



CONSULTATION PAPER

Proposed Amendments in Voluntary Pension System Rules, 2005

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1. Background

The VPS Rules, 2005 were last amended through S.R.O. 298(I)/2024, dated February 22, 2024. Major amendments entailed the introduction of the Employer Pension Fund, which enabled organizations to set up dedicated pension funds managed by registered pension fund managers for the exclusive benefit of their employees. This marked a structural shift in Pakistan's retirement landscape by allowing employers to make systematic, tax-efficient contributions toward their employees' retirement, improving transparency, portability, and long-term fund accumulation under a regulated framework.

Subsequent to the aforesaid notification, the SECP has initiated an impact analysis to assess the efficacy of the VPS Rules in addressing the evolving dynamics of retirement savings. Various areas of improvement have been resultantly identified to provide operational efficiency, broader pension coverage and to reduce entry barriers for employer participation. The proposed draft amendments aim to align the regulatory framework more closely with international best practices, eliminate interpretational ambiguities, and foster a stronger culture of retirement savings in Pakistan.

2. Objective of the Consultation Paper

The consultation paper is being published for the purpose of eliciting public comments on the draft amendments proposed in Voluntary Pension System Rules, 2005.

3. Potential Areas of Improvement

While the introduction of Employer Pension Funds (EPFs) under the VPS Rules, 2005 marked a significant milestone in expanding the retirement savings framework, certain structural limitations continue to restrict their scalability and broader market adoption. The current structure restricts each fund to a specific employer—limiting scalability and creating cost inefficiencies, particularly for smaller employers.

Opening EPFs to multiple employers could address these inefficiencies by allowing pension fund managers to pool contributions from various employers into a single fund structure. This would not only improve cost-effectiveness through economies of scale but also enable smaller employers to offer retirement benefits without bearing the full burden of establishing a dedicated fund.

Additionally, opening the existing common fund structure to employer contributions addresses a critical gap in the current system by offering a streamlined channel for employer involvement without requiring new fund formation. This approach leverages existing regulatory and operational infrastructure to provide immediate access for employers—particularly those with smaller workforces or limited administrative capacity. By enabling contributions within an already functioning and compliant framework, it minimizes setup costs, reduces entry barriers, and ensures consistency in oversight. This can encourage broader and faster adoption of retirement savings, improve fund scale and efficiency through aggregated inflows.

4. Proposed Changes to the Legal Framework

Potential areas of improvement in the VPS Rules, 2005 along with rationale based on which amendments are proposed are detailed below:

(i) Rule 2: Definitions

(a) **Allocation policy:** It is proposed to incorporate a definition of allocation policy in the VPS Rules.

The term 'allocation policy' is used in the Rules but lacks a clear legal definition. Incorporating a formal definition will provide legal clarity and ensure uniform interpretation and application of the term within the regulatory framework.

(b) **Contribution:** The definition of contribution can be modified to provide room for contributions on behalf of participants (such as employers).

Under the current structure the term 'contribution' primarily implies direct participant input, which may lead to ambiguity regarding third-party, i.e. employer contributions. Modifying the definition will provide legal clarity and enable the system to accommodate employer contributions, thereby enhancing the flexibility and inclusiveness of the scheme.

(c) **Pension fund:** Clarity is proposed to be added in the definition of 'pension fund'.

The current definition implicitly limits contributions to those made voluntarily by the participants, which creates ambiguity. The proposed amendment ensures consistency with the revised definition of "contribution" and supports a more inclusive pension framework.

(d) **Employer:** A simpler definition of 'employer' is proposed to be included in the Rules.

By clearly defining "employer", the Rules will better support the integration of diverse employer types into the pension system.

(e) **Employer Pension Fund:** To address limitation in the current structure, the scope of "employer pension fund" may be expanded to allow multiple employers to jointly participate under a common fund managed by a Pension Fund Manager.

The current definition restricts employer pension funds to a single employer, which limits flexibility and scalability. The proposed amendment enables a shared fund structure, allowing multiple employers to participate in a single, regulated scheme. This improves administrative efficiency, reduces operational costs, and encourages participation from smaller employers who may lack the resources to manage standalone funds.

(ii) Rule 9: Authorization of Pension Funds

Rule 9 is proposed to be revised to remove the restriction limiting investment advisors to offer employer pension funds only. This change promotes a more competitive and diversified retirement planning landscape, ultimately benefiting investors.

(iii) Rule 12: Eligibility

It is proposed that Rule 12 be amended to cater the expanded scope of Employer Pension Fund.

This amendment supports the revised definition of ‘Employer Pension Fund’ that allows multiple employers to participate in a common fund. It ensures that employees across all contributing employers are formally recognized as eligible participants. This is essential for operationalizing the shared fund structure and avoiding legal ambiguity about participant inclusion.

(iv) Rule 15: Change of pension fund and Pension Fund Manager by participant

It is proposed that the transferability of employer-sponsored pension funds, during the course of an individual’s employment, shall be subject to the terms and conditions established by the employer.

This amendment provides employers flexibility to impose transfer restrictions during the employment contract.

(v) Rule 18: Benefits on Retirement

It is proposed that Sub-rule (a) and (c) be revised to allow the conditions governing retirement withdrawals to be determined through agreements between employers and Pension Fund Managers.

Employers may wish to impose specific withdrawal conditions to ensure long-term financial well-being of employees. This amendment provides them with that flexibility.

(vi) Rule 19: Withdrawal of funds before retirement

Rule 19 is proposed to be updated to allow pre-retirement withdrawal conditions to be governed by agreements between employers and Pension Fund Managers.

Employers may wish to impose specific withdrawal conditions to discourage premature fund depletion. This amendment provides them with that flexibility.

(vii) Rule 36: Annual Fee Payable to the Commission

A shift is being considered from the current annual fee payment structure to a model where fee is collected on a monthly basis. This change is intended to better reflect the time value of money. While the frequency of payment would increase, the overall annual fee burden would remain within the limits set by the VPS Rules, 2005 ensuring that the pension fund managers and participants do not face any additional financial impact.

(viii) Other Changes

Amendments to Rule 21, 43, and 46 are also being considered to replace the word “voluntary” with “contributory.” This revision is intended to more accurately reflect the expanded scope of the pension system, which may include both individual and employer contributions, thereby aligning the terminology with the evolving structure and intent of the scheme.

5. Format for sharing feedback/comments

Feedback on these proposed amendments along with any other suggestion on VPS Rules, 2005 may be sent via email to Pension Department at pension@secp.gov.pk as per the below format:

Name			
Name of the related Entity			
Sr. No.	Rule No.	Views/ Proposed changes	Rationale
Confidentiality			
<i>If you wish to keep all or any part of your submissions and your identity confidential, please indicate the same. In all other cases, your provided comments can be made public, except your contact information.</i>			

6. Indicative Timeline

Stage	Date/Timeline	Details
1	13 June 2025	Publication of Consultation Paper
2	Within 15 days of publication of Consultation Paper on SECP website	Public comments period
3	Within 30 days of receipt of comments on the Consultation Paper	Consultation on suggestions

Annexure A: Proposed Amendments in VPS Rules, 2005

Existing	Proposed	Rationale
<p>2. Definitions. - (1) In these rules, unless there is anything repugnant in the subject or context, -</p> <p>Not present in current Rules</p>	<p>2. Definitions. - (1) In these rules, unless there is anything repugnant in the subject or context, -</p> <p>(ab) “allocation policy” means the distribution of contribution and accumulated assets through issuance of units of sub-funds of a pension fund, as may be approved by the Commission.</p>	<p>Currently, there is no definition of allocation policy. The insertion is meant to provide a legal meaning to term.</p>
<p>2. Definitions. - (1) In these rules, unless there is anything repugnant in the subject or context, -</p> <p>(j) "contribution" means an amount as may be voluntarily determined by an individual payable annually, semiannually, quarterly, or monthly to one or more Pension Fund Managers and held in one or more individual pension accounts of a participant, subject to any specified minimum limit;</p>	<p>2. Definitions. - (1) In these rules, unless there is anything repugnant in the subject or context, -</p> <p>(j) "contribution" means an amount paid, by or on behalf of the participant, for credit of unit(s) in his pension account(s), as may be voluntarily determined by an individual payable annually, semiannually, quarterly, or monthly to one or more Pension Fund Managers and held with one or more Pension Fund Managers individual pension accounts of a participant, subject to any specified minimum limit;</p>	<p>The definition of Contribution is being amended to provide room for contributions on behalf of the participants such as employers.</p>
<p>2. Definitions. - (1) In these rules, unless there is anything repugnant in the subject or context, -</p> <p>(p) "pension fund" means a fund made up of sub-funds created from the contributions paid by the participants and would consist of all the assets for the time being held or deemed to be held by sub-funds and includes all income or investment returns thereon but excludes fees, charges and</p>	<p>2. Definitions. - (1) In these rules, unless there is anything repugnant in the subject or context, -</p> <p>(p) "pension fund" means a fund made up of sub-funds created from the contributions paid by the participants and would consist of all the assets for the time being held or deemed to be held by sub-funds and includes all income or investment returns thereon but excludes fees, charges and expenses related to the management of the investments of sub-funds;</p>	<p>The definition of pension fund is being amended to ensure consistency with the definition of ‘contribution’ and to eliminate interpretational ambiguity.</p>

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Existing	Proposed	Rationale
<p>expenses related to the management of the investments of sub-funds;</p>		
<p>2. Definitions. - (1) In these rules, unless there is anything repugnant in the subject or context, -</p> <p>Not present in the Rules</p>	<p>2. Definitions. - (1) In these rules, unless there is anything repugnant in the subject or context, -</p> <p>(jba) “employer” means, a person who engages and remunerates an employee.</p> <p>Explanation:- For the purpose of these Rules, the term employer includes federal & provincial governments and its controlled institutions, authorities, local governments etc.</p>	<p>To include and simplify the definition of employer.</p>
<p>2. Definitions. - (1) In these rules, unless there is anything repugnant in the subject or context, -</p> <p>(jc) “employer pension fund” means a pension fund, as defined in these rules, offered only to the employees of a particular employer.</p> <p>Explanation: For the purposes of these rules, the term Employer includes but is not limited to:</p> <p>(i) Group companies (ii) Holding company (iii) Federal Government or a Provincial Government for all participants employed in their respectively owned or controlled institutions, authorities, local governments etc.;</p>	<p>2. Definitions. - (1) In these rules, unless there is anything repugnant in the subject or context, -</p> <p>(jc) “employer pension fund” means a pension fund, as defined in these rules, offered only to the employees of a particular employer. established and managed by a Pension Fund Manager in accordance with the agreement with one or more employer(s) with their mutual consent and offered only to the employees of employer(s).</p> <p>Explanation: For the purposes of these rules, the term Employer includes but is not limited to:</p> <p>(i) Group companies (ii) Holding company (iii) Federal Government or a Provincial Government for all participants employed in their respectively owned or controlled institutions, authorities, local governments etc.;</p>	<p>The definition of 'employer pension fund' is being enhanced to allow participation by multiple employers under a single, common fund structure.</p>

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Existing	Proposed	Rationale
<p>9. Authorization of pension fund. - (1) No Pension Fund Manager shall offer to any person, a pension fund unless the Commission has authorized the same.</p> <p>Provided that an investment advisor registered as a Pension Fund Manager may offer Employer Pension Funds only.</p>	<p>9. Authorization of pension fund. - (1) No Pension Fund Manager shall offer to any person, a pension fund unless the Commission has authorized the same.</p> <p>Provided that an investment advisor registered as a Pension Fund Manager may offer Employer Pension Funds only.</p>	<p>To remove the restriction limiting investment advisors to offer employer pension funds only.</p>
<p>12. Eligibility. – [(1) Individuals over the age of eighteen years who have a valid National Tax Number or a Computerized National Identity Card (CNIC) or National Identity Card for Overseas Pakistanis (NICOP) or Pakistan Origin Card (POC) shall be eligible to contribute to the pension fund authorised under these rules:</p> <p>Provided that in case of Employer Pension Funds, the employees of a particular employer shall be eligible to contribute to the respective employer pension fund during employment.]</p>	<p>12. Eligibility. – [(1) Individuals over the age of eighteen years who have a valid National Tax Number or a Computerized National Identity Card (CNIC) or National Identity Card for Overseas Pakistanis (NICOP) or Pakistan Origin Card (POC) shall be eligible to contribute to the pension fund authorised under these rules:</p> <p>Provided that in case of Employer Pension Funds, the employees of a particular employer of the relevant employer(s) shall be eligible to contribute to the respective employer pension fund during employment.]</p>	<p>To provide room to more employers to become part of employer pension funds in common fund structure.</p>
<p>15. Change of pension fund and Pension Fund Manager by participant. – (1) Subject to sub-rules (2) and (3), a participant shall be allowed to transfer his individual pension account with a particular Pension Fund Manager to another Pension</p>	<p>15. Change of pension fund and Pension Fund Manager by participant. - (1) Subject to sub-rules (2) and (3), a participant shall be allowed to transfer his individual pension account with a particular Pension Fund Manager to another Pension Fund Manager or from one pension fund to another pension fund. For this purpose the units shall be encashed at the net asset value of each sub-fund notified on the working day prior to the date of transfer[:</p>	<p>To bring clarity for the purpose of:</p> <ul style="list-style-type: none"> i. shifting from one pension fund manager to another; ii. transferring from employer pension fund at end of service.

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Existing	Proposed	Rationale
<p>Fund Manager or from one pension fund to another pension fund. For this purpose the units shall be encashed at the net asset value of each sub-fund notified on the working day prior to the date of transfer[:</p> <p>Provided that in case of Employer Pension Funds, the participant shall be allowed to transfer his individual pension account with a particular Pension Fund Manager to another Pension Fund manager or from the Employer Pension Fund to another pension fund after ending of employment with the respective employer.]</p>	<p>Provided that in case of employer pension funds and a pension fund, where contributions are made for participant under an employment contract, the participant shall be allowed to transfer his individual pension account with a particular Pension Fund Manager to another Pension Fund manager, as per the employer's policy. A participant shall be allowed to transfer his individual pension account or from the Employer Pension Fund to another pension fund after ending of employment with the respective employer.]</p>	
<p>18. Benefits on retirement. – (1) (a) to withdraw any percentage of the amount from his individual pension account</p> <p>Provided that in case of employer pension funds, the maximum withdrawable amount may be specified as per the agreement between employer and pension fund manager and the same shall be disclosed in the offering document.</p>	<p>18. Benefits on retirement. – (1) (a) to withdraw any percentage of the amount from his individual pension account</p> <p>Provided that in case of employer pension funds and pension fund, where contributions are made for participant under an employment contract, the maximum withdrawable amount may be specified as per the agreement between employer and pension fund manager and the same shall be disclosed in the offering document.</p>	<p>The requirement to disclose withdrawals on retirement in offering document is being removed to provide flexibility in offering common fund to multiple employers.</p>
<p>18. Benefits on retirement. – (1) (c) to enter into an agreement with the Pension Fund Manager to withdraw</p>	<p>18. Benefits on retirement. – (1) (c) to enter into an agreement with the Pension Fund Manager to withdraw from the remaining amount, monthly installments following the date of</p>	<p>The requirement of disclosures in offering document is being removed to provide flexibility in offering common fund to multiple employers.</p>

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<p>from the remaining amount, monthly installments following the date of retirement, according to an income payment plan, approved by the Commission;</p> <p>Provided that in case of Employer Pension Funds, this option may be offered as per the agreement between Employer and Pension Fund Manager and shall be disclosed in the offering document.</p>	<p>retirement, according to an income payment plan, approved by the Commission;</p> <p>Provided that in case of employer pension fund and pension fund, where contributions are made for participant under an employment contract, this option may be offered as per the agreement between Employer and Pension Fund Manager and shall be disclosed in the offering document.</p>	
<p>19. Withdrawal of funds before retirement. – [(1) A participant at any time before retirement shall be entitled to redeem the total or part of the units of the sub-funds to his credit in the individual pension account subject to the conditions laid down in the Income Tax Ordinance, 2001 (XLIX of 2001), from time to time and in addition, in case of employer pension funds, subject to the conditions laid down in the offering document as per the agreement between employer and pension fund manager. The withdrawals may be through single or multiple payments.]</p>	<p>19. Withdrawal of funds before retirement. (1) A participant at any time before retirement shall be entitled to redeem the total or part of the units of the sub-funds to his credit in the individual pension account except in case of employer pension funds and pension fund, where contributions are made for participant under an employment contract, the participant shall be entitled to redeem the total or part of the units to his credit, as per the agreement between the employer and Pension Fund Manager, subject to the conditions laid down in the Income Tax Ordinance, 2001 (XLIX of 2001), from time to time and in addition, in case of employer pension funds, subject to the conditions laid down in the offering document as per the agreement between employer and pension fund manager. The withdrawals may be through single or multiple payments.</p> <p>(2) The withdrawals may be through single or multiple payments and subject to the conditions laid down in the Income Tax Ordinance, 2001 (XLIX of 2001).</p>	<p>To provide room to employers to impose conditions on withdrawal before retirement in a common fund structure.</p> <p>The requirement of disclosures in offering document is being removed to provide flexibility in offering common fund to multiple employers.</p>
<p>21. Instructions from participant. - All the instructions from a participant or his</p>	<p>21. Instructions from participant. - All the instructions from a participant or his nominees or survivors with regard to this voluntary contributory pension</p>	<p>To reflect the enhanced scope of the pension system.</p>

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Existing	Proposed	Rationale
nominees or survivors with regard to this voluntary pension system shall be in writing or through such other means as may be approved by the Commission	system shall be in writing or through such other means as may be approved by the Commission	
<p>36. Annual fee payable to the Commission. - Pension Fund Manager shall pay, as annual fee to the Commission, an amount equal to one twenty-fifth of one per cent of the average annual net asset value of the pension fund.</p> <p><i>Explanation.</i>- For the purposes of this rule, the average annual net asset value means the average of total net asset values of the sub-funds calculated during the year for announcing the net asset value of each unit of the sub-funds.</p>	<p>36. Annual Fee payable to the Commission. – (1) Pension Fund Manager shall pay, as annual a fee to the Commission, an amount equal to one twenty-fifth of one per cent 0.04% of the average annual net asset value of the pension fund.</p> <p><i>Explanation.</i>- For the purposes of this rule, the average annual net asset value means the average of daily net asset values of the sub-funds calculated during the year for announcing the net asset value of each unit of the sub-funds.</p> <p>(2) The fee shall accrue on daily basis and shall be paid not later than 15th day of the month immediately following the calendar month to which it relates.</p>	The change is proposed considering the time value of money.
<p>43. Power of the Commission to issue guidelines. - The Commission shall have the power to issue necessary guidelines to the intermediaries, Pension Fund Manager and participants with respect to the Voluntary Pension System.</p>	<p>43. Power of the Commission to issue guidelines. - The Commission shall have the power to issue necessary guidelines to the intermediaries, Pension Fund Manager and participants with respect to the Voluntary Contributory Pension System.</p>	To reflect the enhanced scope of the pension system.
<p>46. Interpretation. - The Commission shall have the power to interpret these rules in respect of the Voluntary Pension System and decision of the Commission in this regard shall be final and binding.</p>	<p>46. Interpretation. - The Commission shall have the power to interpret these rules in respect of the Voluntary Contributory Pension System and decision of the Commission in this regard shall be final and binding.</p>	To reflect the enhanced scope of the pension system.