



IOPS Member country or territory pension system profile:

PALESTINE

Report issued on December 2011, validated by the Palestine Capital Market Authority (PCMA)

PALESTINE

DEMOGRAPHICS AND MACROECONOMICS

Total Population (million)	3.7
Percentage 65 or older	3
Dependency Ratio (a)	81.8
Life Expectancy at Birth (years) for Men	70.5
Life Expectancy at Birth (years) for Women	73.2
Labour Force (million) ¹	0.717
Statutory Pensionable Age - Men	60
Statutory Pensionable Age - Women	60
Early pensionable age - Men	55
Early pensionable age - Women	50
GDP per capita (USD)	1,415.7

Sources: see the Reference information section.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- Unified pension scheme for civil servants, security forces personnel, local authorities' employees and optional private sector workers.
- The Gaza civil servant pension scheme, the West Bank civil servant pension scheme and the Security forces pension scheme exist for civil servants and security forces personnel who were older than 45 years as of 1 September 2006.

Private pensions: occupational (voluntary)

- Voluntary occupational (DC) private pension plans, typically set as provident funds

Source: OECD/IOPS Global Pension Statistic

PUBLIC PENSION

The Palestinian pension system currently comprises one unified public pension scheme, covering civil servants, security forces personnel, employees of local authorities and public institutions, NGOs and optional private sector workers. The new pension law N°7 of 2005 has integrated the two former civil servants' schemes that had been inherited from Jordan for the West Bank civil servants and Egypt for the Gaza strip civil servants and the pension scheme for security forces personnel. Since the enactment of the unified pension law, all newly hired civil servants become members of the new scheme regardless of their location, whereas the employees who were older than 45 years old as of 1 September 2006, continue to be served under old schemes (law N° 34 of 1959, law N°8 of 1964 and law N°16 of 2004).

The scheme is publicly administrated and financed on a pay-as-you-go basis.

As of June 2009, current pension system covered around 74,367 civil servants and 63,194 security personnel, representing approximately 16 per cent of the total labour force¹.

The Palestine Pension Authority (PPA) administrates public pension schemes.

1. New (unified) civil servant pension scheme:

Coverage:

Covered employees: civil servants, security forces who were less than 45 years old on the date 1/9/2006 and who are paid from the Palestine National Authority (PNA) general budget; Palestine Liberation Organization employees who are working outside the country and who are paid from the PNA general budget unless they are not participated in any other governmental pension scheme; the employees of local authorities and public institutions; NGOs and private sector employees.

Contributions:

The unified civil servant pension scheme has three key components (welfare part, defined benefit (DB) part and defined contribution (DC) part):

- DB part: employer contributes 9 per cent, whereas employee contributes 7 per cent of paid up salary;
- DC part: both employer and employee contribute 3 per cent each.

Minimum contribution period is set at 15 years.

Pensions benefit payments:

Welfare component is paid in a form of a lump sum².

DB benefits are calculated based on a pension formula (2% of the last paid salary multiplied by the number of service years accepted for retirement salary calculation).

¹ « Towards a Palestinian State : Reforms for Fiscal Strengthening », Economic Monitoring Report to the Ad Hoc Liaison Committee, 13 April 2010, the World Bank

² Welfare pension benefit: 700 New Israel Shekel, NIS (1 USD = 3.72 NIS)

DC benefits are based on the amount accumulated plus investment returns. Retirement benefits accumulated in DB and DC components are paid as lifetime pension.

Early retirement is authorised for men aged 55 years (or for women aged 50 years) old with minimum 15 years of service, entailing 4 per cent reduction of retirement benefits until reaching the legal retirement age (60).

Deferred pension: deferred pension is allowed up to 5 years at most (i.e. 65 years old, from the legal retirement age (60)), but based on a yearly contract. The deferred pension period is added to the service period for the purpose of calculating the retirement salary.

In addition, family and personnel (300 NIS) and cost living allowances are paid based on eligibility conditions.

2. The Gaza civil servant pension scheme:

Coverage:

Covered employees include all the following categories who were older than 45 years old as on 1 September 2006: Gaza strip civil servants; Gaza strip municipality and village councils employees; civil servants who are working on the West Bank and have been appointed after the year 2000 according to the presidential decree, from the President Arafat; employees of the electricity distribution company in the Gaza strip.

Contributions:

The employees contribute 10 per cent of wage while the employer (the government) contributes 12.5 per cent.

Pension Benefits payments:

Pension benefits are paid based on a pension formula (2.5% of the last paid salary multiplied by the number of service years accepted for retirement salary calculation).

Retirement benefits include lump sum payments representing up to 25% of the pension calculated according to a specified equation paid in addition to lifetime pension.

In addition, family and personal allowances (300 NIS) are paid based on eligibility conditions.

Vesting period is set at 15 years.

Members are entitled to receive pension benefits when reaching retirement age of 60 and after 15 years of contributions.

Early retirement is allowed with minimum 20 years' service, entailing a prorate reduction from retirement salary according to age as follows:

- 20 per cent for those who are less than 45 years old
- 15 per cent between 46-50 years old
- 10 per cent between 51-55 years old
- 5 per cent between 56-57 years old
- no deduction for those who are 58 years or older

Disability/survivor/other social insurance benefits are paid despite service period, representing minimum 40 per cent of the average salary.

2. The West Bank civil servant pension scheme:

Coverage:

Covered employees: West Bank civil servants who have been appointed to the public service before the year 2000 and who were older than 45 years as of 1 September 2006.

Contributions:

The employees contribute 2 per cent of their wages while employer does not contribute to the scheme.

Pensions benefit payments:

Pension benefits are paid based on a pension formula (2.5% of the last paid salary multiplied by the number of service years accepted for retirement salary calculation).

Retirement benefits are paid as lifetime pension.

In addition, family and personal allowances (300 NIS) are paid based on eligibility conditions.

The scheme applies a vesting period of 15 years.

The pension applies after a vesting period of minimum 15 years (should be supported with a cabinet decision) and /or 30 years of service (employee can directly retire with no need for any approval from any party).

The pension scheme applies a vesting period of minimum 15 years (should be supported with a cabinet decision) and /or 30 years of service (employee can directly retire with no need for any approval from any party)

Disability/survivor/other social insurance benefits:

If the years of service were above 10 years, insured person gets the full retirement benefits, or 1/3 of the last paid salary, whichever is greater, in addition to health disability salary of 5-30 per cent of the last paid salary.

3. The security forces pension scheme

Coverage:

Covered employees: security forces personnel who were older than 45 years as of 1 September 2006 and security forces personnel who served at the Palestine Liberation Organisation (PLO) and were older than 45 years as of 1 September 2006.

The employees currently contribute 10 per cent of wage while the employer (the government) contributes 12.5 per cent.

Pensions benefit payments:

Pension benefits are paid based on a pension formula (2.8% of the last paid salary multiplied by the number of service years accepted for retirement salary calculation).

Retirement benefits include lump sum payments representing up to 25% of the pension calculated according to a specified equation paid in addition to lifetime pension.

Vesting period is set at 10 years.

Members are entitled to receive pension benefits when reaching retirement age of 60 after 10 years of contribution.

Similar early retirement provisions apply as for other public schemes.

Disability/survivor/other social insurance benefits:

In case natural death occurs while insured person was still on duty, minimum 40 per cent of the last salary is paid or on the base of service period plus three years, whichever is greater.

In case of death occurs as a result of job duties: 80 per cent of last paid salary is paid.

Reforms:

The Palestinian Authority (PA) started working on a cautious pension reform proposal in late 2007 and the pension reform process is still underway. The reform strategy will focus on (a) reducing public pension liabilities, (b) expanding coverage to people who are not yet covered by any formal pension arrangement and (c) increasing the role of the financial sector in providing pension products which can partially and gradually replace public pension schemes. In order to make objective (c) plausible, the current efforts of the Authority are directed to develop and implement efficient legal and institutional framework for regulating pension system. The two agencies working on the technical and legal background for the pension reform are the Palestine Pension Authority (PPA) and the Palestine Capital Market Authority (PCMA). The PPA is in charge of elaborating the options and technical parameters of reforming the public pension system –measures reducing the stock and accrual of liabilities and incentives to widen coverage- while the PCMA is expected to work on the regulatory framework for a private pension industry.

PRIVATE OCCUPATIONAL VOLUNTARY

PROVIDENT FUND SCHEMES

Some employers (private sector enterprises, financial institutions, universities, non-governmental organisations, etc.) may establish private pension plans on a voluntary basis for their employees. No regulatory framework currently exists.

Voluntary occupation pension schemes are set up usually in a form of provident funds, operating on defined contribution (DC) basis and offer lump sums at retirement. Contributions vary widely among provident funds, their rate depends on the rules governing the pension plan. The accumulated funds are not portable and cannot be transferred to other financial institution. All employers (according to the Labour law) also provide severance pay at the termination of the service by an employee.

The Palestine Capital Market Authority is currently elaborating the regulatory framework for the operation of a DC private pension scheme.

REFERENCE INFORMATION

- Key Legislation

2005: The Law of Public Retirement N°7, integrated the two civil servants schemes that have been inherited from Jordan for the West Bank civil servants (Public pension law N°34 of 1959) and from Egypt for the Gaza Strip civil servants (Public pension law N°8 of 1964) and the pension scheme for security forces personnel (Security forces pension law N°16 of 2004).

2004: Security Forces Pension Law N°16, implemented security forces pension scheme;

1964: Public Pension Law N°8, implemented the Gaza strip civil servants pension scheme;

1959: Public Pension Law N°34, implemented the West Bank civil servants pension scheme;

- Key Regulatory and Supervisory Authorities

The Palestine Pension Authority (PPA), regulates and administrates all civil service pension schemes in West Bank and Gaza. The PPA is currently in charge of elaborating the options and technical parameters of the reform of the public pension system. (www.ppag.ps)

The Capital Market Authority (CMA), responsible for the licensing, regulation and supervision of all non-banking financial institutions' activities. The CMA is playing a leading role in elaboration of the regulatory framework for a private pension industry. (<http://www.pcma.ps>)

Sources:

The data is provided for the year 2009

Source: The Palestine Central Bureau of Statistics, Performance of Palestine Economy 2010, pages 18-19: http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/book1756.pdf

Statistical abstract of Palestine, No.'11'', page 189;
http://www.pcbs.gov.ps/Portals/_PCBS/Downloads/book1724.pdf

(a). Population aged 14 or younger plus population aged over 65 or older, divided by population aged 15-64.