

ABSTRACT

Pension Fund is a legal corporation which manages and performs pension benefits based on a certain program. There are two kinds of Pension Fund in Indonesia: *Dana Pensiun Pemberi Kerja (DPPK)* and *Dana Pensiun Lembaga Keuangan (DPLK)*. PLN Pension Fund is a quite big DPPK in Indonesia with more than 45,000 participants. There are two main indicators for measuring the performance of Pension Funds. The first is the Funding Ratio, and the second is ROI (*Return on Investment*).

In recent years, both Funding Ratio and ROI have decreased while the number of participants in PLN Pension Funds increasing. This creates an imbalance between assets and liabilities to be met by the company. Moreover, instead of creating a better target for future performance, top management decided to lower its ROI target from 10% to 9.5%. PLN Pension Funds did not allocating and selecting their investment good enough so that the return of their investment has not been quite satisfying. This is because of poor management and a lack of internal control of the PLN Pension Fund.

This research will evaluate current portfolio investment performance and will construct optimal portfolio investment for PLN Pension Fund in short term. Sharpe, Treynor, Jensen Ratio and Investment Performance Attribution are adopted as the tools for evaluating, while Markowitz's Model are used to construct optimal portfolio. Besides evaluating and constructing optimal portfolio, an implementation plan must also be performed by PLN Pension Funds.

PLN Pension Funds should be more careful in conducting cooperative agreement with trading companies/investment managers. Also, it is recommended that PLN Pension Funds build its own division to do trading activity, so that control function can be maximized. The composition should be performed by PLN Pension Fund is to allocate investments 22.92% in *SBN*, 6.70% in *Deposito On Call*, 13.89%, in *Deposito Berjangka*, 9.17% in Stocks, 13.29% in Obligation, 17.03% in *Sukuk*, 1.03% in Mutual Funds, 1.82% in *Penempatan Langsung*, 14.15% in Land/Buildings. PLN Pension Funds should do some steps for about 7 weeks before permanent implementation: resources planning, system/procedure planning, directing, trial&evaluation.