

MINISTRY OF LABOUR AND SOCIAL WELFARE



***SOCIAL SECURITY
ORGANIZATION***

**LONG-TERM BENEFITS
UNDER SOCIAL SECURITY SYSTEM FOR
PRIVATE SECTOR EMPLOYEES
IN LAOS**

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Outline

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2. Fund
3. Benefits
4. Long-term benefits
 - 1) Retirement benefits
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 - 3) Survivors' benefits
5. Lessons learnt

Social Protection Systems in Laos

<u>System</u>	<u>Target</u>	<u>Source of fund</u>	<u>Benefits</u>
State Authority Social Security (SASS)	Public sector	Contributions: + 8% from state employee + 8.5% from Government	8 types of benefits
Social Security Organization (SSO)	Private sector	Contributions: + 4.5% from employee + 5% from employer	8 types of benefits
Community Based Health Insurance (CBHI)	Community	Contributions: Fixed amount based on family size	Health care
Health Equity Fund	The poor	Government	Health care
Social Assistance	Victims	Government	Humanitarian services
Private Insurance	General Public	Different premiums	Life and property insurance

1. Background of SSO

- SSO is established in 1 June 2001
- It is created as an autonomous public body under the supervision of Ministry of Labour and Social Welfare
- It's governed by a Board of Directors composed of 11 members representing of employers, employees and government.

1. Background of SSO: Scope of application

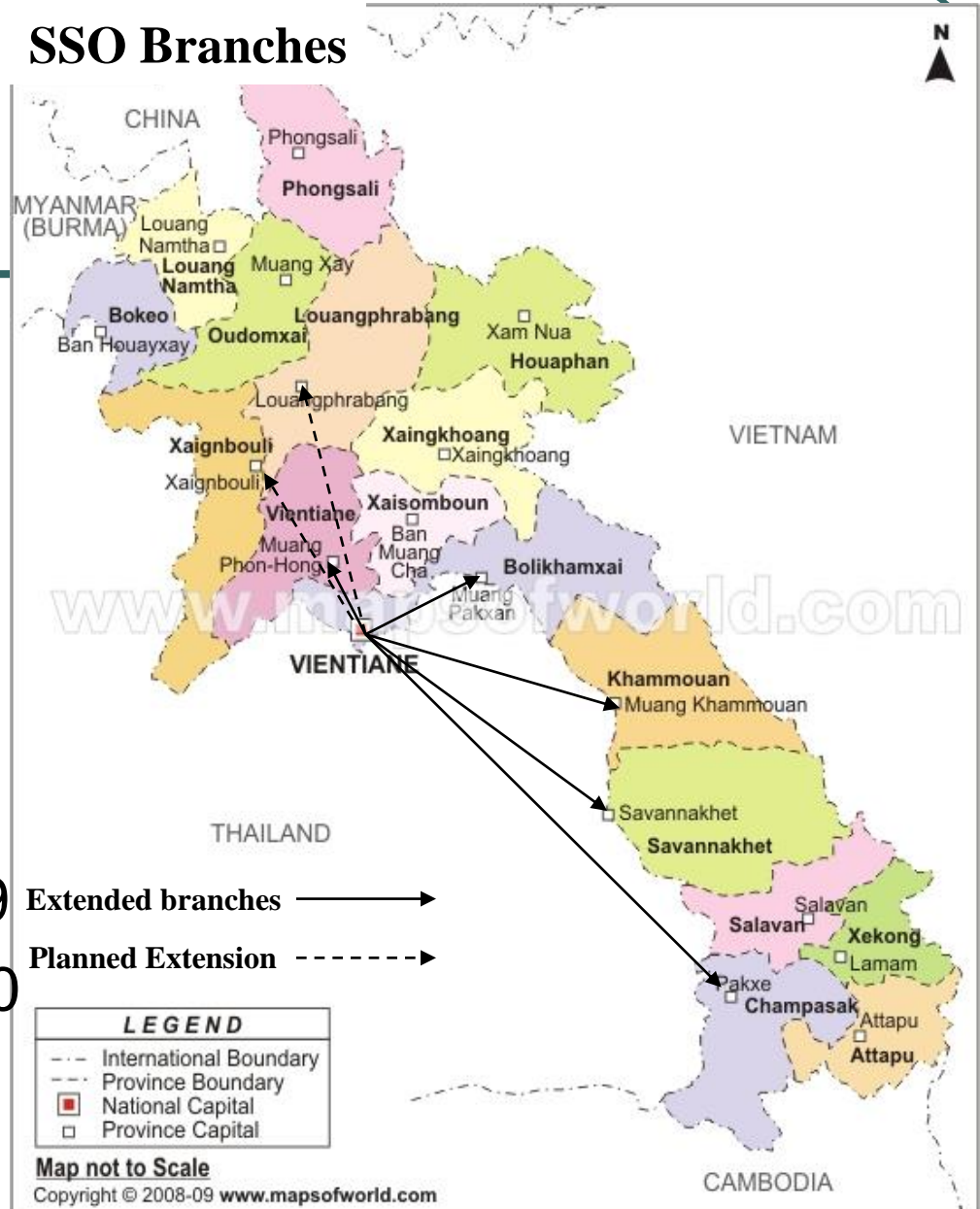
- A compulsory scheme for all employers (including SOEs) with 10 or more employees
- Smaller employers can voluntarily join the scheme

SSO Expansion of Coverage

Established in 6 provinces (of 18 provinces) including:

- Vientiane Capital 2001
- Vientiane province 2003
- Savanakheth province 2005
- Khammouan province 2006
- Bolikhamxay province 2009
- Champasack province 2010

SSO Branches



Current memberships

- Registered Employers: 679 enterprises
- Registered Employees: 49,672 persons
- Total number of health care beneficiaries: 97,067 persons in which:
 - Insured persons 47,599 persons
 - Spouses 20,909 persons
 - Children <18 28,559 persons

2. Fund: Sources of SSO Revenues

- Contributions: 9.5% of monthly earnings which include:
 - 5% from Employer and 4.5% from Employee
- 9% of 'fictional' monthly wage from voluntarily insured person
- Interest or fine from delayed payment of contributions or breach the Law
- Revenues from investment

2. Fund: Contribution allocation

The 9.5% contribution is divided into 4 sub-funds:

- Health Insurance fund 2.2%
 - Short-term benefits fund 1.3%
 - Working injury and occupational disease 0.5%
 - Long-term benefit fund 5.5%
- Total: 9.5%**

3. Benefits

1. Working injury and occupational disease benefit;
2. Health care benefit;
3. Sickness benefit;
4. Maternity benefit and birth grant;
5. Funeral grant;
6. Retirement benefit;
7. Invalidity benefit;
8. Survivors' benefit.



4. Long-term Benefits

Type of benefits:

1. Retirement benefit (Old-age pension)
2. Invalidity benefit
3. Survivors' benefit

4.1 Retirement Benefit

- Type of benefits:
 - **Retirement pension**, a monthly benefit for an insured person who has reached the retirement age of **60**; and has paid contributions for ***at least 5 years or 60 months***.
 - **Retirement grant**, a single lump sum payment for an insured person not qualifying for a retirement pension at retirement.

Retirement Age

- **Normal retirement:** the normal retirement age is 60.
- **Early retirement:**
 - 55 years of age.
 - 0.5% reduction in pension per month for the period before age 60.
- **Deferred retirement:**
 - 0.5% increase in pension for each monthly contribution made after age 60—given for only the period of 60 - 65 years of age.

Calculation of Retirement Benefits

1. Retirement Pension (Old-age pension)

Total pension points * Average insured wage * 1.5%

2. Retirement grant (Lump sum payment)

Total Pension points * Rate of contributions to
pension fund * Average insured wage * 12

Pension points

- **Contributory pension points:**
 - = Individual's average monthly insured earnings *divided by* the average monthly insured wage of all contributors in the same calendar year.
- **Contribution-free pension points** (for periods when insured persons receive benefits from SSO):
 - = *Average pension points per month* of the 24-month contributory period preceding the month when benefit payments commenced.
- **Free pension points:**
 - = 0.8 point/year; for insured workers older than 30 years of age at the outset of the scheme; with a maximum grant of 15 years.

The average insured wage

- The average of monthly insured earnings of all contributors in the calendar year before the year when an individual's retirement pension is calculated for the first time.
- Assessed annually, prompting the recalculation of the pensions for those who have been receiving pensions for at least 12 months.
- Making pension inflation-proof.

4.2 Invalidity benefits

1. Invalidity Pension

- For insured workers with permanent loss of working capacity with a loss of 80% in working capacity.
- At least 5 years or 60 months of contributions

2. Caretaker benefit: payable to persons taking care of invalidity pensioners who need part-time or full-time attendance.

Calculation of Invalidity pension

- Similar method as with a retirement pension.
- Pension points for the number of years of invalidity until the age of retirement are provided on annual basis equal to pension points gained for the years prior to the invalidity.

Calculation of Caretaker Benefit

- The rate of Caretaker Benefit shall be equal to 50% of the minimum wage for a part-time Caretaker (under 6 hours/day).
- And 100% of the minimum wage for a full-time Caretaker (at least 6 hours/day).

4.3 Survivors' Benefits

- **Eligibility:**
 - To be paid to surviving members of the family at the death of an insured worker;
 - At least 5 years or 60 months of contributions have been made by the deceased insured person.

Types of benefits

1. **Adaptation benefit:** for the surviving widow/er or orphans
2. **Widow/er pension:** for a surviving widow or widower
3. **Orphans' pension:** for surviving orphans

Adaptation of benefits

- Equal to 80% of the deceased's average monthly insured earnings within 12 months preceding the death.
- Payable for a period of 12 months.

Total sum

Widow/er pension

- The surviving widow satisfying at least one of the following conditions:
 - (i) she is supporting a child under 18,
 - (ii) she is aged 44 or older, or
 - (iii) she is deemed invalid
- A widower is only entitled to a widow/er pension if he is deemed invalid.
- Equal to 60% of the invalidity pension that the deceased would have received.

Orphans' pension

- The surviving orphans satisfying at least one of the following conditions:
 - (i) they are under 18 and unmarried,
 - (ii) they are single and deemed invalid.
- Equal to 20% of the invalidity pension that the deceased would have received. If many orphans, the pension shall not exceed 60% of the reference amount.

Total Survivors' pension

- The total rate of all survivors' pensions payable for one death shall **not exceed** 100% of the reference amount in case of death of an insured person.

5. Lessons learnt

- SSO's long-term benefits obviously provide the insured and dependants with greater opportunity to access to social protection because of their simple qualifications for benefit entitlement:
 - Beneficiaries = the insured (pensioners), spouses and children under 18
 - Prominently short qualifying period
 - Free pension points for 31+ at the beginning of SSO
 - Voluntary re-insurance for unemployed members = the insured can maintain their pension rights.

5. Lessons learnt (cont)

- SSO's long-term benefits significantly contribute to maintaining the wellbeing of their members at a certain level and take part in the Government's mission of poverty reduction for the Lao people because of their comprehensive packages:
 - A monthly payment for life
 - + A Healthcare benefit, and
 - + A Funeral grant*

* not available in case of survivors' pensions.

5. Lessons learnt (cont)

- The tripartite form of Board of Directors is a vital factor influencing the policy and services at SSO.
- The rights of workers to social security are acknowledged by law.
- The long-term benefits are adjusted automatically upon the change in the averaged insured earnings, maintaining the value of pension received by the pensioners
- Home visits to pensioners with severe physical or health problems help maintain good relationships btw SSO and its members and improve public perception on SSO.

Next step

- Improve compliance rate through workable enforcement measures.
- Maintain the stability and viability of the Long-term Benefit Fund.
 - The 2006 ILO's actuarial review: With current contribution rate, Long-term benefit fund will remain viable until 2042 in the pessimistic scenario and until 2056 in optimistic projection.
- Explore better mechanisms to monitor the entitlement of individual beneficiaries and reduce workload of SSO with benefit payment.

**MANY THANKS
FOR YOUR ATTENTION**