



LEGAL UPDATES

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May 22nd 2026

Private Sector Pension: A Bird's-Eye View

Executive Summary

Ethiopia operates a two-tier pension administration system, underpinned by separate legal regimes for public and private sector employees—the latter currently regulated under Proclamation No. 1268/2022. This legal framework prescribes mandatory monthly pension contributions from both employers and employees. From a bird's-eye view, this paper is exclusively concerned with the pension scheme as it applies to private organizations.

1. What is Pension?

Under the Private Organization Employees' Pension Proclamation No. 1268/2022, "pension" refers to a system of benefits paid to employees or their survivors. According to Article 2(6) of the Proclamation, "benefit" means retirement pension, invalidity pension, incapacity pension, or survivors' pension, and includes gratuity pension. Article 19(1) provides that an employee with at least 10 years of service shall receive a retirement pension for life upon reaching retirement age. Article 35 further states that an employee who sustains a permanent employment injury of not less than 10% and is unable to work shall receive an incapacity pension for life. Thus, pension is a long-term, periodic payment designed to replace lost income due to aging, health impairment, or work-related injury.

2. Pension Contribution

Contribution is the monthly payment towards the Private Organization Employees' Pension Fund based on the employee's salary jointly by the Employer and Employee as per the proclamation Art.10.

- Employer contributes 11% of the employee's monthly salary (Article 10(1)).
- Employee contributes 7% of their monthly salary (Article 10(2)).

3. Conditions for Payment of Pension

→ **Retirement Pension**

An employee with at least 10 years of service receives a monthly pension for life upon reaching retirement age (60 years, As per Article 18(1)).

→ **Early Retirement Pension**

An employee with at least 25 years of service who voluntarily resigns receives a pension for life starting five years prior to retirement age.

→ **Invalidity Pension**

An employee unable to work due to a health problem before retirement age receives a pension for life if a medical board confirms the condition.

→ **Incapacity Pension**

An employee who sustains an occupational injury of not less than 10% and is permanently unable to do any remunerated work receives a pension for life.

→ **Survivors' Pension**

If an employee dies while receiving a pension, after at least 10 years of service, or due to an employment injury, a pension is paid to their survivors (widow/widower, children, or dependent parents per Article 39(3)).

4. Time Frames you should know

Within 30 Days

- A private organization must notify the Administration in writing of an employee's occupational injury within 30 days of the accident. Failure makes the employer liable (Proclamation Art. 32; Directive Art. 20(3)).
- Pension contributions must be paid to the Pension Fund within 30 days from the last day of the month in which salary was paid (Proclamation Art. 12(2)).

Within 60 Days

- Any private organization must notify the Administration of a change in its or its employee's registration entries, with supporting evidence, within 60 days of the change (Proclamation Art. 6(1); Directive Art. 11(1) & 12).
- Any beneficiary receiving a benefit must notify the Administration of a change in survivor status within 60 days (Proclamation Art. 6(3); Directive Art. 11(4) & 12).
- If a private organization is dissolved, divided, or amalgamated, the former director, liquidator, or the new organization must notify the Administration in writing within 60 days from the date of the decision (Proclamation Art. 6(5); Directive Art. 11(5) & 12).

Within One Year

- If an entitled person has a complaint about an administration expert's decision regarding pension rights, he must submit the complaint in writing within one year to the pension decision team leader (head office) or social security administration team leader (branch office) (Directive Art. 59(1)).
- Any entitled person dissatisfied with the Administration's decision may appeal to the Social Security Appeals Tribunal within one year of the decision (Proclamation Art. 56(1); Directive Art. 71(1)).

Within Five Years or More

- Any claim for arrears of pension benefit will be barred after five years, but the pensioner will be paid the consistent pension from the date of application (Proclamation Art. 48(1); Directive Art. 58(1)).
- A claim for gratuity payment will be barred after five years beginning from the day following the day the right may be exercised (Proclamation Art. 48(1); Directive Art. 58(2)).
- A pension claim for a child is barred after age 18 (or age 21 for a disabled child) (Directive Art. 58(3)).

5. Conclusion

In conclusion, Ethiopia's private sector pension system provides lifelong income security for employees and survivors through mandatory employer-employee contributions, with benefits tied to retirement, disability, or work-related injury. Strict deadlines ranging from 30 days to five years govern notifications, appeals, and claims, making timely compliance essential for preserving pension rights.

Reviewed Laws

- ❖ *Private Organization Employees' Pension Proclamation No. 1268/2022, Federal Negarit Gazette, 28th Year No. 16, 18th March 2022.*
- ❖ *Private Organizations Employees' Pension Implementation Directive No. 1085/2025, Private Organization Employees Social Security Administration, June 2025.*

About Million Alemu and Partners LLP

Million Alemu and Partners Legal Services LLP is a full-service law firm based in Addis Ababa, Ethiopia, providing comprehensive legal advisory and representation services to local and international clients. The firm is recognized for its commitment to excellence, practical legal solutions, and a client-centered approach across diverse practice areas.

With a team of experienced legal professionals, the firm advises on corporate and commercial law, dispute resolution, regulatory compliance, and other key areas critical to doing business in Ethiopia.

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