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Foreword

This report initiates the compilation of an overview of Social Security Schemes in five ASEAN countries namely Indonesia, Malaysia, Philippines, Singapore and Thailand.

The preparation of this preliminary documentation of Social Security Schemes of the five countries is as a result of the decision made at the ASSA meeting held in Bangkok, Thailand. This initiative marks another positive step towards enhancing meaningful regional co-operation among ASSA member countries in the area of Social Security.

The compilation was made possible with the assistance of social security agencies from the five countries. This report will be continuously updated to reflect any changes in the Social Security Schemes in each ASSA member country.

The report was co-ordinated and compiled by the Corporate Services Department of the Employees Provident Fund, Malaysia.

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Kuala Lumpur

INDONESIA

1.0 BACKGROUND

Indonesia has separate social security systems covering (i) civilian employees of government and state enterprise employees, (ii) members of the armed forces, and (iii) private sector employees.

The types of programs can be divided into five categories each of which is administered by a state corporation. The five state corporations namely JAMSOSTEK, TASPEN, ASKES, ASABRI, and JASA RAHARJA jointly form the INDONESIA SOCIAL SECURITY ASSOCIATION (AJSI) at the national level, proposing the establishment of ASEAN SOCIAL SECURITY ASSOCIATION (ASSA) at the regional level, and are members of INTERNATIONAL SOCIAL SECURITY ASSOCIATION (ISSA) at the international level.

These various schemes provide lump sum cash benefits at retirement, death and funeral benefits, health care services, employment accident and occupational disease benefits and compensation in the case of permanent invalidity or death. The schemes for Government civilian employees and the Armed Forces also provide pensions for members, widows, widowers or orphans. There is also a social assistance scheme for victims of natural disasters and social unrest, and those who lack the capacity to earn a living e.g., invalids, orphans and addicts.

1.1 National Policy

In Indonesia, social security is based on the noble values of Pancasila, especially those related to the principles of solidarity and mutual help both in the sense of intra-generation as well as inter-generation relationship. Moreover, social security programs are to be implemented according to the political will of the Government, the level of economic development, and the existing socio-cultural background. Social security implies political nuance as provided in the laws and regulations stipulated by the Government and the House of Representatives.

In accordance with the state of economic development, the rates of social security contributions in Indonesia are moderately low so that they are within the reach of the members; the benefit levels only provide for a floor protection, hence they provide opportunities for the private insurance to cover any additional benefits as required. Whereas the Indonesian socio-culture revering familial relationship since the beginning has promoted the operational mechanism of social security, it should be acknowledged that the social security programs are most appropriate for membership in the formal, organized, urban sector.

However, considering the substantial number of informal sectors providing job opportunities in Indonesia, it is necessary to make adaptation to the programs, operation, administration and the services provided by the social security. The programs more appropriate to the informal sector are those that are short-term in nature like health care and accident protection, whereas the need for capital of the small enterprises may be provided with bank credits supplied by a part of the social security investible fund.

1.2 Retirement Age

A decree released by the Minister of Manpower in May 1995, stipulates that the Normal Pension Age is 55 and the Maximum Pension Age is 60. Most private retirement plans have a normal retirement age of 55, but it is anticipated that several schemes may move this age to 60 for new employees. Private retirement plans are provided by many large State companies and multinationals operating in Indonesia. Many companies which had informal retirement plans are now in the process of formalising these to comply with the Pensions Law. There are still many plans awaiting ministerial approval, two to three years after initial submissions, although the speed of this process appears to be increasing.

Although most private retirement plans provide defined benefits on retirement, defined contribution plans are growing in importance and appeal. Personal pension plans are also being encouraged. Previously, most retirement plans were defined benefit schemes which provided lump sum benefits on retirement. A number of these are now being changed to provide benefits in pension form. The benefits under these plans can still be expressed as lump sum, but would be payable as pensions. A maximum of 20% of each retirement benefit may be commuted and paid as a lump sum, and the balance must be paid as a pension or applied to provide a life annuity.

In respect of defined benefit pension plans, the monthly pension must not exceed 2.5% of the monthly salary for each year of service, and the maximum monthly pension benefit may not exceed 80% of the maximum monthly pensionable salary. The accrual rate for defined benefit lump sum plans is limited to a maximum of two and a half times monthly salary, and the lump sum retirement benefit may not exceed 80 times the maximum monthly pensionable salary. On retirement, conversion tables to calculate the pension equivalent of the lump sum retirement benefit must be provided, and the retiree has an open market option to purchase a pension from an insurance company.

A maximum annual pensionable salary of Rp 60,000,000 applies to all private retirement plans and the benefit formula must be the same for all categories of employees.

Usually, retirement plans are not integrated with Social Security. However, as Social Security contributions are expected to increase, more companies are making requests for integration in new pension plan regulations. Unfortunately, this approach is being heavily resisted by government ministers.

2.0 ECONOMIC AND SOCIAL INDICATORS

2.1 Economic Indicators

Indicators	Year of Valuation	
	1995	1996
GDP per Capita (1987 USD)	(1993) 661	NA
GDP Growth Rate (% pa)	8.2	7.5
Gross Nat. Savings (% of GNP)	31.4	33.7
Household Savings (%)	NA	NA
Inflation Rate (%)	NA	8.0

* NA - Not Available

2.2 Social Indicators

Indicators	Year of Valuation	
	1995	1996
Population (million)	195.3	197.6
Population Growth (%)	NA	1.66
Birth Rate (per 1000 population)	(1990-95) 24.7	NA
Fertility Rate (per 1000 women)	(1990-95) 2.9	NA
Death Rate (per 1000 population)	(1990-95) 8.4	NA
Mortality Rate (per 1000 live birth)	(1990-95) 58	NA
Natural Increase (%)	(1990-95) 1.55	NA

2.3 Life Expectancy

Indicators		Year of Valuation	
		1995	1996
At birth	Total	(1990-95) 62.7	NA
	Male	(1990-95) 61.0	NA
	Female	(1990-95) 64.5	NA
At 40 years	Total	NA	NA
	Male	NA	NA
	Female	NA	NA
At 60 years	Total	NA	NA
	Male	NA	NA
	Female	NA	NA

2.4 Dependency Ratio

Indicators	Year of Valuation	
	1995	1996
Total *(Defined as population aged 0-14 and 65+ over as a percentage of working age population 15-64)*	59.5	NA
Aged (*Defined as population aged 65 and over as a percentage of working age population 15-64*)	6.9	NA

2.5 Population Distribution

Year of Valuation	Male	Female
1995	49.88%	50.12%
1996	NA	NA

2.6 Age Distribution

Age Group (%)	Year of Valuation	
	1995	1996
0-14	33.0	NA
15-24	20.8	NA
25-59	39.5	NA
60+	6.7	NA

2.7 Labour Force

Indicators		Year of Valuation	
		1995	1996
Participation Rate (%) *(Economically Active Population)*	Total	(1994) 66.2	NA
	Male	(1994) 82.0	NA
	Female	(1994) 50.9	NA

2.8 Unemployment Rate

Indicators	Year of Valuation	
	1995	1996
Total (%)	5.1	NA
Male (%)	NA	NA
Female (%)	NA	NA

2.9 Employment to Population Ratio

Indicators	Year of Valuation	
	1995	1996
Total	NA	NA
Male	NA	NA
Female	NA	NA

2.10 Employment Growth

Indicators	Year of Valuation	
	1995	1996
Growth (%)	(1986-93) 3.28	NA

3.0 DETAILED DESCRIPTION OF SOCIAL SECURITY SCHEMES

3.1 TASPEN

3.1.1 *Scheme's Administration*

TASPEN (the Government Civilian Employees' Saving and Insurance Scheme) was first established under the Government Regulation No. 10 Year 1963 to provide for lump sum cash benefits at retirement age, death benefits, and cash value before retirement. The TASPEN pension scheme was created by Law No. 11 of 1969.

The scheme was broadened to include old-age, survivors, and invalidity pension for the Government Civil Servants under Government Regulation No. 25 Year 1981. The scheme is administered by the State Corporation PT TASPEN (PERSERO). TASPEN also administers the Employees Social Security Scheme (JAMSOSTEK) for the employees of the participating State Enterprises. The scheme consists of Employment Injury, Provident Fund and Death Insurance provided under Law No. 3 Year 1992.

3.1.2 *Coverage*

Government Civilian Employees.

3.1.3 *Contribution Rate/Financing/Source of Funds*

The scheme is financed with a contribution of 3.25% of the monthly earnings of employees. As a general rule, the retirement age is 56. The amount of the monthly pension is the equivalent of 2.5% of the basic salary for every year of service. In the event of the employee's death before retirement as well as the retiree's death, a monthly pension is given to the widow or the widower, or to the children if there are no spouses. The pension scheme is financed primarily from the State Budget and partly from the employees' contributions of 4.75% of the monthly earnings.

3.1.4 *Types of Benefits And Qualifying Conditions*

The TASPEN scheme is an endowment insurance where the lump sum amount is payable to the employee when he reaches retirement age, or to his heirs if he should die before retirement. A burial allowance is included in the benefits schedule. In the event the employee should terminate his employment before retirement age, he is given the cash value of the insurance.

3.2 ASKES

3.2.1 *Scheme's Administration*

ASKES (the Government Employees' Health Insurance) was first established by the Presidential Decree No. 230 Year 1968 to provide health care for civil servants, pensioners, and their dependents. The scheme was restructured based on health service organisation under the Government Regulation No. 69 Year 1991 providing for comprehensive health services in the framework of achieving an optimal health standard for the people. The scheme is administered by the State Corporation PT ASKES INDONESIA (Persero). Health services are delivered through structured health care networks providing for promotive, preventive, curative and rehabilitative care.

3.2.2 *Coverage*

Government Civilian Employees, pensioners and their dependents.

3.2.3 *Contribution Rate/Financing/Source of Funds*

The scheme is financed with a contribution of 2% of the earnings from the employee based on capitation system, budget system, and package system under the managed health care concept.

3.2.4 *Types of Benefits And Qualifying Conditions*

To provide comprehensive health care services that include ambulatory care, hospital in-patient and out-patient care, maternity care, pharmaceutical and dental care etc..

3.3 PT. ASABRI (Persero)

3.3.1 *Scheme's Administration*

ASABRI (the Indonesian Armed Forces Social Insurance) was first established by the Government Regulation No. 44 Year 1971 dated 31 July 1971 to provide protection for the armed forces personnel and the civilian employees of the Ministry of Defense and Security Armed Forces against reduction or loss of income due to old-age, termination of employment, and death through lump sum cash benefits at retirement age, term insurance and cash surrender value before retirement. Its status is a Public Company/State owned enterprise conducting its operational activities in social insurance program within the Department of Defense and Security and Indonesian Armed Forces. The scheme was redefined under the Government Regulation No. 67 Year 1991 dated 17 December 1991. The scheme is administered by the State Corporation PT ASABRI (Persero) which is also assigned to administer the payments of pension for the retired armed forces personnel.

3.3.2 *Coverage*

Armed forces personnel and the civilian employees of the Ministry of Defense and Security Armed Forces.

3.3.3 *Contribution Rate/Financing/Source of Funds*

The scheme is financed with a contribution of 3.25% of the monthly earnings of employees. As a general rule, the retirement age is 56. The amount of the monthly pension is the equivalent of 2.5% of the basic salary for every year of service. In the event of the employee's death before retirement as well as the retiree's death, a monthly pension is given to the widow or the widower, or to the children if there are no spouses. The pension scheme is financed primarily from the State Budget, and partly from the employees' contributions of 4.75% of the monthly earnings.

3.3.4 *Types of Benefits/Qualifying Conditions*

The ASABRI scheme provides for four main benefits, namely, the insurance benefits, the death benefits, the insurance cash-value benefits and the funeral expenses. The insurance benefit is payable to the member who retires with a right for pension. If the member dies, the heirs will receive the death benefits coupled with the insurance cash-value. In the case where the retiree dies, his or her heir will receive the funeral expenses. In the event the member terminates his employment before retirement, he will only receive the insurance cash-value. The schemes also provide medical expenses, hospitalization, maternity, medical equipment and eye-glasses. The pension scheme for the armed forces personnel is provided under Law No. 6 Year 1966 in the form of pension for old age, survivors and disability pension as well as allowance in lieu of pension. The amount of the monthly pension is the equivalent of 2.5% of the basic salary for every year of service.

3.4 PT.JASA RAHARJA

3.4.1 *Scheme's Administration*

PT. JASA RAHARJA is the state corporation administering Law No. 33 Year 1964 on the Mandatory Insurance Fund for Passenger Accidents, and

Law No. 34 Year 1964 on the Fund for Road Traffic Accidents. The

Mandatory Insurance Fund for Passenger Accidents provides protection to any legal passenger of public passenger-carrier against accident involving such carrier which include public transportation vehicles, rail-roads, sea/river/lake/ferry vessels as well as airplanes of the national airline.The system of collection of contributions and subscriptions is administered through the Joint Office for One-Roof Single Administration System (SWIMSUIT) which consists of three related services for the processing of motor vehicle licensed number, namely, the Regional Tax Service, Police and JASA RAHARJA.

3.4.2 *Liability*

The Fund is basically a third party legal liability insurance in the event of motor vehicle accidents.

3.4.3 *Coverage*

Any legal passenger of public passenger-carrier. The Fund for Road Traffic Accidents provides protection to the general public against road traffic accidents involving motor vehicles. The beneficiaries are accident victims who were not in the vehicle that caused the accident.

3.4.4 *Contribution Rate/Financing/Source of Funds*

The Fund is basically insurance against accidents for passengers of public transport. The legal liability insurance is financed from the mandatory subscriptions of every transportation employer and motor vehicle owner.

3.4.5 *Types of Benefits And Qualifying Conditions*

The benefits of the passenger accident insurance is provided to the victims or the heirs of the victims of accidents. The benefits of the third party legal liability insurance is provided to the victims or the heirs of the victims of the motor vehicle. These benefits are provided in the form of reimbursements for medical treatment, invalidity compensation or death allowance. The passenger accident insurance is financed from the mandatory contributions of the employers or the owners of the public transportation.

3.5 JAMSOSTEK

3.5.1 *Scheme's Administration*

JAMSOSTEK which is the social security scheme for the private employees became law on 1 July 1993 and replaced the previous program known as ASTEK. ASTEK (the Employees' Social Insurance) was first established by the Government Regulation No. 33 Year 1977 to provide for protection of Employment Accident Insurance, Provident Fund and Death Insurance. The ASTEK scheme was enacted into the Law No. 3 Year 1992 as the JAMSOSTEK scheme (the Employees' Social Security) and broadened to cover Health Care Benefits. The JAMSOSTEK Scheme is administered by the State Corporation PT JAMSOSTEK (Persero). JAMSOSTEK is compulsory for all companies with 10 or more employees or a monthly payroll of at least Rp1 million.

3.5.2 *Coverage*

Private employees

3.5.3 *Contribution Rate/Financing/Source of Funds*

JAMSOSTEK is financed solely by contributions from employees and employers (with no government contribution). Such countributions are credited to the individual employees account to which interests are added annually. Monthly contributions to the Provident Fund from employers are 3.7% and from the employees are 2%. Term insurance is funded by employer contributions of 0.3% of earning. Health care benefits are funded by employer contributions of 3% for employees who are single and 6% for employees with families; employment accident compensation is financed by employer's contributions ranging from 0.24% to 1.74% of earnings (depending on the company's industrial risk classification). In aggregate, it ranges from 9.24% to 13.74%, depending on accident risk and whether the employee is single or with family.

3.5.4 *Tax Incentives*

Old age benefit contributions under JAMSOSTEK are tax deductible, as are contributions to pension funds approved by the Minister of Finance. Old age benefits received by employees from JAMSOSTEK and lump sum benefits received from pension funds approved by the Minister of Finance are subject to tax at the following rates. If the amount of the benefit is greater than Rp25 million, the rate is 15% and if the benefits are less than or equal to this amount, the rate is 10% (unless the benefit is less than Rp5,148,000, in which case no tax is payable). These rates replace the previous 15% rate which is applied irrespective of the amount of benefits. Employer's contributions to JAMSOSTEK in relation to employment accident benefits, death benefits and health benefits are tax deductible to the employer. However, they are considered income to employees at the time they are made and are taxed accordingly. Employment accident benefits, death benefits and health benefits received by employees or their dependants from JAMSOSTEK or any private insurance schemes are not taxable.

3.5.5 *Types of Benefits And Qualifying Conditions*

i) **Retirement Benefits** are provided to an employee when he reaches the age of 55, or the heirs in the event the employee dies before that age. Lump sum retirement benefits are paid at age 55, equivalent to accumulated contributions with interest.

ii) **Employment Accident Benefits** provide for protection against work related accident cases. The benefits constitute compensation to reimburse the employer's expenditure towards payment for transport of the injured worker, wages during temporary disability and medical/hospital care. The compensation is also provided for loss of income due to invalidity and death.

iii) **Disability benefits** are payable to those under 55 with a total incapacity to work. The disability benefits is a lump sum equivalent to the total employee and employer contributions plus accrued interest. On temporary disability, full wages are paid for the first 120 days, 75% of wages for the next 120 days and thereafter at the rate of 50% until recovery or declaration of permanent disability. On permanent disability, a lump sum benefit is payable, varying from 2% to 70% of 60 times of the last monthly earnings, depending on the injury.

iv) **Death Benefits** constitute a term insurance for an employee during his membership in the program. The benefit is provided for the heirs of the employee who dies before the age of 55. The scheme is wholly financed by the employer. JAMSOSTEK does not pay any widow's or children's pension. On death prior to age 55, JAMSOSTEK pays three forms of survivors' benefit: (i) a flat amount of Rp 1,000,000 from the life insurance, (ii) a funeral allowance of Rp 200,000, and (iii) the accumulated retirement lump sum from the Provident Fund. The death benefit is a lump sum of 60% of 60 times of the last monthly earnings. In addition, funeral expenses of Rp 200,000 will be paid together with a monthly allowance of Rp 25,000 for a maximum duration of 24 months.

v) **Medical scheme** covers both employees and their dependants for a wide range of medical care, albeit at a low level, including dental and maternity care. Companies are obliged to participate in the JAMSOSTEK programme only if they do not provide medical coverage at least equivalent to that under JAMSOSTEK. Medical treatment and hospitalisation costs will be paid up to a limit of Rp 3,000,000 per accident.

vi) **Health Care Benefits** provide comprehensive medical care for employees and their families. The types of medical services provided cover:-

(i) Ambulatory care through Community Health Centers, general practitioners and specialists.
(ii) In-patient hospital care through General and Private Hospitals.
(iii) Maternity and delivery care.
(iv) Provision for medicines.
(v) Laboratory examination for diagnostic support.
(vi) Dental and eye care.
(vii) Emergency care.

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MALAYSIA

1.0 BACKGROUND

Malaysia has several social security schemes which cover contingencies such as old age, employment injury, occupational diseases and invalidity. The most important of these schemes, in terms of scope and size, are those administered by the *Employees Provident Fund (EPF) and the Social Security Organisation (SOCSO).*

2.0 ECONOMIC AND SOCIAL INDICATORS

2.1 Economic Indicators

Indicators	Year of Valuation	
	1996	1997
GDP per Capita (US$)*	4446	3.766
GDP growth rate	8.6%	7.7%
Gross National Savings (% of GNP)	38.5%	38.5%
Inflation rate	3.5%	2.7%

Source : Malaysian Economic Report 1997/1998
* EPF Facts and Figures 1998
USD1 = RM2.52 (2.1.97) for 1996
USD1 = RM 3.20 (30.9.97) for 1997

2.2 Social Indicators

Indicators	Year of Valuation	
	1996	1997
Population	21,200,000	21,666,000
Population Growth	2.41%	2.20%
Birth Rate (per 1000 population)	26.1	25.8
Fertility Rate (per 1000 woman)*	3.3	N/A
Death Rate (per 1000 population)	4.4	4.5
Infant Mortality Rate (per 1000 live births)	9.8	8.8
Natural Increase (per 1000 live births)	21.7	21.3

Source : Malaysian Economic Report 1997/98 and 1998/99
* Department of Statistics, Malaysia

2.3 Life Expectancy

Indicators		Year of Valuation	
		1996	1997
At birth	Total	71.7	72.1
	Male	69.3	69.6
	Female	74.1	74.5

Source : Malaysian Economic Report 1997/98and 1998/99

2.4 Dependency Ratio

Indicators	Year of Valuation	
	1996	1997
Total - *Defined as population age 0-14 and 65 and over as a percentage of working age population* (15 - 64)	63.9	64
Aged (65 + years) *Defined as population aged 65 and over as a percentage of working age population* (15 - 64)	6.6	6.6

Source : EPF Facts and Figures 1998

2.5 Population Distribution

Indicators	Year of Valuation	
	1996	1997
Male	51.1	51.1
Female	48.9	48.9

Source : Malaysian Economic Report 1997/98 and 1998/99

2.6 Age Distribution

Indicators	Year of Valuation	
	1996	1997
0 - 14	35%	35%
15 - 64	61%	61%
65 above	4%	4%

Source : Malaysian Economic Report 1997/98 and 1998/99

2.7 Labour Force

Indicators		Year of Valuation	
		1996	1997
Participation rate (Economically active population)	Total	66.7%	66.6%
	Male	86.9%	86.9%
	Female	47.3%	47.3%

Source : Malaysian Economic Report 1997/98 and 1998/99

2.8 Unemployment Rate

Indicators	Year of Valuation	
	1996	1997
Total	2.5%	2.6%

Source : Malaysian Economic Report 1997/98 and 1998/99

2.9 **Employment to Population Ratio**

Indicators	Year of Valuation	
	1996	**1997**
Total	39.6%	40.6%

Source : Malaysian Economic Report 1997/98 and 1998/99

2.10 **Employment Growth**

Indicators	Year of Valuation	
	1996	**1997**
Growth (%)	2.8	4.6 %

Source : Malaysian Economic Report 1997/98 and 1998/99

3.2 PUBLIC SERVICE PENSION SCHEME

3.2.1 *Background*

The existing Public Service Pension Scheme is a retirement scheme for the public sector employees. The employees include those who are working with the Federal and State Governments, Statutory Bodies, Local Authorities, Magistrates, Members of Parliament and Administrators, Civil Service Commission and the Military.

Under the scheme, the pension and gratuity as well as other retirement benefits are not the right of the employees (except for members of Parliament) but are privileges. They are only entitled to the benefits on satisfying certain qualifying conditions.

The Administrator of the pension scheme is the Pension Division of the Public Service Department.

3.2.2 *Legislature*

Public Service Pension Scheme is subject to the provisions of the following acts and regulations:-

i) Pension Act 1980 (Act 227) enforced since 1.1.1976

ii) Statutory Bodies and Local Authorities Pension Act 1980 (Act 239) enforced since 1.7.1980

iii) Coordinated Pension Act 1980 (Act 238) enforced since 1.7.1980

iv) Recalculation Pension Act (Act 228) enforced since 1.8.1968

v) Pension Regulation 1980, enforced since 1.1.1976

vi) Statutory Bodies and Local Authorities Pension Regulations 1970 enforced since 1.1.1976

vii) Magistrate Renumeration Act 1971 (Act 45) enforced since 3.9.1971

viii) Parliament Members Act 1980 (Act 237) enforced since 1.7.1980

ix) Service Commission Ordinance 1957 enforced since 31.8.1957

x) Armed Force Regulation (Pension, Gratuity and Fringe Benefits) 1972, enforced since 1.1.1976

Under the Federal Constitution, the pension scheme is the responsibility of the Federal Government.

3.2.3 *Retirement Benefits*

In general, retired public service employees are entitled to receive pension, gratuity and cash award for accumulated unused annual leave. In addition to these benefits they and their dependents are also entitled to other benefits such as:-

3.2.3.1 Invalidity pension

3.2.3.2 Dependency pension

3.2.3.3 Retirement allowance

3.2.3.4 Dependency allowance

3.2.3.5 Derivative pension

3.2.3.6 Derivative allowance

(i) <u>Service Pension</u>

Service pension is the main retirement benefit which is a monthly payment to the entitled pensionable public service employees. Pension amount is calculated based on the last drawn pay of the retiree and the duration of service with the quantum not more than half of the last drawn pay by using the formula as follows:

Pension Quantum =	RM(1/600 X Number of months of service X Value of last drawn salary)

The formula used varies depending on different retirement grounds. If a person is requested to retire early due to the shrinking of service or restructuring of the organization or as a result of displinary action, a different formula will be used.

(ii) Service Gratuity

Gratuity is to be paid to the retiree in a lump sum by using the formula as follows:

Gratuity Quantum	=	RM(7.5%	X	No. of months of service	X Value of last drawn salary)

3.2.4 *Qualifying Conditions*

The service pension scheme only applies to the public employees upon reaching retirement age of 55 with 50 as the optional retirement age for male employees and 45 for female employees.

To qualify for pension, an employee must have reached the retirement age (or the optional retirement age) or must have been medically certified as unfit to work due to accident or disease.

An employee, whether in the civil service or in the employment of a statutory body or a local authority, is emplaced on the pensionable establishment only after he has completed 3 years of service. Until then he and his employer have to contribute to the EPF, so that the employee is 'covered' until he is actually pensionable. On being placed on the pensionable establishment, the EPF contributions by him and his employer cease. If the employee resigns before he is made pensionable, the employer's contribution to the EPF will remain in the employee's credit until he reaches the age of 55 years.

If he does not resign and is subsequently made pensionable, at the time of retirement, he has the choice of either forfeiting the employer's contribution and receive a pension calculated from the date he was placed on the pensionable establishment.

Under the pension scheme, an employee must work until he optionally retires at 50 or he is compulsorily retired at 55 before he is eligible to receive a pension. If he resigns before reaching the age of retirement or is dismissed, his pension is forfeited and he receives nothing but his provident fund credits only. The compulsory retirement age for both male and female employees is the same except that a female employee can opt to retire at 45 instead of 50.

3.2.5 *Other Benefits*

Public service employees are also eligible for certain other benefits such as injury allowances, death during service, gratuity and a family pension. The dependents of such employees are eligible for a dependency pension.

3.2.5.1 Derivative Gratuity

Where an employee, who is pensionable, dies whilst in service, derivative gratuity equivalent to the gratuity that would have been payable had the employee retired on medical grounds at the date of his death may be paid to his dependents who shall include his widow and minor children or if there are no dependents, to his legal personal representative. The widow and minor children will receive an amount equivalent to the pension that would have been payable had the employee retired on medical grounds at the date of his death for a period not exceeding twelve and a half years effective from the date immediately following the date of his death and it shall cease to be paid on the attainment of the age of 18 years in respect of the employee's children and on the re-marriage of the employee's widow.

3.2.5.2 Derivative Pension

Similarly, the widow and minor children of an employee who dies within twelve and a half years from the date of his retirement, shall be eligible for a derivative pension of an amount equivalent to the pension payable to the employee for a period not exceeding twelve and a half years calculated with effect from the date of retirement of the employee, or for the remaining period if he had already been drawing his pension. The derivative pension payable shall cease to be paid on the attainment of the age of 18 years of the employee's minor children and on the re-marriage of employee's widow.

Unlike the pension scheme of the government, however, the pension scheme of the local authorities and statutory bodies is fully funded.

A Statutory and Local Authorities Superannuation Fund had been established for this purpose. The authorities contributed to the Fund at the rate of 17 **1/2** per cent of the pensionable emoluments of the employees. Since January 1, 1981 the employers have been making their contributions to the Consolidated Fund instead due to the winding up of the Statutory and Local Authorities Superannuation Fund.

3.2.5.3 Medical Benefits

Apart from entitlement to pension, a public employee and members of his family is also entitled to medical benefits. During his tenure of office, he is entitled to receive free medical out-patient treatment at government hospitals and clinics. This benefit is also available to the employee on medical leave with full pay entitlement. If he or a member of his family is warded, he needs only to pay nominal rates. For female employees, they are entitled to maternity leave on full pay on five occasions only, in the whole career, each for maximum of 60 days. The costs of consultation treatment and delivery are also subsidized.

3.2.6 *Administration of the Scheme*

The Public Service Pension Scheme is fully financed by the Malaysian Government. There is no contribution made on behalf of the employees. However, the statutory and local authorities are required to contribute 17.5% of their pensionable employees' monthly salary to the Pension Trustee Fund (KWAP) which is responsible for the investment of the funds. Before the establishment of KWAP, all pension expenditure was charged to the Federal Consolidated Fund.

Pension expenditure has increased dramatically from year to year. For 1989, the expenditure was RM1,074.7 million, doubled that of 1981 which was only RM583.9 million and in 1995 the expenditure increased further to RM2,073 million. The rate of increase in pension expenditure reflected the increase in the number of the recipients over the years which currently numbers 350,000.

Due to this reason, KWAP was established in 1 June 1991 under the Pension Fund Trustee Act 1991. The objective of the establishment is to invest the funds. In the long term, it is hoped that the funds can be used to finance the payment of pension and other retirement benefits.

3.3 SOCIAL SECURITY ORGANISATION (SOCSO)

SOCSO was formed on 1st January 1971 and administers the social security scheme which provides protection to the workers for several contingencies such as employment injury including commuting accidents, occupational diseases, invalidity and death.

3.3.1 *Legislation*

The Social Security Organisation enforces the Employees' Social Security Act, 1969 and the Employees' Social Security (General Regulations), 1971.

3.3.2 *Coverage*

The scheme is compulsory to all employers employing one or more workers specified by the Act. It is also a compulsory scheme for workers who earn RM2,000 or below a month. An employee who has never been registered with or contributed to SOCSO and is earning more than RM2,000 monthly is given the option to be covered and to contribute, subject to mutual agreement between employer and employee. However, once such employee is covered under this Act**,** he will continue to enjoy SOCSO coverage irrespective of his monthly wages (once a member always a member).

3.3.3 *Contribution*

Employer and employee are required to contribute 1.7% and 0.5% respectively on the employee salary on a monthly basis.

3.3.4 *Benefits Under Employment Injury Insurance Scheme*

The benefits provided are:-

3.3.4.1 Medical Benefit

When an employee meets with an accident or suffers from any occupational disease, he is entitled to treatment at the SOCSO Panel Clinic or at any Government Hospital or Clinic. The employee or his representative is required to bring along an Accident Report (Form 21) or an Identification Letter or Report of Occupational Diseases Form, whichever is relevant, from his employer when he first comes for treatment to enable him to get free treatment. SOCSO will settle his medical bill.

However, if the treatment is received in a SOCSO Panel Clinic, the employee must continue the treatment at the same clinic until he recovers unless he is referred to a Government Hospital.

In case of a serious injury, the treatment should be at the nearest Government Hospital. The employee is eligible for second class ward treatment at the hospital if he requires in-patient treatment. Specialist treatment, if required will also be provided at a Government Hospital.

3.3.4.2 **Temporary Disablement Benefit**

This is a cash benefit paid to an employee who has been certified by a doctor to be unfit for work for not less than 4 days including the day of the accident. This benefit is paid for the period the employee is on medical leave.

The daily rate of temporary disablement benefit is equivalent to 80% of the average assumed daily wage. However, if the daily rate is below RM9.00 the employee will be paid a minimum rate of RM9.00. The maximum rate payable for an employee whose wage exceeds RM2,000/- a month is RM52.00 per day.

3.3.4.3 **Permanent Disablement Benefit**

This is a cash payment made to an employee who has been certified by a medical Board or the Appellate Medical Board to be suffering from Permanent Disablement as a result of an employment injury. If the permanent disablement
is assessed to be 100%, the daily rate is equivalent to 90% of the average assumed daily wage subject to a minimum daily rate of RM9.00.

If the permanent disablement is assessed to be 20% or less, the employee can claim the benefit be paid in a lump sum payment.

However, if the assessment of the permanent disablement exceeds 20%, the employee is given a choice to commute 1/5 of the daily rate of permanent disablement benefit into a lump sum payment and the balance will be paid as a monthly pension for life.

3.3.4.4 **Constant Attendance Allowance**

This allowance is paid to an employee who is suffering from permanent total disablement (i.e 100% loss of earning capacity) and is so severely incapacitated that he or she constantly requires the personal attendance of another person. The allowance is equal to 40% of the rate of permanent total disablement benefit subject to a maximum of RM500/-.

The eligibility for this allowance is determined by the Medical Board or the Appellate Medical Board and the payment is made directly to the recipient of the benefit.

3.3.4.5 **Dependent's Benefit**

If an employee dies as a result of an employment injury, his dependants are entitled to the benefit. The full daily rate of dependants' benefits is 90% of the average assumed daily wage subject to a minimum rate of RM8.00 per day.

Dependants	Share of full daily rate	Conditions
Widow	3/5	Receive benefits for life or until re-marriage, whichever occurs earlier.
Children	2/5 (3/5 if there is no window)	Receive benefit up to age 21 or marriage whichever occurs earlier.
Widower	3/5	On condition that mainly he is wholly or mainly dependent on the earning of his wife at the time of her death. Receives benefits until re-marriage or as long as he is not earning enough to support himself.

If there is no widow, widower or an eligible child

The following persons can receive the benefits if they depend wholly or partially on the employee's income at the time of his death.

Dependants	Share of full daily rate	Conditions

Parents	4/10	payment of benefit will be made for life.
Grandparents	4/10	payment of benefit will be made for life.
Brothers and Sisters	3/10	payment of benefit will be made up to age 21 or marriage whichever occurs earlier.

3.3.4.6 **Funeral Benefits**

An amount of RM1,000 will be paid if an employee dies as a result of an employment injury or while receiving disablement benefit.

The payment of benefit will be made according to the order of importance to the following next-of-kin:-

a) Widow (if there are two or more widows, the benefits will be equally divided)

b) Widower

c) Son or the eldest adopted son

d) Daughter or the eldest adopted daughter

e) Parents (if both are still alive, the benefit will be equally divided)

If the above mentioned persons do not exist, the benefit will be paid to the person who bears the funeral expenses. The amount paid is the actual expenditure incurred or RM1,000, whichever is lower.

3.3.4.7 **Rehabilitation Benefit**

Facilities for vocational and physical rehabilitation are provided free by SOCSO to an employee who suffers from permanent disablement.

Physical rehabilitation includes physiotherapy, occupational therapy, reconstructive surgery as well as the supply of artificial limbs such as artificial legs, hands, eyes, dentures and other prosthetic appliances such as wheelchairs, crutches, hearing aids, spectacles callipers and orthopaedic shoes including their repair and replacement.

An employee who is suffering from permanent disablement and who is unable to find a suitable job due to his disablement can apply to undergo vocational training in courses such as radio/TV repairs, electrical wiring, metal trade, repairs of refrigerator and air conditioner, plumbing, tailoring, typing and secretarial work.

All expenses incurred for the purpose of vocational and physical rehabilitation will be borne by SOCSO based on rates and conditions determined by SOCSO.

3.3.4.8 **Education Benefit**

This is an education facility in a form of a study loan or scholarship provided to the dependant children of an insured person who is receiving monthly or periodical payments of :-

i) Permanent Disablement Benefit

ii) Invalidity Pension

iii) Dependant's Benefit

iv) Survivor's Pension

and has secured places in the local Universities or Colleges or Higher Learning Institutions (including the private higher learning institutions) registered with the

Ministry of Education for a Degree, a Diploma or a Certificate Courses.

Initially, SOCSO only provides facility for study loan. However the loan may be converted to a scholarship, if the recipient achieved an outstanding result.

3.3.5 ***Benefits Under Invalidity Pension Scheme***

Invalidity is a serious disablement or disease of a permanent nature that is either incurable or unlikely to be cured as a result of which an employee is unable to earn at least 1/3 of what a normally able person can earn.

3.3.5.1 **Invalidity Pension**

To qualify for this pension, a worker must:-

i. be less than 55 years of age at the time notice of his invalidity is received by SOCSO or if he has reached 55 years of age, he must be able to prove that his invalidity occurred before he reached 55 years of age and that he has been unemployed ever since.

ii. be confirmed to be suffering from invalidity by a Medical Board or the Appellate medical Board.

iii. meet any of the contribution qualifying conditions specified.

There are two qualifying conditions:-

i. Full Contribution Qualifying Condition

ii. Reduced Contribution Qualifying Condition.

3.3.5.2 **Invalidity Grant**

It is paid to the worker who does not qualify for the Invalidity pension as he does not meet any of the contribution qualifying conditions stated but has made at least 12 monthly contributions. The Invalidity grant is equal to the total amount of contributions paid by the employee and the employer for the Invalidity Pension Scheme including the interest thereof.

3.3.5.3 **Constant Attendance Allowance**

The recipient of Invalidity Pension is also entitled to this allowance if he is severely incapacitated and constantly requires the personal attendance of another person. The eligibility to receive this allowance is decided by a Medical Board or the Appellate Medical Board and will be directly paid to the recipient of the benefit. The benefit is 40% of the rate of Invalidity Pension subject to a maximum of RM500/- per month.

This pension is paid to dependants of an employee who dies irrespective of the cause of death, in any of the following situations:-

a) while an employee is receiving the invalidity pension irrespective of his age; or

b) when an employee (not a recipient of the invalidity pension) who has not reached 55 years of age but has met either the full contribution qualifying condition or the reduced contribution qualifying condition.

3.3.5.4 **People Eligible For Survivor's Pension**

The dependants who are eligible for the pension are the same as those under the Employment Injury Scheme.

The Survivor's Pension Rate

If the deceased is a recipient of Invalidity Pension, the rate of the Survivor's Pension is equal to the rate of the invalidity pension received by him. If the deceased is not a recipient of the Invalidity Pension, the full rate of the Survivor's Pension (if he has met the full contribution qualifying conditions) is between 50% and 65% of the average monthly wage depending on the number of contribution made in his respect.

3.3.5.5 **Funeral Benefit**

The eligibility for the funeral benefit are the same as those under the Employment Injury Scheme.

3.3.5.6 **Rehabilitation Benefit**

An employee who suffers invalidity is also entitled to receive rehabilitation benefit such as physical and vocational rehabilitation as provided under the Employment Injury Scheme.

3.3.6 ***Qualifying Conditions***

3.3.6.1 **Full Qualifications**

An employee is considered to have met the full contribution qualifying conditions if:-

i) The total number of monthly contributions made in his respect is at least 24, within a period of 40 consecutive months preceding the month of his death; or

ii) The monthly contributions made in this respect at least for 2/3 of the number of full months within the period between the date first covered under the Invalidity Pension Scheme and the date of his demise, subject to the condition that the total number of such monthly contributions made during the stated period, is at least 24.

3.3.6.2 **Reduced Qualifications**

An employee is considered to have met the reduced contribution qualifying condition if the monthly contributions made in his respect have been paid for at least 2/3 of the number of full months within the period between the date he was first covered under the Invalidity Pension Scheme and the date of his demise, subject to condition that the total number of monthly contributions made during the stated period is at least 24.

The rate of pension paid to an employee who meets the full qualifying contribution condition ranges from 50% to 65% of his average monthly wage, depending on the total number of contributions.

For an employee who meets the reduced contribution qualifying conditions, the rate of pension is 50% of the average monthly wage.

However the minimum pension payable in both cases is RM171.43 per month.

PHILIPPINES

1.0 BACKGROUND

The Philippines has a two-tiered formal social security system. The majority of the population, however, still depend on informal, family-or-community-based social security arrangements.

The first tier in the formal system mandates basic universal coverage of the defined-benefit type. It consists of the Social Security System (SSS) which was established in 1954; and the Government Service Insurance System (GSIS), which was established in 1936. The SSS administers programmes for those in the private sector, while the GSIS is for persons employed by all levels of government and those in the state enterprises. The armed forces (AFP) Retirement and Separation Benefit System and the judiciary, however, have separate pension plans.

The second tier comprises the private, occupational pension plans. While their importance has been growing, not much information is available on the actual number of plans and their total assets. Typically, these plans pay a lump sum, calculated at around 1.5 times the member's final salary times the number of years of service. The coverage, however, is confined to employees of the large private-sector firms only.

2.0 ECONOMIC AND SOCIAL INDICATORS

2.1 Economic Indicators

INDICATORS	YEAR OF VALUATION	
	1995	1996
GDP per Capita (US$)	615	N/A
GDP growth rate (average p/a)	N/A	(1989-1996) 3.2
Gross National Savings (% of GNP)	N/A	20.5
Household Savings (%)	N/A	N/A
Inflation rate	N/A	(1991-1996) 10.12

2.2 Social Indicators

INDICATORS	YEAR OF VALUATION	
	1995	1996
Population (million)	67.6	N/A
Population Growth (%)	(1990-1995) 2.12	N/A
Birth Rate (per 1000 population)	30.4	N/A
Fertility Rate (per woman)	3.93	N/A
Death Rate (per 1000 population)	6.4	N/A
Infant Mortality Rate (per 1000 live births)	44	N/A
Natural Increase (%)	2.48	N/A

2.3 Life Expectancy (Years)

	YEAR OF VALUATION	YEAR OF VALUATION	
		1995	1996
At birth	Total	66.3	N/A
	Male	N/A	N/A
	Female	N/A	N/A
At 40 years	Total	N/A	N/A
	Male	N/A	N/A
	Female	N/A	N/A
At 60 years	Total	N/A	N/A
	Male	N/A	N/A
	Female	N/A	N/A

2.4 Dependency Ratio

INDICATORS		YEAR OF VALUATION	
		1995	1996
Total -	*Defined as population aged 0-14 and 65 and over as a percent of working age population*	71.4	N/A
Aged (65 + years)	*Defined as population aged 65 and over as a percent of working age population*	5.8	N/A

2.5 Population Distribution (%)

INDICATORS	YEAR OF VALUATION	
	1995	1996
Male	50.33	N/A
Female	49.17	N/A

2.6 Age Distribution (%)

INDICATORS	YEAR OF VALUATION	
	1995 (%)	1996 (%)
0 - 14	38.3	N/A
15 - 24	20.0	N/A
25 - 59	36.3	N/A
60+	5.4	N/A

2.7 Labour Force (%)

INDICATORS		YEAR OF VALUATION	
		1995	1996
Participation rate (Economically active population)	Total	65.6	N/A
	Male	N/A	N/A
	Female	N/A	N/A

2.8 Unemployment Rate (%)

INDICATORS	YEAR OF VALUATION	
	1995	1996
Total	8.4	N/A
Male	7.7	N/A
Female	9.4	N/A

2.9 Employment to Population Ratio (%)

INDICATORS	**YEAR OF VALUATION**	
	1995	**1996**
Total	N/A	N/A
Male	N/A	N/A
Female	N/A	N/A

2.10 Employment Growth (%)

INDICATORS	**YEAR OF VALUATION**	
	1995	**1996**
Growth	(1986-1992) 2.34	N/A

3.0 DETAILED DESCRIPTION OF SOCIAL SECURITY SCHEMES

In the Philippines, retirement pensions are provided through a publicly-managed social insurance scheme, known as the Social Security System (or the SSS), which covers most private sector employees and self-employed people. Public sector employees are covered by a separate scheme, known as the Government Service Insurance System(GSIS).

3.1 *SOCIAL SECURITY SYSTEM (SSS)*

Initially SSS benefits included earnings-related payments in the event of sickness, disability, retirement and death. It also provides for hospitalization, medical care and benefits related to work injury. Disability and death (survivors') benefits, originally paid in the form of lump sum, was converted to pension payments in 1975. Maternity benefits was introduced in 1977. Other benefits, including dependents' pensions, a monthly pension' (Christmas bonus), have been added subsequently.

The scheme also provides for members to obtain loans at concessional rates from the SSS for such purposes as home purchases, making investments and education. The SSS is also an important source of investment funds for development projects aimed at improving people's welfare more broadly in such areas as the building of hospitals, public housing and rural development projects.

In 1996, the SSS had an enrolled membership of 18 million or around two-thirds of the private sector workforce. The scheme provides earnings-related benefits and is financed by employer and employee contributions. Membership is compulsory except for those with very low incomes, such as agricultural labourers and low-paid workers in the informal sector.

Voluntary membership is available to non-earning partners of SSS members and Filipinos working overseas. The SSS is aiming to achieve universal coverage by the year 2000.

The SSS held P143.2 billion in asset in 1996. Its total investments amounted to P134.8 billion, 44 per cent of which were in government securities, 38 per cent in loans to members and 18 per cent in private securities within the Philippines. Investment earnings in 1996 amounted to P15.5 billion. It paid P20.4 billion in benefits and provided P7 billion in loans to members. Its net income for 1996 was P14.6 billion.

3.1.1 ***Retirement Age***

Retirement pensions are payable on retirement at age 60 (or on late retirement at age 65).

3.1.2 ***Coverage***

Compulsorily coverage for:-

- all private sector employees, whether permanent, temporary or provisional, up to the age of 60 inclusive;

- all self-employed people up to age 60, earning at least P1000 a month;

- self-employed farmers and fishermen earning P1500 a month;

- homeworkers (those performing work at home for an employer, contractor or sub-contractor); and

- domestic servants earning at least P1000 a month.

Voluntary coverage is available to:

- previous SSS members who have left covered employment;

- Filipinos working overseas and in foreign embassies including international organizations in the Philippines; and

< non-employed spouses (up to age 60) of SSS members.

3.1.3 *Financing*

The SSS has a 'partially funded scaled premium system of financing', with contribution rates being maintained currently until such time as the SSS Reserve Fund stops increasing. Contribution rates would then need to be reviewed and increased as necessary.

Contributions are accumulated in the Reserve Fund, which are invested within the Philippines to earn an annual return of at least 9 percent. The general guiding principle for the investment of SSS funds is that the pattern of investment should benefit the maximum number of members and support the government's socio-economic development programs, while at the same time ensuring the continued viability of the system.

3.1.4 *Contribution Rates*

The combined contribution rate is 8.4 per cent of covered earnings, with employees paying 3.33 per cent and employers 5.07 per cent. Covered earnings are based on a schedule currently consisting of 26 wage categories up to a maximum earnings ceiling (for 1997) of P10,000 a month. The earnings ceiling is being increased by P1000 each January until it reaches a maximum of P12,000 in Januari 1999. Self-employed people contribute 8 per cent of covered earnings.

3.1.5 *Tax Incentives*

Employer contributions to the SSS are tax deductible, but employee contributions are not. Pensions are paid tax free.The highest personal income tax rate is 35 per cent on income above P500,000 per annum. A range of allowances in the personal taxation system effectively exempts a large number of workers from paying tax.

3.1.6 *Types of Benefits and Qualifying Conditions*

The retirement benefit is an earnings-related lifetime pension paid monthly.

The retirement pension is payable on retirement at age 60 to a member who has paid a minimum of 120 monthly contributions. Members who have not paid the minimum number of contributions by age 60 may either continue to contribute until the minimum number has been paid or receive a lump sum refund of accumulated contributions plus interest in lieu of a pension.

3.2 ***GOVERNMENT SERVICE INSURANCE SYSTEM (GSIS)***

The GSIS is a scheme providing social coverage to employees in the public sector which began in the late 1950s. It was first proposed in a Presidential 'State of the Nation" address in 1948, with details subsequently developed by a specifically appointed Social Security Study Commission. Following eventual passage of legislation based on the Commission's recommendations, a social insurance scheme for private workers, to be known as the Social Security System, was established in September 1957.

The GSIS provides social security coverage of employees in the public sector. It officially started its operations in May 31, 1937 with life insurance program as its only business and was transformed into a more comprehensive social insurance scheme in 1951 with the addition of old-age, invalidity and survivors' benefits. *Milestone legislations passed through the years including the recently approved Government Service Insurance Act of 1997 enchanced and improved the GSIS' administered social security program for government workers.*

The GSIS also administers the Employees' Compensation Program which provides for work-related social security benefits for the public sector and the General Insurance Fund which provides non-life coverage for all properties with government insurable interests.

In 1997, net income for the GSIS was P18.5 billion and its total assets reached P120.1 billion.

3.2.1 ***Coverage***

As of June 24, 1997, coverage is complusory for all *employees* receiving compensation, irrespective of *employment status, who have not reached the compulsory retirement age of 65 at the time of election or appointment to the government service. Some sectors of the public workers are, however, excluded since they are covered under special retirement programs like the members of the Judiciary, the Military personnel and the Philippine National Police. To date, GSIS membership is close to 1.5 million government workers.*

3.2.2 ***Types of Benefits and Qualifying Conditions***

The social security benefit package provided by GSIS to public servants, as governed by Republic Act No. 8291 or otherwise known as the Government Service Insurance Act of 1997, includes separation benefits, unemployment benefits, retirement benefits, disability benefits, survivorship benefits, funeral benefits and life insurance benefits.

The amount for each type of benefit is anchored on the basic monthly pension (BMP) defined as follows:

BMP = 37.5% * (AMC+700), for those with less than 15 years of service

= (37.5% * (AMC+700)+ [2.5% * (AMC+700) * (YOS - 15)], for those with at least 15 years of service, and

BMP < 90% of AMC

where, AMC = Average Monthly Compensation

YOS = Years of Service Rendered

At present, the minimum basic monthly pension is P1,300 [is payable to those retiring after less than 20 years' service and P2,400 for those with 20 years or more] *while* the maximum pension is P9,000.

i) **Separation Benefits**.

Those [retiring] *separating* from the public service after rendering at least three years but less than15 years service receive a *Separation* Benefit payable at age 60 which is a *cash* [lump sum] payment *equivalent to 100% of the average monthly compensation during the last three years multiplied by the number of years of service rendered. On the other hand, those separating from the service with at least fifteen years but have not reached the pensionable age of 60 years shall receive a cash payment of 18 times the monthly pension upon separation or resignation and a monthly pension for life starting at age 60.*

ii**)** **Unemployment Benefit**.

A permanent employee who is involuntarily separated from the service *due to the abolition of his position resulting from structural* *reorganization of his office and who has paid contributions for at least one year prior to separation shall be entitled to monthly cash payments equivalent to 50% of the average monthly compensation up to a duration of six months depending on the number of years in service*.

iii) **Retirement Benefits.**

A member who has reached the age of 60 years and who has at least 15 years of service rendered may retire from the active service and receive the retirement benefit. *No one, however, is allowed to stay in the government service beyond the age of 65 unless otherwise extended by proper authorities*. The retirement benefit is either a lump sum equivalent to 60 months of the BMP payable at the time of retirement plus an old-age pension benefit equal to the basic monthly pension payable for life *starting upon the expiration of the five-years covered by a lump sum or a cash payment equivalent to 18 times the basic monthly pension plus monthly pension for life payable at retirement date.*

iv) **Disability Benefits.**

A disability may either be "permanent total", "permanent partial" or "temporary total". The benefit of a permanently and totally disabled member who is in the public service at the time of his disability or, has paid at least 36 months contributions within the 5 years preceeding his disability or, has paid a total of at least 180 monthly contributions, is a monthly pension payable for life. In addition, a member who gets *permanently and totally disabled while in the active service with at least 180 monthly contributions, gets an additional cash payment equivalent to 18 times the monthly pension.*

For a member whose disability is partial, the benefit is a cash payment equivalent to a number, multiplied by the basic monthly pension depending on the extent of the disability as determined by GSIS.

On the other hand, the benefit for temporary total disability is a daily income benefit equivalent to 75% of his current daily compensation. This is granted to a member who is in the active service or if separated, had served the government for three years and must have paid six monthly contributions within the twelve-month period preceding his disability. Minimum daily benefit is P70 while the maximum is P340 per day.

v) **Survivorship Benefits.**

The benefit payable to the surviving qualified beneficiaries of the deceased member or pensioner is the survivorship pension consisting of the basic survivorship pension and the dependents pension and/or a cash payment equivalent to 100% of the member's average monthly compensation for each year of service or both. The basic survivorship pension is equivalent to 50% of the basic monthly pension while the dependent's pension is 10% of the basic monthly pension for each dependent child but not to exceed five. The benefit depends on the total number of years the deceased had been in the service, the number of years with paid contributions and whether the deceased was active or separated from the service upon death.

vi) **Funeral Benefits**.

The amount of funeral benefit is P12,000 payable to the spouse or the legitimate child of a qualified deceased member or to any other person who can show incontrovertible proofs of having borne the funeral expenses.

vii) **Life Insurance Benefits.**

A life insurance coverage (endowment policy) is provided to all members of the GSIS including the members of the Judiciary and the Constitutional Commissioners. The benefits include maturity benefit, death benefit, accidental death benefit, waiver of premiums in case of permanent disability, cash surrender value, insurance loan and dividends. Amount of insurance is based on annual salary and age at issue.

3.2.3 ***Sources of Funds for the Different Benefits***

The funding for the social insurance program is sourced from the employees and employers' contributions. It is also understood that any excess of current contributions over claims and benefits and administrative expenses are invested to yield additional income for the fund. Below is the contribution schedule:

Monthly Compensation (MC)	Employee's Share	Employer's Share
P10,000 and below	9% of MC	12% of MC
Over P10,000	9% of P10,00+ 2% of (MC-P10,000)	12% of MC

3.2.4 ***Ancillary Benefits***

i) Inflation adjustment for pensions.

The GSIS has been giving pension increases to its pensioners since 1975. This was made possible with the enactment of Presidential Decree No 712, the promulgation of the Revised GSIS Charter in 1977 and the New GSIS Act of 1997 which provided for the periodic adjustments in pensions. From 1987, GSIS granted its retirement and disability pensioners yearly increases in their monthly pensions based on inflation rate and the social security fund's capability Survivorship pensions were increased accordingly since 1991.

ii) Christmas Cash Gift for Pensioners.

A one-month pension up to a pre-determined maximum amount is *usually given to all pensioners during the Christmas Season.*

iii) Carer's allowance for Disability Pensioners.

This monthly allowance is specially granted to permanent total disabled retirees. The current allowance is P1,000.

iv) Cash Benefits.

An annual cash benefit is distributed to compulsory life insurance policy holders based on the investment and mortality gains.

v) Free Accidental Death Benefit.

This is apart from the accidental death benefit covered by the life insurance policy. The benefit is P10,000.

vi) Loan Privileges.

These are financial assistance/loans available to members at low interest rates such as salary loan equivalent to a maximum of three-months salary of the member payable in one or two years, *policy loan equivalent to 50% of the life insurance policy cash value, housing loan equivalent to a maximum of P1 Million, etc..*

vii) Investment Windows.

Members are given an opportunity to invest their savings in instruments like Treasury Bills and in the GSIS Mutual Funds for a minimal capital outlay of only P10,000 and P1,000, respectively.

3.3 *PAG-IBIG FUND*

The Pag-IBIG Fund operates in the form of a provident fund, mainly to facilitate savings and to provide loans for house purchases by members. It also provides loans for housing-related expenses such as minor home improvements and purchasing furniture, as well as other purposes such as medical treatment and education.

Membership is compulsory for public and private sector employees earning at least P4000 a month, with voluntary membership available to lower-paid employees, self-employed people and Filipinos working overseas. Contributions are 1 per cent of wages for those earning up to P15000 a month. Employers and the self-employed pay 2 per cent.

Generally, accumulated contributions plus interest (currently at a guaranteed annual rate of 6 per cent) can to be withdrawn on maturity after 20 years' membership (this will first occur in 2001). Members may also withdraw accumulated savings after 10 or 15 years' membership, with the option of continuing to contribute to the Fund. Savings may also be withdrawn on retirement (including early retirement and retirement on grounds of ill health, disability, death or emigration from the Philippines, if these events occur before the achievement of 20 years' membership.

At the end of 1994, Pag-IBIG held P29.6 billion in assets, representing 1.5 per cent of the Gross National Product.

3.4 *ASSISTANCE FOR THOSE WITHOUT SOCIAL SECURITY COVERAGE*

The tradition of family support for elderly family members has been eroded in recent decades with increasing industrilization and urbanization of the population and a trend towards nuclear families.

For elderly people on low incomes who lack family support, the Department of Social Welfare and Development administers social services and community development programs which provide, among other things, in-kind assistance to poor communities and individuals. Non-government organizations also play a role in providing services such as residential and day-care facilities for elderly people unable to rely on assistance from their families.

There is, however, no government social assistance program providing cash payments to low income people, including elderly people, without other means of support.

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SINGAPORE

1.0 BACKGROUND

The Central Provident Fund (CPF) was established in 1955 as a compulsory social security savings scheme to provide financial security for workers in their retirement or when they were no longer able to work. Over the years, it has evolved into a comprehensive social security savings scheme which not only takes care of a member's retirement, home-ownership and healthcare needs but also provides financial protection to CPF members and their families through its insurance schemes.

Singapore's social security needs are managed through four layers of financial provision:

- **The individual.** Every worker saves for his future and is encouraged to enhance his assets through diligence.

- **The family.** Family members are encouraged to pool resources to care for their children and parents whom they consider their personal responsibility.

- **The community.** Contingent needs of the community are met through insurance schemes which cover individuals and benefit their dependents.

- **The government.** Subsidies and public assistance are given to the truly needy.

The CPF, which is involved in the first three of these four layers, thus enables both members and their families to be self-reliant.

2.0 ECONOMIC AND DEMOGRAPHIC INDICATORS

2.1 Economic Indicators

Indicators	Year of Valuation	
	1996	**1997**
GDP per Capita (S$)*	36,206	38,273
GDP growth rate at current market prices (average p/a)	8.3	9.4
Gross National Savings (%of GNP)	50.1	51.2
Household Savings (% of disposable household income)	N/A	N/A
Inflation Rate	1.4	2.0

* Obtained by dividing GDP (at current market prices) by total population.
As at end July 1998, US$1 = S$1.73

2.2 Social Indicators

Indicators	Year of Valuation	
	1996	**1997**
Resident Population (million)*	3.0443	3.1035
Resident Population Growth (%)	1.9	1.9
Crude Birth Rate (per 1,000 population)	15.3	14.6
Fertility Rate (per 1,000 females)	1,696	1,637
Crude Death Rate (per 1,000 population)	4.7	4.5
Infant Mortality Rate (per 1,000 live births)	3.6	3.3
Rate of Nature Increase (per 1,000 population)	10.7	10.1

* Resident population refers to citizens and permanent residents

2.3 Life Expectancy

Indicators		Year of Valuation	
		1996	1997
At birth	Total	76.7	77.1
	Male	74.6	75.0
	Female	79.0	79.2
At 40 years	Male	N/A	N/A
	Female	N/A	N/A
At 60 years	Male	N/A	N/A
	Female	N/A	N/A

2.3 Dependency Ratio

Indicators	Year of Valuation	
	1996	1997
Total - Defined as resident population aged 0 - 14 and 65 and over as a percent of employed person 15 years and over	51.7	50.3
Aged (65 + years) Defined as resident population age 65 and over as a percent of employed persons 15 years and over	12.0	11.9

2.5 Resident Population Distribution

Indicators	Year of Valuation	
	1996	1997
Male (%)	50.3	50.2
Female (%)	49.7	49.8

2.6 Age Distribution

Indicators	Year of Valuation	
	1996	**1997**
0 - 14	22.8%	22.7%
15 - 24	14.3%	13.9%
25 - 59	52.9%	53.3%
60+	10.0%	10.1%

2.7 Labour Force

Indicators	Year of Valuation		
		1996	**1997**
Participation rate (% Economically Active Population aged 15 years and over)	Total	64.6	64.2
	Male	78.7	78.3
	Female	51.5	51.1

2.8 Annual Unemployment Rate (Seasonally Adjusted)

Indicators	Year of Valuation	
	1996	**1997**
Total	2.1%	1.7%
Male	N/A	N/A
Female	N/A	N/A

2.9 Employed Persons Aged 15 and Over to Resident Population Ratio

Indicators	Year of Valuation	
	1996	**1997**
Total (%)	57	59
Male (%)	67	69
Female (%)	48	49

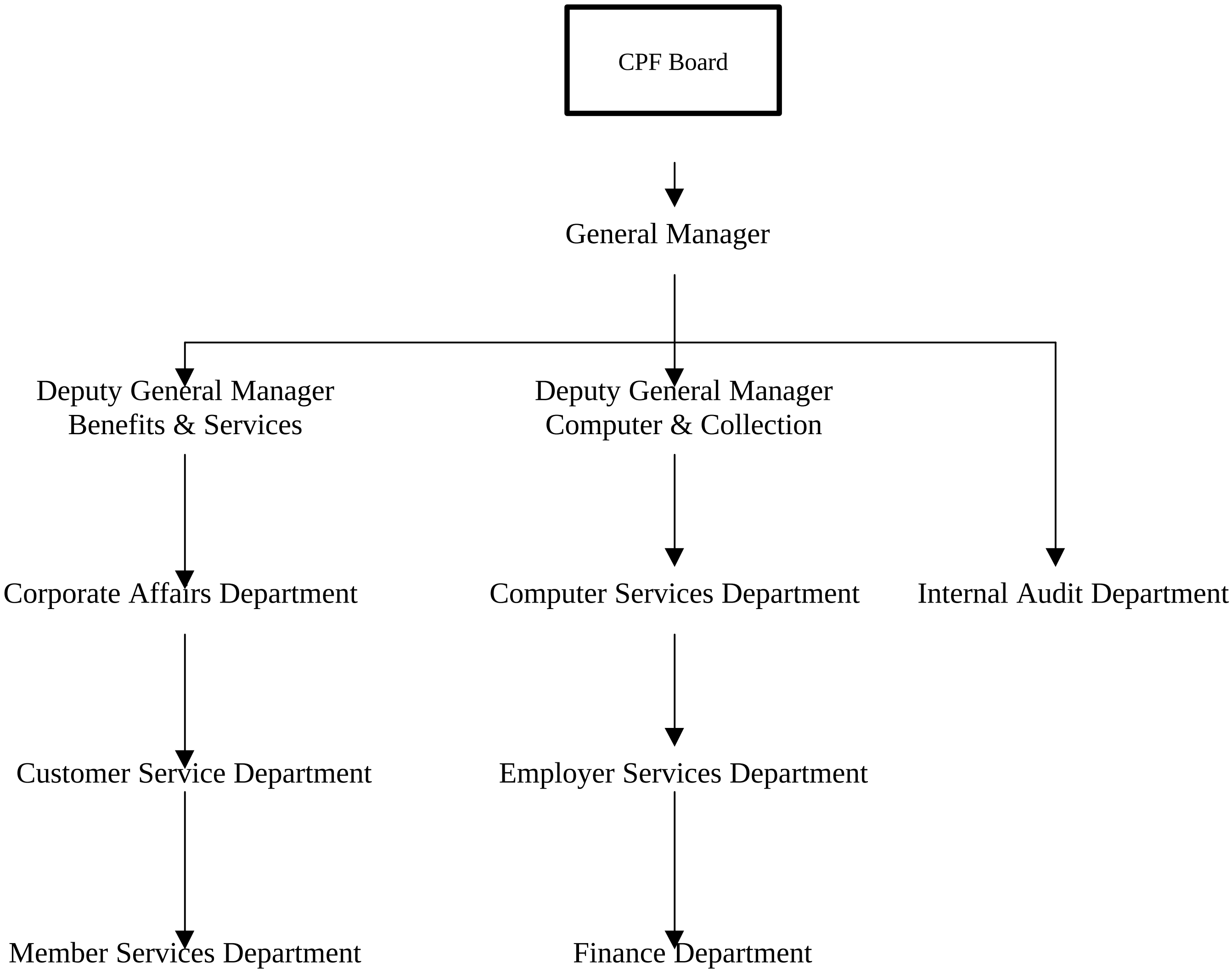
2.10 Employment Growth (%pa)

Indicators	Year of Valuation	
	1996	**1997**
Growth (%)	2.70	4.71

3.0 DETAILED DESCRIPTION OF SOCIAL SECURITY SCHEME

3.1 CENTRAL PROVIDENT FUND

3.1.1 *Organization Structure*



3.1.2 *Mission Statement*

STRIVING FOR EXCELLENCE

- **Our Commitment**

  The Central Provident Fund (CPF) is a social security savings scheme jointly supported by employees, employers and the Government. CPF Members are employees and self-employed persons in Singapore.

  The basic purpose of the CPF is to help Members meet primary needs like shelter, food, clothing and health services in their old age or when they are no longer able to work. Benefits offered are to help meet one or more needs of the CPF Member in his retirement. They include withdrawals by the Member for retirement, permanent disablement, home ownership and medical care. The amounts available depend on how much the Member has saved in the CPF.

- **The Central Provident Fund Board**

  The CPF Board are trustees for the CPF savings of Members. We seek to protect and preserve the value of the savings. We provide fair market returns at minimal risk, while opening avenues for Members to seek higher returns on their own after carefully considering the risks involved. The guiding principle is prudence. And returns should contribute towards the Member's well-being in his retirement.

- **Our Services**

  We aim to provide to our Members, in a cost-effective manner, the widest range of quality services possible. Through courtesy and responsiveness, we gain their satisfaction and confidence.

  We seek also to help employers by collecting CPF contributions from them in as efficient and convenient a way as possible. We strive to ensure that the interests of their employees, who are CPF Members, are never compromised, while facilitating them in meeting their responsibility of contributing towards the CPF.

- **Our Nation**

  The Government helps by exempting CPF earnings from tax and guaranteeing payment of CPF savings. We on our part will, where we can, make our assets and services available to help meet Singapore's social and economic objectives, thereby improving the quality of life of all Singaporeans and CPF Members.

- **Our People**

  We recognize that we cannot serve Members well if our people, the staff of the CPF Board, are not ready, able and willing. We are therefore committed to the development and welfare of our people, so as to achieve superior motivation and quality of service on a continuing basis.

3.1.3 *Membership and Size of Fund*

At end 1997, CPF membership stood at 2.8 million. This figure includes more than 1.2 million active members and more than two hundred thousand self-employed persons who made contributions under Medisave for the Self-Employed Scheme.

Contributions collected and credited into members' account were in the order of S$15.9 billion, while withdrawals totaled S$11.5 billion. Total savings in the Fund stood at about S$79.7 billion.

3.1.4 *Coverage*

The CPF is a fully-funded old-age savings scheme based on asset accumulation by its members operating individual accounts. Monthly contributions are necessary for all Singaporean and Permanent Resident employees and their employers, with the combined contributions divided among the employees' three accounts:

- **Ordinary Account** which can be used for housing, approved investments, insurance, education and transfer to top-up parents' Retirement Accounts.
- **Medisave Account** which is for meeting hospitalisation and medical expenses.
- **Special Account** which is for retirement and contingencies.

The contribution rates are as follows:

Employee's Age	Employer Contribution	Employee Contribution	Total Contribution	Proportion credited to Ordinary A/C	Proportion credited to Special A/C	Proportion credited to Medisave A/C
Up to 35	20%	20%	40%	30%	4%	6%
35 + to 45	20%	20%	40%	29%	4%	7%
45 + to 55	20%	20%	40%	28%	4%	8%
55 + to 60	7.5%	12.5%	20%	12%	-	8%
60 + to 65	7.5%	7.5%	15%	7%	-	8%
65+ years	5%	5%	10%	2%	-	8%

Monthly contributions are capped at S$1,200 each for the employer and the employee, based on a wage ceiling of S$6,000. Besides providing for members' needs, these rates also encourage the continued employment of older workers.

The self-employed who make a net trade income of more than S$2,400 are also required to make contributions to their Medisave Accounts, while those not in the workforce and temporary residents can make voluntary contributions.

3.1.5 *Interest Earned by members*

CPF members receive a market-related interest rate (based on simple average of the 12-month deposit and month-end savings rates of the four major local banks) on their CPF savings. This is subject to a minimum rate of 2.5% as stipulated in the CPF Act.

Savings in the Special and Retirement Account earn 1.5% more interest compared to the Ordinary and Medisave Accounts. CPF members may transfer their CPF savings from the Ordinary Accounts to their Special Accounts to help them build up their cash savings for old-age by earning this higher interest. The amount of transfer is subject to a limit of up to S$40,000. For example, if the member already has savings of S$10,000 in his Special Account, he may transfer another S$30,000 from his Ordinary Account to make up S$40,000.

3.1.6 ***CPF Withdrawals***

CPF members can withdraw their savings at age 55, after setting aside a Minimum Sum in their Retirement Account for old age annuities. If they continue to work, members can make further CPF withdrawals every three years, i.e. at ages 58, 61, 64 and so on.

Members can also withdraw their CPF savings if they are permanently incapacitated or leave Singapore and West Malaysia permanently. Nominated beneficiaries of deceased members can also apply to withdraw the deceased members' CPF savings. In the absence of nominations, the members' savings would be administered by the Public Trustee.

3.1.7 *Benefits*

3.1.7.1 Healthcare

Medisave, Medishield or Medishield Plus, and Medifund combine to help CPF members and their dependants pay for their healthcare.

Medisave, reflecting the CPF values of self-reliance and filial piety, can be used to pay for a member and his immediate family's expenses in approved hospitals and for certain outpatient treatments. As medical costs have risen and patients are choosing better class wards, both the Medisave Minimum Amount and the Medisave Contribution Ceiling are as follows:

Year	Medisave Minimum Amount (S$)*	Medisave Contribution Ceiling (S$)**
1998	16,000	21,000
1999	17,000	22,000
2000	19,000	24,000
2001	21,000	26,000
2002	23,000	28,000
2003	25,000	30,000

* This is the amount a member has to leave in his Medisave Account when he withdraws his CPF at age 55.

** This is the maximum amount a member has in his Medisave Account, above which funds overflow to the CPF Ordinary Account, so that the member has more flexibility to use the savings for housing, education or investment.

Two voluntary catastrophic health insurance schemes, **MediShield** and **MediShield Plus** (for higher coverage), are also available to help meet the high medical cost of prolonged or serious illness. Premiums, up to an approved limit, may be paid from members' Medisave Accounts.

Medifund, an endowment fund, has also been set up by the Government to assist needy Singaporeans in paying their hospital bills, when they have exhausted payment from their Medisave and MediShield.

3.1.7.2 **Home Ownership**

The **Public Housing Scheme** and **the Residential Properties Scheme** have helped put home ownership within members' reach. CPF members can use the savings in their Ordinary Accounts to finance purchases from the Housing & Development Board or to buy a private residential property. This has contributed to a high rate of home ownership in Singapore - 9 out of 10 Singapore families own the homes they live in.

3.1.7.3 **Family Protection**

In addition to the members' own CPF savings, CPF offers two insurance schemes to give members and their families financial protection against the unexpected.

The **Dependants' Protection Scheme** is a voluntary term-life insurance covering Singaporean or Permanent Resident members up to age 60. It provides a maximum sum of S$36,000 to members or their dependents in the event of their permanent incapacity or death. Insured members pay an annual premium ranging from S$36 to S$360, depending on their age. Premium discounts, based on the length of coverage, are available to members who maintain their cover beyond age 55.

By paying a one-time premium, the Home Protection Scheme (HPS) on the other hand protects CPF members and their families against losing their homes should the members become permanently incapacitated or die before their public housing loans are paid up. CPF members who are using their CPF savings to pay the housing loan instalments under the Public Housing Scheme have to be insured under the HPS.

3.1.7.4 **Asset Enhancement**

Members who wish to manage and enhance their savings for old age can do so through the CPF investment schemes. The schemes give CPF members a wider choice to invest their savings for old age.

The **CPF Investment Scheme (CPFIS)** allows members to use up to 80% of their investible savings, after setting aside the Minimum Sum, to invest in the Stock Exchange of Singapore, unit trusts, gold, government bonds, bank deposits, fund management accounts and endowment insurance policies.

Members can also invest their CPF savings under the **Non-Residential Properties Scheme**, to buy non-residential properties in Singapore, including office premises, shop units, factories and warehouses, for investment or for their own use; or help finance their children's or their own tertiary education in the six local tertiary institutions under the **Education Scheme**.

3.1.8 CPF Services

Besides the Main Office in the Central Business District, members can also access CPF services at its 4 Branch Offices, or through its Personal Auto Link (PAL) services, which are electronic services such as auto-phone, self-service machines and the internet (http://www.cpf.gov.sg).

Member's change of address is automatically updated via a computer-link to the National Registration Office. The CPF Board also keeps its members updated by half-yearly Statement of Accounts and its corporate newsletter published in all the news dailies.

4.0 IN SUMMARY

The assessibility of CPF services facilitates the smooth running of the different CPF schemes. The CPF schemes let members use or manage their savings in a variety of ways without compromising the old-age and other social security objectives. Together, they cover a wide range of financial instruments, from property and insurance to stocks and unit trusts. This variety and the complimentary nature of the different schemes help not only CPF members, but also their family members.

In the years to come, the CPF Board will continue to think of innovative ways to help and serve its members and their families while maintaining its purpose for old-age. Herein lies the challenge for the Board.

THAILAND

1.0 BACKGROUND

The creation of the Department of Public Welfare in 1940 represented the institutionalisation of welfare provision to assist the needy. The activities of the Department of Public Welfare included provision of help for children, youth and families in need. However, this Department lacked financial support as it was not based on legislation. Nevertheless this department continued to provide various social services that include family support programs, assistance for people with disabilities and institutionalised care of the elderly.

In 1960, the National Council of Social Welfare of Thailand (NCSWT), was established to coordinate the efforts of private welfare organisations and charity groups. There are more that 500 privately run welfare organisations in Thailand. The NCSWT operates through committees.

In 1954, the first time ever in the history of Thailand, legislative basis was provided for social services programs by the introduction of the Social Insurance Act. This act provided for old age, invalidity and survivors' benefits as well as sickness, maternity and family allowances.

In 1972 the Employees' Compensation Scheme was introduced, making it compulsory for firms with 20 or more workers to join, limited to only in the Bangkok area. This scheme was administered by the Compensation Fund Office. This scheme was later extended to cover all provinces in the country.

Later, in 1994, the scheme was extended to cover the employees of commercial and industrial companies employing 10 or more workers. Sectors such as agriculture, fishing, public and domestic service, railroad, shipping, telecommunications, power generation and distribution, oil production and refining and private education were excluded from this scheme.

In 1983 the Government encouraged private firms to set up provident funds to provide retirement pensions or compensation for termination of employment. In 1987 these Funds were brought under the countrol of the Provident Fund Act.

In 1990 the Social Security Act of Thailand was gazetted. It provided a legal basis for a comprehensive social security scheme based on social insurance principles. The Act provided for medical care, cash sickness benefits, maternity benefits, retirement, family welfare and unemployment program.

2.0 ECONOMIC AND SOCIAL INDICATORS

2.1 Economic Indicators

INDICATORS	YEAR OF VALUATION		
	1995	1996	1997
GDP per Capita (Baht)	69,047	74,585	77,093
GDP growth rate (average p/a)	8.8	5.5	-0.4
Gross National Savings (% of GNP)	35.65	34.06	33.91
Household Savings (Billion Baht)	296.7	254.8	340.2

Inflation rate (%)	5.8	5.9	5.6

Source : Bank of Thailand

2.2 Social Indicators

INDICATORS	YEAR OF VALUATION		
	1995	1996	1997
Population (million)	29,277,900	59,788,284	60,466,243
Population Growth (%)	N/A	N/A	N/A
Birth Rate (per 1000 population)	16.2	16.7	N/A
Fertility Rate (per 1000 woman)	N/A	N/A	N/A
Death Rate (per 1000 population)	5.3	5.9	N/A
Infant Mortality Rate (per 1000 live births) (%)	7.2	5.2	N/A
Natural Increase (%)	1.1	1.1	N/A

2.3 Life Expectancy (Years)

	YEAR OF VALUATION	YEAR OF VALUATION	
		1995	1996
At birth	Total	(1990-1995) 68.72	(1995-2000) 69.51
	Male	66.48	67.36
	Female	71.4	71.74
At 40 years	Total	N/A	N/A
	Male	N/A	N/A
	Female	N/A	N/A
At 60 years	Total	N/A	N/A
	Male	N/A	N/A
	Female	N/A	N/A

Source : Ministry of Public Health

2.4 Dependency Ratio

INDICATORS		YEAR OF VALUATION	
		1995	1996
Total -	*Defined as population aged 0-14 and 65 and over as a percent of working age population*	49.9	N/A
Aged (65 + years)	*Defined as population aged 65 and over as a percent of working age population*	7.5	N/A

2.5 Population Distribution (%)

INDICATORS	YEAR OF VALUATION		
	1995	1996	1997
Male	50.1	N/A	49.84
Female	49.9	N/A	50.16

Source : Ministry of Public Health

2.6 Age Distribution

INDICATORS	YEAR OF VALUATION		
	1995	1996	1997
0 - 14	28.3	N/A	27.12
15 - 24	20.6	N/A	19.07
25 - 59	43.5	N/A	43.38
60+	7.6	N/A	8.43

2.7 Labour Force

INDICATORS		YEAR OF VALUATION		
		1995	1996	1997
Participation rate (%) (Economically active population)		76.2	74.7	71.7
	Male (Total)	83.5	82.5	78.7
	Female (Total)	68.9	66.9	64.8

Source : National Statistical Office (1997)

2.8 Unemployment Rate

INDICATORS	YEAR OF VALUATION		
	1995	1996	1997
Total (%)	1.1	1.1	0.9
Male (%)	0.9	1.0	0.8
Female (%)	1.4	1.1	0.9

2.9 Employment to Population Ratio

INDICATORS	YEAR OF VALUATION		
	1995	1996	1997
Total	54.79	53.68	54.68
Male	N/A	N/A	N/A
Female	N/A	N/A	N/A

Source : National Statistical Office (1997)

2.10 Employment Growth (% in period)

INDICATORS	YEAR OF VALUATION

	1995	1996	1997
Growth %	1.5	-1.05	2.89

Source : National Statistical Office (1997)

3.0 DETAILED DISCRIPTION OF SOCIAL SECURITY SCHEMES

3.1 EMPLOYEES COMPENSATION SCHEME (1972)

3.1.1 *Administration organisation*

The office of the Compensation Fund Social Security Office.

3.1.2 *Liability*

All employers having more than 10 or more workers.

3.1.3 *Coverage*

It covers employees of commercial and industrial companies.

3.1.4 *Contribution Rate*

The scheme is financed solely by employers at a rate of 0.2 to 2 per cent of payroll based on the risk rate of the Industry.

3.1.5 *Types of Benefits*

The scheme provides medical care for work related injuries and illnesses, temporary and permanent disability benefits, survivor benefits and a funeral grant. Permanent disability and survivor benefits are paid in the form of a pension equal to 60% of last monthly salary payable for eight years.

3.2 PROVIDENT FUNDS

3.2.1 *Administration Organisation*

Private firms

3.2.2 *Liability/Coverage*

Participation Voluntary

3.2.3 *Contribution Rate/Financing*

In 1996, the average contribution rate for both employers and employees was 5/6 per cent of employees' earnings.

3.2.4 *Types of Benefits*

0.5 to 1 percent of final pre-retirement salary for each year.

3.2.5 *Tax Incentives*

Employers' contributions are tax deductible as corporate expenses. Employees' contributions are deductible from personal income tax of an individual employee.

3.2.6 *Investment*

To enjoy tax advantages, the plan has to be registerd with the Ministry of Finance and managed by an approved fund manager who has to comply with ministerial regulations on investment guidelines.

3.3 SOCIAL SECURITY SCHEME (SOCIAL SECURITY ACT 1990)

3.3.1 *Administration Organisation*

Social Security Office

3.3.2 *Liability*

All enterprises with 10 or more workers.

3.3.3 *Coverage*

All private sector workers. Civil servants, Private School teachers, state enterprise employees, militants, police, local administration officials, international organisations' workers, workers in the agricultural sector and fisheries are excluded from this scheme.

3.3.4 *Contribution Rate/Financing*

To be financed by the contributions from the Government, employers and employees. They are to make equal contribution initially at the rate of 1.5 per cent of wages of employees covered by the scheme.

3.3.5 *Types of benefits and qualifying conditions*

The insured person is entitled to benefits for all non-occupational injuries and illnesses provided that he/she has been a member of the scheme for at least 90 days within the preceeding 15 months.

Social Security in Thailand 96

The benefits provided under this scheme are:

(i) Cash sickness benefit which is payable at a rate of 50 per cent of wages for each illness, but not for more than 180 days in any calender year.

(ii) Maternity benefits which are payable at a rate of 50 per cent for up to 90 days for each confinement.

(iii) Temporary and permanent disability benefits.

(iv) Survivor Benefits (Funeral grants)

Reference

1. Mercer, W M(1997), International Benefit Guidelines 1997, William M Mercer Ltd.

2. International Labor Organisation (1995), Thailand, Pension and Family Benefits, Geneva.

3. David I Stanton and Peter Whiteford (1998), Pension Systems and Policy in the APEC Economies.

VIETNAM

1.0 BACKGROUND

On 16 February 1995 the Vietnam Social Security Organization was founded by integrating units attached to the Ministry of Labour, Invalids and Social Affairs and the Vietnam General Confederation of Labour. The new organization has been placed under the direct "guidance" of the Prime Minister, but subject to management by the Ministry of Labour, Invalids and Social Affairs. The Ministry of Labour, Invalids and Social Affairs retains responsibility for policy and planning of social insurance, subject, of course, to the agreement by the Prime Minister.

2.0 Objectives

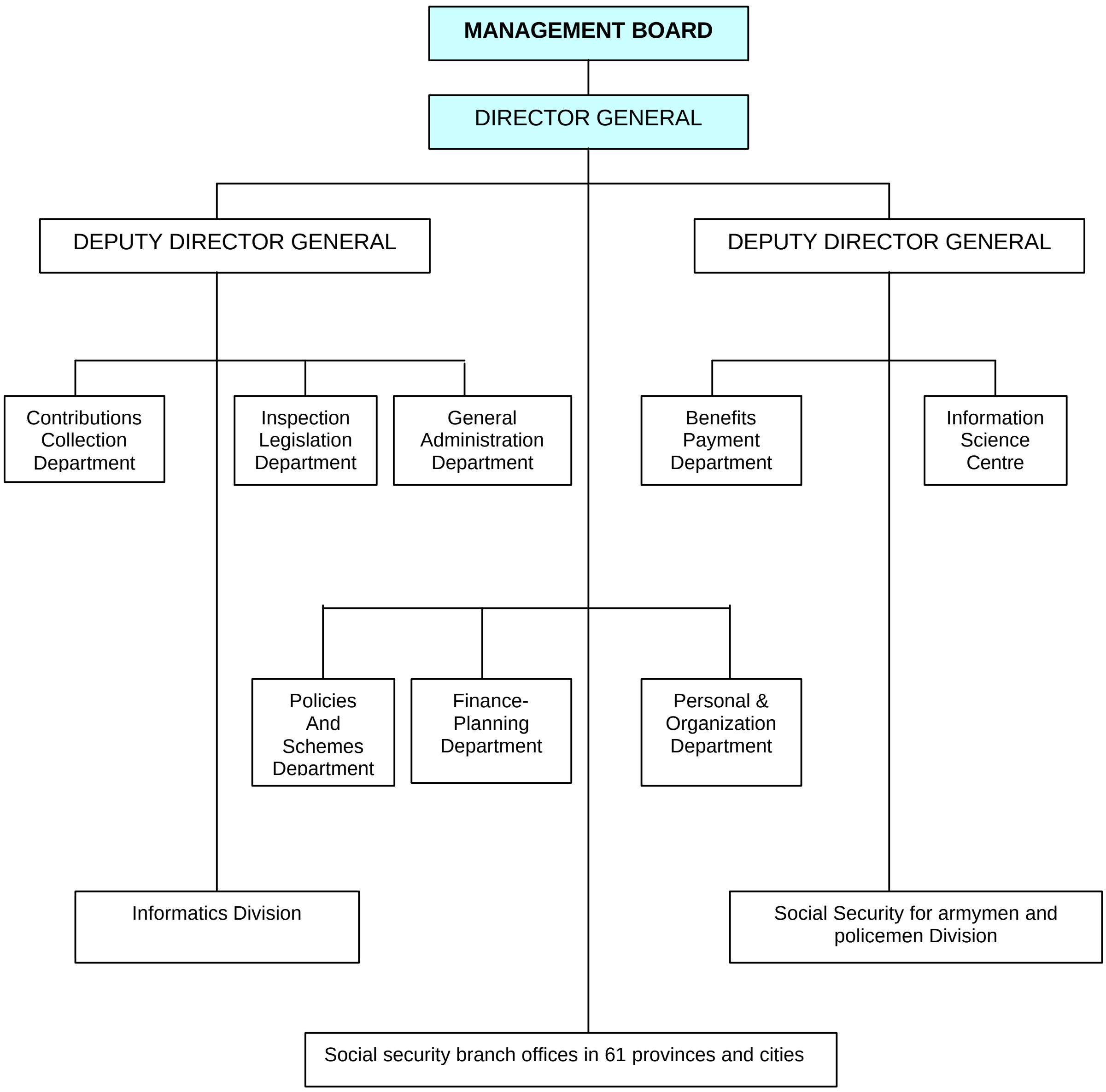
The main objectives of the new Social Security Organization are to collect social security contributions made by employers and employees; to consider the granting of social security payments; to ensure the full and timely payment to social security beneficiaries; to submit to the Government and relevant State bodies recommendations on amendments and adjustments to social security policies and schemes in order to adapt them to each stage of development of the country.

One of the most important tasks given to Vietnam Social Security by the Government is to form a common social security fund for employees from various economic sectors and independent of the State Budget, with a view to step by step eradicate the subsidy borne by the State for Social security systems:

"To draw up and to organize the implementation of projects and measures for preserving and increasing the value of the Social Security Fund, as determined by the Government".

(Decree No. 19/CP, 16 February 1995, on Founding of Vietnam Social Security)

2.1 Organization Structure



2.2 Regulatory Framework

- Decree 218/CP, Social Security and Workers in the Government Sector.
- Law on Labour, Chapter 12 Social Security (13 Article on Social Security).
- Decree No. 12/CP, 26 January 1995, and Regulations on Social Security, which took effect from 1 January 1995.
- Decree No. 19/CP, 16 February 1995, on Founding of Vietnam Social Security.
- Circular No. 06/LDTEBH-TT, 4 April 1995 of the Ministry of Labour, Invalids and Social Affairs. Guiding the implementation of Social Security Regulations attached to Decree No. 12/CP.
- Ministry of Finance Circular 58. TC/HCSN, 24 July 1995.
- Decision No. 606/ Ttg, 26 September 1995, of the Prime Minister, on the promulgation of the Organization and Operation Statute of the Vietnam Social Security.
- Decision broadening the Investment Parameters of the Social Security Fund, August 1996.

3.0 History

Social Security was introduced to Vietnam in 1961, initially based on regulation promulgated in that year, and revised in 1974, 1981, 1984 and 1993.

The new Vietnamese system has its origins in a broadly structured social security system which commenced in 1961.

In 1961, a Decree was issued to provide social security benefits to all people who worked in the government sector, in education, state-owned enterprises, hospitals, the administration and military. It covered approximately 600,000 to 700,000 people out of a population of 17 million, in North Vietnam only.

The social security scheme provides for the payment of retirement, disability and survivors pensions, together with sickness benefits, maternity benefits and employment injury, funded by contributions from employers.

Up until 1995, the responsibility for administering social security has been shared jointly between the Ministry of Labour, Invalids and Social Affairs (MOLISA) and the trade unions, known formally as the Vietnam General Confederation of Labour (VGCL). MOLISA has been responsible for long-term payments (pensions), while the VGCL was responsible for short-term payments (sickness benefits, maternity benefits, and employment injury payments).

4.0 Contributions

In the past, the main contributions for social security were paid by the labour employers. However the contribution levels were low; the management of the contributions to the social security was loose, therefore no social security funds was formed and the fund for the social security was mainly from the State budget, which actually meant a loss to the State Budget.

Based on the following criteria, the employer and the employee must pay social security premiums, on behalf of the employee.

Contribution rate	(%)	Pension and death benefits	Sickness, maternity and workers compensation payments
Employer	15%	10%	5%
Employee	5%	5%	-

4.1 Coverage

Mandatory coverage includes:

- All employees at State-owned enterprise;
- Employees in the private sector, in enterprises which employ 10 workers or more;
- Employees in enterprise with directly invested foreign capital, in export processing zones or industrial parks, in foreign agencies or organizations, or international organizations in Vietnam;
- Employees in party organization or people's organization;
- Employees at enterprises or service organizations belonging to the Armed Force.

Mandatory coverage is not required for temporary employees (less than three months employment).

Voluntary coverage includes:

- Enterprises with less than 10 employees or employees who has a seasonal work term of less than three months. In this situation the employer pays the employee by adding to the salary of the employee, and employee takes the decision to voluntarily participate, or make their own insurance arrangements.

4.2 Membership

As at 31 December 1997, 38,392 employing units which employed 3.16 million insured persons paid contributions to the Social Security Fund.

4.3 Types of Benefits

There are five types of benefits namely:-

i. Sickness benefits
ii. Maternity Benefits
iii. Occupational accidents and occupational diseases benefits
iv. Retirement pension
v. Survivors benefits

4.3.1 *Sickness Benefits - 75% of salary*

There is no time limit before benefits can be drawn.

- 30 days in a year, if social security payments have been paid for less than 15 years.
- 40 days in a year, if social security payments have been paid for 15 years.
- 50 days in a year, if social security payments have been paid for 30 years or more

Those working in heavy, or hazardous occupations receive more generous allowances from 40 days to 60 days per annum depending on the number of years social security payments have been paid. If the Ministry of Health prescribes long term treatment up to 180 days, sickness benefits can be provided.

Parents can receive sickness benefits to care for a sick child under 7 years of age. (if both parents are contributing to social security, only one is entitled to take leave).

- 20 days in a year, if the child is under 3 years of age
- 15 days in a year, if the child is between 3 and 7 years of age

Benefits for absence from work for family planning measures is also granted:

- paid leave of 20 days in cases less than 3 months pregnancy
- 30 days paid leave when more than 3 months pregnancy
- males who have vasectomies are entitled to 15 days paid leave, with benefits, and equivalent for women who have their tubes tied
- Females who have IUD or menstrual regulation are entitled to 7 days leave with benefits.

4.3.2 ***Maternity Benefits - 100% salary.***

Maternity benefits is only applicable to the first and the second child. If the child dies, the mother is entitled to benefits for the third child.

During pregnancy, a woman employee is entitled to 3 leave occasions of absence a month for medical examination - one day for each occasion of leave. If the working woman is far from a medical institution, or some abnormality occurs, the leave is 2 days off for each period. A woman is entitled to 20 days leave if she has a miscarriage under three months, and 30 days off if the miscarriage occurs after three months of pregnancy.

Maternity leave (before and after confinement)

- 4 months for a woman who works in normal conditions
- 5 months for a woman who works in hazardous conditions or on heavy duty job
- 6 months for a woman who works in special areas or special occupations
- Additional leave of 30 days is granted for twins and extra 30 days for each extra child over two, if three is multiple birth

- The woman can take extra leave with the consent of the employer, but that shall not be covered by social security
- The woman may resume work earlier than stipulated above, if she has taken 60 days leave from the date of the child's birth, and has a Doctor's certificate. In such cases, she receives both her salary and maternity allowance
- A male or female can take leave to nurse an infant for 4 months after birth
- At time of child delivery, the women employee is also entitled to a one-time lump sum payment equivalent to one

4.3.3 *Occupational Accidents and Occupational Diseases Benefits*

Coverage includes the workplace, including overtime; outside the workplace when on assignment by the employer, and in route to and from the place of work and residence.

The employer has to pay all medical expenses and salary for the injured employee. A suitable job has to be found by the employer, and a Medical Evaluation Board evaluates the extent of the injury and degree of disability,

A common minimum wage is set by the government and all the benefits listed below are based upon it

A lump sum (from 5%-30%) is given by social security for disability:

Degree of disability (%)	***Lump sum benefit***
5-10	4 months minimum wage
11-20	8 months minimum wage
21-30	12 months minimum wage

A monthly benefit is given for disability over 30%

Degree of disability (%)	***Monthly benefit***
31-40	0.4 times minimum wage
41-50	0.6 times minimum wage
51-60	0.8 times minimum wage
61-70	1.0 times minimum wage
71-80	1.2 times minimum wage
81-90	1.4 times minimum wage
91-100	1.6 times minimum wage

The beneficiary of the monthly benefit who retires from work, is entitled to health insurance covered by the social security fund.

Monthly helper benefits of 80% minimum wage are given to those who lose more than 81% of "labour ability", or who are paralysed.

For an employee killed in a labour accident, survivors benefits are paid as outlined below, plus a lump sum of 24 months of the minimum wage.

4.3.4 *Retirement Pension*

(For this type of benefits, the years of making contributions are important)

A monthly retirement pension is payable if the employee has:

- Reached the age of 60 for a man, and 55 for a woman, and having paid social security premiums for 20 years
- Reached the age of 55 for a man, and 50 for a woman, and having paid social security premiums for 20 years, plus

- Having worked for 15 years in hazardous or heavy-duty occupations, or
- Having worked for a 15 year period in an area with a subsidy index of 0.7% or more or
- Having worked in Southern Vietnam or Laos for 10 years before 30 April 1975, or in Cambodia before 31 August 1989
- Having worked for 10 years in a battlefield or battlefields

A lower monthly retirement pension is payable if the employee has:

- Reached the age of 60 for a man, 55 for a woman and having paid social security premiums for 15 to 20 years
- Reached the age of 50 for a man, 45 for a woman and having paid social security premiums for 20 year, but having lost 61% of "labour ability".
- Regardless of age, spent at least 15 years especially in heavy or hazardous jobs, and having paid social security premiums for 20 years, but having lost 61% of "labour ability".

The list of heavy and hazardous jobs is issued by the MOLISA and the Ministry of Health.

Retirement pension payments:

The amount of monthly pension is based on the number of years covered by social security premiums, and the average of a person's monthly salary.

An employee who has made social security contributions for 15 years will receive a monthly pension equivalent to 45% of the average of that person's monthly salary over a 5 year period. For every additional year of contributions they receive an additional 2%, i.e. after 16 years they receive a monthly pension equivalent of 47% of their average monthly salary. The maximum amount payable is 75% of the average of an employee's monthly salary.

In addition, employees who have paid contributions for over 30 years will receive an additional lump sum payment. The calculation is based on half of the average monthly salary for each year over 31 years. The maximum lump sum is 5 months average salary.

All employees on monthly pensions have the 3% health insurance payments paid by the Vietnam Social Security to the Vietnam Health Insurance Organization.

For those who retire prematurely, as outlined above, 2% of the contributions shall be deducted for each year. The lowest pension payable is equal to the minimum wage.

Those who choose to retire, or cease to work before the retirement age can receive a lump sum benefit equivalent to a month of their average monthly salary for each year covered by social security - or they can wait until they reach the retirement age to enjoy the monthly pension.

Calculations are based on a weighted average of the employee's monthly salary over the five years immediately before retirement.

An employee, or pensioner, who resides abroad may mandate a relative in Vietnam to receive the monthly pension.

4.3.5 ***Survivors Benefits:***

When an employee contributing to social security dies, the following benefits are provided:

- The undertaker is paid the equivalent of 8 minimum monthly salaries. Relatives of the employees who have paid 15 years, or who receive the monthly retirement pension, or who are receiving a monthly pension due to a work related accident
- Children below the age of 15 are entitled to a monthly benefit
- If children are still going to school, they are entitled to the benefit until the age of 18 years
- The parents of both husband and wife, and the spouse and the legal custodian who have past the working age, are entitled to a monthly benefit.

Dependents of contributors are defined as those normally living in the same household.

The monthly benefit is equal to 40% of the minimum wage and at present is VND144,000 per month. In the event that the dependent has no other source of revenue, and no other kind for direct support, this monthly benefit is equal to 70% of the monthly wage.

Up to 4 dependents can be paid.

If no dependent is eligible for the monthly payment, the family receives the benefit in one payment. This lump sum payment is based on the period of time the employee has contributed to social security with each year equivalent to half of the average of their monthly salary.

The lump sum payment is different if the employee who dies is already on a pension. It is based on the period of time that a pension or allowance has been paid, i.e. in the first year of retirement, it shall be equal to 12 months of pension or allowance. From the second year on, each year shall be a deduction of on month of pension or allowance. The minimum payment is equal to 3 months of pension or allowance.

5.0 Taxation

Social security benefits, including pensions, are exempted from taxation.

6.0 The Fund

Total Assets

Year	VND Million
1996	6,975,787
1997	8,752,862

Fund Expenditure

Year	**VND Million**
1996	4,791,018
1997	5,752,853

6.1 Investment of the Social Security Fund

With the approval of the Management Board, and in compliance with the Regulations of the Prime Minister, the Social Security Fund currently has to be invested in designated government financial institutions. The Management Board of Vietnam Social Security is clearly entrusted with the responsibility of managing the Fund of the Vietnam Social Security and increasing the Fund's size.

The principle guidelines for the investment of the Social Security Fund are to:

- Maximise Safety
- Derive Profits
- Develop the Economy and the Society
- Maximise Flexibility

On 1 October 1995 the Fund was given the right to invest. On 1 August 1996 the Social Security Organization was given approval to broaden its investment parameters to permit investment to:-

- Create Employment
- Lend to Enterprises

As of December 1997, the interest which was derived from the investment of the contributions to the Social Security Fund is 209, 719 million VND.

7.0 **Staff**

Vietnam Social Security has branches in all 61 provinces and cities and 602 districts. The staff for all the system is 5,423.

7.1 **Key People**

MANAGEMENT BOARD OF VIETNAM SOCIAL SECURITY

7.1.1 ***Chairman***

Ho Te, *former Minister of Finance*

7.1.2 ***Members***

Le Duy Dong, Vice Minister of Ministry of Labour, Invalids and Social Affairs
Tao Huu Phung, *Vice Minister of Finance*
Hoang Minh Chuc, *Vice Chairman of Vietnam General Confederation of Labour*
Nguyen Huy Ban, *Director General, Vietnam Social Security*

7.1.3 ***Management of Vietnam Social Security***

Nguyen Huy Ban, *Director General, Vietnam Social Security*
Nguyen Thanh Xuyen, *Deputy Director General, Vietnam Social Security*
Pham Thanh, *Deputy Director General, Vietnam Social Security*