



Saba Pension  
Strategies Institute

Affiliated to Civil Servants  
Pension Fund-Iran

# IRAN'S Civil Servants Pension Fund

History and Performance

July, 2020

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# Civil Servants Pension Fund

## History and Performance

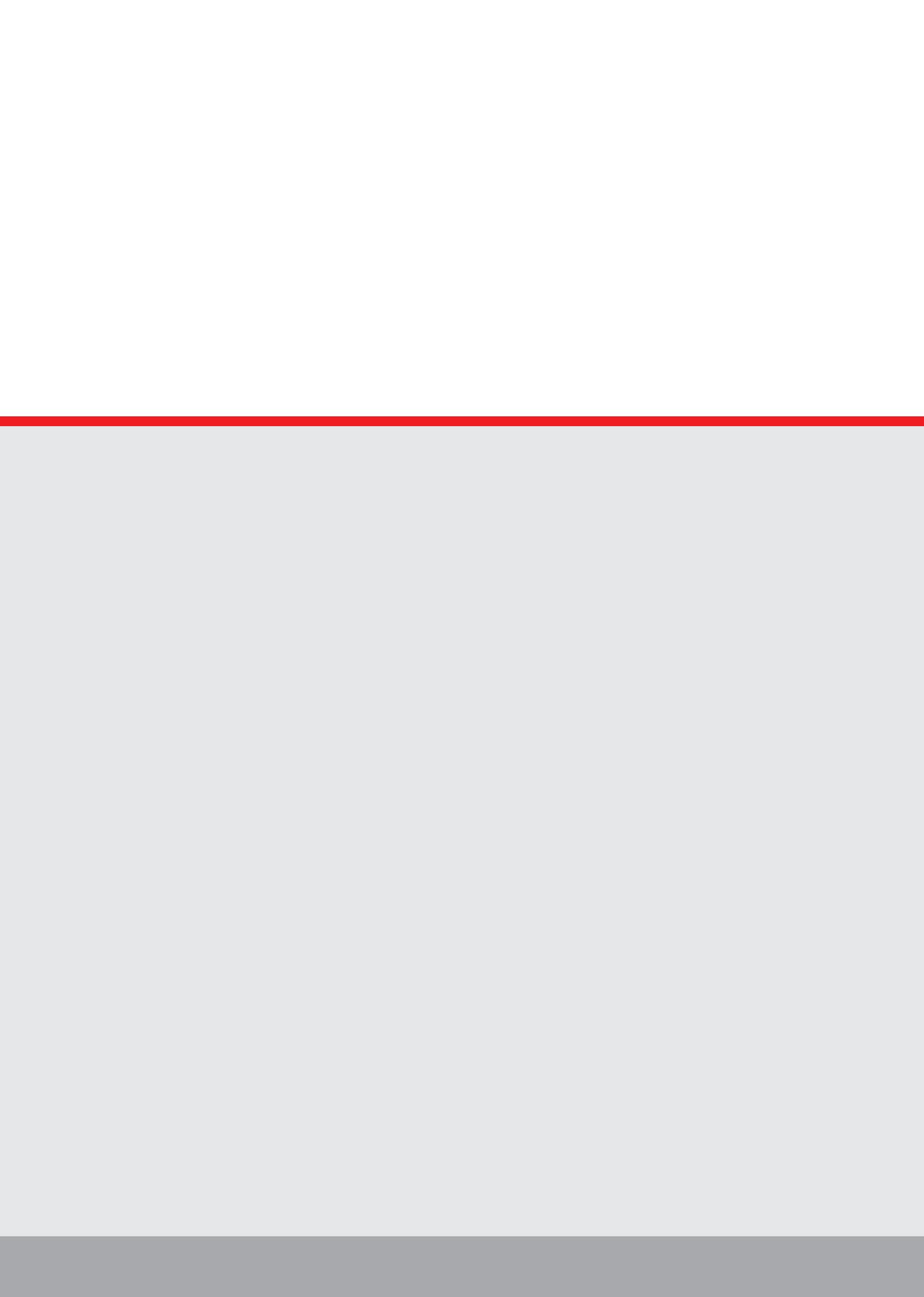
Hamid Gomari  
Reza Mirzaebrahimi  
Farhad Bazrafkan

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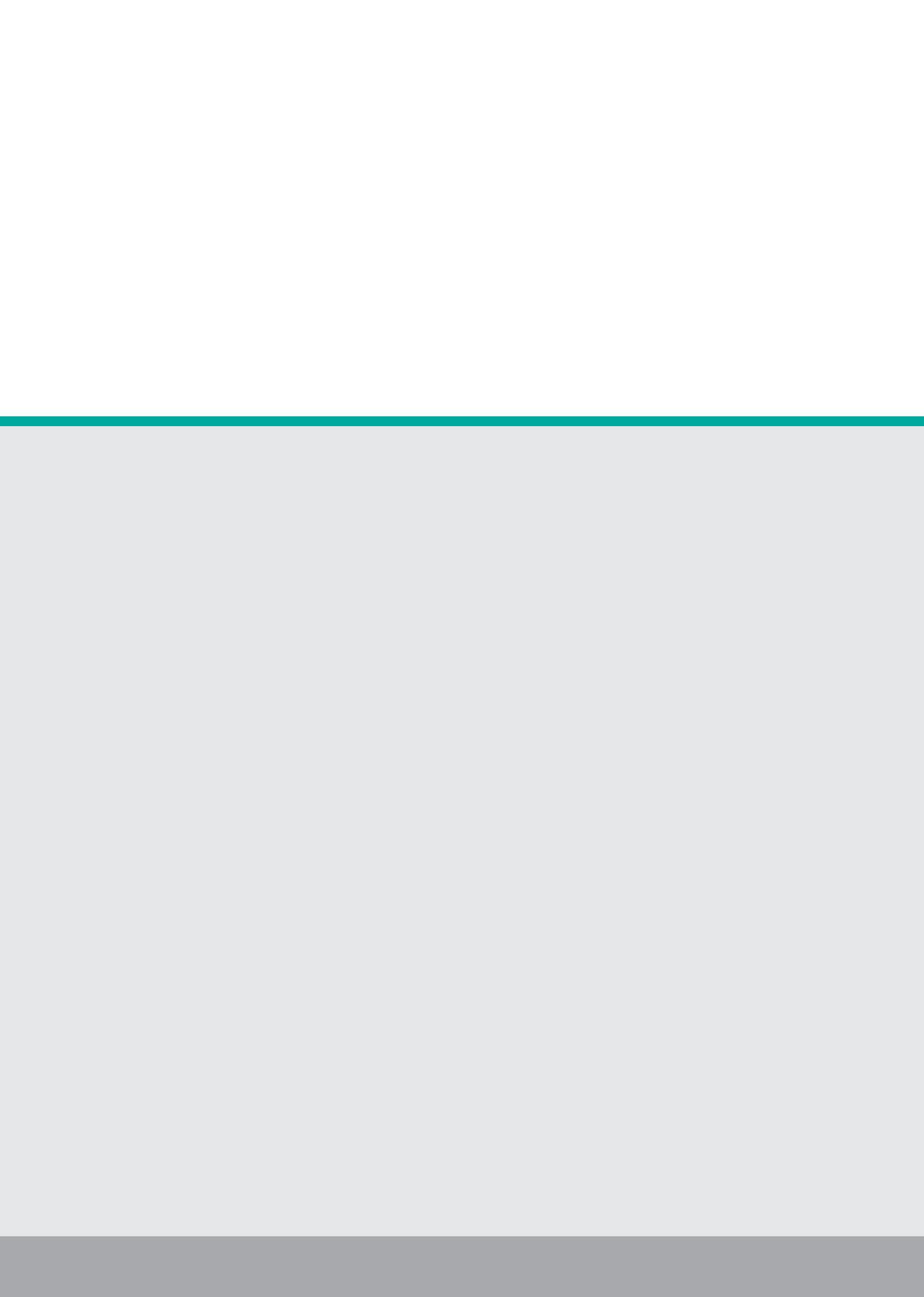
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## Introduction

In this report, attempts have been made to briefly explain the history and performance of Civil Servants Pension Fund (CSPF). Accordingly, the history as regards its establishment and organizational and institutional changes together with transitions are presented first. Then the profile including the structure, stakeholders, dependency ratio, pension adequacy, and major indicators for the evaluation of CSPF's performance are stated focusing on the past two decades. Next, social welfare services including long-term and short-term benefits are described. Finally, CSPF's budget and its investment are briefly explained.

# 1. History

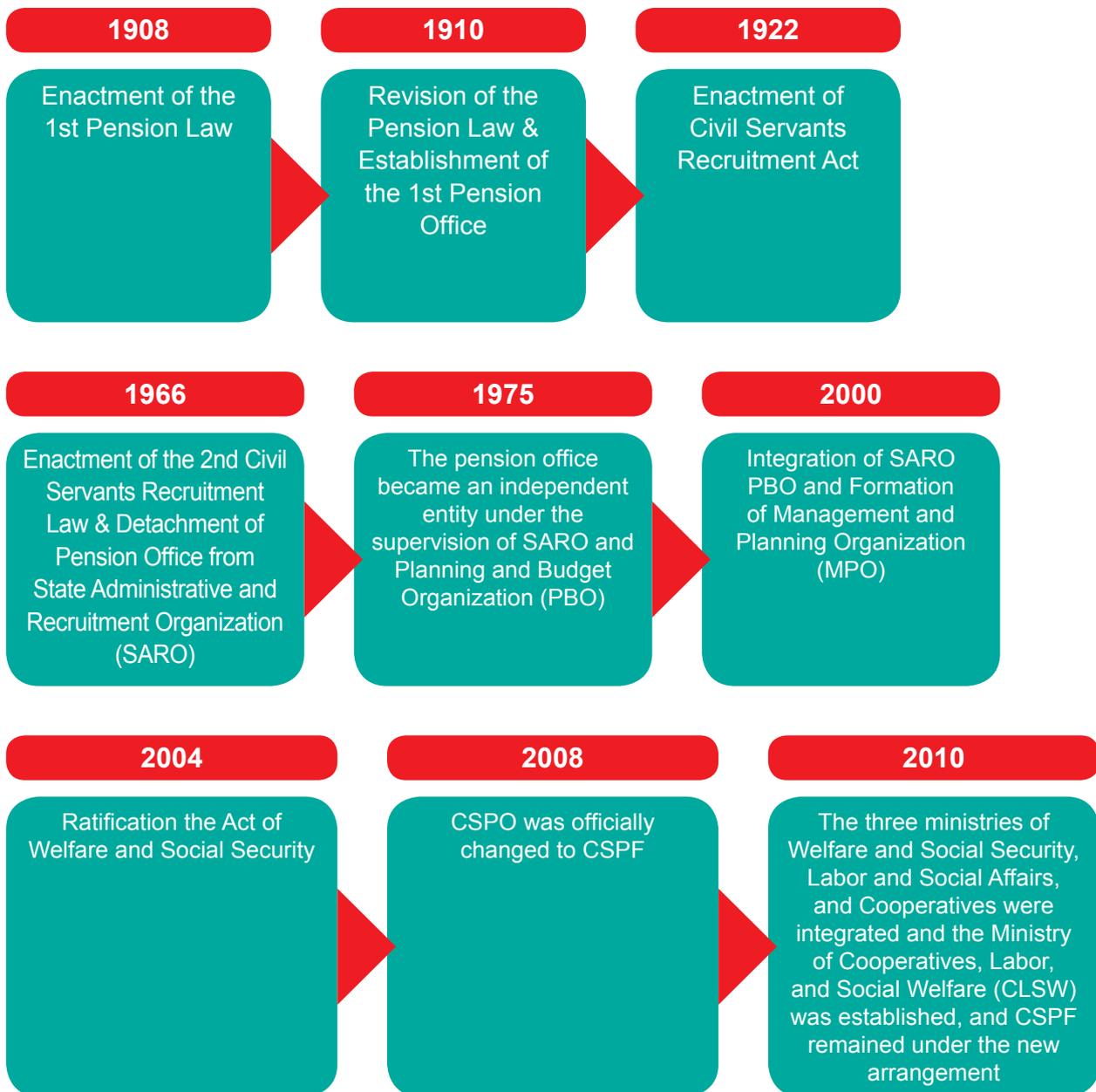
CSPF is the second largest pension fund in Iran being preceded by Social Security Organization (SSO). Apart from these two pension funds, there are sixteen other pension funds nationwide as well. What makes CSPF remarkably different from the other pension funds is that it is the oldest pension fund in Iran, and its history dates back more than a century.

The first law as regards pensions was enacted during the time when Constitutional Revolution of Iran took place (1905-1911) and led to the establishment of a parliament in the country. In other words, after Constitutional Revolution (August 5, 1906) the first pensions law was enacted on 22 April, 1908. The law included 10 Articles, and its major focus was on the survivors' security, that is, it was more about the pensions received by government employees' survivors, and no points as regards insurance or retirement was included in the law.

## **The main features of the law were as follows:**

1. No attention was paid to the matter of retirement and retired members, and only the security of the survivors was taken into account;
2. Every ministry was in charge of calculating the amount of allocated pension to its employees and issuing the relative statements;
3. Financing survivors' pension was conducted through the public revenue; nothing would be deducted from the employees' earnings as contribution during their service time;
4. The amount of the survivors' pension was half of the salary that employees would receive during their service time;
5. The survivors' pension would be paid for 15 years without setting any specific conditions or requirements; and
6. Deceased employee's parents, wife, and children (and other children under the custody of a specific employee) would be regarded as the legal survivors. The amount of pension paid to female heirs was half of the pension received by the male ones (Baziar, 2002).

**Graph 1. Major Events in the History of CSPF**



Graph 1 reports the milestones in the history of CSPF. As can be seen, it was in 1922, after the enactment of the first 'Civil Servants Recruitment Act' that the first pension office for civil servants were established under the Ministry of Finance. In the beginning, the pension office was a part of the General Directorate of Accounting in the Ministry of Finance, but later on, as a result of a reorganization, it moved to the General Directorate of staff recruitment (Azimi, 2017, p. 25).

According to 'Civil Servants Recruitment Act', five percent of civil servants' monthly salary together with their first salary and the additional payments that later would be added to their salaries was accumulated in a pension fund, and it would be used to finance survivors' pensions. Normal retirement age (NRA), according to the law, was 70 years of age.

In 1910, the first Pension Law (related to survivors' pension) was revised, and the amendatory law was approved by the members of the parliament, as a result, in 1922 the first 'Civil Servants Recruitment Act' was comprehensively investigated and ratified. By the enactment of the amendatory law of survivors' pension, the government was obliged to provide the benefit for all the employees — without taking account of their official and political positions, and even their relations to the royal family. Civil servants ever since were treated equally, and it was decided that they would be protected in old age, and on employee's decease, his dependents would be protected (Akbari, 2016). According to Article 3 of the law, half of the employees' salary shall be regularly paid to the survivors for 15 years ...". As mentioned earlier, those who were eligible to receive the survivors' pension were the deceased employee's parents, wife, and children, and the amount would be half of the employee's monthly salary. Besides, the pension paid to female children was half of the pension paid to male ones (Hadi Zonooz, 2017).

From the legal perspective, the first pension law lacked the principle of comprehensiveness in the field of social security since no points were included in the law as regards the employees themselves, either during their service time or during their old age, and the focus was merely placed on the survivors' pension. The reason more probably was because at that time rules and regulations pertinent to civil services, employment, and retirement of civil servants had not been legally defined and various predictions in this regard had not been projected yet.

In fact, it was the enactment of the first 'Civil Servants Recruitment Act' on 23 November, 1922 that provided a good opportunity for the protection of civil servants, that is, the enactment of the law resulted in paying mor attention to the rights of survivors in tandem with the employees in terms of a variety of benefits, such as old-age pension, disability benefit, and survivors benefit. Organizing the modern structure of the government at that time required the recruitment of professional and

educated staff, therefore developing an effective pension scheme could facilitate the procedure and at the same time keep them motivated and hopeful about their future lives. It can be said that it was since the aforementioned date that the government (as the employer) and employees/civil servants gained official and organized recognition.

The second version of 'Civil Servants Recruitment Act' was enacted on 21 June, 1966, and it resulted in some changes in the rules and regulations of the pension fund, that is, in accordance with the Article 70 of this Act, the pension office was detached from the former ministry and joined the newly established State Administrative and Recruitment Organization (SARO). The pension office became an independent entity under the supervision of SARO in 1975. SARO and Planning and Budget Organization (PBO) were integrated on February 20, 2000, and it resulted in the formation of Management and Planning Organization (MPO). Then, CSPO, as one of the dependent entities, joined MPO.

According to the Note 2 of Article 17 of the Act of Welfare and Social Security (approved on May 10, 2008), CSPO joined the Ministry of Welfare and Social Security. In 2010, the three ministries of **Welfare and Social Security**, **Labor and Social Affairs**, and **Cooperatives** were integrated and the Ministry of Cooperatives, Labor, and Social Welfare (CLSW) was established.

As reviewed, what is currently known as a "fund" specific for civil servants – CSPF, was established as an "organization" in 1975 (Civil Servants Pension Organization – CSPO) and for almost three decades (1975-2008), it kept its organizational structure and was referred to as an organization; nonetheless later on, CSPO was officially changed to CSPF.<sup>1</sup> The change took effect in 2008 i.e., four years after the ratification the Act of Welfare and Social Security – 2004.

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1. In the Note 2 of the Article No. 12 of the Act of Welfare and Social Security, it has been pointed out that "considering social insurance nature, the title of the organization including all the active entities within its organizational structure shall be referred to as a fund instead of an organization".

## 2. Profile

Following the general pension system in Iran, CSPF is of DB<sup>1</sup>-PAYG<sup>2</sup> type, and it practices partial funding, that is, financing benefits is conducted through current revenues on a PAYG basis. Therefore, it can be said that CSPF, as a DB pension plan, provides benefits that are ultimately guaranteed by the government.

### 2.1 Current Structure

In accordance with Article 17 of the Act of Welfare and Social Security, CSPF is similar to other insurance funds in Iran (Naimi & Parto, 2017), for example like the other pension funds, it comprises four governing bodies, which are board of trustees, board of directors, CEO, and supervisory board. Based on the Note 1 of Article 9 of CSPF's statute, the members of the board of directors, the head of the board, together with the CEO are appointed by the Minister of CLSW. Moreover, in accordance with the Article 9 of CSPF's statute, the board of directors shall consist of five members, and they shall be elected following the Note 1 of the Article 17 of the Act of Welfare and Social Security.

### 2.2 CSPF's Stakeholders

CSPF's major stakeholders consists of the government (as the employer), employees (active members), pensioners (retired members), dependents, and survivors. As mentioned earlier, CSPF is the second largest pension fund in Iran, and it covers 11.3% of the insured people in the country.

The active members or contributors to this fund include the following groups of civil servants:

- Official civil servants employed based on the Civil Servants Recruitment Act;
- Formal faculty and staff members of state universities and higher education institutions;
- Judges of the judiciary (also known as the judicial system) and Ministry of Justice;
- Official employees of the Ministry of Foreign Affairs (political affairs staff only, not the administrative ones);
- Official Municipal employees aside from Tehran municipality staff;
- Contractual employees of public sector institutions; and

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1. Defined Benefit

2. Pay as You Go

- Dismissed employees of the former Ministry of Roads and Transports (They pay their contributions as self-employed members until they reach the normal retirement age\_NRA). The staff were dismissed according to Article 147 of the 4th Development Program Law (The Ministry of Roads and Urban Development was formed on June 27, 2011, when the two ministries of Housing and Urban Development and Ministry of Roads and Transport were merged).

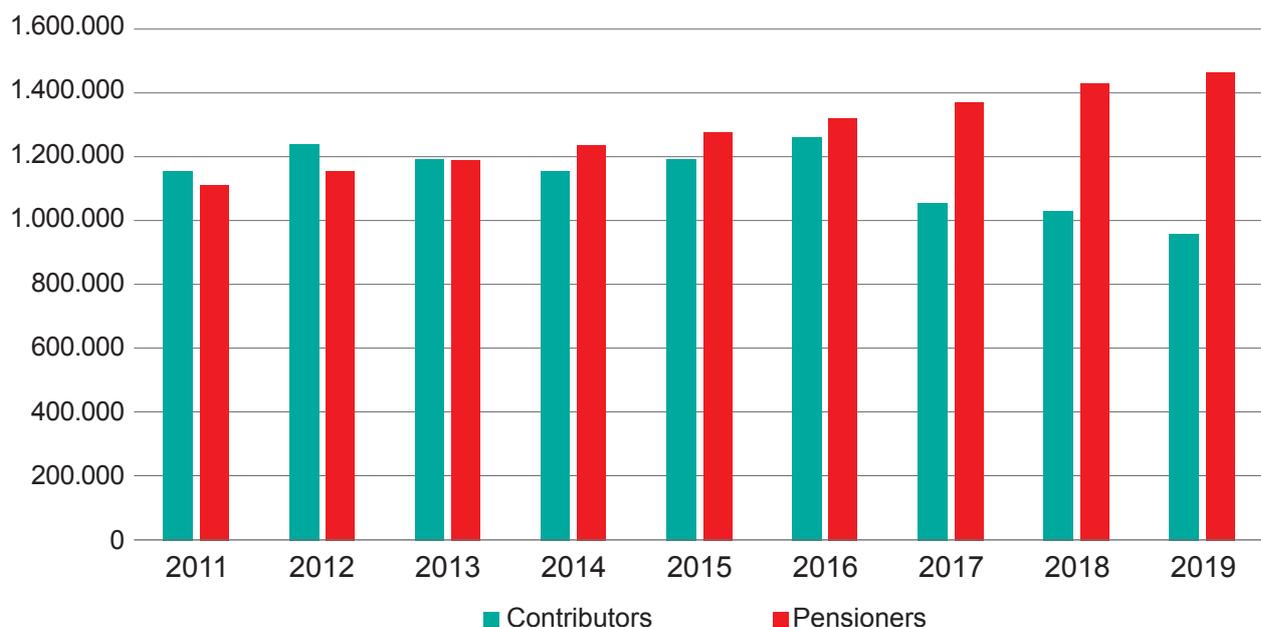
**Table 1. Distribution of CSPF's Pensioners in Different State Entities, 2019**

State Entities	Population	% of Total Population
Ministry of Education	881,806	60.1
Ministry of Health and Medical Education	196,585	13.4
Ministry of Agriculture	77,575	5.3
Ministry of Roads & Urban Development	66,159	4.5
Ministry of Interior	45,143	3.1
Ministry of Information and Communications Technology	36,114	2.5
Ministry of Science, Research and Technology	33,473	2.3
Ministry of Economic Affairs and Finance	26,354	1.8
Ministry of Justice	24,876	1.7
Ministry of Industries and Mines	18,063	1.2
Presidential Administration	16,890	1.15
Ministry of Energy	13,104	0.9
Ministry of Culture and Islamic Guidance	10,996	0.75
Ministry of Cooperatives, Labor, and Social Welfare	7,405	0.5
Dissolved Organizations	4,606	0.3
Judicial System	2,787	0.2
Ministry of Foreign Affairs	2,750	0.2
The Parliament	1,427	0.1
The Self-Employed	717	0.05
Others	1,045	0.07
<b>Total</b>	<b>1,467,830</b>	<b>100</b>

Source: CSPF's Statistical Yearbook, 2019

The number of CSPF's pensioners in 1922 (Enactment of Civil Servants Recruitment Act) was 2,060, and it reached 114,834 in 1975 (establishment of SARO) and four decades ago, at the time of the 1979 Revolution, the number of retired members/pensioners increased up to 132,000. The dependency ratio of CSPF was 12.6 at that time; however, it has had a descending trend after the revolution. Especially during the first three years after the revolution, a plethora of civil servants got retired (voluntarily or compulsorily) for a variety of reasons, and it resulted in the 40% increase in the number of the pensioners reaching 185,000 in 1981. The number drastically increased twenty years later (2001) and reached 536,000 (Hadi Zonooz, 2017). Within 10 years CSPF has ended up with 1,110,386 pensioners.

**Graph 2. The Number of CSPF's Contributors vis-à-vis Its Pensioners, 2011-2019**



Source: CSPF's Statistical Yearbook, 2011-2018

Graph 2 shows the number of CSPF's active members (contributors) versus the retired members (pensioners) from 2011 to 2019. As indicated the number of pensioners in November 2019 reached the highest level compared to the previous years.

**Table 2. General Profile of CSPF's Pensioners, 2019**

Category	Population	Proportion (%)
Retired	1,198,418	81.64
Disabled	230,225	0.9
Deceased during Service Time	610,131	4.1
Deceased after Retirement	1,950,026	13.28
<b>Total Number of Pensioners</b>	<b>1,467,830</b>	<b>100</b>

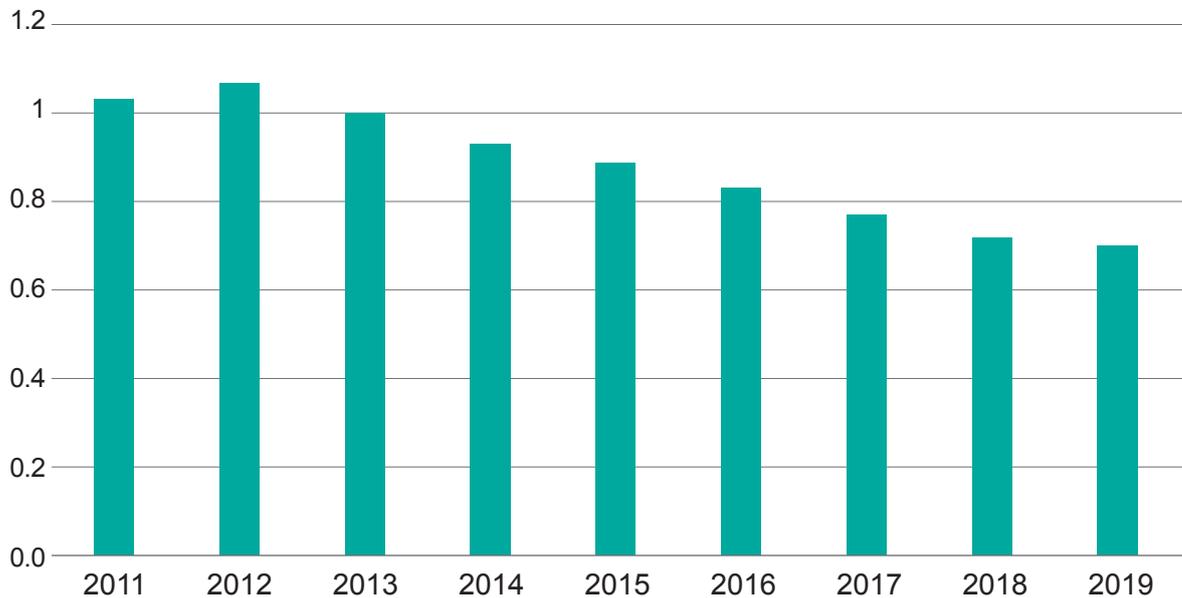
Source: CSPF's data, 2019

Table 2 presents the general profile of CSPF's pensioners in November 2019. As shown, the total number of pensioners was 1,467,830, from among which 13.28% deceased after retirement, 4.1% deceased during their service time, 0.9% were disabled, and the rest 81.64% were the regular retired members. At that time, the entire members of CSPF, including both contributors and pensioners were 2,423,684, corresponding 11.3% of the insured people in the country, and approximately 4% of the whole population of the country are the members of this pension fund.

## 2.3 Dependency Ratio

As mentioned earlier, around four decades ago i.e., at the time of the 1979 Revolution, the dependency ratio of CSPF was 12.6; however, it has had a descending trend after the revolution. In 2000 the number of contributors was around 1,510,000, and the number of the pensioners was around 480,000 (including the retired members, members receiving disability benefit, those who had deceased during service time or after retirement), accordingly the dependency ratio was 3.1. Since then, the number of employees has decreased and the number of pensioners has increased. Adopting and implementing policies as regards reducing the number of civil servants by limiting the recruitment of new staff and enacting the restrictive laws regarding early retirement for both men and women in 2016 resulted just in a slight increase in dependency ratio up to the level equivalent to that of the previous year which was 0.95, but again the dependency ratio decreased down to 0.7 in 2019.

**Graph 3. Dependency Ratio in CSPF 2011-2019**



Source: CSPF's Yearly Reports, 2011-2019

Enacting the following laws (which made the number of new entrants — new contributors to the fund decrease and the number of pensioners increase) are regarded as the main reason for the dramatic decrease in CSPF's dependency ratio:

- Early retirement Law (5 years earlier than NRA) implemented for a long period of time;
- Limiting the recruitment of new members (reducing the number of new entrants/contributors); and
- Allowing freedom of choice for selection of pension funds to civil servants;

A series of events that happened in state owned entities after the 1979 Revolution also impacted the number of new entrants/contributors and pensioners of CSPF:

- Rapid population growth in Iran during the first decade after the Revolution, and the number of students at primary and secondary levels increased and it continued until the late 1990s. Accordingly, the demand for teachers increased, and the government had to employ teachers to match the demand. As a result, the number of new entrants/contributors to CSPF increased. It should be mentioned that more than half of CSPF's members are from the Ministry of Education that is

the reason why their role in this regard is vital.

- Dramatic decline of population growth in the following decades resulting in the reduction of the number of students so that the Ministry of Education encountered the challenge of teachers redundancy. Accordingly, not only new employees were not hired, but also the matter of early retirement of the redundant staff and their retirement was taken into serious consideration and implemented.
- Early retirement or dismissal of some employees of executive entities (mostly the ones who had been recruited amid Pahlavi regime) during the first decade after Revolution.

## 2.4 Major Indicators of CSPF

Table 3 shows the major indicators for the evaluation of CSPF's performance. As can be seen the replacement rate in CSPF is 99%. Based on the calculations, during nine months of 2019, pensioners on average received pensions which were equal to 99% of their pensionable earnings during their service time (replacement rate). On average, CSPF members contribute to the fund for 28 years, and after retirement, the duration of receiving old-age pension is 29.11 years. Accordingly, it can be said that the duration of contribution and that of receiving pension are almost equal. It should also be noted that the contribution rate is 22.5%; thus, considering these two indicators, it should be pointed out that the financial situation of CSPF is not so stable. The recent statistics also shows that the dependency ratio is 0.7, that is, the number of active members (contributors) is smaller than retired members (pensioners). The statistics also shows that the penetration rate (proportion of beneficiaries to total population) is 4% i.e., only 4 percent of the employees are members of CSPF. The normal retirement age (NRA) is low too, on average the CSPF employees retire at the age of 51.5.

**Table 3. Major Indicators of CSPF in 2019**

Indicators		Measurement
First old-age pension		37.2 Million Rials
Average monthly pension		29 Million Rials
Old-age pension history		28 years
Average service years		29 years
Contribution rates	Employer (Government)	13.5%
	Employees	9%
Accrual rate		1/30
Reference salary		Last 2 years
Survivors benefit ratio		100%
Dependency ratio		0.7
Replacement rate		99%
Penetration rate		4%
Average retirement age		51.5 years old
Average age of pensioners		63.6 years old

Source: CSPF's data from Technology and System Development Office, 2019

## 2.5. Old-Age Pension Adequacy

Pension adequacy is defined as the ability of a payment to support a basic acceptable standard of living that is consistent with prevailing community standards. Adequacy refers to the retirement income provided by the pension system to prevent old-age poverty in terms of the absolute level, as well as the smoothed lifetime income in terms of the relative level. In addition, the goal of adequacy must also ensure that pension systems provide protection against factors impacting this indicator, such as inflation and longevity risk for those who live longer than the average person. Indicators of the adequacy of pension benefits have developed from *the average replacement rate* (the average pension benefit as a percentage of the average wage) to the *pension wealth* (the discounted present value of future pension rights). However, the replacement rate is the most frequently used indicator to reflect pension adequacy (Zhao, Li &

Wang, 2019). Average pension adequacy can be simply referred to as the proportion of average old-age pension to average household expenditure.

**Table 4. Old-Age Pension Adequacy, as a Percentage of Average Household Expenditure (%)**

Year	Pension Adequacy	Year	Pension Adequacy
2000	27	2009	49
2001	28	2010	47
2002	30	2011	43
2003	31	2012	40
2004	30	2013	38
2005	31	2014	41
2006	36	2015	44
2007	50	2016	46
2008	49	2017	43

Source: Saba Pension Strategies Institute, 2017. Report No. 4

Table 4 presents the proportion of old-age pensions to average household spending from 2000 to 2017. As indicated, around 10 to 15 years ago (2000-2005) old-age pensions covered around 30% of the household expenditure. The adequacy indicator has reached its maximum level — 50% in 2007, but due to the inflation rate, the indicator has decreased down to 38% in 2012. From the end of 2013, the indicator has increased since the old-age pensions outgrown the inflation rate and it reached 46% in 2016, which was almost the same as that of OECD member countries, but in the following year it again decreased down to 43% (Saba Pension Strategies Institute, 2017. Report No. 4).

Pensionable earnings of the members during their service time is another factor that should be taken into consideration while looking into the adequacy indicator. It is clear that higher level of earnings would result in higher level of pension benefits, and this would increase the possibility for the members to be able to have more savings so

that they can use them after retirement. As pointed out in another study conducted by Saba Pension Strategies Institute in 2019 (Report No. 63), the pensionable earnings of CSPF members in 2016 covered only 49.2% of their expenditures. That is, due to lower level of earnings during service time, the amount that the members could have saved was not enough to be of remarkable help during retirement time; therefore, they could barely rely only on the pensions to be able to cope with the household expenditures. As mentioned earlier, the higher the level of pensionable earnings, the more the amount of savings (in different forms of joining private pension schemes, doing investments in real estates, equities, stock market, etc.) during service time. Accordingly, it would result in higher coverage of some of the expenditures during their retirement. Consequently, in terms of generosity, CSPF stands in a relatively higher position compared to the average worldwide level (for example the replacement rate is 99%); however, this level of generosity in offering benefits has not resulted in higher welfare level on the part of the retired members. Data as regards the situation of adequacy after 2016 is not available; however, as shown by macroeconomic indicators and some other factors, like political conflicts and sanctions imposed by the US as well as the higher level of inflation, the proportion of old-age pensions to average household spending seems unlikely to be satisfactory.

### 3. Social and Welfare Services

Old-age pension is the major benefit that CSPF provides for the retired members; however, the pensioners enjoy some other services which are as follows:

- **Tours**
- **Loans**
- **Medicare supplement insurance<sup>1</sup>**
- **Life and injury insurances**
- **Compensation cases of life and injury insurances**
- **Senior Citizen Cards**

**Table 5. CSPF Welfare Services 2011-2018**

Year	Number of allocated allowances to tours	Number of allocated loans	People covered by Medicare supplement insurance	People covered by life and injury insurances	Number of compensation cases of life and injury insurances	Senior Citizen Cards
2011	119,535	42,187	2,300,000	1,012,466	6,590	33,560
2012	142,342	62,120	2,200,000	1,003,000	6,202	30,400
2013	151,815	64,116	2,058,015	1,041,155	6,389	45,160
2014	46,927	196,450	2,010,000	1,034,613	6,362	28,000
2015	47,184	213,090	2,000,000	1,022,937	6,308	28,945
2016	72,257	213,598	1,952,052	988,713	5,290	17,122
2017	106,502	279,736	1,982,833	1,021,532	6,511	
2018	158,568	323,211	1,986,250	1,019,948	5,652	

Source: CSPF's Statistical Yearbook, 2011-2018

Table 5 shows the welfare services that pensioners received from 2011 to 2018. As can be seen, the retired members, and in some cases, their family members enjoyed

1- A point to be clarified as regards the medical services is that no independent health insurance is provided by CSPF since no contribution is received from the members in lieu of providing the service, and the only option for the members in this regard is receiving health care only from IHIO. However, as mentioned earlier, Medicare supplement Insurance is included among the benefits offered by CSPF. The members have been provided with this service since 2008.

different services, like Medicare supplement Insurance, tours, loans, life and injury insurances, and Senior Citizen Cards. Apart from the aforementioned services, since 2000 some other facilities have also been provided, for example like allowances to buy glasses, hearing aids, walking sticks, and providing special support for those suffering from serious health problems, like cancer.

Hope Houses (formerly known as Mehr Houses) are also included among the services provided for the retired members. Hope Houses are created as places for the elderly to participate in socio-cultural activities. Offering counseling and healthcare assistance and taking part in sports and artistic activities are some of the services that such centers are offering to the elderly. As of 2018, there have been 44 Hope Houses nationwide in different provinces, and they are projected to increase by 10 in the near future.

## 4. CSPF's Budget

### The Proportion CSPF's Budget to Welfare and Government Budget

Due to a variety of reasons, the proportion of the pension system to social welfare budget, particularly CSPF has gradually increased during the past decade. On the one hand, because of the obligations imposed by the government and parliament without considering the matter of financing, the pension funds have failed to fulfil their major mission and follow their main principle in terms of social insurance (pension mechanism); on the other hand, its dependence level to social welfare budget (and even at higher levels to the government budget), has significantly outgrown the growth of social welfare budget within the government budget.

**Table 6. The Proportion of CSPF's Expenditures from Total Government Budget and Welfare Expenditures**

Year	Total CSPF's Expenditures	% of Total Government Budget	% of Total Welfare Expenditures
2011	65,532	3.9	27
2012	80,040	4.9	26
2013	115,038	4.9	30
2014	135,000	5.7	29
2015	155,000	5.6	30
2016	197,646	6.4	32
2017	219,774	5.5	30
2018	302,340	6.8	33
2019	405,360	8.5	36

Source: CSPF's Statistical Yearbook, 2011-2018; Annual government budget in varying years

Table 6 reports the proportion of budget allocated to CSPF out of government budget (in Billion Rials)<sup>1</sup> as well as CSPF's budget, as a percentage of welfare budget.

1- It should be noted that Iran's currency is Iranian Rial, and for the time being, 1 US Dollar equals 42,105 Iranian Rial (considering the formal rate). However, there is a big difference between formal rate and the market rate (1 US Dollar approximately equals 200,000 Iranian Rial).

As can be seen, the proportion of budget allocated to CSPF from the government budget together with the proportion to welfare budget have been drastically increasing in the past decade so that the allocated budget has almost become 6 times bigger, and the dependence level to welfare budget reached around 36% in 2019. As indicated, the only year in which the amount and dependence level has been somewhat the same as the previous year was 2014.

## 5. CSPF's Investments

CSPF's investment history dates back the late 1980s, after the Iran–Iraq War. The initial steps as regards investment were taken by making the government obliged to return its debts to CSPO (as discussed earlier, it was an organization then), and it began in 1988 (Azimi, 2017). The government transferred some of its assets in lieu of the debts and liabilities. After receiving the assets from the government, the challenge of managing the assets emerged as a crucial problem, since the assets were transferred to the organization in various forms, so making appropriate decisions about the various forms of the properties appeared as a difficult task. It should also be pointed out that, in the beginning CSPO lacked the capability for the appropriate management of the properties and investment projects. In other words, apart from the lack of experience, there was also the matter of lack of expertise on the part of the staff in the field of investment. Accordingly, the “Investment Company of Civil Servants Pension Organization” was established in 1988 to handle the investment task.

**Table 7. CSPF's Holdings and the Number of Companies – 2018**

The Holding	Number of Companies
<b>Industry and Mining</b> (Atie Saba Investment Company)	42
<b>Financial Services</b> (Financial and Management Company of CSPF)	23
<b>Energy</b> (CSPF Investment Company)	17
<b>Food and Medicine Industries</b> (Saba Jahad Investment Company)	9
<b>Transportation and Tourism</b> (Iran Touring and Tourism Investment Company)	9
<b>Construction and Development</b> (Taraz Peiriz Company)	9
<b>Total Number of the Companies</b>	<b>101</b>

Source: CSPF's Statistical Yearbook, 2018

Table 7 shows the different holdings of CSPF and the companies included in each holding. As indicated, CSPF's portfolio was organized into six holdings of energy; industry and mining; financial services; food and medicine industries; transportation and tourism; and construction and development. There were more than 100 companies in the six holdings as of 2018.

The aforementioned companies are not completely owned by the fund. As of 2018, 44% of the CSPF's investment portfolio consisted of Management stocks and the remaining 56% comprised Control stocks. As regards investing in stock market, it can be said that 42% of CSPF's portfolio involved stock market and the remaining share — 58% does not encompass stock market.

**Table 8. CSPF's Investments Profits – 2018 (in Billion Rials)**

Type of Investment	Amount	Share (%)
<b>Equities</b>	15,301	70
<b>Loans</b>	364	1.7
<b>Bank Deposit and bonds</b>	5,582	25.5
<b>Equities Sale</b>	510	2.3
<b>Other Operational and Nonoperational Revenues and Expenditures</b>	98	0.4
<b>Rental Income</b>	39	0.2
<b>Total</b>	<b>21,894</b>	<b>100</b>

Source: CSPF's Statistical Yearbook, 2018

Table 8 presents the total profit of the economic and financial activities of CSPF according to various types of investments. As can be seen, the most profitable type of investment has been the equities (70%) being followed by bank deposits and bonds (25.5%). Accordingly, it can be said that the profit made on the other types of activities is relatively trivial — all together less than 5%.

## 6. Conclusion

In this report attempts were made to describe CSPF from the day it was founded until today. As pointed out, the first law as regards pensions was enacted on 22 April, 1908 — approximately two years after Constitutional Revolution (August 5, 1906). The major focus of the law was more on the pensions received by the government employees' survivors, and no points concerning their retirement and insurance was included in the law. Financing survivors' pension was conducted through public revenue; therefore, nothing would be deducted from the employees' earnings as contribution during their service time.

As reviewed, it was the enactment of the first 'Civil Servants Recruitment Act' on 23 November, 1922 that provided a good opportunity for the protection of civil servants, that is, the enactment of the law resulted in paying more attention to the survivors' rights in tandem with those of the employees in terms of a variety of benefits, such as old-age pension, disability benefit, and survivors benefit. The second version of 'Civil Servants Recruitment Act' was enacted on 21 June, 1966, and it resulted in some changes in the rules and regulations of the pension fund, that is, in accordance with the Article 70 of this Act, the pension office was detached from the former ministry and joined the newly established State Administrative and Recruitment Organization (SARO), from the very beginning of 1975, the pension office became an independent entity under the supervision of SARO.

According to the Note 2 of Article 17 of the Act of Welfare and Social Security (approved on May 10, 2008), CSPF (CSPO, at that time) joined the Ministry of Welfare and Social Security. In accordance with Article 17 of the Act, CSPO was officially changed to CSPF. As noted, CSPF is the second largest pension fund in Iran, and it covers 11.3 % of the insured people in the country. The members of the fund consist of different groups official civil servants. As noted, CSPF is of DB-PAYG type, and it practices partial funding.

It was also pointed out that CSPF offers two types of short-term and long-term benefits. The long-term benefits include old-age pension, disability benefit, and survivors' benefit. The short-term benefits include pregnancy benefit, marriage benefit, and children's benefit. Apart from these benefits, there are some other benefits, like

Medicare supplement Insurance, injuries and life insurance, different tours, loans, etc.

As noted, CSPF is included within the national pension system which faces a plethora of challenges. Based on the available evidences, it can be mentioned that the majority of the challenges are related to CSPF, and they usually originate from the legislation and policy making, which are not within the CSPF's control.

As shown by the history of CSPF, there seems to be a big gap between what policy makers and legislators think of the affairs related to the retirement of civil servants and the common definition of retirement (in terms of insurance and actuarial principles). It is also the case with CSPF. Having such an impression has caused CSPF as well as Armed Forces Pension Scheme to be the most highly problematic pension schemes in Iran to the extent that approximately 35% of the welfare budget in 2019 was allocated to these two funds. It is expected that in the coming years the level of dependence to the welfare and government budget will increase due to the laws enacted on limiting the number of new entrants to the fund. The dependency ratio in the past few years has also shown how critical the situation is, as it decreased down to 0.7% in 2019.

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Strategies Institute**

**Affiliated to Civil Servants  
Pension Fund-Iran**



Saba Pension  
Strategies Institute  
Affiliated to Civil Servants  
Pension Fund-Iran

Address: 101, First Floor, No 4,  
Mahvi Alley (Od. End), Dr. Shariati St,  
Tajrish, Tehran, Iran.

Telephone: +98 21 22703465  
[www.saba-psi.ir](http://www.saba-psi.ir)      [info@saba-psi.ir](mailto:info@saba-psi.ir)