

## Malaysia

Exchange rate: US\$1.00 = 3.28 ringgits.

### Old Age, Disability, and Survivors

#### Regulatory Framework

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

**Current laws:** 1969 (social security), 1980 (pension adjustment), 1991 (provident fund), and 2012 (minimum retirement age).

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

Note: The Employees Provident Fund (EPF) provides two types of accounts that finance old-age, survivors, and disability benefits. A portion of the Account 1 balance may be used to invest with an external manager. A portion of the Account 2 may be used for education, designated critical illnesses, or to purchase a house.

#### Coverage

**Provident fund:** Private-sector employees and certain public-sector employees not covered by the separate public-sector system.

Voluntary coverage for household workers, self-employed persons, and foreign workers.

Special systems for public-sector employees and military personnel.

**Social insurance:** Employees earning up to 3,000 ringgits a month. Previously enrolled employees earning more than 3,000 ringgits must continue to contribute.

Voluntary coverage for employees earning more than 3,000 ringgits a month when first employed; there must be an agreement between the employer and the employee.

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

Special systems for public-sector employees and military personnel.

**Social assistance:** Needy elderly persons.

#### Source of Funds

##### Insured person

**Provident fund:** 11% of monthly earnings for private-sector employees younger than age 60; 5.5% of monthly earnings for members aged 60 to 75. (70% and 30% of monthly contributions are allocated to Accounts 1 and 2, respectively.)

Insured persons and their spouses and children can make additional contributions to Account 1.

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

There are no maximum earnings used to calculate contributions.

Up to 6,000 ringgits a year of the insured person's contributions to the EPF are tax deductible.

**Social insurance:** 0.5% of monthly earnings, according to 34 wage classes.

There are no minimum monthly earnings used to calculate contributions.

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

**Social assistance:** None.

##### Self-employed person

**Provident fund:** 50 to 5,000 ringgits a month.

**Social insurance:** Not applicable.

**Social assistance:** None.

##### Employer

**Provident fund:** 13% of monthly earnings for members younger than age 60 earning up to 5,000 ringgits, 12% if earning 5,001 ringgits or more; 6.5% for members aged 60 to 75 earning up to 5,000 ringgits; 6% if earning 5,001 ringgits or more. (70% and 30% of monthly contributions are allocated to Accounts 1 and 2, respectively.)

Employers can make additional contributions.

**Social insurance:** 0.5% of monthly payroll, according to 34 wage classes.

There are no minimum monthly earnings used to calculate contributions.

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

**Social assistance:** None.

##### Government

**Provident fund:** For self-employed persons and household workers, 10% of contributions up to 120 ringgits a year is allocated to members' Account 1.

**Social insurance:** None.

**Social assistance:** The total cost.

#### Qualifying Conditions

##### Provident fund

**Old-age benefit:** Age 55 to withdraw all funds (Account 1 and 2). Other withdrawals can be made under specified conditions:

*Drawdown payment:* 20% of the funds can be drawn down before age 55 for investment in unit trusts through external fund management institutions approved by the Ministry of Finance. Members must have at least 5,000 ringgits more than the required basic savings level based on their age.

The basic savings level ranges from 1,000 ringgits (age 18) to 196,800 ringgits (age 55).

*Leaving the country withdrawal:* May withdraw all funds at any age if the member permanently emigrates from Malaysia or is a foreign worker who returns home after the job contract expires.

*Purchase of house withdrawal:* May use these funds to purchase a house (one time) or to reduce monthly mortgage payments.

*Health withdrawal:* See Sickness and Maternity.

*Education withdrawal:* May use these funds to help pay for their children's higher education in an undergraduate or graduate degree program at an approved university.

*Age 50 withdrawal:* A one-time withdrawal from Account 2 at age 50.

Members are not required to retire at age 55 and may withdraw all or part of their funds and continue working up to age 75. Members who are still working and do not withdraw their funds at age 55 must continue to make contributions to the EPF. Those fund members who withdraw all of their funds (Accounts 1 and 2) at age 55 can choose to rejoin and contribute to the EPF if still employed or working in a new job.

*Incapacitation benefit:* Must be assessed by a medical doctor as mentally or physically unable to work. Fund members may be referred to an EPF panel to confirm the disability assessed by the medical doctor.

Additional benefit: Paid up to age 55.

*Survivor benefit:* 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 spouse, children, parents, and siblings.

*Hajj withdrawal:* Paid up to age 55 to cover expenses related to a member's first Hajj pilgrimage if there are insufficient savings in the member's Lembaga Tabung Haji (LTH) account. (The purpose of the account is to save for a pilgrimage. LTH invests according to Islamic principles.) The insured needs a letter from LTH indicating "Selected" status and evidence of insufficient savings.

All provident fund benefits are payable abroad.

### Social insurance

*Disability pension:* Must be younger than age 60, with at least a 66.7% assessed loss of earning capacity, have at least 24 months of contributions in the last 40 months; or 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:* The insured paid contributions for at least 33.3% of the months since first becoming insured, with a total of at least 24 months of contributions.

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

*Constant-attendance allowance:* Paid if the insured requires the constant attendance of others to perform daily functions.

*Invalidity grant:* Paid if the insured is ineligible 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 before death; or had contributions in at least 66.7% of the months since first becoming insured, with a total of at least 24 months of contributions.

*Reduced survivor pension:* 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(er) and unmarried children younger than age 21 (or until the completion of an undergraduate degree, no limit if disabled).

The spouse's pension ceases on remarriage.

*Other eligible survivors:* Paid to the parents (grandparents if the parents are deceased) and to unmarried dependent brothers and sisters younger than age 21.

*Funeral grant:* Paid to the insured's dependents, next of kin, or the individual who paid for the funeral.

**Noncontributory old-age pension (social assistance, mean tested):** Age 60, assessed as needy, with no financial support from other family members.

### 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 at least one year; a withdrawal at any time of at least 2,000 ringgits a month; a combination of the last two options or a withdrawal of only the annual dividend by keeping the principal in Account 1.

The minimum amount that can be invested is 1,000 ringgits; the maximum is 20% of the amount above the required basic savings level.

The basic savings level ranges from 1,000 ringgits (age 18) to 196,800 ringgits (age 55).

The guaranteed minimum interest rate is 2.5% a year. If funds remain in the accounts after age 55, members continue to earn compound interest until age 75.

*Leaving the country withdrawal:* A lump sum of total employee and employer contributions (Accounts 1 and 2) plus compound interest minus drawdown payments is paid.

*Purchase of house withdrawal:* The difference between the mortgage loan plus house price plus 10% of the house price and the balance in Account 2, whichever is lower, is paid.

*Health withdrawal:* See Sickness and Maternity.

*Education withdrawal:* Education fees or the balance in Account 2, whichever is lower, is paid to the university or the member.

*Age 50 withdrawal:* A lump sum of employee and employer contributions (Account 2) plus compound interest minus drawdown payments is paid.

*Hajj withdrawal:* The difference between the cost of Hajj and the amount in the LTH savings account is paid up to a maximum of 3,000 ringgits.

### **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 guaranteed minimum interest rate is 2.5% a year.

Additional benefit (provident fund): A lump sum of 5,000 ringgits is paid.

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

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

The maximum pension is 1,917.55 ringgits.

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

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

The minimum monthly pension is 475 ringgits.

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

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

Benefit adjustment: Social insurance benefits are adjusted according to changes in the cost of living and the social insurance system's finances.

**Noncontributory old-age pension (social assistance, means tested):** 300 ringgits a month is paid.

### **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 guaranteed minimum interest rate is 2.5% a year.

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 at the time of death, 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.

If there are no other eligible survivors, 40% of the benefit is paid to parents or grandparents and 30% to eligible siblings up to age 21.

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

The minimum monthly survivor pension is 475 ringgits.

**Funeral grant (social insurance):** Up to 1,500 ringgits is paid.

Benefit adjustment: Social insurance benefits are adjusted according to changes in the cost of living and the social insurance system's finances.

### **Administrative Organization**

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

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 (SOCISO) (<http://www.perkeso.gov.my>), managed by a tripartite governing board, administers contributions and benefits.

**Social assistance:** Ministry of Women, Family, and Community Development (KPWK) (<http://www.kpwkm.gov.my>) provides general supervision for social assistance benefits.

Department of Social Welfare (JKMM) administers benefits through local branches.

## Sickness and Maternity

### Regulatory Framework

**First laws:** 1951 (provident fund), 1955 (public health) and 1955 (maternity).

**Current law:** 1955 (maternity), 1991 (provident fund), and 2012 (maternity).

**Type of program:** Provident fund (medical benefits only) and employer-liability (maternity) system.

### Coverage

**Cash sickness benefits:** No statutory benefits are provided.

**Cash maternity benefits (employer liability):** Employed persons.

Exclusions: Self-employed persons.

**Medical benefits:** Private-sector employees and certain public-sector employees not covered by the separate public-sector system.

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

Special system for public-sector employees and military personnel.

### Source of Funds

#### Insured person

**Cash maternity benefits:** None.

**Medical benefits:** Contributes to Account 2. See source of funds (provident fund) under Old Age, Disability, and Survivors.

#### Self-employed person

**Cash maternity benefits:** Not applicable.

**Medical benefits:** Contributes to Account 2. See source of funds (provident fund) under Old Age, Disability, and Survivors.

#### Employer

**Cash maternity benefits:** The total cost.

**Medical benefits:** Contributes to an employee's Account 2. See source of funds (provident fund) under Old Age, Disability, and Survivors.

#### Government

**Cash maternity benefits:** None.

**Medical benefits:** None for the provident fund; subsidizes public health care services from general revenues.

### Qualifying Conditions

**Cash sickness benefits:** No statutory benefits are provided.

**Cash maternity benefits (employer liability):** Must have been employed in the last four months and have worked for the same employer for at least 90 days in the last nine months.

**Medical benefits:** Provident fund members.

### Sickness and Maternity Benefits

**Sickness benefit:** No statutory benefits are provided

**Maternity benefit (employer liability):** The insured's wage or the rate set by the Minister of Labour, whichever is greater, is paid for at least 60 days.

### 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 EPF Board provides a list of 55 designated critical illnesses.

The Ministry of Health provides public health care services with some cost sharing.

### Dependents' Medical Benefits

Medical benefits for dependents are the same as those for the insured.

### Administrative Organization

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

**Medical benefits:** Ministry of Health (<http://www.moh.gov.my>) provides general supervision.

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 and current law:** 1969 (social security).

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

### Coverage

Employees earning up to 3,000 ringgits a month. Previously enrolled employees earning more than 3,000 ringgits must continue to contribute.

Voluntary coverage for employees earning more than 3,000 ringgits a month; there must be an agreement between the employer and the employee.

Exclusions: Household workers, military personnel, spouses of business owners, and self-employed persons.

Special systems for public-sector employees, foreign workers, and military personnel.

### Source of Funds

**Insured person:** 0.5% of monthly earnings, according to 34 wage classes.

**Self-employed person:** Not applicable.

**Employer:** 1.25% of monthly payroll, according to 34 wage classes.

There are no minimum monthly earnings used to calculate contributions.

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 benefit:** Must be certified by a medical doctor to be unfit for work for at least four days.

### Temporary Disability Benefits

80% of the insured's average daily wage in the six months before the disability began is paid during the employee's medical leave.

The minimum daily benefit is 30 ringgits.

The maximum daily benefit is 78.67 ringgits.

### Permanent Disability Benefits

**Permanent disability pension:** For a total (100%) disability, 90% of the insured's average daily wage in the six months before the disability began is paid.

The minimum daily benefit is 30 ringgits.

The maximum daily benefit is 88.50 ringgits.

Constant-attendance allowance (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.

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 30 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, and may request up to 20% of the benefit as a lump sum.

Benefit adjustment: Benefits are adjusted according to changes in the cost of living and the social insurance system's finances.

### Workers' Medical Benefits

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

Government hospitals and physicians under contract with the Social Security Organization provide care.

### Survivor Benefits

**Survivor pension:** 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 graduate degree, no limit if disabled).

The full daily benefit is 90% of the insured's average daily wage in the six months before death.

The spouse's pension continues on remarriage.

**Other eligible survivors:** 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 30 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 social insurance system's finances.

**Funeral grant:** Up to 1,500 ringgits is paid to the person who paid for the funeral. The benefits are paid (in order of priority) to the deceased's surviving spouse, orphans, or parents.

Benefit adjustment: Benefits are adjusted according to changes in the cost of living and the social insurance system's finances.

### Administrative Organization

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

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