maximum earnings levels for contribution purposes and percentage contribution rates are set by government.

Qualifying Conditions

Provident fund

Old-age benefit: Contributions are allocated to three separate accounts (an optional fourth account is opened for members participating in a monthly retirement payment scheme), and individual savings can be accessed under different specified conditions.

Account 1: All funds can be withdrawn at age 55.

Drawdown payment: Funds can be drawn down before age 55. Members may draw down up to 20% of an account balance over M\$50,000 for investment in unit trusts through external fund management institutions approved by the Ministry of Finance.

Account 2: All funds can be withdrawn at age 55.

Drawdown payment: Funds can be drawn down before age 55 to purchase a home, to pay for a house loan, and to pay for education for the member or his or her children.

Account 3: All funds can be withdrawn at age 55.

Drawdown payment: Funds can be drawn down before age 55 to pay for the treatment of designated critical illnesses and certain prosthetic appliances. A list of critical illnesses is provided by the Employees' Provident Fund Board.

The fund member is not required to retire at age 55. If the fund member withdraws all of his or her funds (Accounts 1, 2, and 3) at age 55, he or she can choose to rejoin and contribute to the Employees' Provident Fund if still in employment or if new employment is found. Fund members who do not withdraw funds at age 55 and who are still employed must continue to make contributions.

Account 4 (voluntary): The member must be aged 55 or older and have at least R\$24,000 in Account 4 to receive a monthly payment.

All funds may be withdrawn at any age if a member permanently emigrates from Malaysia.

Incapacitation benefit: Certified by a medical doctor to be mentally or physically unable to work. Fund members may be referred to an Employees' Provident Fund panel clinic to confirm the disability certified by the medical doctor.

Additional benefit: A lump sum is payable up to age 55.

Survivor benefit: The benefit is payable to the named beneficiary (non-Muslims) or administrator (Muslims). In the absence of a nominated beneficiary, the benefit is paid (in order of priority) to the administrator (Muslims), spouse, children, parents, and siblings.

Additional benefit: A lump sum is payable on the death of a fund member (up to age 55) to the dependent spouse (if married) or parents (if single).

The benefits are payable in addition to social insurance benefits.

All provident fund benefits are also payable abroad.

Social insurance

Old-age pension: No benefits are provided.

Disability pension: Twenty-four months of contributions in the last 40 months; contributions for at least 2/3 of the months since first becoming insured, with a minimum of 24 months of contributions.

Reduced disability pension: A reduced pension is paid if contributions were paid for at least 1/3 of the months since first becoming insured, with a minimum of 24 months.

The degree of disability is assessed by the medical board appointed by the Social Security Organization in consultation with the Ministry of Health.

Invalidity grant: If the insured is not eligible for a disability pension but has at least 12 months of contributions.

Survivor pension: Twenty-four months of contributions in the last 40 months; contributions for at least 2/3 of the months since first becoming insured, with a minimum of 24 months of contributions.

Reduced survivor pension: A reduced pension is paid if contributions are paid for 1/3 of the months since first becoming insured, with a minimum of 24 months of contributions.

The survivor pension is split as follows: 60% of the benefit is payable to the widow (the widower if previously the insured's dependent); 40% to unmarried children (60% to full orphans) younger than age 21 (until the completion of a first university degree, no limit if disabled).

Other eligible survivors (in absence of the above): 40% of the benefit is payable to parents (grandparents if the parents are deceased) and 30% to unmarried dependent brothers and sisters younger than age 21.

The spouse pension ceases on remarriage.

Funeral grant: The deceased was a disability pensioner or fulfilled the contribution conditions for a full or reduced disability pension. The grant is payable to the person who paid for the funeral.

Old-Age Benefits

Old-age benefit (provident fund)

Accounts 1, 2, and 3: The withdrawal of total savings (employee and employer contributions plus compound interest, minus drawdown payments) in a lump sum, monthly installments, or a combination of both.

The minimum total amount to be paid in monthly installments is R\$12,000 (the minimum duration for periodic payments is 60 months, and the minimum monthly benefit is M\$200).

Account 4 (voluntary): The amount accumulated in Account 4 is divided by 240 and paid monthly over a 20-year period

between ages 55 and 75, plus compound interest. The minimum monthly payment is M\$100, corresponding to the minimum required savings of M\$24,000.

The yearly compound interest can be withdrawn annually, beginning at age 55, if some or all of the principal capital is left with the fund.

The interest rate (4.5% in 2003) is set annually by the government upon the recommendation of the Employees' Provident Fund Board.

Old-age pension (social insurance): No benefits are provided.

Permanent Disability Benefits

Incapacitation benefit (provident fund): A lump sum equal to total employee and employer contributions (Accounts 1, 2, and 3) plus compound interest, minus drawdown payments.

The interest rate (4.5% in 2003) is set annually by the government upon recommendation of the Employees' Provident Fund Board.

Additional benefit (provident fund): A lump sum of M\$5,000.

Disability pension (social insurance): 50% of the insured's average monthly earnings in the 24 months before the onset of disability plus 1% of the insured's average monthly earnings in the 24 months before the onset of disability for each 12-month period of contributions over 24 months.

The maximum pension is 65% of the insured's average monthly earnings in the 24 months before the onset of disability.

Reduced disability pension: 50% of the insured's average monthly earnings in the 24 months before the onset of disability.

The minimum monthly pension is M\$171.43.

The maximum monthly earnings for calculating the disability pension are M\$2,000.

Constant-attendance supplement: 40% of the insured's pension (up to a maximum of M\$500 a month) if in need of the constant attendance of another person. The supplement is payable on the decision of the medical board of the Social Security Organization.

Invalidity grant (social insurance): A lump sum equal to the total employer and employee contributions plus interest. (The minimum annual interest rate is 4%.)

Benefit adjustment: Social insurance benefits are adjusted according to changes in the cost of living and the financial health of the fund.

Survivor Benefits

Survivor benefit (provident fund): A lump sum equal to the total employee and employer contributions (Accounts 1, 2, and 3) plus compound interest, minus drawdown payments.

The interest rate (4.5% in 2003) is set annually by the government upon the recommendation of the Employees' Provident Fund Board.

Additional benefit (provident fund): A lump sum of M\$2,500.

Survivor pension (social insurance): If the deceased was a disability pensioner, 100% of the disability pension is payable. If the deceased was employed, 50% of the insured's average monthly earnings in the 24 months before death plus 1% of the insured's average monthly earnings in the 24 months before death for each 12-month period of contributions over 24 months.

The maximum survivor pension is 65% of the deceased's average monthly earnings in the 24 months before death.

Reduced survivor pension: 50% of the deceased's average monthly earnings in the 24 months before death.

The minimum monthly survivor pension is M\$171.43.

The maximum monthly earnings for calculating the survivor pension are M\$2,000.

Funeral grant (social insurance): Up to M\$1,500 is payable to the person who paid for the funeral.

Benefit adjustment: Social insurance benefits are adjusted according to changes in the cost of living and the financial health of the fund.

Administrative Organization

Provident fund: Ministry of Finance (<http://www.treasury.gov.my>) provides general supervision for the program.

Managed by a tripartite governing board, the Employees' Provident Fund (<http://www.kwsp.gov.my>) administers contributions and benefits and is responsible for investing members' funds.

Social insurance: Ministry of Human Resources (<http://www.mohr.gov.my>) provides general supervision.

Managed by a tripartite governing board, the Social Security Organization (Perkeso) (<http://www.perkeso.gov.my>) administers contributions and benefits.

Sickness and Maternity

Regulatory Framework

First law: 1951 (provident fund).

Current law: 1991 (provident fund).

Type of program: Provident fund system (medical benefits only).

Coverage

Cash sickness and maternity benefits: No coverage is provided.

Medical benefits: Private-sector employees and nonpensionable public-sector employees.

Voluntary coverage for domestic servants, foreign workers, self-employed persons, and pensionable public-sector employees.

Exclusions: All persons falling within the first schedule of the 1991 law, including all nomadic aborigines and prisoners or other persons detained in rehabilitation centers or psychiatric hospitals.

Special system for public-sector employees.

Source of Funds

Insured person: See source of funds (provident fund) under Old Age, Disability, and Survivors, above.

Self-employed person: See source of funds (provident fund) under Old Age, Disability, and Survivors, above.

Employer: See source of funds (provident fund) under Old Age, Disability, and Survivors, above.

Government: See source of funds (provident fund) under Old Age, Disability, and Survivors, above.

Qualifying Conditions

Cash sickness and maternity benefits: No coverage is provided.

Medical benefits: Covered by the provident fund.

Sickness and Maternity Benefits

Cash sickness and maternity benefits: No benefits are provided.

Workers' Medical Benefits

Fund members can withdraw savings from Account 3 to pay for medical treatment for a critical illness and for certain prosthetic appliances, if the employer does not provide full coverage for such treatment. A list of designated critical illnesses is provided by the Employees' Provident Fund Board.

Dependents' Medical Benefits

Fund members can withdraw savings from Account 3 to pay for medical treatment for the following dependents: spouse, children, parents, parents-in-law, and siblings. The covered critical illnesses and prosthetic appliances are the same as for the fund member.

Administrative Organization

Ministry of Finance (<http://www.treasury.gov.my>) provides general supervision for the program.

Managed by a tripartite governing board, the Employees' Provident Fund (<http://www.kwsp.gov.my>) administers contributions and benefits and is responsible for investing members' funds.

Work Injury

Regulatory Framework

First law: 1929.

Current law: 1969 (employees' social security).

Type of program: Social insurance system.

Coverage

Employees earning M\$2,000 or less a month (or earning M\$2,000 or less a month when first employed) and casual workers.

Voluntary coverage for employees earning more than M\$2,000 a month, on agreement between the employer and the employee.

Exclusions: Domestic servants, domestic drivers and gardeners, members of the armed forces, government servants, persons in detention institutions, prisoners, spouses of business owners, and the self-employed.

Special workers' compensation system for foreign workers.

Special system for public-sector employees.

Source of Funds

Insured person: None.

Self-employed person: Not applicable.

Employer: 1.25% of monthly payroll according to 24 wage classes.

There are no minimum monthly earnings for contribution purposes (for the lowest wage class of under M\$30, the contribution is based on M\$20).

The maximum monthly earnings for contribution purposes are M\$2,000.

The minimum and maximum earnings levels for contribution purposes are adjusted periodically.

Government: None.

Qualifying Conditions

Work injury benefits: There is no minimum qualifying period.

Temporary Disability Benefits

The benefit is 80% of the insured's average daily wage in the 6 months before the onset of disability. The insured must be certified by a medical doctor to be unfit for work for a minimum of 4 days. The benefit is payable without limit with continuing medical certification.

The minimum daily benefit is M\$10.

The maximum daily benefit is M\$52.

Permanent Disability Benefits

Permanent disability pension: 90% of the insured's average daily wage in the 6 months before the onset of disability if totally disabled (assessed disability of 100%).

The minimum daily benefit for a permanent disability is M\$10.

The maximum daily benefit for a permanent disability is M\$58.50.

Constant-attendance supplement (total permanent disability): 40% of the insured's pension (up to a maximum of M\$500 a month) if in need of the constant attendance of another person. The supplement is payable on the decision of the medical board of the Social Security Organization.

Partial disability: A percentage of the full pension in proportion to the assessed degree of disability.

The minimum daily benefit for permanent partial disability is M\$10.

If the disability is assessed as less than 20%, the insured can request to receive the benefit as a lump sum.

Partial lump sum: Up to one-fifth of the benefit may be paid as a lump sum when the assessed disability is greater than 20%.

The degree of disability is assessed by the medical board appointed by the Social Security Organization in consultation with the Ministry of Health.

Benefit adjustment: Benefits are adjusted according to changes in the cost of living and the financial health of the fund.

Workers' Medical Benefits

Benefits include necessary medical treatment, hospitalization, medicines, artificial limbs and other prosthetic appliances, and physical and vocational rehabilitation.

Care is provided in government hospitals and by a panel of physicians under contract with the Social Security Organization.

Survivor Benefits

Survivor pension: The full daily benefit is 90% of the insured's average daily wage in the 6 months before death and is split as follows: 60% of the full daily benefit is payable to the widow (the widower if previously the insured's dependent); 40% to unmarried children (60% to full orphans) younger than age 21 (until the completion of a first university degree, no limit if disabled).

Other eligible survivors (in absence of the above): 40% of the full daily benefit is payable to parents (grandparents if the parents are deceased) and 30% to unmarried dependent brothers and sisters younger than age 21.

The spouse pension ceases on remarriage.

The minimum daily survivor benefit is M\$10.

The maximum daily survivor benefit is M\$58.50.

Benefit adjustment: Benefits are adjusted according to changes in the cost of living and the financial health of the fund.

Funeral grant: Up to M\$1,500 is payable to the person who paid for the funeral.

Benefit adjustment: Benefits are adjusted according to changes in the cost of living and the financial health of the fund.

Administrative Organization

Ministry of Human Resources (<http://www.mohr.gov.my>) provides general supervision.

Managed by a tripartite governing board, the Social Security Organization (Perkeso) (<http://www.perkeso.gov.my>) administers contributions and benefits and contracts with health service providers for the provision of medical services.