



CASE STUDY

Establishing Stable, Long-Life Pensions

Reforms in Jordan's pension system help ensure stability and longevity



Photo: AMIR Program

Hatem al-Shahid, general manager of the SSIC's investment unit, credits USAID involvement for the success of the pension fund.

“The SSIC is a vital organization in the life of a Jordanian citizen,” says Hatem al-Shahid. “We have a long-term obligation to guarantee people a decent life through old age or disability. USAID’s support helps us meet that obligation.”

Challenge

In 2001, the government of Jordan decided to divide the management of its social security funds into two operations. While the Social Security Corporation would continue to administer benefits to participants, a new agency, the Social Security Investment Commission (SSIC), would manage the fund's assets. The SSIC would also be responsible for ensuring that long-term benefits would be available for the fund's 437,000 contributors and beneficiaries — more than 25 percent of Jordan's labor force. When it was first established, the SSIC had no management, staff, policies or investments, and it needed to start implementing an investment strategy that would deliver more equitable and regular returns on investment.

Initiative

USAID has helped build the SSIC into a modern investment agency, providing technical assistance, advice and training to help the SSIC develop a forward-thinking investment policy, sound operational management principles based on international best practices, and a professional staff capable of modern pension fund management. USAID drafted the SSIC's business plan, work plans, loan action plans and operational manuals, and installed a fully automated portfolio management system to replace the manual data entry system. New regulations were established to facilitate asset management.

Results

In January 2003, the Social Security Corporation transferred \$2.4 billion in assets — the largest single investment pool in Jordan — to the SSIC. Since that time, it has invested more over \$65 million in the domestic market and more than \$25 million in foreign markets. “The SSIC was created with two goals in mind: to push back the ‘break even’ date — when social security expenses outgrow reserves — and to allow the system to serve more beneficiaries,” says Hatem al-Shahid, general manager of the investment unit. “USAID gave us the advice we needed to develop the best investment policy, organizational structure, regulations and information technology systems to support these goals. Now, we are in a better position to produce long-term results.”