

3<sup>rd</sup> SUPPLEMENTAL OFFERING DOCUMENT  
OF  
NAFA PENSION FUND

SOD Reference/Number	Effective Date of SOD	Brief Detail of Objective of SOD	Approval date of SECP (in cases where SECP Approval is mandatory)	Only Required in Case of Launch/Re-Launch of the Plans		
				Launch/tentative launch date (In case of Plan)	Maturity date (In case of Plan)	Current status i.e. Launched/Approved/Re-opening/Matured (in case of Plan)
1	21-Feb-2014	To incorporate Customized Allocation Scheme	21-Feb-2014	N/A	N/A	N/A
2	5-Nov-2019	To update SoD to reflect change in Ownership structure & Align Trustee Tariff	5-Nov-2019	N/A	N/A	N/A

Effective from \_\_\_\_\_, -2024 following amendments have been made in the Offering Document of NAFA Pension Fund

1. Sub Clause 8.2.10 Equity Sub-Fund under Main Clause 8 " INVESTMENT POLICY, RESTRICTIONS, RISK DISCLOSURE AND DISCLAIMER " of the Offering Document of NAFA Pension Fund is amended and read as follows

**Equity Sub-Fund:**

**Investments by the Equity Sub-Fund shall be made as follows, namely: -**

The Investment Policy of the Equity Sub Fund is in accordance with the Rule 24 of Voluntary Pension System Rules, 2005 and requisite requirements specified through Circular No. 12 of 2021 as amended from time to time by the Commission. The current Investment Policy for equity sub-funds is stated below, and will be followed by the Pension Fund Manager in relation to the Equity Sub Fund:

- a) Assets of an Equity Sub-fund shall be invested in equity securities which are listed on a Stock Exchange or for the listing of which an application has been approved by a Stock Exchange and Equity sub-fund shall be eligible to invest in units of Real Estate Investment Trusts and Exchange Traded Funds provided that entity/sector/group exposure limits as prescribed are complied with;
- b) At least ninety percent (90%) of Net Assets of an Equity Sub-fund shall remain invested in listed equity securities during the year based on rolling average investment of last Ninety (90) days calculated on daily basis;
- c) A pension fund manager may make investment maximum up to 5% of net assets of Equity Sub-Fund in units of Private Equity and Venture Capital Funds registered under Private Funds Regulations 2015;
- d) A pension fund manager may make investment maximum up to 10% of net asset; of Equity Sub-Fund in public offering and pre-initial public offering of equity securities;
- e) Investment in equity securities of any single company shall not exceed ten percent (10%) of Net Assets for conventional Equity Sub-Fund or paid-up capital of that single company, whichever is lower;
- f) A pension fund manager may invest up to thirty percent (30%) or the index weight. whichever is higher, subject to maximum of thirty-five (35%) of net assets of an Equity Sub-Fund in equity securities of companies belonging to a single sector as classified by Pakistan Stock Exchange;
- g) A PFM may invest any surplus (un-invested) funds in government securities having less than one-year time to maturity or keep as deposits with scheduled commercial banks which are rated not less than "A"; and
- h) A PFM shall ensure that the investment in equity securities of the following, companies shall not exceed 10% of the net assets of the equity sub fund on monthly average basis:
  - a. Company is not traded on regular trading counter of the Pakistan Stock Exchange;
  - b. The minimum free float of the company is less than 15% of total outstanding shares; Provided that this clause shall not be applicable on equity securities which are part of

KSE-30 index or KMI-30 index at the time of investment. However, in case an equity security is subsequently excluded from KSE-30 index or KMI-30 index, the Pension Fund Manager shall rebalance the portfolio and ensure compliance within six months of such index recomposition.

- c. The securities of the company are traded less than 50% of the total trading days during the last six months or from the date of listing as the case may be; and
- d. Company's paid up capital is fully eroded owing to accumulated losses as per the annual audited account or half yearly limited scoped reviewed accounts, whichever is latest.

The Pension Fund Manager shall not invest the Net Assets of the Equity Sub Fund in any company against which winding-up proceedings have been initiated and/ or a qualified opinion on the going concern assumption has been issued by its statutory Auditor.

For this purpose, the following events shall be considered as winding-up events;

- I. A show cause notice for winding-up has been issued to the company by the Commission.
- II. Winding-up petition is filed by creditors with a claim equivalent to atleast 10% of the equity of the company as per latest accounts.
- III. Winding-up petition is filed by the shareholders who own atleast 10% of the company's paid-up capital.
- IV. Voluntary winding-up proceedings have commenced through passing of special resolution.

2. Sub Clause 8.2.11 Debt Sub-Fund under Main Clause 8 "INVESTMENT POLICY, RESTRICTIONS, RISK DISCLOSURE AND DISCLAIMER "of the Offering Document of NAFA Pension Fund is amended and read as follows

**Debt Sub-Fund:**

**Investments by the Debt Sub-Fund shall be made as follows, namely: -**

The investment policy of the Debt Sub Fund is in accordance with the Rule 24 of Voluntary Pension System Rules, 2005 and requisite requirements specified through Circular No. 12 of 2021 as amended from time to time by the Commission. The current Investment Policy for debt sub-funds is stated below, and will be followed by the Pension Fund Manager in relation to the Debt Sub Fund:

- a) The Debt Sub-fund shall consist of government securities, cash in bank account, money market placements, deposits, certificate of deposits (COD), TDRs, commercial paper, TFC, reverse repo, deposits/placements with Microfinance Banks and any other approved debt/money market security issued from time to time;
- b) Rating of any security in the portfolio shall not be lower than A+;
- c) Rating of any bank and DFI with which funds are placed should not be lower than A+;

- d) Rating of any NBFC and Modarabas with which funds are placed shall not be lower than AA;
- e) At least 25% of the net assets shall be invested in deposit with scheduled commercial bank (excluding TDRs) or government securities not exceeding 90 days' maturity;
- f) Exposure to any single entity shall not exceed 10% of net assets for conventional debt sub fund;
- g) Exposure in debt security of an entity shall not exceed 10% of net assets for conventional debt sub fund or 10% of size of the issue of that debt security, whichever is lower;
- h) The limits specified in clause (f) and (g) above are applicable to all securities mentioned other than the securities issued by Federal Government;
- i) Exposure to securities issued by entities of a single sector shall not exceed twenty five percent (25%) of Net Assets of a Debt Sub-fund;
- j) A pension fund manager shall not place funds (including TDR, PLS Saving Deposit, COD, COI, money market placements and other clean placements of funds) of more than 25% of net assets of sub-funds with all microfinance banks, non-bank finance companies and Modarabas;
- k) The weighted average time to maturity of a Debt Sub-fund shall not exceed five (5) years and this condition shall not apply to securities issued by the Federal Government; and
- l) Rating of any Microfinance Bank with which funds are placed should not be lower than A+.

3. Sub Clause 8.2.12 Money Market Sub-Fund under Main Clause 8 " INVESTMENT POLICY, RESTRICTIONS, RISK DISCLOSURE AND DISCLAIMER " of the Offering Document of NAFA Pension Fund is amended and read as follows

**Money Market Sub-Fund:**

**Investments by the Money Market Sub-Fund shall be made as follows, namely:-**

The Investment Policy of the Money Market Sub Fund is in accordance with the Rule 24 of Voluntary Pension System Rules, 2005 and requisite requirements specified through Circular No. 12 of 2021 as amended from time to time by the Commission. The current Investment Policy for money market sub-funds is as stated below, and will be followed by the Pension Fund Manager in relation to the Money Market Sub Fund:

- a) Investment avenues - government securities, cash and near cash instruments which include cash in bank accounts (excluding TDRs), treasury bills, money market placements, deposits, certificate of deposits (COD), Certificate of Musharakas, or any other Islamic mode of placement, TDRs, commercial papers, reverse repo;
- b) Rating of any security in the portfolio shall not be lower than AA;
- c) Rating of any bank and DFI with which funds are placed should not be lower than AA;
- d) Rating of any NBFC and Modarabas with which funds are placed shall not be lower than AAA;
- e) At least 10% of the net assets shall be invested in deposit with scheduled commercial bank (excluding TDRs) or government securities not exceeding 90 days' maturity;

- f) Exposure to any single entity shall not exceed 10% of net assets for conventional money market sub fund;
- g) Exposure in security of an entity shall not exceed 10% of net assets for conventional money market sub fund or 10% of size of the issue of that security;
- h) The limits specified in clause (f) and (g) above are applicable to all securities mentioned other than the securities issued by Federal Government;
- i) Exposure to securities issued by entities of a single sector shall not exceed twenty five percent (25%) of Net Assets of a money market Sub-fund;
- j) A pension fund manager shall not place funds (including TDR, PLS Saving Deposit, COD, COI, money market placements and other clean placements of funds) of more than 25% of net assets of money market sub-fund with all microfinance banks, non-bank finance companies and Modarabas;
- k) The weighted average time to maturity of assets of a Money Market Sub-fund shall not exceed ninety (90) days, and
- l) Time to maturity of any asset in the portfolio of Money Market Sub-fund shall not exceed six (6) months.

4. Insertion of new sub-clauses under Clause 8.3 "Investment Restriction" of the Offering Document of NAFA Pension Fund

(8.3.5) A PFM on behalf of a pension fund shall not take exposure of more than 20% of net assets in any single group and the term "group" means persons having at least 30% or more shareholding in any other company, as per publicly disclosed information.

(8.3.6) A PFM shall not invest assets of pension fund in securities of a company if equity is less than paid-up capital of the company, irrespective of the limits stated in the investment policy.

(8.3.7) A PFM shall not invest or deposit or place assets of PF if the issuer or the bank or the security does not fulfill the minimum rating specified in the investment policy.

(8.3.8) A PFM shall adhere to the limits stipulated in the investment policy, however if the limits are breached merely due to corporate actions including takeup of right or bonus issue(s) or due to the change in net assets resulting from fluctuation in price of securities or due to withdrawals, the PFM shall regularize the deviation within four months of the breach.

5. Insertion of new sub-clause (q), (r) (s) (t)&(u) under Clause 5.6.1 "Obligations of the Pension Fund Manager" of the Offering Document of NAFA Pension Fund

(q) The PFM shall invest assets of the Pension Fund in a transparent, efficacious, prudent and sound manner.

(r) A PFM shall be responsible for managing and meeting the liquidity requirements of the Pension Fund and the Participants thereof.

(s) The Pension Fund Manager (PFM) shall have at least one investment committee (IC) which shall be responsible for selecting and developing appropriate investment and risk management

strategies for the proper performance of the pension fund. The IC will also be responsible for developing internal investment restrictions, limits and restrictions for pension funds .and in case same IC takes decisions for both mutual funds and pension funds, the decision taken for each kind of funds shall be separately identified and recorded in the minutes. Further the PFM shall: -

- i) act with due care, skill and diligence in carrying out its duties and responsibilities;
- ii) ensure that investment decisions are consistent with the objectives and investment policy of the Pension Funds;
- iii) ensure that investments do not deviate from the Constitutive Documents or the VPS Rules/Regulations or circulars or directions of the Commission issued from time to time;
- iv) develop and follow internal investment restrictions and policies; and
- v) review the performance of the Pension Fund on a regular and timely basis;

(t) A PFM shall send an account statement each time when there is an activity in the participant's account within seven working days of such activity and the participant shall be entitled to receive any information, in respect of his account, at any time, on written application;

(u) The PFM shall specify a criteria in writing to provide for a diverse panel of brokers at the time of offering of a pension fund or for any subsequent change and shall not enter, on behalf of a pension fund, into transactions with any broker that exceed twenty five per cent of the commission payable by a pension fund in any one accounting year:

Provided that this restriction shall not apply to transactions relating to money market instruments or debt securities.

6. Sub-clause (e), (h) under Sub Clause 5.6.2 "Restrictions on the Pension Fund Manager "of the Offering Document of NAFA Pension Fund is amended and read as follows

(e) participate in a joint account with others in any transaction except for placement of orders under a single Universal Identification Number (UIN) subject to mechanism approved by the Commission;

(h) employ as a broker, directly or indirectly, any of its director, officer or employee or a member of a family of such person which shall include spouse, parents, children, brothers and sisters and enter into transactions with any connected broker, which shall equal or exceed twenty-five per cent or more of the brokerage or commission paid by the pension fund in any one accounting year

7. Sub Clause 6.7.8 under Main Clause 6 "CHARACTERISTICS OF THE PENSION FUND "of the Offering Document of NAFA Pension Fund is amended and read as follows

The Participant shall have the option to change his selected Allocation Scheme to another Allocation Scheme being offered by the Pension Fund Manager. The notice for the change in Allocation Scheme shall be provided to the Pension Fund Manager by the Participant before the relevant date, in writing through submission of the Change of Allocation Scheme Form or in such form as may be acceptable to the Pension Fund Manager. On the relevant date, the Units shall be reallocated in accordance with the new Allocation Scheme and any subsequent allocations and reallocations shall be made according the new selected Allocation Scheme.

8. Insertion of Sub Clause 6.7.10 under Main Clause 6 "CHARACTERISTICS OF THE PENSION FUND "of the Offering Document of NAFA Pension Fund is amended and read as follows

A participant will choose the percentage of contributions that go into each sub-fund for individual allocation schemes. The participant may choose to freeze his portfolio allocation and percentages at a point in time and the allocation and percentages may be changed for future contributions. Such change will be allowed twice till retirement.

9. Sub Clause 6.7.4 under Main Clause 6 "CHARACTERISTICS OF THE PENSION FUND "of the Offering Document of NAFA Pension Fund is amended and read as follows

In the event no choice is made by the Participant, a PFM, keeping in view the profile and age of the Participant, shall allocate the contributions preferably to an approved Lifecycle Allocation Scheme.

10. Sub Clause 6.7.3 under Main Clause 6 "CHARACTERISTICS OF THE PENSION FUND "of the Offering Document of NAFA Pension Fund is amended and read as follows

The Participant has the option to select any one from the Allocation Schemes or products being offered by the Pension Fund Manager at the date of opening his/her Individual Pension Account. Notice for the change in Allocation Scheme must be sent by the Participant in writing or in such other form as may be acceptable to the Pension Fund Manager.

11. Sub Clause 6.9.1 under Main Clause 6 "CHARACTERISTICS OF THE PENSION FUND "of the Offering Document of NAFA Pension Fund is amended and read as follows

A Participant has the option to select any Allocation Scheme in relation to his Contributions and shall make such selection at the date of opening his Individual Pension Account.

12. Sub Clause 18.1.1 and 18.1.2 shall be deleted and replaced with the following clause 18.1.1 under Main Clause 18.1 "TRANSACTIONS WITH CONNECTED PERSON "of the Offering Document of NAFA Pension Fund :

18.1.1 No Pension Fund Manager on behalf of the pension fund shall purchase from or sell any security to any connected person or employee of the Pension Fund Manager except with the approval of its Board of Directors in writing and consent of trustee

13. A new proviso shall be added under Sub Clause 6.9.8 under Main Clause 6.9 "ALLOCATION POLICY" of the Offering Document of NAFA Pension Fund as follows:

Provided that the individual pension account may be subject to be pledged, lien or encumbrance against the loan or advance given by the employer to the employee