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GCC Institutional Investors Pension Funds



Research Highlights

Analyzes the current status and role of GCC pension funds and provides suggestions to overcome challenges.

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Executive Summary

Globally the pension funds are one of the most popular instruments that sovereign governments and large institutional investors have used in order to fund the retirement benefits of their workforce. In the past two decades, they have been the ones to undergo a sea change as burgeoning fiscal deficits and increasing inflation prompted the governments to put their schemes and benefits under review. These reviews helped the shift to a defined contribution model from the previously popular defined benefit model. GCC region on the other hand has been an outlier when it comes to development of pension funds.

Tight-knit family structures, religious obligations and generous government benefits mean that many of the nationals in the region have little to worry about pensions. Higher oil prices before 2014 gave enough confidence for the GCC governments in their ability to fund any shortfalls that might arise in the future. With significant asset base and growth prospects, pension funds are key institutional investors in the region.

However, given the way, oil prices have broadly remained in the lower range since their drop in 2014-16 and muted outlook towards fossil fuels warrants a re-assessment of the pension system structure in the region. Recognizing this, GCC governments and pension funds have initiated reforms in the structure of pension systems, their obligations, retirement age etc. Additional reforms to address major challenges in the segment would aid in ensuring wealthy and sustainable pension funds.

Table 1.1: Prominent Pension Funds in GCC

Pension Fund	Country	AuM (USD bn)
The Public Institution for Social Security	Kuwait	124.0
General Organization for Social Insurance (GOSI)	KSA	115.4
Public Pension Agency	KSA	51.5
General Retirement and Social Insurance Authority	Qatar	23.6
Social Insurance Organization	Bahrain	10.1
Ministry of Defence Pension Fund	Oman	4.8
Civil Services Employee Pension Fund	Oman	4.5
Abu Dhabi Retirement Pensions and Benefits Fund	UAE	3.0

Source: SWFI, Annual Reports

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