

Thai Pension Programs for Informal Sector

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Agenda

- Thai Pension Programs
- Pension Program Coverage
- Pension Program Characteristics
- National Savings Fund Program
- SSO Article 40 Program
- Consolidation Options

Thai Pension Programs

- Current
 - Old-Age Pension
 - Government Pension Fund
 - Voluntary Provident Funds
 - Retirement Mutual Funds
 - 500 Baht Social Pension
- Proposed
 - National Savings Fund
 - Social Security Act, Article 40: Voluntary pension for informal sector

Pension Program Coverage

	Formal	Informal
Old-age pension (OAP)		
Government Pension Fund (GPF)		
Voluntary Provident Fund (PVD)		
Retirement Mutual Fund (RMF)		
Old-age Act, 500 baht program (OAA)		
National Savings Fund (NSF)		
Social Security Act, Article 40 (SSO)		

Pension Program Characteristics

<i>Plan</i>	<i>Eligibility</i>	<i>Sponsor</i>	<i>Type</i>	<i>DB/DC</i>	<i>Supervisor</i>
OAP	Formal sector	Employer	Mandatory	DB	Ministry of Labor
GPF	Government officials	Employer (Government)	Mandatory	DB/DC	Ministry of Finance
PVD	Formal sector	Employer (Occupational pension programs)	Mandatory if listed on stock exchange; else voluntary	DC	Securities Commission
RMF	All workers	Individual	Voluntary	DC	Securities Commission
OAA	Informal sector	Government	Universal	DB	Ministry of Human Development
NSF	Informal sector	Individual	Voluntary	DC	Ministry of Finance
SSO	Informal sector	Individual	Voluntary	DC	Ministry of Labor

NSF Characteristics

Provision	Description
Date of Enactment	May 12, 2011
Enrollment Start Date	May 8, 2012
Type of Plan	Defined contribution
Eligibility	All who are not eligible for another program (OAP or GPF) and ages 15-60; essentially the informal sector
Employee Contributions	Deposits at any time. Minimum of 50 baht per deposit. Maximum of 13,200 baht per year (440 USD per year)
Employer Contributions	Varies by age: (a) Ages 15-30 = 50% of employee contributions (b) Ages 30-50 = 80% (c) Ages 50-60 = 100%
Payouts	Age 60, death or disability only. Lump-sum

NSF Characteristics

Provision	Description
Investments	Legal limits <ul style="list-style-type: none">• 60% to domestic debt instruments• 40% to equity, real estate, and foreign investments Government planning 80%/20%
Investment Guarantee	Return on short-term deposits at 5 largest commercial banks
Program Administrator	National Savings Fund Office (NSF Office); a governmental organization
Administrator Responsibilities	(a) Collect contributions (b) Create central database (c) Manage assets
Contribution Collection	Through commercial banks and other agents designated by the NSF Office
Tax Scheme	EEE

SSO Article 40

- Effective Date of Revisions: May 1, 2011
- Eligible Group: Informal sector
- Required Contribution: Two options
 - 100 baht (70 worker + 30 government); disability, sickness and death benefits
 - 150 baht (100 worker + 50 government); above benefits plus old-age savings

Formal Sector Pension Issues

- Formal sector has DB program (OAP)
 - Original formula: 15% after 15 years + 1% for each additional year
 - Modified formula: 20% after 15 years +1.5% for each additional year
- MoF supported introduction of National Pension Fund (NPF) in 2000-1
 - Create multi-pillar pension system for formal sector
 - Mandatory program, employee contributions, employer match
 - Supplement original OAP
 - SSO/Ministry of Labor response was to increase OAP accrual

Consolidation Options

- Harmonization of programs for informal sector
 - 500 baht social pension
 - Retirement mutual funds
 - National Savings Fund
 - SSO Article 40 expansion
- National pension policy; improved coordination across ministries
- Improved portability across all pension programs
- Consolidated supervision (new pension supervision agency)