

SOCIAL INSURANCE SYSTEM IN VIETNAM



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Outline

- Social Insurance in Vietnam from 1961-1995
- Social Insurance in Vietnam from 1995 - present
- Pension Mechanism
- Tax Treatment

Social Insurance in Vietnam from 1961-1995

- Structure
- Membership
- Benefits
- Contribution Mechanism

Social Insurance System

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graph TD; A[Social Insurance System] --> B[MOLISA]; A --> C[VGCL]; B --> D[Long-term Benefits]; D --> D1[•Pension]; D --> D2[•Early Retirement]; D --> D3[•Survivorship]; C --> E[Short-term Benefits]; E --> E1[•Sickness]; E --> E2[•Maternity]; E --> E3[•Occupational accident and diseases];
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MOLISA

VGCL

Long-term Benefits

- Pension
- Early Retirement
- Survivorship

Short-term Benefits

- Sickness
- Maternity
- Occupational accident and diseases

MOLISA: Ministry of Labour, Invalids, and Social Affairs
VGCL: Vietnam General Confederation of Labour

Membership

- Officials of government administrative bodies
- Employees of state owned enterprises
- Members of Party's organisations

Benefits

- Pension
- Early retirement
- Survivorship
- Sickness
- Maternity
- Occupational accident and diseases

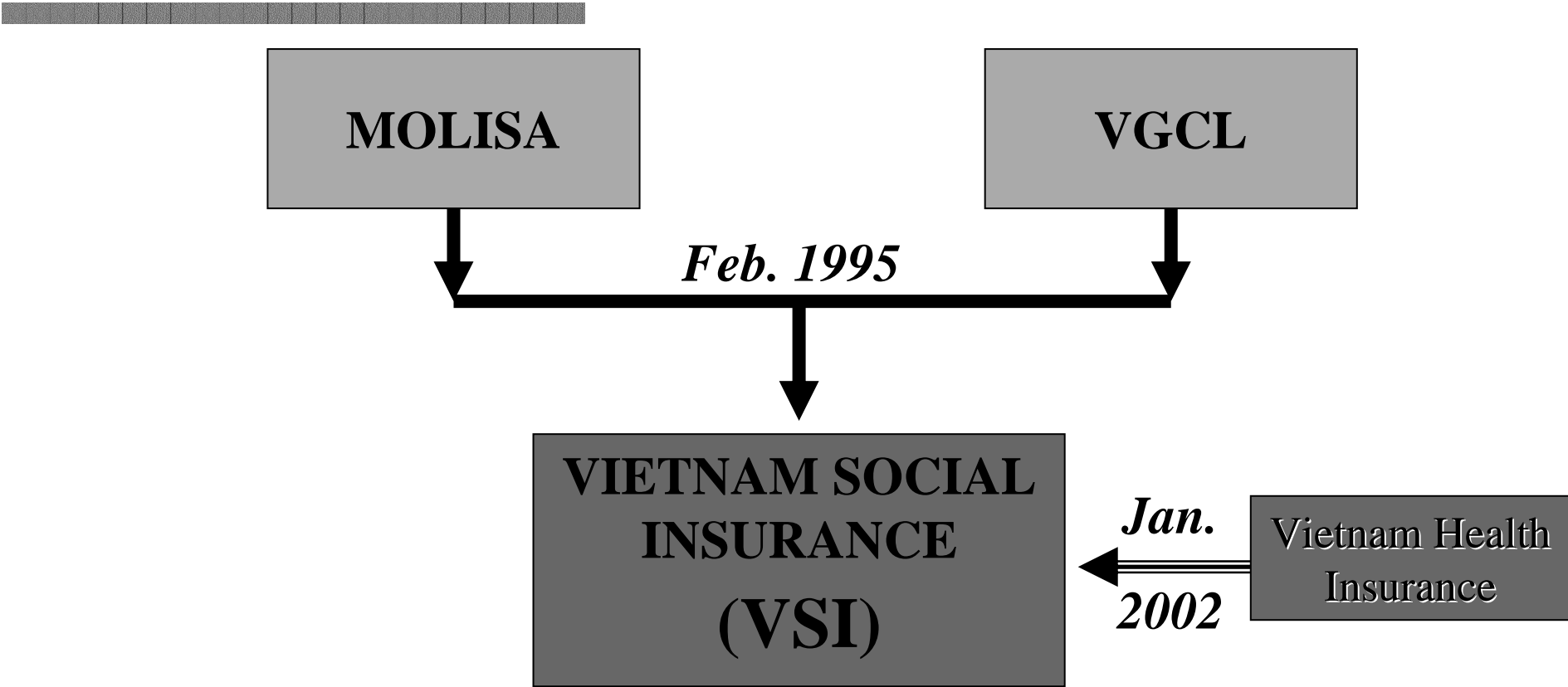
Contribution Mechanism

- Employers and organisations
- State budget
 - During the period from 1990 - 1995, the State budget covered over 90% total expenditures of the social insurance activities

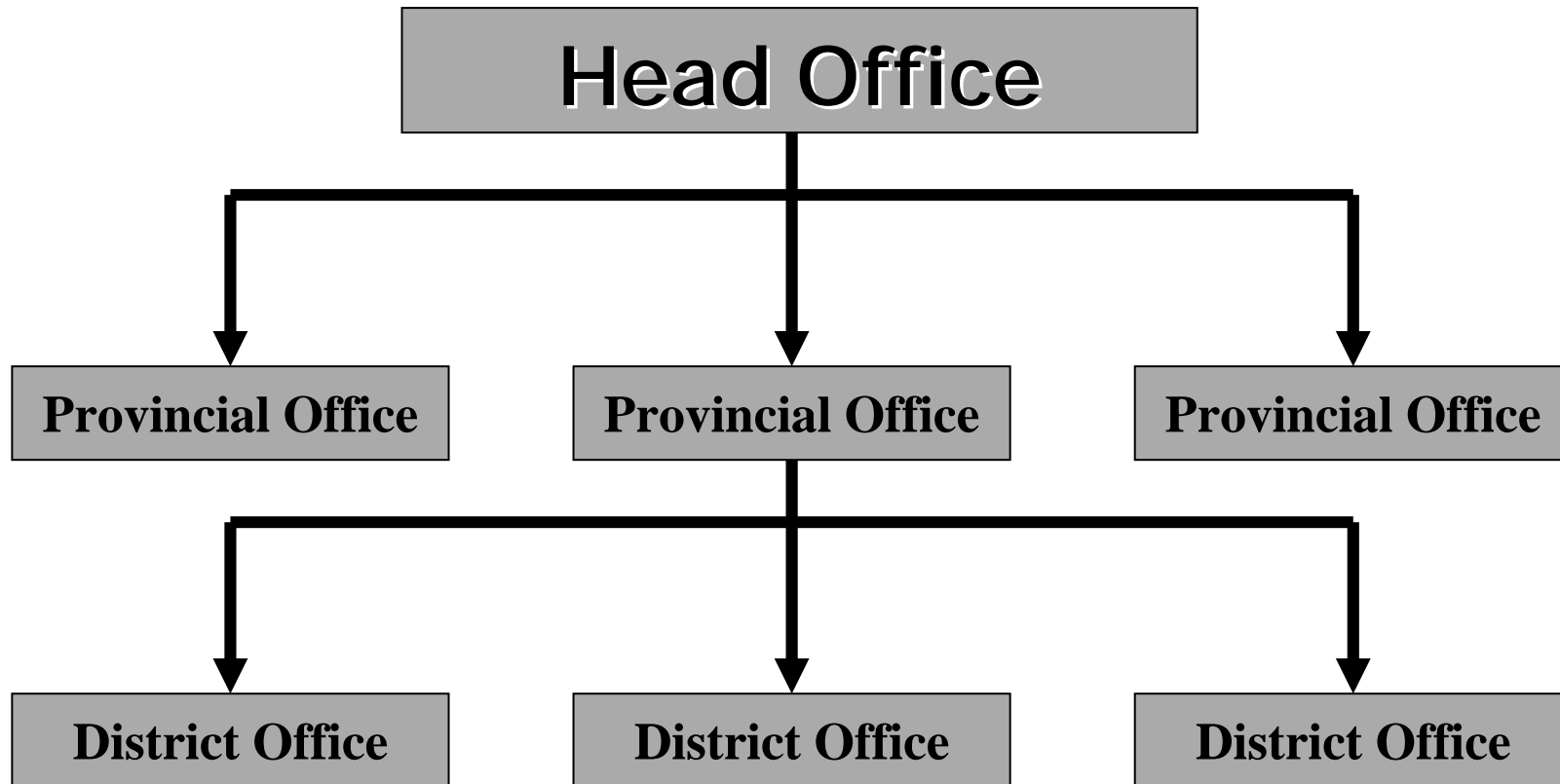
Social Insurance in Vietnam from 1995 - present

- Establishment of VSI
- Organisation of VSI
- Membership
- Contribution Mechanism and Benefits
- Operation of VSI

Establishment of VSI



Organisation of VSI



Membership

- Employees of state owned enterprises
- Employees of non- state owned enterprises with 10 employees or more
- Employees of foreign invested enterprises, foreign organisations
- Employees of governmental administrative bodies, government's activities
- Members of Party's organisations

Contribution Mechanism and Benefits



System	Program	Contribution % Wages		Benefits
		Employer	Employee	
Social insurance	Pension and death benefits	10%	5%	-Pension Survivorship
	Sickness, maternity, and workers' compensation	5%	-	Sickness Maternity Occupational accident and diseases

Operation of VSI

- Sources of Income
- Expenditures
- Investment Activities
- Allocation of Investment Income

Sources of Income

- Contributions of employers: 15% basic salary of employees
- Contributions of employees: 5% basic salary of employees
- Contributions and Supports from the State Budget
- Investment Income
- Other assistance and supports

Expenditures

- Pension benefits
- Survivorship benefits
- Sickness benefits
- Maternity benefits
- Occupational accident and diseases benefits
- Health insurance contribution
- Other (delivery, administrative expenses and expenses on buldings...)


Investment Activities

- Interest bearing bonds or securities issued by the government or commercial banks, state treasury bonds
- Direct loans to the national budget, national investment fund and state commercial banks
- Public development projects and enterprises subject to approval of the Prime Minister

Allocation of Investment Income

- 50% to pay social insurance benefits
- An amount (equal to 4% revenue from social insurance contributions) to cover current administration expenses
- An amount (average salary for 3 months) to set up bonus and welfare funds
- Remaining amount allocated to capital expenditures

Pension Mechanism

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- General Features
 - Conditions
 - Benefit Fomular

General Features

- A legal and independent accounting entity under the direct guidance of the Prime Minister but subject to the management of MOLISA
- Mandatory participation to all employees
- Defined benefits indexed to average monthly salary and years of contributions
- Pay-As-You-Go basis

Conditions

Pension benefits are available:

- 20 years of contributions, age at 60 for men and 55 for women (normal retirement age)
- 20 years of contributions, age at 55 for men and 50 for women (5 years earlier for employees):
 - Working in hazardous occupations
 - Living in designated areas and war veterans

Benefit Fomular


$$\text{Monthly pension benefit} = \text{AMS} \times (0,03 \times 15 + 0,02 \times (\text{YoC} - 15))$$

AMS: Average Monthly Salary

YoC: Years of Contribution

Service factors: 3% for the first 15 years and 2% thereafter

AMS = Weighted Average Monthly Salary for last 5 years if the employee's contribution calculated by the state salary system

= Weighted Average Monthly Salary for the period of service if the employee's contributions both calculated by the state salary system and non-state salary system

Minimum Basis Salary \leq Monthly pension benefit \leq 75% AMS

Tax Treatment

- Employer contributions are CIT deductible expenses
- Employee contributions are PIT deductible expenses
- Pension benefits are PIT deductible expenses