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Pakistan Boosts Pensions for Retired Govt Employees

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The Federal Ministry of Finance has announced a 7 percent increase in pensions for retired federal government employees, effective July 1, 2025. The decision was outlined in an official memorandum issued on August 8, 2025, and applies to all civil pensioners, including those paid from Defence Estimates, as well as retired Armed Forces and Civil Armed Forces personnel. The increase was approved by the President of Pakistan.

According to the memorandum, employees who retire on or after July 1, 2025, will have their pensions calculated based on the net pension amount, which is the gross pension minus

the commuted portion. In addition, their pensions will incorporate five ad-hoc relief allowances that were granted between 2011 and 2024. These allowances include 15 percent in 2011, 7.5 percent in 2015, 15 percent in 2022, 17.5 percent in 2023, and 15 percent in 2024. The integration of these allowances is intended to ensure consistent pension calculations for all federal retirees.

The Ministry of Finance stated that the adjustment will simplify pension computation by integrating past allowances into the pension structure. The change applies uniformly to all relevant categories of federal pensioners. The ministry also indicated that this measure takes into account the need for accurate and standardized pension adjustments.

In a separate decision, the federal cabinet approved a 15 percent pension increase for beneficiaries of the Employees' Old-Age Benefits Institution (EOBI), effective January 1, 2025. This increase will be funded from EOBI's own resources. The decision followed a recommendation from the Ministry of Overseas Pakistanis and Human Resource Development. Additionally, a committee has been established to review and recommend reforms to EOBI, including the potential extension of benefits to informal sector workers.

The pension increase for federal retirees follows the government's approval of a 10 percent salary increase for active federal employees as part of the 2025–26 federal budget. The budget also introduced cost-saving measures such as the elimination of vacant positions and restrictions on non-essential spending.

According to official documents, these pension adjustments are part of the government's broader efforts to update pension policies and address administrative complexities in pension management. The Ministry of Finance noted that the reforms aim to ensure fairness in pension distribution and to maintain consistency in financial procedures.

The revised pension framework will be implemented in the current fiscal year. The ministry has instructed all relevant departments to update pension disbursement processes in accordance with the new policy.