

Malaysia

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

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1951 (provident fund).

Current laws: 1969 (disability insurance) and 1991 (provident fund), with 2001 amendment.

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

Note: Provident fund provisions and benefit amounts are as of December 2001.

Coverage

Provident fund: Mandatory coverage for private-sector employees and nonpensionable public-sector employees.

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

Exclusions: All persons falling within the first schedule of the EPF Act 1991, including all nomadic aborigines, employees who live outside Malaysia, and prisoners or other persons detained in rehabilitation centers or psychiatric hospitals.

Disability insurance: Employees earning less than M\$2,000 a month (or earning less than M\$2,000 a month when first covered), casual workers, and domestic workers.

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

Special system for public-sector employees.

Source of Funds

Insured person

Provident fund: 11% of earnings according to wage classes; self-employed persons contribute between M\$50 and M\$5,000 a month.

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

Employer

Provident fund: 12% of earnings according to wage classes.

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

Government

Provident fund: None.

Disability insurance: None.

Qualifying Conditions

Provident fund

Old-age benefit: Contributions are allocated to three separate accounts, and individual savings can be accessed under different specified conditions:

- Account 1: 60% of monthly contributions are placed in this account. The account normally may be accessed at age 55, but it may also be accessed for the purpose of drawing down savings for investment under the members' investment scheme. (Members who have more than M\$50,000 in Account 1 can invest up to 20% of the amount exceeding M\$50,000 in an approved fund management institution.)
- Account 2: 30% of monthly contributions are placed in this account from which drawdown payments may be taken at age 50 without retirement from employment; at any age for purchasing a house, for a house loan payment, for members' and their children's education, and for purchasing a personal computer.
- Account 3: 10% of monthly contributions are placed in this account to pay for the treatment of designated critical illnesses. A list of critical illnesses is provided by the Provident Fund Board.

Incapacitation benefit: Mentally or physically disabled. The benefit is payable in addition to disability insurance benefits.

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

Reduced 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.

Old-Age Benefits

Provident fund (old-age benefit): The withdrawal of total savings (employee and employer contributions plus compound interest) in a lump sum, monthly installments, or a combination of both. Also, the compound interest can be withdrawn annually if the principal capital is left with the fund beginning at age 55.

Monthly payment scheme: A fund member may opt to place a maximum of 50% of the Account 1 balance into a special account (Account 4) until age 55. At age 55, members who have minimum savings of at least M\$24,000 in Account 4 may participate in the monthly payment scheme and receive a minimum monthly payment of M\$100 between ages 55 and 75.

Permanent Disability Benefits

Provident fund (incapacitation benefit): A lump sum equal to total employee and employer contributions plus compound interest.

Additional benefit: M\$2,000.

Disability Insurance

Disability pension: 50% of average monthly earnings plus 1% of earnings for each 12-month period of contributions over 24 months.

The maximum earnings for disability benefit purposes are M\$2,000 a month.

The minimum pension is M\$171.43 a month.

The maximum pension is 65% of earnings.

Reduced pension: 50% of earnings.

Note: The above data for disability insurance dates from January 1, 1995.

Constant-attendance supplement: 40% of the insured's pension (up to a maximum of M\$500 a month) if severely disabled and in need of the constant attendance of another person.

Invalidity grant: If not eligible for a disability pension and with at least 12 months of contributions, a lump sum equal to the total of employer and employee contributions plus interest.

Survivor Benefits

Provident fund (survivor benefit): A lump sum equal to the total employee and employer contributions plus compound interest. The benefit is payable to named survivors or to legal heirs.

Additional benefit: M\$2,000.

Disability insurance (survivor benefit): If deceased was a disability pensioner, 100% of the disability pension; in certain other cases, between 50% and 65% of the insured's average monthly earnings depending on the number of contributions.

Funeral grant (survivor benefit): Up to M\$1,500 payable to the insured's next of kin or whoever incurred the funeral expense.

Administrative Organization

Provident fund: Ministry of Finance provides general supervision for the program. Managed by a tripartite governing board, the Employees Provident Fund administers the provident fund program.

Disability insurance: Social Security Organization administers the program under the management of a tripartite governing board.

Sickness and Maternity

Regulatory Framework

First law: 1951.

Current law: 1991.

Type of program: Provident fund system providing lump-sum benefits and periodic payments.

Workers' Medical Benefits

Fund members can withdraw savings from Account 3 to pay for medical treatment for a critical illness, provided that the employer does not provide full or partial coverage for such treatment. A list of designated critical illnesses is provided by the Provident Fund Board. Fund members can also withdraw savings to pay for medical treatment for their spouse, children, and parents.

Work Injury

Regulatory Framework

First law: 1929.

Current law: 1969.

Type of program: Social insurance system.

Coverage

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

Exclusion: Domestic servants.

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

Foreign workers are covered under a special insurance scheme for workers' compensation.

Special system for public-sector employees.

Source of Funds

Insured person: None.

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

Government: None.

Qualifying Conditions

Work injury benefits: There is no minimum qualifying period.

Temporary Disability Benefits

80% of the average daily wage payable after a 4-day waiting period. The benefit is paid retroactively if the disability lasts more than 4 days.

The minimum benefit is M\$10 a day.

The maximum benefit is M\$52 a day.

Permanent Disability Benefits

Permanent disability pension: 90% of the average daily wage if totally disabled.

The minimum benefit is M\$10 a day.

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

Partial disability: A percentage of the full pension proportionate to the degree of disability.

If the disability is assessed at less than 20%, a lump sum is paid to the insured person.

Constant-attendance supplement: 40% of the insured's pension (up to a maximum of M\$500 a month) if totally disabled and in need of the constant attendance of another person.

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 to the Social Security Organization.

Survivor Benefits

Survivor pension: The full daily benefit is 90% of the insured's average daily wage and is awarded as follows: 60% is payable to the widow or the widower (if previously the insured's dependent); 40% to orphans (60% for full orphans) under age 21 (or until the completion of a first university degree; no age limit if disabled).

Other eligible survivors (in absence of the above): Parents, brothers, sisters, and paternal grandparents if previously the insured's dependent.

Funeral grant: Up to M\$1,500 is payable to the insured's next of kin or whoever incurred the expense of the funeral.

Administrative Organization

Ministry of Human Resources provides general supervision.

Managed by a tripartite governing board, the Social Security Organization administers the program.