

Saudi Arabia

Saudi Arabia: Pension system in 2016

The mandatory public pension consists of an earnings-related old-age pension and an old-age settlement.

Key indicators: Saudi Arabia

| | | Saudi Arabia | OECD |
|------------------------------|------------------------------|--------------|---------|
| Average worker earnings (AW) | SAR | 93 573 | 137 353 |
| | USD | 24 949 | 36 622 |
| Public pension spending | % of GDP | | 8.2 |
| Life expectancy | at birth | 75.0 | 80.9 |
| | at age 65 | 15.4 | 19.7 |
| Population over age 65 | % of working- age population | 4.8 | 27.9 |

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Qualifying conditions

The old-age pension age is 60 years for men and 55 years for women with at least 120 months of paid or credited contributions. Retirement at any age is possible with 300 months (25 years) of contributions.

Benefit calculation

Old-age pension

The pension is based on 2.5% of the insured's average monthly earnings during the last two years for each year of contributions, up to 100%.

The minimum monthly earnings for benefit calculation purposes is SAR 1 500. The maximum monthly earnings for benefit calculation purposes is SAR 45 000.

The average monthly earnings for benefit calculation purposes must not exceed 150% of the insured's monthly earnings at the beginning of the last five-year contribution period.

If the insured's monthly earnings decrease during the last two years before retirement, special provisions apply to adjust the average monthly earnings used for benefit calculation purposes.

The minimum pension is SAR 1 984 per month.

Old-age settlement

A lump sum equal to 10% of the insured's average monthly earnings during the last two years before retirement is paid for each month of the first five years of contributions plus 12% for each additional month.

Variant careers

Early retirement

At any age with at least 300 months of contributions and if no longer covered by the programme.

Late retirement

It is not possible to defer the pension.

Personal income tax and social security contributions

Taxation of workers

There is no income tax paid.

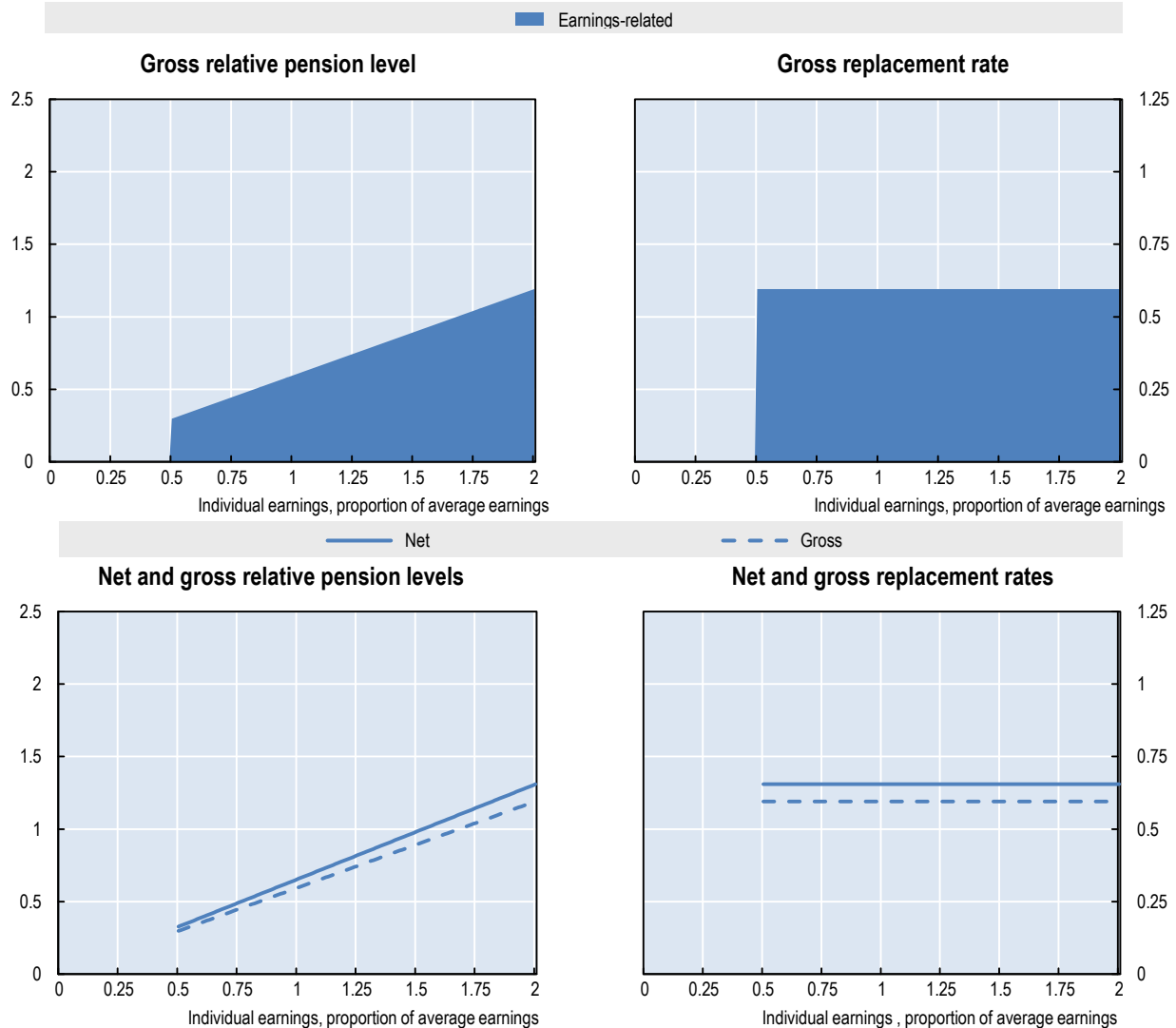
Taxation of pensioners

There is no income tax paid.

Social security contributions payable by pensioners

Pensioners do not pay any social security contribution.

Pension modelling results: Saudi Arabia in 2041 retirement at age 45



| Men Women (where different) | Individual earnings, multiple of average | | | | | |
|---|--|------|------|------|-------|-------|
| | 0.5 | 0.75 | 1 | 1.5 | 2 | 3 |
| Gross relative pension level (% average gross earnings) | 29.8 | 44.7 | 59.6 | 89.3 | 119.1 | 134.0 |
| Net relative pension level (% net average earnings) | 32.7 | 49.1 | 65.4 | 98.2 | 130.9 | 147.3 |
| Gross replacement rate (% individual gross earnings) | 59.6 | 59.6 | 59.6 | 59.6 | 59.6 | 44.7 |
| Net replacement rate (% individual net earnings) | 65.4 | 65.4 | 65.4 | 65.4 | 65.4 | 47.9 |
| Gross pension wealth (multiple of individual gross earnings) | 15.2 | 15.2 | 15.2 | 15.2 | 15.2 | 11.4 |
| Net pension wealth (multiple of individual net earnings) | 16.7 | 16.7 | 16.7 | 16.7 | 16.7 | 12.2 |
| | 17.4 | 17.4 | 17.4 | 17.4 | 17.4 | 12.8 |

Assumptions: Real rate of return 3%, real earnings growth 1.25%, inflation 2%, and real discount rate 2%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equal 90%. Labour market entry occurs at age 20 in 2016. Tax system latest available: 2015.

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