



# **Social Insurance in Oman**

## **(Pensions in Crisis)**

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# OMAN – Fact Sheet

**Location : Southeast Arabian Peninsula**

**Land Area : 309,500 km<sup>2</sup>**

**Population : 2.743 mn 2007 estimate**

**(30% expatriates)**



**GDP (at current prices) : RO 16,010 mn. (2007)**

**(1 Rial Omani = US\$ 2.58)**

## **Beginning : 1992**

### **Coverage:**

- Omani citizens working in the private sector (July 1992)
- Omani citizens working abroad (2000)
- Inter-GCC coverage (2006)

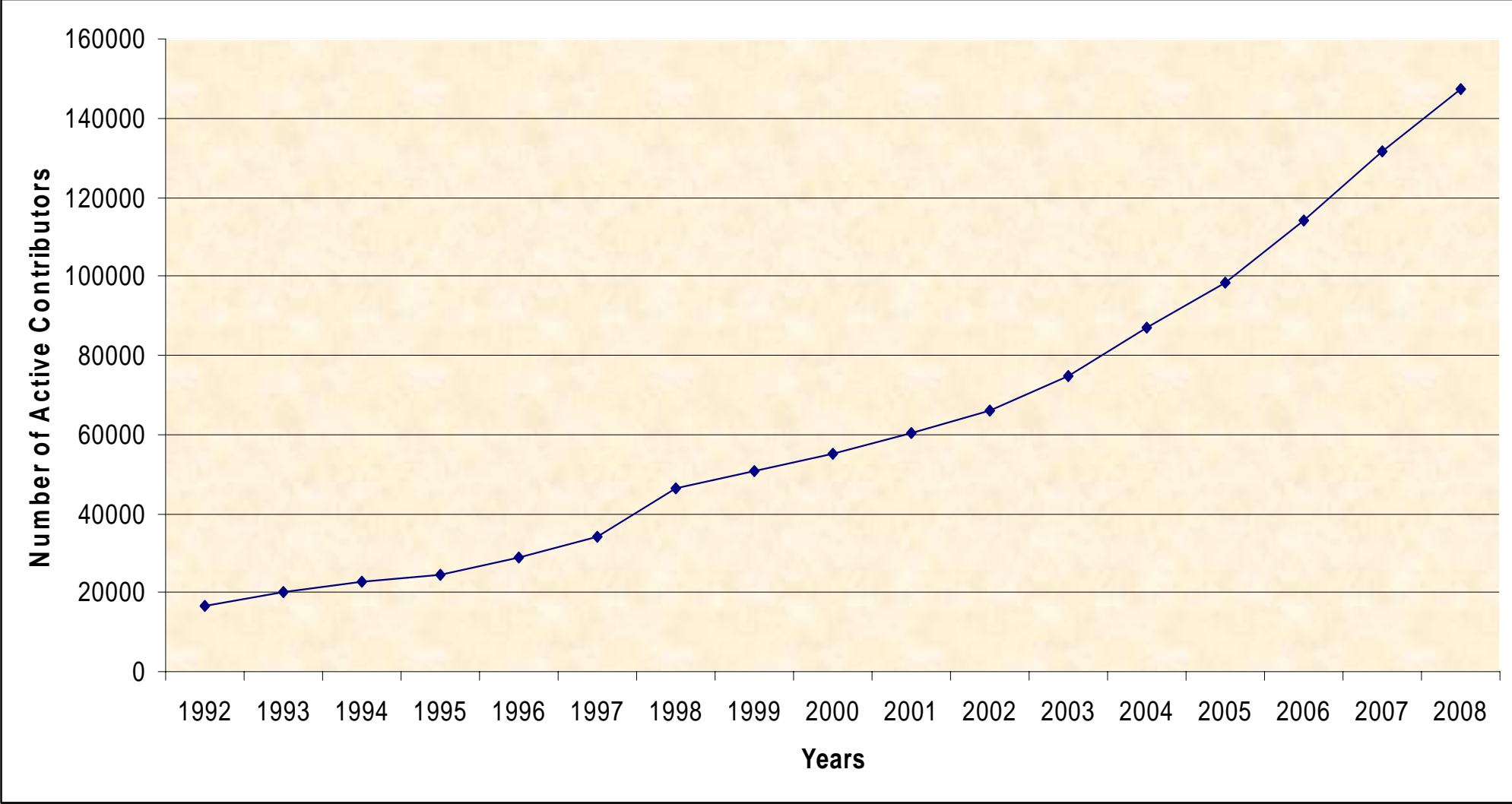
### **Risks covered:**

- Old age, disability and death (July 1992)
- Work injuries and occupational diseases (January 1997)

**NRA : 60 for men , 55 for women**

**Pension Accrual Factor : (1/40) i.e. 2.5% of pensionable salary for each year of service.**

# Active Employees (December)



## **Contributions:**

### **1- Old-age, Death, and Disability (natural)**

**Employee: 6.5% of employee's basic salary**

**Employer : 9.5% of employee's basic salary**

### **2- Work-Injuries and Occupational Diseases:**

**Employer : 1% of employee's basic salary**

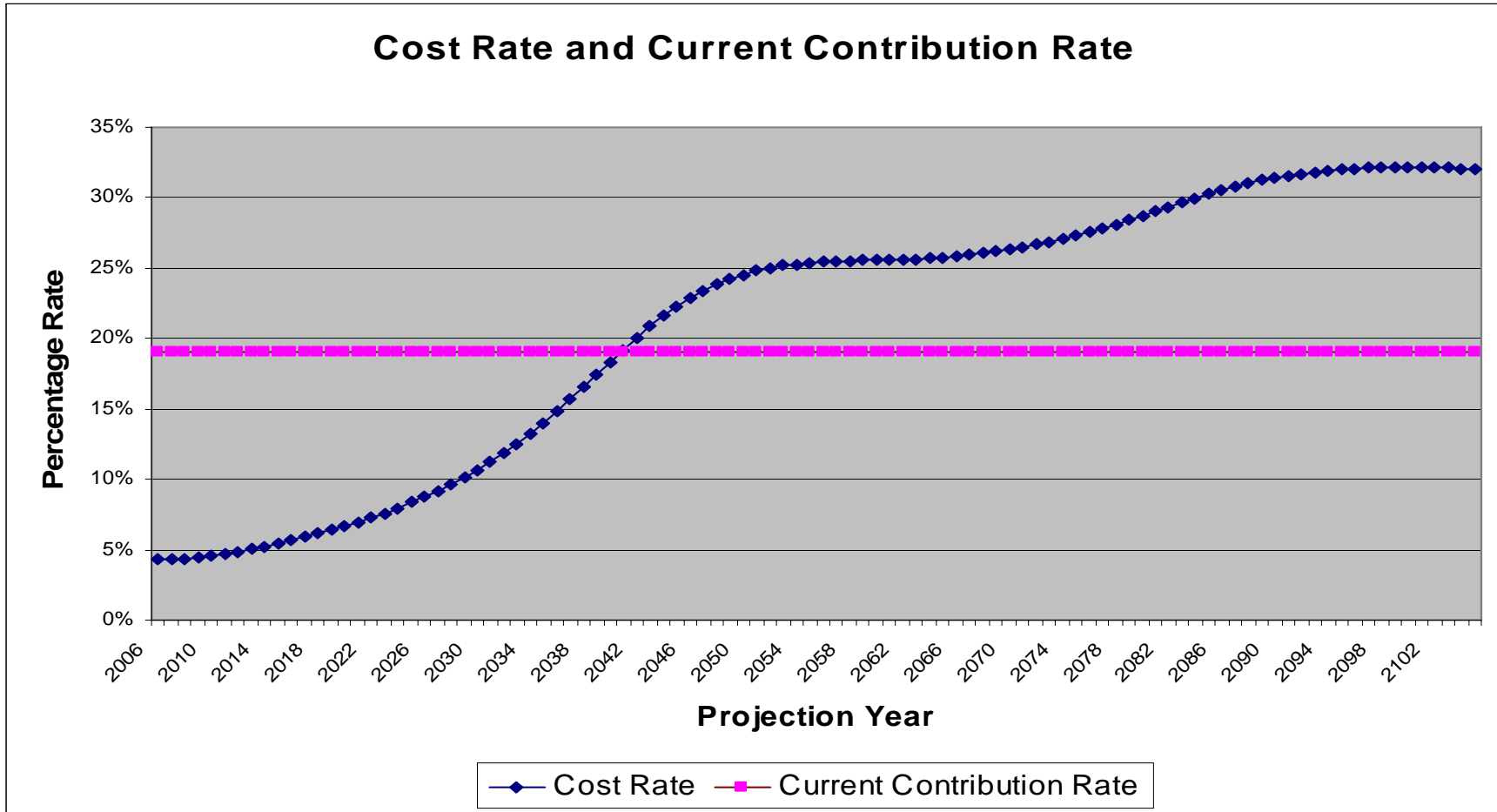
## **Investment: Asset Allocation (31/12/2008)**

<b>Type of Investment Asset</b>	<b>Actual Exposure</b>
Local Equities	32.6%
Mutual Funds (Local + Foreign)	6.1%
Hedge Funds-Foreign	0.3%
Private Equities (US & Europe)	2.4%
Local Bonds & CD's	10.2%
Real Estate (Land + Buildings)	3%
Cash & Cash Equivalents	45.4%
Total	100%

## Challenges

- Scheme partially funded
- Aging
- Early retirement
- Inflation
- High salary increase
- Transfer between different pension funds
- Fluctuating investment return

# Partially funded



## **Early Retirement:**

- Around 30% of retirement pensions (2007)
- Measures taken by PASI – reduction factors.

## **Inflation :**

- Almost non-existing before 2005
- Around 14% by end of 2008.

## **Salary Increase :**

- Increased rapidly above expected

## **Pension Transfer:**

- More than 10 pension funds in Oman
- No proper method for transfer of pension rights

## **Fluctuating Investment Return:**

- Highly affected by the current crisis

## **Reforms :**

### **Measures taken in 2005:**

- Contributions increased (by 3%)
- Maximum pensionable salary (RO 3,000)
- Minimum pension (RO 80)
- Maximum pension (80% of basic salary)
- Minimum early retirement age (45)
- Modified reduction factors for ER
- Pension is based on the average salary of the last 5 years of contributions (instead of 2)

## **Reforms :**

### **Measures taken in 2008:**

- Minimum pension (RO 100)
- All pensions increased by certain percentages (5% - 25%)

# The Financial Crisis

## Effects on investment:

Type of Investment Asset	Actual Exposure	Investment Guidelines
Local Equities	32.6%	30% - 80%
Mutual Funds (Local + Foreign)	6.1%	0% - 30%
Hedge Funds-Foreign	0.3%	0% - 5%
Private Equities (US & Europe)	2.4%	0% - 5%
Local Bonds & CD's	10.2%	20% - 60%
Real Estate (Land + Buildings)	3%	0% - 20%
Cash & Cash Equivalents	45.4%	0% - 20%
Total	100%	

## PASI Assets Composition

		2006 – Actual	2007 - Proposed	2007 - Actual	2008 - Actual
<b>Local</b>	<b>Fixed Income</b>	52%	10%	44%	56%
	<b>Equities</b>	40%	33%	47%	35%
	<b>Real Estate</b>	2%	7%	3%	3%
	<b>Local</b>	<b>94%</b>	<b>50%</b>	<b>94%</b>	<b>94%</b>
<b>International</b>	<b>Fixed Income</b>	0%	10%	2%	2%
	<b>Equities</b>	5%	33%	4%	3%
	<b>Hedge funds</b>	1%	5%	0%	0%
	<b>Global real estate</b>	0%	2%	0%	1%
	<b>International</b>	<b>6%</b>	<b>50%</b>	<b>6%</b>	<b>6%</b>

Optimal Asset Allocation proposed by the international consultants on Beginning 2007

The increase was due to the drop in Equities & receiving additional contributions during the year

The drop in the weight was due to the drop in the local equities market.

## **Conclusion :**

- The crisis may continue this year and maybe for other coming years.
- Social security schemes need to take necessary actions.
- Reforms and other changes must be preceded by actuarial consultancy.
- If possible, act now. Otherwise, the cost will be higher.



**Thank You**