



## ANNUAL REPORT

The Management Committee of Punjab Pension Fund (the Fund) is pleased to present to Government of the Punjab (the Government) the annual report for the period ended 30 June 2009.

### **Economic Review**

After years of substantial growth, Pakistan's economy lost its momentum last year, with many factors contributing towards the decline of the economic progress. Higher commodity prices led to inflation. Foreign capital inflows (investments, loans) dried up which made it impossible to finance the imports required to run the economy. Foreign exchange reserve depleted and the local currency depreciated leading to further inflation and capital flight. Consumer spending and business investment slowed which was reflected in lower credit off-take. The Government was already running a huge budget deficit which was aggravated further by oil subsidies.

The crises hampered exports and led to uncertainty that followed the melt down coupled with devaluation and the closure of the capital market not only slowed down the foreign direct investment but also took its toll on the capital market. GDP is estimated to have grown by 2.0% in FY 2008-09, the worst since FY 2001. The energy shortages, political instability and high interest rates have all contributed to weakening economic indicators. Inflation rate (YOY) peaked at 25.33% in August 2008 and averaged at 20.8% for the year 2008-09. State Bank of Pakistan adopted tight monetary policy and increased discount rates to 15% p.a. to control inflation.

Eventually, the country ended up into the IMF program which is now focused on correcting the macro economic imbalances (trade deficit, inflation, exchange rate, budget deficit etc.) which led us into the crises. These adjustments may require sacrificing some economic growth in the short term.

### **Fund's formation background**

The Fund was established through Punjab Pension Fund Act 2007 to generate revenue for discharge of pension liabilities of the Government. Punjab Pension Fund Rules 2007 were notified by the Government in October 2007.

### **Appointment of Actuary**

The Government has appointed M/s Nauman Associates as actuary of the Fund so that future pension liabilities of the Government are calculated and funding strategy is finalized accordingly to meet these pension liabilities.



### Appointment of Trustee

Central Depository Company of Pakistan Limited (CDC) has been appointed as Trustee of the Fund. Currently, the Trust Deed is being finalized with the Trustee.

### Capitalization of Punjab Pension Fund

The Fund was capitalized by an amount of Rs. 3 billion in May 2008. The Government further released Rs. 3 billion in June 2009.

### Fund's Investments and its Value

Funds made available by the Government have been placed in Term Deposit Receipts with a commercial bank at competitive rates. Once Trust Deed is finalized all investments will be made in accordance with the Investment Policy approved by the Management Committee of the Fund.

Net Fund Value at 30 June 2009 is Rs. 6,486,610,661.

### Management Committee meetings

Five meetings of Management Committee have taken place up-till now. Attendance of members in Management Committee meetings is appended below:

<u>Designation/Name of member</u>	<u>Attendances</u>
1. Finance Minister, Government of the Punjab	3
2. Chief Secretary, Government of the Punjab	-
3. Chairman, Planning and Development Board	5
4. Finance Secretary, Government of the Punjab	5
5. Secretary Law, Government of the Punjab	5
6. Secretary Services, Government of the Punjab	5
7. General Manager, Punjab Pension Fund	5
8. Mr. Khalil Mian (ex member)	1
9. Mr. Fakir Syed Aijazuddin (ex member)	2
10. Mr. Muhammad Arif Yaqub	4
11. Mr. Asim Zulfiqar Ali	4
12. Mr. Tariq Iqbal Khan (Appointed on 13-02-2009)	1
13. Mr. Adnan Afaq (Appointed on 13-02-2009)	-

### Human Resource

The Fund has hired professionals for positions of General Manager, Head of Investments, Senior Auditor and Senior Research Analyst. Further hiring is in process to fill key management positions.



### Auditors

Government of the Punjab appointed M/s KPMG Taseer Hadi & Co., Chartered Accountants, as auditors of the Fund. The auditor has completed the audit for the period ended 30 June 2009 and has submitted its report to the Management Committee.


### Future outlook

Pakistan entered the IMF program to bring country's economy back on the track and take care of depleting reserves and a balance of payment crisis. Since entry into the IMF program, economic conditions have improved significantly. Foreign reserves have crossed USD 14 billion leading to exchange rate stability. Decline in current account deficit has reduced Government's borrowing and pressure on market liquidity. Inflation rate (YOY) has come down to 10.69% enabling SBP to reduce discount rate to 13% p.a. Money market has responded positively to economic recovery. 6-Month KIBOR has come down to 12.56% p.a. in August 2009 compared to December 2008 when it peaked to 15.7% p.a. Capital markets have also recovered a part of their glitter. KSE 100-share index on 24 September 2009 raced to a new two-year peak level of 9713 points from 4815 points on 26 January 2009 where it bottomed.

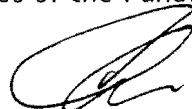
We expect the macro economic situation to gradually improve over the next year. SBP expects inflation to stabilize around 10% in FY 2009-10. Foreign inflows from Friends of Democratic Pakistan are expected to materialize which should lower the pressure on interest rates created by continued governmental borrowing. Easing of inflationary pressures, monetary and fiscal policies and revival of business and consumer confidence should gradually put GDP growth back on track. Down side risks include another spurt of inflation because of higher electricity and commodity prices and/or a continuing foreign exchange crisis on the back of high external debt and a persistent trade deficit. We remain cautiously optimistic that the worst is over and better days lie ahead.

### Acknowledgement

The Management Committee takes this opportunity to thank its members for valuable contributions to the Fund.

 The Management Committee also wishes to place on record its appreciation for the hard work and dedication shown by employees of the Fund.

Place: Lahore  
Dated: 14 November 2009

  
Tanwir Ashraf Kaira  
Chairman