

## Malaysia

Exchange rate: US\$1.00 equals 3.24 ringgits.

### Old Age, Disability, and Survivors

#### Regulatory Framework

**First law:** 1951 (provident fund).

**Current laws:** 1969 (social security); and 1991 (provident fund), with 2007 amendment.

**Type of program:** Provident fund and social insurance system.

Note: Employees Provident Fund operates two types of mandatory individual accounts: Account 1 finances old-age, disability, and survivor benefits and the purchase of approved investments; Account 2 finances old-age, disability, and survivor benefits, the purchase of a house, education costs, and designated critical illnesses and prosthetic appliances.

#### Coverage

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

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

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

Special system for public-sector employees.

**Social insurance:** Employees up to age 55 earning 3,000 ringgits or less a month (or earning 3,000 ringgits or less a month when first employed) and casual workers.

Voluntary coverage for employees earning more than 3,000 ringgits a month, on agreement between the employer and the employee.

Exclusions: Household workers, self-employed persons, and foreign workers.

Special system for public-sector employees.

#### Source of Funds

##### Insured person

**Provident fund:** 11% of monthly earnings for members up to age 54 (8% for a two-year period as of January 2009, but members may continue to voluntarily contribute 11%); 5.5% of monthly earnings for members between ages 55 and 75. (70% and 30% of monthly contributions are placed in Accounts 1 and 2, respectively.)

The minimum monthly earnings for provident fund contribution calculation purposes are 10 ringgits.

There are no maximum earnings for provident fund contribution calculation purposes.

Insured persons and their spouses and children can make voluntary additional contributions.

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

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

The maximum monthly earnings for social insurance contribution calculation purposes are 3,000 ringgits.

Social insurance contributions are tax deductible.

##### Self-employed person

**Provident fund:** Voluntary contributions of between 50 ringgits and 5,000 ringgits a month.

**Social insurance:** Not applicable.

##### Employer

**Provident fund:** 12% of monthly earnings for members up to age 54; 6% of monthly earnings for members between ages 55 and 75. (70% and 30% of monthly contributions are placed in Accounts 1 and 2, respectively.)

Employers can make additional voluntary contributions.

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

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

The maximum monthly earnings for social insurance contribution calculation purposes are 3,000 ringgits.

##### Government

**Provident fund:** None.

**Social insurance:** None.

#### Qualifying Conditions

##### Provident fund

**Old-age benefit:** Contributions are allocated to two separate accounts, 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 for investment in unit trusts through external fund management institutions approved by the Ministry of

Finance. The minimum permitted withdrawal is 1,000 ringgits.

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 house, to pay for education for the member or his or her children, or 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 and 2) at age 55, he or she can choose to rejoin and contribute to the Employees Provident Fund if still employed 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.

*Incapacitation benefit:* Must be assessed by a medical doctor as mentally or physically unable to work. Fund members may be referred to an Employees Provident Fund panel clinic to confirm the disability assessed 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), for funeral purposes.

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 at least 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 at least 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 prior to death; contributions for at least 2/3 of the months since first becoming insured, with at least 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 at least 24 months of contributions.

The survivor pension is split as follows: 60% of the benefit is paid to the widow (the widower if he was 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's 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 and 2:* At age 55, members can withdraw total or partial savings through a lump-sum withdrawal (employee and employer contributions plus compound interest, minus drawdown payments); a monthly pension of at least 250 ringgits for a period of not less than one year; a withdrawal at any time of at least 2,000 ringgits a month; or a combination of the last two options.

If funds remain in the accounts after age 55, members continue to earn compound interest until age 75.

Drawdown payment (Account 1): At age 55, members with at least 55,000 ringgits in Account 1 may draw down up to 20% of the account balance over 50,000 ringgits for investment in unit trusts through external fund management institutions approved by the Ministry of Finance. The minimum permitted withdrawal is 1,000 ringgits.

Drawdown payment (Account 2): Funds can be drawn down before age 55 to pay for a house, a house loan, education for the member or his or her children, or the treatment of designated critical illnesses and certain prosthetic appliances. A list of critical illnesses is provided by 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 and 2), 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 5,000 ringgits.

**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 250 ringgits.

The maximum monthly earnings for benefit calculation purposes are 2,950 ringgits.

Constant-attendance supplement: Equal to 40% of the insured's pension (up to 500 ringgits 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 and 2), 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 paid by the Board in 2007 was 5.85%.

Additional benefit (provident fund): A lump sum of 2,500 ringgits 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 250 ringgits.

The maximum monthly earnings for calculating the survivor pension are 2,950 ringgits.

**Funeral grant (social insurance):** Up to 1,500 ringgits 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://bpp.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), with amendment 2007.

**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 household workers, self-employed persons, foreign workers, and pensionable public-sector employees.

Exclusions: Nomadic aborigines and prisoners or other persons 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 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 2 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 2 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://bpp.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**

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#### **Regulatory Framework**

**First law:** 1929.

**Current law:** 1969 (social security).

**Type of program:** Social insurance system.

#### **Coverage**

Employees earning 3,000 ringgits or less a month (or earning 3,000 ringgits or less a month when first employed) and casual workers.

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

Exclusions: Household workers, members of the armed forces, government servants, persons in 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 calculation purposes (for the lowest wage class of under 30 ringgits, the contribution is based on 20 ringgits).

The maximum monthly earnings for contribution calculation purposes are 3,000 ringgits.

**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 at least 4 days. The benefit is paid without limit with continuing medical certification.

The minimum daily benefit is 10 ringgits.

The maximum daily benefit is 78.70 ringgits.

### **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 10 ringgits.

The maximum daily benefit is 88.50 ringgits.

Constant-attendance supplement (total permanent disability): Equal to 40% of the insured's pension (up to 500 ringgits 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 10 ringgits.

Partial lump sum: Up to 1/5 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 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 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's 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 10 ringgits.

The maximum daily survivor benefit is 88.50 ringgits.

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

**Funeral grant:** Up to 1,500 ringgits 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.