

PAKISTAN



DEMOGRAPHICS AND MACROECONOMICS

Nominal GDP (EUR bn)	12 586
GDP per capita (USD)	1 010
Population (000s)	176 952
Labour force (000s)	50 331
Employment rate	94.6
Population over 65 (%)	2.9
Dependency ratio ¹	10.11

Data from 2008 or latest available year.

1. Ratio of over 65-year-olds the labour force.

Source: OECD, various sources.

COUNTRY PENSION DESIGN

STRUCTURE OF THE PENSION SYSTEM

Public pensions

- The public pension pillar is compulsory for employees in firms with more than 10 workers
- Participation of family members and self-employees is voluntary
- Special arrangements exist for public sector employees
- A number of social assistance programmes exist for special group of the population, e.g. Muslim citizens

Private pensions: personal (voluntary)

- It was introduced in January 2007 and mainly targets self-employees and those without occupational pensions
- It is a fully funded DC scheme

Source: OECD Global Pension Statistic.

PENSION FUNDS DATA OVERVIEW

	2001	2002	2003	2004	2005	2006	2007	2008
Assets								
Total investments (National currency millions)	ND	ND	ND	ND	ND	ND	648	735
Total investments, as a % of GDP	ND	ND	ND	ND	ND	ND	0.01	0.01
Of which Assets overseas, as a % of Total investment:								
• Issued by entities located abroad	ND	ND	ND	ND	ND	ND	ND	ND
• Issued in foreign currencies	ND	ND	ND	ND	ND	ND	ND	ND
By financing vehicle (as a % of Total investments)								
• Pension funds	ND	ND	ND	ND	ND	ND	100.00	100.00
• Book reserves	ND	ND	ND	ND	ND	ND	NA	NA
• Pension insurance contracts	ND	ND	ND	ND	ND	ND	NA	NA
• Other financing vehicle	ND	ND	ND	ND	ND	ND	NA	NA
By pension plan type								
• Occupational assets	ND	ND	ND	ND	ND	ND	0.00	0.00
• % of DB assets	ND	ND	ND	ND	ND	ND	ND	ND
• % of DC (protected and unprotected) assets	ND	ND	ND	ND	ND	ND	ND	ND
• Personal assets	ND	ND	ND	ND	ND	ND	648	735
Structure of Assets (as a % of Total investments)								
Cash and Deposits	ND	ND	ND	ND	ND	ND	40.77	47.12
Fixed Income	ND	ND	ND	ND	ND	ND	24.08	35.40
Of which:								
• Bills and Bonds issued by the public and private sector	ND	ND	ND	ND	ND	ND	24.08	35.40
• Loans	ND	ND	ND	ND	ND	ND	0.00	0.00
Shares	ND	ND	ND	ND	ND	ND	30.41	14.29
Land and Buildings	ND	ND	ND	ND	ND	ND	0.00	0.00
Other Investments	ND	ND	ND	ND	ND	ND	4.74	3.19
Contributions and Benefits								
Total Contributions, as a % of GDP	ND	ND	ND	ND	ND	ND	0.00	0.00
• Employer Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	0.09	61.46
• Employee Contributions, as a % of Total contributions	ND	ND	ND	ND	ND	ND	99.91	38.54
Total Benefits, as a % of GDP	ND	ND	ND	ND	ND	ND	0.00	0.00
• % of benefits paid as a Lump sum	ND	ND	ND	ND	ND	ND	ND	ND
• % of benefits paid as a Pension	ND	ND	ND	ND	ND	ND	ND	ND
Membership (in thousands of persons)¹								
Total membership	ND	ND	ND	ND	ND	ND	0	1
• % of Active membership	ND	ND	ND	ND	ND	ND	100.00	100.00
Of which: % of Deferred membership	ND	ND	ND	ND	ND	ND	ND	ND
• % of Passive membership	ND	ND	ND	ND	ND	ND	0.00	0.00
Other beneficiaries	ND	ND	ND	ND	ND	ND	ND	ND
Number of Pension Funds/Plans								
Total number of funds	ND	ND	ND	ND	ND	ND	6	4
Total number of plans	ND	ND	ND	ND	ND	ND	6	7

1. Membership figures reflect 'membership' rather than 'people'. Therefore a person may be a member of more than one types of plan at any one time, particularly if the person has a number of employments in the year.

ND = data not available

NA = data not applicable

Source: OECD, Global Pension Statistics

PAKISTAN: THE PENSION SYSTEM'S KEY CHARACTERISTICS

PUBLIC PENSION

The compulsory social insurance (i.e. public pension) covers employees in firms with 10 or over workers (this limit is 20 for firms established on or after 1 July 2006). Participation for employees of firms with less than 20 workers is voluntary, and family labour and self-employed persons are excluded. In order to receive benefits, men should be 60, and women 55, with at least 15 years of contributions. The system is contributed by 1% of earnings from employees, 6% of payroll from employers and subsidised by government if necessary. Benefit is calculated as 2% of average monthly earnings (based on the last 12 months' earnings) times the number of year of covered employment, and the minimum pension is 1,300 rupees. The full pension is reduced by 0.5% for each month that the pension is taken before age 60 (men) and age 55 (women). Special pension system is provided for public-sector employees, member of the armed forces and other public sector employees. In addition to the above, a number of social assistance programmes are operated in Pakistan, and two main ones cover the needy Pakistani Muslim citizens and the needy Pakistani citizens, respectively.

PERSONAL VOLUNTARY

Coverage

Pakistani citizens aged 18 and have a valid national tax number can open an individual pension savings account with registered VPS pension fund manager if their employer does not provide any occupational pension plan.

Contributions

Participants may contribute up to 20% of their net taxable income and catch-up provisions allow participants over age 40 to make additional contributions. Employers may also contribute to their employee's VPS account, but the total combined (employee and employer) annual contribution should neither exceed 50% of the worker's net taxable income nor 500,000 rupees per year.

Benefits

It provides DC benefits, and payouts may take one of the two forms:

- A tax-free cash withdrawal of up to 25 percent of the account balance, whilst the remainder of the account balance is used to purchase an annuity provided by any VPS-approved life insurance company, or
- A tax-free cash withdrawal of up to 25 percent of the account balance, a withdrawal of the remaining account balance in planned monthly instalments until age 75, whilst after age 75, the purchase of an annuity with the remaining VPS account balance from a VPS-approved life insurance company

Taxation

VPS contributions and investment income are exempt from taxes, while pension benefits are taxed. Tax penalties apply to those who withdraw before age 60.

MARKET INFORMATION

Personal voluntary

Asset management companies and life insurance companies may apply to become a registered pension fund manager. Life insurance companies may also be authorized to offer VPS annuities. VPS rules cap front-end and investment management fees.

Pension fund managers must offer VPS participants at least four investment portfolios (categorised as very conservative, conservative, balanced, and aggressive). Participants who fail to select one of the portfolio choices are assigned to a default portfolio. Currently, pension fund managers invest in equities, debt, and money market asset classes. Future asset classes may include real estate and international investments.

POTENTIAL REFORM

1. Promoting the development of the new VPS
2. Strengthening occupational saving schemes

REFERENCE INFORMATION

KEY LEGISLATION

Employees' Old-Age Benefits Act No. 14 (1976)

<http://www-ssw.issa.int/sswen/lpext.dll?f=templates&fn=main-hit-h.htm&2.0>

KEY REGULATORY AND SUPERVISORY AUTHORITIES

Ministry of Labor, Manpower, and Overseas Pakistanis (provide general supervision of the public pensions)

<http://www.pakistan.gov.pk/ministries/index.jsp?MinID=27&cPath=346>

Employees' Old-Age Benefits Institution (administer the public pension system)

<http://www.eobi.gov.pk/>

Exchange Commission of Pakistan (SECP) (regulator of the VPS)

<http://www.secp.gov.pk/>







