

**GOVERNMENT OF THE PUNJAB  
FINANCE DEPARTMENT**

Dated Lahore, the 02<sup>nd</sup> October, 2007

**NOTIFICATION**

No. PA/GM.Pb.Pension Fund/FD/2007. In exercise of the powers conferred upon him under section 24 of the Punjab Pension Fund Act 2007 (I of 2007), the Governor of the Punjab is pleased to direct that the following rules shall be made:-

**CHAPTER-I  
PRELIMINARY**

**1. Short title and commencement.**— (1) These rules may be cited as the <sup>1</sup>[Punjab Pension Fund Rules 2007].

(2) These shall come into force at once.

**2. Definitions.**— (1) In these rules:

- (a) “Act” means the Punjab Pension Fund Act 2007;
- (b) “accounting period” means the period ending on the 30<sup>th</sup> day of June each year;
- (c) “asset” means property of any kind including shares, securities, deposits, right and bonus shares, cash, bank balance, profits, dividends, fee, commission, a receivable, claim, contract, licence, privilege, accrued or accruing or contingent;
- (d) “asset management company” means a company which has been licensed by the Commission as an asset management company;
- (e) “auditor” means a person qualified under the provisions of the Ordinance to act as an auditor of a company;
- (f) “Commission” means the Securities and Exchange Commission of Pakistan established under the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997);
- (g) “family” means a spouse, a parent, a grand parent, sibling or adopted sibling, child or an adopted child, or a maternal or paternal first cousin; or a parent, sibling or adopted sibling, child or an adopted child, or a maternal or paternal first cousin of the spouse;
- (h) “Government securities” means Government securities defined in the Securities Act, 1920 (X of 1920) and includes securities repayable or irrevocably guaranteed to be paid by a Provincial Government or the Federal Government;
- (i) “life insurance company”, means a company registered or deemed to have been registered under the Insurance Ordinance, 2000 (XXXIX of 2000) to transact life insurance business and includes the State Life Insurance Corporation of Pakistan;
- (j) “Ordinance” means the Companies Ordinance, 1984 (XLVII of 1984);
- (k) “portfolio” means the amount of the Reserve Fund directly invested by the Fund and not through a third party;
- (l) “record” includes a ledger, day book, cash book or any manual or magnetic record, maintained and used by the Fund;
- (m) “Schedule” means the Schedule to these rules;
- (n) “shares” mean the shares of a company listed on a stock exchange;

<sup>1</sup> These rules were notified through Notification No. PA/GM.Pb.Pesnion Fund/FD/2007 dated 2 October 2007; and were amended vide Notification No.FD(W&M)-7-206/2010 dated 19 August 2010.

- (o) “stock exchange” means a stock exchange registered under the Securities and Exchange Ordinance, 1969 (XVII of 1969);
- (p) “third party” means an asset management company or a life insurance company;
- (q) “trustee” means a trustee appointed under the rules; and
- (r) “value of the Fund” means the aggregate value of all investments, deposits together with accrued interest and other assets less liabilities of the Fund.

(2) A word or an expression used in the rules but not defined shall have the same meaning as is assigned to it in the Act.

## **CHAPTER-II GENERAL**

**3. Investment policy.**— (1) The Management Committee shall, within six months from the date of its establishment, make an investment policy establishing clear investment objectives for investments of the amounts from the Reserve Fund subject to the limitations prescribed in the Act or the rules.

(2) The Fund may invest amounts from the Reserve Fund through a portfolio or through a third party in a transparent, efficacious, prudent and sound manner.

**4. Obligations of the Fund.**— The Fund shall:

- (a) manage its assets to the best of its ability and without any undue advantage to its employees or related parties;
- (b) maintain at its principal office, proper accounts and records to enable a complete and accurate view of its assets and liabilities, income and expenditure, transactions of the Fund including receipts and payments from and to the Reserve Fund;
- (c) Prepare and transmit an annual report, together with a copy of the balance sheet, income and expenditure account and the auditor’s report of the Fund within three months of end of an accounting period to the Government; and
- (d) be jointly and severally responsible for an act or omission of a person to whom it has delegated any of its functions.

**5. General restrictions on the Fund.**— The Fund shall not:

- (a) merge, acquire or take over management of any other pension fund unless it has obtained prior approval of the Government for the merger, acquisition or take over;
- (b) pledge securities owned by the Fund except for the benefit of the Fund and with prior approval of the Government;
- (c) make a loan or advance money to a person except in connection with the normal business of the Fund;
- (d) participate in a joint account with a person in any transaction;
- (e) invest in the real estate except that it may purchase or rent real estate for its official use;
- (f) employ as a broker, directly or indirectly, a Member, the General Manager or an employee or a member of the family of such a person; and
- (g) acquire, purchase or sell any security to a Member, the General Manager or an employee or a member of the family of such a person.

## **CHAPTER-III MANAGEMENT COMMITTEE**

**6. Management Committee.**— Subject to the provisions of the Act and the rules, the Management Committee may:

- (a) receive, administer and invest amounts from the Reserve Fund;

- (b) approve the investment policy, standards and procedures for the operation of the Fund;
- (c) enter into a contract on behalf of the Fund;
- (d) authorize the General Manager or any other employee to sign a contract or any other document on behalf of the Fund;
- (e) borrow to pay for the purchase of securities if at the time of making an investment the Fund anticipates that resources would be available to pay for the purchase in full;
- (f) institute or defend any legal or administrative proceedings;
- (g) acquire, hold, alienate movable or immovable property for the operations of the Fund;
- (h) invest amounts through a third party;
- (i) make, amend, or repeal the regulations;
- (j) approve transfer of amounts from the Fund to the Reserve Fund;
- (k) approve the budget of the Fund;
- (l) delegate any of its powers or functions to a sub-committee, the General Manager or any other employee; and
- (m) do any other act to attain the objectives of the Fund.

**7. Meetings of the Management Committee.**– (1) The Management Committee shall meet at least once every three months and the General Manager, with the approval of the Chairman or the Vice Chairman, shall convene the meeting.

(2) The General Manager shall, if so directed by the Chairman or the Vice Chairman, convene a meeting of the Management Committee.

(3) At least four ex-officio members including the Chairman or the Vice Chairman, two members appointed by the Government from the private sector, and the General Manager shall constitute the quorum of a meeting of the Management Committee.

(4) If the quorum is not complete, the General Manager shall reconvene the meeting to be held within fifteen days.

(5) The General Manager or any other Member, as the Chairman or the Vice Chairman may nominate, shall record the minutes of the meeting which shall be submitted for confirmation in the next meeting.

(6) The General Manager shall send minutes of the meeting to the Members within ten working days of the meeting.

(7) A Member may ask for additional information from the General Manager with regard to an investment decision or policy of the Fund.

(8) The Management Committee shall take decisions by a simple majority of Members present and voting and the Chairman shall have the casting vote in case of a tie.

(9) The meetings of the Management Committee shall be chaired by the Chairman and in his absence by the Vice Chairman.

**8. Sub-committees.**– (1) The Management Committee may constitute the following sub-committees:

- (a) investment sub-committee;
- (b) accounts sub-committee;
- (c) audit sub-committee;
- (d) compliance sub-committee; and
- (e) any other sub-committee.

(2) The Management Committee shall nominate a chairperson and members for a sub-committee.

(3) No sub-committee shall be constituted without one member appointed by the Government from the private sector and the General Manager.

(4) The quorum at a meeting of a sub-committee shall be a majority of members of the sub-committee including a member appointed by the Government from the private sector and the General Manager.

(5) Decisions of a sub-committee shall be made by a simple majority vote of the members present and voting.

(6) The recommendations and report of a sub-committee shall be considered for approval by the Management Committee.

#### **CHAPTER-IV INVESTMENTS**

**9. Investment decisions.**— The Management Committee shall approve all investment decisions regarding amounts from the Reserve Fund.

**10. Permissible investments.**— Subject to the Act and the rules the Fund shall invest, in a portfolio or through a third party, in:

- (a) Government securities at a fixed or variable rate of interest;
- (b) the National Savings Schemes of the Federal Government at a fixed or variable rate of interest;
- <sup>2</sup>[(c) bonds, term finance certificates and other forms of debt, subject to a minimum credit rating to be determined by the Management Committee:
  - (i) listed on a stock exchange; or
  - (ii) issued under a prospectus approved by the Commission; or
  - (iii) issued with approval of the State Bank of Pakistan.]
- (d) shares listed on a stock exchange as part of the portfolio investment of the Fund;
- (e) unit trusts, mutual funds and other collective investment funds authorized by the Commission; and
- <sup>3</sup>[(f) a scheduled bank that has a minimum credit rating as may be determined by the Management Committee; provided that the aggregate of deposits in a scheduled bank shall not exceed 20% of the value of the Fund at the time of making a deposit.]

**11. Limit on investment in Government securities and the National Savings Schemes.**— The Fund shall not invest in the Government securities or the National Savings Schemes, if at the time of the investment:

- <sup>4</sup>[(a) it would result in any such security exceeding 25% of the value of the Fund; or]
- <sup>5</sup>[ ]
- (c) the cumulative investment in such investments exceeds 75% of the value of the Fund.

**12. Limit on shares, unit trusts and mutual funds and other collective investment funds.**— The Fund shall not invest in shares, unit trusts and mutual funds and other collective investment funds if at the time of making an investment the aggregate of such investments exceeds 40% of the value of the Fund.

<sup>2</sup> Substituted by the Notification No. FD(W&M)-7-206/2010 dated 19 August 2010.

<sup>3</sup> Ibid.

<sup>4</sup> Ibid.

<sup>5</sup> Omitted by the Notification No. FD(W&M)-7-206/2010 dated 19 August 2010.

**13. Prohibited investments.**– The Fund shall not invest in:

- (a) land, buildings or real estate of any kind including buying or making loans of any description except for its official use or in shares as part of its portfolio;
- (b) exploration or exploitation of minerals or petroleum including buying or making loans of any description other than in shares as part of its portfolio; and
- (c) a real estate investment trust or other investment company that is not listed on a stock exchange.

#### **CHAPTER-V APPOINTMENTS**

**14. Power of appointment.**– (1) The Management Committee may employ a person for the operations of the Fund on such terms and conditions as it may determine.

(2) The Management Committee may constitute a sub-committee, to process and make recommendations for the employment.

**15. Appointment and duties of General Manager.**– (1) The Management Committee shall in the appointment of the General Manager by the Government, after advertising and an open process of selection submit to the Government a list of suitable candidates.

(2) In absence of a General Manager the Government may appoint an acting General Manager for a maximum period of six months.

(3) The General Manager shall prepare valuations and commentaries on the investments of the Fund at least on a monthly basis and shall submit such information to the Members.

(4) The General Manager shall arrange for meetings of the relevant employees of the Fund including the compliance officer, at least on a weekly basis, to review the investments of the Fund and provide minutes of such meetings to the Members.

**16. Appointment of auditor.**– The Government shall, within six months of notification of the Management Committee, appoint an auditor for an accounting period under such terms and conditions as it may determine.

**17. Appointment of legal advisor.**– The Management Committee shall, within six months of its notification, appoint a legal advisor on such terms and conditions as it may determine.

**18. Appointment of trustee.**– (1) The Management Committee shall, within six months of its notification, appoint a trustee with the approval of the Government.

(2) The trustee shall be:

- (a) a scheduled bank with a minimum A+ rating from a credit rating company registered with the Commission, and has been in business for at least five years;
- (b) a trust company which is a subsidiary of a scheduled bank referred to in clause (a);
- (c) a foreign bank operating as a scheduled bank in Pakistan and operating as trustee internationally; or
- (d) a central depository company registered under the Securities and Exchange Ordinance, 1969 (XVII of 1969) and approved by the Commission.

(3) The trustee shall not in any way be related or connected to a Member or investment advisor or consultant appointed by the Fund.

**19. Appointment of investment advisor.**– (1) The Management Committee may appoint a non-bank finance company to provide investment advisory services.

(2) The Management Committee may appoint a person as an investment advisor, being a person approved by the Commission for such services, to give advice to the Fund on selection of a third party and portfolio.

(3) The person appointed as investment advisor shall attend such meetings and prepare such reports as the Management Committee may direct.

(4) The Management Committee shall determine terms and conditions of an investment advisor.

**20. Appointment of actuary.**— The Management Committee may appoint an actuary being a duly qualified person or a firm to advise on the pension liabilities of the Government and to advise the Fund generally.

**21. Appointment of compliance officer.**— (1) The Management Committee shall appoint a compliance officer who has sufficient experience in legal and investment matters to ensure that the Fund complies with the Act, the rules, the regulations and the laws of Pakistan.

(2) The compliance officer shall prepare and update a Compliance Manual for the Fund.

(3) The compliance officer shall submit a report at least on a monthly basis to the compliance sub-committee.

## **CHAPTER-VI OBLIGATIONS OF THE TRUSTEE**

**22. Obligations of the trustee.**— (1) The trustee shall keep the assets of the Fund in the safe custody and -

- (a) take into its custody or under its control all the assets of the Fund in accordance with the law;
- (b) collect interest, dividends and other amounts due;
- (c) settle purchases and sales of securities;
- (d) ensure that the cash and registerable assets shall be registered in the name of and to the order of the trustee;
- (e) shall be liable for any act or omission of its agent as if it is an act or omission of the trustee in relation to any investment forming part of the assets of the Fund;
- (f) carry out the instructions of the Management Committee in respect of investments unless the instructions are in conflict with the provisions of the Act or the rules;
- (g) ensure that the investment limitations and prohibitions as provided in the Act and rules are complied with; and
- (h) issue a report to be included in the annual report of the Fund in which in its opinion the Fund has in all material respects operated in accordance with the Act and the rules and if the Fund has not done so, the steps which the trustee has taken.

(2) In the case of assets deposited with the trustee which is a scheduled bank, the return on such deposits shall be at a rate not lower than the rate offered on deposits of similar amount and maturity.

## **CHAPTER-VII BUDGET, ACCOUNTS AND AUDIT**

**23. Budget of the Fund.**— (1) The annual budget of the Fund shall be considered by the Management Committee no later than 1<sup>st</sup> April each year.

(2) The Management Committee shall approve the annual budget of the Fund no later than 30<sup>th</sup> June each year.

(3) All expenses estimated in the budget shall be paid from the Fund, provided that the Government may provide funds for the operations of the Fund in case no funds are received from the Reserve Fund.

(4) The Management Committee may constitute a sub-committee for the preparation of the budget.

**24. Expenses.**— Expenses of the Fund, other than the investments, incurred on the operation of the Fund, including expenses relating to the functioning of the Management Committee, salaries of employees and other such expenses shall be met through the establishment of a separate expense account.

**25. Books of accounts.**— The Fund shall:

- (a) maintain such books of accounts and other record as shall depict a true and fair picture of its state of affairs, including -
  - (i) journals, cash book and other records of original entry forming the basis of entry in any ledger;
  - (ii) ledgers or other comparable records reflecting assets, liabilities, income and expenses;
  - (iii) ledgers or other comparable records showing securities in the portfolio;
  - (iv) record of transactions with banks; and
  - (v) record of all transfers from and to the Reserve Fund; and
- (b) maintain such books of accounts and other records for a period of not less than ten years.

**26. Appointment of chief accounting officer.**— (1) The Management Committee shall appoint on such terms and conditions as it may determine, a chief accounting officer who is a chartered accountant or a cost and management accountant or a person with a master's degree in commerce or business administration with specialization in finance and senior management level experience of at least five years in a bank or development finance institution or modaraba or non-banking finance company.

(2) The chief accounting officer shall prepare accounts, establish procedures for financial controls and other matters to be determined by the Management Committee.

**27. Functions of accounts and audit sub-committees.**— (1) The accounts sub-committee shall ensure compliance with accounting standards, and prudential rules.

(2) The audit sub-committee shall ensure compliance with audit standards, recommendations of the auditor and adopt risk management controls for the Fund.

(3) The chief accounting officer shall provide quarterly reports and any such information that any of the above sub-committees may require.

(4) The accounts sub-committee and the audit sub-committee shall meet at least once in three months.

**28. Accounts of the Fund.**— (1) The accounts of the Fund shall be reported in the form and manner as specified in the Schedule.

(2) The annual accounts of the Fund shall be approved by the Management Committee and shall be signed by the Chairman or the Vice Chairman, the General Manager and a Member from the private sector authorized by the Management Committee.

**29. Audit report of the Fund.**— (1) The audit report of the Fund shall be in the form and manner as specified in the Schedule.

(2) The auditor shall forward to the Management Committee an audited copy of the annual accounts within three months of the end of the accounting period.

**30. Directions and guidelines of the Commission.**— The Management Committee shall take into consideration guidelines and directions issued by the Commission.

**SCHEDULE**  
**ACCOUNTS OF THE FUND**

**1. General:**

- (a) The Annual reports shall comply the accounting requirements included in this Schedule. The Management Committee shall publish a report for the six month period following each year to include a statement of income and expenditure, asset and liabilities and the portfolio.
- (b) All reports shall contain comparative figures for the previous period except for the investment portfolio.
- (c) The items listed under the statement of assets and liabilities, income statement, statement of movements in reserves and the notes to the accounts, where applicable, shall be disclosed.
- (d) All statements and accounts referred hereunder should be prepared in conformity with the International Accounting Standards notified under sub-section (3) of section 234 of the Companies Ordinance, 1984, and technical releases issued by Institute of Chartered Accountants of Pakistan from time to time.
- (e) The Annual Report shall be in both English and Urdu and be made available to employees and pensioners of the Government on request and be published on the internet.

**2. Statement of assets and liabilities:**

The following must be separately disclosed for every accounting period:

- (a) total value of investments;
- (b) bank balances;
- (c) dividends and other receivables;
- (d) bank loans and overdrafts or other forms of borrowings;
- (e) amounts received and paid into the Reserve fund ;
- (f) total value of all assets;
- (g) total value of all liabilities;

**3. Income statement:**

The following information shall be included in the income statement:-

- (a) total investment income net of tax, if any, broken down by category;
- (b) total other income, broken down by category;
- (c) an itemized list of various costs which have been debited to the Fund including:
  - (i) fees paid to a third party;
  - (ii) remuneration of the trustee;
  - (iii) safe custody and bank charges;
  - (iv) auditor's remuneration;
  - (v) borrowing expenses;
  - (vi) other amounts paid to any connected person of the Fund;
  - (vii) legal and other professional fees; and
  - (viii) any other expenses borne by the Fund;
- (d) taxes; and
- (e) amounts transferred to and from the Reserve Fund.



#### **4. Statement of movements into and from the Reserve Fund:**

The following information shall be included in the statement of movements in and from the Reserve Fund:

- (a) value of the pension fund as at the beginning of the period;
- (b) amount received from the Reserve Fund;
- (c) amount paid into the Reserve Fund;
- (d) any item resulting in an increase or decrease in value of the Fund including-
  - (i) surplus or loss on sale of investment;
  - (ii) exchange gain or loss;
  - (iii) unrealized appreciation or diminution in value of investment; and
  - (iv) net income for the period; and
- (e) value of the Fund as at the end of the period.

#### **5. Notes to the accounts:**

The following shall be set out in the notes to the accounts:

- (a) principal accounting policies including:
  - (i) the basis of valuation of the assets of the Fund including the basis of valuation of unlisted securities;
  - (ii) the revenue recognition policy regarding dividend income and other income;
  - (iii) foreign currency translation, if any;
  - (iv) taxation; and
  - (v) any other accounting policy adopted to deal with items which are judged material or critical in determining the transactions.

Any changes to the above accounting policies and their financial effects upon the accounts should also be disclosed;

- (b) disclosure of transactions with connected persons;-
  - (i) details of all transactions entered into during the accounting period between the Fund and the Management Committee or any entity in which these parties or their connected persons have a material interest; and
  - (ii) name of any member of the Management Committee or of any employee or contracted if such person becomes entitled to profits from transactions in securities or from management of the Fund and the amount of profits to which such person becomes entitled.
- (c) borrowings,-
  - (i) whether the borrowings are secured or unsecured and the duration and maturity of such borrowings;
  - (ii) contingent liabilities and commitments of the Fund; and
  - (iii) if the free negotiability of any asset is restricted by statutory or contractual requirements.

#### **6. Contents of the audit report:**

The report of the auditor should state,-

- (a) whether in the auditor's opinion, the accounts prepared for that period have been properly prepared in accordance with the relevant provisions of the Act and the rules and according to such International Accounting Standards as generally apply in Pakistan;

- (b) without prejudice to the foregoing, whether in the auditor's opinion, a true and fair view is given of the disposition of the pension Fund at the end of the accounting period and of the transactions of the pension fund;
- (c) whether costs and expenses debited to the Fund are as specified in the Act, rules or regulations;
- (d) if the auditor is of opinion that proper books and records have not been kept by the Fund or the accounts prepared are not in accordance with the Fund's books and records, that fact; and
- (e) if the auditor has failed to obtain all the information and explanations which, to the best of his knowledge and belief, are necessary for the purpose of the audit, that fact.

**7. Investment portfolio:**

Information regarding the investment portfolio should state, -

- (a) number or quantity of each holding of a security together with the description and market value ;
- (b) the total cost of each security;
- (c) the value of each security as a percentage of the total assets less liabilities of the Fund; and
- (d) the statement of movements in securities purchased and sold during the accounting period.

**BY ORDER OF THE GOVERNOR OF THE PUNJAB  
SECRETARY FINANCE**

**No.& Date Even:**

- A copy is forwarded for information and necessary action to:-
- 1. The Principal Secretary to Governor, Punjab, Lahore.
  - 2. The Principal Secretary to Chief Minister, Punjab, Lahore.
  - 3. The Additional Chief Secretary, Government of Punjab, Lahore.
  - 4. The Chairman, Planning & Development Board, Government of Punjab, Lahore.
  - 5. The Finance Secretary, Government of Punjab, Lahore.
  - 6. The Secretary Services, Government of Punjab, Lahore.
  - 7. The Secretary Law, Parliamentary Affairs & Human Rights, Government of Punjab, Lahore.
  - 8. All Non-Official Members of Management Committee, Punjab Pension Fund.
  - 9. The PSO to Minister of Finance/Chairman, Punjab Pension Fund.
  - 10. The Additional Secretary / Staff Officer to the Chief Secretary, Punjab.
  - 11. The Registrar, Lahore High Court, Lahore.
  - 12. The Accountant General, Punjab, Lahore.
  - 13. All District Accounts Officers in the Punjab/Treasury Officer, Lahore.
  - 14. The Director General, Public Relations Punjab, Lahore.
  - 15. The Superintendent, Government Printing Press, Lahore, for publication in the extra ordinary gazette.



**(AQUIL RAZA KHOJA)**  
General Manager Punjab Pension Fund  
Finance Department