

LUMS EMPLOYEE CONTRIBUTORY PROVIDENT FUND Frequently Asked Questions [FAQs]

Provident Fund Basics

- **What is provident fund?**
LUM Employee Contributory Provident fund (LECPF) is a post retirement benefit created by employer for its employee, both employee and employers contribute to the fund at the rate of 10% of basic salary of the employee. When an employee resigns from LUMS it is paid to him along with the profit in the form of final settlement.
- **Who is eligible for Provident Fund?**
Only the permanent staff of LUMS is eligible for this benefit.
- **How the Provident Fund is managed?**
LUMS is managing the fund in a profitable way by investment profitable securities to earn maximum possible return for benefiting the members. All the investment related decisions are approved by Board of Trustees.
- **From where can I get information about my provident fund balance?**
You can contact finance office to get information about your provident fund.

Loan and Repayment FAQs

- **Can I get loan from my provident fund balance?**
Yes an employee can take a loan from his provident fund balance but subject to the rules of Provident Fund which are available on LUMS portal.
<http://portal.lums.edu.pk/HR/HRPolicies/Pages/HRFormsPolicy.aspx>
- **Are these LUMS internal rules?**
No, these are income tax rules 2002 recognized by Federal board of Revenue (FBR)
- **What if I resign from LUMS while my loan is still outstanding?**
Outstanding amount of your loan will be adjusted from your final settlement
- **What if I want to settle my loan earlier than repayment terms to obtain a new loan?**
Yes you can settle loan earlier than the repayment terms and will become eligible for applying to a new loan. The minimum time of repayment of previous loan is at least 6 months
- **Is loan allowed to employees during probation?**
Employees on probation are not applicable for loans/withdrawals.

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- **What is the repayment period for the loan?**

The range of repayment period will be from 6 to 48 equal monthly which will be deducted from the salary.

Withdrawal FAQs

- **Can I permanently withdraw my balance from Provident Fund?**

Yes you can permanently withdraw your balance subject to the rules which states that you have to utilize the amount for specific purposes which are as follow:

- To purchase a house/plot or construction of a new house,
- To pay premium on life insurance policy of subscriber or spouse provided that policy is assigned to the trustees of the fund and the receipt granted by insurance company is from time to time handed over to trustees,
- To purchase shares of a public limited company,
- To purchase agricultural land from Government and
- To repay loan taken from financial institution

On meeting any of the above mentioned requirement, you have to sign off an undertaking on a legal stamp paper, which ensures that you will provide the original documents at earliest on purchase of house/plot/land/insurance policy/shares etc. evidencing the utilization of the amount spent on a specific purposes.

- **Do I need to provide the property/insurance documents?**

Yes you have to provide the **original property/insurance policy documents** which will remain in safe custody of finance office.

- **Can I sell the property which I purchased from my provident fund balance?**

Yes you can sell the property on utilizing the sale proceeds for the purchase of a new property only and have to provide the original documents of that new property also.

- **Why I have to provide the original property documents?**

The reason is that Provident fund is a post retirement benefit if an employee wants to utilize it before retirement then he has to provide the evidence that PF amount is being used only for those purposes specified in rules.

- **Can I get my documents back if I want to sell the first property and purchase the other?**

Yes your documents will be returned within 3 working days after submission of the application along with an undertaking on Stamp paper to Finance Office, which will state that employee will provide the original documents after the purchase of second property.

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- **Is there any special clause available under PF rules for employees attaining 50 years of age?**

Yes, an employee over the age of fifty years can withdraw 60% of their accumulated balance without assigning any reason.

- **What are the rules for those who are proceeding on leave preparatory to retirement?**
This rule has been made void for LUMS Employees Contributory Provident Fund.

Former Member FAQs

- **Who is a former member?**

Any employee who have retired/left LUMS and not settled his/her account through final settlement and/or employees whose status has been converted from permanent to contractual due to retirement from LUMS.

- **What are the rules for those who have retired and wants to withdraw without going through final settlement [applicable for employees converted from permanent to contract]?**

Final Settlement process has been made mandatory for all employees. Funds will not be released until the clearance process has been fulfilled.

- **What if a member wants to withdraw funds immediately after retirement?**

Members can withdraw after 2 weeks of request of demand of balance.

- **For how long does a former member balance stay with LECPF?**

i) Former members who have left LUMS and have not cleared their balance, 3 reminders shall be sent to them for clearance after which the balance shall be written off.

ii) For members who have retired and converted from permanent to contractual, they are required to inform finance office in writing regarding their intention to keep balance with LECPF either for the current financial year end or till their next contractual period.

- **What is the policy of profit/return of a former member?**

Former member whose status has been converted from permanent to contractual employee shall have to meet ALL the below requirements to earn profit rate of till the period their balance is maintained with fund.

i) The employee has retired from LUMS and continue to be associated with LUMS on contract, but on full time basis

ii) Is willing to maintain his/her Provident Fund balance with the LECPF

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- iii) Neither LUMS nor employee will contribute toward LECPF after retirement of the employee
 - iv) Employee needs to communicate to finance office (in writing) at the time of retirement that he intends to place his fund with LECPF.
- **Is there any policy regarding former member balance lying with LECPF?**
Yes, the policy is also visible on LUMS portal on the following link:
<http://portal.lums.edu.pk/HR/HRPolicies/Pages/HRFormsPolicy.aspx>

Transparency FAQs

- **How do LUMS ensure the transparency in the Provident fund?**
Funds Transparency can be ensured through Audits reports, based on annual audit conducted by a Chartered Accountant firm. Currently A.F.Ferguson & Co. (PWC) are the auditors of the Provident fund.
- **Is there any report that employees can view regarding their funds?**
Yes, from last year onwards, LECPF publishes a detailed report on employees fund on an annual basis. The report mentions how the funds are being invested and the profit/return they are earning on those investments.