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Chairman's Statement

We are seeing signs of the global financial crisis abating, and the world economy stabilising, supported by government interventions in many countries including ASEAN countries. While the outlook for our region may have improved, a return to days of heady growth is probably unlikely, given the structural changes that the global financial and economic architecture has undergone through this crisis.

In the near term, the outlook remains challenging. Notwithstanding recent improvements in sentiment, the IMF still expects the world economy to contract by 1.4% in 2009, its lowest rate in 60 years, and to recover in 2010 to 2.5%, half the rate it grew in 2007.

Even when world GDP picks up, unemployment is projected by the International Labour Organisation (ILO) to continue rising at least until the end of 2010, and maybe 2011. Social security systems and safety nets will therefore continue to be pivotal in softening the impact of this deep downturn on individuals and families

In this newsletter, our ASSA members share with us the measures they undertook to prevent the economic crisis from becoming a full-scale social crisis. Several have implemented short-term relief measures, while others have opted to make structural changes to strengthen and even expand on their social security systems. These initiatives would ease economic hardship of many and support the recovery to growth.

While this recent economic decline has been sudden and deep, growth will eventually return, albeit at a slower pace than what many would desire. Our other challenge on the horizon is much slower to develop, but much longer lasting with far-reaching impact. This is the pension time-bomb, as many like to call it.

A recent study by the Asian Development Bank on "Ageing Asia's Looming Pension Crisis" concluded that the entire region in Asia, including most ASEAN countries, will have a much grayer demographic profile by 2050. Even countries that are slower to gray may have one in five people aged 60 and above. In absolute numbers, elderly populations in most ASEAN countries are expected to triple or more.

Structural reforms to address the longer-term challenges of an aging population will need to be holistic and involve all sectors. Within the pension sector, the solutions undertaken by ASSA members can be expected to be as varied as our pension systems are. Our schemes were after all set up to meet different priorities and expectations, and have evolved differently as our circumstances and constraints change. What we have in common however, are our resolve to tackle the issues early, and a willingness to share our experiences, so that we can learn from one another and better develop innovative solutions for our unique situation.

I would like to thank all ASSA member institutions for your insightful contributions to our discussions, this year, with social security concerns at the fore, as well as for your strong support for Singapore's Chairmanship of ASSA. I would also like to welcome the incoming Chairman of ASSA, Dr Winai Sawasdivorn, Secretary-General of the National Health Security Office of Thailand, and I look forward to continuing our dialogues on ASEAN social security issues.

Liew Heng San
Chairman,
ASEAN Social Security Association
Chief Executive Officer,
Central Provident Fund Board,
Singapore

Secretary-General's Statement

A crisis is a lesson-in-progress. Taken in the right spirit, a crisis offers a distinctive opportunity to frame, discuss and learn from the challenges that confront the world today.

ASSA member institutions are well-positioned to come together and share their experiences of the twin crises of recent months – the global financial meltdown and the H1N1 flu pandemic.

Both phenomena share a reach that spans the globe, and show how interconnected the world has become, and how crucial the well-being of our neighbours' socio-economic systems are.

This issue's newsletter examines how ASSA member institutions are dealing with the aftermath of the financial crisis. While our approaches to handling the crisis may differ, the challenges we face are similar – rising unemployment amid economic contraction and poorer investment performance by many pension funds.

Amid the challenging economic conditions, individuals have been looking to their governments for security, aid and support. Our governments have responded and taken positive action in the past few months.

Indeed, ASSA member institutions have introduced various ways to cope with the impact of the economic crisis. For example, EPF Malaysia allows its members to voluntarily opt to reduce the employee's monthly contribution rate by three per cent (from 11 per cent to eight per cent) to increase their take-home pay. In the Philippines, the SSS has extended its amnesty programme for delinquent short term loans to Dec 31 this year, to give its members more time to settle their unpaid loans. The Singapore Government took a different approach to encourage businesses to preserve jobs in the downturn. It introduced the Jobs Credit Scheme where businesses will receive a cash grant based on the CPF contributions they have made for their existing employees. Going forward, we can and should draw on our diverse strengths to build more robust social security programmes for our members. In this respect, we had at the last Board Meeting, taken the first step to categorise ASSA member institutions according to the types of benefits provided. This will facilitate sharing and learning of our various strengths among the ASSA community. Following this initiative, we are pleased to inform all members that the ASSA website has been enhanced to accommodate this new categorisation to facilitate the search of related information online.

The close co-operation and sense of mutual respect among our member institutions have helped ASSA to make creditable advances as a regional group. I am grateful to all members for their support during my term as the ASSA Secretary-General. Going forward, I would like to extend my best wishes to the incoming Chairman, Vice-Chairman and Secretary-General of ASSA.

Don Yeo
Secretary-General,
ASEAN Social Security Association
Deputy Chief Executive Officer,
Central Provident Fund Board,
Singapore

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EPF: Easing members through the storm

The world is in the midst of what threatens to be one of the worst economic downturns in history. What started as a sub-prime crisis in the United States has developed into an economic turmoil of global proportion, of which the effects have potentially, or already, put the lives of many at risk.

As Malaysia's premier retirement fund and a social security organization to its 12 million members, the Employees Provident Fund (EPF) is mindful of its responsibility to help its members weather the storm. In this respect, the EPF has long put in place a number of pre-retirement withdrawals that can assist members during tough times. While these withdrawals were essentially introduced to help members prepare towards a secure retirement, they are also able to provide members with a little financial breather to assist them through the economic slowdown.

During a financial crisis, the risk of losing the roof over one's head may be the single most distressing matter one could face. To help address such anxiety, the EPF has in place three types of pre-retirement withdrawals that can help members manage their housing loans.

Firstly, the EPF allows members, with sufficient funds, to withdraw part of their EPF savings from their Account 2 (or pre-retirement account) for the purpose of purchasing or building a house. Secondly, these members are also allowed to make annual withdrawals to reduce their housing loans. The third withdrawal allows members to withdraw part of their savings to help them service their housing monthly instalments. As home ownership forms an integral element in retirement security, these withdrawals are very much in line with the objective of enhancing members' retirement prospects.

The global financial crisis has also resulted to an increase in unemployment. Those who have lost their jobs however may use this opportunity to upgrade their skills and knowledge by pursuing their education to an advanced level, which will increase their chances of a better career when the economy recovers.

For the benefit of members who wish to further their studies at a tertiary level, the EPF allows members to withdraw part of their savings from Account 2 to pay for their tertiary education fees, as well as those of their children's. This is in keeping with the Fund's objective of nation building as education is believed to be the foundation of a successful and prosperous nation. Additionally, a higher qualification offers the opportunity for graduates to earn a higher salary and in turn contribute more towards their retirement fund as well as improve their living standards.

Despite the economic downturn, no one can stop himself or herself from falling very ill. With the cost of hospitalisation continuing to increase, this would prove to be very disheartening for many. Fortunately, the EPF allows members to withdraw part of their savings from their Account 2 to fund their medical expenses for critical illnesses, or those of their immediate family members. This would at least lighten the load of members, especially those who have financial limitations and are not covered by insurance.

In addition to providing members the option to make the pre-retirement withdrawals discussed above, the EPF has recently implemented a temporary measure to help put more money in members' pocket during the economic slowdown. With effect from January 2009 and for a period of two years, EPF members can opt to benefit from the reduction of the employees' monthly statutory contribution rate by three per cent, from 11 per cent to 8 per cent. The move serves to increase members' disposable income, which consequently helps to support domestic consumption and sustain Malaysia's economic growth. However, the reduction in contribution rate is only voluntary and members who wish to maintain the contribution rate at 11 per cent may still choose to do so.

All of the above measures are designed to ensure a better future for its members while, at the same time, helping them cope with financial burden in the wake of the global crisis. No one can be certain how long the economic uncertainty will last but as a social security organisation, the EPF has to continue to play its role in helping members survive the challenging times ahead.

GSIS: Still at the top

The Government Service Insurance System (GSIS), Philippines's largest social security institution with nearly P444-billion in Social Insurance Fund (SIF) on hand, continues to exercise prudence in its investment strategies, as world economies continue to suffer a financial crisis.

The cautious move is in light of a global economic meltdown that has caused numerous banking institutions and world markets to plummet in 2008. The GSIS, the top earning Philippine government enterprise to date, however, vows to keep a diversification strategy that would allow it to tap other attractive markets, particularly those overseas.

In April 2008, the GSIS, through fund managers ING and Credit Agricole invested in foreign-denominated investments in a very ambitious move called the Global Investment Program (GIP). Each fund manager was given a mandate of $300-million to invest in different securities abroad.

Cautious on the investments made under the GIP, the GSIS required ING and Credit Agricole to comply with the absolute return requirement of an eight percent floor limit in annual return on investments and a ceiling of seven percent on the portfolio volatility.

GSIS' investments under the GIP are fully diversified, not only geographically but also in terms of asset class, thus hedging it from the effects of the current US market collapse.

Five months into the program, the GIP posted an impressive growth in the total value of investments of 5 percent to P1.245 billion.

"We are, however, happy with our GIP because it faired better a lot, lot better than our local investments," the GSIS President and General Manager Winston F. Garcia said.

To recall, the PSEi dropped 49 percent of its market capitalization to P4.059 trillion in 2008 from P7.978 trillion as of end December 2007 as the market succumbed to heavy selling from foreign investors.

After five years of steady climb on the back of sound macroeconomic conditions, the Philippine Stock Exchange lost its steam due to financial crisis in the United States that sent many stock markets around the world plunging.

As negative developments overseas continue to pile up, foreign investors also opted to sell their shareholdings in most Asian markets in order to raise much needed capital for their parent firms in United States and Europe.

As a result, the PSEi ended 48.3 percent lower last year to 1,872.86 versus 2007's close of 3,621.6. All sub indices namely financial, industrial, holding, property, services, mining and oil and small and medium enterprises closed lower compared to a year ago levels.

"On hindsight, it was fortunate for us to invest overseas in 2008. We will continue with the program but we have to let the dust settle first. Now that the garbage is coming out we will now know who are really affected by the financial crisis," Mr. Garcia said.

According to the GSIS chief, it is inevitable for the pension fund to seek market opportunities abroad simply because of the declining investment opportunities here in the Philippines.

He added the local economy, including the global financial market, may already see a recovery this year as people now have the benefit of hindsight. “I think we have reached the bottom and the volatility will be sideways.”

Despite financial woes, the GSIS proved its resilience and remained the top earning government enterprise in 2008 with a record-breaking net income of nearly P53 billion.

Based on 2008 unaudited financial results, the GSIS outperformed last year's net income by an overwhelming 27 percent, on the back of improved collections and the sale of the pension fund’s shares in Manila Electric Company (Meralco).

On top of this, the GSIS also improved its income from loans and investments by 24.40 percent in 2008 to P42.87 billion from P34.46 billion a year ago. This, as the state-run pension fund remained prudent on its investments strategy last year.

Investment income contributes significantly to GSIS’s coffers, enabling the state-run pension fund to maintain a healthy actuarial life.

The net assets of the GSIS’s Social Insurance Fund (SIF), a pool of fund held in trust for social insurance benefits, meanwhile grew by around 9.46 percent to P443.99 billion last year from P403.78 billion in 2007.

The net assets will answer for the future claims and benefits of its combined 1.4 million members and pensioners.

“This is evidence of hard work. We implemented new policies that could help improve our services, made prudent investment decisions, and grabbed great opportunities that came along our way,” GSIS President and General Manager Winston F. Garcia said.

The GSIS chief is particular of the sale of the pension fund's 27 percent stake in Lopez-led Manila Electric Company (Meralco) to San Miguel Corporation (SMC), which will inject P13 billion into GSIS' coffers over the next three years.

“Our entry into Meralco was an investment and we expected to make money from this investment. An opportunity to sell at a very high premium came up and we took advantage of it. We have an obligation to our members and we cannot pass up this opportunity,” Mr. Garcia said regarding the sale.

The GSIS is the top earning government enterprise, to date. It also ranks as the second government enterprise with the biggest asset base.

It looks forward to another banner year as it turns on a new leaf this 2009. It remains optimistic it will continue to improve its financial standing and post record-breaking disbursement of loans, claims, and benefits.

PhilHealth
increases benefits by 35%

Experts note that the 2008 global financial crisis is one of the most serious crisis to hit the world economy since the Great Depression. Even as it started in the more developed countries, the Asian markets soon felt the effects of the economic contraction. Unemployment rose and real wages declined in many sectors. At a time of increased needs for social security, diminished spending for such from the government, private sectors and the members themselves can be expected.

To ensure financial protection of its members, the Philippine Health Insurance Corporation (PhilHealth) increased subsidies for hospitalization fees and professional charges of physicians for confinements starting 05 April this year.

Dr. Rey B. Aquino, President and CEO of PhilHealth said that the inpatient care benefit ceilings have been raised substantially, such that the aggregate effect on annual benefit payments is expected to increase by 35%. This is the first in seven (7) years since its last upward benefit increase in 2002 and the most expansive since the start of social health insurance in the Philippines almost 40 years ago. "We have recognized the fact that rapid inflation has somehow reduced the significance of our existing benefit levels. There is an urgent need therefore to adjust our subsidies to meet the rising cost of hospitalization among our members", explains Aquino.

He said that while the increase in allowances for hospital room and board fees is moderate, "... increases in some of the other benefit items are more than 100 percent, as in the case of drugs and medicines for Case Type B illnesses in Primary Hospitals, where an increase of about 260 percent is demonstrated, from P2,500 to P9,000 per single period of confinement".

Under the new inpatient package, allowances for x-ray and other laboratory exams grew by as much as 76 percent, while maximum benefit amounts for the professional fees of accredited physicians rose by as much as 136 percent for general practitioners and specialists combined. "These benefits were increased in varying degrees across all case types (or illness types) as applicable, in participating tertiary, secondary and primary hospitals nationwide", Aquino stressed.

He added that anesthesiologists and surgeon's fees were also increased to amounts that are more meaningful to availees based on PhilHealth's recently-approved tiered payments for professional fees and the revised valuations for certain surgical and medical.

The increase in benefit ceilings comes without any increase in premium contributions so as not to burden our members especially now that the country is feeling the pinch of the ongoing global economic crisis.

In response to another crisis, PhilHealth likewise released a special package for those who contract A(H1N1). Members can avail of benefits by as much as P75,000 and health professionals who contract the disease in the line of duty by as much as P150,000.

PhilHealth is the mandated agency to provide for universal social health insurance coverage. To date, about 84% of the population is covered by PhilHealth. Likewise, more than 90% of all hospitals in the country are accredited by PhilHealth.

Dr. Aquino is also the Vice Chairman of the Philippine Social Security Association (PHILSSA), the umbrella organization of social security agencies in the Philippines.

SSS updates: How global economic crisis may affect SSS

SSS OPERATIONS CAN BE DISAGGREGATED AS:

$$C + IE \geq B + OE$$

Where C=contributions collection, IE=investment earnings, B=benefit payments, and OE=operating expenses.

As Filipinos become unemployed due to shutdowns here and abroad, we can expect C to slow down. March 2009 DOLE figures show that, so far, 5,400 OFWs and 35,300 local workers have been displaced due to the crisis. This translates to a minimum reduction of P404 M in contributions collection annually, assuming no correponding payments from new members.

The second impact is on SSS investments. As returns across asset classes fall, so do SSS' earnings. The bulk of SSS assets are in government securities which are the safest stores of value especially in times of crisis. If the government were to finance its stimulus spending thru bonds, attracting funders requires offering better-than-prevailing market rates, dampened only by liquidity searching for decent returns in a gloomy environment. SSS also has an equity exposure amounting to P42 billion whose value rises or falls with the rest of the market. Thus far, the stock market has fallen 55% from its peak in October 2007. Dividend earnings would also be moderated by lower net incomes of investee firms. Real estate values, on the other hand, remain weak with asset price recovery anticipated to be prolonged.

Clamor for additional benefits for SSS members could be expected if the economic slowdown further deepens or prolongs. The provision of unemployment insurance would hinge on how financing will be structured.

On a slightly positive note, the deflationary effect of recession could benefit SSS operating expenses via lower purchase cost of materials, equipment, rentals and some services, subject only to a ratchet effect. As a rough meter, the inflation rate is expected to slow down from 9.3% in 2008 to 3.5% in 2009.

SSS extends loan amnesty to December 31

SSS has extended its amnesty program for delinquent short-term loans by eight more months until December 31 this year to give members more time to settle their unpaid loans.

The amnesty covers delinquent short-term SSS loans such as salary, calamity, emergency, educational, study now-pay later, vocational/technical, Y2K, stock investment and privatization fund loans. SSS charges a one percent monthly penalty on overdue loans.

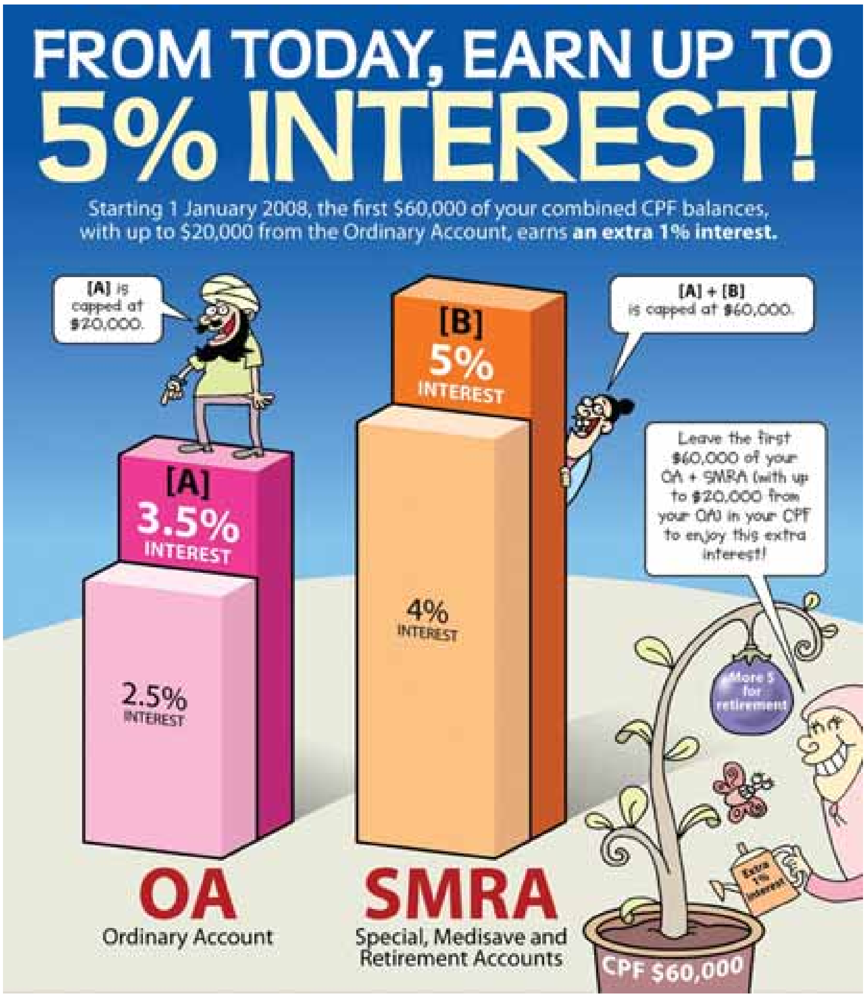
SSS President and Chief Executive Officer Romulo L. Neri urged members to avail of the amnesty to settle their delinquencies and enjoy full condonation of penalties. He said that the amount of condoned penalties is proportionate to the outstanding principal and interest paid. If they pay half of their outstanding balance then only half of their penalties would be condoned. This will help especially those paying off their delinquency by installment because it lessens the burden of paying the obligation in lump sum.

PCEO Neri encouraged members to pay their loans on time to avoid accumulating penalties and avoid deductions from their retirement, total disability or death benefit claims in the future.

SSS has condoned over ₱2-B (US$42.03-M) in penalties and collected a total of ₱1.92-B (US$40.34-M) in payments for principal and interest under various amnesty periods for short-term loans since 2003.

23rd ASEAN Social Security Association Board Meeting

Weathering the global financial storm



What started as a US sub-prime mortgage securitization problem has hit global markets (including Singapore) like a huge financial storm. When we were hit by the global financial crisis, Singapore's growth rate in 2008 fell to 1.0 per cent. This year's growth outlook is more dismal and Singapore's GDP is expected to decline by 4 to 6 per cent, with rising unemployment.

Resilience Package helps to save jobs

To deal with the crisis, various fiscal and other stimulus packages have been taken by governments around the world to help resuscitate their economies.

Likewise, to help Singaporeans weather this financial storm, the Government announced a major stimulus package, the Resilience Package, totalling S$20.5 billion in January 2009. The focus of the assistance measures was on helping workers to save their jobs, helping companies to stay afloat and cushioning the adverse economic impact faced by lower-income households. Key components of the Resilience Package include: S$5.1 billion for employment support, S$5.8 billion to stimulate bank lending, S$4.4 billion on infrastructure investment, S$2.6 billion in tax cuts and investment incentives and another S$2.6 billion in assistance to households.

Impact of the financial crisis on pension funds

Pension funds across the world are also not immune to the effects of the financial crisis. According to the OECD 2008 report "Pensions in financial crisis", pension funds have shrunk dramatically as developed countries' stock markets lost 45% of their value. In the OECD as a whole, the market value of retirement savings has fallen by over US$4 trillion.

While Singaporeans have not been spared from the effects of the financial tsunami, thankfully, our retirees have not lost sleep over their retirement savings with the Central Provident Fund (CPF). This is because the CPF is structured quite differently from other pension fund systems in the world, as elaborated below.

CPF Members enjoy risk-free and guaranteed retirement savings

CPF members' savings are shielded from the risks and volatility of stock markets. Their CPF savings are invested only in risk-free Special Singapore Government bonds yielding up to 5% and are guaranteed by the Government. In this way, we have a financially sustainable system that delivers stable returns to our members. As at December 2008, CPF members' savings totalled S$151.3 billion, an increase of about 11% over the figure in 2007.

However, the financial crisis did affect some of our members, although not many. Some members who have withdrawn part of their savings under the CPF Investment Scheme (CPFIS) had to bear the brunt of falling market values in line with the global market situation.

Extra interest to help CPF members grow their retirement nest-egg

To help CPF members grow their nest-egg without subjecting their CPF savings to excessive fluctuation and risks of the financial market, new initiatives to enhance the returns on their savings were introduced in 2008.

The CPF interest rate for the Ordinary Account (OA) is based on the 12-month fixed deposit and month-end savings rates of the major local banks. Under the CPF Act, the Board pays a minimum interest of 2.5% per annum. From 1 January 2008, the new interest rate for the Special, Medisave and Retirement Accounts (SMRA) has been pegged to the yield of the 10-year Singapore government bond plus 1%. To help members adjust to the floating rate for the years 2008 - 2010, the interest rate for the SMRA will be kept at a minimum of 4% per annum. In addition, from 1 January 2008, the Board pays an extra interest of 1% per annum on the first $60,000 of a CPF member's combined balances in the OA and SA, including up to $20,000 in the OA.

Stretching CPF savings to take into account increased longevity

Apart from helping CPF members to enhance their savings, the government will also be introducing a national longevity insurance scheme called CPF LIFE. The scheme will be made available to older cohorts as an opt-in scheme from September 2009. From 2013 onwards, the scheme will automatically enroll members with sufficient balances[1] to yield a meaningful monthly income. Under CPF LIFE, members can choose the extent that they wish to risk-pool their monies from a choice of 4 different plans. And to encourage Singapore citizens born before 1963 to join CPF LIFE, the government will provide a bonus of up to $4,000, called the LIFE Bonus (L- Bonus) to eligible members.

Making plans for the future

The global economic downturn, hailed as the worst recession that Singapore has encountered since independence, looks set to continue for a period. However, recent forecasts indicate that the outlook is getting brighter despite the uncertainties. Against the backdrop of today's challenging climate, the Board's strategy is to stay focused and true to its fundamental objectives of helping CPF members to save enough for their old age, and to ensure that those savings last them for as long as they live. This is an important challenge in the light of our rapidly ageing population and increasing longevity.

2009 will remain challenging for us at the Board as we continue to work on enhancing our services and laying the foundations for new initiatives such as CPF LIFE – a life annuity scheme which will provide our members with a steady income from age 65, for life.

[1] Members born after 1957 and have at least S$40,000 (US$27,500) in their Retirement Account (RA) will be automatically included in CPF LIFE.

Thai Government started cash handouts to urge the purchasing power through the SSO

Due to economic crisis at the beginning of this year, the government had a policy to subsidize the living expenses for people with incomes less than 15,000 baht a month by handing out the cheques, known as "save–the–nation" 2,000 baht cashier cheque program. The main objective of the handouts was to increase the amount of money in circulation in the economy and people's purchasing power as well as to boost local consumption. However, most of the low-income earners were the insured person under Social Security Fund. Therefore, the SSO was assigned by the government to take on this responsibility for the program. The amount of the 117-billion – baht stimulus budget were given to the SSO for distributing to 8 million insured persons throughout the country. The cheques were issued by the Bangkok Bank on behalf of the government and were drawn on the government's account. The insured persons under the article 33 and 39 who earn less than 15,000 baht a month were eligible to receive the cheques. However, the insured persons under article 38 who were laid off or have resigned since September 1, 2009 could get their cheques as well.

The 2,000-baht cheques were given directly to the eligible insured persons. Distribution of the cheques was divided into four rounds. For the first to third round of such payments was during 26 March-23 May 2009 and the total number of 7.2 million cheques were paid to the insured persons. The forth round was started during 19-23 May and the total number of 217,598 cheques were paid. Those who did not receive their cheques between the indicated date could receive them on June 15, 2009. After June 15, outstanding cheques would be returned to the Comptroller General's Department.

There were 3 means to hand out the cheques for the insured persons;

1. Distribution at workplaces
2. Distribution at district offices
3. Distribution at Social Security Office Area 1-11.

Then they could cash their cheques at any Bangkok Bank's 900 branches throughout the country.

However, this measure would increase the economic growth by 0.2 per cent this year and the amount of money in circulation in the economy and rise the earnings of insured persons on a low income.

SSO extends unemployment compensation benefit to laid-off insured persons from 6 months to 8 months

At the end of 2008, global economic crisis starting from financial institutions in USA in September 2008 caused widespread effect on Thai economic system. Therefore, Thailand economy, which depended on export up to 70%, was hit with massive lay-offs in the business related to local demand and export and the situation became more severe.

For the labour sector, it was found from the surveillance situation that there were 119,836 registered insured persons during October-December 2008, 247,782 registered insured persons during January-March 2009 and 304,772 registered insured persons during 1 January – 18 May 2009 for unemployment compensation benefit.

To relieve the immediate suffer of laid-off insured persons, Social Security Office, Ministry of Labor, therefore, extended the payment duration for unemployment benefit in case of laid off from not exceeding 180 days to not exceeding 240 days. This measure protected the laid-off insured persons who were unemployed during 1 December 2008-31 December 2009. At the moment, the draft Ministerial Regulation is in the process of Cabinet approval.

It is expected that such extending would stipulate the economy in the country as well as increase the liquidity for purchasing power of insured persons. In 2009 (during January-April), the SSO had paid for the unemployment compensation benefit to 136,917 insured persons and the total amount of 337.21 million baht were paid.

Vietnam's Health Insurance Law comes into effect in July 2009

The Bill on Health Insurance has been passed through Vietnam's National Assembly and come into effect on the first of July 2009. This expresses the determination of the government in providing health care for the people with a fair, cost-effective and non-profit insurance mechanism.

The Health Insurance Law consisting of 10 Chapters and 52 Articles stipulates the coverage, contribution rates, benefits packages, card issuance, service providers, methods of payment, rights and obligations of the stakeholders, and other issues relating to health insurance implementation.

The Health Insurance Law equally regulates domestic and foreign establishments as well as individuals residing in Vietnam. This law shall not regulate commercial insurance business. The law's implementation is to comply with the following five principles:

- Universal coverage and risk pooling;
- Earning related contribution with adjustment and cost-sharing between employers, employees and the government;
- Defined benefit packages;
- Co-payment;
- Health insurance fund is managed centrally, uniformly, transparently and under the State's protection.

MAJOR CONTENTS OF THE HEALTH INSURANCE LAW:

The coverage:
There are five groups of insured people based on contribution obligations.

The contribution rates:
Contribution rates vary according to groups of insured people. The ceiling is 6% of the insured persons' monthly earnings.

The benefit packages:
The insured persons shall be entitled to a wide rage of benefits including Inpatient care, Outpatient care, functional rehabilitation, pre-natal and maternity services, transportation to hospital in case of emergency and transfer to referral hospitals.

Health care providers:
The public and private service providers include Commune/ward health stations, polyclinics, and hospitals through out the countries with three levels of cares: Primary, secondary and tertiary cares.

Compensation for medical services:
The health insurance fund shall compensate contracted health care providers for their services or directly reimburses health care costs for insured patients. Methods of payment for health care providers include Capitation, Fee for Services and DRGs. Co-payment shall be applied to insured patients excluding Children under 6 years of age, privileged people and armed forces.

In order to promote a financially sustainable and effective public health care system, the Government is to set the 1st July as the National Health Insurance Day.

Vietnam implements unemployment insurance from 2009

In order to cope with adverse effects from the global economic downturn, and strengthen social protection system, In January 2009 Vietnam has introduced unemployment insurance (UI) scheme national-wide. The Governmental Decree 127 has marked the final step in development of legal framework for UI scheme in Vietnam. This Decree consists of 7 Chapters, 44 Articles stipulating guidance for implementation of unemployment insurance scheme.

The UI scheme covers employed persons working in public and private business with 10 workers or more. The coverage also includes Public servants and employees working in political-social organizations and non-business institutions.

The insured must have at least 12 months contribution over the last 24 months preceding unemployment, registered at a labour office, and unable for find a new job after 15-day waiting period shall be entitled to unemployment benefits as follows:

- Job-seek Allowance is 60% of average monthly wage of the last 6 months. The duration of benefit entitlement varies according the length of coverage period.
- Cash Subsidy for vocational training is equivalent to the tuition fees for the public short-term training course not exceeding 6 months from the date of benefit entitlement.
- Job-Search Support and Employment Services are provided to the insured jobless persons.

The persons on unemployment benefit shall be covered by Health Insurance scheme. The premium shall be paid by the UI fund.

According to Decree 127, the UI fund is financed by tripartite contributions from employers, employees and government budget. The government, employers and employees contribute 1% of employees' monthly salary respectively.

The promulgation of Decree 127 on unemployment insurance constitutes a further step in the development of social insurance sector in Vietnam and contributes to the government's strategy for sustaining economic growth and ensuring social security for Vietnamese citizens.

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