Highlights on Pension Schemes in Nine Arab Countries

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[Abridged from a study entitled "Social Security and Social Insurance Law: A survey of Nine Arab States" by Dr. Hyam Mallat that originally appeared in Yearbook of Islamic and Middle Eastern Law, Volume 4 1997-1998 (eds. Eugene Cotran and Chibli Mallat) published by KLUWER Law International]

With the exception of Qatar and the United Arab Emirates, all the Arab countries of the Asian Middle East have implemented pension and lump sum payments schemes based on employer and employee participation. Lebanon is the only state to continue to apply terminal lump sums in the private sector.

Lebanon

The Pension Scheme in Lebanon

In Lebanon, a distinction needs to be made from public sector and private sector employees.

The Public Sector

Civil servants have the right to choose, from the age of 64 for public employees and 68 for judges, between a retirement pension or an indemnity of retirement. For members of the armed forces, a mixed system of pension and lump sum indemnity is implemented.

If they choose a service termination payment, a lump sum is paid to retirees in the amount of one months salary for each year of service for the first ten years, two months from ten to thirty years' service and three months for more than thirty years' service. After that, the retiree has no further financial relationship with the state, but continues to enjoy medical benefits provided by the Civil Service Mutual Fund.

If they choose the retirement pension, this is calculated on the basis of 2.5 per cent of the salary for each year of service. Thus for forty years' service, the retiree receives 100 per cent of the salary, for thirty years, 75 per cent of salary and for twenty years, 50 per cent. Where the retiree's service is greater than forty years, he receives a pension in respect of the forty years and an additional lump sum of three months for each year of service over forty years.
In addition, where the retiree has been in service for less than twenty years, he is not entitled to a retirement pension and is eligible only for a termination payment.

The Private Sector

Although article 49 of the Social Security Code 1963 laid down the transitional nature of the system of terminal payments, and despite studies carried out in cooperation with ILO to introduce a retirement pension scheme in the private sector, only the termination payment scheme is currently in operation in Lebanon.

The right to an end-of-service termination payment has been compulsory for all employees entering service after 1 May 1965, when the scheme came into effect, and any compulsory or voluntary contributor who satisfies the following conditions is eligible:
- completion of a total of at least twenty years' employment, adding the period of contribution to the fund to years spent in the employer's service prior to the date when this scheme came into effect;
- disability of at least 50 per cent making him unable to keep his employment or carry out similar work appropriate to his qualifications and training;
- in the case of a female employee, marriage or leaving employment within the twelve months following the date of her marriage
- having reached the age of 64.

In the event of an employee's death, the following heirs are entitled to his end-of-service indemnity:
- the employee's father and mother, if aged over 60 or who, as a result of physical or mental disability, are not able to earn a living;
- the wife of the insured, or where more than one wife, the first wife;
- the husband of the insured, if aged over 60 or who, as a result of physical or mental disability, is not able to earn a living;
- the legitimate or adopted children of the insured up to the age of 16. The age limit may be extended up to a maximum of 25 for children who are unable to support themselves, either because they are in full time education, or as a result of physical or mental disability, provided that the disability is permanent or arose before the age of 16. Disabled children are supported by public welfare after the age of 25;
- minor brothers and sisters of the insured who, at the date of his death, were his dependents.

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Picture Credit: Bassem Maamari

Calculation of End-of-Service Indemnity

Article 51 of the Social Security Code determines the amount and method of calculation of the end-of-service indemnity. It is equal to one month preceding the date when he became eligible for the indemnity. In addition, if the salary is calculated wholly or partly on commission, it will be equal, for each year of service, to one-twelfth of the amounts actually paid to the person concerned of the twelve months preceding the date of crystallization of the indemnity.

In addition, for each year subsequent to the first twenty years, an insured who has reached the age of 60 (or 55 for a woman) is entitled to an additional indemnity equal to half a month due only in respect of the contributory period.

Finally, the employee is entitled only to a reduced indemnity in the following cases:
a. if he voluntarily leaves the enterprise where he served his apprenticeship before the expiry of two years;
b. if, as a voluntary member of the scheme, he voluntarily leaves his employment before the expiry of twelve months following the date of his admission to the end-of-service indemnity scheme;
c. if he declares that he has permanently ceased his employment, the indemnity is equal to:

- 50 per cent if he has contributed to the Fund for five years;
- 65 per cent if he has contributed to the Fund for five to ten years;
- 75 per cent if he has contributed to the Fund for ten to fifteen years;
- 85 per cent if he has contributed to the Fund for fifteen years but less than twenty years.

Disability Pension

The disability pension, for which there is provision in the Social Security Code and its amendments, is not yet in effect in Lebanon

Funeral Grant

Under Article 45 of the Social Security Code a grant for funeral expenses is currently set at one and a half times the minimum salary, i.e. $ 300.

Saudi Arabia

Conditions for award of an old age pension
To receive an old age pension, the insured who ceases contributory employment must:
- have reached the age of 60;
- have paid a minimum of 180 months' contributions, or:
- 120 months of contributions, 36 of which were during the five years immediately preceding the date of retirement;
- 60 consecutive months of contributions immediately preceding the date of retirement.

However, an insured person who retires after the age of 60 during the five years following the date when his cover under the social insurance scheme started and who has not fulfilled the minimum period of 120 months of contributions is credited with the necessary amount on the basis of previous employment periods.

Bahrain

Conditions for award of the old age pension
To receive an old age pension, the insured who has ceased pensionable employment must:
- have reached the age of 60 for men and 55 for women;
- have paid a minimum of 180 months' contributions; or
- 240 months of contributions prior to the age of 60; or
- 120 months of contributions after the age of 60, with at least thirty-five consecutive months of contributions during the five years preceding retirement. Reduced pensions in the case of early retirement are provided to persons who have already paid 240 months' contributions (for men) and 180 months for women.

It is not necessary to leave work to receive a pension.

The old age pension is calculated as follows:
- 2 per cent of the average salary for the last two years multiplied

by the number of contribution years, with an additional credit of five years for those who retire aged sixty or before 30 September 1997. The minimum amount of pension is calculated as the lower of the insured's average salary for the last two years, or 155 dinars (about US$ 305).

Iraq

Old Age Pension

The conditions for the award of an old age pension are as follows:
- men must have reached the age of 60 and women 55 and have paid contributions for twenty years; or
- any age with thirty years of contributions for men and twenty years for women;
- retirement from a regular employment;
- the pension may be paid abroad in certain cases;
- the pension is calculated on the basis of 2.5 per cent of the average salary for the last three years multiplied by the number of contribution months and divided by twelve. The minimum pension is set at 54 dinars a month and the maximum 140 dianrs. In the case of ineligibility for a pension, a lump sum equal to one month's salary for each year of contribution is paid to the insured.

Jordan

Old Age Pension

The award of this pension requires the employee to:
- have reached the age of 60 for men and 55 for women;
- have contributed for 120 months (thirty-six consecutive months during the last five years), or total cover of fifteen years.

Early retirement with a reduced pension is possible for those aged forty-six who have contributed for fifteen years. In addition, those insured who have reached retirement age and who need at least five more years of contributions to meet the conditions for a pension may contribute up to the age of sixty-five to satisfy those conditions.

The pension calculation is based on 2 per cent of the average monthly salary for the last two years multiplied by the number of years of contribution. The maximum pension payable must be equal to 75 per cent of the average monthly salary for the last two years. An increase in pension of 10 per cent is provided for the first dependent and 5 per cent for each of the second and third dependents.

In the case of early retirement, the pension is reduced as follows:
- 10 per cent of early retirement between 46 and 50.
- 5 per cent for retirement between 51 and 54.

In the case of ineligibility for an old age pension, a lump sum is granted to the insured, in the amount of 10 per cent of the average annual salary if the contribution period is less than 60 months, 12 per cent if the contribution period is from 60 to 119 months, and 25 per cent if the contribution is equal to or greater than 120 months.

Picture Credit: Bassem Maamari

Lebanon is the only country that continues to apply terminal lump sums in the private sector

Kuwait

Old Age Pension

The award of this pension requires the employee to:
- have reached the age of 50 and have contributed for fifteen years;
- in the case of early retirement, to have reached a minimum age of 45 for men and 40 for women, having contributed for twenty years;
- it is anticipated that the minimum retirement age will rise progressively until 2020, when it will be 55 for men and 50 for women. In addition, early retirement for women with children is possible provided that they have paid contributions for a minimum of fifteen years.

To be entitled to an old age pension, the insured must take retirement and cease work, except in a few cases where the full pension is paid if the insured is aged 50 or over, and reduced by a quarter if he is under 50 where the salary and pension together exceed 1,250 dinars per month.

The pension calculation is based on 65 per cent of final salary plus 2 per cent of the final salary for each contribution year up to fifteen. The maximum pension payable must not exceed 95 per cent of the final monthly salary. Part of the pension may be paid as a lump sum at the request of an insured who becomes disabled before the age of 65. Finally, transitional arrangements allow insured persons to enjoy a pension with less than fifteen years of contributions.

Oman

Old Age Pension

The award of the old pension is subject to the following conditions:
- reaching the age of 60 for men, with at least 180 months of paid contributions, and fifty-five for women, with at least 120 months contributions.
- in the case of early retirement, 180 months of contribution are required, of which 36 at least during the final five years prior to retirement.

The pension is calculated on 1/60 of the average salary for the final two years of employment multiplied by the number of full years of contribution.

Syria

Old Age Pension

The award of the old age pension is subject to the following conditions:
- reaching the age of 60 for men, with 180 months of contributions, i.e. at least fifteen years of contributions; or
- reaching the age of 55 with twenty years' service and 240 months of contributions.

The pension may be reduced if the insured, on reaching the age of retirement, continues to work and receive a salary higher than his pension.

The method of calculation of the old age pension, under Article 58 of the Social Insurance Law 92/59 as amended by Legislative Decree 35/76, is based on 1/45 of the average final monthly salary for the last two years of contributions or the average monthly salary for the last five consecutive years of the final ten contribution years, provided that the old pension does not exceed 75 per cent of the current monthly salary or 1127.5 Syrian pounds in 1996, with a minimum pension of 419 Syrian pounds.

In the case of ineligibility for a pension, an amount equal to 11 to 15 per cent of the total pensionable salary will be paid to the insured in full settlement.

Yemen

Old Age Pension

Article 51 of law 26/1991 set out legal conditions for eligibility to an employment pension, namely:
- reaching the age of 60 for men and 55 for women, provided that the contribution period is not less than 180 months, i.e. fifteen years' contributions;
- reaching the age of 45 provided that the contributory period is not less than 240 months, i.e. twenty years' contributions, and the employee does not continue in employment, as defined in law 26/1991;
- where the contribution period of a man who has reached the age of 50 is 300 months (twenty-five years) or 240 months (twenty years) for a woman aged 46;
- the insured may continue to work until contributions amount to 180 months, provided that the extension of employment does not exceed five years, or contributions, for the purposes of being eligible for an old age pension. The insured may also make a single lump sum payment to top up his and the employers' missing contributions.

Most Arab countries have implemented pension and lump sum payments schemes based on employer and employee participation

The method of calculation of the old age pension, under Article 56 of Law 26/1991 specified that the amount of the old age pension should be calculated as 1/420 of the insured's average monthly pensionable salary for the final year, for each contribution month, provided that the total amount does not exceed 100 per cent of that amount.