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OPTIONAL RETIREMENT GUARANTEE UNDER THE SOCIAL SECURITY AND PENSION LAW NO. 18 OF 2023



Introduction:

On August 28, 2023, the Social Security and Pension Law No. 18 of 2023 was enacted, repealing the previous law, Law No. 39 of 1971. This new law came into effect on November 28, 2023.

The new legislation introduced several updates and innovations regarding labor pensions and social security. These include expanding the categories eligible for pensions through the introduction of the “Optional Retirement Guarantee” branch, revising social security contribution rates for foreign workers, enabling self-enrollment in social security, and other amendments and updates. Given the absence of instructions for implementing this law at the time of writing, this article explains the mechanism of the Optional Retirement Guarantee, the eligibility conditions, the categories covered, and the contribution rates required to activate this option, supported by the relevant legal provisions.

A comparison between the Optional Retirement Guarantee and the standard pension system is also provided to enhance understanding.

We present this article for your review and benefit.

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"As of November 28, 2023, informal sector workers and self-employed individuals, who are not covered by social security, can now voluntarily enroll in the Optional Retirement Guarantee to secure a dignified life for themselves and their families."

Definition of Optional Retirement

According to Article 1, Paragraph 27 of the Social Security Law No. 18 of 2023, which was enacted on August 28, 2023, and became effective on November 28, 2023, optional retirement is defined as follows:

"A guarantee for every Iraqi citizen who is a natural person, is not already covered by social security, is an employer, is self-employed, or works in partnership with others."

This law established the Optional Retirement branch, offering a broad segment of Iraqi citizens—including informal laborers such as taxi drivers, blacksmiths, carpenters, freelancers, and others not previously covered under social security—the opportunity to participate in the social security system.

This initiative aims to ensure a dignified life for individuals and their families, consistent with the principles enshrined in the Iraqi Constitution, and to respond to contemporary developments, address social crises, and align with the International Labor Organization's call to expand social protection coverage to wider segments of society.

The introduction of the Optional Retirement Guarantee is one of the most significant features of the new law, as it extends the opportunity for self-enrollment in social security to a vast portion of the population. Previously, under the old law, workers could only participate in social security if employed in projects already subject to the provisions of the Social Security and Pension Law.

Conditions for Enrollment in the Optional Retirement Guarantee

The Social Security and Pension Law No. 18 of 2023 establishes several conditions for informal sector workers and self-employed individuals to enroll in the Optional Retirement Guarantee. These conditions, outlined in Article 70 of the law, include:

1. Submission of an Application: The applicant must submit a request for enrollment using a form prepared by the relevant authority.

2. Medical Fitness: The applicant must provide a medical report issued by a specialized medical committee confirming their fitness for work, appropriate to their condition.

3. Age Limit: The applicant must not exceed 50 years of age at the time of application.

4. Exclusion of Double Benefits: The applicant cannot simultaneously receive social protection network benefits and participate in the Optional Retirement Guarantee.

5. Contribution Payments: The applicant must pay the contributions stipulated in the law.

Provisions Governing Optional Retirement

Article 70 of the Social Security and Pension Law No. 18 of 2023 outlines the terms for enrollment in the Optional Retirement Guarantee, allowing individuals in the informal sector who are not covered by social security to enroll.

The minimum required period of service for the applicant is three years, which enables them to enjoy the benefits of social security.

The applicant's age should not exceed 50 years, although exceptions to this condition may be granted under regulations issued by the Fund's Board of Directors and approved by the Minister.

Participants in the Optional Retirement Guarantee may have their service period counted toward promotions, pay raises, and pension benefits if they transition to government or public sector employment, in accordance with civil service laws.

The law provides 15 categories of enrollment based on monthly income levels. Corresponding contribution rates must be paid to the Directorate of Social Security and Pensions. After one year in a lower category, participants can upgrade to higher income categories. The accompanying table outlines these categories and their associated monthly contribution amounts.

Contribution Rates and Payment Deadlines

To promote participation in the Optional Retirement Guarantee, the Social Security and Pension Law No. 18 of 2023 sets the worker's contribution rate at 5% of the selected income category, while the state covers 15% of the required monthly contributions.

The state's share is financed through public treasury funds and returns from investments made by the Pension Fund. Workers are required to pay their share (5% of the monthly estimated income) on a monthly basis.

In cases of delayed payment beyond the end of the financial year, workers must settle the arrears, including the state's contribution (15% of the estimated monthly income for that year). Therefore, timely monthly payments are the most effective way to benefit from this service without incurring additional financial obligations.

Categories of Income for Optional Retirement Contribution

No.	Subscription Category	Estimated Monthly Income (IQD)	Monthly Payment by Subscriber (IQD)
1	First Category	(350,000) Minimum wage (350,000 IQD)	17,500 (Seventeen thousand five hundred IQD)
2	Second Category	$(350,000 \times 30\% + 350,000) = 455,000$	22,750 (Twenty-two thousand seven hundred fifty IQD)
3	Third Category	$(350,000 \times 60\% + 350,000) = 560,000$	28,000 (Twenty-eight thousand IQD)
4	Fourth Category	$(350,000 \times 90\% + 350,000) = 665,000$	33,250 (Thirty-three thousand two hundred fifty IQD)
5	Fifth Category	$(350,000 \times 120\% + 350,000) = 770,000$	38,500 (Thirty-eight thousand five hundred IQD)

6	Sixth Category	$(350,000 \times 150\% + 350,000) = 875,000$	43,750 (Forty-three thousand seven hundred fifty IQD)
7	Seventh Category	$(350,000 \times 180\% + 350,000) = 980,000$	49,000 (Forty-nine thousand IQD)
8	Eighth Category	$(350,000 \times 210\% + 350,000) = 1,085,000$	54,250 (Fifty-four thousand two hundred fifty IQD)
9	Ninth Category	$(350,000 \times 240\% + 350,000) = 1,190,000$	59,500 (Fifty-nine thousand five hundred IQD)
10	Tenth Category	$(350,000 \times 270\% + 350,000) = 1,295,000$	64,750 (Sixty-four thousand seven hundred fifty IQD)
11	Eleventh Category	$(350,000 \times 300\% + 350,000) = 1,400,000$	70,000 (Seventy thousand IQD)
12	Twelfth Category	$(350,000 \times 330\% + 350,000) = 1,505,000$	75,250 (Seventy-five thousand two hundred fifty IQD)
13	Thirteenth Category	$(350,000 \times 360\% + 350,000) = 1,610,000$	80,500 (Eighty thousand five hundred IQD)
14	Fourteenth Category	$(350,000 \times 390\% + 350,000) = 1,715,000$	85,750 (Eighty-five thousand seven hundred fifty IQD)
15	Fifteenth Category	$(350,000 \times 400\% + 350,000) = 1,750,000$	87,500 (Eighty-seven thousand five hundred IQD)

Comparison Between Optional and Regular Retirement Guarantees

Optional Retirement Guarantee	Regular Retirement Guarantee
1. Not mandatory; enrollment is optional for any Iraqi citizen not covered by regular or government retirement systems.	1. Mandatory; employers must include workers in the social security system. Failure to comply may result in fines ranging from 1,000,000 to 5,000,000 IQD.

<p>2. Contribution rate is 5% of the estimated monthly income, paid by the subscriber. The government covers 15% of the subscription category.</p>	<p>2. Contribution rate is 5% of the monthly income, paid by the subscriber. Employers contribute 12% for their insured workers.</p>
<p>3. Specific subscription categories are defined, and subscribers must adhere to them.</p>	<p>3. There are no predefined subscription categories; contributions are based on the worker's monthly income.</p>
<p>4. Subscribers can move to a higher subscription category only after a minimum of one year in a lower category.</p>	<p>4. No specific periods are required for increasing contributions, which depend entirely on increases in the worker's monthly income.</p>
<p>5. There is no employment relationship between the subscriber and an employer, as the subscriber is either self-employed, works independently, or is a partner.</p>	<p>5. There is an employment relationship between the worker and the employer. The employer directs the worker and pays wages as salaries, benefits, or bonuses.</p>

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