

# Pensions at a Glance 2023



# Saudi Arabia

## Saudi Arabia: Pension system in 2022

The mandatory public pension consists of an earnings-related old-age pension and an old-age settlement for those not entitled to the old-age pension.

### Key Indicators: Saudi Arabia

		Saudi Arabia	OECD
Average worker earnings (AW)	SAR	79 008	154 729
	USD	21 069	41 261
Public pension spending	% of GDP		7.7
Life expectancy	at birth	78.1	80.7
	at age 65	82.6	84.6
Population over age 65	% of working-age population	4.4	31.3

### Qualifying conditions

The old-age pension age is 58 years for both men and women with at least 120 months of paid or credited contributions (60 years using the Hijri calendar). 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%.

For benefit calculation the minimum monthly earnings are SAR 1 500, with maximum monthly earnings of 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*

If an individual is not entitled to an old-age pension they will receive an 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.

### ***Childcare***

There are no credits for periods out of the labour market.

### ***Unemployment***

There are no credits for periods out of the labour market.

### ***Self-employed***

Self-employed workers are voluntarily covered by the same system as for employees contributing both the employer and employee contributions.

## Personal income tax and social security contributions

### ***Taxation of workers***

There is no income tax paid.

### ***Taxation of pensioners***

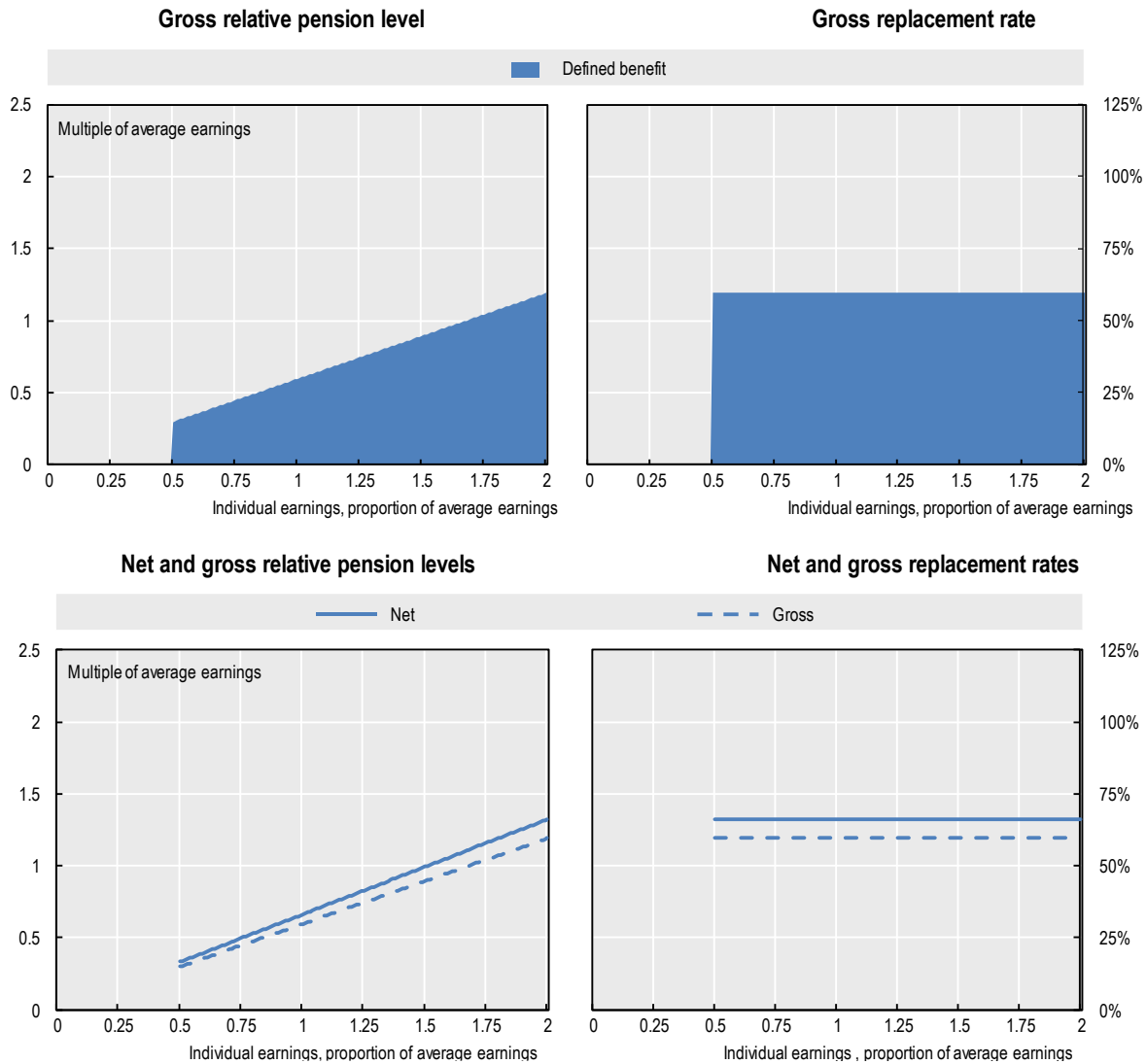
There is no income tax paid.

### ***Social security contributions payable by pensioners***

Pensioners do not pay any social security contribution.

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### Pension modelling results: Saudi Arabia in 2047 retirement at age 47



	Individual earnings, multiple of average					
	0.5	0.75	1	1.5	2	3
Men						
Women (where different)						
Gross relative pension level	29.8	44.7	59.6	89.3	119.1	178.7
(% average gross earnings)						
Net relative pension level	33.1	49.6	66.2	99.3	132.4	198.5
(% net average earnings)						
Gross replacement rate	59.6	59.6	59.6	59.6	59.6	59.6
(% individual gross earnings)						
Net replacement rate	66.2	66.2	66.2	66.2	66.2	66.2
(% individual net earnings)						
Gross pension wealth	17.4	17.4	17.4	17.4	17.4	17.4
(multiple of individual gross earnings)	18.0	18.0	18.0	18.0	18.0	18.0
Net pension wealth	19.4	19.4	19.4	19.4	19.4	19.4
(multiple of individual net earnings)	20.0	20.0	20.0	20.0	20.0	20.0

Assumptions: Real rate of return 2.5%, real earnings growth 1.25%, inflation 2%, and real discount rate 1.5%. All systems are modelled and indexed according to what is legislated. Transitional rules apply where relevant. DC conversion rate equals 90%. Labour market entry occurs at age 22 in 2022. Tax system latest available: 2022.