INCOME PAYMENT PLAN II

(SUPPLEMENTAL OFFERING DOCUMENT OF PAKISAN PENSION FUND)

INCOME PAYMENT PLAN II

An Income Drawdown plan II under the

Pakistan Pension Fund

Managed by MCB – Arif Habib Savings and Investments Limited,

A Pension Fund Manager

Introduction

At the retirement age, the participants under the Voluntary Pension System have an option to buy an Approved Annuity Plan from a life insurance company or an Approved Income Payment Plan from a Pension Fund Manager.

Income Payment Plan II which is also known as Income Drawdown Plan II provides an option to the participant to defer purchasing an annuity (an income for life) until several years into retirement. The Plan allows receiving a regular income from the accumulated balance in the Individual Pension Account over the term decided by the participant while it stays invested with the Pension Fund Manager.

1. Options at retirement

When the Participant decides on his retirement age which can be any date between sixty and seventy years, the Participant is required to inform the Pension Fund Manager, the chosen date of retirement by completing the prescribed Retirement Option Form and submitting it at the Authorized Branch or office of the Distribution Companies at least thirty days before the chosen date of Retirement.

Participants have the following options:

(a) Withdraw up to 50% of the amount in his/her Individual Pension Account as cash, without being charged for tax on this amount

(b) Use the remaining amount to purchase an Approved Annuity Plan from a life insurance company of his/her choice; or,

(c) to enter into an agreement with the Pension Fund Manager to withdraw from the remaining amount, monthly installments for up to fifteen years following the date of retirement, according to an Income Payment Plan II, approved by the Commission.

The scheme provides every Participant an option to withdraw as tax-free lump-sum up to 50% of the balance in the Individual Pension Account. However, the more cash is withdrawn as tax-free lump-sum, the lesser pension shall be available for the Income Payment Plan II on retirement and vice versa. Further, it is not necessarily that every Participant needs full 50% of cash lump-sum at retirement. Lower the amount of lump-sum withdrawn, higher will be the pension payments. Furthermore the tax rate applicable on pension payment is likely to be lower than the tax rate on full income prior to retirement.

2. Eligibility

A Participant would be eligible to opt for an Income Payment Plan II, at any time, after achieving the retirement age, as referred in clause (c) of Para 1 above.
However, the participant cannot opt for the Income Payment Plan II if he/she has already purchased an Approved Annuity Plan from a life insurance company.
Further, Participant(s) from Income Payment Plan I can switch to Income Payment Plan II and vice versa at any time.

3. Features and Mechanics of the Income Payment Plan II

When the Participant decides to start taking pension benefits, the Participant first decides whether he/she wants to take a tax free cash sum. If the Participant decides to withdraw tax free cash, the sum of cash is transferred to the respective bank account of the Participant and the balance amount will be invested according to the investor's desired risk exposure, within the prescribed allocation limits. The allocations available under the plan are:

	PPF Equity Sub- Fund	**PPF Debt Sub-Fund**	**PPF Money Market Sub-Fund**
Between 1 to 15 Years	0% to 100%	0% to 100%	0% to 100%
Payment of Pension			
MCBAH RECOMMENDED PLAN	**PPF Equity Sub- Fund**	**PPF Debt Sub-Fund**	**PPF Money Market Sub-Fund**
1-9 years	10%	35%	55%
10-12 years	5%	25%	70%
13-15 years	0%	20%	80%

For payment of current monthly pensions; the Draw Down Plan II allows the Participant(s) to choose monthly pensions, at the time of entering into the Draw Down Plan II, according to their requirements by selecting from below mentioned choices and subject to the below mentioned conditions;

CHOICES:

A. Amount of monthly Profit earned on balance amount(s) invested in Sub-Funds i-e Equity Sub-Fund and/ or Debt Sub-Fund and/ or Money Market Sub-Fund.

B. Monthly fix amount in Rupees, which may or may not include the monthly profit amount.

C. Opt for one or two Sub-funds for growth in capital and select one or two Sub-Funds for getting monthly installments through monthly profit (choice A) and may also fix monthly pensions (Choice B) or the combination thereof.

I. Income Payment Plan II shall be for a minimum of 5 years period and maximum of 15 years period time.

II. Participant(s) shall select one choice out of three choices available at the time of entering into the Income Payment Plan II.

III. Monthly fix amount shall not be more than 90% of the amount invested divide by number of months of Income Payment Plan II.

IV. Participant(s) may change allocation in Sub-Funds i-e Equity Sub-Fund and/ or Debt Sub-Fund and/ or Money Market Sub-Fund at any time at her/ his will.

4. Payment of Pension

Drawing from the Income Payment Plan II will commence after completing one month in the Plan. The payment will be made on the 25th day of every month, (or the first working day following that in the event the 25th is not a business day). MCBAH will issue the instructions to the Trustee to credit the amount to the Participants designated banker.

5. Investment Policy

Investment in sub-funds will be made in accordance with the Investment Policy prescribed by the Commission from time to time.

6. Fees and Charges

Fees and Charges will be charged in line with the provisions of the Trust Deed. The Commission may review the fees specified from time to time and any change shall also be applicable to the Income Payment Plan II.

7. Death of the participant

In case of death of a Participant before the completion of the Income Payment

Plan II, all the units of the sub-funds shall be redeemed at the net asset value notified at close of the day of intimation of death and the amount due shall be credited to his Individual Pension Account, which shall earn the applicable profit rate for such deposits.

The total amount in the Individual Pension Account of the deceased participant shall be divided among the nominated survivors according to the percentages specified in the nomination deed and each of the nominated survivor shall then have the following options, namely :-

(a) withdraw his share of the amount subject to the conditions laid down in the Income Tax Ordinance 2001 (XLIX of 2001);

(b) transfer his share of the amount into his existing or new individual pension account to be opened with the Pension Fund Manager, according to VPS Rules;

(c) use his share of the amount to purchase an annuity on his life from a Life Insurance Company, only if the age of the survivor is fifty- five years or more;

(d) use his share of the amount to purchase a deferred annuity on his life from a Life Insurance Company to commence at age fifty- five years or later.

8. Nominee

The individual participant may designate and also change the Nominee under the Income Payment Plan II. In registering a nomination, the Pension Fund Manager does not accept any responsibility as to its validity, legal effect or meaning.

9. Term of the Income Payment Plan II

There is no maximum term for the Income Payment Plan II as long as the plan terminates at or before completion of 15 years after retirement age, at which point the individual has to purchase an annuity or withdraw the funds after paying tax on them. Plan must however be of at least one complete year.

10. Transfer of Funds under Income Payment Plan II

The Participants have the options during the tenure of the Income Payment Plan II to transfer the balance to another Pension Fund Manager or life insurance company to purchase an Approved Income Payment Plan or an Approved Annuity Plan respectively. No fee will be charged to participants in case of incoming transfers into the Income Payment Plan II.

11. Winding Up

In the event of winding up of the Pakistan Pension Fund the units standing to the credit of the Participants will be dealt with in the light of VPS Rules, 2005 and Trust Deed.

12. Validity of the Terms of the Income Payment Plan II

Should there be any changes in the Income Tax Ordinance or due to any directive given by the Commission under the Voluntary Pension System Rules, 2005 in respect of the Income Payment Plan II; the Pension Fund Manager may vary the benefits and conditions as directed by the Commission. Notice in writing of any such variation shall be sent to last address of the individual(s) records by the Pension Fund Manager.

13. Approval

The Income Payment Plan II of MCB Arif Habib Savings and Investments Limited has been approved by the Commission vide letter # 09(1)SEC/SCD/PW-AHIL-01/28 dated 25th March, 2015.

However, it must be distinctly understood that such Approval or authorization neither implies official recommendation by the Commission to contribute into the Pension Fund nor does the Commission take any responsibility for the financial soundness of the Income Payment Plan II offered by MCB Arif Habib Savings and Investments Limited.

14. Risk disclosure

A. The Sub-Fund(s) target return cannot be guaranteed. The portfolio of the Sub Fund(s) is subject to market fluctuations and risk inherent in all such investments. It should be noted that the value/price of Units of the Sub-Funds can fall as well as rise.

Investment performance may be lower than the assumptions made.

The income received may be lower or higher than the amount that could have been received from an annuity, depending on the performance of investments.

As annuity rates can change substantially and rapidly, there is no guarantee that at the time of purchasing an annuity, the rates will be favourable.

The Units of Sub-Funds are not bank deposits and are neither issued by, insured by, or the obligation of the Commission, any Government agency, any of the shareholders or the Pension Fund Manager, or any other bank or financial institution.

Conversely, purchasing a life annuity at retirement is advised in the following circumstances:

The retiree expects to live longer than the average life expectancy assumed in annuity prices.

The retiree is of the view that interest rates would fall in future.

B. Income Payment Plan II avoids purchasing an annuity until the tenure of the Income Draw Down Plan II, which is fifteen years from the date of retirement or such other age which the Voluntary Pension System Rules,2005 allows from time to time , by leaving accumulated balance invested in a range of assets. Participants must recognize that all investments involve varying levels of risk. The portfolios of the Sub-Funds consist of market-based investments and are subject to market fluctuations and risks inherent in all such investments and the value of Units of the Sub-Funds can fall as well as rise. It should also be noted that future annuity rates could be lower or higher than those available today, Income Payment Plan II maintains the risk on the investor as opposed to a traditional pension annuity where the investment risk is taken on by the insurance company offering the annuity. The participants should read the Offering Document carefully to understand the investment policies, risks and tax implication and should consult legal, financial or tax adviser before opting for the Income Payment Plan II.