New Pension System at the National Social Security Fund in Lebanon

The new scheme explained in 21 Questions & Answers

- In December 2023, the Parliament of Lebanon approved a significant reform through the passage of Law 319. The new legislation brings about substantial change to the social security system, introducing a new pension scheme within the National Social Security Fund (NSSF) and comprehensive restructuring of the NSSF's governance and operational framework.
- The International Labour Organization (ILO) provided extensive technical support to the relevant parliamentary committees, the NSSF and workers and employers' organizations in Lebanon to reach consensus over the design and parameters of the scheme, and the final text of the legislation that was adopted by Parliament, ensuring its alignment with international labour standards for social security.
- This Q&A explains key design features of the new scheme including covered population, eligibility conditions, benefit types and levels, governance, and operational processes. It makes key legal provisions stipulated within the law accessible to prospective insured members
- The Q&A should be considered as a living document and will be periodically revised with additional questions and answers as needed.

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The new scheme explained in 21 Questions & Answers

1. Am I eligible to participate and benefit from the new pension scheme?

You will be mandatory enrolled in the new pension system if you are currently subject to the End-of-Service-Indemnity (EOSI) system and you are less than 49 years of age at the time of coming into force of the new law. If you are 49 years or older you will have the choice to join the new pension system, or remain under the current EOSI scheme.

You will also have the option to enroll voluntarily in the new pension system if you fall into one of the following categories: Lebanese residing in Lebanon who are self-employed workers, domestic workers, employers and non-permanent agricultural workers[1]; Lebanese working abroad.

2. How will my retirement pension be calculated?

Each insured will have an individual notional account to which a portion (12.25% of your earnings) of the total contribution is allocated. Your individual notional account is also credited interest[2] on a yearly basis at a rate equal to the increase in average earnings of all members covered by the scheme.

At the time of retirement, your individual notional account, will not be paid as a lump sum, but will be converted into a pension amount using a conversion factor that depends on the following elements at the time of retirement: life expectancy, interest rate, pension cost-of-living adjustments and whether you have or not survivors eligible to receive benefits following your death.

For illustration purpose, if we use the mortality and interest rate assumptions used for the actuarial valuation, the conversion factor for a man aged 64 in 2055 with a spouse aged 60 could be 16.77423. The projected individual notional account will then be divided by 16.77423 to determine the yearly pension paid to you monthly. This illustration is based on a preliminary version of the conversion factors used for the actuarial valuation. In practice, these factors will not be fixed and vary quite often based on factors like life expectancy and interest rates.

3. Is there a minimum pension?

Yes - Your retirement pension will be at least equal to the higher of the following guarantees:

a. First Guarantee: 55% of the official minimum wage (SMIC) at time of retirement after 15 years of contribution, which increases by 1.75% for every additional year of contribution, up to a maximum of 80% of the SMIC; and

b. Second Guarantee: 1.33% x your years of contribution x your "average revalorized career earnings" (see next question).[3]

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[1] Permanent employees, who work in an agricultural enterprise are mandatorily covered according to Law No. 8/74 dated 25/3/1974, and in Decree No. 7757 dated 7/5/1974

[2] Interest is credited also during period when you are not paying contributions, for example in case you stop working before reaching retirement age.

[3] The second guarantee is determined in line with minimum standards of social security that are set in ILO Convention No. 102.

Table 1 - Retirement pension: minimum pension guarantees

Number of years of contribution (at normal retirement age)	Your pension cannot be lower than the highest between:	
	% of SMIC at time of your retirement	% of your average revalorized career earnings
15	55%	20%
20	63.8%	26.7%
25	72.5%	33.3%
30	80%	40%
35	80%	46.7%
40	80%	53.3%

4. Will contributions that I have made throughout the whole of my career count towards my final pension benefits?

Yes, a whole career average will be adopted for the calculation of the reference wage on which the second pension guarantee is calculated. Therefore, every month of contribution counts towards your final pension amount. The calculation of your career average salary will start only from the date of coming into force of the new system.

Importantly your reference salary will not be calculated as a simple average of past and current earnings. This would penalize workers, as old salaries have devaluated since. Instead, a so called "revalorized career average" salary will be applied: past salaries will be updated to current wage levels in line with the average yearly increase of declared wages. This means that your past salaries will reflect the average salary increase observed in the Lebanese economy before calculating the reference wage used in your pension calculation.

In the example below the simple average of your earnings for the first three years would yield a reference wage of 800 000 000. The process of revalorization of past wages in line with average wage inflation will yield a higher reference wage, approximately 839 000 000.

Table 2 - Illustration of average revalorized career earnings (first three years)

Year	Your Earnings (annual)	Average yearly increase in wages declared to the NSSF	Your revalorized Earnings (in 2027)
2025	750 000 000		826 875 000
2026	800 000 000	5%	840 000 000
2027	850 000 000	5%	850 000 000
Revalorized career average – 2025-2027			838 958 333

5. When can I start collecting my retirement pension?

You can begin collecting your retirement pension at the age of 60, provided you've contributed to the scheme for at least 15 years.

However, if you start collecting before age 64 (called "legal retirement age"), your pension will be reduced, because you will receive a pension for a longer period. The reduction is 0.5% per each month preceding age 64 and applies to the two minimum pension guarantees.[4] For example, if you start collecting your pension at age 63, your minimum pension will be reduced by 6% for your lifetime and if you start collecting it at age 60, your minimum pension will be reduced by 24%.

You have the right to continue working after reaching the of age 64, subject to the same contribution requirements. If you return to work after you have already started receiving a retirement pension, your new period of contribution will be treated separately, and used to calculate a separate additional pension.

6. What happens if I die after I have started collecting a pension?

If you die after you have started collecting your pension, your pension will continue to be paid to your survivors. If you have a surviving spouse and dependent children, 40% of your pension will be paid to your surviving spouse and the other 40% will be divided equally among your dependent children.

If your children no longer qualify for the survivors' pension, or in case of absence of children, their share is transferred to the spouse (and vice versa).

Your spouse can benefit from the monthly payments until he or she remarries or dies. Your children may in turn keep receiving the payments until they reach the age of 18, or 25 if they are still students. There is no age limit for dependent children with disabilities if they are single and not capable of working.

7. What happens if I die before I have started collecting a pension?

If you die after contributing to the scheme and before you start collecting your pension, your survivors are entitled to a pension converted from your individual notional account. The pension cannot be lower than the higher of the following minimum guarantees:

a. First Guarantee: 55% of the official minimum wage (SMIC) at time of eligibility after 15 "credited years" of contribution, growing by 1.75% per year, up to a maximum of 80% of the SMIC.

b. Second Guarantee: 1.33% x "credited years" of contribution x average revalorized career earnings, up to a maximum of 40%; and

c. For the purposes of the formula in a. and b. above, the "credited years" are equal to your years of contribution plus the missing years between your death and your normal retirement age.

If you die before starting to collect your pension, the pension payable to your survivors is shared between them as outlined in question 6 above. If you have no eligible survivor, the value of your individual notional account is paid as a lump sum to the beneficial owners defined by law.

[4] The pension from your individual notional account will also be automatically reduced by the use of a larger conversion factor

8. What happens if I become disabled before retirement?

If you have contributed to the scheme for at least 3 years (1 year in case of non-occupational accident) and the medical board of the NSSF determines that you have permanently lost at least two thirds of your capacity to work, you will be entitled to a lifetime pension.

The disability pension will be calculated in the same manner as the survivors' pension in case of death prior to retirement (see previous question). For the purposes of the disability pension, the "credited years" are equal to your years of contribution plus the missing years between the occurrence of the disability and your normal retirement age.

9. What is the minimum number of years of contribution needed to be entitled to a pension?

To qualify for an old-age pension, you must have contributed to the scheme for at least 15 years. If you have contributed to the system for less than 15 years, upon reaching retirement age, you will receive a lump-sum payment instead, equivalent to the value accumulated in your individual notional account.[5]

However, during the transition period, if you decide to join the new retirement system, you will be allowed to receive a pension even if you have less than 15 years of contribution. In this case your minimum pension formula will be calculated proportionally to the effective years of contribution. A minimum of 3 years of contribution is required for a disability pension and there is no minimum requirement for survivors' pension.

10. How much do I have to contribute?

Based on the actuarial valuation conducted by the ILO Actuarial team in January 2023, the total contribution rate is expected to fall within the range of 17% to 18% of your earnings. The allocation of this contribution rate between you and your employer will be determined in the implementation decree. The latter will also determine the final contribution rate based on revised actuarial projections at the time of the system's implementation. The law allows for a gradual increase of the contribution rate from the current rate of 8.5% over a span of several years.

11. Is there a ceiling on the earnings based on which my contributions and benefits are calculated?

Yes. The earnings on which you and your employer contribute and on which your benefits are calculated have a ceiling that is equal to 4 times the average insurable wages of the members of the new pension scheme. The ceiling will likely be higher during the transition period, given the current low levels of average declared wages at the NSSF, also taking into account that there is no ceiling on contributions to the existing EOSI scheme. Contributions of voluntarily insured members will be based on a fixed salary tranche schedule which will be established by decree.

[5] Upon your request such amount can be turned into monthly payments but you will not be eligible to the minimum guarantees.

12. Are the pensions in payment indexed?

Yes, in the short run, old-age, disability and survivors' pensions are revalorized every year based on wage inflation, calculated as the average increase of earnings declared to the NSSF. This will allow benefits to reflect the process of salary adjustment that is happening in the Lebanese economy.

In the medium term and once the economy stabilizes, pensions will be revalorized every year based on the increase in the Consumers price index (CPI), as established by CAS. When the increase in CPI will exceed a pre-determined maximum cap, the indexation of pensions may be limited, but the excess will be granted in future years when the increase in CPI will be less than the determined cap.

13. Is the full revalorization of my career earnings and indexation of pensions always guaranteed?

As mentioned earlier, your career earnings and pension in payments will be revalorized yearly in order to follow the average earnings increases of the scheme's members.

Upon conducting an actuarial valuation of the scheme (every 3 years), its financial sustainability will be analyzed and, in some extreme situations, it may be decided to suspend temporarily the revalorization of career earnings and indexation of pensions. If this happens, revalorization may be granted retroactively at a later point once the financial sustainability of the system is restored.

14. Are my past contributions to the EOSI recognized in the new system?

Past periods of contributions to the EOSI system - calculated since your first enrollment in the system or since the last time you have cashed-out from your EOSI account - will be considered for the purpose of eligibility to the new pension system. For example, if you have contributed 15 years in the old EOSI system and 5 years in the new retirement system, your pension formula will be based on a total of 20 years of contribution.[6]

The value of all the EOSI entitlement you have accumulated under the EOSI system will be transferred to your notional individual account at the time of coming into force of the new pension system.

15. Will I be better off compared to the benefits I am entitled to under the current EOSI system?

Below are some hypothetical simulations of the pension and EOSI benefit you will be eligible to, based on length of your contribution and your salary levels. For simplicity, examples are presented assuming you would retire in 2025 and illustrations are presented in USD.

As the table below displays, in all cases, today’s value of the stream of monthly pensions you will be entitled to largely exceeds your EOSI benefit entitlements.

[6] However the average salary calculated for the second guarantee will only be based on the period of contribution in the new system.

What levels of pensions will the new law guarantee?
Will workers be better off than in the existing End-of-Service system?
Scenarios for Old Age Retirement Pensions in 2025

International Labour Organization

	Worker retiring with **30 years** of service[2]			Worker retiring with **15 years** of service[2]		
Declared Wage[1]	**A1**	**B1**	**C1**	**A2**	**B2**	**C2**
Before the crisis	$ 450	$ 1,300	$ 4,000	$ 450	$ 1,300	$ 4,000
After the crisis	$ 250	$ 800	$ 2,500	$ 250	$ 800	$ 2,500
End-of-Service Entitlement[5] (current law)	$ 8,750 one time	$ 28,000 one time	$ 87,500 one time	$ 3,750 one time	$ 12,000 one time	$ 37,500 one time
Minimum Pension Guarantee[3] (new retirement law)	$ 2,400 yearly (indexed) $ 63,535 present value[4]	$ 3,840 yearly (indexed) $ 101,656 present value[4]	$ 12,000 yearly (indexed) $ 317,676 present value[4]	$ 1,650 yearly (indexed) $ 43,680 present value[4]	$ 1,920 yearly (indexed) $ 50,828 present value[4]	$ 6,000 yearly (indexed) $ 158,838 present value[4]
Cumulated pension exceeds EOSI within	3.6 years	7.3 years	7.3 years	2.3 years	6.3 years	6.3 years

Notes: 1) Wages and benefits are presented in USD for illustration purposes given uncertainty with exchange rate in 2025; 2) Years of contribution at retirement age (64) since last EOSI cash-out; 3) Assuming minimum wage of $250 and no ceiling in declarations will be applied during transitional period. 4) For a men, with a spouse 5) Assuming 3 years of contribution at new (post-crisis) wage and remainder at old (pre-crisis) wage as per entitlement in current NSSF law.

16. Will I remain eligible to EOSI benefits if I move to the new system?

No, all your EOSI entitlements will be replaced by the new pension system benefits.

17. I am a foreign employee in Lebanon. Can I participate in the system and benefit from it?

As a foreign employee working on Lebanese territory, you will be subject to participation in the new scheme, provided that you have a regular work permit. You will be entitled to receive full benefits in the form of periodical pensions if your country also allows similar treatment to Lebanese workers (reciprocity principle).[7] If your country does not fulfill the reciprocity condition, when you die, sustain a disability, or leave Lebanon indefinitely, you will be able to claim the full amount of your individual account as a lump-sum payment, without applying the minimum guarantees.

18. I am self-employed, how can I voluntary participate in the system?

Voluntary participants will have to submit an application for their enrolment in the system. They will be subject to the same total contribution rates and benefits as mandatory participants. Voluntary participants will choose the level of earnings from which contributions and entitlements are calculated from pre-set tranches determined by decree.

19. Who will oversee the management of the pension system and its funds?

A new and smaller Board of Directors will be established to oversee all operations under the National Social Security Fund, including the management of the new pension system and the pension fund investment. The new board will be composed of 10 members, instead of the current 28. Out of the 10 members of the Board of Directors, 2 will represent Government, 4 will represent workers and 4 will represent employers. All members of the Board will have to fulfill minimum requirements in terms of expertise and competence for the discharge of their functions, in line with a matrix of requirement to be established by decree. The Board of Directors will oversee all operations related to the management of the new pension scheme, for which the Director General and relevant departments of the NSSF will take responsibility.

An independent Investment Committee will also be established, which shall be composed of six qualified investment experts in addition to the Director General of the NSSF and an Executive Investment Director[8]. The Investment Committee will oversee all aspects related to investment of NSSF assets in line with an agreed Investment Policy. Expert members of the Investment Committee will be selected by Board of Directors representatives, amongst qualified professionals which fulfill minimum requirements in terms of expertise and competence in the area of financial and investment management. The Investment Committee will directly oversee the work of an Executive Investment Director and a dedicated investment department.

[7] In this case, if you leave Lebanon indefinitely, your disability or retirement pension will be converted into a lump-sum payment unless otherwise established in the agreement between your country and Lebanon.

[8] The latter two participate in the Investment Committee ex-officio and without the right to vote.

20. Who will assess the financial sustainability of the fund and who will monitor its good financial management?

The law requires that every three years an actuarial examination and evaluation of the financial position of the pension system and its sustainability shall be carried out by an accredited actuarial company or institution with professional credibility recognized in accordance with international standards. The assessment will determine whether the fund is aligned with its financial sustainability objective in line with an approved financing Policy, and will make recommendations for adjustment where needed. The automatic financial balancing mechanism (Question 13) will be activated upon recommendation of such external actuarial valuation.

The Board of Directors shall also contract an independent auditing institution with recognized competence and meeting international professional requirements, to audit its accounts and risks, whether in terms of liabilities or assets, and publish external audit reports annually.

21. How will I access information about my pension contributions and entitlements?

The law mandates the NSSF to put in place a dedicated digital platform for electronic services including registration, payment of contributions, benefits claim and payments, as well as electronic channels for workers and employers to access information on contributions and entitlements.