A Brief Complementary Pension Description

Algiers July 9th, 2025

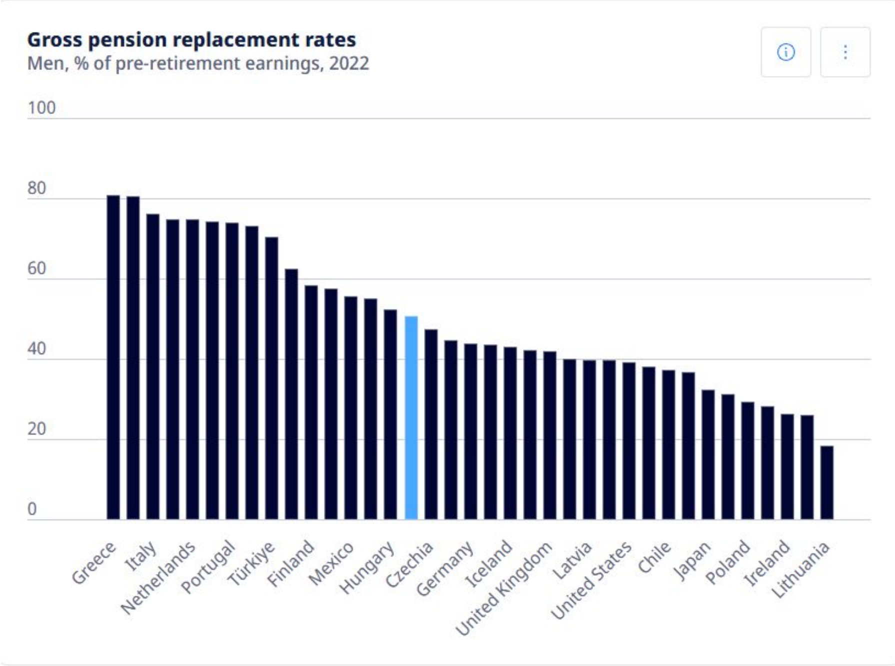
Complementary Retirement Benefit Definition

- *"All forms of consideration given by an entity in exchange for service rendered by employees"* IAS19
- All benefits that are not settled within 12 months
- Classic: Annuities, Lump sums, Death and Survival
- Less Common: Jubilees
- Exautic

Exautic Retirement Benefits

- Elderly housing
- Tech Support
- Tuition reimbursement for learning and hobbies
- Everything that might be necessary or might make the retiree life more comfortable

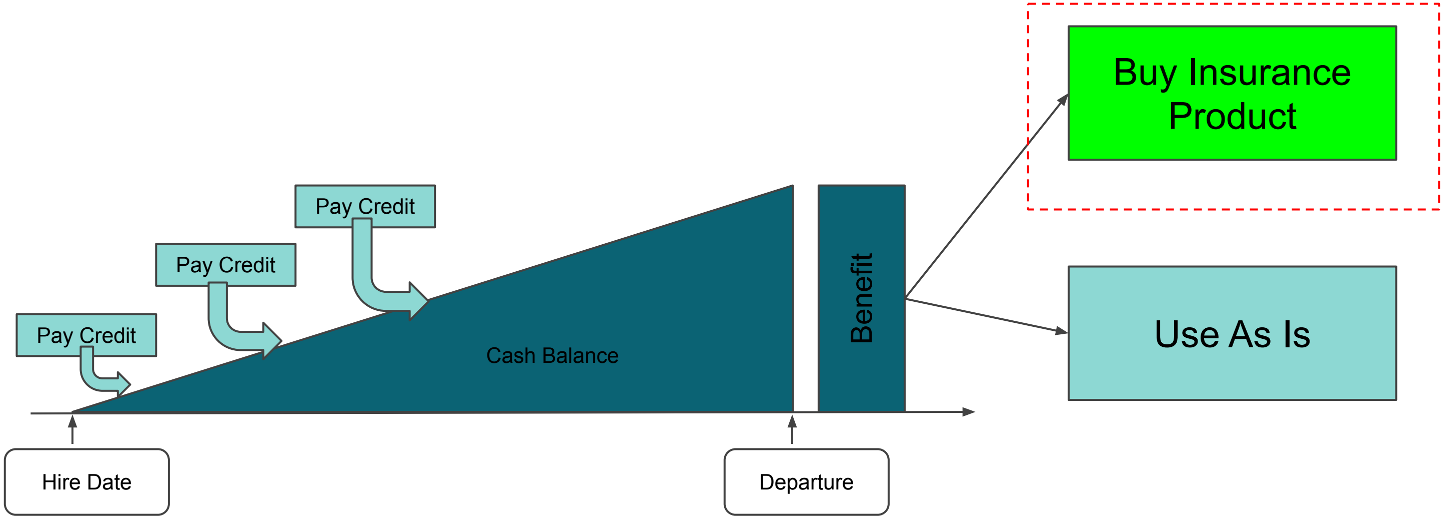
Importance of Complementary Plans- Replacement Ratio



Source: OECD Data

- The replacement ratio measures how post retirement income compares to the pre-retirement's
- Most countries do not rely solely on public pension
- Incorporating a inflation indexation is challenging for public pensions
- Demographic indicators such as fertility rate, median age life expectancy along with the employment rate are adding pressure on the public pension to fulfill its purpose

Proposal for the Algerian/Arabic Market

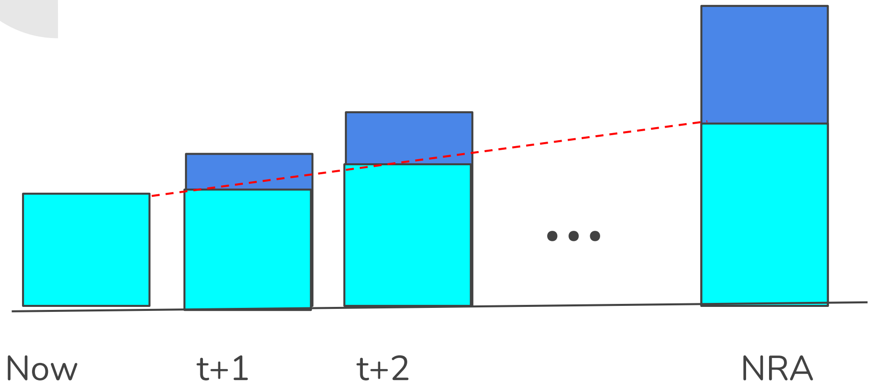


- To secure companies liquidity and working capital, a lump sum unfunded defined benefit (pay as you go) is suggested
- This scheme helps retaining talents
- Pay credit can be set as a function of the monthly base salary. An indexation can be added to hedge for inflation
- Paying lump sum avoids companies taking longevity risk
- Incentivising the purchase of insurance product will help insurance companies while securing ees income
- This model allows pivoting to other plans

Set Up

- Start with an inventory of the needs
- Work on a taxation that insures CNR’s revenue while inciting companies to implement complementary plans
- Adopt an accounting standard for the retirement liabilities (pro IFRS/ FAS88/ASC 960)
- **Communication is key**
- Impel workers to participate in their retirement
- Create satellite plans where workers decide at their discretion investing in their retirement with incentives

Annex - PUC Method



Formulae

$$PBO = \sum_{i=0}^{NRA-t} PB_i\,(S_i, Dx_i, Wx_i) \times v^i.$$

- PB: **Prorated** Benefit
- S: Salary
- Dx: Mortality Rate
- Wx: Withdrawal rate
- v: discount rate

- Accounting committee needs to agree on the discount rate reference
- Most standards use high quality bond yields. If not available government bond