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MINUTES OF THE 80th MEETING OF THE BOARD OF TRUSTEES
OF EOBI HELD ON TUESDAY & WEDNESDAY, 30th & 31st
OCTOBER 2007 AT EOBI HEAD OFFICE, KARACHI.

The 80th BOT meeting was held on 30th and 31st October 2007, at EOBI head office, GPU building, I.I. Chundrigar road, Karachi to consider the following agenda:

Sr. #	AGENDA ITEMS
01.	To Consider Confirmation Of The Minutes Of 78 th And 79 th Meetings Of The Board.
02.	To Consider The Ongoing Implementation Progress Of The Agenda Items Of Last Four Meetings (From 74 th to 77 th Meetings).
03.	To Consider Progress On The Decisions Taken By The Board In Its 78 th and 79 th Meetings.
04.	To Consider Performance Of The Institution And Minutes Of 116 To 121 Meetings Of Investment Committee.
05.	To Consider Re-Organization/Re-Structuring Of EOBI.
06.	To Consider Compliance in respect Of Incorporation Of Board's Decisions Into Regulations.
07.	Briefing By The Investment Adviser In Respect Of Investment Department's Progress And Activities.
08.	To Review Assets Allocation Decision Taken By The Board In 79 th BOT Meeting.
09.	To Consider And Approve The Management/Operation & Technical Services Agreement With M/S ACCOR Group For The Proposed 4 Star Hotel In Lahore.
10.	To Consider And Approve The Nomination Of Two More Members In The Board Of Directors Of PRIMACO.
11.	To Review The Payment Of Traveling Expenses To Official Members Of The Board Of Trustees.
12.	To Consider And Approve Re-Constitution Of Publicity Committee.
13.	To Consider And Approve De-Registration Of Closed Units.
14.	To Consider Statutory Actuarial Valuation Report Up To June, 2006.
15.	To Consider And Approve Grant Of Budget For The Final Bill Of Civil Works Of Peshawar Project.

2. The meeting was presided by Malik Asif Hayat, President BOT/ Secretary to the Government of Pakistan, Labour & Manpower Division. The following attended the meeting:-

1. Malik Asif Hayat
Secretary (I.&M)/President BOT 2 President
2. Brig. Akhtar Zamin(R)
Chairman EOBI Member

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- 3. Mr. Ajaz Mohiuddin
Sr. Joint Secretary (LW) Member
- 4. Mr. Mukhtar Ali Malik
Financial Adviser Labour Member
- 5. Mr. Muhammad Ali Gardezi
Secretary Labour Department, Punjab Member
- 6. Mr. Wahid Bakhsh Baloch
Secretary Labour Department, Balochistan Member
- 7. Mr. Rasool Bux Phulpoto
Secretary Labour Department, Sindh Member
- 8. Mr. Nooruddin F. Daud
Employers' Representative, NWFP Member
- 9. Mr. Nazim F. Haji
Employers' Representative, Sindh Member
- 10. Mr. Abdul Aziz Abbasi
Employees' Representative, Sindh Member
- 11. Mr. Muhammad Zaman
Employees' Representative NWFP Member
- 12. Mr. Sultan Muhammad
Employees' Representative, Balochistan Member
- 13. Mr. Mushtaq Ahmed Sammo, ADG Secretary BOT

3. Mr. Munawar Opel, FADG(F&A), Syed Abu Ahmed Akif DG(Ops), Mr. Farooq Ahmed Awan, Investment Adviser EOBI and Chaudhry Muhammad Iqbal Deputy Secretary, Ministry of Labour, Manpower & Overseas Pakistanis attended the meeting to assist the BOT/Chairman.

4. Sardar Ali Ahmed Jozezai, Employers' Representative from Balochistan Province could not attend the meeting due to his pressing commitments. The meeting commenced with recitation from the Holy Quran. The Secretary BOT informed about the sad demise of honorable Board member Chaudhry Zaheer Ahmed Taj, the employees' representative from the Province of Punjab. The Board of Trustees offered FATEHA and expressed deep sorrow over the loss of a distinguished colleague and a very committed labour leader who devoted his life for the betterment of the workers community. The Board also appreciated his services as member of the Board of Trustees. The meeting thereafter proceeded as per Agenda

Agenda Item No. 1.

To Consider Confirmation of the Minutes of 78th and 79th Meeting of the BOT

5. The Secretary BOT informed that minutes of the 78th and 79th meetings had already been circulated amongst all members. No objection was received. The President

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BOT invited objections/observations from the members. There being no objection/observation the minutes, therefore of both the 78th & 79th meetings were confirmed.

Agenda Item No.2

To Consider the Ongoing Implementation Progress of the Agenda Items of the last four Meetings (From 74th to 77th)

6. The Secretary BOT apprised the members about the progress. He informed that in the last meeting Board was apprised with the progress up to 73rd meeting, the progress of ongoing implementation in respect of 74th to 77th BOT meetings has been included in 80th meeting. The Secretary BOT informed that in 75th BOT meeting Institution submitted 2754 cases for De-Registration and an amount of Rs.13.332 million was outstanding as contribution arrears against 218 closed units. The Board allowed De-Registration of closed units but writing off the arrears was not allowed. (The amount of arrears was inadvertently recorded as Rs 30.332 million instead of Rs 13.332 million). The Board was requested to allow the correction of amounts, which was allowed accordingly. While discussing the ongoing implementation progress from 74th to 77th BOT meeting, the President BOT observed the following:-

- I. Data cleansing process needs extra efforts to accomplish the task as it had already taken much more than the desired time and there appears to be no progress after achieving 80% progress reported in 78th BOT meeting which require immediate attention of the Institution. He also advised that outsourcing of data cleansing to be expedited which was approved by the BOT in 78th meeting.
- II. The Chairman informed the Board that since the BOT approved the outsourcing of data cleansing, the management had twice advertised but, unfortunately there was no response. However it has been re-advertised. Furthermore, efforts are in hand to involve NADRA in this exercise.
- III. President BOT further observed that process of reconciliation is the basic requirement and without having proper data, reconciliation is meaningless. He stressed that Institution is legally bound to do it. Therefore, concerted efforts are required in this regard. While expressing his concern over the issue he directed the management to accomplish the task at the earliest and also to fix responsibility as to why this important financial requirement was not initiated earlier.
- IV. Emphasizing the need and importance of reconciliation he advised to institutionalize the process by developing a programme for daily, weekly and monthly reconciliation to control leakages thereby safeguard the interest of the Institution.

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- V The President directed the Management to apprise the Board with full details on reconciliation in next Board meeting, highlighting of the data so cleansed. He also directed to present detailed progress on IT solution and IT Department's ongoing reforms.

Agenda Item No.3

To Consider Progress on the Decisions Taken by the Board in its 78th and 79th Meetings

7. Secretary BOT apprised the members about the compliance by different departments of the Institution on decisions of 78th & 79th meetings. The progress of compliance was discussed by all members at length. The Convener of the Investment Committee expressed his dissatisfaction in respect of bank accounts, their operations alongwith cash deposit position, period of deposits and profit received by the Institution on these bank accounts. The Chairman responding to his remarks informed the Board that he had personally twice convened meetings to expedite the issue and facilitate the task of the Convener Investment Committee. The said meeting was attended by the Convener Investment Committee, DG (F&A), IA, DDC(F&A), and concerned officers of the Finance Department. The Chairman also informed that had the Members apprised him regarding the lukewarm response of concerned officers, appropriate steps would have been taken to resolve the issue. He further said that the Convener, Investment Committee would acknowledge that, he had always been allowed free hand to meet and consult any officer at his convenience for under taking any task assigned to him by the Board.
8. The President BOT directed the Convener to submit report to this effect in the next BOT meeting and also directed the Management to provide all related data and necessary assistance to the Convener accordingly. The Convener will give in writing what is required by him.
9. The Board while discussing its decision whereby it was directed to consider all EOOBI properties/ buildings as investment from EOOBI fund and to find out its impact on the fund should also ascertain the current investment in real estate as per the Investment Policy. The Chairman responding to it informed that PRIMACO had already started the work to assess the present value of the properties. However, it was difficult to assess the true value of properties on yearly basis and instead the real value be assessed after every three years. Nonetheless, the Institution is already meeting the statutory audit

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requirements of annual valuation of its investment properties by independent valuers. Members were also of the opinion that the PRIMACO in consultation with Investment Department should work out the approximate rental value and maintenance cost of the properties in use of EOB.

10. President BOT directed Investment Adviser to present detailed report on the subject, covering all aspects in the next BOT meeting.

Agenda Item No.4

To Consider Performance of the Institution and to confirm the Minutes of 116 to 121 Meetings of Investment Committee.

11. The Institution has developed various reports to apprise Board members about its performance in all relevant areas. The performance reports of B&C, IT, Investment and PRIMACO were placed for consideration of the BOT members. The Chairman EOB appraised members about the core activity of the Institution by providing details of target allocation, process of evaluating the performance of field officers both in capacity of an individual as well as team members of the respective Region. He also elaborated the efforts to raise current contribution and to recover the outstanding arrears from the private and public sectors. Providing details, he informed about the efforts to recover the arrears from PTDC, KTC, PRTC, KESC, Printing Corporation etc. However, there are few public sector organizations which are not clearing their dues in spite of repeated requests for which management would like the Ministry to intervene. The Chairman further explained that all officers have been posted in Regions on the basis of their efficiency and their transfers/postings are subject to their performance and nothing else.

12. The Board appreciating the efforts of the management directed to accomplish contribution target without waiting for the deadline and to further improve the contribution as well as the recovery. The President directed the Secretary BOT to see as to what is being complied with and what not. The President also directed that while PRIMACO is responsible for valuation of properties and rental income, the Investment Adviser shall be responsible for reporting of investment income. The Investment Committee should also come up with all available investment opportunities for 2008-2009.

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13. Discussing the progress of the Investment and IT departments, the Board appreciated management efforts and advised to further improve it. The Secretary BOT also presented the minutes of the meetings of the Investment Committee from 116th to 121st meetings for consideration of the Board alongwith Internal Audit's comments

14. The Board members after discussing the minutes and the comments of the Internal Audit on these minutes decided as under:-

- I. Minutes of the Investment Committee meetings from 116 to 121 were confirmed.
- II. Investment Department will put up the proposal for the disposal of the shares purchased in the year 1994-95, and the shares received under plea bargain through NAB in the next BOT Meeting.
- III. For placement of Funds, bid documents received from the banks should be signed by atleast three members of the Investment Committee.
- IV. Two to three Kanal plot (preferably on the road side) is sufficient for office building with commercial exploitation at Manga Mandi instead of 4 to 5 Kanal Plot as approved by the Investment Committee.
- V. Proposal for CNG/ Petrol Pumps at Subzazar Scheme and Johar Town, Lahore needs to be revisited.
- VI. The honorarium should be given on achieving the target.
- VII. All money from UBI, be withdrawn.

Agenda Item No. 5

To Consider Re-Organization Re-Structuring of EOB

15. The Chairman EOB presenting the paper on Institution's reorganization informed that during many BOT meetings the issue remained under debate which hampered the decision making of the Board due to which the organization was suffering. He, therefore, very reluctantly volunteered to undertake the exercise of reorganization. Introducing the paper, he emphasized that all Departmental Heads, field officers have been consulted on each and every issue of the reorganization. After a threadbare discussion the proposed reorganization of the EOB is being presented to the BOT.

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16. The BOT discussed the paper at length and after due deliberation decided as under:

- I. Board approved revised HR strength in respect of Chairman Secretariat, less the Director and ancillary staff, Law and IT departments as proposed at Annexure A, B and C. In respect of B&C department the proposed post of AD (coordination) and allied staff posts were not allowed, rest of the proposal was agreed as proposed at Annexure-D. However, Board directed to re visit the reorganization of HR & GA departments, and submit the amended organogram alongwith revised strength details before the President BOT. The Board also desired that it would be more appropriate if HR & GA departments merged under one DDG, which was agreed by the Chairman.
- II. Merger of Internal Audit and M&E Departments was approved. The said Department would be renamed as Audit & Evaluation Department. Board also approved the proposed manpower strength (Annex-E). Transfer of vacant post of DDG (M&E) from Operations cadre to Finance, Accounts and Audit cadre was approved. Remaining posts of Operation & Management Audit – North & South would be from Operations Cadre for the time being. However, all these posts would gradually be transferred to Finance, Accounts and Audit Cadre as soon as possible and would be filled through EOBI Selection and Recruitment Procedure. Besides 31 posts of Assistant Director of Operations cadre shall be transferred to Finance, Accounts & Audit Cadre for posting as AD (Audit) at each Regional Office. These posts would be filled as per EOBI Recruitment Procedures.
- III. The Board agreed in principle to continue providing drivers to entitled officers. In case of non-availability of driver, the entitled officer would be allowed driver allowance as per approved policy. However, keeping in view the exorbitant cost of the driver and the service which he provides (attitudinal problem), henceforth, there would be no further recruitment of drivers. No vacancy of the driver would be created nor filled in head office. The officers in the field would continue to be provided with drivers. Drivers who are not performing their duties to the satisfaction of the Management may be laid off.
- IV. The Board referring to its earlier decision approved the proposal to lay off all those Beat Officers who according to their job description do not perform the task of data entry with effect from 1st February, 2008. However, while doing so Management should be fair and transparent and there should be no witch hunting.
- V. Board allowed in principle reduction in existing cadres from six to three namely:
 - a. Operations
 - b. Finance, Accounts & Audit
 - c. Information Technology.

However, while rationalizing the cadres the management will ensure that the same are carried out in consultation with the Ministry for amendments in Regulations.

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- VI. The Board while approving the proposed rationalization of strength of grade 6 (EO) and grade 7 (AD), directed the Management to ensure that while promoting EO into the grade of AD, conversion/ promotion should not be mechanical instead it should be merit/performance based to ensure that only competent officers are promoted and dead woods be weeded out for which a very transparent system should be evolved. The Board also advised to re-examine the provision of departmental examination for promotion including Specific Promotion related courses in light of existing service regulations.
- VII. Board approved in principle the proposed changes in the Recruitment and Promotion Procedures introducing new qualifications, training and passing of specific promotion related courses to meet the service requirements for officers. However, while doing so, the existing rules and regulations also be looked into for suitable amendments.
- VIII. Board approved discontinuation and reversal of all move-over and its benefits to staff in higher pay scale with immediate effect, to remain in line with the government policy, which was introduced in the year 2001. The Board also showed its displeasure that government had discontinued the practice of move-over in the year 2005 but Institution continued the practice and allowed this benefit to staff, which was not in accordance with government policy. To avoid unnecessary litigations and to facilitate the Management, the Board graciously condoned the benefits already paid and there would be no recovery on this account. The management should immediately revise /re-fix the salaries/ perks of all officers/staff according to Ministry of Finance O.M.No. F.1(5) Imp/2001 dated 4th September, 2001 and O.M.No.F.1(1)Imp/2005 dated 1st July 2005 (Annexure-I & II Copies enclosed).
- IX. Induction of officers in grade 6 (EO) to cease forthwith and entry level of officers in Grade 7 (AD) was approved. However, 45 posts in grade 6 (EO) shall remain as promotion post for staff.
- X. Withdrawal of existing educational qualifications as condition for promotion of officers introduced in 62nd meeting was approved. In future promotion would be as per the approved policy.
- XI. Proposal of posting tenure at Gilgit and Quetta to be one year up to a maximum of two years for non-domiciled officers was allowed.
- XII. The Board while approving the strengthening and recruitment for IT Department approved the streamlining of 65 posts of Data Entry related officers and also approved 40 positions of Support Officers in grade 7. The remaining 25 (16 of grade-6 and 9 of grade-7) positions of sanctioned 65 Data Entry related posts were approved to be placed at the disposal of HR for their adjustment in other departments (if possible) according to their qualifications and experience. However those officers who do not fulfill the required criteria may be laid off as per the existing rules/ regulations of EOBI.

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- XIII. The 12 Assistant Directors (Software Engineers) posts would phase out to 8 posts with the gradual retirement of existing officers. The position of Project Director would be replaced with existing post of DDG (IT)
- XIV. The Board approved lay off of two Directors who do not fit-in skill wise in the proposed new IT setup. This would be according to the existing rules/regulations of EOBI.
- XV. Board approved hiring of IT professionals at compatible market based packages subject to the approval of Finance Division for which a case would be initiated separately.
- XVI. Management was advised to review the proposal to change name of the Institution in the light of EOBI Act, as it is not applicable on employees of all sectors of activities. Therefore, proposed names like National or Pakistan Pension Fund need reconsideration.
- XVII. There are too many tiers of officers (Grade 6 to 12), which make the organization lopsided. This needs to be rationalized and brought before BOT for its consideration.
- XVIII. The Board decided that before moving forward in respect of proposed reorganization the EOBI should undertake an exercise to examine the financial, administrative and legal aspects as a consequence of merger of HR and GA Departments; merger of Internal Audit and M&E Departments; transfer of posts of Assistant Directors Operations Cadre to Finance, Accounts & Audit Cadre; reduction of existing cadre from six to three, namely operations, Finance, Accounts & Audit and Information Technology; reduction of tiers of officer grades as well as other decisions where applicable and submit it to the Board for consideration.

Agenda Item No. 6

To Consider Compliance in respect of Incorporation of Board's Decisions Into Regulations

17. The Board of Trustees in the 75th meeting expressed concern about the fact that various decisions of the BOT had yet not been given effect by way of being transformed in regulations, rules and procedures. The BOT therefore directed incorporation of all necessary decisions of the Board in respective regulations, rules, procedures and manuals.

18. The Board Secretariat accordingly prepared a statement of all such decisions which needed incorporation in regulations and circulated to all departments' heads for their comments. This statement was reviewed by all departments' head in various meetings, which were duly chaired by the Chairman and after careful examination and consultation with all departments heads, finally following three lists were prepared:

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- List no 1 contained decisions to be incorporated
 List no 2 contained decisions to be amended before incorporation
 List no 3 contained decisions not to be incorporated

19. The Secretary BOT informed about the plan and strategy to accomplish the task, explaining the plan he told that incorporation will be finalized in three phases. In the first phase list One will be incorporated and in second phase list two along with amended decisions will be placed before the Board for approval and after approval list two would be incorporated in the regulations. In last and thjrd phase necessary amendments in the existing text of the regulations would be made to bring it in conformity with BOT decisions and Government directives. The Board was therefore requested to allow the management to follow the proposed plan and strategy to accomplish the incorporation.

20. The board after due deliberation allowed allow the management to follow the proposed plan with directions to ensure that decisions taken in 80th BOT meeting, where required, should also be incorporated accordingly. It was further directed that in future while complying with the decisions, amendments should also be made simultaneously in respective Regulations to ensure the proper up dating of the regulations.

Agenda Item No. 7

Briefing By The Investment Adviser In Respect Of Investment Department's Progress And Activities.

21. The investment Advisor briefed the participants about the progress and ongoing developments in respect of the equity market and investment activities. The CEO, PRIMACO also briefed about the progress and different projects under taken by the PRIMACO. The President directed the reporting of investment return by Investment Advisor.

Agenda Item No 8

To Review Assets Allocation Decision Taken By The Board In 79th BOT Meeting.

22. The BOT in 79th meeting held on 27-06-2007 had approved an increase of 15% in investment income target and fixed it at RS. 21 Billion for the year 2007-2008, while simultaneously reduced the equity asset allocation up to ten (10%) of the portfolio. It was

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also observed in the said meeting that Investment committee was not competent to take decision pertaining to asset allocation.

23. It was in this context that the Convener Investment Committee wrote a letter to the President BOT highlighting the negative implications of BOT decision on investment income. The Chairman EOBI also had a meeting with the Secretary (MoI) on the subject. In response to these efforts Ministry reviewed the asset allocation for financial year 2007-2008 and repeated the same allocation as already allowed by the investment committee and allocated the same percentage to various assets in financial year 2007-2008 as well. The matter was again discussed in 120th Investment Committee meeting held on 27.09.2007 and it was recommended that EOBI ought to adopt asset allocation earlier recommended for the year 2007-08. It was further resolved to prepare a working paper for ratifying it from the BOT. The BOT was therefore requested to allow the following

1. Either the asset allocation already recommended by investment committee for FY 07-08 be adopted
- OR
2. The Federal Government be moved for viability gap grant of Rs 1.85 billion for the year 2007-2008.

24. The Chairman EOBI emphasizing the role of Investment Committee and its ability to take timely decision in view of rapid market changes requested the Board to consider Investment Committee's proposed allocation in order to achieve the desired target of investment to make EOB Fund viable to sustain future liabilities. He pleaded with the BOT to allow operational flexibility to Investment Committee within the ambit of Rules & Regulations. He further stressed that the Committee and Investment Department have to function within the regulatory framework prescribed by the Rules as well as directions of the Ministry. The Chairman further informed the BOT that Investment Committee has frozen the equity investment at 30% beyond 2008-09. The President BOT also informed the BOT Members that allocation for 2007-08 has been reviewed as mentioned below, by the Ministry as per recommendation of the Investment Committee:

✓ Fixed Income	72.50 %
✓ Equity	20.00%
✓ Real estate	7.50%
	<u>Total 100.00%</u>

25. The President BOT further directed the EOBI to prepare a medium term Investment Plan. This investment plan, inter alia, should include identification of

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sectors for investment, quantum of funds required for such investment and feasibility of such investments.

Agenda Item No 9 .

To Consider And Approve The Management Agreement and Technical Assistance Contract With M/S ACCOR Group For The Proposed 4 Star Hotel In Lahore

26. The Chief Executive officer PRIMACO, while briefing the BOT members informed that Memorandum of Understanding with M/s ACCOR – GROUP, SA France, for the proposed Four (4) star hotel, in Lahore has been signed.

27. The salient features of the agreement are:

- i. Term would be 15 years with one 10 years renewal upon mutual consensus.
- ii. There will be territorial exclusivity zone of 5 Km' from the hotel towards the city center and 10 Km, on all sides. This would prevent the addition of another NOVOTEL in the zone during the pendency of the Agreement. There would be a development exclusivity zone, which would stretch 10 Km from all directions from the hotel under this clause, no additional NOVOTEL can be opened for 5 years from the soft opening of the hotel or upon the hotel achieving of 70 % occupancy with 42% GOP over an 18 month period, whichever ever occurs first.
- iii. Should GOP fall below 36% for any 2 consecutive years following the fourth year of operation, the OWNER may cancel the Management Agreement.
- iv. The fee payable to Accor for their management and operation services under the agreement is as follows:

- Basic and License fee equal to 2% of Gross revenues, annually
- Management fee on a graduated scale as under:

< 25 % of GOP	5% of GOP
25-40% of GOP	6%
40-45% of GOP	7%
45-50% of GOP	9%
> 50%	12%

28. The Board was accordingly requested:

- a) To accord approval for the hotel and commercial complex projects.

Costing:

1. Hotel	Rs 2.715 billion
2. Commercial center	Rs 2.160 billion
	Total Rs 4.875 billion

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- b) To accord approval for the execution of the Management Agreement Technical Assistance Contract by CEO, PRIMACO on behalf of the EOBI with Accor (Hotel Operators).

29. The BOT after detailed discussion observed that the proposal was discussed and recommended for approval by the Board of PRIMACO, and thereafter it was considered and recommended by the Investment Committee and after receiving positive recommendations from both the PRIMACO Board of Directors and the Investment Committee, it came to the Board of Trustees which duly examined and deliberated the matter at length, and decided as under:

- I. The Board approved the proposal to sign the Management Agreement (Annexure-III) and Technical Assistance Contract with Accor by PRIMACO (Annexure-IV) on behalf of the EOBI and payment of Technical Assistance to M/s Accor as documented in the Management Agreement.
- II. The Board also agreed, in principle, to the approximate cost of the Hotel project as stated in the Project documents (Hotel Rs 2.715 billion and Commercial Center Rs 2.160 billion), as given in the project documents. The Board further decided that actual approval of the cost of the project and modalities for placement of amount of funds at the disposal of PRIMACO during construction period of the Project shall be approved by the Board of Trustees after placement of the detailed design and cost estimates prepared by the Consultants and audited by a third party.
- III. PRIMACO must document hotel feasibility and all related documents/ correspondence between PRIMACO & ACCOR as a means for reference and consultation by both EOBI and PRIMACO and send a copy of the same to the Ministry (Annexure-V).
- IV. All efforts should be made so that Project is completed before March, 2011, to avail the priceless marketing and publicity on the eve of Cricket World Cup 2011 in Lahore.

Agenda Item No 10

To Consider And Approve The Nomination Of Two More Members In The Board Of Directors Of PRIMACO.

31. In accordance with article 15 of the Article of Association of PRIMACO, the number of directors shall not be less than two (2) or more than nine (9). At present there are seven (7) directors on the Board of PRIMACO. Therefore, legally there is no constraint regarding induction of two (2) more members. The requirement for induction of additional member is felt for the following reasons.

1. There is administrative need, as the workload will be increasing manifold we have the CEO as the Executive Director and six Non-Executive Directors.

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2. With growing workload sub committees shall be formed comprising a minimum of three (3) directors in each sub committee in order to provide direction on the various functions.

32. In order to benefit from broad based decision making and implementation oversight from the Board induction of two members from professional bodies and institutions shall greatly assist the board in decision making pertaining to engineering and financial matters. The Board will receive better service and more effective input and display greater transparency in adhering with the rules and regulations. Institution such as Pakistan Engineering Council, Institution of Engineering Pakistan, Pakistan Council of Architects and Town Planners, Institute of Chartered Accountants or Institute of Cost & Management Accounts Pakistan shall be approached to nominate their representatives to serve on the PRIMACO Board as ex officio members.

33. Mr Nooruddin F. Daud expressing his reservation appraised that nominees of professional bodies normally results in difficult situation due to their internal policies which hinders the progress instead of providing professional support. He stressed upon that instead of asking nomination from the professional bodies, we should form a panel of experts and obtain their expertise as and when required.

34. The BOT after due deliberation directed that this issue should first be discussed at PRIMACO Board level and later on its recommendation may be placed before BOT for its approval.

Agenda Item No 11

To Review The Payment Of Traveling Expenses To Official Members Of The Board Of Trustees

35. Item was withdrawn by the institution.

Agenda Item No 12

To Consider And Approve Re-Constitution Of Publicity Committee

36. Covered under item No.5.

Agenda Item No 13

To Consider And Approve De-Registration Of Closed Units

37. Item was deferred

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Agenda Item No 14

To Consider Statutory Actuarial Valuation Report Up To June, 2006

38. The Institution is required to carry out statutory actuarial valuation of its funds after every three years under section-21 of the EOB Act, 1976. Last valuation (Fifth) was carried out as at 30th June 2002. The sixth statutory valuation was due in June 2005 but due to certain administrative reasons it was delayed and carried out as on 30th June 2006. The primary purpose of the valuation is to ascertain financial viability of the scheme. M/S. Akhtar & Hasan (Pvt) Ltd., the actuaries of the Institution has submitted their statutory valuation report as on 30th June 2006.

39. Mr. Akhtar Hassan, the Actuary and his associate Mr. Shujat appeared before the Board and presented a comprehensive presentation. The salient features of the presentation were as under:

- i. Government has increased pension over the last few years. It is difficult to reverse this policy. If the policy of granting increases to all pensioners is to continue, the financial health of the Scheme which is already weak, will be further impaired.
- ii. EOB Scheme is maturing gradually which is increasing the inherent cost of benefits. Contribution rates are inadequate to maintain the viability of the Scheme.
- iii. The Institution had a major chunk of its investment in DSC. The yield on DSC is very low now as such it has lost its attraction for EOB.
- iv. Long range inflation has been estimated as 7.5%. Fund should earn at least 8.4% above the inflation to maintain its financial health if no change is made in the rate of contribution.
- v. The outgo would exceed income in 2023 and the fund would start depleting. Once the point is reached the depletion in fund would be rapid and it would be totally wiped out in seven years by the end of financial year 2029-30. Thus the Fund is viable only for 15 years.
- vi. The main reason for the actuarial imbalance is the inadequacy of the existing contribution rate of 7%.
- vii. The situation is serious and alarming. It is necessary to take corrective steps immediately. Further delays would make it more difficult to rectify the situation.
- viii. There are two alternative approaches to keep the Scheme in long run actuarial balance:
 - Approach 1 -- Gradual increase in contribution rates, no change in benefits.

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- Approach II-- - Convert the Scheme into a Flat Rate Pension Scheme and adjust contributions accordingly

40. In light of the above they requested Board to consider the following steps to maintain long run financial viability of the EOB Scheme:

- ✓ As minimum wages, Rs 4600 now, has been made the basis for calculation of Benefits, it should be made the basis for payment of contribution irrespective of the wages earned during the month. (Flat rate contributions).
- ✓ Concessionary clauses in the EOB Act i.e. payment of pension on the basis of seven years and five years service for late entrants may be withdrawn.
- ✓ Necessary amendments in Labour laws may be made to provide protection to those workers who come forward for registration under EOB Scheme.
- ✓ Provisions may be made in EOB Act 1976 for imposition of fine for non-compliance i.e. non-registration and non-provision of details of employees.
- ✓ A one time grant may be provided to EOB from poverty alleviation fund to enhance the viability of the Scheme and contribution rates may be increased gradually for sustaining the viability.
- ✓ AS it is not possible to maintain the benefits at the level of minimum pension (alternative II), contribution rates may be adjusted as proposed in the alternative-I of the Actuarial Valuation.

41. The members discussed the views of the actuary and proposed approaches. After detailed discussion Board decided that the Actuary may be given alternate scenarios by EOB to work out their impact on the viability of the scheme. Then the report of Actuary would be taken up with the government for the revival of the viability of the fund in long run.

Agenda Item No 15

To Consider And Approve Grant of Budget For The Final Bill of Civil Works of Peshawar Project.

42. Item was deferred

Any other Agenda Item No 1

To Consider the investment in real estate DHA commercial Broad way Phase 8, Lahore.

43. The chairman EOB requested the President to allow the management to place two any other agenda items before the Board. After being permitted, the Chairman apprised the members that DHA Lahore launched a new scheme by the name of Commercial Broad Way Phase VIII, Lahore, the DHA Lahore has offered special price

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for EOBI, the offer was discussed by the investment committee in its 120th meeting held on 8-8 2007, Keeping in view the future prospects and safe investment with DHA. The Investment Committee has recommended to purchase three blocks. However, internal Audit department of EOBI has made certain observations on the issue, which were duly replied by the investment advisor.

44. As there was conflict of opinion between Audit and investment division of EOBI, therefore the Chairman had directed that the matter be placed before BOT for their guidance and decision.

45. The president BOT enquired about the limit of investment vis-à-vis present commitments in the real estate portfolio, the investment advisor apprised that recently EOBI has submitted two bids for purchase of following two Pakistan Railway properties in Karachi on straight lease basis:

- Plot at I.I Chundrigar Road opposite GPO measuring 9750 Sq Yds.
- Plot at Main Koragi road near Kalapul, measuring 11 Acres.

46. The investment advisor also informed that Pakistan Railway has offered EOBI to enter into a joint venture arrangements on both the properties instead of sale on outright lease basis

47. The Board after thorough deliberations directed the Investment Committee to plan investment strategy keeping in view the maturity of investment in next three years, and limit of investment before making any further investment in the real estate sector.

48. The Board also decided not to enter into joint venture arrangement with any organization and both the railway properties should be purchased on out right lease basis as per the proposal submitted by EOBI.

49. The Board further decided that in case the matter of purchase of land with Pakistan Railway is not materialized, only then proposal for purchase of land from DHA should be considered by the investment committee.

Any other Agenda Item No 2.

To Consider and allow PRIMACO to offer their professional services to other organizations on negotiated fee basis.

50. The secretary BOT explaining the item informed that PRIMACO Board of Directors, in its 5th meeting had allowed PRIMACO to undertake business outside EOBI

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as well, PRIMACO offered their services as the executing agency to the Bureau of Emigration & Overseas Employment for their project of Emigration tower, Islamabad.

51. The CEO, PRIMACO elaborating the details apprised that President BOE taken the initiative in this regard and advised Bureau of Emigration & Overseas Employment to utilize the professional services of PRIMACO instead PWD as project executing agency to achieve successful completion of their project Emigration Tower at Marve area Islamabad with strict quality controls, better project management and without cost and time over run. In this regard, the secretary MOE during a meeting held under his Chairmanship at the Ministry attended by DG Bureau of Emigration and CEO, PRIMACO advised PRIMACO to accept fee for providing project management service @ 4% of the total construction cost.

52. The PRIMACO BOD in their 12th meeting held on September 25th, 2007 deliberated on this issue and decided that although the 4 % fee offered by Bureau of Emigration is very low and against 10 % fee being paid by EOBI to PRIMACO in accordance with the decision of BOT. However as a gesture of goodwill and Bureau of Emigration being a sister organization under the MOE umbrella, PRIMACO may accept 4% fee for providing project Management Service to Bureau of Emigration for their project Emigration Towers.

53. The CEO informed that PRIMACO board has directed that PRIMACO should seek permission from the BOE to offer their services to Bureau and other agencies on the basis of negotiated fee structure depending on the extent of inputs, scope of services and quantum of work, which may vary from project to project.

54. The BOE accorded the approval to offer professional services to Bureau of emigration and other organizations on the basis of negotiated fee structure. The profit earned in this respect will be transferred to the EOBI fund, for which necessary amendment in the Agency Agreement may also be made accordingly.

55. The meeting ended with a vote of thanks to the chair

