



International Update

Recent Developments in Foreign
Public and Private Pensions

August 2023

Europe

Czech Republic Passes One-Time Pension-Adjustment Reduction

On March 20, the Czech government enacted a law that reduced the mandatory pension increase that pensioners receive in June. The law reduced the scheduled percentage increase in earnings-related pensions from 11.5 percent to 2.3 percent while also introducing an additional flat-rate increase of 400 koruna (US\$18) a month. In January 2023, the average monthly old-age pension, including both the earnings-related benefit and a basic benefit of 4,040 koruna (US\$185), was 19,438 koruna (US\$890). Under the new law, this amount rose by 760 koruna (US\$35) in June, instead of by 1,770 koruna (US\$81) as it would have under the previous scheduled increase. The government said the smaller pension increase was necessary to reduce a projected budget deficit of 295 billion koruna (US\$ 13.5 billion) this year. Government officials estimate that the law, which applies only to this year's pension adjustment, will reduce pension expenditures by 19.4 billion koruna (US\$890 million) in 2023, 33 billion koruna (US\$1.5 billion) in 2024, and 316.4 billion koruna (US\$14.5 billion) over the next decade.

The Czech old-age pension system consists of a state pension program that covers all employed and self-employed workers, and a voluntary supplemental individual account program. The state pension comprises a flat-rate basic benefit of 10 percent of the average monthly wage, and an earnings-related benefit that varies depending on the insured person's years of coverage, earnings record, and number of children. The earnings-related benefit is adjusted annually in January by the percentage increase in the consumer price index plus 50 percent of the increase in average real wages. A further increase is mandated if the consumer price index increases by at least 5 percent. In 2022, the Czech consumer price index rose 15.8 percent.

The Czech state pension program is financed on a pay-as-you-go basis, with current contributions funding the pensions of current retirees. Employees

contribute 6.5 percent of monthly covered earnings and employers contribute 21.5 percent of monthly covered payroll. (Self-employed persons contribute 28 percent of monthly covered earnings.) In 2023, men and women without children who have at least 35 years of coverage can retire at age 64 (gradually rising to age 65 by 2030). Women born before 1972 who raised children have a lower retirement age. Individuals with at least 35 years of contribution can claim the old-age pension early (up to 4 years for individuals whose normal retirement age is 64) and receive a reduced benefit.

Sources: *Social Security Programs Throughout the World: Europe, 2018*, U.S. Social Security Administration, September 2018; "Pensions at a Glance 2021: Country Profiles—Czech Republic," Organisation for Economic Co-operation and Development, December 2021; Zákon č. 71/2023 Sb., 2023; "Explained: Czechia's Pension Controversy and What It Means for Expats," expats.cz, March 13, 2023; "Czech President Will Sign Bill Allowing Slower Rise in Pensions," Reuters, March 15, 2023; "President Pavel Signs Amendment to Pension Indexation into Law," Czech News Agency, March 16, 2023; "Czech President Signs Law Reducing Pension Increases," Xinhua, March 16, 2023.

Monaco Approves Creation of Mandatory Occupational Pension Program

On April 13, Monaco's National Council approved a law that creates a mandatory occupational pension program for private-sector employees—the Monaco Complementary Retirement Fund (Caisse Monégasque de Retraite Complémentaire, or CMRC)—to replace pension coverage currently provided by France's main occupational pension program (AGIRC-ARRCO). Monaco's private-sector employees have participated in the AGIRC-ARRCO program since 1964 under a bilateral agreement with France. However, over the past decade, Monaco's government and its social partners—the country's main employer and union associations—have been developing the CMRC program to give the country more flexibility in setting its social security and employment policies. Under the new law, the CMRC program will cover all private-sector employees beginning on January 1, 2024. The government estimates that the move to the new program will affect around 168,000 current and past employees.

Although some aspects of the CMRC program are still being worked out, key details of the program specified by the new law include:

- *Covered workers:* Participation in the CMRC program will be mandatory for all private-sector employees in Monaco who have not retired by January 1, 2024. AGIRC-ARRCO pension entitlements previously accrued by these employees for periods of activity in Monaco will also be transferred to the CMRC program.
- *Contribution rates:* The CMRC contribution rates for employees and employers will initially remain the same as those for the AGIRC-ARRCO program. There will still be two types of contributions—one that accrues pension points for employees and one that does not, but helps maintain the program’s overall financial stability—and the contribution rates will continue to vary based on two income brackets. (See Table 1 for more details.) However, starting on October 1, 2024, the financial stability contribution rates and the income brackets will be subject to annual review and adjustment.
- *Qualifying conditions:* To be eligible for the CMRC old-age pension, insured persons must have reached age 65, the normal retirement age for Monaco’s basic social insurance old-age pension. However, it will be possible for insured persons not receiving sickness, work injury, or unemployment benefits to claim the CMRC old-age pension as early as age 60 if they have ceased regular employment, or age 55 if they are women who have raised at least three children until they reach age 16.
- *Benefit calculation:* Like the AGIRC-ARRCO old-age pension, the CMRC old-age pension will be calculated using a pension points system. Specifically, the annual pension amount will equal an insured person’s lifetime pension points multiplied by the annual value of a pension point. Pension points will be determined each year by dividing the product of

the insured’s contribution base and a point accrual rate by a reference salary for that year. The annual value of a pension point will be adjusted annually on October 1.

- *Program administration:* The CMRC program will be administered as part of the Monaco Social Funds (Caisses Sociales de Monaco) and overseen by a tripartite committee with representatives from the government, employers, and unions.

In addition to a mandatory occupational pension program, Monaco’s old-age pension system consists of a social insurance program covering private-sector employees and public-sector contractors. (Civil servants, hospital personnel, and self-employed persons are covered by special pension programs.) To finance the social insurance old-age pension program, employees and employers contribute 6.55 percent and 8.07 percent of covered earnings/payroll, respectively. The social insurance old-age pension is paid to insured persons who have reached age 65 and have at least 10 calendar years of coverage, including at least 60 months of employment and at least 151 to 173 hours of work a year (depending on the year of employment). (Early and deferred retirement are possible.) Persons with at least 450 months of coverage may qualify for a monthly top-up benefit if their base old-age pension is less than a minimum amount.

Sources: “Allocations sociales,” Caisses Sociales de Monaco; “Pension directe,” Caisses Sociales de Monaco; “Questions fréquentes sur la CMRC - La Caisse Monégasque de Retraite Complémentaire,” Caisses Sociales de Monaco; *Social Security Programs Throughout the World: Europe, 2018*, U.S. Social Security Administration, September 2018; Loi n° 1.544 du 20 avril 2023 instituant une Caisse Monégasque de Retraite Complémentaire, 2023; “Création de la Caisse Monégasque de Retraite Complémentaire: l’essentiel de la loi,” Legimonaco, May 2, 2023; “Monaco se dote de son propre régime de retraite complémentaire,” AGIRC-ARRCO, June 13, 2023.

Table 1.
CMRC current contribution rates

Monthly income bracket ^a	Contribution type	Employee percentage	Employer percentage
€0 to €3,666 (US\$4,022)	Pension accruing	3.15	4.72
	Financial stability	0.86	1.29
€3,666.01 to €29,328 (US\$32,173)	Pension accruing	8.64	12.95
	Financial stability	1.08	1.62

a. Note that the bracket amounts may change by the time the CMRC program becomes effective.

Asia and the Pacific

Oman Overhauls Social Security System

On July 19, Oman's sultan issued a decree promulgating the Social Protection Law, which lays out a comprehensive overhaul of the country's social security system. Some of the key pension-related changes made by the new law include unifying the social insurance pension program; creating a new social security agency; and establishing universal old-age, disability, and child benefits. Another notable feature of the new law is the creation of new sickness, maternity and paternity, and unemployment benefit programs that will gradually be extended to all workers, including those who are not Omani citizens. Developed with technical assistance from the International Labour Organization, the new law is intended to improve the coverage, adequacy, and sustainability of Oman's social security programs. The contributory provisions of the new law will affect around 2.2 million workers in Oman, of which over three-quarters are non-Omani nationals.

The new law will be phased in over 3 years after its enactment on January 1, 2024, though certain contributory old-age pension and early retirement provisions entered force on July 20. Most provisions for contributory pensions, noncontributory benefits, and work injury benefits will be implemented within 6 months of the law's enactment. New benefit provisions scheduled to be rolled out include maternity and paternity benefits (within 1 year of enactment), cash sickness and certain family leave benefits (within 2 years of enactment), and work injury benefits for non-Omanis (within 3 years of enactment).

Key pension-related provisions of the new law include:

- *Unified social insurance old-age, disability, and survivor pensions:* To make the social insurance program more efficient and equitable, 11 existing social insurance funds (including all assets and liabilities) will be merged into a single national program covering all Omani workers, including part time or temporary workers, the self-employed, and public-sector employees. (Military and security personnel will also be covered by a new supplemental pension fund.) Under the new program, qualifying conditions and benefit formulas will be uniform for all covered individuals. Non-Omani workers will remain eligible for an end-of-service benefit, but it will be administered through a dedicated provident fund (scheduled to be operational within 3 years) rather than employers. (The end-of service benefit is paid to non-Omani workers upon retirement, disability, death, or returning to their home countries.)
- *Program administration:* The unified social insurance program will be administered by a new agency—the Social Protection Fund—and overseen by a tripartite board of directors, with representatives from government, employers, and workers. The new agency will also handle the administration of noncontributory cash benefits.
- *Universal old-age pension:* All Omani citizens aged 60 or older will receive a government-financed monthly pension of 115 rials (US\$299.09).
- *Universal disability benefit:* All Omani citizens assessed with a permanent disability requiring care or support will receive a government-financed monthly pension of 130 rials (US\$338.10).
- *Benefit-tested survivor benefit:* All Omani orphans younger than age 18 and widows younger than age 60 will receive a monthly benefit of up to 80 rials (US\$208.06), regardless of whether the deceased participated in the social insurance program. However, the benefit will be reduced proportionally by any other social insurance pension the survivor receives.
- *Universal child benefit:* A government-financed monthly benefit of 10 rials (US\$26.01) will be paid for each Omani child up to age 17.
- *Means-tested family income support:* Omani households and non-Omani widows of deceased Omani citizens may receive a top-up benefit to raise their incomes (including other social security benefits) up to a legal minimum.

Under previous rules, the social insurance program covers all Omani citizens employed in the private sector under a permanent work contract or working in one of the other Gulf Cooperation Council member countries (Bahrain, Kuwait, Qatar, Saudi Arabia, and the United Arab Emirates). (Voluntary coverage is available for self-employed Omanis and Omanis working abroad. Certain public-sector employees are covered by special programs.) Men are eligible for a social insurance old-age pension at age 60 with at least 15 years of paid contributions, and women are eligible at age 55 with at least 10 years of paid contributions. (An early pension may be paid at ages 45–59 with at least 20 years of contributions for men or 15 years for

women.) Individuals who have reached the normal retirement age with at least 1 year of paid contributions but do not meet the contribution requirement for the old-age pension may receive a lump-sum end-of-service benefit. An income-tested benefit is paid to certain elderly persons, persons with disabilities, and survivors.

Sources: *Social Security Programs Throughout the World: Asia and the Pacific, 2018*, U.S. Social Security Administration, March 2019; Royal Decree 52/2023, 2023; “Ground-Breaking Reforms in Oman Pave the Way for a New Social Protection Model in Gulf Cooperation Council Countries,” International Labour Organization, March 15, 2023; “Royal Decree on Social Protection Fund Combines Retirement, Social Insurance Systems in Oman,” *Times of Oman*, July 18, 2023; “Ambitious Reforms in Oman Pave Way to Universal Social Protection,” International Labour Organization, July 20, 2023; “Far-Reaching Reforms in Oman Set New Benchmark for Social Protection in the Region,” International Labour Organization, July 20, 2023; “Promulgating Social Protection Law in Oman” *Oman Daily Observer*, July 20, 2023; “HM Issues Royal Decree Promulgating Social Protection Law,” *Muscat Daily*, July 22, 2023.

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