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LEGAL AND ETHICAL DIMENSIONS OF PENSION FUND MANAGEMENT: THE ROLE OF DSN-MUI FATWAS IN SHARIA AND CONVENTIONAL SYSTEMS

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Abstract

Indonesia's pension fund system operates within a dual financial framework consisting of conventional and Sharia-based schemes. While conventional pension funds prioritize investment flexibility and return maximization, Sharia pension funds emphasize compliance with Islamic legal and ethical principles. This duality raises important legal and ethical questions, particularly regarding the role of DSN-MUI fatwas as normative instruments within Indonesia's positive legal system. This study employs a qualitative descriptive approach based on literature review, regulatory analysis, and examination of relevant fatwas and statutory regulations. Primary and secondary data were analyzed to compare the legal foundations, governance structures, investment mechanisms, and ethical dimensions of conventional and Sharia pension fund management in Indonesia. The findings reveal that conventional pension funds are primarily regulated by Law No. 11 of 1992 and OJK regulations, focusing on financial efficiency and market-based returns. In contrast, Sharia pension funds are governed by an additional normative framework derived from DSN-MUI fatwas, particularly Fatwa No. 88/DSN-MUI/XI/2013, which mandates the avoidance of riba, gharar, and maysir. Although DSN-MUI fatwas are not legally binding in a formal sense, their integration into regulatory policies and operational requirements—such as the establishment of Sharia Supervisory Boards—significantly influences governance practices, transparency, and participant protection. The study highlights that the incorporation of Sharia ethical principles through DSN-MUI fatwas enhances accountability, trust, and long-term sustainability in pension fund management. While conventional pension funds benefit from broader investment diversification, Sharia pension funds offer stronger ethical safeguards and lower risk exposure. The findings suggest that a synergistic legal framework integrating state regulation and Sharia ethics can strengthen Indonesia's pension fund system by balancing financial performance with moral responsibility.

Keywords: *Legal Pluralism; DSN-MUI Fatwa; Pension Fund Management; Sharia and Conventional Systems; Ethical Finance*

Abstrak

Sistem dana pensiun Indonesia beroperasi dalam kerangka keuangan ganda yang terdiri dari skema konvensional dan berbasis Syariah. Sementara dana pensiun konvensional mengutamakan fleksibilitas investasi dan maksimalisasi pengembalian, dana pensiun Syariah menekankan kepatuhan terhadap prinsip-prinsip hukum dan etika Islam. Dualitas ini menimbulkan pertanyaan hukum dan etika yang penting, terutama mengenai peran fatwa DSN-MUI sebagai instrumen normatif dalam sistem hukum positif Indonesia. Penelitian ini menggunakan pendekatan deskriptif kualitatif berdasarkan tinjauan literatur, analisis peraturan, dan pemeriksaan fatwa dan peraturan perundang-undangan yang relevan. Data primer dan sekunder dianalisis untuk membandingkan landasan hukum, struktur tata kelola, mekanisme investasi, dan dimensi etika pengelolaan dana pensiun konvensional dan Syariah di Indonesia. Temuan tersebut mengungkapkan bahwa dana pensiun konvensional terutama diatur oleh UU No. 11 Tahun 1992 dan peraturan OJK, yang berfokus pada efisiensi keuangan dan pengembalian berbasis pasar. Sebaliknya, dana pensiun Syariah diatur oleh kerangka normatif tambahan yang berasal dari fatwa DSN-MUI, khususnya Fatwa No. 88/DSN-MUI/XI/2013, yang mengamanatkan penghindaran riba, gharar, dan maysir. Meskipun fatwa DSN-MUI tidak mengikat secara hukum dalam arti formal, integrasinya ke dalam kebijakan peraturan dan persyaratan operasional—seperti pembentukan Dewan Pengawas Syariah—secara signifikan memengaruhi praktik tata kelola, transparansi, dan perlindungan peserta. Studi ini menyoroti bahwa penggabungan prinsip-prinsip etika Syariah melalui fatwa DSN-MUI meningkatkan akuntabilitas, kepercayaan, dan keberlanjutan jangka panjang dalam pengelolaan dana pensiun. Sementara dana pensiun konvensional mendapat manfaat dari diversifikasi investasi yang lebih luas, dana pensiun Syariah menawarkan perlindungan etis yang lebih kuat dan eksposur risiko yang lebih rendah. Temuan tersebut menunjukkan bahwa kerangka hukum yang sinergis yang mengintegrasikan peraturan negara dan etika Syariah dapat memperkuat sistem dana pensiun Indonesia dengan menyeimbangkan kinerja keuangan dengan tanggung jawab moral.

Kata Kunci: Pluralisme Hukum; Fatwa DSN-MUI; Pengelolaan Dana Pensiun; Syariah Dan Sistem Konvensional; Keuangan Etis

A. INTRODUCTION

The growth of the elderly population makes post-employment financial security through pension funds even more urgent. Studies show that with the increase in life expectancy and the number of elderly, the need for financial security after the end of the service period becomes crucial. Pension funds are presented as a solution to ensure the survival of a worker after retirement. But the practice of many pension schemes today is still based on conventional principles, which raises questions about their conformity with sharia values. The conventional system generally contains the practice of interest (riba) and contracts that are not always in accordance with Islamic principles. This encourages the development of a sharia-based pension fund model that applies the principles of justice, transparency, and social responsibility (free of usury, gharar, and maysir) in every stage of management (Dina Nurfuadah, Roudhotul Hayati Nurislami, Rizqy Hizbullah Ziyaulhaq, Iwan Setiawan 2025).

Juridically, the existence of sharia pension funds has received formal recognition through the fatwa of the National Sharia Council of the Indonesian Ulema Council (DSN-MUI) and regulations of the Financial Services Authority (OJK). For example, DSN-MUI Fatwa No. 88/DSN-MUI/XI/2013 stipulates that sharia pension funds must be managed and run with sharia principles, which include the avoidance of riba and the application of Sharia contracts. The fatwa emphasizes that the governance of sharia pension funds must provide broad benefits for the Muslim community. It should be noted that legally positive DSN-MUI fatwa does not have binding force like the law. However, Islamic banking and finance regulations require stakeholders to absorb and integrate the content of the DSN-MUI fatwa into policy formulation. As explained, Law No. 21/2008 on Sharia Banking mandates Bank Indonesia to accommodate sharia principles (including the content of the MUI fatwa) into binding legislation. Thus, the DSN-MUI fatwa serves as a normative reference that complements the formal legal framework, as well as an ethical guideline for sharia pension fund managers (Ahyar A. Gayo 2011).

Pension funds are one of the instruments that play a role in stabilizing the capital market. However, in Indonesia, this role is still not optimal, as shown by the amount of pension wealth that is still lower than the capitalization of the Indonesia Stock Exchange. This shows that there is a great opportunity to develop the pension fund industry to become a more significant investment instrument. In this case, the Financial Services Authority (OJK) has an important role as the main facilitator in the development of the pension fund industry, including through promotion and education to the public about the urgency of financial planning in old age. One of the steps that can be taken by the OJK is to prepare regulations that are in accordance with the needs and development of the industry (Rika Widianita 2023) However, this effort also needs to be supported by public awareness which can be built through increasing financial literacy and synergy between various interested parties.

Well-being in old age is the hope of every individual. Currently, work is a must because it is the main means of meeting the needs of life. However, after a person enters retirement, these needs must still be met even if he or she is no longer working. Therefore, welfare guarantees for the workforce and the general public are essential in reducing future financial risks, especially when a person loses the ability to work. This risk not only impacts the individual himself, but also his or her family. Thus, alternative solutions are needed, one of which is through pension funds, which can ensure the sustainability of welfare and provide economic protection for workers after entering old age.

Uncertainty related to welfare guarantees in retirement has encouraged the birth of pension fund schemes as a solution for employees and the general public to reduce financial risks in old age. Basically, pension funds aim to provide welfare in the elderly while also being used as business capital after retirement. In addition, the provision of pension funds not only guarantees the certainty of income in old age, but can also increase employee work motivation.

The ethical dimension is also very important in the management of pension funds. The principles of fairness and transparency are the main foundations of sharia pension funds. Enforcement of good governance and sharia code of ethics is the key to making this happen. Studies have shown that ignoring ethical guidelines can harm the pension fund itself and threaten the sustainability of benefits for participants (Marwa 2020). Therefore, the DSN-MUI fatwa not only provides a theological basis for sharia, but also guides operational ethical norms. For example, the DSN-MUI fatwa on periodic pensions and sharia annuities directs that all transactions and investments in pension funds must be in accordance with Sharia principles and avoid elements of riba and gharar. As a normative reference, this DSN-MUI fatwa complements the applicable formal regulations (Law and POJK), so that the management of sharia pension funds is expected to remain fair, accountable, and in accordance with religious guidance.

B. LITERATURE REVIEW

The discourse on pension fund management in Indonesia has evolved through both conventional and Sharia frameworks, reflecting the dual structure of the national financial system. Studies on conventional pension funds generally focus on efficiency, investment diversification, and the macroeconomic contribution of pension assets to financial stability. Ahmad Saefuloh et al. (2015) emphasize that corporate pension fund policies play a vital role in enhancing the welfare of retired employees and sustaining capital accumulation in the private sector. Their findings indicate that optimal pension management contributes significantly to national savings and long-term investment growth. Similarly, Amaral et al. (2004) argue that pension funds can serve as strategic domestic savings vehicles to finance productive economic activities, strengthening internal capital formation

C. DATA & METHOD

The research approach used in analyzing the development of pension funds in Indonesia is a qualitative descriptive method. This approach aims to understand social phenomena in depth by presenting a comprehensive picture based on the data obtained, then analyzed using relevant theories (Bungin, 2007).

The data analysis techniques in this study include literature studies, Focus Group Discussions (FGD), and case studies. Data were collected through interviews and literature review, with research locations in East Kalimantan Province and Yogyakarta Province. The data source consists of primary and secondary data, where primary data is obtained directly from interviews and discussions with various sources in the field, while secondary data comes from various references in literature studies (Asep Ahmad Saefuloh 2015).

D. RESULT & DISCUSSION

Retirement is a person's right to earn income after working for a certain period of time and entering retirement or for other reasons that have been stipulated in the agreement. Pension is a sum of funds given to workers who have retired, either due to old age or inability to work (Ansori, 2015).

The pension fund itself is a periodic contribution given by individuals, employees, and employers as part of retirement planning, which will later be distributed to beneficiaries or heirs (Sumadji and Yudha Pratama, 2006). In accordance with Law Number 11 of 1992, a pension fund is defined as "a legal entity that manages and runs a program that promises retirement benefits." Therefore, the management of pension funds is carried out by legal entities, such as commercial banks or life insurance companies (RI Ministry of Health, 1992).

In practice, pension funds are regulated by the Financial Services Authority (OJK) as a program that aims to provide financial benefits to participants after entering retirement. These benefits come from the accumulation of contributions paid by participants and employers, as well as the results of their management and development in various investment instruments. With this system, pension funds not only serve as a guarantee of welfare for workers in old age, but also as an investment instrument that supports financial stability. In addition, the existence of a pension fund allows participants to continue to have a source of income even though they are no longer actively working, so that they can face retirement more safely and securely. Therefore, optimizing pension fund management and increasing public awareness of the importance of retirement planning are aspects that need to be developed to ensure the sustainability of financial welfare in the future (OJK 2021).

Conventional pension funds are managed based on general financial principles, where investments are made in a variety of financial instruments such as bonds, stocks, and deposits. The management of this fund aims to optimize investment returns to provide benefits Maximum pension to participants (Asep Ahmad Saefuloh et al.2015).

To ensure the security and stability of funds, the Financial Services Authority (OJK) plays a role in regulating and supervising the management of conventional pension fund investments. This supervision aims to minimize investment risks and maintain the sustainability of pension benefits for participants in the future.

Pension Fund: Understanding and Dimensions of Law

Definition of Pension Fund. A pension fund is an institution or program that collects wealth that guarantees old age benefits for its participants. According to Law No. 11 of 1992, a pension fund is a legal entity that manages programs that promise retirement benefits to participants. In other words, a pension fund collects contributions periodically during the service life and then pays retirement benefits (normal, accelerated, disability, or delayed) to the participant or his or her heirs. Pension funds are established to improve the welfare of participants after entering retirement age as well as as a social safety net, so that its management must be professional, transparent, and accountable (Hasim Sukamto1, Arthur G.H.L. Noija2 2024).

Types of Pension Funds. In Indonesia, there are two main pension fund schemes according to the organizers: the Employer Pension Fund (DPPK) and the Financial Institution Pension Fund (DPLK). DPPK is established by an employer (company or institution) for its internal employees, while DPLK is prepared by a bank or life insurance company for individual pension plans (both employees and self-employed) (Purwitasari 2024). In addition, pension funds can be managed with conventional principles or based on sharia principles. Conventional pension funds follow general regulations without sharia restrictions, while Sharia Pension Funds manage funds according to Islamic principles (usury-free and haram investments). According to some studies, the main difference between these two types lies in the contribution and investment mechanisms: Sharia pension funds only accept contributions and channel investments through sharia contracts and do not charge interest, while conventional funds can use interest-based instruments. For example, sharia pension funds use wakalah contracts and sharia supervisory boards, and late fines are allocated to social funds, while conventional funds do not require special contracts and fines are charged as interest (Sofiyah 2022).

The Importance of Pension Fund Management. Effective management of pension funds is crucial to ensure the sustainability of long-term benefits for participants. Pension fund programs play an important role in preparing for a secure financial future for workers after retirement. As a social security, pension funds help reduce the burden on the elderly and support sustainable development. Therefore, good governance – including good governance, strong internal controls, proper investment strategies, risk management, regulatory compliance, and transparency and strict auditing – will improve the performance and sustainability of pension funds. Law No. 11/1992 emphasizes the need for professional, transparent, and accountable management of pension funds to protect the rights of participants and so that the funds collected are able to provide optimal benefits during retirement (Indryani et al. 2024).

Legal Dimension of Pension Fund Management

Legal Framework of Pension Funds in Indonesia. The legal framework for the management of pension funds is governed by implementing laws and regulations. Law No.

11 of 1992 concerning Pension Funds is the main legal umbrella that defines the types of pension funds as well as the obligations of managers and participants. In addition, there are Government Regulations (e.g. Government Regulation No.76 and 77 of 1992 concerning Financial Institution Pension Funds), Regulation of the Minister of Finance (such as PMK No.50/2012 concerning contributions and benefits), and Financial Services Authority Regulations (POJK) such as POJK Investment Pension Fund No.3/2015 and other POJK related to licensing, governance, contributions, and benefits of pension funds. For sharia pension funds, an additional legal foothold in the form of a fatwa of DSN-MUI (No.88/DSN-MUI/XI/2013 concerning general guidelines for the implementation of sharia pension funds and No.99/DSN-MUI/XII/2015 concerning sharia annuities) is a reference for management in accordance with Islamic principles. In addition to formal regulations, the OJK acts as a supervisor of the pension fund sector to ensure that all rules are complied with. For example, Article 40 of Law 11/1992 requires that every pension fund management be carried out transparently and audited by an independent auditor, and the OJK is tasked with overseeing the pension fund industry's compliance with these provisions (Indryani et al. 2024).

Legal Specs in Pension Fund Management. Legally, there are rights and obligations that bind participants and pension fund managers. Participants are entitled to receive pension benefits according to the type of program (normal pension, accelerated retirement, disability pension, deferred retirement) the amount of which has been determined in the pension fund regulations. Participants can also determine the beneficiary (heirs) if they die before retirement. On the other hand, participants are required to fulfill administrative obligations, especially paying contributions on time according to the program provisions. All rights of participants must be protected; For example, the participant's rights to the pension fund should not be used as loan collateral, transferred, or confiscated. Pension fund managers have a legal responsibility to manage funds in accordance with regulations and prudential principles. Law No. 11/1992 requires pension funds to be professionally managed and accountable to protect the rights of participants. In practice, pension fund managers are required to invest prudentially by prioritizing the interests of participants. In addition, the OJK sets strict investment rules and requires regular reports to monitor the financial health of funds. If the manager is negligent or violates the rules (e.g. misappropriating funds), the law threatens criminal and civil sanctions to enforce accountability (Hasim Sukamto1, Arthur G.H.L. Noija2 2024).

Comparison of the Law of Conventional and Sharia Pension Funds. Formally, both conventional and sharia pension funds are subject to the same Pension Fund Law. However, in practice, sharia pension funds must also meet additional provisions according to religious fatwas. For example, DSN-MUI Fatwa No.88/2013 emphasizes that sharia pension funds are managed without elements of usury and haram investments. In addition, the implementation of sharia contracts and supervision is a must: every investment must be made through sharia-compliant contracts and supervised by the Sharia Supervisory Board. Meanwhile, conventional funds do not recognize sharia contracts and can use interest instruments. In daily management, in sharia pension funds there are concrete differences for example, in the case of late contributions, sharia pension funds impose fines whose proceeds are channeled to social funds, while conventional funds charge interest as a penalty. Thus, juridically, sharia pension funds bear the burden of additional functions to ensure sharia compliance, while conventional funds only follow the general banking and investment framework (Ash-Shiddiqy 2023).

Dimensions of Pension Fund Management Ethics

Pension fund management must be based on key ethical principles to maintain the trust of participants. Key principles include transparency, accountability, and fairness. Transparency means that financial information and investment policies are delivered openly to stakeholders. Accountability requires fund managers to be accountable for performance and compliance, for example through timely financial reports and independent audits. Fairness demands equal treatment for all participants, for example, fair distribution of benefits and risks without discrimination. The Government (OJK) also emphasizes the principle of Good Governance: "orderly, fair, transparent, accountable" in financial institutions. With this ethical principle, pension fund managers are expected to be professional and maintain integrity so that the pension program is sustainable (Sri Aderafika Sani, Zainarti 2023).

Some serious ethical challenges in pension funds include conflicts of interest and abuse of authority. A conflict of interest occurs if the manager or administrator of a pension fund has a personal or affiliated relationship that could influence investment decisions. For example, researchers noted that irregularities often arise when retirees or affiliated people sit in the management of state-owned pension funds, which gives rise to vested interests and interest games. Abuse of authority in the form of corruption or nepotism is also a risk: cases of misappropriation of pension funds (such as in some SOEs) highlight the weakness of internal oversight. Good governance ethics such as separation of functions and strict supervision are essential to prevent this. In practice, internal supervisors (e.g. Sharia Supervisory Boards) and external audits are required to prevent conflicts of interest and ensure that funds are used in accordance with the rules (Indryani et al. 2024).

The Role of Ethics in Building Participant Trust

Strong ethics increase the trust of pension fund participants. Transparent and fair management provides assurance that funds are controlled with integrity. For example, studies show that the submission of accurate and open financial statements is able to build participant trust significantly. Sharia pension funds in particular emphasize fairness in the sharing of benefits and risks; One review stated that transparency and fairness in Sharia management provided participants with a sense of security, that their funds were managed "with integrity and responsibility". Thus, ethical behaviors (such as avoiding usury and illegal investments) and accountability mechanisms (audits, DPS) foster participants' confidence in the sustainability of the pension program (Indryani et al. 2024).

The Role of DSN-MUI Fatwa in Sharia Pension Fund Management

The DSN-MUI fatwa is an opinion or stipulation of Islamic law issued by the National Sharia Council (MUI) regarding Islamic financial products or activities. In the context of sharia pension funds, DSN-MUI Fatwa No. 88/DSN-MUI/XI/2013 provides general guidelines for the implementation of sharia principles-based pension programs. According to the fatwa, sharia pension funds must be managed in accordance with Islamic law, for example prohibiting riba (interest) and illegal industrial investments. Juridically, the existence of sharia pension funds has been recognized through MUI fatwas and OJK regulations. Thus, the DSN-MUI fatwa is the main foundation that requires the implementation of sharia contracts and the principles of justice and transparency in the management of pension funds (Pertiwi 2025).

Fatwa Publishing Process DSN-MUI

The process of issuing fatwas at DSN-MUI is carried out through several formal stages. First, the fatwa proposal is submitted to the DSN-MUI Secretariat, then submitted to the Chairman of DSN for follow-up. The Chairman of DSN-MUI forms a drafting team (usually involving sharia experts) who compile a draft fatwa based on in-depth research. The draft fatwa was discussed in the DSN-MUI Plenary Meeting; If approved, the fatwa is signed by the Chairman and Secretary of DSN-MUI as official evidence. In summary, this stage includes: (1) acceptance of applications; (2) the formation of a study team; (3) draft formulation; (4) BPH/DSN Plenary meeting; and (5) ratification of the fatwa by the leadership of DSN. With this procedure, the resulting fatwa has authoritative power in the practice of Islamic finance in Indonesia.

The most relevant DSN-MUI fatwa for sharia pension funds is No. 88/DSN-MUI/XI/2013 concerning General Guidelines for the Implementation of Pension Programs Based on Sharia Principles. The fatwa details the provisions of sharia contracts (e.g. wakalah and mudharabah) as well as the principle of diligence in fund management. In addition, DSN-MUI recently issued Fatwa No. 164/DSN-MUI/VII/2025 (October 2025) which regulates the implementation of periodic pension benefits in sharia-based fixed contribution pension programs. Although the fatwa is still new, its existence shows the development of the sharia legal framework for retirement. In general, these DSN-MUI fatwas provide legal references that ensure that every aspect of the management of sharia pension funds (investment, contracts, benefit distribution) is in accordance with Islamic guidance (Pertiwi 2025).

DSN-MUI directly affects the management practices of sharia pension funds. For example, Fatwa No. 88/2013 emphasizes that investment must be halal and the benefit distribution process is carried out according to the agreed contract. The OJK even integrates the fatwa into regulations: the Sharia Pension Fund POJK requires the existence of a Sharia Supervisory Board (DPS) to ensure sharia compliance. As a result, sharia pension funds enforce ethical mechanisms such as the use of mudharabah or wakalah contracts in the distribution of funds, and only allocate investments in halal instruments. The obligation of DPS and sharia audits ensures the integrity of management, so that the trust of participants is maintained. Thus, the DSN-MUI fatwa and related regulations change the governance of sharia pension funds in a more orderly, ethical, and sharia-compliant direction.

Conceptual Differences of Sharia and Conventional Pension Funds

The fundamental difference in management principles between sharia and conventional pension funds lies in sharia compliance. Sharia pension funds are operated entirely in accordance with Islamic law: they are prohibited from containing riba (interest) and must avoid investing in sectors that are haram. Every transaction is determined by a sharia contract (e.g. wakalah, mudharabah) and is carried out with the principles of ta'awun (help-help) and justice. In addition, sharia requires the existence of a Sharia Supervisory Board (DPS) to ensure all activities in accordance with Islamic rules. In contrast, conventional pension funds are not related to religious principles: their management is based on civil law/general corporations. There are no specific restrictions on any instrument, and DPS is not required. So, in sharia management, there is an ethical focus (fairness, no-riba) that is not present in the convention (Norman 2021).

A comparison between conventional and Sharia pension funds reveals different differences in compliance, performance, and risk management. While sharia funds adhere to Islamic principles, conventional funds often prioritize financial returns.

In pension fund management, adherence to the principles underlying the financial system of each type of fund is an important factor that affects investment strategies and benefit management.

In sharia pension funds, all investment activities must be in accordance with Islamic principles, which means avoiding prohibited sectors such as alcohol, gambling, and usury-based transactions. This sharia compliance aims to ensure that all aspects of fund management remain within the corridor of Islamic law and provide halal and sustainable benefits for participants (Citri, dkk 2024).

Meanwhile, conventional pension funds have more flexibility in the selection of investment instruments, without sectoral restrictions as applied in the sharia system. This allows conventional pension funds to have wider investment opportunities, including in sectors with high potential returns. However, with this freedom, prudent risk management is still needed so that investments can provide optimal returns for participants without compromising the stability of the fund in the future (Marissa, S., & Rahma, 2025).

In addition, the financial performance of a pension fund is influenced by various factors, including the investment strategy and the level of risk taken in its management. One of the main aspects of concern is the return on investment. Studies show that conventional pension funds generally provide higher rates of return compared to Islamic pension funds. However, this difference is not always statistically significant, depending on market conditions and the investment strategy applied (Islami, S. I., Giosefi, M., & Mahipal, 2024).

In addition, risk assessments show that sharia pension funds tend to have a lower risk profile compared to conventional funds. This is due to the application of ethical investment principles that limit involvement in high-risk sectors and avoid usury-based transactions and excessive speculation. Thus, although the potential for returns may be more limited, sharia pension funds offer higher stability in the long run, providing more assured financial security for their participants (Hasan, 2024).

Participant Protection

Participant protection is a central element in pension fund management, as pension assets are long-term funds that directly affect the future welfare of participants. This protection is closely linked to investment policies, governance structures, and the sustainability of fund management in both sharia and conventional pension schemes.

The investment policies of sharia and conventional pension funds differ fundamentally. Sharia pension funds are restricted to investing exclusively in halal instruments, including sharia-compliant equities, sukuk (Islamic bonds), and other productive assets that adhere to Islamic principles. Investments in prohibited sectors, such as alcohol, gambling, and interest-based financial services, are strictly forbidden. Sharia pension funds also apply profit-sharing mechanisms, such as mudharabah, in calculating pension benefits, which emphasize fairness and risk-sharing between participants and fund managers. In contrast, conventional pension funds have greater flexibility in asset allocation and may invest in a broad range of financial instruments, including interestbearing bonds and non-halal sectors, with the primary objective of maximizing returns through interest income and capital market yields. These differences reflect distinct orientations: sharia pension funds prioritize ethical considerations and long-term sustainability, while conventional pension funds emphasize diversification and market-driven returns (Pertiwi 2025).

From a regulatory and institutional perspective, both sharia and conventional pension funds are subject to oversight by the Financial Services Authority (Otoritas Jasa Keuangan/OJK), which requires transparency and accountability in fund management. However, sharia pension funds are subject to an additional layer of protection through the mandatory establishment of a Sharia Supervisory Board (Dewan Pengawas Syariah/DPS). The DPS functions as an independent supervisory body responsible for ensuring that all operational activities, investment decisions, and benefit distributions comply with Islamic principles and the fatwas issued by the National Sharia Council. This dual supervisory structure provides participants in sharia pension funds with enhanced protection, combining public regulatory oversight and internal religious supervision. Conventional pension funds, by contrast, rely solely on standard corporate governance mechanisms, such as the board of directors and the board of commissioners, without a specialized sharia supervisory body.

Ultimately, the effectiveness and sustainability of pension programs depend on the level of trust and the stability of fund management. Sharia pension funds offer an advantage in terms of ethical alignment, as management practices consistent with participants' religious values can strengthen confidence, participation, and long-term loyalty. At the same time, conventional pension funds benefit from broader investment diversification, which may enhance potential returns but also increases exposure to global market volatility. Empirical evidence suggests that professional, transparent, and accountable governance improves the performance and sustainability of pension funds regardless of their underlying framework. Therefore, strengthening governance, ensuring transparency, and safeguarding participant interests remain essential to achieving sustainable pension fund management in both sharia and conventional systems (Dina Nurfuadah, Roudhotul Hayati Nurislami, Rizqy Hizbullah Ziyaulhaq, Iwan Setiawan 2025).

E. CONCLUSION AND SUGGESTION

This study demonstrates that pension fund management in Indonesia operates within a dual legal and ethical framework that reflects legal pluralism between state law and Islamic normative principles. Conventional pension funds, regulated primarily by Law No. 11 of 1992 and OJK regulations, emphasize investment flexibility, return optimization, and market-based efficiency. In contrast, Sharia pension funds are governed not only by positive law but also by DSN-MUI fatwas—particularly Fatwa No. 88/DSN-MUI/XI/2013—which impose ethical and religious constraints aimed at ensuring compliance with Islamic principles, including the prohibition of riba, gharar, and maysir.

The findings indicate that DSN-MUI fatwas play a substantive role in shaping the governance, investment policies, and ethical orientation of Sharia pension funds. Although fatwas do not possess binding legal force equivalent to statutory law, their integration into OJK regulations and operational requirements—such as the mandatory establishment of a Sharia Supervisory Board—has elevated their practical authority within Indonesia's financial system. This dual-layer supervision enhances transparency, accountability, and participant protection, while also strengthening public trust, particularly among Muslim participants.

From an ethical perspective, Sharia pension funds offer a governance model that prioritizes justice, risk-sharing, and moral responsibility, contributing to long-term stability and sustainability. Meanwhile, conventional pension funds benefit from broader diversification and potentially higher returns, albeit with greater exposure to market volatility. Overall, the study concludes that harmonizing state regulation with Sharia ethical values can reinforce the resilience and credibility of Indonesia's pension fund system, ensuring both financial sustainability and social legitimacy.

Suggestion

Based on the findings of this study, several recommendations can be proposed. First, policymakers—particularly the OJK—should continue to strengthen regulatory integration between positive law and Sharia normative frameworks by explicitly incorporating DSN-MUI fatwas into technical guidelines and supervisory mechanisms. This will reduce legal ambiguity and enhance compliance consistency in Sharia pension fund management.

Second, pension fund managers, both conventional and Sharia-based, should reinforce good governance practices by prioritizing transparency, accountability, and professional risk management. For Sharia pension funds, the role of the Sharia Supervisory Board should be optimized not merely as a formal requirement but as an active ethical control mechanism.

Third, public financial literacy programs related to pension planning need to be intensified. Increased awareness of the characteristics, advantages, and risks of both conventional and Sharia pension funds will empower individuals to make informed decisions aligned with their financial goals and ethical values.

Finally, future research is encouraged to adopt empirical and quantitative approaches to measure the comparative performance, risk resilience, and participant satisfaction levels between Sharia and conventional pension funds. Such studies would complement normative legal analyses and contribute to evidence-based policymaking for the sustainable development of the pension fund industry in Indonesia.

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