MCB

Bank for Life

ROSHAN PENSION PLAN

MCB Bank Limited

Frequently Asked Questions (FAQs)

1. **What is Roshan Pension Plan?**
The Roshan Pension Plan (RPP) is a voluntary pension scheme run by a Pension Fund Manager who manages the voluntary contributions made by a participant, whether employed or not, or by an employer on his behalf, based on Voluntary Pension Scheme Rules, 2005. It is a saving mechanism where an individual save from his/her current income in order to retain financial security and comfort in terms of regular income after retirement.

   RPP is a steady income given to a person (usually after retirement). RPP is a saving, or a contribution, which is collected during the working life of an RDA holder and invested for profit. After the opted retirement date, the account holder is entitled to a steady monthly income from a fund built up from the earlier savings.

2. **Who is a Participant?**
A Participant is an individual (NRVA holder) who has contributed or on behalf of whom contributions are made into the pension scheme.

3. **Who is the Pension Fund Manager?**
Pension Fund Manager means an asset management company or a life insurance company duly authorized by the Securities and Exchange Commission of Pakistan (SECP) to efficaciously manage the contributions made by or on behalf of participants in pension fund and meet such other conditions as may be prescribed from time to time by the SECP.

4. **Is RDA Investor eligible for investment in RPP?**
All Roshan Digital Account holders with NRVA having a valid CNIC/NICOP/POC and a source of income are eligible to invest in RPP.

5. **What is the minimum and maximum age limit for RPP?**
Minimum age is 18 years and Maximum age is 70 years.

6. **What is MCB RDA Roshan Pension Plan (RPP)?**
MCB RDA Roshan Pension Plan (RPP) is a voluntary pension fund registered under Voluntary Pension System Rules, 2005 and managed by MCB Arif Habib Savings and Investments Limited.

7. **About MCB Arif Habib Savings and Investments Limited.**
MCB-Arif Habib Savings and Investments Limited (“MCB-AH” or “Company”) is a Public Limited Company which is subsidiary of MCB Bank and listed on Pakistan Stock Exchange. The Company is registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005, as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. MCB-AH is a member of the Mutual Funds Association of Pakistan (MUFAP).
Pakistan Credit Rating Agency Limited (PACRA) has assigned highest Asset Manager Rating of AM1 to MCB-AH. This high quality Asset Manager Rating denotes that MCB-AH meets or exceeds the overall investment management industry best practices and highest benchmarks.
As the most experienced Asset Management Company in Pakistan, we offer a comprehensive range of investment solutions especially designed to help you achieve your financial goals. Our team manages 18 Mutual Funds, 2 voluntary pension schemes and different investments plans in its product portfolio to meet the investment needs of its growing clientele.

8. **How to contribute in RPP?**
NRVA holders can open Pension Account in MCB RDA RPP by visiting the following link: https://rda.mcbmobile.com/rda/login

9. **What is the minimum initial amount to contribute?**

Rs. 10,000/-.

In order to properly build a pension fund, one should have to first determine the amount required on a monthly basis after the time of retirement. In addition, one will have to work out how much will he/she need to set aside on a monthly basis to come with a lump sum amount large enough to create an annuity, which provides a desirable monthly income after retirement.

10. **How is NAV calculated?**

A fund's Net Asset Value (NAV) represents the value per unit at a given point of time. The NAV is equal to the market worth of assets held in the portfolio of a Fund, minus liabilities, divided by the number of units currently issued to investors.

NAV Per Unit = (Current Market Value of all the Assets – Liabilities) / Total Number of Units Outstanding

The sales and redemption price of units might be different from the NAV if there is an element of "Sales Load / Front End Load" or "Back End Load". The sale and redemption price is declared on a daily basis by the fund manager on its websites – https://www.mcbah.com/daily-funds-mobile/

11. **What are the different allocation schemes in RPP?**

An investment allocation scheme, which provides an opportunity to create a personalized retirement fund through regular contributions, with allocations adjusted according to the age & risk taking capacity of the investor.

It provides following options to the participants to select a Pension Allocation scheme according to their requirements:

	Equity Sub Fund	Debt Sub Fund	Money Market Sub Fund
Medium Volatility	50%	40%	10%
Low Volatility	25%	60%	15%
Lower Volatility	Nil	60% / 40%	40% / 60%

12. **Can I change my allocation scheme?**

Yes, at any point of time during the year.

13. **What is the sales load?**

Sales Load fee under Roshan Pension Plan is 100% waived off.

14. **What is the backend load?**

There is no Backend Load under MCB RDA Roshan Pension Plan

15. **What is the Management fee for RPP?**

Management fee is charged up to 1.5 % per annum of the net assets value of the pension fund.

16. **What is the rate of return on the funds?**

Rates of return under RPP are market driven, however, historical returns in various avenues of investment are considered for the purpose of illustrations. They can be referred from monthly Fund Manager Report (FMR) from MCBAH website https://www.mcbah.com/downloads-2-2/fund-managers-reports/

17. **What is the frequency of contribution?**

The participant can contribute any time at his/ her own convenience.

18. **What is the duration of profit? Monthly, quarterly or yearly?**

Profit will not be distributed to the participant, it will accumulate with the investment and after retirement participant can get the benefits. However, in case of early withdrawal of any amount it will be subject to deduction of applicable taxes.

19. **What is the maturity period for RPP?**

The term of the allocation scheme would depend on the age of the investor, as the allocation scheme can mature any time between 60 and 70 years or the age which he/she will be after 25 years from the date of first contribution into a VPS; whichever comes first. However, the participant is free to redeem as and when desired, with returns up to the day of redemption and payment of tax thereon (if applicable).

20. 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 (Form AHI-VPS-06) 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 in to an agreement with the Pension Fund Manager to withdraw from the remaining amount, monthly installments till the age of 75 years or earlier, according to an Income Payment Plan, 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 from the Income Payment Plan during 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.

21. Eligibility for Income Payment Plan

A Participant would be eligible to opt for an Income Payment Plan, 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 if he has already purchased an Approved Annuity Plan from a life insurance company.

22. Features and Mechanics of Income Payment Plan

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 draw tax free cash, the sum of cash is transferred to the respective bank account of the participant and the balance amount breaks down into two parts: i.e. Part-A and Part-B:

Part A: Invests in the approved PIPF Debt Sub-Fund that targets to earn at least inflation, to provide a regular and stable real income (purchasing power) every month throughout drawdown period. A portion of Part-A which will be used to pay current year monthly pensions, will be invested in the approved PIPF Money-Market Sub Fund to further reduce volatility. The portion of the Individual Pension Account to be placed in Part A will be calculated as follows:

$$\text{Part A} = \frac{\text{Accumulated Balance * (Age till Termination of IPP less retirement age)}}{\text{Years to live after retirement (Assumed as per average Life Expectancy)}}$$

For this purpose, the insurance company assumes a life-expectancy of 85 years for an individual aged 75 (willing to purchase an annuity).

Each month a payment is withdrawn from this accumulated balance (in PIPF Money Market Fund) according to the following formula:

$$\text{Pension Payment} = \frac{\text{accumulated balance at beginning of the month}}{\text{No. of drawdown payments remaining for the year}}$$

Two things are evident from this formula:

This would ensure that Part A reduces to zero by the end of the drawdown period and not before that. At end of the Drawdown period, an Approved Annuity Plan will be purchased with the balance in Part B.

Monthly Pension will not remain constant throughout, instead is expected to increase each month due to the investment income earned on money market investments.

Monthly Payments under the Income Payment Plan shall be subject to tax at the then tax rates applicable to that individual.

Part B: Invests in the approved PIPF Equity Sub-Fund and PIPF Debt Sub Fund till termination of Income Payment Plan. At the time of termination of Income Payment Plan, total balance in this Part shall be used to purchase an Approved Annuity Plan from an insurance company of the Participant's choice.

The portion of accumulated balance to be placed in Part B will be calculated as follows:

$$\text{Part B} = \frac{\text{Accumulated Balance* (Years to live after retirement less age till termination of IPP)}}{\text{Years to live after retirement (Assumed as per average life expectancy}}$$

The portion of accumulated balance Placed in Part-B will be invested in both the approved PIPF Equity Sub-Fund and PIPF Debt Sub-Fund as per the following table:

Part B — Allocation Scheme

Years to termination of Income Payment Plan are complete years to termination of Income Payment Plan at any date. So 3.1 or 2.9 years would be considered 3 years for the purpose.

Years to termination of Income Payment Plan	% of Part B invested in PIPF Equity Sub-Fund	% of Part B invested in PIPF Debt Sub-Fund
10 or more	100%	0%
9	90%	10%
8	80%	20%
7	70%	30%
6	55%	45%
5	40%	60%
4	30%	70%
3	20%	80%
2	10%	90%
1	0%	100%

This table illustrates percentages set at different durations of Income Payment Plan. However, the risk that Part B over the period invested does not rise in value as much as expected which may lead to lower real monthly annuity compared to the last withdrawn monthly pension from the Income Payment Plan.

23. Payment of Pension (Income Payment Plan)

Drawing from the Income Payment Plan 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 a closed day). MCB-AH will issue the instructions to the Trustee to credit the amount to the Participants designated banker.

24. Investment Policy

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

25. Fees and Charges (Income Payment Plan)

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.

26. Death of Participant

In case of death of a participant before the completion of the Income Payment Plan, all the units of the sub-funds in Part A and Part B to his credit 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 A count, which shall earn the applicable market rate of interest 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:

1. Withdraw his share of the amount subject to the conditions laid down in the Income Tax Ordinance 2001 (XLIX of 2001);
2. 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;
3. 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;
4. 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.

Nominee

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

27. Term of the Income Payment Plan

There is no maximum term for the Income Payment Plan as long as the plan terminates at or before age 75, 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.

28. Transfer of funds under Income Payment Plan

The Participants have the options during the tenure of the Income Payment Plan to transfer the remaining balance (Part A & Part B) 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.

29. Winding up

In the event of winding up of the Pakistan Islamic 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.

30. Validity of the Terms of the Income Payment Plan

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 in respect of the Income Payment Plan, 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 recorded by the Pension Fund Manager.

31. Approval

The Income Payment Plan of MCB-Arif Habib Savings and Investments Limited has been approved by the Commission. 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 offered by MCB-Arif Habib Savings and Investments Limited.

32. Risk disclosure

- 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 It should be noted that the value/price of Units of the Sub-Funds can fall as well as rise.
- Income drawdown will reduce the size of accumulated balance and the investment growth may not be sufficient to maintain the level of income. The level of income taken out may need to be reviewed if the balance amount becomes too small.
- 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 favorable.

- 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.

33. In case of withdrawal more than 50%, what will be the rate of tax applied?
The withdrawal of 50% at the time of Retirement age remains tax free, however, over and above amount shall be subject to payment of tax @ of participant's average tax rate of the preceding three tax years.
However, in case the investor was not required to file Return {as in case of Non-Resident having no Pakistan Source Income (PSI) in last three tax years}, we would be writing a notice electronically to the Commissioner stating the particulars of the investor (along with the details of withdrawal from the VPS and the reason for which the investor was not required to file return) for seeking advice with respect to payment to be made to Non-Resident person.

34. Is it mandatory to withdraw 50% at the time of Retirement?
Not necessarily. The entire amount can be shifted for Income Payment Plan or 50% tax free can be withdrawn.

35. What happened if participant withdraws/ redeems his/ her fund before retirement?
A participant at any time before retirement shall be entitled to redeem the total or part of his/her accumulation subject to payment of tax on full amount withdrawn @ of his/her average tax rate of the preceding three tax years.
However, in case the investor was not required to file Return {as in case of Non-Resident having no Pakistan Source Income (PSI) in last three tax years}, we would be writing a notice electronically to the Commissioner stating the particulars of the investor (along with the details of withdrawal from the VPS and the reason for which the investor was not required to file return) for seeking advice with respect to payment to be made to Non-Resident person.

36. How Pension Funds are different from other open-end mutual funds?
Pension funds are similar to other open-end funds in terms of their returns. However, they are regulated under VPS rules while Open end funds are regulated under NBFC regulations 2008. Tax Credit is available in VPS Investment as per Section 63 of ITO 2001, for individuals who also have some source of income in Pakistan.

37. Will Zakat be deducted at source under RPP?
State Bank of Pakistan (SBP) has clarified that MCB Roshan Digital Accounts are not subject to compulsory deduction of Zakat as per rule 24-A of the Zakat Collection & Refund Rules, 1981.

38. Can the participant get physical unit certificate?
No.

39. How frequently will the statement of accounts be sent to the participants?
E-statement is sent on each transaction and on monthly basis. However, participant can request MCBAH for e-statement.

40. Can the participant transfer the fund to any other pension fund manager?
Yes

41. Can participant change his retirement age?
Retirement age can be changed, on written request for maximum up to the age of 70 years.

42. Can an investor open another – Pension Account after claiming retirement?
Yes, there is no restriction in VPS Rules, 2005. The Participant after retirement can open another pension account with the same Pension Fund manager or with any other Pension Fund Manager subject to that participant's age is lesser than 70 years.