

Malaysia

Exchange rate: US\$1.00 equals
3.62 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 and social insurance system.

Note: Employees' Provident Fund 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 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 self-employed persons.

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.

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

There are no maximum earnings for provident fund contribution purposes.

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

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

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 M\$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.

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

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.

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 (at any age if a member permanently emigrates from Malaysia).

Drawdown payment: Funds can be drawn down before age 55. Members with at least M\$55,000 in Account 1 may draw down up to 20% of the account balance over M\$50,000 for investment in unit trusts through external fund management institutions approved by the Ministry of Finance. The minimum permitted withdrawal is M\$1,000.

Account 2: All funds can be withdrawn at age 55 (at any age if a member permanently emigrates from Malaysia).

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 (at any age if a member permanently emigrates from Malaysia).

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 M\$24,000 in Account 4 to receive a monthly payment. All funds may be withdrawn if a member permanently emigrates from Malaysia.

Incapacitation benefit: Must be 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 paid, up to age 55.

Survivor benefit: The benefit is paid to the named beneficiary (non-Muslims) or administrator (Muslims). In the absence of a named beneficiary, the benefit is paid (in order

of priority) to the administrator (Muslims), spouse, children, parents, and siblings.

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

The benefits are paid in addition to social insurance benefits. All provident fund benefits are payable abroad.

Social insurance

Old-age pension: No benefits are provided.

Disability pension: Must have at least 24 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: Paid if the insured is not eligible for a disability pension but has at least 12 months of contributions.

Survivor pension: The deceased had at least 24 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 the deceased paid contributions 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 paid to the widow (the widower if previously the insured's dependent) and 40% to unmarried children (60% to full orphans) younger than age 21 (until the completion of a first university degree, no limit if disabled).

The spouse pension ceases on remarriage.

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

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

Old-Age Benefits

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 M\$12,000 (the minimum duration for periodic payments is 60 months, and the minimum monthly benefit is M\$200).

The interest rate is set annually by the government on the recommendation of the Employees' Provident Fund Board. The interest rate paid by the board in 2005 was 5%.

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 is set annually by the government on the recommendation of the Employees' Provident Fund Board. The interest rate paid by the board in 2005 was 5%.

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 is set annually by the government on the recommendation of the Employees' Provident Fund Board.

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

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

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

Reduced disability pension: The pension is equal to 50% of the insured's average monthly earnings in the 24 months before the disability began.

The minimum monthly pension is M\$171.43.

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

Constant-attendance supplement: Equal to 40% of the insured's pension (up to a maximum of M\$500 a month), if requiring the constant attendance of another person. The need for constant attendance is assessed by the Social Security Organization's medical board.

Invalidity grant (social insurance): A lump sum equal to 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 is set annually by the government on the recommendation of the Employees' Provident Fund Board. The interest rate paid by the board in 2005 was 5.05%.

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

Survivor pension (social insurance): If the deceased was a disability pensioner, 100% of the disability pension is paid; 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 exceeding 24 months.

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

Reduced survivor pension: The pension is equal to 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 paid 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: Nomadic aborigines and prisoners or other persons detained in rehabilitation centers or psychiatric hospitals.

Special system for government 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 cash benefits are provided.

Medical benefits: Covered by the provident fund.

Sickness and Maternity Benefits

Sickness benefit: No benefits are provided.

Maternity benefit: 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 (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 self-employed persons.

Special systems for public-sector employees and foreign workers.

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.

Government: None.

Qualifying Conditions

Work injury benefits: There is no minimum qualifying period.

Temporary Disability Benefits

The benefit is equal to 80% of the insured's average daily wage in the 6 months before the disability began. 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: For a total (100%) disability, the pension is equal to 90% of the insured's average daily wage in the 6 months before the disability began.

The minimum daily benefit is M\$10.

The maximum daily benefit is M\$58.50.

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

Partial disability: A percentage of the full pension is paid according to the assessed degree of disability.

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

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%.

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

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 equal to 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 paid to the widow (the widower if previously the insured's dependent) and 40% to unmarried children (60% to full orphans) younger than age 21 (until the completion of a first university degree, no limit if disabled).

The spouse pension ceases on remarriage.

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

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 paid 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.