International Update

Recent Developments in Foreign Public and Private Pensions

March 2024

Asia and the Pacific

Iraq Enacts New Social Security Law

On December 1, Iraq's government enacted a new social security law that reforms the country's social insurance old-age pension program for private-sector workers by expanding program coverage, introducing registration fees for foreign nationals, increasing the combined contribution rate, adjusting covered earnings, changing retirement options, and altering the reference earnings for benefit calculations. The new law also expands social protection by introducing paid maternity leave and public unemployment insurance. Iraq's parliament approved the new law on May 17 after years of negotiations between government, employer, and worker representatives. The new law was developed with technical assistance from the International Labour Organization (ILO) and other United Nations agencies and is intended to expand social insurance coverage and benefits for millions of workers. Last March, Iraq became the 64th country to ratify the ILO Social Security (Minimum Standards) Convention 1952 (No. 102), which commits countries to recognizing social security as an inherent right and strengthening their social security system for the benefit of workers and businesses.

Although some details of the reforms—including their implementation dates—are still being worked out, the key provisions of the new law include:

- *Expanding program coverage:* The new law expands program coverage to additional private-sector categories, including self-employed persons, informal-sector workers, and contributing family members. Previously, coverage was limited to private-sector employees in the formal sector. (A special pension program covers public-sector employees.)
- *Introducing registration fees for foreign nationals:* Employers of foreign nationals must pay to the social insurance program a new one-time registration fee of 750,000 dinars (US$573, for those registered before December 1) or 2 million dinars (US$1,528, for those registered on or after December 1) for each foreign national employee who is registered.
- *Increasing the combined contribution rate:* The combined contribution rate for individuals not employed in the oil and gas sector has increased from 17 percent to 25 percent of monthly covered earnings, with the government covering the additional 8 percent for Iraqi employees and employers covering it for non-Iraqi employees. Of the 17 percent base rate, employees continue to contribute 5 percent of monthly covered earnings and employers contribute the remaining 12 percent. For employees in the oil and gas sector, the employee and employer contribution rates remain at 5 percent and 25 percent of monthly covered earnings, respectively. All employee contributions and 8 percentage points of employer contributions (15 percentage points for employers in the oil and gas sector) are used to finance old-age, disability, and survivor pensions. The contribution rates for self-employed persons, informal workers, and other categories have not been finalized.
- *Adjusting covered earnings:* As before, the monthly earnings used to calculate contributions must be at least the legal monthly minimum wage for the insured individual's profession or the general workforce. However, the new law establishes that monthly covered earnings cannot exceed five times the applicable monthly minimum wage. The monthly covered earnings include the insured's base wages and all allowances received.
- *Changing retirement options:* Under the new law, insured individuals can still claim old-age pensions at age 60 (men) or age 55 (women) if they have at least 20 years of contributions. However, the new law also allows individuals to claim old-age pensions at age 63 (men) or age 58 (women) if they have at least 15 years of contributions or at age 50 (men and women) if they have at least 30 years (men) or 25 years (women) of contributions. This means that it is no longer possible for individuals to retire at any age if they have at least 30 years (men) or 20 years (women) of contributions. Individuals can purchase up to 5 years of missing contributions needed to qualify for an old-age pension at a particular age.

- *Altering the reference earnings for benefit calculations:* The new law changes the reference earnings used to calculate the old-age pension from an insured's average monthly earnings in the last 3 years to average monthly earnings in the last 5 years. The pension amount continues to be calculated by multiplying 2.5 percent of the reference earnings by the insured's months of contributions and dividing this product by 12. The maximum monthly pension amount is 80 percent of the insured's reference earnings.

The main components of Iraq's old-age pension system are the social insurance program and a social assistance program. Individuals may qualify for a government-financed social assistance old-age pension if they reach age 60 (men) or 55 (women), are not eligible for a social insurance pension, are unable to work, and belong to households classified as needy by the Ministry of Planning based on annual poverty and social indicators.

Sources: "Iraq," ISSA Country Profiles, January 2022; Law of Pension and Social Security for Workers, No. 18, 2023; "Iraq Ratified the ILO Conventions on Social Protection and on Maritime Labour," International Labour Organization, March 23, 2023; "Iraq Invests in Building a Social Security System That Protects Workers," International Labour Organization, May 17, 2023; "Full and Timely Implementation of Iraq's Pensions and Social Security Law Critically Needed," International Labour Organization, December 8, 2023; *Annual Digest of Social Protection Reforms in the Arab Region, 2023*, United Nations Economic and Social Commission for Western Asia, February 2024.

Lebanon Adopts Legislation to Revamp Pension Program

On December 28, the Lebanese government adopted legislation that will shift the country's public old-age, disability, and survivor pension program for private-sector workers from a lump-sum end-of-service benefit (EOSB) model to a lifetime pension model. The legislation was developed through extensive negotiations between government, employer, and worker representatives, and with substantial technical support from the International Labour Organization (ILO). Pension reform has been a major priority in Lebanon in recent years because it and the Palestinian territories are the only two jurisdictions in the Arab region that lack social security programs providing long-term old-age, disability, and survivor benefits. Without these programs, the ILO estimates that roughly 80 percent of Lebanese residents aged 65 or older have no old-age benefits and must instead rely on family and social networks for support. This hardship has been further compounded by a deep economic recession—the country's gross domestic product per capita fell by 36.5 percent from 2019 to 2021—and substantial population aging—over 10 percent of the country's population is older than 65.

According to the ILO, implementation of the new legislation is expected to take around 2 years, though this will depend on the time needed to finalize program rules and issue implementing decrees. Based on the details that have been published so far, the key features of the new pension program include:

- *Program coverage:* All private-sector employees aged 48 or younger must participate in the new program once it is implemented. Those aged 49 or older can choose to join the new program or remain in the EOSB program. If employees choose to switch, their previous contributions will be transferred to the new program. Voluntary enrollment will be available for Lebanese citizens who are self-employed, domestic workers, employers, non-permanent agricultural workers, or working abroad.
- *Contribution rates:* The program's contribution rates will be set in future implementing decrees. However, based on ILO projections from January 2023, employers and employees will have to make combined contributions of 17 percent to 18 percent of earnings to finance the new program—a rate that is nearly twice the 8.5 percent paid by employers under the EOSB program. (Employees do not pay EOSB contributions.) Prevailing economic conditions and revised actuarial projections are expected to play a significant role in the final determination of contribution rates.
- *Covered earnings:* The earnings used to calculate contributions will be capped at four times the average earnings of all participants.
- *Individual accounts:* Each participant will be assigned a notional individual account that will be credited with 12.25 percent of their covered earnings and annual interest paid at a rate equal to the increase in the average earnings of all participants. At retirement, the account balance will be converted into a monthly pension based on a range of factors, including life expectancy, interest rates, cost-of-living adjustments, and potential survivors.
- *Minimum benefit:* When a participant's account balance is converted into a lifetime pension, the benefit amount cannot be less than the highest of these two guarantees that vary depending on the

participant's career earnings and years of contributions: (1) 55 percent of the legal minimum wage with 15 years of contributions, plus 1.75 percent for each year of contributions exceeding 15 years, up to 80 percent of the legal minimum wage; or (2) 1.33 percent of the average adjusted career earnings multiplied by the total years of contributions. (The career earning adjustments are based on annual changes in the average national wage.)

- *Old-age pensions:* A participant will qualify for a monthly old-age pension if he or she has reached the normal retirement age of 64 and has at least 15 years of contributions. The old-age pension can be claimed as early as age 60, but the pension amount is reduced by 0.5 percent for each month it is claimed early. A participant can continue to work while receiving an old-age pension. (Contributions paid after an old-age pension is claimed will count toward an additional pension.) If a participant has reached the normal retirement age and has less than 15 years of contributions, his or her account balance is paid as a lump sum.
- *Disability pensions:* A participant can receive a monthly disability pension if he or she has at least 3 years of contributions (1 year of contributions in the case of a disability resulting from a nonwork-related accident) and is assessed with a disability causing at least a two-thirds reduction in work capacity. The disability pension is calculated in the same way as an old-age pension, with the years remaining from disability onset to the normal retirement age treated as years of contributions.
- *Survivor pensions:* If a participant dies, a monthly survivor pension will be paid to a surviving spouse and dependent children younger than age 18 (age 25 if a student; no age limit if disabled). (A surviving spouse loses eligibility for the pension upon remarriage.) The survivor pension is equal to 80 percent of the old-age or disability pension the deceased received or the old-age pension the deceased was entitled to receive. (If the deceased was not a pensioner, years from the time of death to the normal retirement age are treated as years of contributions in benefit calculations.) If the survivors include both a spouse and children, half of the survivor pension is paid the spouse and the other half is split evenly among the children.
- *Program administration:* The new program will be administered by the National Social Security Fund (NSSF), which also administers the EOSB program. To strengthen oversight of the NSSF, a new board of directors will be established, with representatives from the government, employers, and workers. The NSSF's investments will also be monitored by a new independent investment committee, and the fund will be subject to an independent actuarial review every 3 years.

The EOSB program being phased out covers Lebanese citizens and certain foreign nationals employed in the private sector. (A special pension program covers public-sector employees and teachers.) To claim retirement benefits under this program, participants must have at least 20 years of contributions or have reached age 60. The lump-sum retirement benefit is equal to a participant's last monthly earnings multiplied by their years of service, plus half of their last monthly earnings multiplied by their years of service exceeding 20 years.

Sources: "Lebanon," ISSA Country Profiles, January 2022; Law 319, 2023; "Lebanon," Gallagher GVISOR News, July 2023; "Lebanon Adopts Landmark Social Security Reforms and a New Pension System for Private Sector Workers," *ILO News*, December 15, 2023; "What You Need to Know About the New Retirement System (Finally) Adopted in Lebanon," *L'Orient Today*, January 10, 2024; "New Pension System at the National Social Security Fund in Lebanon," International Labour Organization, January 23, 2024; "Lebanon: Major Reforms to Social Security Retirement System," WTW Global News Briefs, January 30, 2024; *Annual Digest of Social Protection Reforms in the Arab Region, 2023*, United Nations Economic and Social Commission for Western Asia, February 2024.

International

International Social Security Association Releases Updated Country Profiles for Asia and the Pacific

On January 23, the International Social Security Association (ISSA) announced the release of its first set of updated country profiles since 2020. This set of profiles covers 53 countries and territories in Asia and the Pacific, and the organization expects to release updated profiles for over 127 more countries and territories in three additional regions—Africa, the Americas, and Europe—by the end of 2024. The ISSA's country profiles contain summaries of mandatory statutory social security programs grouped into six branches, which include old-age, disability, and survivor pensions; medical and long-term care benefits; sickness and maternity benefits; work injury and occupational disease benefits; unemployment benefits;

and family and household benefits. The updated profiles for Asia and the Pacific include two new countries—Iraq and Mongolia—and provide information on program rules, financing, and administration as of January 1, 2022. Although the updated profiles are currently only available as PDF documents on the ISSA Country Profiles website, the ISSA is planning to incorporate the profiles into a new searchable database that is under development.

The ISSA's country profiles are the successor to those that previously appeared in the *Social Security Programs Throughout the World* (SSPTW) series. First published by the U.S. Social Security Administration (SSA) in 1937, SSPTW provided regularly updated summaries of social security programs around the world to help track international developments and trends and inform social security policy in the United States. Over time, the production of SSPTW evolved into a cooperative effort between SSA and the ISSA, with the latter collecting program information for the series through surveys of its members. Starting with the 2002 volumes, SSPTW formally became a joint product of SSA and the ISSA. This arrangement lasted until 2020, when SSA ended its involvement in SSPTW and the ISSA assumed complete control of the project. By this time, SSPTW consisted of four regional volumes updated on a 2-year cycle and covered 184 countries and territories.

Founded in 1927 under the auspices of the International Labour Organization, the ISSA is an international organization that promotes excellence in social security administration through cooperation and exchange among national social security agencies and institutions. The ISSA currently has more than 320 member agencies and institutions in over 160 countries. Although SSA has been involved in the ISSA in the past, it is not currently a member of the organization.

Sources: "About Country Profiles," International Social Security Association; "ISSA Country Profiles," International Social Security Association; "The ISSA at a Glance," International Social Security Association; *Social Security Programs Throughout the World*, U.S. Social Security Administration; "Updated Country Profiles for Asia and the Pacific," International Social Security Association, January 23, 2024.

International Update is a monthly publication of the Social Security Administration's (SSA's) Office of Retirement and Disability Policy. It reports on the latest developments in public and private pensions worldwide. The news summaries presented do not necessarily reflect the views of SSA.

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SSA Publication No. 13-11712
Produced and published at U.S. taxpayer expense