

## Old Age Social Security in Brunei Darussalam

### 1 BACKGROUND

#### 1.1 Government Pension Scheme (GPS):

The Government Pension Scheme (GPS) is a non-contributory social security scheme offering pension, disability and survivorship benefits to civil servants holding pensionable posts under the Pensions Act (Chapter 38) and members of the uniformed forces covered by their respective pension regulations, including the armed forces, police, and prison services. Allocation for pension expenditure is wholly borne by the Government based on the pay-as-you-go plan. An employee who holds a pensionable office and has served for at least 10 years in a civil capacity under the Government may, subject to the Act and its Regulations, be granted a life-long monthly pension upon retirement.

Most GPS employees retire at the compulsory retirement age of 55 to take advantage of generous pension benefits. For the army and the police, the pension arrangement is slightly more generous, whereby the qualifying conditions and pension formula are set out in separate pension regulations; for example, members of the Royal Brunei Armed Forces may be granted a pension on discharge after completing 15 or 18 years of military service, depending on their terms of engagement, with additional provisions for earlier retirement on medical or injury grounds.

The scheme is also designed to provide financial assistance to the dependents of those in Government service if he or she passes away while in service or, in certain cases, within a prescribed period after retirement. In addition, it provides compensation to employees who are forced to retire or have passed away due to injuries or infirmity of mind or body arising in the actual discharge of their official duties, as provided for under the relevant pensions legislation and regulations.

The types of retirement benefits offered in the pension scheme include service pension and service gratuity, which is a lump-sum payment granted to a pensionable officer upon retirement. The other type of benefit is in the form of derivative pension, which is granted to the beneficiaries of the deceased officer who dies in service or within a specified period after discharge, subject to the conditions in the pensions legislation. Similarly, derivative gratuity is payable to the beneficiaries of the deceased or the legal personal representative of the deceased officer who dies in service. It is a safety net for the beneficiaries and is particularly beneficial in providing for the female beneficiaries as they generally experience a higher incidence of widowhood. In terms of coverage, the scheme is limited to pensionable Government officers and specified uniformed services rather than the general population.

#### 1.2 Old-Age Pension:

Old-Age Pension is a universal and non-contributory pension scheme available for citizens and eligible residents of Brunei Darussalam over the age of 60 years old.

#### 1.3 Employee Trust Fund (TAP):

To ensure social protection coverage across all sectors, the Government established the Employee Trust Fund (TAP) in 1993 as an alternative solution for retirement benefits. The TAP Scheme is a Defined Contribution (DC) Plan, and participation in this scheme is mandatory for employees who joined the public or private sector workforce on or after January 1, 1993, as well as for non-pensionable public employees whose appointments were made before this date. The scheme enables its members for a lump sum withdrawal upon attaining age 55, ensuring income security upon retirement.

#### **1.4 Supplemental Contributory Pension (SCP):**

The Supplemental Contributory Pension (SCP) Scheme was established under the Supplemental Contributory Pension Order, 2009 and enforced from 1<sup>st</sup> January 2010. The national retirement age was set to 60 years old in the same year. With effect from 1<sup>st</sup> April 2014, SCP Board was then merged to Employee Trust Fund (TAP) Board. Also a Defined Contribution (DC) Plan, it is an additional scheme to complement the TAP Scheme whereby upon age 60, SCP members will receive an annuity payout. Similarly, it is compulsory for all employees below the age of 60 years old in the public and private sector to participate in this scheme, while those who are self-employed are encouraged to participate in the scheme voluntarily. However, those who are employed under the Public Service Pensionable Post or covered under the Government Pension Scheme are exempted from joining the scheme.

#### **1.5 Skim Persaraan Kebangsaan (SPK):**

The retirement system underwent a major transformation with the introduction of *Skim Persaraan Kebangsaan* (SPK) in July 2023 which was intended to further strengthen the social security landscape and to provide a sustainable and inclusive retirement. The TAP and SCP schemes will be maintained for eligible Members who made the decision to defer participation to SPK. Eventually, these members will be converted to SPK.

SPK adopts a mandatory hybrid retirement plan combining elements of both the Defined Benefit (DB) plan as all contributions from employers, self-employed and the Government will be put into Retirement Account, and Defined Contribution (DC) plan for contributions from member will be put into the individual Member Account.

The combination of these retirement plans aims to provide a sustainable retirement income and strengthen TAP Members' social security at retirement, taking into consideration various factors and challenges that are being faced:

##### **a) Adequacy of retirement income:**

Using the Income Replacement Rate (IRR) method to formulate a pension payout that can be paid for lifetime. The adequacy of retirement income is based on the minimum monthly annuity amount as defined under the Average Household Expenditure. The retirement income is also inflation adjusted to ensure it is not affected by the rising inflation rates.

**b) Increased in life expectancy:**

To protect members against longevity risk, the annuity payout is extended from 20 years payout (from age 60 to 80 years old) under the previous SCP Scheme, up to lifetime payout.

**c) Withdrawal Needs:**

Under SPK, withdrawals from the Member Account may be used for pre-retirement needs.

**d) Welfare of the Dependents:**

Coverage for dependents is extended to provide protection before and after retirement. Previously, under the SCP Scheme, survivorship coverage for was only provided if a member passed away before retirement (60 years old).

**e) Inclusiveness:**

All types of employment (Formal and Informal sector workers) are included and protected.

**f) Productivity:**

SPK encourages employees to work longer and stay productive to receive lifetime annuity payout. Productivity is also fluid across different sectors.

## 2 VITAL STATISTICS

### 2.1 Economic Indicators

Category	2021	2022	2023	2024
Gross Domestic Product (GDP)	18,822.0	23,003.1	20,273.9	20,659.3
Gross National Income (GNI)	18,942.5	22,493.4	20,534.5	21,314.7
Gross National Savings	9,361.3	11,589.5	9,300.2	9,822.5

*Note: Value at current prices (BND million).*

Category	2021	2022	2023	2024
GDP per capita	42,707.9	51,645.9	45,003.1	45,355.1
GNI per capita	42,981.3	50,501.5	45,581.5	46,435.4

Note: Value at current prices (BND million).

Category	2021	2022	2023	2024
Population	440,715	445,400	450,500	455,500

## 2.2 Inflation Rate

Category	2021	2022	2023	2024
Inflation Rate (%)	1.7	3.7	0.4	-0.4

## 2.3 Social Indicators

Category	Indicators			
	2021	2022	2023	2024
Annual Growth Rate (%)	-0.2	1.1	1.1	1.1
Birth Rate (per 1000 population)	15.3	14.0	14.0	11.8
Fertility Rate (%)	1.9	1.8	1.8	1.5
Death Rate (per 1000 population)	4.2	5.2	4.2	4.3
Infant Mortality Rate (per 1000 live births)	5.9	10.4	7.3	11.4
Children below 5 Years Mortality Rate (per 1000 live births)	7.1	11.4	9.1	14

## 2.4 Life Expectancy

Category	Indicators			
	2021	2022	2023	2024
at Birth (year)	77.6	75.4	76.2	79.1
Female	78.9	77.3	78.2	81.0
Male	76.3	73.4	74.1	77.3

## 2.5 Population

Age Range	Indicators			
	2021	2022	2023	2024
0 – 4	27,121	29,700	30,000	30,200
5 – 19	94,295	94,200	92,700	90,600
20 – 54	245,285	253,700	257,000	264,300
55 – 64	36,119	39,100	39,500	37,300
65 and above	27,179	28,700	31,300	33,100
Population Median Age	31.7	32.0	32.5	32.4

## 2.6 Labour

Indicators for the Year 2024	
Working Age Population (18 Years and over)	346,000
Labour Force	233,200
Employed	222,300
Unemployed	10,900
Labour Force Participation Rate (%)	67.4
Unemployment Rate (%)	4.7

Source: Labour Force Survey 2024

## 3 SOCIAL SECURITY SCHEME UNDER ETF

### 3.1 SPK

#### a) Contribution

The contribution rate for SPK remains unchanged at 8.5% of the member's salary. Employers are required to contribute at a prescribed rate based on the salary range of the employee. Member and Employer may also contribute voluntarily more than the mandatory amount.

## Contribution Structure of SPK for Member



### b) Member Account

Each member has an individual Member Account where all mandatory and voluntary contributions are credited. Members can withdraw 100% of their accumulated savings as a lump sum or monthly payout at age 60, providing a substantial fund for retirement. Additionally, members have the option for partial or full withdrawals before age 60 for specific needs, including:

- Age-based withdrawals at 45, 50, and 55 years old
- Housing
- Next of kin
- Incapacitation
- Terminal Illness
- Renouncing citizenship
- Early retirement withdrawal at 55 years old

### c) Retirement Account

Retirement Account is a pool fund which consists of contribution from all employers, self-employed contribution, and additional Government Assistance. The funds accumulated in the retirement account will be utilised and distributed to members via monthly payment (annuity) upon their retirement.

When a member retires at the age of 60 years old, a member will receive an annuity payment up to lifetime. The total amount of the annuity payment considers several factors such average household expenditure, Income replacement rate (IRR), average salary, work productivity and inflation.

### d) Derivative Benefit

In the event of a member's death, beneficiaries may withdraw 100% of the member's savings from his or her Member Account. Members can also nominate an Administrator to manage SPK savings in such cases. Furthermore, eligible dependents will receive a derivative benefit via the Retirement Account, generally given as an annuity.

**e) Self-Employed**

Self-employed members can participate voluntarily in SPK and will also receive the same retirement annuity payment benefits and derivative benefits as employees working in the formal sector if they meet the requirements by providing proof of self-employment.

### **3.2 TAP and SCP scheme**

As of July 2023, members aged 50 to 59 years old are referred to as the Silver Generation. This group may choose to defer their participation in the SPK.

Under the TAP scheme, the contribution rate remains at 5% from the employee and 5% from the member. Members will still be eligible to make withdrawals according to the existing TAP withdrawal schemes. Upon full withdrawal at age 55, the member will then automatically be converted to SPK.

The SCP contribution rate also remains unchanged at 3.5% from the employee and 3.5% from the employer, making a total monthly contribution of 7%. Contributions are no longer capped at B\$98.00 per month. Under the SCP, members are protected by the survivorship benefit, which provides a monthly payment of B\$400.00 to eligible dependents if the member passes away before the age of 60. This benefit is payable for a period of 15 years from the date of the member's passing.

At age 60, the member will be fully converted into SPK, where they will receive enhanced annuity benefits, potentially payable for life.

## REFERENCE

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