

Public Pension Agency Act*

* Issued by the circular of the Minister of Justice No. 13/T/3071 dated 28.2.1428 AH.
pursuant to the Resolution of the Council of Ministers No. 3 dated 3.1.1428 AH.

The Public Pension Agency was established under the name "Pension Authority" under article 8 of the Pension Act issued by Royal Decree No. 21/1/271 dated 28.1.1378 AH (1957 AD). It was entrusted with the management of pension affairs of government civilian and military employees. The said act and following acts did not sufficiently address the regulatory issues of this agency. However, forty-five years after the establishment of the first pension agency, the Kingdom of Saudi Arabia witnessed a number of socio-economic and regulatory changes which in total form the main drive behind the necessity to reconsider the pension act and the regulation of the agency responsible for its implementation in line with the directions of the rulers of this blessed country and the prospects of the ministerial committee formed to develop state regulations and eliminate any obstacles that may hamper implementation of these regulations.

In view of the evolving conditions and events that have taken place during the last four decades and as pension premiums form one of the main sources of financing, and given the development and investment required of such wealth with a view to attaining the highest returns to meet current and future requirements, such as taking quick and proper decisions—hence the importance of giving this agency necessary independence to enable it to realize the prospected objectives and goals—an urgent need has arisen to transfer the Pension Authority into a public institution with a legal personality and an independent budget that enjoys financial and administrative independence in line with the resolution of the Council of Ministers No. 277 dated 30.12.1423 AH (2002 AD). Therefore, a comprehensive new act has been issued for this agency that covers the formal and subjective aspects based on modern regulatory and objective foundations to provide the suitable environment and methods required to attain the optimal application of the pension system, proper management of the agency and the development of its resources in a way that is consistent with its nature and the scope of its present and future obligations which will positively reflect on the beneficiaries of the agency.

In order to realize the best and most suitable management of these resources, it has become necessary to upgrade the higher management of the agency to the level of governor who acts as the chief executive

officer to be able to carry out the duties of management in the best way possible.

The act consists of sixteen articles; the second, third and fourth articles of which address the legal status of the agency as an independent public institution and explain the objectives and scope of activities of the agency. Articles five, six, seven and eight of the act elaborate on the method of management of the agency, how policies are laid down and how its activities are administered, including the composition of the board of directors and its responsibilities and authorities along with the direct management of the affairs of the agency and the duties and powers of the governor.

Due to the importance of the financial aspect within the organization of the agency, part of the provisions of this act has been dedicated to addressing the resources of the agency, how they should be utilized and how the financial status of the agency can be controlled through specialized studies that ensure the agency's capability to meet its obligations towards the coming generations.

The above glimpses regarding the act might give the reader an idea about the way he should understand its provisions and help in implementing them.

Public Pension Agency Act

Article 1

The following terms and expressions, wherever they appear in this act, shall have the meanings given opposite to them unless the context requires otherwise.

Agency: Public Pension Agency.

Act: Public Pension Agency Act.

Board of Directors: Board of Directors of the Public Pension Agency.

Chairman: Chairman of the Board of Directors of the Public Pension Agency.

Governor: Governor of the Public Pension Agency.

Pension System: Civilian Pension System and Military Pension System.

Article 2

The agency shall have a public legal personality and administrative and financial independence. It administratively reports to the Minister of Finance with its head office in the city of Riyadh. Branches or offices of the agency can be established inside the Kingdom. All the rights due to and the liabilities due from the pension fund shall belong to the agency under the previous and current pension regulations.

Article 3

The agency undertakes the implementation of the pension system and the Council of Ministers may entrust the agency to implement any other pension system as well as manage saving funds of civilian and military funds.

Article 4

The agency aims at providing a financial source for retired public civilian and military employees and their dependents after completing their services as prescribed by the pension system in accordance with the principle of social solidarity in order to realize communication between them and other members of society with all its activities in such a way as to achieve common benefits for retired staff, individuals and institutions. To this end, the agency may undertake the following:

1. Developing the agency's financial resources with the aim of realizing financial balance between the resources and obligations of the agency; and
2. Supporting activities of retired staff in accordance with the implementing rules.

Article 5

The agency shall have a board of directors consisting of eight members including the chairman and the vice-chairman as follows:

- Minister of Finance, Chairman,

- Governor, Vice-chairman,
- A representative from the Ministry of Civil Service not less than grade 14, Member,
- A representative from the Ministry of Economy and Planning not less than grade 14, Member,
- A representative from the Saudi Arabian Monetary Agency not less than grade 14, Member,
- A representative from military sectors not less than the rank of Major General, Member, and
- Two experienced retired staff appointed upon a resolution by the Council of Ministers upon a recommendation from the Minister of Finance, Members.

The Board of Directors shall hold meetings at least once every three months upon an invitation from the chairman or the vice-chairman or upon the request of at least four members. The meeting will not be considered valid unless attended by at least six members including the chairman or the vice-chairman. The decisions of the Board of Directors shall be passed by the majority of votes of present members. In case of equal votes, the chairman will have a casting vote.

The Board of Directors may invite to its meetings any persons the directors may deem necessary without having the right to vote.

Article 6

The Board of Directors is the top authority entrusted with the management of the agency and administration of its affairs including, but not limited to, the following:

1. General supervision of the proper implementation of the pension act and related implementing rules, periodic review of the performance of the agency and taking any actions the Board may deem proper for the realization of the agency's objectives and the good performance of its duties;

2. Laying down the agency's strategy to ensure proper realization of its objectives and to attain the highest levels of effective and efficient performance;
3. Issuing and amending the implementing rules for this act;
4. Issuing the administrative regulations and the regulation manual of the agency;
5. Approving the annual budget of the agency;
6. Approving the final balance sheet and the annual report of the agency for submission to the President of the Council of Ministers for the completion of legal procedures;
7. Approving the policies, rules and plans of the investment of the agency's funds and approving all investment projects;
8. Approving salary scales of agency's staff as well as their benefits, bonuses and privileges in coordination with the Ministry of Finance and the Ministry of Civil Service;
9. Issuing financial, job and accounting by-laws of the agency in coordination with the Ministry of Finance and the Ministry of Civil Service;
10. Approving the establishment of branches and offices for the agency;
11. Forming an auditing committee, the duties, membership, remuneration and period of office of which shall be determined under by-laws issued by the Board of Directors. The duties of the committee shall include evaluation of the by-laws, rules and controls and the ascertainment of their effectiveness;
12. Appointing an external auditor and an internal financial comptroller;
13. Conducting a regular review of this act and the pension system, proposing any amendments thereto as necessary and submitting the same as per regulations;
14. Considering the issues referred to it by the chairman;

15. Carrying out any other duties entrusted to it under the pension system and implementing rules or under any other regulations;
16. Delegating some powers to the governor or any other person;
17. Forming Board of Directors' subcommittees; and
18. Accepting grants, wills and endowments.

Article 7

The decisions taken by the meetings of the Board of Directors presided over by the vice-chairman shall be deferred to the chairman for approval. The chairman may return to the Board of Directors the decisions he does not approve along with justifications within a period of fifteen days beyond which these decisions will be considered effective. The reiterated decisions shall be presented for consideration during the next meeting of the Board of Directors, which decisions shall be considered effective if at least six members vote for them.

Article 8

The governor shall be appointed on the excellent grade and shall act as the chief executive officer of the agency and undertake administration of its affairs. He shall be responsible before the Board of Directors for the duties and functions he carries out and shall specifically have the following duties and powers:

1. Supervising the preparations for the meetings of the Board of Directors and related sub-committees;
2. Implementing and following up the decisions issued by the Board of Directors and informing the board of the actions taken thereof.
3. Nominating an internal financial comptroller;
4. Supervising the preparation of the agency's budget motion, the final balance sheet and the annual report for submission to the Board of Directors;
5. Proposing development of the agency's administrative organization and regulation based on the outcome of relevant studies;

6. Supervising preparation of plans and programmes related to the development of the agency's human resources;

7. Supervising the agency's staff and performance of their duties in accordance with the powers given to him in the light of the provisions of the implementing rules;

8. Issuing pay orders of the agency as per the approval annual budget;

9. Following up collection of the agency's revenues and investment of its funds in accordance with the provisions of this act;

10. Submitting regular reports to the Board of Directors on the agency's activities, achievements and developments;

11. Supervising the preparation of the agency's strategy, plans and programmes and following up the implementation thereof; and

12. Representing the agency in its relations with other agencies and before judicial circles.

The governor may delegate some of his authorities to other officials and staff of the agency in accordance with the administrative and financial by-laws.

Article 9

Without prejudice to the right of the General Auditing Bureau to audit the accounts of the agency, the external auditor appointed by the Board of Directors shall audit the accounts of the agency. The Board shall determine its remuneration. However, if more than one auditor is appointed, they shall jointly be responsible for auditing the agency's accounts.

Article 10

The funds of the agency shall consist of the following:

1. Premiums paid by civilian and military employees as provided for in the pension act,

2. Premiums paid by the Ministry of Finance (Public Treasury) and those paid by public legal personalities to whose employees the pension act is applied,

3. Returns of the investment of the agency's resources,
4. State subsidies provided within the general budget of the state, when necessary,
5. Other resources allocated for the agency under any other act or law, and
6. Grants, wills and endowments.

Article 11

Payments from the funds and resources of the agency shall be limited to pensions and benefits as well as the other goals provided for in this act and its implementing rules as well as the pension act and its implementing rules. This shall include covering the agency's administrative expenditures in accordance with the administrative and financial by-laws of the agency.

Article 12

The financial year of the agency is the financial year of the state.

Article 13

In addition to the operating accounts of the agency, two separate military and civilian accounts shall be opened for the agency wherein the periodic and annual accounts shall be kept and allocated. The implementing rules shall state how each account is charged with relevant expenditures and revenues.

Article 14

The administrative expenditures of the agency shall not exceed five percent (5%) of the agency's revenues.

Article 15

The agency's staff shall be subject to the pension act and its labour shall be subject to the Labour and Workmen Law and Social Insurance Law.

Article 16

This act shall be published in the official gazette and shall come into force as of the date of publication. It shall also supersede any contradictory provisions.