

23rd Seminar on Current Issues in Retirement Benefits (23rd CIRB)

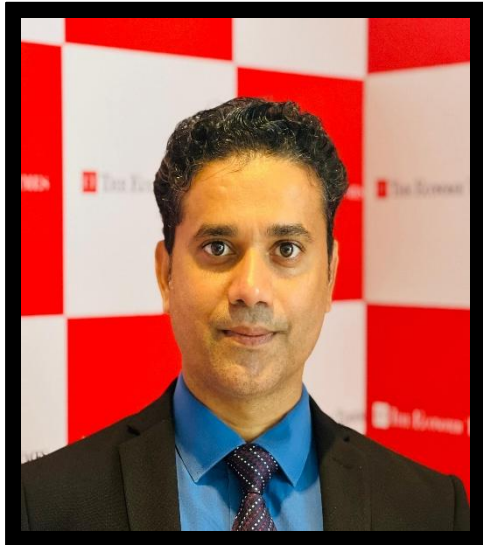
Hotel Sea Princess, Juhu, Mumbai
11th & 12th September 2026, Friday & Saturday

Middle East Employee Benefits valuations

Neelesh Tripathi
Consulting Actuary, Whitepaper Actuaries and Consultants



Speaker's Profile



Neelesh Tripathi

Partner & Consulting Actuary | Whitepaper Actuaries & Consultants

- **Fellow of the Institute of Actuaries of India with 10+ years of actuarial consulting experience**, currently a Partner and Consulting Actuary at Whitepaper Actuaries & Consultants.
- Extensive experience across **Pension & Employee Benefits, ECL, Warranty valuations, and Group Insurance** including reinsurance businesses.
- Experienced in **IFRS, Ind AS, US GAAP and AS 15(R)**, covering valuations, liability projections, experience studies, assumption setting, pricing and financial reporting.
- Has worked on assignments across **multiple geographies**, including the **US, Korea, Indonesia and GCC/Middle East markets**.
- Previously held senior roles with **Mercer Consulting and Pramerica Life Insurance**, covering actuarial delivery, group insurance pricing, and reinsurance.
- Before entering the actuarial profession, spent **seven years in the Merchant Navy with Mitsui O.S.K. Lines**, rising to **Second Navigating Officer**.



Presentation Agenda

01

Statutory Frameworks

End of Service Benefits (EOSB) & Leave provisions across KSA, UAE, and Qatar.



02

Accounting Framework

IFRS & IPSAS accounting guidelines for post-employment defined benefit schemes.



03

Demographic Assumptions

Mortality, age-based vs aggregate withdrawals, and Saudi/non-Saudi retirement ages.



04

Financial Assumptions

Salary growth dynamics, discount rate benchmarking via Sukuk & Govt bond yields.



05

Practical Case Studies

Reconciling understated liabilities, exit patterns, and audit query resolutions.



06

Interactive Q & A

Open session addressing auditor concerns, leave interpretations, and client queries.





Foundation I: KSA Private Sector Law

Plan Provisions under Saudi Labor Law Benefit (Article 84 Rules)

Length of Service	Termination by Employer	Resignation by Employee
< 2 Years	Half month gross salary for each year of service	No end of service gratuity
≥ 2 Years & < 5 Years	Half month gross salary for each year of service	1/3 of the termination gratuity entitlement
≥ 5 Years & < 10 Years	Half month gross salary (first 5 yrs) + 1 month per subsequent yr	2/3 of the termination gratuity entitlement
≥ 10 Years	Half month gross salary (first 5 yrs) + 1 month per subsequent yr	100% of termination gratuity

▲ **Actuarial Impact:** Resignation vs Termination split assumption significantly alters projected liability due to entitlement vesting tiers.



Foundation II: KSA Civil Scheme Benefits

Plan Provisions for Civil Service Scheme Benefits



Retirement / Death / Disability

Applies upon reaching statutory retirement age (60 years) or in case of early death or total disability.

Last Monthly Basic Salary $\times$ 6



Early Exit ($\geq$ 25 Years Service)

Applies to employees voluntarily retiring or exiting service after completing 25 or more years of continuous service.

Last Monthly Basic Salary $\times$ 4



Early Exit ($<$ 25 Years Service)

Applies to employees leaving service prior to reaching 25 full years of continuous civil service.

NIL Benefit Entitlement



Foundation III: KSA Leave Benefits

Parameter	GOSI Scheme	Civil Service Scheme
Retirement/Withdrawal Encashment Limit	Mostly 48 days (subject to company specific rules)	72 days for leave acquired after 1439/07/02 (H) 180 days for leaves acquired before 1439/07/02 (H) In total encashment limit is 180 days upon retirement
Death Encashment Limit	No Limit on Encashment	No Limit on Encashment
Salary Basis Applicable	Gross Salary	Basic Salary
Annual Accrual Rate	36 Days per year	36 Days per year
Annual Utilization Limit	No statutory cap	72 Days cap

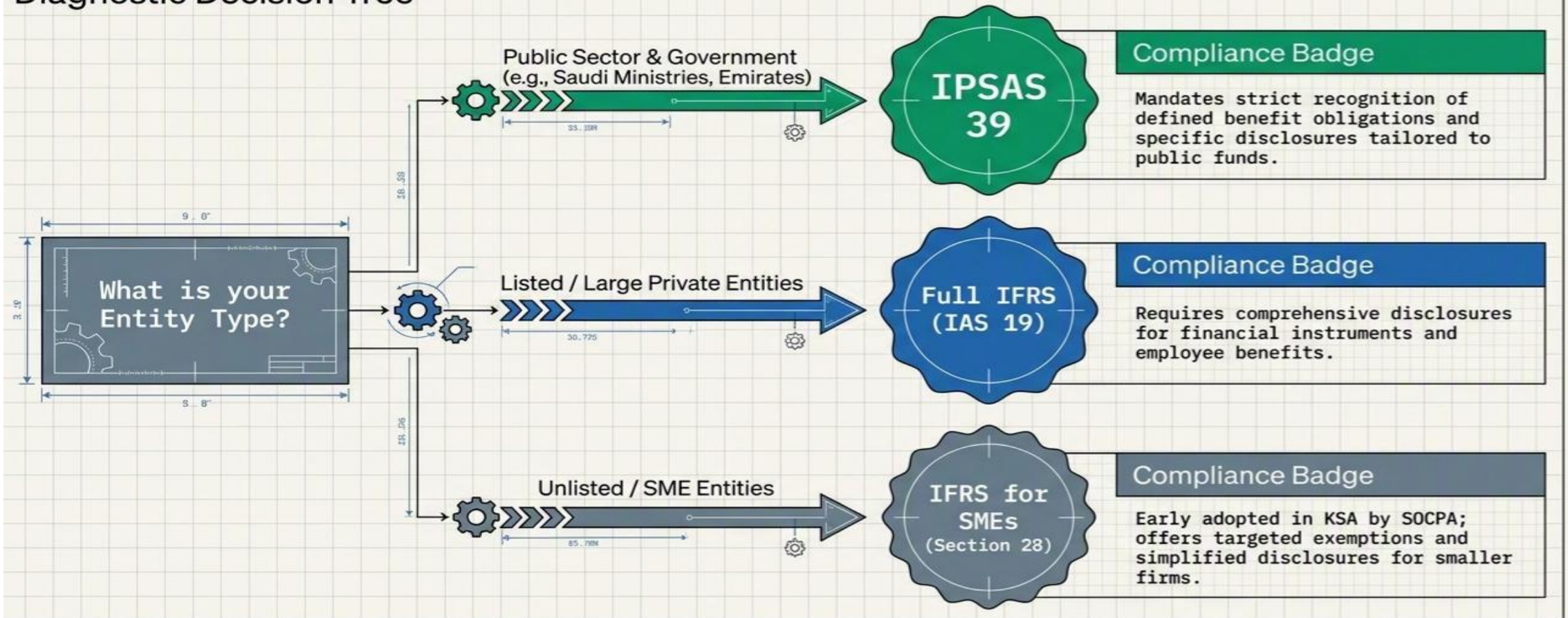


Foundation IV: UAE & Qatar Provisions

Provision Parameter	United Arab Emirates (UAE)	Qatar
Minimum Service Entitlement	1 Year of Service	1 Year of Service
Calculation Salary Basis	Last Basic Wage	Last Basic Wage
Accrual Rate (First 5 Years)	21 days' basic wage per year	21 days' basic wage per year
Accrual Rate (6th Year Onwards)	30 days' basic wage per year	21 days' basic wage per year
Maximum Statutory Benefit Cap	24 Months Gross/Basic Wage Limit	No Maximum Statutory Limit

The Framework: IFRS and IPSAS

Diagnostic Decision Tree





Demographic Assumptions



Mortality Rate

No KSA-specific standardized table available. Most entities adopt **AM 92 Mortality Table** as benchmark.



Withdrawal Rates

Transition from aggregate rate to **age-based withdrawal tables** reflecting corporate experience.



Exit Reason Split

Withdrawal split into Termination vs Resignation (e.g. 40% Termination / 60% Resignation).



Retirement Age

Non-Saudi: Fixed at 60 yrs.
Saudi: Between 58 to 65 yrs based on date of joining & age as of July 2024.
<https://awareness.gosi.gov.sa/pdf/journeyInformation4.pdf>



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Key Takeaway: KSA Employees joining after July 03, 2024, or under 29 years of age with under 20 years of service, retire at 65. Transitional formulas apply to mid-career Saudi national staff joining before July 03, 2024. Retirement Age is $65 - (4/12) * (n - 28)$ Where n is Age between 29 & 48 as on July 03, 2024.



Financial Assumptions



Salary Increase Rate

- Typically ranges between **2% to 7%** per annum.
- Most entities utilize tiered short-term and long-term escalation rates.



Discount Rate – UAE

- US Corporate bond yields utilized as primary proxy.
- Derived from US Treasury Corporate Bond Yield Curves. [Corporate Bond Yield Curve Papers and Data | U.S. Department of the Treasury](#)



Discount Rate – Qatar

- **Qatar:** FTSE Qatar Government Bond Index.



Discount Rate – KSA

- Saudi Government Sukuk yield [Sukuk / Bonds \(saudiexchange.sa\)](#)
- FTSE Saudi Arabian Govt Bond Index.



Case Study 1 | Liability Below Accrued EOSB

Scenario: First actuarial valuation reveals booked liability is lower than accrued EOSB entitlement.

⚠ Possible Root Causes

- **Advances Paid:** Unrecorded advances paid against future EOSB.
- **Service History Modifications:** Shift in Date of Joining (DOJ) due to company restructuring or employee contracts or vacation.
- **Calculation Methodology Error:** Inconsistent formula applied in previous internal books.

✅ Required Actions

- Confirm appropriate accounting treatment of employee advances.
- Audit DOJ records to distinguish original vs adjusted employment dates.
- Perform an **employee-level reconciliation** before concluding on liability understatement.



Case Study 2 | Withdrawal Modeling

Scenario: Actual exits matched expectations, but EOSB payout was significantly lower, causing unexpected actuarial gains.

Key Drivers & Observations

- ✗ **Aggregate Withdrawal Rate** : Flat aggregate withdrawal rates fail to capture heavy exits among low-tenure employees who vest less benefit.
- ✓ **Age/Tenure Sensitivity**: Younger/newer staff have high exit rates but low/zero vested EOSB payout.
- ✓ **Exit Reason Impact**: Resignations carry strict haircut rules under Article 84 vs employer terminations.

Recommended Action Plan

Develop age-based and service-based withdrawal tables matching company experience.

Separately model termination vs resignation splits as auditors increasingly mandate granular experience studies.



Case Study 3 | Key Auditor Queries



Discount Rate Gaps

Sukuk trading frequency can be illiquid. Yields may not exist across all required liability duration points.



Liability Matching

Auditors run independent models. Discrepancies in PBO or service cost matching require formal explanation.



First-Time Valuation

Auditors may require opening data and opening assumptions to estimate the P&L impact arising from the first actuarial valuation.



Leave Interpretation

Variations in client leave policy interpretation result in various client-specific leave valuation approaches.



Questions & Answers

Thank you for your attention during this session on Middle East Employee
Benefits Valuations.