

# **PUNJAB CONTRIBUTION SCHEME (DCPS)**

# **DEFINED PENSION**

**Reference Guide for Government of  
Punjab Officials**

## Glossary of Key Terms

- **Asset allocation:** The way pension savings are divided among different investment classes, such as equity, debt, and money market instruments.
- **Default asset allocation:** The investment allocation applied when an employee does not make an active investment choice.
- **Pensionable pay:** The portion of pay on which pension contributions are calculated, as defined in the Rules.
- **Portability:** The ability to retain and continue a pension account after leaving government service or changing employment.
- **Pension Fund Manager (PFM):** An SECP-licensed entity responsible for managing pension accounts and investing pension assets.
- **Unit price:** The value of one unit of a pension fund, used to credit contributions and calculate account balances.
- **Total Expense Ratio (TER):** The annual cost charged to a pension fund as a percentage of its assets.

## 1. Introduction and Purpose

This guide is written for officers of the Government of Punjab and the Punjab Pension Fund (PPF) who are responsible for implementing, operating, supervising, or overseeing the Punjab Defined Contribution Pension Scheme (DCPS).

It is **not meant for employees covered under the Scheme**. Separate, simplified material should be used for that purpose.

The guide aims to:

- Explain how the DCPS works in clear and simple terms
- Clarify who is responsible for what
- Describe key processes step by step
- Highlight important rules, controls, and risks
- Serve as a practical reference for daily work and training.

This guide must be read together with:

- Punjab DCPS Rules, 2025
- Voluntary Pension System (VPS) Rules, 2005 (as amended)
- NBFC & Notified Entities Regulations
- Pension Fund Manager (PFM) Agreements

If there is any difference between this guide and the law or rules, **the law and rules always prevail**.

## 2. Overview of the Punjab DCPS

### 2.1. Scheme design and scope

The Punjab Defined Contribution Pension Scheme (DCPS) covers Punjab provincial civil servants who are **appointed or regularised on or after 8 January 2024**.

Under this scheme, the Government of Punjab **does not promise a fixed pension amount after retirement**. Instead, the government pays a **monthly pension contribution**, calculated on the employee's running basic pay, into an **individual pension account** opened in the employee's name.

Each employee therefore has:

- Their own pension account
- Contributions credited every month during service
- Savings that grow over time through investment

The pension benefit at retirement depends on:

- How much was contributed over the employee's career, and
- How those contributions performed when invested

DCPS is a **funded system**. This means money is set aside and invested during service, rather than pensions being paid later from future government budgets.

### 2.2. Why Punjab Moved Away from the Old Pension System

Before DCPS, Punjab followed a **Defined Benefit (DB)** pension system.

Under the DB system:

- The government promised a pension based on years of service and salary
- Pension payments were made after retirement
- Payments came directly from government budgets
- No individual pension accounts existed

This system worked on a **pay-as-you-go basis**. Current pensions were paid from current revenues, not from money saved earlier.

Over time, this created serious problems:



- Pension costs kept growing
- The true cost of pension was not visible until employees retired
- Large future obligations / liabilities were created without a pool of funds to back them

DCPS changes this approach.

Under DCPS:

- The government's responsibility is limited to making monthly contributions during service
- Pension savings are built up gradually
- Retirement income is paid from these accumulated savings

In the DB system, all financial and longevity risks were borne by the government and future taxpayers. Employees did not worry about contributions or investments and focused only on the final pension amount.

In DCPS, **risk and responsibility are shared more transparently**. The government pays fixed contributions, and employees' retirement outcomes depend on lifetime savings and investment performance. A detailed comparison between DCPS and DB Scheme is provided at Annex – A.

### 3. Legal and Regulatory Framework

Punjab DCPS operates within Pakistan’s national pension regulatory system. It is not a standalone or provincial invention. Instead, it applies an existing federal pension framework to Punjab government employees, with additional provincial administrative rules and contractual arrangements.

The scheme is governed through four interlinked legal and contractual layers, each with a specific role. These layers must be understood in order of legal authority, because compliance with higher-level rules is mandatory and cannot be overridden by provincial decisions.

#### 3.1. Voluntary Pension System (VPS) Rules, 2005

The Voluntary Pension System (VPS) Rules are federal rules issued by the Securities and Exchange Commission of Pakistan (SECP). They form the basic legal framework for all defined contribution pension schemes in Pakistan, including employer pension schemes like the Punjab DCPS.

These rules do two things:

- a) They set mandatory rules that everyone must follow, and
- b) They allow employers some limited choices, as long as those choices stay within the rules.

In simple terms, the VPS Rules provide the overall structure of the pension system.

- **Individual pension accounts**

Every employee must have an individual pension account with a unique account number. This account belongs to the employee. All contributions and investment returns credited to the account are the employee’s property. These savings are protected by law and cannot be taken or used for other purposes.

- **Pension funds and investment options**

Pension savings must be invested through regulated pension funds that are divided into approved categories, such as equity, debt, and money market funds. The value of each account changes based on how these investments perform.



- **Contributions and what employers can decide**

The VPS Rules allow both employers and employees to make contributions.

Within this framework, **employers can decide:**

- How much the employer will contribute
- Whether employees will also contribute, and at what rate
- How contributions will be collected and transferred
- All contribution arrangements must be clearly defined and applied equally to all covered employees.

- **Investment rules and employer choices**

The VPS Rules set clear limits on how pension money can be invested to manage risk. **Within these limits**, employers can:

- Decide how pension savings are spread across approved investment categories
- Set a default investment option for employees who do not make an active choice
- Employers cannot invest outside the limits set by the VPS Rules.

- **Choice of Pension Fund Managers**

The VPS Rules allow employers to choose one or more Pension Fund Managers from among those licensed by SECP. Employers can also decide how employees choose among the appointed managers, following the switching rules set by VPS.

- **Information and reporting**

Pension Fund Managers must regularly inform employees about their accounts and report to SECP. Employers may ask for additional reports to help monitor the scheme, as long as this does not conflict with VPS requirements.

- **Employee rights that cannot be changed**

No matter what choices the employer makes, the VPS Rules protect certain employee rights. These include:



- The right to see account information
- The right to switch Pension Fund Managers
- The right to transfer the pension account when leaving employment
- **Retirement, withdrawal, and death benefits**

The VPS Rules define when and how pension savings can be withdrawn, how retirement income is paid, and how savings are handled in case of death or disability. Employers must follow these rules and cannot change them.

In short, the VPS Rules set the **outer boundaries** of the pension system. Employers can make choices **inside those boundaries**, but they cannot go beyond them.

### **3.2. Non-Banking Finance Companies & Notified Entities Regulations, 2008**

The Non-Banking Finance Companies and Notified Entities (NBFC&NE) Regulations, 2008, are federal regulations issued by the Securities and Exchange Commission of Pakistan (SECP). These regulations apply to Pension Fund Managers (PFMs), which are the institutions that manage and invest pension money.

While the VPS Rules explain **how the pension scheme works**, the NBFC&NE Regulations explain **who is allowed to manage pension funds and under what conditions**.

In simple terms, these rules are meant to ensure that only **strong, well-governed, and closely supervised institutions** are allowed to handle pension savings.

- **Who can act as a Pension Fund Manager**

Only institutions that are licensed by SECP can act as Pension Fund Managers. Before giving a licence, SECP checks the institution's financial strength, ownership, management, and systems. PFMs remain under SECP supervision throughout their operations.

- **Financial strength of PFMs**

PFMs must maintain minimum capital and financial resources. This ensures that they can absorb losses from operational problems and continue operating even



in difficult conditions. A financially weak institution is not allowed to manage pension money.

- **Governance and management controls**

PFMs must have proper boards and senior management. Directors and key officers must meet SECP's "fit and proper" standards. PFMs must also manage conflicts of interest and ensure that decisions are taken in the best interest of pension fund members.

- **Risk management and internal controls**

PFMs are required to maintain systems to manage different types of risks, such as operational risk, investment risk, and compliance risk. They must have internal controls and audit arrangements to detect and correct errors or misuse.

- **Separation and protection of pension assets**

Pension money must be kept separate from the PFM's own funds and from the employer's funds. Pension assets cannot be used to pay the PFM's expenses, debts, or losses. This is a key protection for members.

- **Custody of pension assets**

Pension assets must be held by approved custodians. This adds an extra layer of protection, as the institution managing the investments does not physically hold the assets.

- **Record-keeping and transparency**

PFMs must keep accurate and up-to-date records of all pension transactions and holdings. These records must be available for inspection by SECP and other authorised parties.

- **Reporting and supervision**

PFMs must submit regular financial and operational reports to SECP. SECP has the power to inspect PFMs, issue directions, impose penalties, restrict activities, or cancel licences if rules are violated.

- **Anti-money laundering and legal compliance**

PFMs must comply with anti-money laundering and counter-terrorist financing

laws. They must carry out basic checks, monitor transactions, and report suspicious activity, even though pension members are government employees.

In short, the NBFC&NE Regulations ensure that pension money is managed only by institutions that are licensed, financially sound, well-governed, and closely supervised.

### **3.3. Punjab Defined Contribution Pension Scheme (DCPS) Rules, 2025**

The Punjab DCPS Rules, 2025 are **provincial rules** issued by the Government of Punjab. Their purpose is not to create a new pension system, but to **apply the federal Voluntary Pension System framework to Punjab government employees** and to set out how the scheme will operate within the provincial administrative and payroll structure.

In simple terms:

- The **VPS Rules define what is legally allowed,**
- The **NBFC Regulations define who can manage pension money,** and
- The **Punjab DCPS Rules define how the scheme is implemented for Punjab employees.**

These Rules deal mainly with **eligibility, contributions, payroll processes, administrative responsibilities, and investment defaults.**

- **Coverage and eligibility**

The scheme applies to Punjab provincial civil servants who are appointed or regularised on or after 8 January 2024. It does not apply to any person who was already appointed as a government servant before 8 January 2024 and was subsequently inducted into a provincial service through proper channel after that date. Employees who were already holding pensionable posts before 8 January 2024 continue to be governed by the Defined Benefit Pension Scheme.

- **Nature of the Scheme**

The Rules formally establish the Punjab DCPS as a Defined Contribution Pension Scheme operating within the Voluntary Pension System.

This means:



- The Government of Punjab **does not promise a pension amount** at retirement.
- The government's obligation is limited to paying the prescribed **employer contribution during service**.
- Retirement benefits are paid from **accumulated savings in individual pension accounts**.

There are **no vesting conditions** under the DCPS. Contributions belong to the employee from the date of enrolment, regardless of length of service.

- **Contribution structure**

The Rules clearly set out the contribution rates and the basis for calculation.

- **Employee contribution:** 10 percent of pensionable pay
- **Employer contribution:** 12 percent of pensionable pay

Pensionable pay is defined as **basic pay only**. Allowances and other salary components are excluded.

Employee contributions are deducted from salary each month. Employer contributions are paid in addition to salary and are not recoverable from the employee.

- **Payroll deduction and transfer process**

The Rules place strong emphasis on timely and accurate payroll processing.

They require that:

- Employee contributions are deducted at source through payroll.
- Employer contributions are calculated at the same time.
- Both contributions are transferred **monthly** into the employee's individual pension account at the time of payroll.

- **Individual pension accounts**

Under the Rules:

- Each covered employee must have an individual pension account managed by a Pension Fund Manager under VPS Rules.



- Contributions are credited to this account every month.
- The account is portable and remains with the employee even if they leave service.

The Punjab DCPS Rules rely on the VPS framework for:

- Account ownership
  - Switching Pension Fund Managers
  - Transfers and withdrawals
- **Investment choices and default allocation<sup>1</sup>**

The Rules recognise that not all employees will actively choose investments.

They therefore provide for both **choice and protection**.

Employees may:

- Choose between conventional and **Shariah-compliant pension funds**,  
and
- Select an **asset allocation within permitted limits**.

Where an employee does not make an active choice, a **default asset allocation** applies.

The default allocation:

- Is designed to balance growth and risk
- Allows higher exposure to higher-risk assets at younger ages
- Gradually reduces exposure to higher-risk assets as the employee approaches retirement

- **Maximum exposure limits**

To protect members from excessive risk, the Rules prescribe **maximum exposure limits**, particularly for equity and other higher-risk investments. These limits:

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<sup>1</sup> **Asset allocation** refers to how pension savings are divided among different types of investment classes, such as equity (shares), debt (bonds), and money market instruments.



- Apply at the aggregate level across sub-funds
- Are age-based, with lower risk tolerance as retirement approaches
- Must be followed by Pension Fund Managers at all times
- These limits operate in addition to the prudential limits set under VPS Rules.

- **Role of the Finance Department under the Punjab DCPS Rules, 2025**

Under the Punjab DCPS Rules, 2025, the Finance Department is responsible for:

- Ensuring the deduction of employee contribution, at source, at the time of payment of salary to each employee through the Accountant General Punjab
- Releasing employer contribution funds in a timely manner, without exception, in accordance with the Rules.
- Entering into Pension Fund Manager Agreements with eligible Pension Fund Managers for the operation of the scheme.
- Notifying and maintaining the list of Eligible Pension Fund Managers, as required under the Rules.

The Rules do not assign the Finance Department responsibility for managing or investing pension assets or for maintaining individual pension accounts.

- **Role of the Accountant General Punjab:**

Under the Punjab DCPS Rules, the Accountant General Punjab is responsible for:

- Deduction of employee contributions
- Release of employer contributions
- Accurate accounting and reporting
- Timely transfer of contributions to Pension Fund Managers through automated systems



Delays in transfer are not permitted. Where delays occur, responsibility for **loss of potential investment income** arises in accordance with the Rules.

- **Employees not drawing salary from the Accountant General Punjab**

While salaries for most employees are processed through the Accountant General Punjab, the Punjab DCPS Rules also cover employees **whose salaries are not drawn through the AG Punjab**.

For such employees:

- The concerned administrative department's **Drawing and Disbursing Officer** is responsible for ensuring the deduction of employee contributions and the payment of employer contributions at the prescribed rates.
- These contributions must be **transferred to the employee's pension account in the same manner and within the same timelines** as contributions processed through AG Punjab.
- Delays in transfer are **not permitted**, and responsibility for loss of potential investment income applies in accordance with the Rules.

- **Role of the Punjab Pension Fund (PPF)**

The Rules assign a central operational role to the Punjab Pension Fund (PPF). PPF is responsible for:

- Operating and maintaining the DCPS online portal
- Facilitating enrolment and account opening
- Acting as an intermediary between employees, AG Punjab, and PFMs
- Monitoring contributions, accounts, and reports
- Coordinating switching of PFMs and portability
- Developing training and guidance materials

**PPF does not manage or invest pension assets.** Investment decisions remain with PFMs under SECP regulation.



- **Administrative responsibilities of departments**

Administrative and line departments are required to:

- Identify eligible employees
- Verify service and payroll information
- Ensure correct coding in payroll systems
- Support timely enrolment and contribution transfers

Failure at the departmental level can delay account opening and contribution crediting, which directly affects employees' pension savings.

- **Retirement and withdrawals**

No withdrawal of any kind is permitted from the pension account while the employee remains in government service.

At retirement:

- Up to 25 percent of accumulated savings may be withdrawn as a lump sum.
- The remaining balance must stay within the pension system for regular income payments.

- **Early separation from service and treatment of the pension account**

Under the Punjab DCPS Rules, an employee may leave government service before retirement. In such cases:

- The employee is required to notify the Punjab Pension Fund (PPF) of the separation from service.
- Upon separation, the employee may exit from the DCPS i.e. pension account may be transferred or withdrawn, subject to income tax law and VPS Rules, or
- The employee may choose to retain the pension account within the scheme

Where the employee retains the pension account within the scheme:



- **No further contributions** are made to the pension account by either the employee or the employer (Government) after separation.
- The existing balance in the pension account remains invested in accordance with applicable rules.

The treatment of withdrawals or transfers is governed by the VPS Rules and applicable tax laws.

### **3.4. Pension Fund Manager (PFM) Agreements**

The Pension Fund Manager (PFM) Agreement is a **binding contract** between the Government of Punjab, through the Finance Department, and an SECP-licensed Pension Fund Manager. The Agreement appoints the PFM to **establish, manage, and operate pension funds** for Punjab government employees in accordance with the **VPS Rules, NBFC Regulations, and the Punjab DCPS Rules**.

The Agreement gives **contractual effect** to the regulatory framework and sets out detailed operational obligations.

#### **Key provisions of the Agreement**

- **Appointment and status**

The PFM is appointed as an **independent service provider** and acts as a **fiduciary** for scheme members. It is not an agent of the Government of Punjab.

- **Establishment of pension funds**

The PFM is required to establish and manage **separate employer pension funds** for Punjab DCPS, including both conventional and Shariah-compliant funds, comprising approved sub-funds such as money market, debt, equity index, and equity sub-funds. The PFM must invest the prescribed seed capital in each sub-fund.

- **Pension accounts and contribution handling**

The PFM must allot a **unique pension account number** to each employee and ensure **electronic, automated crediting of contributions** directly into individual pension accounts.



- **Investment management and benchmarks**

Pension assets must be invested strictly within the limits prescribed under the Punjab DCPS Rules and applicable regulations. The PFM must follow approved asset allocation parameters and measure performance against agreed benchmarks approved by the Finance Department and Punjab Pension Fund.

- **Coordination and reporting**

The Agreement requires the PFM to coordinate with the **Punjab Pension Fund (PPF)**, integrate IT systems with the PPF portal, nominate a focal person, and provide periodic reports covering accounts, contributions, fund performance, withdrawals, and claims.

- **Insurance coverage**

The PFM is required to provide **group life and permanent total disability insurance** to covered employees, in accordance with the benefits and limits specified in the Agreement appendices.

- **Fees and expenses**

The Agreement specifies allowable fees and Total Expense Ratio (TER) limits. No sales load or transaction charges may be deducted, and TERs charged to Punjab Government employees may not exceed those charged to other government pension schemes managed by the PFM.

- **Termination and transition**

The Agreement sets out termination conditions and requires the PFM to **continue managing pension funds during transition** and complete transfer of accounts and assets to another PFM within the specified period.

- **Legal hierarchy**

In case of conflict, the VPS Rules, NBFC Regulations, and Punjab DCPS Rules prevail over the Agreement.

#### **4. Roles and Responsibilities of Key Stakeholders**

The Punjab DCPS operates through a **clear division of responsibilities** among provincial institutions and regulated private entities. Each institution has a defined role, and the scheme functions properly only when these roles are performed in sequence and without delay.

At a high level:

- The **Government of Punjab**, as employer, is responsible for policy decisions, budgeting, and release of employer contributions.
- The **Finance Department** issues the DCPS Rules, ensures budgetary allocations, releases employer contributions, and contracts Pension Fund Managers.
- **Administrative Departments** identify covered employees and ensure correct payroll and service data.
- The **Accountant General Punjab (AG Punjab)** handles payroll deductions, accounting, and transfer of contributions for employees drawing salary through AG Punjab.
- The **Punjab Pension Fund (PPF)** acts as the coordinating and facilitation body, operating the DCPS portal and linking government systems with Pension Fund Managers.
- **Pension Fund Managers (PFMs)** manage individual pension accounts and invest pension assets under SECP regulation.

Money flows **from government payroll to individual pension accounts**. Data flows **from departments and AG Punjab to PPF and PFMs**. Investment decisions and account management are handled **only by PFMs**, not by any government office.

For a consolidated view of institutional responsibilities and accountability under DCPS, see **Annex B – Responsibility Matrix**.

## 5. Operating Framework of the Punjab DCPS

This section explains how the Punjab DCPS operates in practice, from the point an employee is appointed to the point pension savings are credited, invested, monitored, and eventually paid out. It is written for officers responsible for implementation, payroll, accounting, and oversight. It ensures that pension accounts are opened on time, contributions are invested without delay, responsibilities are clear, and employees' retirement savings are protected at every stage.

### Stage 1: Appointment of a DCPS-covered employee

When an administrative department appoints a new employee who falls under the Punjab DCPS, the department has specific responsibilities at the time of appointment.

- The **appointment letter must explicitly state** that the employee is being appointed under the **Defined Contribution Pension Scheme (DCPS)**.
- The appointment letter must clearly indicate that:
  - The employee will not be covered under the old pension system; and
  - The employee is required to open an individual pension account under the DCPS.

This step is critical because pension coverage is determined at the time of appointment and cannot be corrected later through payroll adjustments.

### Stage 2: Opening of pension account by the employee

After appointment, the employee is required to **open an individual pension account** under the Punjab DCPS.

- The pension account is opened **by the employee**, with facilitation and guidance provided by the **Punjab Pension Fund (PPF)**.
- The employee selects:
  - A Pension Fund Manager from among the eligible PFMs; and
  - An investment option (conventional or Shariah-compliant), and an asset allocation within permitted limits.

If the employee does not actively make an investment choice, a **default asset allocation** applies.

The pension account is assigned a **unique account number**, which remains linked to the employee throughout service and beyond. If the employee switches to another Pension Fund Manager, the pension account is transferred in accordance with the Rules, and a new account number may be issued by the new Pension Fund Manager.

### **Stage 3: Submission of employee information to AG Punjab (FORM-01)**

Once the pension account has been opened:

- The administrative department completes FORM-01 for the employee.
- FORM-01 includes confirmation of DCPS coverage and pension account details.
- The form is submitted to the Accountant General Punjab for payroll and accounting purposes.

Accurate and timely submission of FORM-01 is essential to enable correct deduction and transfer of contributions.

### **Stage 4: Payroll coding and verification**

Before salary processing begins:

- The employee is correctly coded as a DCPS member in the payroll system.
- Basic pay is verified and recorded correctly, as contributions are calculated on basic pay only.
- Pension account details are mapped to the payroll system.

Errors at this stage can result in incorrect deductions or delays in investment.

### **Stage 5: Calculation of pension contributions (monthly)**

On a **monthly basis**, pension contributions are calculated for each DCPS-covered employee:

- The employee contribution is calculated at the prescribed percentage of basic pay.
- The employer contribution is calculated at the prescribed rate on the same basic pay.

### **Stage 6: Deduction and release of contributions (monthly)**

During monthly payroll processing:

- The employee contribution is deducted directly from salary.
- The employer contribution is released from government funds.

For employees drawing salary through AG Punjab, this process is handled by AG Punjab. For employees not drawing salary through AG Punjab, the concerned department's Drawing and Disbursing Officer performs this function.

### **Stage 7: Transfer of contributions to Pension Fund Managers (monthly)**

After payroll processing:

- Employee and employer contributions are transferred together to the selected Pension Fund Manager through automated systems.
- Funds must not be retained or delayed at any stage.

Delays are not permitted. Where delays occur, responsibility for loss of potential investment income arises in accordance with the Rules.

### **Stage 8: Receipt and verification by Pension Fund Managers**

Upon receipt of contributions, the Pension Fund Manager:

- Verifies the funds and contribution data;
- Confirms receipt to the Punjab Pension Fund; and
- Flags any mismatch or missing information immediately.

### **Stage 9: Crediting and investment of pension savings**

Once verification is complete:

- Contributions are credited to the employee's individual pension account.
- Pension units are allocated at the applicable unit price.
- Funds are invested according to the employee's chosen or default asset allocation.

### **Stage 10: Reconciliation, monitoring, and reporting (ongoing)**

On an ongoing basis:



- The Punjab Pension Fund monitors contribution flows, account balances, and reports.
- Pension Fund Managers generate account statements and performance reports.
- AG Punjab and departments support reconciliation where discrepancies arise.

### **Stage 11: Changes during service (as required)**

During service, employees may:

- Update personal or nominee information;
- Change investment allocation within permitted limits;
- Switch Pension Fund Managers, in accordance with the Rules.

No withdrawals are permitted while the employee remains in service.

### **Stage 12: Separation, retirement, or death**

When an employee leaves service, retires, or dies:

- The event is notified to the Punjab Pension Fund.
- Contributions stop.
- The pension account is treated in accordance with the employee's choice and applicable rules.

At retirement:

- Up to 25 percent of accumulated savings may be withdrawn as a lump sum.
- The remaining balance must remain within the pension system for regular retirement income.

## 6. Controls, Exceptions, and Accountability under the Punjab DCPS

This section explains the **key control points**, **common exceptions**, and **accountability arrangements** under the Punjab DCPS. It is intended to help officers identify problems early, respond correctly, and ensure that responsibilities are clear when processes do not operate as intended.

### 6.1. Key control points in the DCPS process

Certain stages of the DCPS operating framework require close monitoring because failures at these points directly affect employees' pension savings.

The most critical control points are:

- **Appointment and coverage identification**  
Ensuring that only eligible employees are brought under DCPS and that appointment letters clearly state DCPS coverage.
- **Timely opening of pension accounts**  
Ensuring that pension accounts are opened promptly after appointment, with correct Pension Fund Manager and account details.
- **Submission of FORM-01**  
Ensuring that FORM-01 is completed accurately and submitted to AG Punjab without delay.
- **Correct payroll coding**  
Ensuring that employees are correctly coded as DCPS members and that basic pay is recorded accurately.
- **Monthly deduction and release of contributions**  
Ensuring that employee contributions are deducted and employer contributions are released every month at the prescribed rates.
- **Timely transfer of contributions**  
Ensuring that both contributions are transferred to Pension Fund Managers without delay.



- **Crediting of individual pension accounts**

Ensuring that contributions received by PFM's are credited and invested promptly.

## **6.2. Common exceptions and how they should be handled**

The following are common issues that may arise during implementation and how they should be addressed.

### **Delay in opening pension account**

- Detected by: Punjab Pension Fund
- Action: Follow up with the employee and administrative department to complete account opening
- Accountability: Administrative department and PPF

### **Late or missing FORM-01**

- Detected by: AG Punjab or PPF
- Action: Immediate follow-up with the concerned department
- Accountability: Administrative department

### **Incorrect payroll coding**

- Detected by: AG Punjab or PPF during reconciliation
- Action: Correct coding and adjust subsequent deductions
- Accountability: Administrative department and AG Punjab

### **Delay in transfer of contributions**

- Detected by: PPF or PFM
- Action: Immediate escalation and release of funds
- Accountability: As provided under the Rules, responsibility for loss of potential investment income arises

### **Mismatch between payroll and pension records**

- Detected by: PPF or PFM



- Action: Reconciliation and correction in coordination with AG Punjab and departments
- Accountability: Entity responsible for the error

### **6.3. Accountability and escalation**

When an exception occurs:

- The **Punjab Pension Fund** acts as the central coordination point.
- Issues relating to payroll, deductions, or release of funds are escalated to **AG Punjab or the concerned department.**
- Issues relating to pension accounts or investments are escalated to the **Pension Fund Manager.**
- Where required, matters may be referred to the **Finance Department** for resolution in accordance with the Rules.

All exceptions, actions taken, and resolutions should be **documented.**

### **6.4. Consequences under the Rules**

The Punjab DCPS Rules clearly provide that:

- Delays in contribution transfers are **not permitted.**
- Where delays occur, **responsibility for loss of potential investment income arises** in accordance with the Rules.
- Repeated or systemic failures may require review and corrective action.

This section is not punitive in nature. Its purpose is to ensure timely correction, protect employees' pension savings, and maintain confidence in the scheme.

## 7. Operational Checklists

This section provides practical checklists to support consistent implementation of the Punjab DCPS across departments and offices. These tools are designed to help officers ensure that required steps are completed on time and in the correct sequence.

### **Checklist 1: Appointment of a DCPS-Covered Employee**

*(For Administrative Departments)*

Before issuing the appointment letter:

- Confirm that the employee falls under DCPS based on date of appointment or regularisation.
- Confirm that the post is pensionable under DCPS.

At the time of issuing the appointment letter:

- Include a clear clause stating that the employee is appointed under the Defined Contribution Pension Scheme (DCPS).
- Include a brief statement explaining:
  - That the employee must open an individual pension account; and
  - That pension contributions will be made to that account in accordance with the Rules.

Immediately after appointment:

- Inform the employee about the need to open a pension account with support from the Punjab Pension Fund.
- Initiate internal processing for FORM-01.

### **Checklist 2: Pension Account Opening**

*(For Employees, with support from Punjab Pension Fund)*

- Select an eligible Pension Fund Manager.
- Select conventional or Shariah-compliant fund option.
- Select an asset allocation within permitted limits (or accept default allocation).
- Ensure receipt of pension account number.



- Confirm that account details are communicated to the administrative department.

### **Checklist 3: FORM-01 Submission and Payroll Setup**

*(For Administrative Departments and AG Punjab)*

- Ensure pension account has been opened.
- Complete FORM-01 accurately, including:
  - Employee identification details
  - Confirmation of DCPS coverage
  - Pension account and PFM details
- Submit FORM-01 to AG Punjab without delay.
- Confirm that employee is correctly coded as a DCPS member in payroll.
- Verify basic pay for contribution calculation.

### **Checklist 4: Monthly Payroll and Contribution Processing**

*(For AG Punjab / Drawing Authorities)*

Each month, confirm that:

- Employee contribution has been correctly deducted from salary.
- Employer contribution has been calculated at the prescribed rate.
- Employer contribution has been released from government funds.
- Both contributions are transferred to the correct Pension Fund Manager.
- Transfers are completed **without delay**.

For employees not drawing salary through AG Punjab:

- Confirm that the concerned department or drawing authority has completed the same steps.

### **Checklist 5: Contribution Transfer and Account Credit**

*(For Punjab Pension Fund and PFMs)*

- Confirm receipt of employee and employer contributions.



- Verify contribution data against payroll information.
- Credit contributions to individual pension accounts.
- Allocate pension units at applicable unit price.
- Invest funds according to chosen or default asset allocation.
- Flag and resolve any mismatches immediately.

### **Checklist 6: Changes During Service**

*(For Punjab Pension Fund)*

When an employee requests a change:

- Verify eligibility for the requested change.
- Process requests for:
  - Change in asset allocation
  - Switching Pension Fund Manager
  - Update of nominee or personal details
- Ensure changes are implemented within prescribed timelines.
- Confirm completion to the employee.

### **Checklist 7: Separation, Retirement, or Death**

*(For Departments, AG Punjab, and PPF)*

On separation from service:

- Ensure the employee notifies the Punjab Pension Fund.
- Stop further payroll deductions and employer contributions.
- Confirm pension account status and employee's choice to retain or exit.

At retirement:

- Confirm retirement date.
- Process withdrawal of up to 25 percent lump sum, if opted.
- Ensure remaining balance stays within the pension system.

In case of death:



**Punjab Pension Fund**  
Government of The Punjab



- Notify Punjab Pension Fund immediately.
- Coordinate with Pension Fund Manager for insurance and pension benefits.

## 8. How to Use This Reference Guide

This reference guide is designed to support **day-to-day implementation, supervision, and oversight** of the Punjab Defined Contribution Pension Scheme (DCPS). It is not intended to be read cover to cover every time. Different users should refer to different sections depending on their role and task.

- **Administrative Departments** should focus on sections relating to eligibility, appointment procedures, account opening, FORM-01 submission, and checklists for onboarding and separation.
- **Accountant General Punjab and Drawing and Disbursing Officers** should refer to sections on payroll processing, contribution deduction, fund transfers, reconciliation, and control points.
- **Punjab Pension Fund (PPF)** should use the sections on operating framework, coordination with PFMs, monitoring, reconciliation, grievance handling, and reporting.
- **Finance Department officers** should refer to sections on legal framework, government responsibilities, budgeting, employer contributions, and PFM Agreements.

For specific situations:

- **At appointment:** Refer to the operating framework stages on appointment, account opening, and FORM-01.
- **During payroll processing:** Refer to contribution calculation, deduction, and transfer stages.
- **In case of delays or errors:** Refer to the Controls, Exceptions, and Accountability section.

This guide should be used as the **primary operational reference** for DCPS unless superseded by an amendment to the Rules.

## 9. Common Misunderstandings to Avoid

The following clarifications address issues that commonly arise during implementation:

- DCPS is **not a savings account** from which withdrawals can be made during service. No withdrawal is permitted while an employee remains in government service.
- Employer contributions under DCPS are **mandatory**, not discretionary, and must be released every month.
- Pension accounts are **invested accounts**, not holding accounts. Delays in transfer directly affect investment outcomes.
- Switching a Pension Fund Manager **does not reset service or savings**. Existing pension savings are transferred in accordance with the Rules.
- Retaining a pension account after separation from service **does not mean contributions will continue**. Contributions stop when service ends.
- The Government of Punjab **does not guarantee any minimum rate of return** under DCPS. Retirement outcomes depend on contributions and investment performance.

Clear understanding of these points is essential to avoid incorrect expectations and disputes.

## 10. Data Accuracy, Corrections, and Record Integrity

Accurate data is critical to the integrity of the DCPS.

- All employee, payroll, and pension account data must be **accurate at source**.
- Errors should be corrected **prospectively** as soon as they are identified.
- Manual or backdated adjustments should be avoided and used only where absolutely necessary.
- Any correction must be:
  - Properly documented



- Traceable to its source
- Supported by records and approvals

## **11. Training and Capacity Building**

Effective implementation of DCPS requires continuous capacity building.

- **Induction training** should be provided to officers newly assigned to DCPS-related roles.
- **Refresher training** should be conducted when there are changes to rules, systems, or procedures.
- This reference guide should be used as the **standard training and reference document**.
- The **Punjab Pension Fund** is responsible for coordinating training activities and supporting departments and offices in understanding operational requirements.

Training is an ongoing requirement and **not a one-time activity**.

## Annex - A

### A.1 Detailed comparison of DB Scheme and DCPS

This annex provides a side-by-side comparison of the traditional Defined Benefit (DB / PAYG) pension system and the Punjab Defined Contribution Pension Scheme (DCPS). It is intended as a reference for officers to understand the fundamental differences between the two systems.

<b>Aspect</b>	<b>Defined Benefit (DB / PAYG) Pension System</b>	<b>Defined Contribution Pension Scheme (DCPS)</b>
<b>What the government promises</b>	The government promises a pension amount based on years of service and salary.	The government promises to pay a fixed monthly contribution into a pension account during service, not a fixed pension amount.
<b>What determines retirement income</b>	The pension amount is fixed by formula and future policy decisions.	Retirement income depends on total contributions and investment performance over time.
<b>Who bears the financial risk</b>	The government and future taxpayers bear financial, longevity, and demographic risks.	Risk is shared: the government bears contribution risk, while the employee bears investment and outcome risk.
<b>Government liability</b>	Pension payments are made from future budgets, creating open-ended obligations.	Government liability is limited to paying employer contributions during service.
<b>Employee contribution</b>	No employee contribution is required.	The employee contributes a defined percentage of pensionable pay.
<b>Existence of individual pension accounts</b>	There are no individual pension accounts or accumulated assets linked to employees.	Each employee has an individual pension account in their own name.
<b>Ownership of pension savings</b>	Employees do not own pension assets; benefits arise only	Pension savings belong to the employee from the date of enrolment.

<b>Aspect</b>	<b>Defined Benefit (DB / PAYG) Pension System</b>	<b>Defined Contribution Pension Scheme (DCPS)</b>
	through future government payments.	
<b>Vesting and eligibility</b>	Pension eligibility depends on completing a minimum period of qualifying service; leaving early may result in loss of benefits.	There are no vesting conditions; contributions remain with the employee regardless of length of service.
<b>Employee's role in investment decisions</b>	Employees have no role in investment decisions.	Employees may choose a Pension Fund Manager and investment allocation within prescribed limits.
<b>Portability of pension rights</b>	Pension rights are not portable across employers or sectors.	Pension accounts are portable and can be continued with another employer or pension arrangement.
<b>Labour mobility</b>	Designed for long-term service; leaving employment early can significantly reduce or eliminate pension benefits.	Allows employees to change jobs without losing accumulated pension savings.
<b>Impact of longer life expectancy</b>	Longer life expectancy automatically increases government pension costs.	Longer life expectancy affects how retirement savings are drawn down, not government obligations.
<b>Transparency and accountability</b>	Pension costs and entitlements depend on formulas and future policy choices.	Individual accounts clearly show contributions, returns, and balances.
<b>Macroeconomic impact</b>	Rising pension costs can crowd out development spending and increase borrowing.	Pensions are paid from accumulated ass

## **A.2 Additional Features of the Punjab DCPS**

In addition to the structural differences above, Punjab DCPS includes the following features:



- **Choice of conventional and Shariah-compliant funds**

Employees may select investment options aligned with their personal or religious preferences.

- **Professional fund management**

Pension savings are managed by SECP-licensed Pension Fund Managers and monitored against approved benchmarks.

- **Death and disability coverage**

In case of death, the accumulated balance in the pension account is payable to nominees or legal heirs, in accordance with the Voluntary Pension System Rules and applicable arrangements.

- **Partial lump-sum withdrawal at retirement**

Up to 25 percent of accumulated pension savings may be withdrawn at retirement, with the remaining balance used to provide regular retirement income.

- **Tax relief on employee contributions**

Employee contributions qualify for tax credits under applicable income tax laws.

## **Responsibility Matrix**

- **Finance Department**

Rules, contribution rates, budgetary allocation, release of employer contributions, PFM agreements.

- **Administrative Departments**

Appointment letters, employee identification, FORM-01 submission, data accuracy.

- **Accountant General Punjab / Drawing and Disbursing Officer**

Payroll deduction, release of employer contribution, accounting, fund transfer.

- **Punjab Pension Fund (PPF)**

Account opening facilitation, coordination, monitoring, reconciliation, grievance handling.

- **Pension Fund Managers (PFMs)**

Account management, investment, reporting, insurance coverage.