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Pension funds 'facing disaster'

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PENSION funds in Bahrain and throughout the GCC are heading for disaster, with more money going out than coming in, warns an expert.

Too low contributions, high benefits, early retirement and special deals for women are pushing the funds into the red, a conference heard in Bahrain yesterday.

There is a general inequality between benefits and contributions in pension funds in the region, said Muhanna Actuarial Services pensions and social security managing actuary George Psaras.

"There have been continuous benefit increases without equivalent increases in the contribution rate," he said.

"Reserves built up after the inception of the schemes were considered to be surpluses and used to pay for benefit increases.

"Pension funds should have instead implemented the concept of long-term reserving."

The reasons for these are often political, he said, instigated by employees, employers, pensioners, board management, lawmakers and the government.

Mr Psaras was speaking on the first day of a two-day conference on the Challenges Facing the GCC Social Insurance and Pension Funds, being held at the Diplomat Radisson SAS Hotel.

It has been organised by the General Organisation for Social Insurance (Gosi) and the Pension Fund Commission (PFC), with participants coming from across the region.

Mr Psaras said that pension funds should do more to retain their members, so that they didn't want to retire early.

"Change of employment and retirement patterns are mainly due to scheme rules that failed to give members incentives to stay and increase their benefits," he continued.

"There is also the issue of the special treatment women get, allowing them to retire with lower service requirements."

Mr Psaras said that contribution rates should be increased and there should be more restrictions to early retirement.

"They probably may also have overcome through an increase in the normal retirement age and an increase in the minimum service requirements for pension eligibility."