

MINUTES OF THE 59TH MEETING OF THE BOARD OF TRUSTEES
HELD ON 21ST MAY 2002 AT 11:30 A.M IN THE BOARD ROOM EOBI
HEAD OFFICE, KARACHI

The 59th meeting of the Board of Trustees of EOBI was held on Tuesday, the 21st May, 2002 at 11:30 hours in the Board Room of EOBI Head Office, Karachi. Mr. Farhat Hussain, Secretary, Labour, Manpower & Overseas Pakistanis, Government of Pakistan being President of the Board, presided over the meeting.

2. The following attended the meeting:-

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| 1. | Mr. Farhat Hussain Secretary, Labour, Manpower & Overseas Pakistanis, Government of Pakistan, Islamabad. | President |
| 2. | Mr. Tauqir Ahmad Joint Secretary (Labour), Ministry of Labour, Manpower & Overseas Pakistanis, Islamabad. | Member |
| 3 | Maj.(R) Iqbal Ahmed Secretary Labour, Punjab | Member |
| 4. | Mr. Danish K. Monnoo Employers' Rep. Punjab | Member |
| 5. | Mr. Nazim F. Haji Employer's Rep. Sindh | Member |
| 6. | Ch. Zaheer Ahmed Taj Employees' Rep. Punjab | Member |
| 7. | Mr. Abdul Aziz Abbassi Employees' Rep. Sindh | Member |

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| 8. | Mr. Muhammad Zaman Employees' Rep. NWFP | Member |
| 9. | Mr. Muhammad Shafi Malik, Chairman EOBI, | Member |
| 10. | Mr. Nooruddin Shaikh Director General (F&I), EOBI | Member |
| 11. | Raja Faizul Hassan Faiz | Secretary BOT |

3. Mr. Javed Rashid Siddiqui, Director General EOBI was also present to assist the Board in its deliberation.

4. The meeting started with recitation of Holy Quran by Mr. Abdul Aziz Abbasi, Member BOT.

5. The president welcomed the members of the august Board. He introduced Mr. Mohammad Shafi Malik, as new Chairman of EOBI to the Board. He said that Mr. Shafi Malik had a vast experience of 34 years with excellent service record. He said that he was a senior officer of Income Tax Department with unimpeachable integrity, which was a healthy sign for the Institution. He prayed that may Almighty help Mr. M. Shafi Malik in discharge of his duties and assured him of and Board's full support.

6. In response, Mr. M. Shafi Malik thanked the President and the members of the Board for their good wishes. He informed the Board that prior to reaching the Head Office, he had visited various Zones and Regions to know the actual working of the Institution. He opined that the main issue before him was viability of the scheme and the Institution. In 1986 the Government provided for matching grant to the scheme @ of 5% but from 1995 the said grant was withdrawn and now as per reports of the actuaries the Institution could not sustain after the year 2015-16. To revive the viability of the Institution either payable contribution by the employers had to be raised or rate of contribution by employees was to be raised and the third alternative was to reduce the rate of pension but all those measures were very difficult. The Institution had to take measures to control the high expenses and eliminate rampant corruption. The EDP Division should be able to provide every information about the employers and employees so that the field staff of the Institution should not contact employers so frequently for verification of records for collection of contribution and disbursement of benefits. Every employer should not be subjected to check every year. However, if parametric indicators suggest evasion of due contribution by any employer his record may be thoroughly checked. The Institution may approach the Associations, Chamber of Commerce etc., and put moral pressure on the registerable employers for registration. Referring to the recoverable arrears he said that according to an estimate only 15% arrears were genuine. He further stated that the statutory rate for increase was 1.5% per month but no standard pattern was being followed. It is not only illegal but also

vests lot of discretion in the hands of field officers. Referring to Section-13 of the EOB Act, 1976 read with Rule-4 of EOB (Contributions Rules) 1976, the Chairman informed the Board that if the employer fails to pay contribution on the due date the amount payable has to be increased by 1-1/2 % of such amount for every month or part of a month for which the amount is in arrears unless the reasons for delay were established to the satisfaction of the Institution.

7. He further referred to the previous decision of this Board taken in 18th meeting held on 2/1/1988 whereby it was decided as under:-

- i). Where the employer agreed to pay the full amount found due, in lump, sum, within 45 days of the demand, the whole amount of increase should be waived.
- ii). Where the employer agreed to pay the full amount found due, within six months of the demand, in equal monthly installments, 50 percent of the amount of increase should be waived.
- iii). Where the employer agreed to pay the amount found due within 12 months of the demand in equal monthly installments, 25 percent of the amount of increase should be waived.

8. The Chairman was of the view that the said decision was in accordance with legal provisions, therefore, the Board might recall the same. He further pointed out that Rule-4 also required amendment to reduce discretionary powers of the officers. This provision required show cause notice prior to levy the increase, and gives discretionary powers to officials of the Institution to levy or not the statutory increase. Under parallel statutes increase in delayed payment is mandatory. In hardship cases arrears are written off by higher authorities after due verification of acts.

9. He informed the Board that the Institution has decided to introduce the system of imposition of said increase in three phases. It is proposed to standardize the same as under:-

- a) If an employer pays the contribution within 45 days no statutory increase would be charged on such contribution payment.
- b) If an employer pays arrears of contribution within 46 to 365 days, increase would be charged @ 18%.
- c) If an employer pays arrears of contribution within 366 to 730 days, increase would be charged @ 36%.
- d) If any employer pays arrears of contribution after 731 days, increase would be charged @ 50%.

10. The Board recalling the earlier decision, approved the standardization of increase as suggested by the Chairman. The Board further desired that the Institution should submit proposal to the Federal Government for proper amendment in the Contribution Rules.

11. To eliminate the bogus arrears he was of the view that where there was any decision by Adjudicating Authority or any court the over assessed arrears should be written off without referring the case to the Head Office for approval. The details of extinguishment may be furnished to Head Office in monthly progress report and may be subjected to post-audit. He apprised the Board of the suggested administrative and legal reforms being taken by the Institution.

12. The Chairman EOBI said that he was in consultation with actuary and wanted that a yearly certificate from the consulting actuary regarding viability of the scheme should be included in the final accounts to establish and publicize credibility and viability of the Institution.

13. The President appreciated the views expressed by the Chairman EOBI and expressed satisfaction on strategy adopted by the new management in resolution of problems.

14. Mr. Zaheer Ahmed Taj, on behalf of the employees' representative on the Board welcomed the new Chairman and assured him of every help and cooperation in taking decisions in right directions.

Item No. 1) To Consider Confirmation of the Minutes of
58th Meeting of the Board

15. The President inquired whether there was any objection on recording of minutes. The Secretary BOT informed that no objection was received from any of the members. The minutes were confirmed by the Board.

the opinion that it was imminent to get an actuarial valuation made by a competent professional firm to suggest all possible alternatives to make the scheme simple, viable, popular and beneficial for poor workers.

24. The President said that in accordance with present scheme the employers were shouldering the whole responsibility with respect to EOB Fund. The Government had ceased contributing to the fund and even the employees had not started paying their due share as per law. He suggested that if the Board agreed to the proposal of fixed rate contribution the same could be put up to the De-regulation Committee of the Ministry of Finance in its next meeting.

25. Mr. Danish K. Monnoo said that there should be an upper wage ceiling in respect of employees to be the insured in line with Social Security Ordinance where all those persons who were appointed above the limit of Rs. 5000/- per month were not secured workers.

26. The Chairman EOBI informed the Board that he had discussed that idea with actuaries but the actuaries were of the view that if the wage ceiling was imposed for the purpose of registration under the Act it would result in reduction of contribution income and number of insured persons. Besides, all those employees who had already been registered and the contribution was paid by their employers would remain covered. At that point Mr. Monnoo suggested that there could be three slabs for payment of contribution at fixed rate i.e Rs. 150/-, Rs. 200/- & Rs. 250/- per month in accordance with wages.

27. The President said that the viability of the scheme could only be achieved by maximum registration, collection of contribution by employees also and curtailment of expenses. Mr. Nazim F. Haji said that the main flaw in the scheme was that the employees who had neither contributed nor their employers had paid the contribution were getting pension from the Institution.

28. Mr. Zaheer Ahmed Taj, pointed out that the Institution had showed 1731373 registered employees upto March 2002 whereas number of active insured persons was shown as 1089116 only. Similarly, the number of employers was shown as 46,431 whereas the active employers were presented as 30010. He was of the view that there could not be such vast difference between the number of employees registered and that shown as active insured persons. The DG(Ops) informed the Board that the active insured persons included only those persons in respect of whom the contribution was paid in a particular month. If any establishment defaulted in payment of contribution the number of insured persons working in that particular establishment would be excluded from the number of active insured persons. The Board decided that in future a list of inactive units should be provided to the Board.

Item No. 4) To Consider Funding of a Chair in the Field of
Social Security at Karachi University

29. The Board decided to drop the proposal for funding of chair in the field of Social Security at University of Karachi.

Item No. 5) To Consider Presentation on EOBI House
(Awami Markaz)

30. Mr. N.H.Sabzwari, ADG (RE&GS) gave a presentation regarding EOBI House (Ex-Awami Markaz). He briefed the Board about the past history of the Ex-Awami Markaz. At the end of presentation Danish K. Monnoo desired that since heavy amount of the Institution was involved in purchase of the said building therefore, the Board must be apprised about the progress of the suit regarding adjacent plot which was pending in the Hon' able High Court of Sindh.

31. Mr. Nazim F. Haji, was of the view that the Board should leave the question regarding shifting of Head Office to Awami Markaz to Chairman EOBI. On the question from Mr. Nazim F. Haji, Mr. N.H.Sabzwari informed the Board that all the occupants including the public sector organizations were paying monthly rent to the Institution however, Police and Health Department who were occupying small space in the building were defaulter.

32. Major (Retd) Iqbal Ahmed, was of the view that the Chairman EOBI should take up the matter with the Chief Secretary to get those premises vacated on urgent basis.

33. The Chairman was of the view that the Institution should make use of the building as a commercial center instead of shifting Head Office as the rate of rent per square foot of Awami Markaz was far higher than the present EOBI House.

34. After due deliberations it was decided that shifting of Head Office from the present building to Awami Markaz, should be left to the Chairman EOBI.

(5a) Presentation Regarding EDP Activities

35. Mr. Zameer Ahmed, DDG(EDP) of the Institution gave a presentation regarding IT Plan to the BOT. He explained present status of the EDP Division & quality of data. He briefed the Board about introduction of re-engineering of processes EDP and preparation of revised under the guidance of Chairman. He said that the Chairman decided to create model regions and those model regions at Karachi would be active within next three months. He said that they had developed system where under employers

could give information through E-mail and can also be reflected on the Web. He sought cooperation from the employers' representatives on the Board regarding supply of such data to the Institution.

36. Mr. Zaheer Ahmed Taj said that there was no such data available in the Regional Offices. He stressed that monthly return should be made mandatory as was in practice in Social Security Institution so that the data of insured persons would be available at Regional Level.

37. The Chairman informed the Board that the Institution was planning to organize reconciliation of PR-03 with PR-04 at the Regional level and in this way required data would be available and reconciled at all the regions.

38. Mr. Zaheer Ahmed Taj also pointed out that data available with EDP Division was old and contained many defunct units. The Chairman assured that the Zonal De-registration Committee entrusted with the responsibility of De-registration would be reactivated to de-register closed units and reflect correct figures of registered establishments in the monthly progress reports.

39. Mr. Zaheer Ahmed Taj was of the view that the regions should be given target date to complete the task of de-registration. On that the Chairman assured that the regions would be given three months from July 2002 to complete de-registration of closed units.

Item No.6) To Consider Presentation of Audited Annual Accounts of the Institution for the Year 2000-2001

40. The representative of Ibrahim Shaikh & Co., presented the audited annual accounts of the Institution for the year 2000-2001.

41. Mr. Monnoo wanted to know from the auditors about ways and measures to be adopted so that the incidents like Repo Transaction might not occur in future. The auditors suggested that there should be a transparent system and Investment Committee should be made effective. He also suggested that before the investment is made with any of the company, last five to six year's Balance Sheet should be checked.

42. The Chairman enquired about the genuineness of the Defense Saving Certificates which were physically verified by the auditors. The auditors informed that they had physically verified all the DSCs with the Institution. However, they were not in a position to confirm their genuineness. He suggested that the Institution should contact the issuing authority to ascertain the genuineness of said DSCs. In future bulk of certificates should not be purchased from one source. Mr. Nooruddin Sheikh informed the Board that the Institution had already prepared the comments on the report of auditors. The President desired that a copy of comments of Institution should be provided to the auditors. Discussing the matter relating to the Awami Markaz, the auditors said that no details in respect of payment made to the Civic Centre Company were

available on the file. It was informed to the Board that the details of the said payment was available with Real Estate Division. The Board directed that said details should also be provided to the auditors.

43. Regarding the fate of shares purchased by the Institution in 1999 it was decided that the Investment Committee should decide whether the share should be sold in the market or the Institution should wait for enhancement of share value. Action may be taken by the Investment Committee on the advice of the Investment Adviser.

Item No.7) To Consider Proposed Reforms in Operation of EOBI

44. The Chairman EOBI presented a paper before the Board regarding proposed administrative and legal reforms in EOBI which inter-alia included:-

1. Restriction on visits of the field staff to the establishments.
2. Map Survey.
3. Verification of Books of Accounts of 10% employer through parametric selection.
4. Compilation of comprehensive Manuals.
5. Universal Self-Assessment Scheme
6. Amnesty for un-registered establishments.
7. Reconciliation of collection of contribution and payment of benefits at Regional Level.
8. Activation and reconciliation of Zonal tiers with due participation of stakeholders.

45. He explained that the Institution was working to promote voluntary compliance through active participation of all the stakeholders. He informed the Board that the visits of field staff would be restricted with the introduction of Self-Assessment procedure. No visit shall be allowed without proper reasons and permission of seniors. He briefed the Board about the program of Map Survey for identification of new registration on the basis of information collected from the Industrial Estates, Municipal Authorities and Development Authorities etc., completed record of establishment in their jurisdiction.

46. Major (Retd) Iqbal Ahmed, informed the Board that in the province of Punjab they had formed tripartite district committees and in the last meeting at Lahore it was decided that in those district committees a representative from EOBI and Social Security Institution should also be included. Since both the Institution were working for promotion of social security in the labour class they should not hesitate the exchange of data with each other.

47. Mr. Zaheer Ahmed Taj, pointed out that Zonal Vigilance Committees can play important role in registration of employers. He was assured that the Institution shall evolve a transparent and effective system of selection of members and terms of reference for those committees.

48. The President was of the view that the proposals made for reform in EOBI are being considered by a Deregulation Committee headed by Minister for Labour. The Board will be kept informed of the developments in this regard.

49. The Board after due deliberation decided that the Chairman should take administrative measures, however, legal reforms should be put-up to the Board in the next meeting after in-depth study.

Item No. 8) To Consider Draft Amendment in the EOB Act 1976
To Provide Coverage to the Seasonal Workers

50. The Board then took-up the item regarding extension / rationalization of pensionary benefits to the seasonal workers. The Secretary Board informed the Board that the item was basically put up by Mr. Zaheer Ahmed Taj, the Hon' able member of the Board. He had suggested that the EOB Act, 1976 might be amended in a way that the required insurable employment for entitlement of benefit under the Act should be reduced by 50% in respect of persons employed in seasonal factories. On the other hand the Hon'able member was also of the view that as manufacturing processes were ordinarily carried on for 6 to 9 months in a year in the seasonal factories therefore, in case of insured persons who was in continuous employment in seasonal factory for the whole period for which the industry had operated in a particular season, should be deemed to have completed the whole year for the purpose of the EOB Act, 1976. It was informed to the Board that on the one hand the insured persons would complete the year by working 6-9 months in the seasonal factory and on the other hand the required period of insurable employment would be curtailed by 50% in that way the insured persons would complete present insurable employment of 5 years in just 1-1/2 years.

51. Major (Retd) Iqbal Ahmed was of the view that before any decision was taken on the subject the views from all the Provincial Labour Department should be called. Mr. Monnoo said that since we were facing the question of viability therefore, the suggestions from provinces were advisable.

52. After some deliberations the Board decided that first of all the Institution should work out financial impact of the proposal. For that data could be called from Cotton Ginners Associations, Sugar Mills Associations etc. It was also agreed that Provincial Government will also be consulted about the proposal.

Item No. 9) To Consider the Revised Budget of the Institution
For the Year 2001-2002 And Proposed Budget For
The Year 2002-2002 & Other Recommendations of
F&B Committee of BOT.

a) Consideration of Budget of the Institution for the Year 2001-02
(Revised) And 2002-03 (Proposed)

53. The Board then took up consideration of revised budget of the Institution for the year 2001-2002 and proposed budget estimates for the year 2002-2003. Mr. Nooruddin Sheikh, DG(F&I)/FA briefed the Board about the salient features of the budget estimates. The Board after discussion on the recommendations of the F&B Committee approved the revised budget estimates for the year 2001-2002 and proposed budget for the year 2002-03 given below with the modification that instead of Diesel Cars the Petrol Cars with CNG should be purchased.

(Rs. in '000')

| | <u>Approved</u> <u>2001-02</u> | <u>Revised</u> <u>2001-02</u> | <u>Proposed</u> <u>2002-03</u> |
|---------------------|-----------------------------------|----------------------------------|-----------------------------------|
| Contribution Income | Rs. 1,738,000 | Rs. 1,856,000 | Rs.2,104,000 |
| Investment Income | Rs. 7,056,894 | Rs. 6,989,567 | Rs. 8,077,569 |
| Rental/Misc. Income | Rs. 40,624 | Rs. 28,337 | Rs. 33,837 |
| Capital Expenditure | Rs. 85,510 | Rs. 51,610 | 53,922 |
| Management Expenses | Rs. 426,630 | Rs. 425,086 | 451,480 |

54. It was also decided that following items should be included in the performance report of the Institution to be submitted to the Board.

- i). List of Public Sector defaulters showing outstanding contribution income and amount of pension being paid to the insured persons (pensioners) of such public sectors defaulters.
- ii). Progress of the fraudulent Repo Deal investigation/NAB reference in Accountability Court.
- iii). Income & Expenditure and occupancy status of the EOBI House (Ex-Awami Markaz).
- iv). Completion & occupancy status of Hayatabad Commercial Complex, Peshawar.

55. Mr. Nazim F. Haji suggested that the 51 vacant posts should be abolished and the working strength might be treated as sanctioned strength of the Institution. The Chairman said that the Institution was in process of rationalization and would revert back with exact requirement of manpower. Till such time the matter may be kept in abeyance While approving the budget, the Board also decided the following steps:

- i). There should be no fresh appointment in the Institution.
 - ii). The inevitable appointments may be made on contract basis only.
 - iii). The Institution should put up a list of employees after rationalization of all the requirements of Zonal / Regional Offices.
- b) To Consider Formation of Revolving Fund for Grant of Loans to Employees of the Institution

56. The Board approved the recommendations of the F&B Committee with effect from 1/7/2002.
- (i) The loan disbursed shall be restricted to the total recoveries made on account of loans to employees during the financial year immediately preceding the disbursement year. The total disbursable amount based on the recoveries may be disbursed as loans to employees on quarterly limits, i.e in one quarter, the loans disbursed should not exceed the 1/4th of the total recoveries during the preceding year, subject to completion of all procedural requirements and entitlement of the concerned employee.

(ii) In addition, a quarterly report on loans disbursed to the employees should be submitted to the Board in its meeting held immediately after the expiry of the relevant quarter. The first report should cover quarter July-September, 2002, and should be included in Performance Report for the Board of Trustees.

c) To Consider Daily Allowance and Hotel Room Rent Charges

57. The recommendations of the Committee were not approved.

d) To Consider Waiving Off / Extinguishment of Balance of Loans and Advances of the Deceased Employees.

58. The Board did not approve the recommendations of F&B Committee regarding waiving / Extinguishment of balance of loans and advances of the deceased employees. It was further desired that the Institution should put up such matters on case to case basis.

e) To Consideration Upgradation of DPOs/DEOs

59. The Board after consideration of the recommendations of F&B Committee and due deliberations decided that a comprehensive career planning chart with different tiers alongwith justification for all the tiers and job description be put up for consideration of the Board

60. There being no other item the President thanked the members of the Board for sparing time from their busy schedule for the Board meeting. He said that the Institution would certainly be benefited from the valuable ideas / proposals of the members. He praised the Chairman for the hard-work done by him and by his team.

61. It was decided that next Board meeting would be held on 9th July, 2002 at Quetta.

62. There being no other item the meeting ended with a vote of thanks to the Chair.