



GCC Pension Fund Industry



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Pension Fund Assets, GCC and UK



GCC Pension Assets lag far behind UK

Mid 2015

Countries	Pension Fund Asset (USD bn)	% of GDP	USD per national	% invested in local equities	% share of equity market
Bahrain	11	32%	18,000	19%	13%
Kuwait	65	38%	52,000	6%	4%
Oman	12	15%	6,000	22%	10%
Qatar	14	7%	51,000	70%	6%
Saudi Arabia	270	38%	13,000	24%	12%
UAE	25	6%	24,000	3%	1%
GCC Total	397	24%	16,000	21%	8%
UK (employer)	3,309	116%	55,000	5%	5%

GCC Pension Funds Overview



Mid 2015

- GCC Pension Assets = \$397 billion
 - = \$15,000 per National
 - = 24% of GDP

- UK Pension Assets = \$3,309 billion
 - = \$55,000 per National
 - = 116% of GDP

GCC Pension Funding: Key Challenges



Key Challenges

- Poor funding positions
- Insufficient contributions
- Expensive benefits
- Increasing economic and demographic pressures

Current Pressures

- Ratio of pensioners to contributors is increasing
- Low coverage rate, highly fragmented pension systems
- End-of-Service Benefits (ESBs) for expatriate workers not suitable alternative to pensions
= 1 month salary per year of employment

GCC Workforce: More than 3 in 4 are Expats

GCC Countries	Year of Data	Local (% of Total Workforce)	Expatriates (% of Total Workforce)
Saudi Arabia	2014	22%	78%
UAE	2015	15%	85%
Qatar	2012	6%	94%
Kuwait	2015	17%	83%
Bahrain	2015	23%	77%

UAE and others taking steps for Expats



- Creating more efficient retirement-savings scheme for expatriates
- Towers Watson says 48% of employers offer DC Plans, up from 34%
- Enhanced End-of-Service Benefits (ESBs) = Defined-Contribution Pensions or Savings Plans
 - Employer contribution can be set against gratuity (ESB) obligations
 - Employees have cost-effective, safe means to make additional voluntary contributions (AVCs)
- Trust-based schemes legally separate ESB funds from business assets
 - ESBs protected, no matter what happens to the business

Measures to Meet Expatriates' Needs



Would Spur Economic Development

- Mandatory Pension System
 - Would direct additional pension asset into regional capital markets
 - Would enhance Region's capacity to attract and retain talent
 - Growing Pension Industry could act as funding source for projects needed for growth

Operational Challenges



- Greying population
- Inequality between contribution rate paid and benefits promised
- Need to balance employers' need for controlled risk and affordability and
 - Employees' need for flexibility, to bear own responsibility for retirement saving
- Data and analytical tools are needed
- Administrative efficiency is needed

Regulatory Challenges



- Need to:
 - Ensure compliance with pension plan laws & regulations
 - Provide appropriate oversight and reporting
 - Safeguard of plan investments
- Dealing with solvency and unfunded liability issues
- Establish internal governance structures and processes
- Need to enhance pension system coverage in both mandatory and voluntary schemes

Major Initiatives Required



- Make funding of ESB liabilities mandatory to add pension security for expatriates
- Provide options for Sharia-compliant products
- Seek higher yields and lower volatility from investments
- Reform the unsustainable pension model
 - **Payout to retirees is 80% of total government income from payroll taxes**
 - Need to supplement with an option for a defined-contribution plan

Private Sector will Drive Pension Industry



Development

- State Pension Scheme for Skilled Foreign Workers
 - May encourage expatriates to remain longer
 - May encourage local-market instead of overseas investment
- Can boost capital market
- Can help develop the infrastructure bond market
- Can lead to “multiplier effect” in the GCC economy



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