



Secretary Board of Trustees

## BOARD SECRETARIAT

HEAD OFFICE, MAIN GPO BUILDING  
LLCHUNDRIGAR ROAD, KARACHI.

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Ref: HO/BS/85<sup>th</sup> BOT Mtng/2009/ 22

Dated: 02-12-2009

### ALL DEPARTMENTAL HEADS.

Subject: **APPROVED MINUTES OF 85<sup>th</sup> MEETING OF BOARD OF TRUSTEES, EOBI HELD ON 16-09-2009 AT KARACHI.**

Kindly find enclosed herewith a copy of minutes of 85<sup>th</sup> BOT Meeting held on 16<sup>th</sup> September, 2009 at EOBI Head Office, Karachi duly approved by the President BOT, EOBI/Secretary M/o L&M, Islamabad vide his letter No.1(4)/2009-EOBI dated 14-11-2009 for your perusal please.

2. You are requested kindly to send your compliance report on the decisions of the Board pertaining to your department to the undersigned latest by 12<sup>th</sup> December, 2009 so that a consolidated report could be submitted to the Chairman for his perusal.

(Mushtaq Ahmed Sammo)  
Secretary BOT, EOBI.

Encl: As above.

c.c. to:

1. SO to Chairman,
2. PS to FA/DG (F&A),
3. SO to DG (Ops),
4. Office file.

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**MINUTES OF THE 85TH MEETING OF BOARD OF TRUSTEES OF  
EOBI HELD ON 16-09-2009 AT KARACHI.**

The 85<sup>th</sup> meeting of the Board of Trustees of EOBI was held at 12:30 P.M. on 16<sup>th</sup> September, 2009 in the Board Room of EOBI, Head Office Karachi, to consider the following agenda:-

S. #	Agenda Items
01.	To consider the confirmation of minutes of 84 <sup>th</sup> meeting of the Board.
02.	To consider the on-going implementation progress of the decisions of last four BOT meetings (from 80 <sup>th</sup> to 83 <sup>rd</sup> ).
03.	To consider compliance on the decisions taken by the Board in its 84 <sup>th</sup> meeting.
04.	To consider performance of the Institution and minutes of 130 <sup>th</sup> to 134 <sup>th</sup> meetings of Investment Committee with comments of Audit Department.
05.	To consider and approve shifting of Head Office.
06.	To consider and approve performance incentives.
07.	To consider and approve payment of Bonus.
08.	To consider the approval of revision of Investment Income on Defense Saving Certificates (DSCs) in Audited Accounts for the Financial Year 2006-07 and 2007-08 and Investment Income for 2008-09 (Revised) and 2009-10 (Proposed).
09.	To consider and approve creation of majority-owned "SAHARA Insurance Company".
10.	To consider and approve the revision of Assets Allocation for FY 2009-10
11.	To consider and approve the appointment of consultants to prepare feasibility for setting up Direct-to-Home (DTH) Services.

**ANY OTHER AGENDA ITEMS**

1.	Approval of Revised Budget Estimates for F.Y. 2008 -09 & proposed Budget Estimate for F.Y. 2009-10 (Capital Expenditure) along with approval of escalation.
2.	Feasibility Of Investment In Joint Venture With DHA, Lahore

2. The Honourable Federal Minister, Labour & Manpower Syed Khursheed Ahmed Shah, graced the occasion by attending the meeting. The meeting was presided over by the Secretary Labour & Manpower. The following attended the meeting:-

1. Syed Nayyar Hasnain Haider  
Federal Secretary Labour & Manpower  
President, BOT
2. Mr. M. Asadullah Sheikh  
Chairman, EOBI  
Member, BOT
3. Mr. Shahrukh Nusrat  
Joint Secretary, Labour & Manpower  
Member, BOT
4. Mr. Tahawar Ahmed  
Financial Advisor, Labour & Manpower  
Member, BOT
5. Mr. Umer Khan Babar  
Secretary, Labour, Balochistan  
Member, BOT
6. Mr. Alam Din Bullo  
Secretary, Labour, Sindh  
Member, BOT
7. Mr. Habibudden Junaidi  
Employees' representative (Sindh)  
Member, BOT
8. Malik Intiaz Mehfooz  
Employees' representative (Balochistan)  
Member, BOT
9. Syed Imran Ali Shah  
Employees' representative (Punjab)  
Member, BOT
10. Mr. Gul Rehman  
Employees' representative (NWFP)  
Member, BOT
11. Mr. Muhammad Iqbal Dawood  
Employer's representative (Sindh)  
Member, BOT
12. Mr. Ejaz Qayum Butt  
Employees' representative (Punjab)  
Member, BOT
13. Syed Iqbal Shah  
Employees' representative (Balochistan)  
Member, BOT
14. Malik Zahid Hussain  
Employers' representative (NWFP)  
Member, BOT
15. Mr. Mushtaq Ahmed Sammo  
Secretary, BOT

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Assistant Chief  
Ministry of Labour & Manpower  
Government of Pakistan  
Islamabad

3. Secretary Labour Punjab and NWFP could not attend the meeting. Mr. Farooq Ahmed Awan Investment Advisor EOBI, Mr. Manzoor Bhatti FA/DG (F&A) Mr. Pervaiz Ahmed Ofg CEO, PRIMACO, Mr. Mohammad Hanif Ofg DG (Ops) attended the meeting to assist the BOT/Chairman.

4. The meeting commenced with recitation from Holy Quran. Chairman EOBI, welcomed the Honorable Minister Labour & Manpower Syed Khursheed Ahmed Shah, and thanked him for sparing his valuable time to attend BOT meeting out of his busy schedule. He also welcomed the new president BOT/Federal Secretary Labour & Manpower Syed Nayyar Hasnain Haider and assured him full support of the Institution. While welcoming the new president he appreciated the services of the former President BOT Malik Asif Hayat. **The Board unanimously passed a resolution for the commendable services rendered by the former President and also welcomed the new President BOT Syed Nayyar Hasnain Haider (Annex-I).**

5. Thereafter Federal Minister for Labour and Manpower was requested to express his views. The Hon'able Minister Labour & Manpower in his key note Address said that he was eager to witness the proceedings of the Board of Trustees and wished to discuss important issues with the members. While emphasizing the role of the august Board, he conveyed that primary purpose of the Board of Trustees was to evaluate and monitor the performance of the Institution, guide them in policy matters and in policy decisions, so that the institution should improve the services to pensioners for which this Institution was established by Shaheed Zulfiqar Ali Bhutto, to provide Old Age Benefits to all workers. The Minister asserted that we must endeavor our best to achieve the goal set by Shaheed Zulfiqar Ali Bhutto. He also directed to extend the coverage of EOBI scheme to all un-attended sectors of activities so that benefits could be provided to a larger number of workers.

6. Secretary, BOT then started the proceeding with the permission of the Chair, as per Agenda:

**AGENDA ITEM NO. 1.**

**To consider the confirmation of 84<sup>th</sup> meeting of the Board.**

7. Secretary BOT informed that minutes of the 84<sup>th</sup> BOT meeting had already been circulated to BOT members. No written objection from any member had been received. The President, BOT invited objections from the members in the meeting. Syed Inran Ali Shah, Employees representative (Punjab) and Mr. Tahawar Ali, Financial Advisor Ministry of Labour & Manpower, observed that in the last meeting it was decided that budget shall again be placed before the Board in next meeting for approval, because in the last meeting it could not properly be discussed due to shortage of time. The investment

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Advisor clarified that budget and all related items were thoroughly discussed in the last meeting and no issue remained unattended. The issue of DSCs income was however decided to be referred to the Director General, Commercial Audit for comments.

8. Mr. Imtiaz Mehfooz, Employees' representative (Balochistan) pointed out that in the last meeting the working paper in respect of Board members' TA/DA was discussed and after due deliberations a decision was taken in the meeting whereas the minutes of the 84<sup>th</sup> meeting revealed a different decision whereby the agreed TA/DA for BOT members had been changed. The Secretary, BOT clarified that the President, BOT while approving the minutes observed that at present there were two Boards functioning under the control of the Ministry of Labour & Manpower for the welfare of the workers, the Board of Trustees of EOBI and the Governing Body of Workers Welfare Fund, therefore it would not be appropriate to decide the entitlements of one of the Boards without considering the other. He therefore rationalized in accordance with the section 6 (2) EOB Act and decided a uniform entitlement for both the Boards and as such the rates of TA/DA of EOBI Board were modified and recorded accordingly, the minutes were approved by the President Board of Trustees. The members however insisted that if any decision was to be modified it should be done in consultation with members in the next meeting but decision in isolation was not justified.

9. The Honorable Minister Labour & Manpower while considering the objection as a matter of principle desired that the decision agreed in the last meeting may be allowed. The Board therefore allowed the earlier decision taken in 84<sup>th</sup> BOT meeting with a slight amendment in respect of meeting fee as Rs 5,000 per meeting instead of Rs.7, 500 per meeting. The following TA/DA and other facilities shall be allowed to all BOT members and Secretary, BOT for attending BOT and its related committees' meetings. This shall be applicable with effect from 01-07-2009 till further orders. However, no meeting fee or other charges shall be allowed for de-registration Committee visits and meetings.

S.#	Description	Rate
1	Air Ticket (Economy Class)	Actual (Economy Class)fare
2	Taxi Charges	In case of road travel @ Rs.12/- per kilometer
3	Daily Allowance	Rs.2000/- per night
4	Hotel Charges	Maximum Rs.10, 000/- per night + all taxes if to be arranged by EOBI.
5	Stay at one's own arrangement	Rs.10,000/- per night
6	Meeting fee	Rs.5,000/- per meeting
7	Local Transportation from Airport to Hotel and from Hotel to meeting place/ and vice versa.	Pick and drop by official transport or Car Rental to be arranged by EOBI

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Ministry of Labour & Manpower  
Government of Pakistan

10 Syed Imran Ali Shah, employees' representatives (Punjab) further observed that:-

- ✓ Only one Adjudicating Authority was functioning, which was not sufficient to hear petitions all over the country.
- ✓ Regional Heads usually avoid preferring Appeals within 45 days, against the orders of the Adjudicating Authorities, if the order was against the Institution, so that the interests of the Institution were protected accordingly, which was not desirable
- ✓ Head of the B&C Department had been entrusted with the responsibilities of other department in addition to his own assignment, which was not suitable, as he could not pay due attention to his own duties, which was the Core Business of the Institution.
- ✓ That as agreed in the last meeting, regions were directed to assist Board members in facilitating them in the process of de-registration of closed establishments. Instead of appreciating the concerns of the members they were behaving in a rude manner by way of issuing directives to members being the convener of the Committee. He requested that member Board should be appointed as convener of the Committee.

11. Chairman, EOBI responding to his observations clarified each observation categorically;-

- There were two posts of Adjudicating Authority duly sanctioned by the Board, one for the provinces of Punjab and NWFP and the other for the provinces of Sindh and Balochistan. However at present only one Authority was working, due to the shortage of officers. He further informed that another officer had already been posted as Adjudicating Authority Sindh & Balochistan and he shall resume his new responsibilities after return from Ex Pakistan leave
- Explaining the reasons for entrusting additional charge upon head of B&C department he informed that Honorable Sindh High Court in a Constitutional Petition had stayed the process of promotions therefore in order to honour the Court decision and to fulfill the requirements of day to day business additional charge was allowed.
- Clarifying the objection that appeals were usually not preferred against the decisions of Adjudicating Authority he informed that there were number of examples where the Regional Heads being aggrieved by the orders of the Adjudicating Authority had filed appeals before the Appellate Authority and it was a routine practice. He assured that efforts had been taken to ensure and to protect the interests of the Institution at all forums.
- Explaining the reasons for appointment of Regional Heads as convener of De-registration Committees, he informed that it was the decision of the Board which was taken in order to facilitate the process of deregistration of closed units and to avoid delay on account of non availability of the

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members, as it was not possible for them to attend all the meetings of de-registration Committees.

12. The Board decided that henceforth the convener of the De-Registration Committee shall be the private Board member of the concerned province. The convener ship shall rotate turn by turn with employees and employers representative. The member himself shall attend the meeting instead of any local representative of the member, no TA/DA shall be allowed to the Board members for the purpose of attending De-registration Committees meetings. Board advised members to take personal interest in the process and facilitate the Institution in getting closed units deregistered.

13. Syed Imran Ali Shah, employees' representative (Punjab) further pointed out that a number of employees of Bhatta (Brick Kilns) have not been covered under the EOB scheme, specially in the province of the Punjab. Secretary, BOT clarified that there are legal issues regarding the nature and status of employees working in these establishments. Bhatta Mazdurs were in fact Bonded Labour, mostly engaged on peshgi (advance) and could not be considered as employee for the purpose of EOB Act. The owner of the establishment also claimed that they were not liable to be registered as their establishment was neither a Factory nor fall under the definition of commercial / industrial establishment, however efforts were being taken to register these establishments and to cover their employees under the scheme, where ever it was possible. In this regard, meetings have been arranged with the representatives of laborers and owners of the Brick kilns. The Honorable Federal Minister Labour assured the member that efforts had already been taken to address the Bonded Labour and these issues were under active consideration at Ministry level.

14. Mr. Gul Rehman, employees' representatives (NWFP) observed that in the last meeting he raised the issue of seasonal workers, and Board decided to furnish comprehensive report in the next meeting. Secretary, Board while responding to this observation apprised the Board that the legal position in respect of seasonal workers had been examined and social security institution have also been consulted. He informed that definition of Seasonal worker in EOB Act and Social Security Ordinance is different and there is no similarity to implement both enactments on same lines. EOB Act requires 15-years insurable employment for granting Old-Age Pension, where as Social Security institution considers an employee as secured person from the very first date of his entry in the Social Security Scheme. Besides, under EOB Act the Insured Person requires that contribution should has already been paid, whereas in social security Ordinance only consideration of payable is required, Board however decided to put up a working paper before the Board, in consultation with the Ministry of Labour & Manpower.

15. Mr. Imtiaz Mehfooz pointed out that in the last meeting he raised certain issues regarding Mine Workers which have not been properly been covered in the minutes. Secretary, BOT explained that the honorable member submitted a written letter containing issues regarding employees working in mines of Balochistan province. The

issues were regarding the relaxation of 5 years in retirement age for mine worker and provision of old age benefits to them. Secretary, BOT clarified that the issue had already been decided by the Appellate Authority under Section 35 of EOB Act 1976, the matter was also considered by the Wafaqi Mohtesib and honorable High Court. He also pointed out that EOBI has already issued a Circular clarifying the issue, therefore this being a settled and closed issue needs no further consideration. **The Board however decided that a comprehensive working paper be prepared on the points raised by the member and placed in next Board meeting.**

16. Mr. Zahid Hussain, employers' representative (NWFP) observed that after being nominated as member of various committees. They had not been briefed about their role and functions in respective committees. He pointed out that he had been nominated as convener of the HR Committee of the Board but no briefing has yet been given to him. **The Chairman, EOBI directed Secretary, BOT to provide him a briefing on IIR Committee functions.**

17. There being no other observation. **The Board confirmed the minutes of 84<sup>th</sup> BOT meeting.**

#### **AGENDA ITEM NO 2.**

**To consider the on-going implementation progress of the agenda items of last four BOT meetings (from 80<sup>th</sup> to 83<sup>rd</sup>).**

#### **AGENDA ITEM NO 3.**

**To consider compliance on the decisions taken by the Board in its 84<sup>th</sup> meeting.**

#### **AGENDA ITEM NO 4.**

**To consider performance of the Institution and minutes of 130<sup>th</sup> to 134<sup>th</sup> meetings of Investment Committee with comments of Audit Department.**

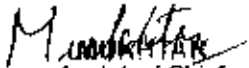
18. The Agenda item No 2, 3, & 4 were deferred due to shortage of time.

#### **AGENDA ITEM NO 5.**

**To consider and approve shifting of Head Office.**

19. Chairman, EOBI apprised the Board that Head Office of the EOBI was previously housed in its own building situated at Nursery, Karachi where from they shifted to the present building of GPO in the month of December 2005, due to the following reasons:-

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- The EOBI previous Head Office Building at Nursery was not suitable for official use as the same was constructed for the purpose of shopping mall.
- There was a very little parking space available for official vehicles
- The Shahra-e-Faisal was the busiest road due to VIP movements
- There was insufficient space available to accommodate 250 employees of the Head Office, etc.

20. He further informed that it was agreed and decided that a new building shall be constructed on the premises for the purpose of sale and to earn Capital gain. However under the prevailing circumstances and depressed Real Estate Market it has been observed and opined by various related authorities in the field of construction that the proposal to sell was not feasible. He said that the new building can be used as office, as well as shopping mall as it has open structure to accommodate any office. He further stated that keeping in view the practical problems with the GPO Authorities, who are demanding raise in the rent, it was preferable to shift Head Office in the new building to save huge amount on rent. Besides it would give a sense of ownership and belongingness to be in Institutions own building.

21. The President, BOT asked regarding the space required for accommodating employees of Head Office and the available accommodation in newly constructed building. He also inquired about the option to rent out one or two floors to earn income. The President, BOT was of the view that Institution must rent at least the ground floor to any Multi-National Organization or a Bank so that the day to day expenses and contingencies could be managed through rent income.

22. Chairman, EOBI informed that previously it was planned to rent out the basement and ground floor but afterwards it was decided to accommodate Head Office, Investment Department and the office of the Adjudicating Authority in one building. He said there are 263 employees posted in Head Office. The total covered area available in the newly constructed building is about 57000 sq ft which should suffice the requirements of the Institution only.

23. The honorable Minister supported the idea and asserted that in order to create a prestigious image of the Institution, it should maintain customized buildings, which must carry a uniform logo of the Institution. He therefore supported the idea of shifting the Head Office to EOBI's own building. He desired that the Institution should ideally use entire building for office purposes, rather than renting some portion to another organization which will defeat the very purpose and the idea to create prestigious image of EOBI. He rejected the idea to rent out ground floor to a bank so that EOBI should be projected. However, if space was available one floor may be rented out for augmenting the income.

  
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24. The Chairman, EOBI requested the Board to allow shifting and to approve an amount of Rupees Eight Million (Rs.8, 000,000) for estimated shifting expenditures. He informed that the amount would be utilized for modular furniture, interior fixtures and other related expenses. He however assured that efforts shall be made to use the existing furniture & fixture where feasible. He further apprised that the amount will be adjusted against savings on rent to GPO and the budget approved for purchase of office furniture. Institution may not be burdened with additional budget.

25. The Board approved shifting of Head Office of EOBI to the newly constructed building at Nursery and also allowed Eight Million Rupees as estimated shifting expenditures. The Board directed shifting of Head Office as soon as practicable.

#### AGENDA ITEM NO.6.

To consider and approve performance incentives.

26. The Chairman, EOBI informed that Board had assigned a target of Rs.8.00 Billion for collection of contribution for the financial year 2008-09. However due to power-outage, dwindling exports as a result of global economic crisis and practical problems in registration of small establishments EOBI could collect Rs.7.03 Billion. He further informed that the five (5) Regions and 30 Beat Officers achieved the original target allocated to them based on the original target of Rs. 8.00 Billion. He stated that the honorable Federal Minister had very kindly desired that these officers should be rewarded properly so that it should set as an example for all those officers who could not achieve the targets. He further stated that Minister also directed that reward should be on group basis given to all staff and officers posted in the regions in a transparent manner. He said that the issue was discussed during the meeting with the Federal Minister on 28-07-2009 which was also attended by the Federal Secretary, Labour and Manpower. It was decided that the best performing regions and beat officers may be rewarded with five (5) salaries each for the financial year 2008-09 and 0.5% of the amount collected by the region/ beat officer increase of the target for the financial year 2009-10.

27. Members asked about the details of progress made by each Region in their respective jurisdiction. DG (Ops) provided the details. The Joint Secretary, Ministry of Labour & Manpower Mr. Shahrukh Nusrat while discussing the progress observed that EOBI is a Trust and its fund is trust money. He referring to Section-17 (4) of EOBI Act 1976 emphasized that EOBI fund could be utilized solely for the purpose of the Act. Therefore in his opinion allowing group incentive did not justify. He further referred to Sections 33, 37, and 38 of EOBI Act and pointed out that collection was the responsibility of the officers of the Institution and employer was legally obliged to contribute. In case employer failed to do so, there were provisions in the Act which make him liable to be prosecuted under Section 37 & 38 of the Act. He asserted that in order to evaluate the performance of field officers we must collect details of prosecutions lodged by the

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concerned officers. He further emphasized that by lodging prosecutions we create an environment of discouragement to many other employers, who were habitual to avoid their legal responsibilities.

28. The Financial Advisor, Mr. Tahawar Aluned seconded him and pointed out that this appears to be the most appropriate way to evaluate the performance. He further observed that group incentives is an additional payment to employees and could not be allowed without the concurrence of the Finance Division, therefore he suggested to refer the same to Finance Division before approval

29. Chairman, EOBI clarified that EOBI is a self sustained organization and Federal Government was not providing budgetary or financial support to the Institution, only a nominal payment of Rs.100, 000/- per annum is being paid. Therefore there was no need to refer it to the Finance Division. He further pointed out that EOBI is a Statutory Body and all employees are governed by EOBI (Employees Service) Regulations 1980, which provides under Regulation-7(c) to allow honorarium to employees on better performance or for arduous work done. He said, there were past practices too, where by honorarium had been allowed by the Board.

30. The honorable Federal Minister for Labour & Manpower expressed that it was a common practice to allow incentives to encourage employees to perform better and to set example for others. He said that by rewarding best performers the Institution would be motivating them to collect more which would not only off set the expenditure but would also expend coverage of establishments and help bringing more employees under the ambit of the scheme. The honorable Federal Minister for Labour & Manpower asserted that if those officers were not rewarded properly the idea of inculcating the concept of motivation, encouragement would be defeated and good performers would also get frustrated. It was also pointed out in the meeting that the incentives for the financial year 2009-10 should not be straight 0.5% in excess of targets, rather it should be scaled down based on the percentage of amount collected in excess of targets. Therefore Board may allow honorarium to those officers who had achieved the targets based on Rs.8.00 billion overall target for FY 2008-09 under difficult circumstances.

31. The Board after due deliberations approved payment of honorarium to the employees of the best performing five (5) Region's and the beat offices posted outside the best performing Regions as they achieved the original target based on Rs 8.00 billion. The beat officers' posted in best performing regions who have not achieved their targets shall not be eligible to honorarium:

- Those achieved 105% and above shall be allowed three Gross Salaries
- Those achieved 101% and above shall be allowed two Gross Salaries
- Those achieved 100% shall be allowed one Gross Salary

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Government of Pakistan  
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32. The Board also advised that the incentives scheme for the financial year 2009-2010 based on 0.5% of the amount in excess of the target may be placed before the Board.

**AGENDA ITEM NO.7.**


To consider and approve payment of Bonus.

33. The Chairman, EOBI while apprising about the payment of Bonus to EOBI employees briefed the background of the practice in the Institution and also provided details of Basic and Gross salaries allowed as bonus since 1989 to 2004. He also briefed about the decisions taken in this regard in various BOT meetings. He informed that practice of bonus in the Institution had become a custom, thus it was a customary bonus allowed to officers on performance and staff members on the basis of collective bargaining agreements. In order to maintain better Employee-Management relations and to motivate the employee, the practice of payment of bonus on gross salary may be revived by allowing at least one gross salary to the employees as bonus.

34. The Financial Advisor, Mr. Tahawar Ahmed observed that as a matter of Government policy bonus could not be allowed on gross salary, he further observed that the bonus is normally allowed in industrial or commercial concerns keeping in view the performance/ profitability. EOBI case needs to be referred to the Finance Division for consideration.

35. It was also observed that the Institution had allowed three gross salaries to staff members and two gross salaries to officers, cutting it down to one gross salary would be opening the gate for objections on payment of bonus and reviewing the employee-Management relationships, therefore it was considered that all the employees of the Institution may be allowed bonus equal to two gross salaries at the Eve of two Eids.

36. The Board after due deliberations recommended Bonus equal to two (2) gross salaries to officers and staff members each on Eid-ul-Fitar & Eid-ul-Azaha for the financial year 2008 -09, subject to the approval of the Finance Division. However on the request of the Chairman, EOBI Board allowed that pending the approval from Finance Division, advance equal to one gross salary shall be paid to all employees on the Eve of Eid-ul-Fitar. The said advance shall accordingly be adjusted against the bonus for the financial year 2008-09 otherwise the same shall be recovered from the salary of the employee concerned.

  
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**AGENDA ITEM NO.8.**

**To consider the approval of revision of Investment Income on Defense Saving Certificates (DSCS) in Audited Accounts for the Financial Year 2006-07 and 2007-08 and Investment Income for 2008-09 (Revised) and 2009-10 (Proposed).**


37. The Board was informed that in 84<sup>th</sup> BOT Meeting while reviewing the issue of adjusting Rs 5.57 Billion in Audited Accounts for 2006-2007 and 2007-2008 on account of overstated DSC's income, it was decided that matter be referred to the Director General Commercial Audit and after their comments matter should be placed before the Board.

38. Accordingly it was referred to the Director General Commercial Audit for verification. The team of the Director General Commercial, (Audit and Evaluation) visited Investment and F&A Departments of the Institution and after detailed verifications reported their findings. The report was placed before the Investment Committee on 30-07-2009 which discussed it in 138<sup>th</sup> Investment Committee meeting. Both the report of Director General Commercial and minutes of the Investment Committee were included in the working paper and placed before the Board.

39. The Chairman while briefing the Board about the issue informed that statutory auditors of the Institution suggested that since income had been over-stated therefore it was necessary to revise the same, in the Audited Accounts of respective years.

40. Financial Advisor, Mr. Tahawar was of the view that the matter may be referred to Finance Division for consideration keeping in view the quantum of down ward revision and difference in figures verified by the commercial audit. The Investment Advisor while responding to Financial Advisor's observation regarding losses/ decrease in income explained that no loss was suffered. It was only a diminishing effect because these shares have not yet been sold out and chances to getting profit still exist. The Chairman observed that on the basis of Commercial Audit report, down ward revision of previous income may be agreed to.

- **The Board after due deliberation approved the downward revision of DSC's income by Rs. 5,579.552 million in Audited Accounts for 2006-07 and 2007-08.**
- **Board also approved the revised investment income of Rs 11,27.3744 million for 2008-09 (revised) and Rs. 15,826,546 million for 2009-10 (proposed).**

  
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Government of Pakistan  
Islamabad

**AGENDA ITEM NO 9.**

**To consider and approve creation of majority-owned "SAHARA Insurance Company".**

41. The Investment Advisor was requested to apprise the Board about the item. He while apprising the Board, informed that honorable Federal Minister for Labour & Manpower Syed Khursheed Ahmed Shah while discussing the efforts of the Institution in exploring further avenues of investment income proposed the creation of Insurance Company for the welfare of EOBI Pensioners. The concept thereafter was deliberated upon and after through evaluation a concept paper was prepared, which has been included in 85<sup>th</sup> BOT meeting Agenda.

42. Briefing about the salient features of the project, he informed that it would be a majority owned Insurance Company which will provide health insurance benefits to EOBI Pensioners and life insurance coverage to Expatriate Labour. The premium of the insurance shall be funded by the Bureau of Immigration and Workers Welfare Fund. In order to proceed further it was decided to engage a consultant. Expression of interest (EOI) for consultants were invited, three consultancy agencies applied and after technical evaluation M/s. M.J. Panni was qualified. The Board was requested to allow the approval of the engagement of the qualified consultant firm.

43. The Financial Advisor Mr. Tahawar observed that insurance is a technical profession and requires professional knowledge, where as Institution being a Government Controlled Organization may not have the experience or expertise, therefore, it was not justified to indulge in such a business. Chairman EOBI explained that EOBI is a Institution meant for provision of Old-Age Pension to employees of Commercial & Industrial registered establishments, and the said purpose could only be accomplished if Institution makes desired profit. He elaborating his reasons stated that according to the studies conducted by Actuaries, the Institution requires a return of 8% p.a. above inflation to sustain future liabilities, which is neither possible in investing in fixed Term Deposits nor in Government Securities and therefore the Institution was left with no option but to find new avenues for investment income. The Board members seconded him and allowed him to find better but safe avenues for investment income.

44. The Federal Minister also emphasized that under the prevailing circumstances it is all the more necessary to find new investment corridors, he however asserted that while exploring new avenues we must ensure transparency and fair play. He categorically suggested that simply sitting on surplus amount, without investment is not advisable.

45. The Federal Minister also enquired about the inordinate delay in setting up of the Investment Finance Services Company (IFSC) in spite of the fact that the same had been approved by the Board in the year 2005 and reiterated by BOT in its 82<sup>nd</sup> & 83<sup>rd</sup> meetings. At this point, the Investment Adviser informed that in its 83<sup>rd</sup> meeting, the Board had approved the TOR for appointment of a consultant firm for incorporation of an IFSC as 'wholly owned subsidiary' under SECP-NBFC Rules. The Investment

Committee was further authorized by the Board to initiate the process of selection of Consultant, which selection needed confirmation by the Board. Consequently, the Investment Committee after following the due process of advertisement in Press and evaluation of responses received from consultant firms, has recommended for appointment of M/s. M.J. Panni Associates for Rs.700,000/- as Consultant to complete the necessary formalities for incorporation of an Investment Finance Services Company (IFSC) with SECP.

46. After due deliberations Board allowed:

- ✓ The approval of the creation of a majority owned Insurance Company under the name and style "Sahara Insurance Company Ltd" the premium shall be funded by Bureau of Immigration and Workers Welfare Fund.
- ✓ The purpose of the company shall be to provide benefits of the health insurance to EOBI Pensioners and life insurance coverage to expatriate Labour after the attainment of these two objectives the scope of the activities of this company will be expanded to offer health & life coverage to other sections of society.
- ✓ Award of contract for consultancy services to M/S. MJ Panni Associates Lahore for an amount of Rs. 400,000/-.
- ✓ The Investment Committee to make necessary payments related to professional and statutory fees and approves subscription of paid-up capital prescribed by SECP.
- ✓ The Investment Committee to initiate the selection process and approve the bids for appointment of an 'insurance management consultancy firm' and 'project management services office' to operationalize the insurance company by designing & developing company specific activities. Further authorized the Investment Committee to make necessary payments related to professional fees of Consultants thus appointed.

#### AGENDA ITEM NO 10.

#### REVISION OF ASSET ALLOCATION FOR FY09-10

47. The new asset allocation for FY09-10 which should have been made before the opening of current year has been unnecessarily delayed by 3 months. The Board was informed about current resurgence in the stock market activity due to improved macro-economic indicators and arrival of foreign investment. In order to take advantage, the Investment Adviser suggested that current equity allocation may be revised upwards from 27% to proposed 30% of portfolio as proposed earlier in the 84th BOT meeting.

48. Mr. Tahawar Ahmed, Financial Adviser referring to the decrease in market value of equity portfolio as on 30<sup>th</sup> June 2009, termed that the Institution had already suffered a loss of around Rs.14.00 billion in its equity portfolio and therefore the upward revision of asset allocation does not seem justified. The Investment Adviser stated that equity

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portfolio, over its market value on 30<sup>th</sup> June 2009, had already seen appreciation around Rs. 6.00 billion (or approx 30%) as on 11<sup>th</sup> September 2009. Had there been any real loss, such reversal could not have taken place. He clarified that it was incorrect to term the 'diminution in market value' as a 'loss'. He further commented that the Institution had requested in the 84<sup>th</sup> Board meeting held on 25<sup>th</sup> June 2009, for increase of equity allocation to 30%, which was not allowed then due to a similar objection by the FA. If such increase was allowed, the Institution could have acquired equity worth Rs. 12.00 billion at lower prices by the end of FY09-10. The KSE-100 index was at 7,162 points on June 30, 2009, which now appreciated by 26% to 9,059 points. Therefore the opportunity loss by not allowing such additional investment in equity comes to around Rs. 3.00 billion. However, the FA insisted that the Institution had already suffered loss therefore the equity should not be enhanced.

49. The Board deliberated on the issue and decided to keep the asset allocation FY09-10 unchanged.

#### AGENDA ITEM NO.11.

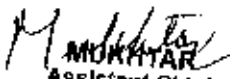
**To consider and approve the appointment of consultation to prepare feasibility for setting up Direct-to-Home Services (DTH).**

50. Investment Advisor apprised the Board that Institution has been exploring new avenues like investment in energy, entertainment and other sectors of economy. The **Direct-to-Home** services are one of the newly explored investment opportunities. DTH is defined as the reception of satellite programs through a satellite antenna which send signals through a cable to a set top box/decoder, so that they can be relayed on home TV. Direct-to-Home offers following advantages

- Crystal clear reception, improved Digital Picture, and Sound quality.
- Hundred Plus (100+) Digital Channels
- No break in service due to electricity breakdowns

51. He further informed that most of the developed and under developed countries have already switched on it, therefore if Institution decided to invest in the opportunity the chance to recover the investment were absolutely certain and also ensured a reasonable profit in a shortest possible period. The proposal requires a financial outlay of around Rs.2.25 billions in two years. He apprised that at present there was no other service provider in the country therefore Institution shall have a first mover advantage and on modest assumption could get IRR of 93% per annum from the investment and Institution shall recover all cost and be profitable in two years. During the discussions, FA expressed

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the view that apparently the EOBI is diverting from their focus and it is difficult to predict the success of this venture.

52. Board authorized Investment Committee to appoint a consultant who will evaluate the proposal and prepare a detailed feasibility report on technical, legal, commercial, and financial aspect of the project. The feasibility report along with recommendations of the Consultant will be placed before the Board for its approval.

**ANY OTHER AGENDA ITEM NO.01**

Approval of Revised Budget Estimates for F.Y. 2008 - 9 & proposed Budget Estimate for F.Y. 2009 - 10 (Capital Expenditure) along with approval of escalation.

53. The item was deferred due to the shortage of the time.

**ANY OTHER AGENDA ITEM NO.02.**

Feasibility Of Investment In Joint Venture With DHA, Lahore

54. The Investment Adviser while briefing the Board informed that upon receipt of a proposal from the DHA Lahore for the Development of a joint venture on profit sharing basis. The joint venture offered the following:-

- A Hospital site, Phase V measuring 40 kanal approx.
- A Residential site, Phase-IV measuring about 59,4 kanal approx.
- A mix-use commercial complete site measuring about 102 kanal approx.

55. In this connection, meetings were held with administrator DHA, which were attended by the Chairman EOBI the convener of the committee and the Investment Advisor. Thereafter the proposal and the deliberations of these meetings were thoroughly discussed in Investment committee's 137<sup>th</sup> meeting held on 3<sup>rd</sup> August, 2009 and 138<sup>th</sup> meeting held on 2<sup>nd</sup> September, 2009, the Committee after detailed discussions agreed to allow PRIMACO to proceed with initial feasibility and the diligence of the project. The Committee directed PRIMACO to place the matter before the Board the Directors, PRIMCO. The Committee took a majority decisions giving go ahead to PRIMACO for signing MOU with DHA.

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56. The Board was therefore requested to allow PRIMACO to arrange signing of the MOU being wholly owned subsidiary of EOBI for the proposed projects. President BOT did not agree with the joint venture concept and emphasized that EOBI is self sufficient in carrying out the projects and therefore the Institution should undertake only those projects in which there is clear title of land and it possesses 100% ownership.

57. However, the Board after detailed discussion allowed PRIMACO for signing of MOU with Defence Housing Authority, Lahore. It was further decided that feasibility report with commercial viability of the project shall be placed before the Board for approval of each proposal. The terms and conditions of each proposal shall also be subsequently approved by the BOT.

58. In exercise of the powers conferred under Section 6(2) of EOB Act, 1976 the MOU has been vetted by the Federal Government, which is at Annex-I, for signing by the PRIMACO with DHA Lahore.

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**THE MEETING ENDED WITH A VOTE OF THANKS TO THE CHAIR.**