



**ECONOMIC REFORM UNIT  
FINANCE DEPARTMENT  
GOVERNMENT OF SINDH**

**Hiring of Individual Consultant  
for Development of Defined Contribution Pension Scheme for New Entrants /  
Employees of Government of Sindh.**

Economic Reform Unit, Finance Department, Government of Sindh invites CVs from the eligible Individual Consultant for Development of Defined Contribution Pension Scheme for New Entrants / Employees of Government of Sindh. Individual Consultant will be required to provide consultancy on intended pension reforms as elaborated in the Terms of Reference (TORs). The advertisement along with the TORs is also available on the official websites of Sindh Public Procurement Regulatory Authority (SPPRA) & Finance Department i.e. [www.ppms.pprasindh.gov.pk](http://www.ppms.pprasindh.gov.pk) and [www.finance.gos.pk](http://www.finance.gos.pk), respectively.

The prospective Individual Consultant(s) will be evaluated on following criteria and must meet the minimum eligibility requirement where specified:

1. Minimum educational/professional qualification:
  - Post-graduate degree in Finance or Business Administration (with major in Finance); or
  - CFA charter holder; or
  - ASA (Associate of Society of Actuaries of USA and Canada) or equivalent.
2. Overall experience of 10 years in Investment management including at least 05 years in pension fund assets, governance of pension schemes, or pension policy. Experience of pension reform efforts in the federal or any of the provincial governments will be preferred.
3. In-depth understanding of policies governing civil service pension at the national and provincial levels;
4. Sound knowledge of voluntary pension schemes, private savings/investment/insurance instruments and their broader significance in the context of capital markets. Past experience on fund management in senior positions will be preferred.

Interested candidates can submit his / her up-to-date CV, attaching copies of degrees, testimonials, experience certificates & CNIC, duly sealed in an envelope to **The Director, Economic Reform Unit, Finance Department, Government of Sindh, situated at 7th Floor, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi** through courier or in person. *Please indicate title of the assignment "Hiring of Individual Consultant for Development of Defined Contribution Pension Scheme for New Entrants / Employees of Government of Sindh." at the top right corner of the envelope.*

The Individual will be selected as per criteria given in the TORs in accordance with the provision of Rule 72 (8) of SPP Rules 2010 (Amended 2019).

The last date of submission of CV(s) is fixed for **13<sup>th</sup> February, 2023**. The CV(s) shall be opened in the meeting of Consultant Selection Committee to be held in the Committee Room, Economic Reform Unit, Finance Department, Government of Sindh, 7th Floor, Lakson Square Building No.3, Sarwar Shaheed Road, Karachi, Pakistan.

Procuring Agency may reject any proposal(s)/CV(s) subject to provisions of SPP Rules, 2010 and may cancel the selection process on proposal(s) at any time prior to acceptance of proposal as per Rule 25(1) of said SPP Rules 2010.

**S/d  
The Director  
Economic Reform Unit  
Finance Department  
Government of Sindh**

**ECONOMIC REFORM UNIT, FINANCE DEPARTMENT,  
GOVERNMENT OF SINDH**

**Terms of References (TOR's)**

**Hiring of Individual Consultant for  
Development of Defined Contribution Pension Scheme for New Entrants /  
Employees of Government of Sindh.**

The Government of Sindh plans to introduce Defined Contribution Pension Scheme for new entrants/employees and intends to hire an individual consultant to design and implement Defined Contribution Pension Scheme as per best international practices and also recommend further reforms in the existing regulatory framework for pension.

**BACKGROUND & OBJECTIVE**

The employees' benefit expenditures have been increasing, which form a significant portion of Government of Sindh's expenditure. Keeping in view of the increasing financial impact in employee benefit schemes, the Finance Department hired a consulting firm M/s TRT Associates Actuaries & Management Consultants under the Technical Assistance Component of the Sindh Public Sector Management Reform Project IDA Credit # 5584-PK. This activity focused on (i) post-retirement liabilities (such as pension, commuted value of pension, gratuity, family pension, (ii) Reimbursement of Medical Charges and Medical Allowance to Civil Pensioners, (iii) Encashment of Leave Preparatory to Retirement (LPR) and (iv) General Provident Fund liabilities. The activity generated out the studies are: 1) Pension Scheme Valuation Report, 2) Reimbursement of Medical Charges and Medical Allowance to Civil Pensioners Report, 3) Encashment of Leave Preparatory to Retirement Report, 4) General Provident Fund Report, 5) Defined Contribution Pension Scheme Policy Options Report, 6) Report on Rationalization of Pension Policies & Procedures, and 7) Life Expectancy Report.

To bring further reforms in the pension regime, the Economic Reform, Finance Department, Government of Sindh intends to hire services of an individual consultant to design defined contribution plan and detailed implementation and regulatory mechanism, propose prespecified contribution rates of Government and employees on existing basic pay scales as well as its investments, prepare draft amendment to Sindh Civil Servant Act 1973 and Sindh Civil Servants Defined Contribution Rules, and make yearly projections on Government Contribution for next 30-35 years. The initiative is undertaken with the intention of relieving the Provincial Government from the colossal burden of pension payments.

## **SCOPE OF SERVICES**

### **A. Design Structure of Defined Contribution Pension Scheme**

1. Design Defined Contribution Plan including but not limited to following aspects:
  - Effective date
  - Inclusion of DC Pension in employment offer and agreement
  - Eligibility period to open DC Pension account by new employee
  - Condition of vesting period
  - Entitlement of employee in case of dismissal / removal for disciplinary reason and action during vesting period / after vesting period (Compassionate Pension)
  - Entitlement of family in case of death or permanent disability of employee / pensioner during the vesting period / after vesting period / after retirement
  - Minimum withdrawal and retention period and percentage for annuity payments (different combinations)
  - Tax Rebate on Contributions
  - Modalities of transfer of Pension account from one fund / fund manager to another fund / fund manager
  - Option and modalities for contribution after retirement age
  - Risk matrix for investment in fund manager for guidance of employees (Both conventional and Islamic)
  - Review the important aspects and features of the regulations and design of Defined-Contribution Pension Schemes in Government/Semi Government/Autonomous (also named as Provident Fund Scheme) and Private Sector (also named as Voluntary Pension Scheme 2005) , i.e KPK, SBP, PSO, Individual scheme etc currently followed in Pakistan. This shall also include self-insurance from license insurers on premature death disability and early retirement/withdrawal from service benefits.
  - Examine pros and cons of Provident fund scheme and Voluntary Pension Scheme that includes tax incentives on commutation and investments in Government certificate and Equities.
  - changes required in accounting and banking structure at Accountant General Sindh, and necessary amendments required in relevant rules and regulations,

### **B. Development of Legal Framework**

2. Draft Sindh Civil Servants Defined Contribution Rules and Amendment to Sindh Civil Servant Act 1973 for implementing Defined Contribution Scheme.

### **C. Development of Implementation and Regulatory Mechanism**

3. Design detailed implementation mechanism and regulatory framework for implementation of defined contribution Scheme, which must confirm to SECP's Voluntary Pension Rules 2005.
  - (a) Devise Appropriate Organizational set up to implement Defined Contribution Plan.
  - (b) Review of institutional architecture for implementation of Pension Funds and Voluntary Pension Scheme, including:
    - Setting up of pension accounts
    - Payment of contributions
    - Investment of assets of the scheme
    - Accounting and record keeping.
    - Auditing and disclosures & disclaimers
    - IT and data management.
    - Options on retirement/leaving service oversight and regulation.
    - Grievance redress or Complaint Redressal Mechanism
    - Draft Employee joining agreement.
    - Devise a mechanism/criterion for selection of Fund managers among the list of approved/regulated SECP Fund managers for Voluntary Pension schemes 2005.
    - Key features of the proposed pension scheme
    - Proposed design features including the contribution rates by employer and employees, commutation/early withdrawals etc.
    - Pros and cons of in-house investment management versus outsourcing
    - Tax treatment of contributions, earnings and withdrawals.
    - Investment options and expected rates of return; and devising shortlisting criteria for asset management companies / fund managers registered with SECP.
  - (c) Recommend composition of DC Pension Trust Committee for the implementation phase as well as to oversee and supervise registration and performance of fund managers, registration of new employees in pension funds, monthly contributions, monthly profits / returns by fund, and complaints.

### **D. Determination of Contribution Rate (to be included in Pension Rules)**

4. Suggest the contribution rate of government and employees in defined contribution scheme, which takes into consideration parameters of fiscal sustainability and adequacy of post-retirement payments to old aged retired civil servants.

- (a) Comparative Analysis of Pension Contribution Rate by Employee and Government should include cross country references in similar countries / provinces.
- (b) Preparation of different set of models of contribution rate.
- (c) Advising the feasible base for application of Contribution Rates.
- (d) future projection of GoS expenditure in parallel with DB pension expenditure (current employee and pensioners for each set of contribution), projected hiring to be provided by GoS
- (e) Annuity payment to employee (after 20% withdrawal) to different service period for each set of contribution.
- (f) Comparison of each set and each service period with pension payments under existing structure.
- (g) Treatment of annuity or commutation to the legal heirs upon the death of an employee.

#### **E. Selection and agreement with Pension Fund Managers**

- (a) Preparation of Criteria for selection of Fund Managers / Asset Management Companies providing Voluntary Pension Schemes in Pakistan (AMC Rating, AUM etc.).
- (b) Drafting agreements to be made with Fund Managers
- (c) Finalizing agreements with Fund Managers selected by GoS
- (d) Criteria for renewal of Fund Managers
- (e) Advising GoS in finalizing fund(s) to be selected from portfolios of Fund Managers.
- (f) Analysis the need of dedicated Fund for pensioners of GoS in selected Fund Managers

#### **F. Devising Investment Options for employees**

- 5. Preparation of a mix of different investment strategies for the option of employees with risk and return matrix for investment in Govt. Securities, other debt instruments and equity market (conventional and Islamic).
- 6. Suggesting minimum limits for each combination for each phase of service.

#### **G. Monthly employee wise transfer of deductions to respective Fund Managers.**

- (a) Coordination and liaison with FD-GoS and AG Sindh for deduction mechanism of contributions from employees' salaries and its onward deposits to respective pension account.
- (b) Coordination and liaison with FD-GoS and AG Sindh for mechanism of tax credit (on account of pension contribution) in monthly income tax deduction from salaries.
- (c) Review and suggest the tax-advantage status of defined-contribution plans that allow balances to grow larger over time compared to accounts that are taxed every year;

- (d) Perform financial modelling & forecasting to consider a range of different investment strategies (e.g. long term investments as a core liquid strategy, shorter term bonds to provide cashflows for early drawdown alongside potential equity release cashflows).
- (e) The consultant should prepare a mapping of payout options, including simulations of the effects on employees with different incomes and work histories. Although there has previously been extensive study and consideration of payout phase options, the consultant should provide the inputs into payout phase options. These options likely include: (i) a phased withdrawal; (ii) a phased withdrawal with insurance for longevity and, possible death; (iii) partial or full annuitization; and (iv) partial or full annuitization with price indexation. In addition, the consultant should provide relevant comparisons of payout options offered in countries with defined-contribution pension arrangements.

#### **H. Review Existing Framework**

- 7. Review structure of existing defined benefits scheme and suggest reforms to make it fiscally sustainable.

#### **I. Additional Terms of Reference**

- 8. The decision whether to introduce a new pension law or amend the existing pension law to implement the new pension scheme for future / existing employees shall be made by Government of Sindh. The consultant shall review the relevant clauses of Laws and Rules, identified by Accountant General Sindh & Finance Department in consultation with Law Department of Government of Sindh, and drafting of amendments needed to implement the new pension scheme for future employees. The consultant will also draft legal amendments in relevant acts and rules.
- 9. Devise a simple comparison chart of existing pension scheme and new proposed contributory scheme for the publication required to educate new employees and who joined in last 5-10 years period. Also modeling of grade wise lump sum financial implication of employees hired in last 5-10 years that includes yearly profit incentive, Government contribution and one time lumpsum incentive to encourage them.
- 10. Proposal regarding the size and qualification for a dedicated team to assist Accountant General Sindh in managing the transition and setting up the institutions and infrastructure needed to implement the new pension scheme.
- 11. Provoke thought leadership, innovation and acceptance within the Government of Sindh through

presentations on all forums to gain wider input;

12. The consultant will conduct consultative meetings with civil service pension stakeholders including relevant officials from the Finance Department, Accountant General-Sindh, and Services, General Administration & Coordination Department.
13. Develop the strategy and participate in regular check-ins with the Accountant General Sindh and Finance Department team to share progress, discuss problems and make revisions/adjustments as appropriate;
14. Present the strategy to the Finance Department (and other GoS counterparts) and make revisions in line with feedback provided.
15. Devise the process / fund flow of transactions starting from the point of deduction of salary from employees' salary, GoS contribution on behalf of an employee and routing of funds from AG Sindh to the Asset Management Company.
16. Estimate and project the value of commutation and annuity to be drawn by an employee upon reaching the date of retirement.
17. Determine the monetary impact on GoS of Defined Contribution Scheme.

## DELIVERABLES & PAYMENT SCHEDULE

| Sr. #<br>(1) | Deliverables<br>(2)  | Frequency<br>(3)                              | Tasks<br>(4)   | Payment<br>Terms (%)<br>(5) |
|--------------|--|---|--|-----------------------------|
| 1            | <b>1<sup>st</sup> Report-</b> Inception Report as per scope of work.   | <u>15 Days</u><br>from Signing<br>of Contract | <ul style="list-style-type: none"> <li>• Review Meetings;</li> <li>• Finalization of Scope;</li> <li>• Methodology;</li> <li>• Implementation Plan</li> </ul>  | 15%                         |
| 2            | <b>2<sup>nd</sup> Report-</b> The consultant will review the current pension scheme of Government of Sindh and suggest reforms for pension to its employees. | <u>30 Days</u><br>from Signing<br>of Contract | <ul style="list-style-type: none"> <li>• Initial analysis and provocative output – in the form of report for presentation at senior level;</li> <li>• The report to be supported with measures for implementation such relevant knowledge-sharing conferences, etc.</li> </ul>   | 20%                         |
| 3            | <b>3<sup>rd</sup> Report-</b> Report on Defined Contribution Pension System / Mechanism for new employees with complete methodology and implementation plan. | <u>60 Days</u><br>from Signing<br>of Contract | <ul style="list-style-type: none"> <li>• Final Output with recommendation / review from all stakeholders, incorporated – in the form of report for presentation at senior level;</li> <li>• The report to be supported with measures for implementation such relevant knowledge-sharing conferences, etc.</li> <li>• The report to cover proposed defined contribution mechanism along with measures for effective implementation at all levels;</li> <li>• Suggesting strategies to improve settlement / management of such schemes in the future.</li> </ul> | 40%                         |
| 4            | <b>4<sup>th</sup> Report-</b> Drafting of legal acts and rules for Defined Contribution Pension System / Mechanism for new employees.                        | <u>75 Days</u><br>from Signing<br>of Contract | <ul style="list-style-type: none"> <li>• Initial draft for presentation at senior level in Finance Department.</li> <li>• Final draft for submission to the competent forum.</li> </ul>  | 15%                         |
| 5            | The consultant will assist the team of Accountant General Sindh and Finance Department in implementation of Defined Contribution Pension Scheme.             | End of<br>Activity                            | <ul style="list-style-type: none"> <li>• As in column # 2.</li> </ul>  | 10%                         |

**Note:** Contract duration will be for 3 months (or extendable period for completion of tasks as per scope of services / TORs) starting from the date of signing of the contract date. Extendable period if any will be treated as no cost extension period.



## **CRITERIA, QUALIFICATION & EXPERIENCE**

- Minimum educational/professional qualification:
  - Post-graduate degree in Finance or Business Administration (with major in Finance); or
  - CFA charter holder; or
  - ASA (Associate of Society of Actuaries of USA and Canada) or equivalent.
- Overall experience of 10 years in Investment management including at least 05 years in pension fund assets, governance of pension schemes, or pension policy. Experience of pension reform efforts in the federal or any of the provincial governments will be preferred.
- In-depth understanding of policies governing civil service pension at the national and provincial levels;
- Sound knowledge of voluntary pension schemes, private savings/investment/insurance instruments and their broader significance in the context of capital markets. Past experience on fund management in senior positions will be preferred.
- Demonstrable ability to internalize and process complex data into policy actionables. Past experience of directly advising senior executive decision makers will be preferred.

## **EVALUATION / SELECTION CRITERIA**

The contract will be awarded to an individual consultant based on qualification, experience & interview. Only shortlisted individuals meeting the eligibility criteria will be called for interview.

## **TERMS & CONDITIONS:**

1. The successful consultant will sign an Integrity pact in accordance with prescribed format provided in this document.
2. The Consultant will be subject to all admissible taxes including stamp duty and service charges at a applicable rate prevailing during contract agreement period unless exempted by relevant tax authority.
3. The individual consultant will maintain his/her own Laptop, internet connectivity & mobile phone to carryout work related to his job.
4. The Procuring Agency (PA) may terminate this Contract in case of the occurrence of any of the following events:
  - If the Consultant, in the judgement of the PA has engaged in corrupt or fraudulent practices in

competing for or in executing the Contract.

- If the PA, in its sole discretion and for any reason whatsoever, decides to terminate this Contract.
5. The Consultant agrees that, during the term of this Contract and after its termination, the Consultant, shall be disqualified from providing goods, works or services (other than the Services or any continuation thereof) for any project resulting from or closely related to the Services.
  6. All the data, reports, studies etc. will be the property of Finance department and under no circumstances, the consultant will use / share said documents including methodology without obtaining prior approval from Finance Department. The consultant will share the financial models with Finance Department, which are framed during the contract for computing accrued liabilities / financial projection.
  7. A lump-sum contract covering all costs required to carry out the services shall be established with the successful individual.
  8. Procuring Agency reserves the right to negotiate TORs including Deliverables and Timeline with the successful consultant before signing of contract.
  9. All/any terms and conditions not specified here shall be dealt with reference to pertinent SPP Rules, 2010.

**INTEGRITY PACT  
DECLARATION OF FEES, COMMISSION AND BROKERAGE ETC.  
PAYABLE BY THE SUPPLIERS/CONTRACTORS/CONSULTANTS.**

Contract Number: \_\_\_\_\_ Dated: \_\_\_\_\_

Contract Value: \_\_\_\_\_

Contract Title: \_\_\_\_\_

[Name of Supplier/Contractor/Consultant] hereby declares that it has not obtained or induced the procurement of any contract, right, interest, privilege or other obligation or benefit from Government of Sindh (GoS) or any administrative subdivision or agency thereof or any other entity owned or controlled by it (GoS) through any corrupt business practice.

Without limiting the generality of the foregoing, [Name of Supplier/Contractor/Consultant] represents and warrants that it has fully declared the brokerage, commission, fees etc. paid or payable to anyone and not given or agreed to give and shall not give or agree to give to anyone within or outside Pakistan either directly or indirectly through any natural or juridical person, including its affiliate, agent, associate, broker, consultant, director, promoter, shareholder, sponsor or subsidiary, any commission, gratification, bribe, finder's fee or kickback, whether described as consultation fee or otherwise, with the object of obtaining or inducing the procurement of a contract, right, interest, privilege or other obligation or benefit, in whatsoever form, from Procuring Agency (PA), except that which has been expressly declared pursuant hereto.

[Name of Supplier/Contractor/Consultant] certifies that it has made and will make full disclosure of all agreements and arrangements with all persons in respect of or related to the transaction with PA and has not taken any action or will not take any action to circumvent the above declaration, representation or warranty.

[Name of Supplier/Contractor/Consultant] accepts full responsibility and strict liability for making any false declaration, not making full disclosure, misrepresenting facts or taking any action likely to defeat the purpose of this declaration, representation and warranty. It agrees that any contract, right, interest, privilege or other obligation or benefit obtained or procured as aforesaid shall, without prejudice to any other right and remedies available to PA under any law, contract or other instrument, be voidable at the option of PA.

Notwithstanding any rights and remedies exercised by PA in this regard, [Name of Supplier / Contractor / Consultant] agrees to indemnify PA for any loss or damage incurred by it on account of its corrupt business practices and further pay compensation to PA in an amount equivalent to ten times the sum of any commission, gratification, bribe, finder's fee or kickback given by [Name of Supplier / Contractor / Consultant] as aforesaid for the purpose of obtaining or inducing the procurement of any contract, right, interest, privilege or other obligation or benefit, in whatsoever form, from PA.

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[Procuring Agency]

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[Supplier /Contractor/Consultant]