


Thailand

Thailand: pension system in 2008

Private sector employees in the formal sectors are covered under the Social Security Fund (SSF). The old-age pension scheme under SSF is a defined benefit scheme.

Key indicators

		Thailand	OECD
Average earnings	THB	128 200	1 383 900
	USD	3 800	40 600
Public pension spending	% of GDP		7.0
Life expectancy	At birth	68.8	78.9
	At age 65	79.6	83.1
Population over age 65	% of working-age population	10.9	23.6

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Qualifying conditions

Normal pension age for private sector workers is 55 for men and women. At least 15 years of contributions is required for monthly pension receipt and the pension benefit is adjusted for a longer contribution period. For people with a contribution period less than 15 years, a lump sum payment equivalent to the total contributions is made. In both cases employment must cease.

Benefit calculation

Earnings-related

Workers accrue 20% of their earnings for the first 15 years and then 1.5% for every year thereafter. The base wage used for benefit calculation is the average wage over the last 5 years prior to retirement. Indexation rules are discretionary and the modelling assumes price indexation of pensions in payment. Hence for the full career workers who enter labour market at age 20 in 2008 and earn average earnings throughout the career, the benefit is a little over THB 53 700 plus price inflation.

Variant careers

Early retirement

It is not possible to claim the earnings-related pension before the normal age of 55.

Late retirement

It is possible to retire later than normal pension age. People who continue to work beyond 55 will receive 20% of average wage of the last 60 months or 20% and 1.5% per additional 12 months of contributions above 180 months.

Personal income tax and social security contributions

Taxation of workers

There are various tax relief systems and the employed receive tax deduction of 40% of assessable income up to THB 60 000. Single people receive a personal allowance of THB 30 000. Social security contributions are tax deductible.

Taxation of worker's income

The following tax schedule is applicable to taxable income (assessable income after deductions and allowances).

Annual taxable income	Tax rate (%)
0-THB 150 000	0
THB 150 001-THB 500 000	10
THB 500 001-THB 1 000 000	20
THB 1 000 001-THB 4 000 000	30
THB 4 000 001 and over	37

Social security contributions payable by workers

Workers pay social security contributions. For old age pension, the contribution rate is 3% subject to the floor of THB 1 650 per month and the ceiling of THB 15 000 per month. They also pay 1.5% of earnings for sickness, maternity, invalidity and death benefits and 0.5% of earnings for unemployment insurance scheme.

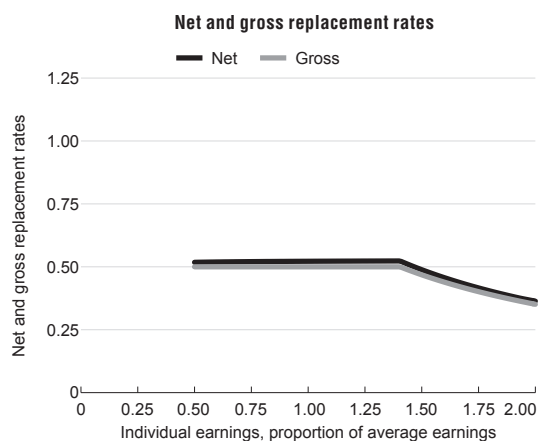
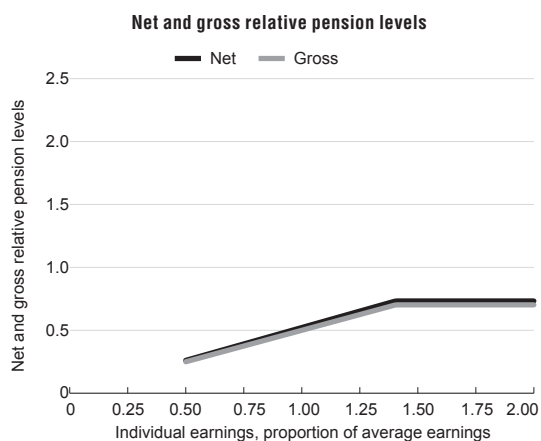
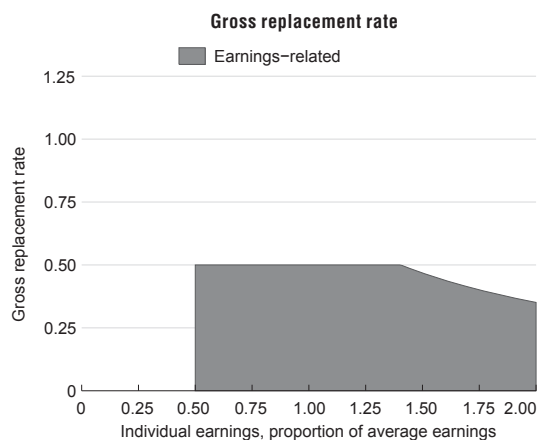
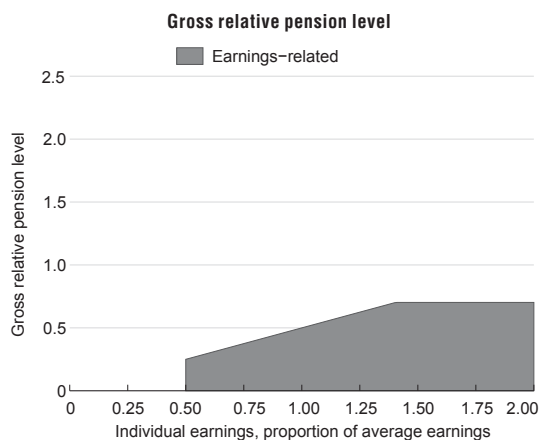
Taxation of pension income

All pension incomes are exempted from taxation. The elderly above 65 who continue working receive old age allowance of THB 190 000 as a tax allowance.

Social security contributions payable by pensioners

Pensioners do not pay social security contributions.

Pension modelling results: Thailand



Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level (% average gross earnings)	40.5	25.0	37.5	50.0	70.2	70.2
Net relative pension level (% net average earnings)	42.3	26.1	39.2	52.2	73.3	73.3
Gross replacement rate (% individual gross earnings)	50.0	50.0	50.0	50.0	46.8	35.1
Net replacement rate (% individual net earnings)	52.1	51.8	52.1	52.2	48.8	36.4
Gross pension wealth (multiple of individual gross earnings)	9.1	9.1	9.1	9.1	8.5	6.4
Net pension wealth (multiple of individual gross earnings)	10.4	10.4	10.4	10.4	9.7	7.3
Net pension wealth (multiple of individual net earnings)	9.1	9.1	9.1	9.1	8.5	6.4
Net pension wealth (multiple of individual gross earnings)	10.4	10.4	10.4	10.4	9.7	7.3

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Alternative economic and career length assumptions

40 year career under OECD economic assumptions

Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level (% average gross earnings)	46.6	28.8	43.1	57.5	80.8	80.8
Net relative pension level (% net average earnings)	48.6	30.0	45.0	60.0	84.3	84.3
Gross replacement rate (% individual gross earnings)	57.5	57.5	57.5	57.5	53.8	40.4
Net replacement rate (% individual net earnings)	59.9	59.6	59.9	60.0	56.2	41.8
Gross pension wealth (multiple of individual gross earnings)	10.5 12.0	10.5 12.0	10.5 12.0	10.5 12.0	9.8 11.2	7.4 8.4
Net pension wealth (multiple of individual gross earnings)	10.5 12.0	10.5 12.0	10.5 12.0	10.5 12.0	9.8 11.2	7.4 8.4

30 year career under OECD economic assumptions

Men Women (where different)	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Gross relative pension level (% average gross earnings)	34.4	21.3	31.9	42.5	59.7	59.7
Net relative pension level (% net average earnings)	35.9	22.2	33.3	44.4	62.3	62.3
Gross replacement rate (% individual gross earnings)	42.5	42.5	42.5	42.5	39.8	29.8
Net replacement rate (% individual net earnings)	44.3	44.0	44.3	44.4	41.5	30.9
Gross pension wealth (multiple of individual gross earnings)	7.8 8.8	7.8 8.8	7.8 8.8	7.8 8.8	7.3 8.3	5.4 6.2
Net pension wealth (multiple of individual gross earnings)	7.8 8.8	7.8 8.8	7.8 8.8	7.8 8.8	7.3 8.3	5.4 6.2

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Economy specific assumptions

40 year career under economy specific assumptions

Men	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Women (where different)						
Gross relative pension level (% average gross earnings)	46.6	28.8	43.1	57.5	80.8	80.8
Net relative pension level (% net average earnings)	48.6	30.0	45.0	60.0	84.3	84.3
Gross replacement rate (% individual gross earnings)	57.5	57.5	57.5	57.5	53.8	40.4
Net replacement rate (% individual net earnings)	59.9	59.6	59.9	60.0	56.2	41.8
Gross pension wealth (multiple of individual gross earnings)	10.5	10.5	10.5	10.5	9.8	7.4
Net pension wealth (multiple of individual gross earnings)	12.0	12.0	12.0	12.0	11.2	8.4
Net pension wealth (multiple of individual gross earnings)	10.5	10.5	10.5	10.5	9.8	7.4
Net pension wealth (multiple of individual gross earnings)	12.0	12.0	12.0	12.0	11.2	8.4

30 year career under economy specific assumptions

Men	Median earner	Individual earnings, multiple of average				
		0.5	0.75	1	1.5	2
Women (where different)						
Gross relative pension level (% average gross earnings)	34.4	21.3	31.9	42.5	59.7	59.7
Net relative pension level (% net average earnings)	35.9	22.2	33.3	44.4	62.3	62.3
Gross replacement rate (% individual gross earnings)	42.5	42.5	42.5	42.5	39.8	29.8
Net replacement rate (% individual net earnings)	44.3	44.0	44.3	44.4	41.5	30.9
Gross pension wealth (multiple of individual gross earnings)	7.8	7.8	7.8	7.8	7.3	5.4
Net pension wealth (multiple of individual gross earnings)	8.8	8.8	8.8	8.8	8.3	6.2
Net pension wealth (multiple of individual gross earnings)	7.8	7.8	7.8	7.8	7.3	5.4
Net pension wealth (multiple of individual gross earnings)	8.8	8.8	8.8	8.8	8.3	6.2

Real earnings: 6% per year converging steadily to 2%, giving an average of 4%.

Price inflation: 5% per year converging steadily to 2.5%, giving an average of 3.75%.

Real rate of return: 7.5% per year converging steadily to 3.5%, giving an average of 5.5%.

Discount rate (for actuarial calculations): 2% per year.

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