

## Press Release

### Seminar on Voluntary Pension System held in Islamabad

**Islamabad December 9, 2005:** The Securities and Exchange Commission of Pakistan (SECP) in collaboration with the World Bank organised a one-day seminar, “Voluntary Pension System – Prospects and Future Challenges,” today.

Adviser to the Prime Minister on Finance, Dr. Salman Shah inaugurated the well-attended seminar. In his inaugural address, he said that unlike all other pension schemes in the country, the Voluntary Pension System allowed all Pakistani citizens holding a National Tax Number, whether formally employed in the organised sector or not, to get a regular pension at the time of retirement. He offered full support to the initiative saying that this timely step will cater to the needs of the old age Pakistani population.

In his opening remarks, the Chairman SECP, Dr. Tariq Hassan said that in Pakistan, the current tools for retirement savings were not many in number and the few available were under-utilised. He said that having retirement benefits dependent on the same firm that paid salaries was a violation of basic investment principles. To address this issue, he said that all governments were moving quickly towards Voluntary Pension System (VPS). “The VPS is based on several tax incentives and a larger part of the Pakistani population will benefit from it,” Dr. Hassan said adding that the challenge now was to develop effective monitoring and supervisory framework to ensure investor protection.

The seminar began with presentations of experts on asset management, insurance, and pensions that highlighted various aspects of the private pension system. Mr. Richard Hinz of the Social Protection Unit, World Bank, appreciated SECP for evolving an excellent private pension system in a short span of time. He said that pension systems reforms needed to be evaluated on their ability to meet objectives and not any particular structure. The primary goal of a pension system was to provide adequate, affordable, sustainable, and robust old-age income. Talking about ideal pension systems, he said the VPS could be used as a model for the rest of the developing world.

Ms. Anne Maher, Chief Executive Director of the Pension Board, Ireland, talked about Ireland’s experiences in particular and those of Europe in general. She highlighted the need for effective regulation and talked at length about the regulatory framework in Ireland. She concluded by saying that while there was no single solution or best practise to fit every country, people could still learn from one another. Mr Robert Palacios, World Bank, talked about growth of pensions funds in Asia and operational frameworks of certain countries such as India, Thailand, and Hong Kong. He said that there were encouraging examples in the Asia-Pacific region and he was optimistic about the growth of the VPS in Pakistan.

Other speakers at the seminar were Mr. Naseem Beg, Chief Executive, Arif Habib Investment Management Limited, Mr. Samee-ul-Hassan, Consulting Actuary, Akhtar Hassan (Pvt) Ltd., and Dr. Susan Thomas, Professor, Indira Gandhi Institute of Development & Research. They touched upon various aspects of VPS, international best practices such as those in India, reforms in Pakistani pension system, and impact on the socio-economic condition of the people.

VPS was introduced by the SECP in January 2005 in collaboration with the Ministry of Finance, CBR and major asset management, insurance industry participants. VPS offers an alternative to other prevalent pension systems such as Provident Fund, Gratuity and superannuation funds with a target market that covers every individual above 18 years of age and not being entitled to any other pension. This is a system that would be managed by asset management companies or insurance companies with flexible investment options giving the benefit of portability. People's saving would stay with them even if they changed jobs.