

Malaysia

Exchange rate: US\$1.00 = 3.24 ringgits.

Old Age, Disability, and Survivors

Regulatory Framework

First law: 1951 (provident fund).

Current laws: 1969 (social security) and 1991 (provident fund).

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.

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: Compulsory coverage for employees up to age 55 earning up to 3,000 ringgits a month. Previously registered employees who earn more than 3,000 ringgits must continue to contribute.

Voluntary coverage for employees earning more than 3,000 ringgits a month when first employed, 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; 5.5% of monthly earnings for members aged 55 to 75. (70% and 30% of monthly contributions are placed in Accounts 1 and 2, respectively.)

The minimum monthly earnings used to calculate contributions are 10 ringgits.

There are no maximum earnings used to calculate contributions.

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 used to calculate contributions (for the lowest wage class of under 30 ringgits, the contribution is based on 20 ringgits).

The maximum monthly earnings used to calculate contributions are 3,000 ringgits.

Social insurance contributions are tax deductible.

Self-employed person

Provident fund: 50 to 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 aged 55 to 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 used to calculate contributions (for the lowest wage class of under 30 ringgits, the contribution is based on 20 ringgits).

The maximum monthly earnings used to calculate contributions are 3,000 ringgits.

Government

Provident fund: For self-employed persons only, 5% of contributions up to 60 ringgits a year.

Social insurance: None.

Qualifying Conditions

Provident fund

Old-age benefit: Contributions are allocated to two separate accounts, and withdrawals can be made under 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, and to pay for the treatment of 36 critical illnesses designated 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 the cost of the funeral.

Provident fund benefits are paid in addition to social insurance benefits.

All provident fund benefits are payable abroad.

Social insurance

Disability pension: Must have at least 24 months of contributions in the last 40 months; or must have contributions in at least 66.7% of the months since first becoming insured, with a total of at least 24 months of contributions.

Reduced disability pension: A reduced pension is paid if contributions were paid for at least 33.3% of the months since first becoming insured, with a total of at least 24 months of contributions.

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

The minimum monthly disability pension is 250 ringgits.

Constant-attendance supplement: Paid if the insured requires the constant attendance of others to perform daily functions, as assessed by the Social Security Organization's medical board.

Invalidity grant: Paid if the insured is not eligible for a disability pension but has at least 12 months of contributions and has been assessed as disabled by the Social Security Organisation's medical board.

Survivor pension: The deceased had at least 24 months of contributions in the last 40 months prior to death; or contributions in at least 66.7% 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 at least 33% of the months since first becoming insured, with a total of at least 24 months of contributions.

Eligible survivors include a widow (the widower if he was the insured's dependent) and unmarried children younger than age 21 (or 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): Paid to the parents (grandparents if the parents are deceased) and to unmarried dependent brothers and sisters younger than age 21.

The minimum monthly survivor pension is 250 ringgits.

Funeral grant: The deceased received or was entitled to receive a disability pension. The grant is paid to the insured's dependents or next of kin.

Old-Age Benefits

Provident fund

Accounts 1 and 2: 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): 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, and the treatment of designated critical illnesses. A list of 36 critical illnesses is provided by the Employees Provident Fund Board.

Permanent Disability Benefits

Incapacitation benefit (provident fund): A lump sum of total employee and employer contributions (Accounts 1 and 2) plus compound interest minus drawdown payments is paid.

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 is paid.

Disability pension (social insurance): The pension is 50% to 65% of the insured's average monthly earnings in the 24 months before the disability began, depending on the number of contributions paid.

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

The maximum monthly earnings used to calculate benefits are 2,950 ringgits.

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

The minimum monthly pension is 250 ringgits.

Constant-attendance supplement: 40% of the insured's pension (up to 500 ringgits a month).

Invalidity grant (social insurance): A lump sum of total employer and employee contributions plus interest is paid.

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 of total employee and employer contributions (Accounts 1 and 2) plus compound interest minus drawdown payments is paid.

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 2009 was 5.65%.

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% to 65% of the insured's average monthly earnings in the 24 months before death is paid, depending on the number of contributions.

The survivor pension is split as follows: 60% of the benefit is paid to the eligible widow(er) and 40% to eligible children.

In the absence of the above, 40% of the benefit is paid to parents or grandparents and 30% to eligible siblings.

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

The minimum monthly survivor pension is 250 ringgits.

Funeral grant (social insurance): Up to 1,500 ringgits is paid to the insured's dependants or next of kin.

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.

Employees Provident Fund (<http://www.kwsp.gov.my>), managed by a tripartite governing board, 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.

Social Security Organization (Perkeso) (<http://www.perkeso.gov.my>), managed by a tripartite governing board, 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 non-pensionable public-sector employees.

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

Exclusions: Nomadic aborigines and prisoners or 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.

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

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

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

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, if the employer does not provide full coverage for such treatment. The Employees Provident Fund Board provides a list of 36 designated critical illnesses.

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 are the same as for the fund member.

Administrative Organization

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

Employees Provident Fund (<http://www.kwsp.gov.my>), managed by a tripartite governing board, 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

Compulsory coverage of employees earning up to 3,000 ringgits a month. Previously registered employees earning more than 3,000 ringgits must continue to contribute.

Voluntary coverage for employees earning more than 3,000 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 used to calculate contributions (for the lowest wage class of under 30 ringgits, the contribution is based on 20 ringgits).

The maximum monthly earnings used to calculate contributions are 3,000 ringgits.

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 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 for the period the employee is on medical leave.

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 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): 40% of the insured's pension (up to 500 ringgits a month) is paid if the insured requires the constant attendance of others to perform daily functions, as 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.

If the disability is assessed as less than 20%, the insured can request the benefit as a lump sum. If the disability is at least 20%, the insured is paid monthly payments or pension, and may request up to 20% of the benefit as a lump sum.

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

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, medicine, 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 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.

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