The Pakistan Credit Rating Agency Limited

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Pension Fund Managers

Assessment Framework

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Summary

This methodology outlines PACRA's approach to assigning pension fund manager rating. The pension fund manager rating is an independent opinion on the relative quality of services, management, and capacity to effectively manage investment and operational challenges, of a pension fund manager. PACRA's approach is focused towards qualitative factors, including: i) Ownership, ii) Governance, iii) Management, iv) Investment Process, and v) Customer Relationship, while vi) Financial Risk is employed as the quantitative factor. PACRA also compares the standing of the pension fund manager with peers in its relative universe. It is pertinent to note that the pension fund manager rating is a management quality rating and does not reflect the pension fund manager's ability to meet its financial obligations.

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Introduction

Scope: Opinion on quality and expertise deployed by a pension fund manager

Rating Framework: Qualitative and quantitative factors, all factors assessed on standalone *and* relative basis

Scope: The Pension Fund Manager Rating is a management quality rating that depicts an independent opinion on the relative quality of services, management, and capacity to effectively manage investment and operational challenges of pension fund managers. SECP grants pension fund manager licenses to three types of firms: i) Asset Managers, ii) Investment Advisors, and iii) Life Insurance Companies. This methodology will specifically cater to Life Insurance Companies who possess the license to operate as a pension fund manager. PACRA's methodologies of assessing asset managers and investment advisors that provide pension fund management services shall be covered in their respective methodologies.

It is pertinent to note that a management quality rating of Pension Fund Managers would differ fundamentally from a traditional credit rating, which refers to an entity/issuer's ability to meet its financial obligations in a timely manner.

Securities and Exchange Commission of Pakistan's (SECP's) Voluntary Pension Scheme Rules, 2015, define a Pension Fund Manager (hereon referred to as "PFM") as "an asset management company or a life insurance company or an investment advisor duly authorized by the Commission to efficaciously manage the contributions made by or on behalf of participants in pension fund and meet such other conditions as may be prescribed from time to time by the Commission". As aforementioned, this methodology specifically caters to life insurance companies that have the license as pension fund managers as well.

Regulatory Landscape: In March 2024, the SECP announced an amendment in its regulatory framework for Voluntary Pension Schemes (VPS) along with alterations in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. These changes were introduced to allow employers to offer fully defined contribution pensions to their employers in a fail-safe environment. The nature of these changes included inclusion of Investment Advisors to be registered as pension fund managers. Another notable amendment was introducing a minimum asset management rating criterion for licensed PFMs. As of now, only asset managers, life insurance companies, and investment advisors with a minimum asset manager rating of "AM2" can possess a license for pension fund management. Thus, life insurance companies that intend on providing pension fund management services must obtain a PFM rating for themselves. This amendment has prompted the need for having a asset management quality rating, for life insurance companies that aim to operate as pension fund managers.

Rating Framework: PACRA's rating framework for PFMs focuses predominantly on qualitative factors. These are essential towards gaining a holistic view of all factors impacting an entity on a standalone basis and within its operating environment. Herein, PACRA looks at: i) Profile, ii) Ownership, iii) Governance, iv) Management, v) Investment Risk Management, and vi) Customer Relationship. Meanwhile, to ensure the element of objectivity in its assessment, PACRA incorporates vii) Financial Risk, as a quantitative factor. PACRA also achieves a clearer perspective on relative positioning of a PFM by comparing it to peers.

Profile	Ownership	Governance	Management	Investment Risk Management	Customer Relationship Management	Financial Risk

1. Profile

Background: Evolution and past strategy

1.1 Background: PACRA reviews the background of the PFM to understand its evolution from where it started to where it currently stands. PACRA analyzes how and through what means the entity has achieved the desired expansion. PACRA looks at the progress of the entity from its historical past. The progress of the entity helps PACRA in determining the ability of the entity to successfully realize its strategy. The significant factor here for PACRA is to assess whether the entity has achieved the desired expansion through organic growth or acquisitions. Meanwhile, the source of funding for desired growth is also critical. PACRA considers the PFM's experience (more specifically, the management's experience) in the industry and views favorably those PFMs that have gained several years' track record, navigating through market cycles, developing sound processes and a well nurtured expertise to offer services. Moreover, as this rating specifically caters PFMs that are life insurers, PACRA shall utilize the entity rating of the parent company to aid the PFM rating process.

1.2 Operations: Due to the distinct nature of voluntary pension schemes from traditional investment schemes and avenues, the scope of assessment of risk management and client relationship management for PFMs would vary from asset manager or investment advisor ratings. In the case of PFMs, emphasis must be placed on the PFM's ability to manage long term financial risks in particular, alongside the provider's capability of performing sound annuity management and liquidity requirements. Sustainable fee income and investment portfolio assets under management (AUM) are analyzed to ascertain growth trends and standing among peers. The aim is to assess the PFM's intrinsic capability to manage pension obligations in a sufficient, and timely manner.

2. Ownership

Ownership Structure: Identification of man at the last mile.

Stability: Succession planning at shareholder level

Business Acumen: Knowledge, skills and experience of key shareholders

Financial Strength: Willingness and ability of key shareholders to provide extra-ordinary financial support

2.1 Ownership Structure: The assessment of ownership begins by looking at the legal status of the PFM. PACRA conducts an in-depth study of the shareholding mix of the PFM in order to disentangle structure of ownership. Key factors that are considered for this purpose, inter-alia, include: i) shareholding structure which includes whether the individual(s) own the entity directly or indirectly, ii) foreign or local shareholders, iii) whether the entity is owned by a single group or through a combination of entities and individuals, and iv) whether it is part of a group or a standalone entity. All these deliberations are done to identify the person at the last mile.

2.2 Stability: In order to analyze the stability of ownership, a particularly important factor to be taken into account is succession planning. An integral part of our background analytical work is an attempt to assess whether, and under right of succession, the entity's prospects would be supported and by whom. This is particularly relevant in case of family-owned businesses and joint ventures, whose failures could have a contagious effect on the sustainability of the entity. A stable ownership with clarity in succession, perhaps major stakes residing with one family or group, is considered positive for ratings. On the contrary, high free float (in case of listed concerns) leads to risk of take over and may anchor lower ratings.

Financial Institutions which are owned by private individuals and families: *On the one hand, the concentration of equity ownership might indicate that the majority shareholders have a strong vested interest in creating long-term value and closely monitoring management behavior. On the other hand, a potential concern in such cases is that the owners might rely heavily on funds from the entity as source of income or to fund other business activities, potentially undermining the financial stability of the entity.*

2.3 Business Acumen: PACRA gauges the sponsors' business acumen. Having strong business acumen is critical for sustainable success. PACRA analyzes business acumen through two primary areas: i) industry-specific working knowledge, and ii) strategic thinking capability. Meanwhile, a deep and applicable understanding of the system is critical in order to determine how a business achieves its goals and objectives. The scope of analyzing business acumen includes the assessment and understanding of how the sponsors of the entity deliberate over and make strategic decisions.

2.4 Financial Strength: PACRA analyzes the ability and willingness of the major shareholders to support the entity, both on a continuing basis, and support in times of crisis. PACRA recognizes the PFM may need additional support to sustain operations particularly during initial years of operations, while the PFM builds its client base. While analyzing financial strength, PACRA gives due importance to: i) behavior of the major shareholders to provide timely and comprehensive support in times of need in the past, ii) prospective view of key shareholders, incase such need arises, iii) other businesses of sponsors, and iv) the level of commitment of the major shareholder with the entity in providing capital support. In case of no explicit commitment, PACRA attempts to form a view on availability of likely support. Support, in this context, refers strictly to financial support, rather than operational support.

Information Required on Ownership:
- Shareholding pattern
- Details of sponsor's other businesses
- Sponsor's financial information
- Past pattern of sponsor support

3. Governance

Board Structure: Composition of board in terms of size, independence and committees

Members Profile: Relevance and diversity of board members' skills, knowledge and experience

3.1 PACRA's assessment of governance involves a systematic analysis of governance data and information, along with a more contextual review of the entity's governance practices. PACRA considers four main factors while assessing the governance structure of the entity: i) board structure, ii) members profile, iii) board effectiveness, and iv) transparency.

3.2 Board Structure: This comprises assessment of board on various criteria including overall size, presence of independent/non-executive members having limited relationship with the sponsoring group of the entity, duration of board members' association with the entity, overall skill mixes and structure of board committees. Compliance with applicable regulations is examined. The chairman of the Board is expected to have a non-executive role. PACRA also examines the independence of governance from major shareholders. Meanwhile, the presence of board committees to provide support to the board is viewed positively.

Board Effectiveness: Extent to which board properly discharges its responsibilities

Transparency: Quality and extent of financial and non-financial information disclosure to stake holders

3.3 Members' Profile: PACRA collects information regarding profile and experience of each board member. This helps in forming an opinion about overall quality of the board. In addition to compliance with minimum regulatory requirements, PACRA looks at overall experience profile of board members. While diversification in terms of knowledge background and experience of the board members is considered a positive, a fair number of board members should have related experience.

3.4 Board Effectiveness: In PACRA's view, the board plays a crucial role in working with the management in steering the entity to its performance objectives and to provide critical and impartial oversight of management performance. PACRA assesses how board members are effectively able to discharge this responsibility by analyzing the type and extent of information shared with board members, attendance of board meetings and quality of discussions taking place at board and committee levels.

3.5 Transparency: Quality of the governance framework is also assessed by the procedures designed by the board to ensure transparent disclosures of financial and other information by PFMs. This can be achieved through: i) ensuring independence of the audit committee, ii) strengthening the quality of internal audit function, which may be in-house or outsourced, and iii) improving quality of external audit by engaging auditors which are included in the State Bank of Pakistan's panel of auditors and/or have a satisfactory QCR rating. Formulation of internal policies to establish a broad control framework for key areas is considered important. This includes policies overseeing investment, risk management, segregation of duties and information barriers between various functions of the PFM, and safeguarding the flow of sensitive information within the company by establishing firewalls as necessary.

***Accounting Quality**: PACRA reviews the quality of a PFM's accounting policies as reflected in its notes to accounts, auditors' comments and other disclosures which are part of its financial statements. Adherence to accounting standards is assessed, particularly for unlisted concerns.*

Information Required on Governance:

- Details of board committees including TORs
- Profile of board members
- Information packs used by the board
- Minutes of board meetings
- Internal auditor detail (if outsourced)
- External auditor detail
- Board-approved policies related to: i) investment, ii) risk management, iii) segregation of duties and functions, and iv) safeguarding the flow of sensitive information by establishment of firewalls.

4. Management

Organizational Structure: Alignment of organogram with PFM size, nature of business and requirements

Management Team: Relevance and diversity of skills, knowledge and experience of top management

Management Effectiveness: Extent to which top management properly discharges duties and role of technology infrastructure therein

Control Environment: Robustness of systems and processes

4.1 Human expertise plays a critical role in investment advisory. The efficiency and reliability of processes at all levels of the organization largely rely on the effectiveness of the team set-up and experience of the people involved. An important aspect of PACRA's analysis is therefore management team's ability to conceive and execute stated strategies, ensure efficient coordination and oversight.

4.2 Organizational Structure: PACRA's analysis of the organizational structure focuses on how the PFM is organized keeping in view the scope of operations and diversity of product base. PACRA believes that departments should be structured keeping in view segregation of duties and importance of the functions to be performed. In this respect, functional separation of front office from middle and/or back offices is considered important. Furthermore, it is key for PACRA that the risk function of a PFM be separate and independent. PACRA also favorably views those PFMs that have clearly segregated teams or divisions for insurance and pension fund management services with defined roles, responsibilities and reporting lines.

4.3 Management Team: PACRA's evaluation of human resources is based on an objective criterion that focuses on the back ground of management and staff, both individually and collectively. Assessment is based on the strength of the management team relative to entity size, years of relevant work experience, prior track record and tenure with the company, and roles and responsibilities and segregation thereof, each functional area is covered including portfolio management, risk management, investment research, sales and distribution, marketing, internal audit and compliance. HR turnover is reviewed to determine the stability of critical staff, with particular focus on key departments. It is important for PFMs to ensure adequate knowledge and training of staff/employees when dealing with clients, potential clients or managing client portfolios and assets.

***Key-person Risk**: Key-person risk occurs when an entity is heavily reliant on an individual, or a limited number of individuals, who are accepted as the key holder(s) of important intellectual capital, knowledge or relationships. While this type of risk is more commonly identified in small to medium- sized entities, it can also exist in larger entities and is relatively challenging to benchmark, and hence, mitigate. PACRA attempts to identify the extent to which an entity is dependent on the expertise of such individual(s) and to ensure policies exist for succession/redundancy to limit the adverse impact of such a person unexpectedly leaving, on the entity.*

4.4 Management Effectiveness: Optimum discretionary portfolio management requires adequate technological resources, whether internal, provided by the parent company or affiliate, and/or an external third party (e.g., vendors). High integration of technology into management systems is highly desirable and PACRA places high value on MIS and considers such MIS superior which are generated directly from the system. Another key measure of management effectiveness is its track record of delivering on past projections and sticking to strategies. Quality of claims management systems of the PFM (in terms of life insurer only) is also assessed as high-quality systems that ensure sound claim efficiency can safeguard liquidity of an insurer and in turn a PFM.

***MIS**: System generated – real-time based – MIS reports add more efficiency in decision making whether related to operational, financial or strategic issues. PACRA evaluates the quality and frequency of the MIS reports used by the management team to ascertain that decision-making within the entity is information-based.*

4.5 Control Environment: An analysis of the risk management framework and overall control environment of the PFM helps in identifying the procedures, control centers and reporting lines, in order to manage conflicts of interest, meet fiduciary responsibility, and to verify the accuracy of financial and accounting information prepared for stakeholders. This analysis would assess the strength of the overall compliance and control environment beyond regulatory requirements. Adherence to Board policies as well as well-documented and comprehensive policies at management level, including pricing policies, and establishment of SOPs related to client vetting and KYC are viewed as positive factors for the rating. Maximum transparency regarding trading and dealing practices and compliance with applicable regulations also provides valuable insight into the monitoring and control environment. Appropriate measures should be in place to ensure that all transactions/trades are conducted in the best interests of investors. With regulatory requirements being relatively less stringent for PFMs, self-regulation gains prominence. Thus, the PFM's compliance function would be evaluated on an enterprise-wide basis. More value would be given to a compliance and regulatory reporting function integrated into the system of the company.

***Operational Risk:** Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. An analysis of the company's Disaster Recovery (DR) procedures, infrastructure security and monitoring of third-party activities helps to determine the viability of the operational control environment against unanticipated business disruptions, personnel slippage and inadvertent data entry errors. In addition, PACRA evaluates capacity to promote ethics and monitor enforcement thereof.*

Information Required on Management:
- Latest organogram
- Details of management committees
- Profile of senior management
- Redundancy pattern
- MIS reports
- Minutes of management committees' meetings
- Policies related to: i) pricing, ii) handling of discretionary vs. non-discretionary mandates, and iii) client vetting and SOPs for KYC
- Details of digital platform implemented
- Regulatory filings and compliance disclosures

5. Investment Risk Management

Investment Risk Management: Quality of policies and systems surrounding credit, liquidity and market risk management

5.1 Research and Analysis: Strong investment research and analytical frameworks are critical for prudent investment advisory and management. The degree of independence enjoyed by the research team in its activities and recommendations is an important determinant in assessing its effectiveness. The quality, reliability, completeness and relevance of quantitative models and statistical techniques employed, complexity and extent of risk analysis and ratios commensurate with the investment scheme enable us to assess the overall quality and viability of the various tools used by the research department in formulating investment-related recommendations/decisions. Likewise, the extent and quality of the research output is assessed to determine the relevance and timeliness of the research to the PFM's activities. Lastly, analyzing how research is documented and archived for future reference is important to gauge the quality and completeness of the research database for future use

5.2 Investment Decision Making: PACRA looks at the PFM's investment committee (hereon referred to as "IC"), or equivalent body, to assess who makes investment decisions as well as how the decisions are formulated, reasoned and analyzed. As the IC is the primary point of reference for investment decisions made regarding discretionary portfolios, PACRA looks at the composition of IC, experience of its members, frequency of meetings and review of investment committee packages are reviewed to determine the overall effectiveness of decision-making process. PACRA also evaluates how well the policies approved at Board and management level are reflected in the IC's decision-making and the extent of usage of output of the research function is incorporated by the IC into its deliberation and decision-making.

5.3 Risk Management Function: PACRA looks at the risk monitoring and control framework of a PFM. Apart from the extent of independence of the risk function, PACRA looks at the policies, procedures, strategy and accountability at each level. Coverage and appropriateness of risk indicators is analyzed, including pre-defined explicit and meaningful limits pertaining to exposure towards certain sectors, clients or products. Meanwhile, reconciliation between expected and actual risk levels analysis of discrepancies and corrections, is considered equally important. PACRA looks for use of appropriate analytical tools and techniques to aid scenario analysis, stress-testing and fair valuation of securities where market values are unknown. Reporting systems and investment in technology, which support frequent reporting of risk-related information to management is important. PACRA looks at the reports generated in this regard and reviews their content, quality, and comprehensiveness. Particular emphasis is given on how any potential or perceived conflict of interest is managed and the independence of investment decision making process.

5.4 Investment Risk Management: The nature and scope of risk management in PFMs can vary, depending on the range of pension products offered. That said, investment risk management permeates the entire investment process, and specifically consists of two pillars: macro-economic risks and portfolio risks. PACRA assesses the steps being taken and the systems in place (including MIS) to monitor/mitigate these under three main categories: i) credit risk, ii) liquidity risk, and iii) market risk. Emphasis is placed on the PFM's appetite for risks along with the senior management's understanding of and involvement in risk management issues. Given that pension funds are predominantly longer-term investments, the expertise of life insurers' investment risk management departments in handling these products is viewed favorably by PACRA. This is due to the fact that life insurance firms typically deal in actuarial services and provide solutions that are annuity-based and long-tailed in nature, which in turn aligns well with the nature of pension funds.

5.4.1 Credit Risk: For Credit Risk, it is important to periodically monitor the long-term financial strength and creditworthiness of the PFM's various counterparties and to take appropriate actions in case of any adverse changes. Credit risk can arise from breaches of internally defined allocation limits, internal rating guidelines for investment purposes, and high concentration in individual investments, sectors, and/or groups.

5.4.2 Liquidity Risk: Liquidity risk management is a critical aspect of pension fund management, given the long-term liabilities, and the need to ensure that sufficient liquidity is available to meet pension obligations as they come due. PACRA evaluates the PFM's own entity and fund level liquidity profile, including the evaluating availability of liquid assets, internal and external sources of liquidity. Steps taken to mitigate these risks is also observed.

Crucially, the evaluation of **Asset-Liability Mismatches** is vital assessing the overall liquidity risk exposure of a pension fund manager. As aforementioned PFMs must ensure sufficient liquid assets to meet near term obligations (e.g. at times when a pension fund is maturing, or significant payouts are pending) without compromising their overall long-term strategies. Mismatches can trigger liquidity crises, forcing asset sales under unfavorable conditions, leading to losses that erode fund value, reduce beneficiary returns, and weaken financial stability. Therefore, maintaining a well-matched asset-liability profile is essential for mitigating risks, ensuring stability, and maintaining confidence among both fund beneficiaries and regulators.

5.4.3 Market Risk: Market risk arises primarily from adverse movements in interest rates and asset prices. High volatility in market conditions could result in significant losses in a PFM's investment portfolio. Moreover, due to the longer-termed nature of pension products, a PFM's exposure to market and interest rate risks is on the higher end. Therefore, it is important to assess the measures used by the PFM (e.g., stress testing for interest rate shocks, duration analysis, beta analysis, cut-offs for exit from stock market, repositioning strategy, etc.) to mitigate these risks that can adversely impact the value of the overall portfolio.

Information Required on Investment Risk Management:
- Risk Management tools and techniques
- Models used for security valuation
- Risk management reports
- Profile of IC members
- IC information packages
- IC meeting minutes

6. Customer Relationship Management

Investor Services: Relationship management system, capacity and quality

Investor Reporting: Quality, accuracy and frequency of information sharing with investors

6.1 Investor Services: PACRA examines the investor services platform of a PFM for evaluating overall service quality and resource availability for investors education and facilitation. Examining client relationships focuses on the PFM's ability to manage relations through determination of investment objectives and a thorough understanding of constraints, and then to day-to-day relationships, whilst ensuring confidentiality. PACRA evaluates the PFM's capacity to provide appropriate responses tailored to client requests, as well as keeping abreast of local regulations. Criteria are, inter alia, staffing, technical knowledge/training of sales people, systems such as Client Relationship Management (CRM tool), value-added services and access to information.

6.1.1 A formal mechanism to solicit feedback from clients and handle complaints must also be in place. PACRA also looks at the PFM's client attrition overtime on a standalone basis and comparison of the same to industry peers, as a yardstick to judge the quality and effectiveness of investor services.

6.2 Extent of Automation/Integration: For a PFM to be able to service clients efficiently, the systems' backbone needs to be robust. The systems deployed need to be capable of capturing, processing and reporting all transactions of all clients with a zero or near-zero error rate. PACRA's evaluation of the infrastructure framework consists of an assessment of the infrastructure deployed, the extent of automation and integration, type and number of errors encountered, access policies to the computer systems and data, and the quality of reports generated by the MIS. Further, adequate systems infrastructure including connectivity, communication networks, back-up procedures and disaster recovery to ensure uninterrupted operations are viewed positively by PACRA.

6.3 Investor Reporting: Much of the information provided to investors is communicated through regular reporting, which PACRA examines in light of its comprehensiveness, clarity, consistency, accuracy and timing. This capacity to adapt reports to meet varied investors' requirements is also examined. Beyond mere reporting, PACRA believes that all PFMs should offer performance presentations and performance attribution reports to their clients on a widespread and timely basis. The agency, therefore, looks at accuracy of performance attribution and consistency with the investment process. PACRA also reviews the resources and the procedures used in the production of reports, particularly with respect to front-office independence and to data accuracy.

6.4 Product offerings: PACRA also evaluates the variety of pension products offered by the PFM, including defined-benefit and defined-contribution plans, along with the performance track record of product offerings relative to benchmarks.

Information Required on Customer Relationship:

- Mechanism for client communication, feedback and complaint handling
- Standard account opening form/mandates
- Standard customer contracts, including: i) investment advisory, ii) underwriting (if applicable), and iii) market marking (if applicable)
- Number of active branches and sales staff per branch
- Turnover rate of sales staff
- Customer retention/attrition rate
- Detailed list of products offered by the PFM

7. Financial Risk

Financial Performance: Assessment of financial position to evaluate financial performance and sustainability

7.1 Degree of Concentration: Concentrations are analyzed at two levels: revenue and investor. The yardstick is the contribution of top ten investors in the overall portfolio and revenue, respectively. The higher the rating, the lower the concentration at both these levels. The fee revenue from retail investors is pivotal to PACRA's comfort, especially when it provides complete coverage against the company's operating expenses. Concentration is expected to be high for new PFMs but should come down with time.

7.2 Financial Performance: PACRA looks at financial position of the PFM with an objective to assess financial performance and sustainability. Several aspects of the company's income statement are considered, including growth/stability of core revenue stream (i.e., management fees), other sources of income, expense trends, and overall profitability level. Leveraging levels are assessed relative to industry norm and return on equity is analyzed in conjunction with peer to make a view as to the shareholders’ satisfaction with the investment.

7.3 Performance against Benchmark: PACRA evaluates the tools and mechanisms set in place by the PFM to gauge its performance. The benchmarks specified by the PFM to measure its own performance are reviewed and proximity of actual performance to targets is assessed. Herein, existence of tracking mechanisms which measure performance in various areas relative to pre-defined objective and measurable benchmarks is viewed favorably.

Information Required on Performance:

- Tools for internal performance monitoring
- Financial statements for latest three annual financial periods and latest eight financial quarters
- Financial projections for upcoming three annual financial periods

Pension Fund Manager Rating

An independent opinion on a pension fund manager's quality of services, management, and capacity to effectively manage investment and operational challenges.

Scale	Definition
AM1 (p)	**Very high quality.** Pension fund manager exhibits very high quality of services, management, and capacity to effectively manage investment and operational challenges
AM2++ (p) AM2+ (p) AM2 (p)	**High quality.** Pension fund manager exhibits high quality of services, management, and capacity to effectively manage investment and operational challenges
AM3++ (p) AM3+ (p) AM3 (p)	**Good quality.** Pension fund manager exhibits good quality of services, management, and capacity to effectively manage investment and operational challenges
AM4++ (p) AM4+ (p) AM4 (p)	**Adequate quality.** Pension fund manager exhibits adequate quality of services, management, and capacity to effectively manage investment and operational challenges
AM5 (p)	**Weak.** Pension fund manager exhibits weak quality of services, management, and capacity to effectively manage investment and operational challengesstandards and benchmarks.

*Where "(p)" denotes pension fund managers

Outlook (Stable, Positive, Negative, Developing) Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Rating Watch Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion.

Suspension It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn.

Withdrawn A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveill the opinion due to lack of requisite information.

Harmonization A change in rating due to revision in applicable methodology or underlying scale.

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.