


Viet Nam

Viet Nam: pension system in 2008

Viet Nam Social Security (VSS) manages and administers social security contributions and benefits (including pensions) for both private sector workers and government workers. The current pension scheme is a defined benefit scheme.

Key indicators

		Viet Nam	OECD
Average earnings	VND (million)	17.98	722.76
	USD	1 000	40 600
Public pension spending	% of GDP		7.0
Life expectancy	At birth	74.3	78.9
	At age 65	81.3	83.1
Population over age 65	% of working-age population	9.3	23.6

StatLink  <http://dx.doi.org/10.1787/888932554964>

Qualifying conditions

Normal pension age is 60 for men and 55 for women with a minimum of 20 years of contributions, or age 50 for men with at least 30 years contributions. A lump sum payment is made for people with shorter contribution periods.

Benefit calculation

Earnings-related

Pension benefit formulae are different depending on total years of contribution. Up to the 15 years of contribution, the pension accrual rate is 3%, and is then 2% for males and 3% for females each additional year. Insured persons with more than 30 years of contributions also receive a lump sum equal to 50% of their average monthly earnings in the last 5 years before the pension is first paid for each year of contributions exceeding 30 years, up to five times the minimum monthly wage. The model assumes that this lump sum amount is paid as monthly price-indexed pension for life-time. The maximum pension is equal to 75% of the insured's average earnings in the last five years before the pension is first paid. If total contribution years are less than 20, retirees can only receive a lump sum payment of one month's average salary for each year of contribution payment. Pension in payment changes in line with minimum wage which is set to increase at 5% per annum in the long run but the model assumes that it is indexed to average wage growth. The minimum and maximum monthly earnings for contribution and benefit calculation purposes are VND 650 000 and VND 13 million respectively.

Variant careers

Early retirement

It is possible to retire and to start claiming the pension at age 55 for men and 50 for women under specific requirements. The pension is reduced by 1% of the insured's average earnings in the last 5 years before the pension is first paid for each year the pension is taken before the insured's normal pensionable age.

Late retirement

It is not possible to start claiming pension after normal pension age. It is possible to combine working and receiving pension.

Personal income tax and social security contributions**Taxation of workers**

There are various tax relief systems in Viet Nam but they are not relevant to the standard individual (single without a child) used for the model. The personal income tax regulations do not specify the deductibility of social security contributions.

Taxation of worker's income

Tax rates applicable to regular income are as follows:

Taxed income per year	Tax rate (%)
VND 0-60 000 000	5
VND 60 000 000-VND 120 000 000	10
VND 120 000 000-VND 216 000 000	15
VND 216 000 000-VND 384 000 000	20
VND 384 000 000-VND 624 000 000	25
VND 624 000 000-VND 960 000 000	30
Above VND 960 000 000	35

Social security contributions payable by workers

Employees in 2008 paid 5% of monthly salary/wage for retirement benefits. From 2010, the contribution rate will increase by 1% every 2 years until it reaches to 8%. Moreover, if the monthly salary/wage, which is based for contribution, is greater than 20 times of the minimum wage, the contribution will be 20 times of the minimum wage.

Taxation of pensioners

There is no additional tax relief for pensioners.

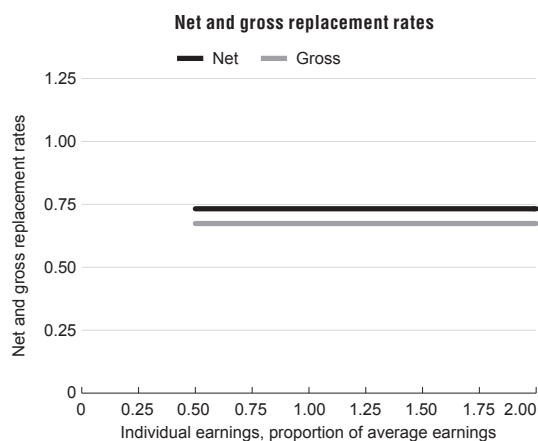
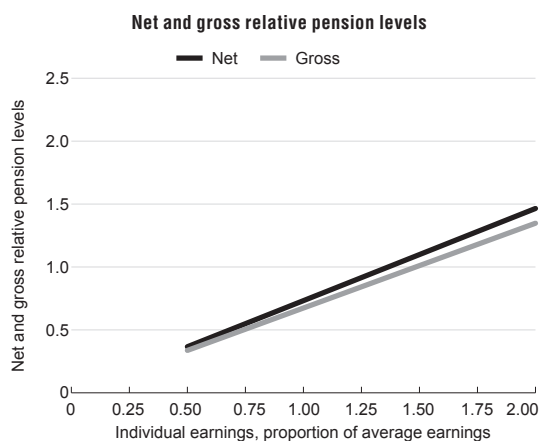
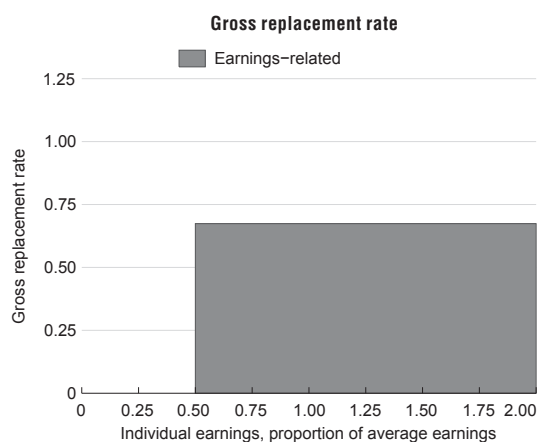
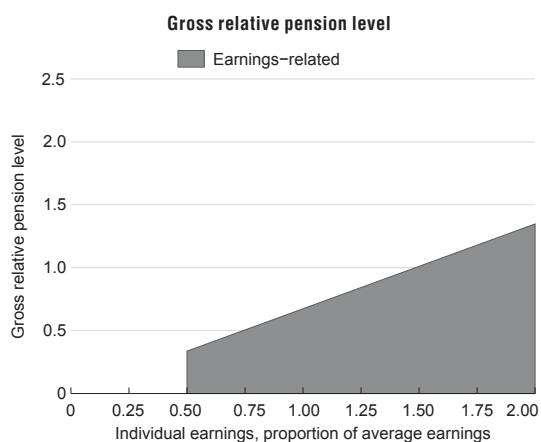
Taxation of pension income

The same taxation rule is applied to pension benefits.


Social security contributions payable by pensioners

Pensioners do not pay any social security contribution.

Pension modelling results: Viet Nam



Men	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level	54.6	33.7	50.5	67.4	101.1	134.8
(% average gross earnings)	50.1	30.9	46.4	61.9	92.8	123.8
Net relative pension level	59.3	36.6	54.9	73.3	109.9	146.5
(% net average earnings)	54.5	33.6	50.5	67.3	100.9	134.6
Gross replacement rate	67.4	67.4	67.4	67.4	67.4	67.4
(% individual gross earnings)	61.9	61.9	61.9	61.9	61.9	61.9
Net replacement rate	73.3	73.3	73.3	73.3	73.3	73.3
(% individual net earnings)	67.3	67.3	67.3	67.3	67.3	67.3
Gross pension wealth	14.7	14.7	14.7	14.7	14.7	14.7
(multiple of individual gross earnings)	18.1	18.1	18.1	18.1	18.1	18.1
Net pension wealth	14.7	14.7	14.7	14.7	14.7	14.7
(multiple of individual gross earnings)	18.1	18.1	18.1	18.1	18.1	18.1

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Alternative economic and career length assumptions

40 year career under OECD economic assumptions

Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level	54.6	33.7	50.5	67.4	101.1	134.8
<i>(% average gross earnings)</i>	50.1	30.9	46.4	61.9	92.8	123.8
Net relative pension level	59.3	36.6	54.9	73.3	109.9	146.5
<i>(% net average earnings)</i>	54.5	33.6	50.5	67.3	100.9	134.6
Gross replacement rate	67.4	67.4	67.4	67.4	67.4	67.4
<i>(% individual gross earnings)</i>	61.9	61.9	61.9	61.9	61.9	61.9
Net replacement rate	73.3	73.3	73.3	73.3	73.3	73.3
<i>(% individual net earnings)</i>	67.3	67.3	67.3	67.3	67.3	67.3
Gross pension wealth	14.7	14.7	14.7	14.7	14.7	14.7
<i>(multiple of individual gross earnings)</i>	18.1	18.1	18.1	18.1	18.1	18.1
Net pension wealth	14.7	14.7	14.7	14.7	14.7	14.7
<i>(multiple of individual gross earnings)</i>	18.1	18.1	18.1	18.1	18.1	18.1

30 year career under OECD economic assumptions

Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level	52.6	32.5	48.7	65.0	97.5	130.0
<i>(% average gross earnings)</i>	49.4	30.5	45.7	60.9	91.4	121.9
Net relative pension level	57.2	35.3	53.0	70.7	106.0	141.3
<i>(% net average earnings)</i>	53.7	33.1	49.7	66.2	99.4	132.5
Gross replacement rate	65.0	65.0	65.0	65.0	65.0	65.0
<i>(% individual gross earnings)</i>	60.9	60.9	60.9	60.9	60.9	60.9
Net replacement rate	70.7	70.7	70.7	70.7	70.7	70.7
<i>(% individual net earnings)</i>	66.2	66.2	66.2	66.2	66.2	66.2
Gross pension wealth	14.3	14.3	14.3	14.3	14.3	14.3
<i>(multiple of individual gross earnings)</i>	17.9	17.9	17.9	17.9	17.9	17.9
Net pension wealth	14.3	14.3	14.3	14.3	14.3	14.3
<i>(multiple of individual gross earnings)</i>	17.9	17.9	17.9	17.9	17.9	17.9

StatLink  <http://dx.doi.org/10.1787/888932554983>

Economy specific assumptions

40 year career under economy specific assumptions

Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level	54.6	33.7	50.5	67.4	101.1	134.8
<i>(% average gross earnings)</i>	50.1	30.9	46.4	61.9	92.8	123.8
Net relative pension level	59.3	36.6	54.9	73.3	109.9	146.5
<i>(% net average earnings)</i>	54.5	33.6	50.5	67.3	100.9	134.6
Gross replacement rate	67.4	67.4	67.4	67.4	67.4	67.4
<i>(% individual gross earnings)</i>	61.9	61.9	61.9	61.9	61.9	61.9
Net replacement rate	73.3	73.3	73.3	73.3	73.3	73.3
<i>(% individual net earnings)</i>	67.3	67.3	67.3	67.3	67.3	67.3
Gross pension wealth	18.8	18.8	18.8	18.8	18.8	18.8
<i>(multiple of individual gross earnings)</i>	25.1	25.1	25.1	25.1	25.1	25.1
Net pension wealth	18.8	18.8	18.8	18.8	18.8	18.8
<i>(multiple of individual gross earnings)</i>	25.1	25.1	25.1	25.1	25.1	25.1

30 year career under economy specific assumptions


Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level	52.6	32.5	48.7	65.0	97.5	130.0
<i>(% average gross earnings)</i>	49.4	30.5	45.7	60.9	91.4	121.9
Net relative pension level	57.2	35.3	53.0	70.7	106.0	141.3
<i>(% net average earnings)</i>	53.7	33.1	49.7	66.2	99.4	132.5
Gross replacement rate	65.0	65.0	65.0	65.0	65.0	65.0
<i>(% individual gross earnings)</i>	60.9	60.9	60.9	60.9	60.9	60.9
Net replacement rate	70.7	70.7	70.7	70.7	70.7	70.7
<i>(% individual net earnings)</i>	66.2	66.2	66.2	66.2	66.2	66.2
Gross pension wealth	18.4	18.4	18.4	18.4	18.4	18.4
<i>(multiple of individual gross earnings)</i>	24.8	24.8	24.8	24.8	24.8	24.8
Net pension wealth	18.4	18.4	18.4	18.4	18.4	18.4
<i>(multiple of individual gross earnings)</i>	24.8	24.8	24.8	24.8	24.8	24.8

Real earnings: 6% per year converging steadily to 2%, giving an average of 4%.

Price inflation: 8% per year converging steadily to 2.5%, giving an average of 5.25%.

Real rate of return: 7.5% per year converging steadily to 3.5%, giving an average of 5.5%.

Discount rate (for actuarial calculations): 2% per year.

StatLink  <http://dx.doi.org/10.1787/888932555002>