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Public Pension Agency in Saudi Arabia

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Abstract— This paper illustrates the Saudi Arabian's Public Pension Agency, which is similar to Social Security in United States. This paper will briefly address the history of PPA in Saudi Arabia, how it is work, some roles and regulations, the way of calculate the retiree service, and who is eligible to be a beneficiary when the primary beneficiary pass away.

Index Terms— Pension, agency, employee, employer, retiree

INTRODUCTION

Every worker in the world is dreaming about his or her retirement. They are working so hard to have a comfortable and secure retirement. It is a big but achievable goal. One of the things that makes it achievable is planning ahead for your retirement. There are many tools that can help you with financing your plan, such as social security, retirement plans like 401(k)s, etc. These tools are used throughout the world, but can be substituted with different names and, perhaps, a different structure.

As a worker from Saudi Arabia, I am used to a system similar to social security system. Saudi Arabia calls it "Public Pension Agency." This agency is concerned about the government workers of civilian and military, solely. For privet sector, there is "General Organization for Social Insurance." In this paper, there will be an illustration about the Public Pension Agency from many aspects, such as the historical overview, how it works, and the laws and regulations in place.

In 1958, Public Pension Agency was established first under a different name, "Pension Interest." Then, in 2001, the cabinet voted to change the name of the agency from Pension Interest to Public Pension Agency with an independent budget and administration. The main purpose of establishing PPA is to insure a financial resource for government retirees at the end of their career service as determined by the retirement system (Imam, 1978).

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SAUDI ARABIA (PPA)

The Saudi Arabian PPA consists of several organizational levels. The first is the Board of Direction which is the highest authority of the agency. The second is the Agency Center which consists of the governor of the agency and its associated divisions. The third organizational level is the Administrative department, Financial department, Risk management department, Department of legal affairs and Planning and development department. All these departments are working side by side to achieve the agency's goals (Basha, 1996).

In Saudi Arabia, the government sets 60 as the retirement age. The employee cannot exceed that age in any case. The PPA, however, relies on years of service instead of the age to calculate benefits. In other words, to get the full retirement benefit from PPA the worker must work for 40 years but without exceeding the age of 60. Furthermore, during the employee's work life, PPA deducts 9% of the salary every month (Khedr, 2006). The retirement system determines cases for government employees who should be eligible to receive benefits from the system. These cases are:

- The retiree who reached the age of sixty years with no less than one year of government service.
- The employee who is deceased or dismissed because of his disability and cannot work anymore regardless of service length.
- Deceased or incapacitated because of work.
- The employee who has governmental service of at least twenty five years and his service is ended for any reason.
- The employee who ended his service because of abolition of his job or because of a decision of higher authorities with experience not less than 15 years except dismissal due to a disciplinary action.
- The employee who requests to retire with service not less than 20 years with approval of his employer (PPA, 2015).

CONCLUSION

To calculate the service length for pension purposes, PPA calculates the actual term that the retiree worked on a specific rank in the budget of authority. The length of unpaid study leave is included in the calculation. However, there are many terms that are excluded from the pension calculation, for example all absence without leave, all unpaid leaves except study and sick leaves, the term of disciplinarian dismissals, parts of the month when calculating the whole service term, working after the retirement age which is 60 years old without formal extension (PPA, 2015).

The way PPA calculate pensions is based on one-fortieth of the last salary for the retiree when he request his retirement benefit. In other words, the formula PPA uses to calculate pensions is:

Retiree pension = (The last fixed salary x Monthly length service) / 480

This formula covers the normal retirees. On the other hand, if the retirement accrues because of non-work related disability or death, PPA is counting 40% of the last fixed salary unless the above formula has a higher pension. However, if disability or death accrue because of work, 80% of the last fixed income will be given to the retiree or his spouse as the pension (PPA, 2015)

In addition, if the employee retires for any reason, and he is not under one of the eligible categories for pensions, PPA will pay him a lump sum for his service. If an employee serves less than ten years, PPA calculates his lump sum by multiplying his most recent basic salary by 10% and then by his or her monthly service term. If an employee has more than ten years of service but does not reach 25 years of service, PPA calculates the following: last basic salary x 11% x monthly service term = retiree lump sum. If an employee has less than fifteen years of service and is dismissed for any reason except disciplinary dismissal, PPA pays him his last basic salary x 14% x monthly service term. All these lump sums are paid once by PPA for the beneficiary (PPA, 2015).

If the primary beneficiary dies, his living spouse, mother, father, son, daughter, grandfather, grandmother, grandson, and granddaughter become the beneficiaries. However, to be a beneficiary, one must be totally dependent on the pensioner during his/her life. The pension will be distributed equally to these relatives. If there is only one beneficiary,

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the relative will receive 50% of the total pension. When the pensioner's son, brother, grandson (males) reaches the age of 21, the pension will discontinue, unless he/she is a student. In this case, the pension will continue until he/she graduates or reaches the age of 26. Another exception is when one of the males who depends on the pensioner is totally disabled and cannot work his for the rest of his life. Moreover, if any of the females who depend on the pensioner get married, including the widow, the pension will discontinue on the day of marriage. Another case that will stop the pension is when beneficiaries have been appointed in the government, unless the salary is less than the pension then the beneficiary will receive the difference (Sabbab & Mahjub, 1978).

As you can see, this is a brief summery about Saudi Arabia's Pubic Pension Agency. I believe that every country has a similar system, and the differences came from the nature of the people's needs.

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