

LEARN ABOUT VOLUNTARY PENSION FUNDS (VPS)

What are Voluntary Pension Funds (VPS)?

VPS is a personalized retirement savings and investment plan regulated by SECP under the Voluntary Pension System Rules, 2005. Contributions are invested in a flexible mix of equity, debt, and money market sub-funds managed by licensed pension fund managers.

Why Invest in VPS?

Tax Credit: Claim a tax credit of upto 20% of annual taxable income.

Portability: Your VPS account moves with you if you change jobs.

Flexibility: Decide contribution amount and frequency (monthly, quarterly, annually).

Investment Choice: Select from multiple allocation schemes based on your risk tolerance.

Retirement Security: up to 50% lump-sum at retirement and receive regular income from the remaining amount.

Protection: In case of death or disability, withdrawals are tax-exempt.

Structure of the Voluntary Pension Funds

Each VPS consists of a minimum three sub-funds:

- **Equity Sub Fund:** For long-term capital growth. Invests up to 90% in listed equity securities.
- **Debt Sub Fund:** For stable income and capital preservation. Invests into tradeable debt securities.
- **Money Market Sub Fund:** The money market sub fund VPS invests into short term debt securities which aims to provide regular income and capital preservation for investors.

Allocation Schemes (SECP-Mandated)

- **High Volatility:** Min 65% Equity, Min 20% Debt, 0% MMF
- **Medium Volatility:** 35% Equity, 40% Debt, 10% MMF
- **Low Volatility:** 10% Equity, 60% Debt, 15% MMF
- **Lower Volatility:** 0% Equity, 40% Debt, 40% MMF

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Eligibility

- Pakistani nationals (18+) with CNIC/NTN
- Non-resident Pakistanis with NICOP/NTN
- Employers contributing for employees
- Transfers from approved gratuity, provident, or annuity schemes allowed

Benefits at Retirement

At retirement (age 60–70), investors may:

- Withdraw up to 50% tax-free lump sum
- Use remaining balance for:
 - Annuity Plan (from a life insurance company)
 - Income Payment Plan (monthly pension withdrawals until age 75)

Tax Incentives

Contributions eligible for tax credit under Section 63 of the Income Tax Ordinance, 2001.

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Allocation Schemes (SECP-Mandated)

Allocation Scheme	Suitable For	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund
		Minimum investment*		
High Volatility	Investors with long term investment horizon and/ or high tolerance for risk.	65%	20%	Nil
Medium Volatility	Investors with long to medium term investment horizon and/or moderate tolerance for risk.	35%	40%	10%
Low Volatility	Investors with medium to short term investment horizon and/or lower tolerance for risk.	10%	60%	15%
Lower Volatility	Investors with short term investment horizon and/or very low tolerance for risk.	Nil	40%	40%
Life Cycle Allocation	Investors wanting to adopt a systematic investment approach.	Equity allocation reduces with age; Higher in equity when you are young and more in Debt/MMF near retirement.		
Customized Allocation	Investors wanting to adopt a customized investment approach.	0-80%	20-75%	0-60%

* Total allocation to be 100% between the sub-funds.

Disclaimer: All investments in mutual funds are subject to market risks. Past performance is not necessarily indicative of future results. Please read the Offering Document to understand the investment policies and the risks involved. This publication is for informational purposes only and does not constitute, and should not be construed as, a solicitation, recommendation, or an offer to buy or sell any fund. Investors are advised to seek independent financial and tax advice prior to making any investment decisions.

Key Documents You Should Read Before Investing

- **Key Fact Statement (KFS):** Contains snapshot of a fund's objectives, fees, risk profile, minimum investment.
- **Fund Manager's Report (FMR):** Monthly performance update of the fund. Contains comparison against benchmarks, portfolio details at month end including top holdings.
- **Offering Document (OD):** Comprehensive document containing regulatory approvals, constitution of scheme including legal, structural, and governance details.