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SHARIA PENSION FUND MANAGEMENT

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ABSTRACT

Pension Fund is a legal entity independent and separate from the employer, whose function is to manage and run a pension program following applicable regulations. In this regard, Pension Funds require a different reporting system from employers to provide information about Pension Fund finances. This research aims to find out the differences between conventional pension funds and Syariah pension funds and how to manage pension funds according to shari'ah. The analytical method used by the author is to use a qualitative approach. Qualitative methodological research is an approach using deductive thinking in which the reasoning of cause and effect proves a series of variables and research results.

Preliminary

In the 70s to the 80s, Indonesians competed to become civil servants, to live in prosperity, and obtain a pension in their old age. Pension is a desire to earn income after the end of one's working period. At that time, people think that the age before retirement is a period when someone is no longer productive; therefore, it is not surprising that their primary choice to fall into the world of work is to become a civil servant because at that time, It is civil servants who assure pension funds. If in the 70s to 80s there were not many companies that provided pensions for their employees, then in the 90s it was the opposite. Especially with the issuance of Law Number 11 of 1992, which regulates pension funds,[1]

The current phenomenon is not much different from the 70s where many people registered as civil servants for their welfare in the old days, one of which was by getting a pension.

Funds. A pension institution's existence provides certainty of future income and motivates its employees to be more active in their work.The more the development of Muramasa activities of the Muslim community in Indonesia, the more developed the Syrian economic sector in Indonesia, which causes financial institutions in Indonesia to compete to study shari'ah products that do not exist or are still rare in Indonesia, one of which is is a syar'iah pension fund. Sharia pension funds are an effort to encourage the growth and development of a pension program based on Sharia principles so that it can contribute to the national economy following the MUI DSN fatwa no 88 of 2013 concerning general guidelines for organizing pension programs based on Sharia principles, Furthermore, it is strengthened by the MUI DSN fatwa no.99 of 2015 concerning Sharia annuities for retirement programs.[1]

Islamic pension funds have enormous potential to develop and to strengthen Sharia finance in Indonesia for various reasons, namely:

a. The number of people who participate in the pension fund program is still small, only civil servants who the government facilitates to get pension funds.

On the other hand, there are many employees of private and independent companies in number very much we're very likely to become the target market for program funds
Islamic pension.
b. The development of Islamic financial institutions and businesses will impact human resources for Islamic pension funds.
c. The emergence of a sense of public awareness of the importance of financial institutions
sharia that continues to develop positively to continue to increase consumers or loyal customers, especially to this sharia pension fund.[2]
Management of pension funds under Islamic teachings will benefit the community, especially those who are loyal to sharia and are afraid of violating Islamic teachings. The Koran itself teaches its people not to leave vulnerable communities and introduces the concept of cooperation and help, as mentioned in the Qur'an QS. Al-Hashr: 18, namely:

ٰيٓاَيُّهَا الَّذِيْنَ اٰمَنُوا اتَّقُوا اللّٰهَ وَلْتَنْظُرْ نَفْسٌ مَّا قَدَّمَتْ لِغَدٍۚ وَاتَّقُوا اللّٰه
O you who believe! Fear Allah and let everyone pay attention to what he has done for the next day (hereafter), and fear Allah. Indeed, Allah is observant of what you do.
From the background explanation above, the formulation of the problem in this study are:

Difference between Shari'ah Pension Fund and Conventional Pension Fund?
How is the management of pension funds based on shari'ah principles?
So that the author's goal in this study is to identify and analyze the differences between Islamic pension funds and conventional pension funds and analyze how pension fund management schemes are based on Sharia principles.

Literature Review

Management comes from English management with the word working to manage, which is generally defined as taking care. Furthermore, management can be defined as the science and art of regulating the process of utilizing human resources and other sources effectively and efficiently to achieve specific goals.[1]After examining the definition of management above, it can be concluded that management is the art of maximally managing resources with a particular purpose.

Pension is a person's right to earn income after working for several years and has entered retirement period, or there are other reasons following the stipulated agreement. Pension money is an amount of money paid to a worker who has retired due to old age or inability to work[2]

A pension fund is a periodic contribution from individuals, employees, and employers connected with a pension plan and pays to the retired individual's heirs.[3]

In the Pension Fund Law No.11 of 1992, the Pension Fund's existence is intended to ensure the continuity of income for workers after retirement (entering retirement age). As a legal entity that manages wealth and runs a pension program that promises pension benefits to maintain income sustainability for its participants in the retirement period, Pension Fund is very vulnerable to risk. In general, risk can be defined as a possibility. of a loss, both material and immaterial, that may arise either directly or indirectly, which affects the company's current and future finances. In the context of Pension Fund management,[1]

[1]Santoso, Haris E. 2011. Pension Fund Risk Management. Jakarta.

Conventional pension funds are pension funds that are managed based on the prevailing laws and regulations in the field of pension funds. Sharia pension funds are pension funds that are managed and run based on sharia principles, free from elements prohibited by Islamic law, such as usury, risywah, gharar, maisir, and basil.[1]

According to Law No.11 of 1992 concerning pension funds, pension fund management institutions are divided into two types: Employer Pension Funds (DPPK) and Financial Institutions Pension Funds (DPLK).[2] :

DPPK is a pension fund formed by a person or entity that employs employees, as the founder, to administer a defined benefit pension program for the benefit of part or all of the employees as participants and creates an obligation to the employer. Thus, this type of pension fund is provided directly by the employer. The Minister must approve the establishment of the DPPK of Finance.

DPLK is a pension fund established by a bank or life insurance company to administer a defined contribution pension program for individuals, both employees and independent workers, separate from the DPPK for employees of the bank or life insurance company concerned. For self-employed people such as doctors, farmers, fishers, and so on, it is possible to take advantage of the DPLK. It is also possible for employees in a company to use the DPLK according to their abilities. The Minister must approve the establishment of the DPLK by a bank or life insurance company of Finance.

Both government and private institutions implement pension Fund Programs in Indonesia. Implementing government pension funds in Indonesia includes Jamsostek, a mandatory permanent contribution program for remote employees and state-owned enterprises under Manpower and Transmigration. However, the Ministry of Finance plays a role in overseeing Law No. 3 of 1992. Taspen, namely civil servant pension savings and private pension programs (pension funds for financial institutions and pension funds sponsored by business owners) responsible for the Ministry of Finance (Prediden Decree No. 8 of 1997) ASABRI Pension Fund generation. Armed, under the Ministry of Defense (Presidential Decree No. 8 of 1977)[3].

The legal basis for Pension Fund Institutions in Indonesia is contained in Law Number 11 of 1992 concerning Pension Funds, Government Regulation Number 76 of 1992 concerning
kencana, 2009) p.291

Employer Pension Funds, and Government Regulation Number 77 of 1992 concerning Financial Institution Pension Funds.[2]

The functions of the Pension Fund program for participants include 1. Insurance: Participants who die or become disabled before reaching retirement age can be given a sum insured on the joint burden of the Pension Fund. 2. Savings, namely the collection of participant contributions and employer contributions, constituting savings for and on behalf of the participants themselves. The contributions paid by employees can be viewed each month as savings from the participants. 3. Retirement, namely all participant contributions and employer contributions and the results of their management, will be paid in the form of pension benefits from the first month of reaching retirement age for the lifetime of the participant and the participant's widow/widower.[1]

The actions of the pension fund organs must be based on the regulations that the founder has established. As explained in Articles 10-13 of Law No.11 of 1991 concerning Pension Funds, in conjunction with Articles 15-27 of Government Regulation No. 76 of 1992 concerning Employer Pension Funds, and Articles 9-16 of Government Regulation No. 77 of 1992 concerning Financial Institution Pension Funds, that the pension fund organs consist of the founder, the supervisory board, and the management.[2]

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[2] Zulaini Wahab, The Legal Aspect of Pension Funds, (Jakarta: Raja Grafindo Persada, 2005), 179-312.

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Research Methods

This study using a qualitative approach. Methodological qualitative research uses deductive thinking in which the reasoning of cause and effect proves a series of variables and research results. (Somantri, 2005). This type of research is a literature study where the author in this study collects data by reading journals and books to get accurate data and conduct in-depth analysis to find and get in-depth information about how to manage pension funds based on the principles of Syariah that we now know, with a Sharia pension fund.

Discussion / Results

Shari'ah Pension Funds and Conventional Pension Funds have differences, including:
Shari'ah Pension Fund[1] :

1. Managed based on the prevailing laws and regulations in the field of pension funds and sharia principles.
2. Apart from the management and supervisory board, there is a Sharia Supervisory Board (DPS).
3. If the employer is late in paying pension contributions, the employer will be subject to ta'zir sanctions included in the social fund.
4. The investment instruments used must be following sharia principles.
5. Using the contract

Conventional Pension Fund

1. Managed based on the prevailing laws and regulations in the field of pension funds
2. Its management only consists of the management and the supervisory board
3. If the employer is late in paying pension contributions, the employer will be subject to a fine in the form of reasonable interest.
4. The investment instruments used do not have to comply with sharia principles.
5. Not using the contract.

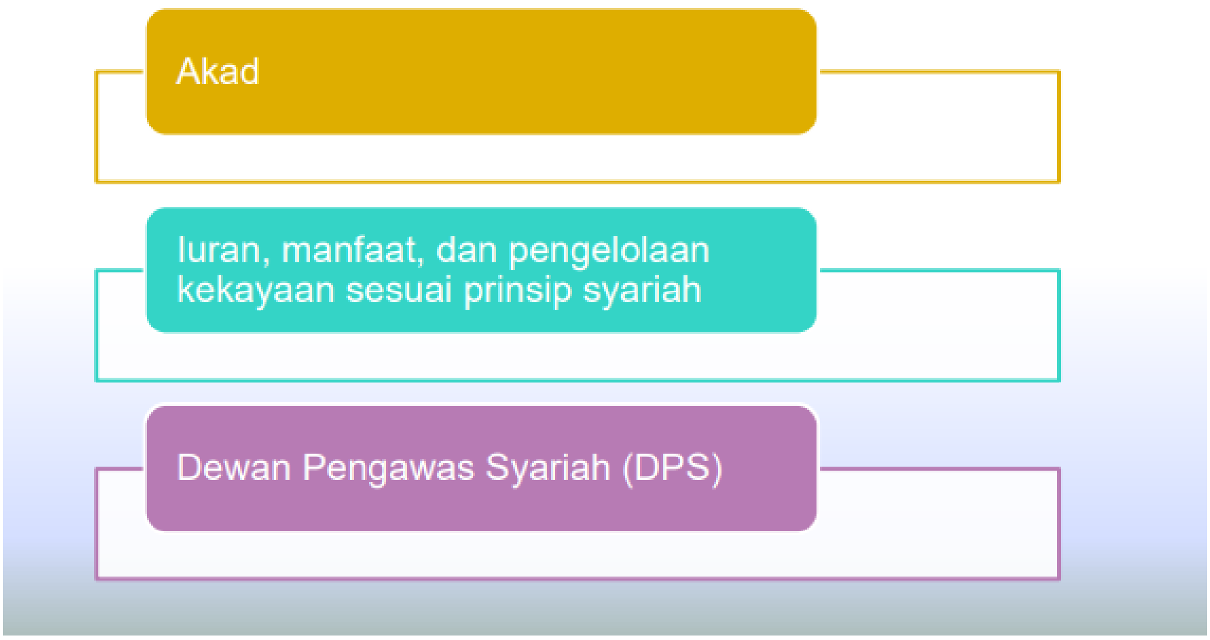

Image source: OJK IKNB TOT Module

Thus the explanation above is that from management, shari'ah pension funds refer to statutory regulations and shari'ah principles, while for conventional pension funds, they are only references to legislation, and for the management of sharia pension funds, they have a sharia supervisory board for conventional there is no syari'ah supervisory board, then in the syari'ah pension fund, if the participant is late to pay contributions, they will be subject to penalties and the contribution funds will be used for social activities (social funds) while in conventional pensiu funds if participants are late to pay contributions then will be subject to a fine in the form of interest, the instruments used in shari'ah pension funds must be in accordance with shari'ah principles and for conventional they do not refer to sharia principles,and the most distinctive difference from syar'ah and conventional pension funds lies in the contract, where the shari'ah pension fund uses the contract in each transaction, while conventional pension funds do not use the contract in the transaction.

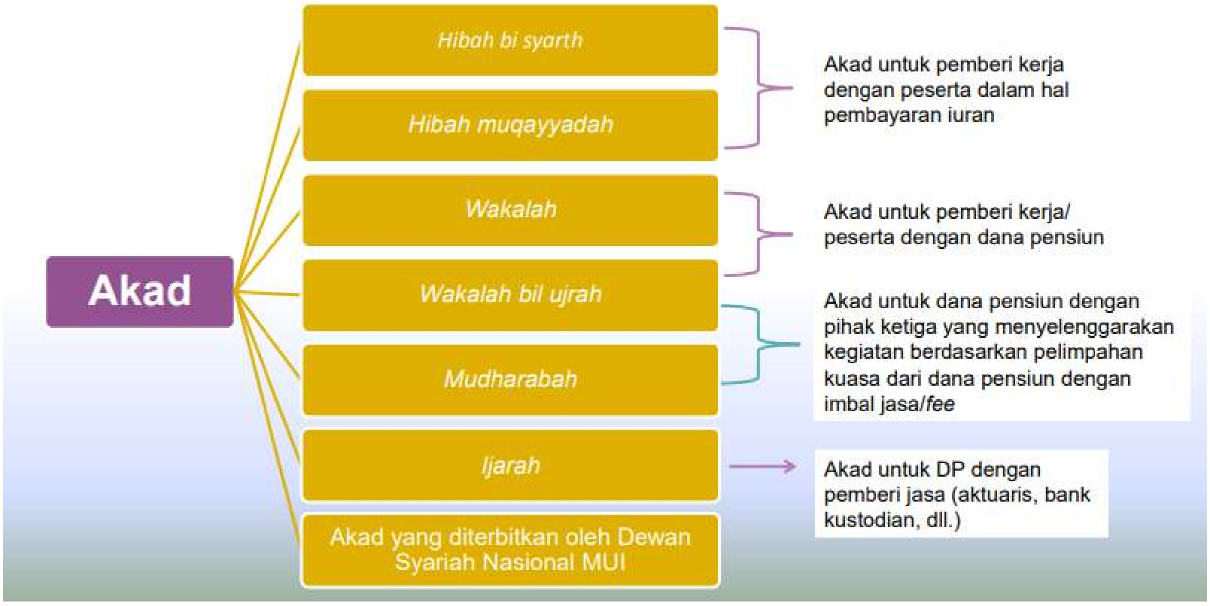

Image Source: OJK IKNB TOT Module

As for the contract that contains the shari'ah pension fund and its uses, among others[1] :
a.bi start grant: this contract is used between the employer and the participant in payment of contributions
b. muqayyadah grant: using a bi search grant agreement with a muqayyadah commission has the same use. It is used for employers and participants in terms of payment of contributions.
c. wakalah: used between an employer or participant and a pension fund that operates a pension program based on sharia principles.
d. wakalah bil ujrah: used between an employer or participant and a pension fund that operates a pension program based on sharia principles.
e.mudharabah: used by the pension fund to organize a pension program based on sharia principles with an investment manager
f.ijarah: used by the Pension Fund to organize a Pension Program Based on Sharia Principles with actuaries, custodian banks, investment advisors, and public accountants.

Sharia Pension Fund implementation scheme

Image Source: OJK IKNB TOT Module

In the above scheme, it can be concluded that:

Employers we know as Wahid work make employer contributions to use the wakalah contract to collect pension funds (Pension Institutions). Participants or those we know as Mauhub also make participant contributions to collectors of pension funds (Pension Institutions) using the wakalah contract. Furthermore, the pension fund is invested. The investment must also be in matters that comply with sharia principles, with the investment results going back to the institution that manages the pension fund. The first Pension Fund will use funds obtained from the collection of funds (Wahid & Mauhud lah) and investment returns for operational costs of the pension fund management institution, such as for the payment of employee salaries, office rent, and operating costs,

Conclusion

1. The difference between a Sharia pension fund and a conventional pension fund lies in:
2. Contract
3. Contribution, benefits, and wealth management according to Sharia principles
4. Sharia Supervisory Board (DPS)
5. The fund source Sharia pension fund management scheme consists of member contributions and contributions from the employer using a wakalah contract. The funds are invested in Sharia principles. The Sharia pension fund will be taken for operational costs of the Sharia Pension Fund Institution. It will be returned in Sharia pension fund benefits for pension participants or their heirs who the pension participant has appointed.

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