EMPLOYEES' OLDAGE BENEFITS INSTITUTION,
BOARD SECRETARIAT, HEAD OFFICE, KARACHI.

Ref: HO/BS/87th Mtng/App.Min/2010-48 Dated 26-01-2010

All Departmental Heads,
EOBI, Head Office,
Karachi.

SUBJECT: **APPROVED MINUTES OF 87th BOT MEETING.**

Enclosed please find herewith a copy of approved minutes of the 87th BOT Meeting held on 25th November, 2009, received from President BOT/Secretary, Ministry of Labour, Manpower & Overseas Pakistanis (Labour & Manpower Division), Islamabad vide letter No. 1(5)/2008-EOBI dated 19-01-2010, for your perusal and record.

2. The compliance report on the decisions of the Board, taken in the above meeting, may please be sent to this secretariat within Seven day after the receipt of this letter.

(Mushtaq Ahmed Sammo)
Secretary BOT, EOBI.

Encl: As above.
c.c.to:

1. SO to Chairman for information.
2. PS to FA/DG(F&A) for information.
3. Office file.
4. Master file.

27/01/2010

MINUTES OF THE 87TH MEETING OF BOARD OF TRUSTEES OF EOBI HELD ON 25-11-2009 AT ISLAMABAD.

The 87th meeting of the Board of Trustees of EOBI was held at 11:00 P.M. on 25th November, 2009 in the office of Workers Welfare Fund, Islamabad to consider the following agenda:-

S. #	Agenda Items
01	To consider the confirmation of minutes of 85th & 86th meetings of the Board.
02	To consider the re-structuring of employees' Old Age Benefits Institution (EOBI).
03	To consider the report of audit committee on reconciliation held on 19-11-2009 at Karachi.
04	To consider the purchase of vehicles for the institution.
05	To consider the presentation on information technology (I.T)
06	To consider the Presentation on investment.
07	To consider Presentation on PRIMACO.

ANY OTHER AGENDA ITEMS

1	To consider and approve the payment of Bonus.
2	To consider the news on EOBI based on a report of Transparency International, an NGO

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2. 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. Jamil Ahmed Secretary Labour (NWFP)	Member, BOT
6.	Mr. Altaf Ezid Khan Secretary Labour (Punjab)	Member, BOT
7.	Mr. Habibuddin Junaidi Employees' representative (Sindh)	Member, BOT
8.	Malik Imtiaz 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. Ejaz Qayyum Butt Employers' representative (Punjab)	Member, BOT
12.	Syed Iqbal Shah Employers' representative (Balochistan)	Member, BOT
13.	Malik Zahid Hussain Employers' representative (NWFP)	Member, BOT
14.	Mr. Mushtaq Ahmed Sammo	Secretary, BOT

3. Secretary, Labour, Sindh and Balochistan could not attend the meeting due to pre-official commitments. Mr. Muhammad Iqbal Dawood could also not attend the meeting being out of country. Farooq Ahmed Awan, Investment Advisor, EOBI attended the meeting to assist the Chairman. The meeting commenced with recitation from Holy Quran. Secretary, BOT then started the proceeding with the permission of the Chair, as per Agenda:

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AGENDA ITEM NO. 1.

To consider the confirmation of minutes of 85th & 86th meetings of the Board.

4. Secretary, BOT informed that minutes of 85th & 86th BOT meeting could not be circulated amongst the members earlier to this meeting, hence no comments received from any member. After the circulation of agenda and working papers of 87th BOT meeting, a few members have forwarded their written observations. He informed that financial adviser, Ministry of Labour and Manpower Mr. Tahawar Ahmed has forwarded written observations as under:-

5. Referring to para 46 of item no. 9 of 85th BOT meeting Financial Adviser desired to re-worded the para as under :-

Para 46

EOBI to carryout a feasibility study through a consulting firm for which steps be taken by EOBI, the case would again be presented to EOBI.

6. The financial adviser referring to para 48 of agenda item No. 10 of 85th BOT meeting suggested that following may also be added at the end of para 48.

"EOBI should concentrate on investing funds in government securities, so that a continuous flow of income is assured rather then taking risks with the public funds".

7. The Financial Adviser Mr. Tahawar Ahmed further observed that as provided under the EOBI Rules 1979, investment at Sahara Insurance Company and DTH would fall under the category (i) which requires prior approval of the Federal Government. he therefore, suggested that it would therefore be appropriate to consult the Finance Division and other

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concerned Ministries before taking any further action on the above initiatives.

8. The Investment Adviser, FOBI, Mr. Farooq Ahmed Awan also forwarded written observations. He "referring para 40 of Agenda item No. 8, regarding revision of investment income on Defense Saving Certificates (DSCs) in Audit Accounts for the Financial Year 2006-07 and 2007-08 and investment income for 2008-09 (Revised) and 2009-10 (proposed) stated that downward revision had no cash impact". Therefore, the total income receivable from Defense Saving Certificates maturing during two years i.e. 2006-07 and 2007-08 was duly received in the bank accounts and therefore, the bank accounts required no change/adjustment. He explained that prior to 2001-02 accrual of DSC's income was based on the maturity schedule announced by National Saving Scheme. However, when the institution adopted International Accounting Standard (IAS-39) in 2001-02, such standard required a different method of income accrual other than the officially mentioned maturity schedule of National Savings Certificates (NSS). The changed procedure was continually observed until 2005-06. However, due to discrepancy, income computation during 2006-07 and 2007-08 were erroneously based again on the official DSCs schedule attached with instruments. This discrepancy remained undetected even by the Statutory Auditors and resulted in an inconsistency in accounting reporting. The revision/restatement of annual accounts is therefore, necessary to ensure accrual of income as per IAS-39 during 2006-07 and 2007-08 as well as maintain consistency in accounting practices.

9. The Investment Advisor further referred para 46, of item No. 9 of 85 the BOT meeting minutes regarding creation of majority owned Sahara Insurance Company and pointed out that the feasibility study itself is a part of regulatory approval process and therefore, it entails essential actuarial valuation to ascertain the viability of setting up the insurance company.

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10. He while referring para 48 of item No 10 of 85th BOT meetings minutes observed and suggested to add the following.

> "Continuous in action by the then Board was very detrimental to the EOBI investment portfolio as non approval of enhanced allocation had deprived EOBI to mitigate the entire diminution in the portfolio which exists today".

11. Responding to Mr. Tahawar's views, he stated that although Prima-facie the proposal was meant to guarantee a flow of income, however, Financial Adviser was completely oblivious to the fact, such a proposal would result in a guaranteed deficit of 8% to 9% per annum amounting to Rs.15-16 billion per annum as opposed to reversible diminution of the equity portfolio. He further brought to the notice of BOT that viability and sustainability of the fund was of paramount importance and the generous pension formula possessed the greatest risk to fund assets. In fact it would be the Real Estate and equity portfolio which would come to rescue of the fund ten years from now. This situation needs urgent and diligent focus of the BOT as inaction would lead to widening gap between liabilities and assets. EOBI bearing a long terms investor given the demographic profile of insured persons was unequally positioned to undertake Equity and Real Estate investment instead of venturing into so called risk less securities offering 8% below target returns estimated by actuaries. If above position are not acceptable then a downward revision of pension formula is imperative, he observed.

12. The Investment Advisor further referring to item No 11, regarding Direct to Home (DTH) service stated that wholly/majority owned subsidiary would be a "controlled Company" which as per Rule 2(d) of EOB investment Rules 1979 means a company in which not less than fifty one percent of the voting share capital was held by the institution. He further stated that in accordance with clause 18(1) the investments of the institution were subject to Rules. Therefore, creation of Insurance Company, Investment and Finance Service Company and DTH projects as

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controlled Companies were within the competence of the Board of Trustees.

13. Chairman EOBI pointed out that in 85th BOT meeting Board decided to allow Bonus to EOBI Employees equal to two gross salaries to officers and staffs members each on Eid-ul-Fitr and Eid-ul-Azha for financial year 2008-09, subject to the approval from Finance Division. However, keeping in view that Eid-ul-Fitr was expected on 28th September 2009 and approval from Finance Division might took some time it was specially decided that pending the approval advance gross salaries shall be paid to all employees, adjustable against bonus. However the minutes of the 85th BOT meeting revealed that only one Eid advance specific to Eid-ul-Fitr had been allowed this created practical problem for the management to release the Eid Advance on Eid-ul-Azha. He therefore, requested to allow the correction in the minutes. The Board accordingly allowed the correction as in the para 36 of agenda item No. 7 of 85th BOT meeting minutes.

> **"The Board after deliberation recommended Bonus equal to one month gross salary to officers and staff members each on Eid-ul-Fitr and Eid-ul- Azha for the financial year 2008-09 subject to the approval of Finance Division. Advance gross salaries shall be paid to all employees and shall accordingly be adjusted against the approved Bonus for the financial year 2008-09 otherwise the same will be deducted from the salaries of employees concerned.**

14. The Secretary, BOT thereafter informed the Board that no other observation was received by any other member. The President BOT, thereupon invited members to come up with comments, if any.

15. Syed Imran Ali Shah, Employees Representative, Punjab pointed out that in 85th BOT meeting DHA project was not allowed, but minutes of the meeting revealed that management was considering the same. President, BOT clarified that Board only allowed signing the MOU and there was no

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mention of considering the project in the minutes. He clarified that signing of MOU was just to initiate the dialogue. There was no commitment by either party and no legal binding on any party. It was simply a document of understanding. He further clarified that it had also been 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 Board. He categorically stated that the language of the MOU had very carefully been drafted, and MOU does not involve any commitment.

16. Mr. Ejaz Qayyum Butt, the Employers' Representative from Punjab observed that in 85th BOT meeting while discussing the TA/DA rates for BOT members it was agreed that daily allowance would be allowed on day basis, whereas minutes showed daily allowance based on night basis, which was contrary to the decision. Joint Secretary Labour clarified that the word night was incorporated as it was provided in the Government Rules. Responding the issue President enquired about the past practices in this regard, earlier to the decision taken in 84th BOT meeting. Secretary BOT informed that previously three DAs were allowed one for the day of the meeting and one each for prior and after the meeting day. **Board after due deliberation decided to allow DA only to the Members of BOT on the basis of Days instead of nights, maximum to three DAs for one meeting.**

17. Mr. Jamil Ahmed, Secretary Labour NWFP observed that EOBI was investing in number of projects why not in Hydal projects in NWFP. Financial Advisor, responding to it pointed out that if a member wants to propose, he should give it in writing to the Secretary BOT and after the approval of the President, a proper working paper should be included in the Agenda, so that it could be considered accordingly. He further opined that on such type of investment projects prior approval of Finance Division was also mandatory.

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18. The Financial Adviser, Mr. Tahawar Ahmed while referring to item No. 6 of 86th BOT meeting, pointed out that it had been recommended that 25% increased would be allowed in EOBI pension, with effect from July 2009 but no approval has yet been obtained from the Finance Division. Chairman EOBI clarified that no approval was granted by the Board. As a matter of fact those were the recommendations of the Board which were based on committee's recommendations, specially constituted for the purpose by the Board. He clarified that the said proposal needs to be forwarded to Finance Division for concurrence, thereafter Ministry will forward it to the Cabinet and then to the Parliament, which after allowing the same would propose amendments in EOB Act 1976, and after the modification in the Act Notification shall be issued accordingly. After the clarification Financial Adviser withdrew his observation.

19. Mr. Tahawar further observed that while enhancing EOBI pension institution must focus on increasing the contribution and in this connection he suggested that instead of collecting contribution at the flat rate of Rs.6000 per month 6% of actual wage of the employee shall be collected. Joint Secretary Labour and Manpower, clarified that the rate of contribution based on minimum wage which pertains to IRA 2009, therefore, it was not the right forum to discuss the same in BOT meeting. Board however, opined that while considering enhancement in the pension the issue raised by Financial Adviser regarding collection of contribution on the basis of actual wage may also be taken into consideration.

20. Discussing the issue other members also shared their views, Syed Imran Shah was of the view that management may also consider the fate of seasonal workers. Malik Imtiaz Mehfooz, Employees Representative, Balochistan, also suggested including, mining workers and Mr. Gul Rehman, Employees Representative NWFP, further suggested that Agricultural and workers of informal sectors should also be considered while considering amendments in the law. President BOT, supporting their views further proposed that besides proposing enhancement in EOBI pension, Management may also introduce a scheme for voluntary pension

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for all those employees/workers/workmen who are not legally covered, at present under the EOB Act, 1976. He suggested to extend the EOB scheme to overseas workers too, who are in fact earning huge foreign exchange for the country. Mr. Farooq Awan offered to prepare a comprehensive working paper on the issue of enhancing EOBI pension and to introduce voluntary pension scheme by including Agricultural workers, Seasonal workers, informal sector workers and of course the Overseas Pakistani workers. **Chairman EOBI requested for two months time to place the working paper before the Board which was accordingly allowed.**

21. Syed Imran Shah observed that in 86th BOT meeting while approving the escalation in the budget for under construction EOBI office project at G-10/4 Move Area Islamabad, it was also decided that PC-1 shall be prepared, he thereupon enquired about the progress. Secretary BOT informed that as per the decision of the Board relevant papers were collected from the PRIMACO, and forwarded to Financial Adviser for examination. The PRIMACO's contention was that in view of the documents provided they were not required to prepare PC-1, whereas Financial Adviser was still of the opinion that PC-1, was a requirement and need to be complied with. The President BOT responding to it clarified, that he had already directed in the last meeting that PC-1, was a necessity and further stated that PC-1, is an important document, and institution must maintain the same. **He directed that from onward institution shall prepare PC-1 for all new projects, as per laid down procedure, and for all ongoing projects. Institution shall also prepare PC-1 on prescribed format, as per laid down procedures.**

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AGENDA ITEM 2:

TO CONSIDER THE RE-STRUCTURING OF EMPLOYEES' OLD AGE BENEFITS INSTITUTION (EOBI).

22. President BOT while briefing about the need and importance of Re-structuring stated that Board fixed the contribution target for the year 2008-2009 as of Rs. 8.00 Billion but management of EOBI could not achieve the same therefore, in view of accounts purposes target was re-fixed as Rs. 7.00 Billion. He further asserted that operation department failed to achieve the desired goal, and could not manage to fulfill the required task. He explaining the reasons mentioned that one DG (ops) sitting at Head Office Karachi seems unable to manage the operation needs, it had become difficult for the management to supervise all the regions, through Head Office at Karachi, therefore, it seems imperative to re-structure the working of the institution, afresh, with special focus on the working of the operation department. He further stated that in last many meetings institutions performance remained under discussion of the Board and several questions regarding performance and governance were raised. These questions are still unanswered as such re-structuring appears to be essential. Malik Imtiaz Mehfooz Employees Representative, Balochistan was of the view that re-structuring of the institution was a very important decision and without taking Board members into the confidence, it should not be considered.

23. Mr. Gul Rehman employees representative NWFP, observed that while discussing Re-structuring details of functions and responsibilities of each department be provided so that member could understand the need and justification for re-organization and re-location of departments in the proposed re-structuring. He however, insisted that the main purpose to re-structure the institution working should be to improve the contribution income and to curtail the unnecessary expenditure. He stated that institution had already allowed Bonus and Group incentives and if no

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improvement in the contribution is made then the re-structuring would be a meaning less exercise.

24. Mr. Habibuddin Junaidi, Employees Representative Sindh observed that re-structuring in today's world is known for an instrument for improving efficiency and good governance. Under the present circumstances we all support the re-structuring for the purpose of improving the efficiency and good governance.

25. **After due deliberation, Board decided that Re-structuring shall be done however, the Board advised the institution to make a workable plan and place before the Human Resource Committee for detailed discussion on the proposals. The committee shall convene its meeting at the earliest. The recommendations of the committee shall be placed before the Board within a period of 30 days.**

AGENDA ITEM NO. 3.

TO CONSIDER THE REPORT OF AUDIT COMMITTEE ON RECONCILIATION HELD ON 19-11-2009 AT KARACHI.

26. Item was deferred, due to shortage of time.

AGENDA ITEM NO. 4.

TO CONSIDER THE PURCHASE OF VEHICLES FOR THE INSTITUTION.

27. Secretary BOT briefed about the item. He informed that Cabinet Division, Government of Pakistan approved 64 vehicles (including two motorcycles) for the institution. Out of 64, two vehicles were allowed for operational pool, which were not sufficient to meet the operational requirements, therefore, institution requested Ministry of Labour and Manpower for six (6) additional vehicles, for operational purposes. The

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Ministry thereupon advised to place the request first before the Board. Accordingly Board was requested for the same.

28. The president BOT while considering the item informed that ministry had already acceded the request for six additional vehicles. The Chairman clarified that since no formal approval, has been received from the Ministry, it became difficult for them, to even manage the POL expenses of vehicles. He describing the reason informed that internal Audit had raised objections and withheld regularization of expenses on POL, repair of vehicles and maintenance. Syed Imran Ali Shah observed that probably Court had also stayed the purchase of vehicles. Chairman explained that after the last re-structuring all officer in grade ADG, were re-designated, some were up graded to the grade of DDG and some were re-designated as Director, those who were re-designated as director were not allowed vehicles facility in pursuance of the government directives. Some of them approached the Sindh High Court on the plea that rights allowed under the terms of employment can not be withdrawn. Court pending the decision ordered a status quo, and prohibited withdrawal of vehicles from those officers as such vehicles were not withdrawn. The President BOT was of the clear view that rights allowed/given can not be withdrawn. **He directed the management to allow vehicles and vehicle facility to all those ADGs who were enjoying the facility prior to their re-designation and audit may be informed accordingly. The Board unanimously allowed vehicles and vehicle facility to all such officer who were enjoying the same before the issuance of said order and also approved the requested authorization of six additional vehicles.**

AGENDA ITEM NO. 5.

TO CONSIDER PRESENTATION ON INFORMATION TECHNOLOGY (IT)

29. Mr. Ayaz Ahmed Uqaili, the Project Director IT department was invited to brief the Board, about the working of IT department and the IT

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Solution. He made a comprehensive presentation. The presentation contained the following.

1. EOBI operations and facilitation by IT.
2. The current state of Information Technology in EOBI.
3. Old and New Data
4. Improvements in the system
5. Future Plan.

30. During the presentation, he informed that IT department prepared new pensions Cards which contains CNIC No. The president BOT, enquired about information incorporated into card and suggested that all necessary information, be properly incorporated in the card, he also advised that information should also be verifiable and suggested that a system be evolved which may verify the same through NADRA's Data to make the card an authentic pension card. Joint Secretary Labour Mr. Shahrukh suggested that NADRA, do provide, a verify system and Institution may avail the service which will cost 60 paisa per punch, for each information, that would not be costly for the purpose of verification. **Board decided that IT department Phase out all old Cards, and issue new cards, within a period of one year. However, IT department shall report its progress after every three month to the Board, so that pace of progress be evaluated accordingly.**

31. **while discussing the data building process, board further decided that a system may also be evolved which provides in build Red-alerts system to awaken concerned departments to fulfill their Data requirements within stipulated time period.**

32. **President BOT also directed that IT department should evolve a protective, user system so that office/offices, may not use internet for private use.**

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Agenda Item No. 6

6. To consider the Presentation on investment.

33. Item was deferred due to shortage of time.

Agenda Item No. 7

To consider the Presentation on PRIMACO.

33. Item was deferred due to shortage of time.

Any other Agenda Item No. 1 &2

34 Items were deferred due to shortage of time.

The meeting ended with vote of thanks to the chair

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