SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN
Strategy, Development and External Relations Department

Press Release

SECP seeks feedback on amendments to Voluntary Pension System Rules

ISLAMABAD, November 23: The SECP is amending the Voluntary Pension System Rules to facilitate growth of the pension industry and to protect participants' interests. It may be recalled, the VPS Rules were notified in 2005 to provide a framework for building pensions by salaried as well as self-employed people. The private pension funds were launched in June 2007, which have now grown to nine funds with more than Rs1.5 billion worth of assets.

Through the amendments, the participants are being given a choice to shift their accumulated balance from one pension fund to another once in a year instead of waiting for the anniversary date. Also the notice period for the change of fund or fund manager is being reduced from 30 days to 21 days.

The government has been taking fiscal measures to foster long-term savings and to encourage people to save for their old age. Recent changes to the tax law allow an individual to invest up to 20% of his taxable income in pension fund and withdraw up to 50% of his accumulated balance as cash; at retirement. The amendments approved by the SECP seek alignment in provisions of the VPS Rules and the tax law.

Further the method for valuation of debt securities is being specified so that the participants get a fair view about their accumulated wealth in a pension fund. The amended Rules also oblige trustee of a pension fund to play an active role and with a vigil on the trading behavior of a fund.

In addition, the amendments layout guidelines about contents of offering document of a pension fund which would facilitate the fund managers to prepare the document with appropriate disclosures. After amendments, the Pension Fund Managers will also have the same timeline for submission of annual reports as allowed to companies under the Companies Ordinance. The amendments also envisage involvement of pension fund managers in determining performance benchmark for the pension fund industry.

The Labour Law permits employers to offer VPS as an alternative to a provident or gratuity scheme. However, the current tax law does not allow tax neutral transfer of balances accumulated in a provident fund or a gratuity scheme to a pension fund. There is a growing demand that the accumulated balances may also be allowed to be transferred to VPS without additional tax impact. In order to accommodate this demand, in future, enabling provisions have been made in the rules through these amendments, which will become effective when relevant tax provisions are amended by the government.

The draft amendments have been placed on website of SECP at http://www.secp.gov.pk/notification/pdf/2011/SRO_1055_2011.pdf Feedback, if received within 14 days of the date of the notification, will be taken into consideration

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