

JORDAN



DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	15
GDP per capita (USD)	3 466
Population (000s)	6 136
Labour force (000s)	
Employment rate	
Population over 65 (%)	
Dependency ratio ¹	

Data from 2008 or latest available year.
 1. Ratio of over 65-year-olds the labour force.
 Source: OECD, various sources.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- Social Security Corporation, covering the private sector workers and those government employees recruited after 1995 and the army officers recruited after 2002
- Civil Pension System, covering government employees (only those recruited prior to 1995)
- Military Pension System, covering members of the armed forces

Private pensions: occupational (voluntary)

- The pillar is typically linked to an employment relationship
- The pillar is not subject to supervision

Private pensions: personal (voluntary)

- It is normally provided by life insurance companies

Source: OECD Global Pension Statistic.

JORDAN: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The public PAYG pension system consists of three separate tiers.

Civil Pension System: this system is regulated by the Ministry of Finance. It covers government employees recruited prior to 1995. Since then, new employees are redirected to the Social Security Corporation.

Military Pension System: this system is regulated by the Ministry of Finance and cover members of the armed forces. Participants in this system receive benefits upon a service period of more than 16 years or upon reaching the age of 60. Those recruited into the army after 2002 are covered by the Social Security Corporation.

Social Security Corporation: the Social Security Corporation manages the national pension scheme for private sector workers, employees who joined the civil services after 1995 and military personal recruited after 2002. It is a compulsory scheme for employers with at least 5 employees. Coverage may be extended to employers with less than 5 employees in the future. The contribution rate is set at 14.5% of the employee's salary, of which 5.5% is paid by the employee. Employee contributions to the Social Security Corporation are exempted from tax; employer contributions are income tax-deductible.

OCCUPATIONAL VOLUNTARY

Access to occupational pension plans is linked to an employment relationship or a different type of professional relationship between the plan member and the plan sponsor. Occupational pension arrangements are not subject to supervision and in some cases there is no separation between the functions of the plan sponsor and the pension provider. The plans are not subject to reporting obligations and do not disclose financial information. The information about the governance and managerial standards adopted by the plan managers is very limited.

PERSONAL VOLUNTARY

Personal pension arrangements take the shape of pension plans provided by life insurance companies. There are 19 insurance companies licensed to provide life insurance and annuities.

POTENTIAL REFORM

Jordan is currently undertaking significant efforts to reform its pension system. The purpose is to develop and formalize the three-tier approach.

The Insurance Commission is developing the regulatory framework for private pensions provided by life insurance companies. The regulations envisage basic rules on issues such as licensing, fund management, accountability, asset valuation, risk management and annuities.

Other reforms that are being considered include the introduction of a ceiling on pensionable earnings for both social security and private pension insurance schemes, the introduction of fiscal and non-fiscal

incentives in private pension insurance schemes and a reform of the institutional arrangements in order to stimulate the expansion of private pension insurance plans.

REFERENCE INFORMATION

KEY LEGISLATION

The relevant legislation is the Insurance Regulatory Act No. 33 of 1999, which is complemented by a series of Regulations, Instructions and Decisions.

KEY REGULATORY AND SUPERVISORY AUTHORITIES

The Insurance Commission of Jordan regulates and supervises the private pension plans provided by life insurance companies.

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