

**MINUTES OF THE 63RD MEETING OF THE BOARD
OF TRUSTEES HELD ON 8th April 2003 AT 1:00 P.M
IN THE BOARD ROOM EOBI HEAD OFFICE, KARACHI**

The 63rd meeting of the Board of Trustees of EOBI was held on Tuesday, the 8th April, 2003 at 1:00 PM in the Board Room of EOBI Head Office, Karachi. Mr. Khawaja Ejaz Sarwar, Secretary, Labour, Manpower & Overseas Pakistanis, Government of Pakistan being President of the Board, presided over the meeting.

2. The following attended the meeting:-

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| 1. Mr. Kawaja Ijaz Sarwar,
Secretary, Labour, Manpower
Overseas Pakistanis,
Government of Pakistan,
Islamabad. | President |
| 2. Mr. Muhammad Shafi Malik,
Chairman EOBI, | Member |
| 3. Mr. Tauqir Ahmad
Joint Secretary (Labour),
Ministry of Labour, Manpower
& Overseas Pakistanis,
Islamabad. | Member |
| 4. Maj.(R) Iqbal Ahmed
Secretary Labour, Punjab | Member |
| 5. Raja Muhammad Abbas,
Secretary Labour, Sindh | Member |
| 6. Mr. Nooruddin F. Daud
Employer's Rep, NWFP | Member |
| 7. Mr. Nazim F. Haji
Employer's Rep. Sindh | Member |
| 8. Danish K. Manoo,
Employer's Rep, Pujab | Member |

9. Ch. Zaheer Ahmed Taj Employees' Rep. Punjab	Member
10.Mr. Abdul Aziz Abbassi Employees' Rep. Sindh	Member
11.Mr. Muhammad Zaman Employees' Rep. NWFP	Member
12.Mr. Sultan Muhammad Employees' Rep. NWFP	Member
13.Mr. Nooruddin Shaikh Director General (F&I), EOBI	Member
14.Mr.Mahmood Alam Soomro,	Secretary BOT

Mr. Mukhtar Ahmed, Dy. Adviser, nominated by Financial Adviser, Ministry of Labour, was also present as an observer.

3. The meeting started with the recitation of Holy Quran by Mr. Nooruddin F. Daud, member Board.

4. The President welcomed the members to the 63rd meeting of the Board of Trustees. He briefly explained that the meeting had been delayed on account of the reasons beyond his control. He asked the Chairman to take up the agenda.

5. The Chairman informed the Board that Mr. Ahmed Ali Jugezai's mother and Mr. Ijaz Sarwar's brother-in-law had expired. The members of the Board offered Fateha for the departed souls and resolved to send condolence messages to their bereaved families.

**ITEM NO. 1 CONFIRMATION OF THE MINUTES
OF 62nd MEETING OF THE BOARD.**

6. The President inquired whether there was any objection/ comments on the minutes. The Chairman informed that there were spelling and typographic mistakes at pages detailed as under:-

At page-4 in para 8.1

Words "paying employers" have been wrongly typed as "payment by employers"

At page-7 in para 11.2

In the second line before the word income the words " slow rate of growth" have been omitted.

At page-10 para-17

In the last line the word "principle" has wrongly been typed as "principal".

7. It was further pointed out that under item No.12(1) it was decided that officers and staff may be brought at par in respect of entitlement of Casual Leaves and grant of loans for repair of the house. However, the issue of making the officers' loan interest free was not specifically discussed. After discussion majority of the members held that free of interest loan was neither intended nor justified hence the minutes may be corrected accordingly.

After discussion Board decided that Loan u/Regulation 4 and 7 will be with interest of 5% as per practice in the parallel sister organizations. The Board approved the minutes subject to the above amendments

ITEM NO. 2 TO CONSIDER PROGRESS ON THE DECISIONS TAKEN BY THE BOARD IN ITS 62ND MEETING.

8. The Board then took the report of the Institution on the decisions taken by the Board in its 62nd meeting. The President inquired from the members if any of them have any comment on the report.

The Board showed its satisfaction on the report, thus the compliance report was approved unanimously.

ITEM NO. 3 TO CONSIDER PERFORMANCE OF THE INSTITUTION.

9. The Chairman EOBI explained the performance of all the departments with special emphasis on operations and investment departments. Relying on the latest comparative figures for the month of March 2003 he explained the increase in registration of employers, the insured persons, the collection of contribution and issuance of new pension books as under:-

S.No	Core Activities	2001-2002 Feb-2002	2002-2003 Feb-2003	% age increase
1	Registration of employers	1,525	1,654	8%
2	Registration of insured persons	79,840	92,259	16%
3	Collection of Contribution	1168.44m	1342.53m	15.38%
4	Issuance of new Pension Books	10,405	11,135	7%
5	Pension/Grant Paid	850 m	1030 m	21%

10. He said that despite the fact that no checking was made in first six months, registration of employers has increased by (+) 8%, registration of insured person by (+)16% and collection of contribution by (+)15.38% The checking plans based on concrete evidence, copies of which have been endorsed in advance to respective Chambers of Commerce and concerned association have made the checking process transparent resulting in improving of image of the Institution.

11. Regarding investment he explained that investment has increased from Rs. 762.555 to Rs.1262.721 million showing increase of 65.59%. Total investment, income has increased by 22.92%. Progress in diversification of portfolio has been made as under:-

S.No	Portfolios	March-2002	March 2003
I	Govt. Securities	95%	91.6%
II	COD/COIS/Bank	5%	2.5%
III	TFCs	-	1.2%
IV	Stock Exchange	-	4.7%
V.	Total	100%	100.0%

12. It is evident that share of TFCs and Stock Exchange investment has increased. The return on cost of investment was 38% upto December 2002. Capital gain of Rs. 86.554 million and dividend of Rs. 35.448 million was received. At the end of March, 2003 it stood at 28.3% of cost of investment. Capital gain of Rs. 222.612 million and dividend of Rs. 91.351 million was received. Regarding performance of other departments he said that all departments are showing progress in their respective fields in the light of Institutional Strategy.

13. Mr. Nooruddin F. Daud, appreciated performance of the Institution in registration of employers. Mr. Tauqir Ahmad, Joint Secretary (LW) observed that it also entails the liability to pay pension hence mere registration of employers was not enough to ensure viability of the scheme.

14. Maj.(R) Iqbal Ahmed, Secretary Labour, Punjab enquired whether Institution is receiving Rs. 20/= as employee's share from all employees including Self-Assessment cases. The Chairman explained that the law makes no distinction between self and non-self assessment cases in respect of employee's share of contribution.

15. Mr Zaheer Taj, Member BOT said, Institution must ensure that employers are paying contribution at least on Minimum Wages. The chairman informed him that Institution is strictly following the definition of wages as provided under section 2(p) of the Act, 1976.

16. Responding to the question pertaining to investment by Mr. Mukhtar Ahmed, Deputy Advisor, the Chairman explained in detail the system and procedure of investment to ensure reasonable gain with safety of Capital. Appointment of Investment Adviser, activation of investment committee, appointment of qualified personnel in Investment Division (and above all trust in God) are the essential ingredients of the system.

The Board appreciated the performance of the Institution in all fields

ITEM NO. 4 TO CONSIDER MINUTES OF THE 65th MEETING OF THE INVESTMENT COMMITTEE.

17. The Board considered the minutes of the Investment Committee and ratified the same. The Chairman explained that the Committee held 12 meetings since July and five from December 2002 to March 2003 to examine impact of volatility of the market on investment. He appreciated the positive role and useful advice given at each occasion by Mr. Nazim F. Haji and support given by Mr. Abdul Aziz Abbasi, the Honourable members of BOT.

ITEM NO. 5 TO CONSIDER REGULARIZATION OF SERVICES OF 31 DAILY WAGE EMPLOYEES OF THE INSTITUTION.

18. The Chairman EOBI, informed that this August Board in its 60th meeting considered the regularization of 31 daily wages employees and decided that the matter of regularization may legally be examined and be presented in next Board meeting. The Institution has examined the matter in depth.

19. Out of 31 daily wage employees, 8 are reaching the age of superannuation before 2010 marked as category "A" in the working paper whereas 23 will attain the age of superannuation after 2010 marked as category "B" in the working paper. The appointment on daily wages is neither defined in Employees Old-age Benefits Institution (Employees Services) Regulations 1980 nor in Standing Orders Ordinance, 1968. However, keeping in view their long service to the Institution they may be compensated by payment of gratuity under Section 12(6) of the West Pakistan Industrial and Commercial (Standing Orders) Ordinance, 1968 and the remaining 23 daily wagers may be re-appointed on the contract basis, initially for two years.

20. The Hon'able member of the BOT Mr. Nazim F. Haji observed that in case compensation is not legally binding it may be paid in the shape of ex-gratia payment. On this, another Hon' able member of the BOT Mr. Zaheer Taj opined that daily wage earners are entitled for gratuity under law.

After detailed discussion the Board decided that the 08 staff members as shown in category "A" may be retired on their turn with gratuity as admissible under West Pakistan Industrial and Commercial (Standing Orders) Ordinance, 1968. The remaining 23 staff members may be re-appointed on contract basis.

ITEM NO. 6 TO CONSIDER THE PENDING PROPOSALS OF MR.ZAHEER AHMED TAJ, MEMBER, BOT.

21. The Chairman EOBI informed the house that Institution has given due attention to the proposals of Hon' able member Mr. Zahir Taj and in this connection Mr Khalid Javed Chaudhary, D.D.G(B&C) had a meeting with the Hon' able member on 6-2-2003.

22. Mr. Zaheer Taj said that the objective of beneficiary scheme is to pay benefits to insured persons. He said all problems raised by him have yet not been resolved. The Chairman, EOBI, assured him that all his problems shall be given in-depth consideration by the Board. He was requested to list-out the unresolved issues for consideration before next meeting of the Board.

It was decided that Mr Zaheer Taj will send all his pending proposals and same will be submitted before the Board alongwith comments of the Institution for decision thereon.

ITEM NO. 6 TO CONSIDER AMENDMENTS IN EOB ACT TO RATIONALIZE THE FOLLOWINGS:

- I) COMPULSARY REGISTRATION.
- II) EFFECTIVE RECOVERY MEASURES.
- III) SEASONAL WORKERS.
- IV) SURVIVORS' PENSION.
- V) PROTECTION FOR SELF-REGISTRATION.
- VI) RATIONALIZATION OF AGE LIMIT FOR REGISTRATION OF INSURED PERSONS.
- VII) UNIVERSAL SELF ASSESSMENT SCHEME
- VIII) LIMITATION PERIOD FOR REGISTRATION.
- IX) RECTIFICATION OF MISTAKE
- X) EOBI REGISTRATION TO BE MADE PRECONDITION FOR ISSUANCE OF INDUSTRIAL LICENCE/ REGISTRATION OF CONTRACTORS ETC EMPLOYING MORE THAN TEN WORKERS

XI) Adjustment of contribution erroneously.
XII) Actuarial Valuation of EOB Scheme.

23. The Chairman EOBI informed the house about the need of above amendments in EOB Act, 1976. He said that like compulsory insurance as provided under section 3 of the EOB Act, 1976 there must be Compulsory Registration under the law. This required an amendment in the Act, 1976 on the footings / patron of Section 19 of Sales Tax Ordinance. He, with reference to huge arrears outstanding against public sector companies, contended that coercive recovery measures u/s 81-83 of Land Revenue Act, 1967 cannot be taken against public sectors companies like Pakistan Steel, KESC, and Karachi Shipyard etc. He said that huge amount of arrears still remains outstanding against a number of establishments and they do not care to pay even after imposition of Statutory Increase of 50%. It was therefore, necessary to enhance the rate of Statutory Increase to 100% to make quicker recovery. He further emphasized that the institution is dependant upon the Provincial Governments for recovery of arrears under Section-32 of EOB Act, 1976, as arrears of Land Revenue. The measure is ineffective in the absence of Police help which is seldom available. The law may be made effective by adding a section allowing recovery out of bank account against the demand confirmed in appeal u/s 35 and after approval of the Board of Trustees.

24.....In addition, he pointed out that the matter of Seasonal Workers also required due attention. The Board had approved this proposal in its 51st meeting held on 15-7-2000 but it could not be implemented due to some lacuna in the proposal. The issue has been examined afresh and matter was referred to M/s. Akhtar & Hassan Actuaries for evaluation and feasibility for its implementation. On receipt of report again this matter has been submitted for due consideration. The Chairman also informed that the matter of Survivor's Pension also required due consideration of the Board so that anomaly could be removed and all survivors could be treated alike. The matter of protection for self registration also required a safety clause in the EOB Act, 1976. Similarly in the Act, different slabs of the age and contribution payable have been given that required rationalization and contribution period should be 15 years from the date of applicability of EOB Act, 1976. He also said the Federal Government has introduced Self Assessment Scheme through Labour Laws (Amendment) Ordinance 2002. The Scheme had been liberalized and Procedural circulars carrying clarifications were issued and publicity was made through media. The scheme had been adopted by 746 employers. In view of its success it is

proposed that universal Self Assessment Scheme may be introduced. He further informed the house that under EOB Act, 1976 the officials of the Institution can check the books of account and determine the date of applicability the Act. It is generally complained that the absence of specific limitation period create harassment and open the door of corruption. It was therefore, proposed that the limitation of two years may be imposed for raising demand for contribution for past years except in those cases where there is concurrent evidence to the contrary in the form of self registration by the employees. He also proposed that for rectification of mistakes a provision may be provided in the EOB, Act 1976. He said that for viability of this scheme it is necessary that EOBI registration should be made pre-condition for registration by various departments and utility agencies.

25. The Board members discussed many sub-items and gave their suggestions. However, it was decided to constitute following committee to consider the proposals in depth and submit recommendations in the next meeting of the Board.

I. Mr. Tauqir Ahmad,	(Convener)
II. Mr. Danish K. Moonoo	(Member)
III. Mr. Muhammad Zaman	(Member)
IV. Mr. Zaheer A. Taj	(Member)
V. Mr. Nazim F. Haji	(Member)
VI. Mr. Farooq Awan	(Member)

26. It was further decided that the committee shall also consider pending proposals of Mr. Zaheer A. Taj, improvement in pension scheme and submit comprehensive recommendations in concrete form and draft amendment bill shall be circulated widely for soliciting public opinion before its finalization.

Item No.8 Restoration of Islamabad Zone

27. The Chairman EOBI informed the Board that Islamabad Zone was merged with Peshawar Zone in March, 2002 to reduce the expenditures and enhance operational efficiency. It did not bear any fruit the performance in almost all areas has not improved. He proposed that the Islamabad Zone be restored.

28. The Hon'able members of the Board raised queries regarding manpower and financial impact on restoration of Islamabad Zone whereupon the Chairman EOBI informed that the manpower of Islamabad Liaison Office will be utilized and the financial impact will not be significant. He said that although the Board in its 60th meeting held on 19/8/2002 had decided that Chairman can open or close the offices yet the proposal was submitted to the Board out of abundant precaution.

The Board approved the restoration of Islamabad Zone.

Item No.9 To Consider Establishment of Monitoring, Evaluation
& Training Division (for Vigilance Investigation and
Research)

**The Board approved the said item accordingly being within
the competence of the Chairman.**

Item No.10 **Payment of Bonus to the officers for the year
2001-02**

29. The Chairman EOBI informed the house that the officers of the Institution are getting bonus every year on achievement of over all targets since 1988-89 without break on recommendations of the Board. In its 48th meeting the Board made it a part of package at the rate two months' gross salaries. Subsequently the Board streamlined it in its 54th meeting and related payment of bonus with performance of individual officers. The performance of Institution as a whole during the year 2001-02 was very good the collection of contribution was about 105% i.e the five percent above the target. The Board has already approved budget for bonus 2001-02. The bonus is being paid on Eid-ul-Fitr and Eid-ul-Azha to the officers with the approval of Labour Division. He requested the Board to approve the bonus to the officers for the year 2001-02 as the committee constituted to examine performance as recommended that out of 503 officers, bonus for 426 officers may be approved. The names of 77 officers not qualifying for bonus are placed as annex-"A".

30. On payment of bonus Mr. Mukhtar Ahmed, Dy. Adviser, Finance Division, raised the objection that bonus can not be paid to the officers of

the Institution without approval of the Finance Division. The Chairman informed him that after approval of the Board the case shall be submitted for approval of Finance Division through Ministry of Labour, Manpower and Overseas Pakistanis.

31. The Board approved the bonus with the observations that in future the prior approval of the Board for the payment of bonus must be obtained.

Item No.11 To Consider Modification of Qualification Pay

32. The Chairman explained that the professional qualified personnel are granted qualification pay as under:-

Qualification Pay to

ACA/ACMA	Rs. 2,000/- p.m
FCA/FCMA	Rs. 2,000/- p.m

33. The present structure of Qualification Pay is not equitable as it allows the same Qualification Pay for Associates and Fellows Chartered Accountant and Cost Management Consultants. It does not include CFAs which qualification is necessary for investment experts. In order to remove above lacunas and provide incentives for qualified persons it is proposed that the qualification pay for ACA/CAMA may be revised as under:-

<u>Qualification Pay to</u>	<u>Existing</u>	<u>Revised</u>
ACA/ACMA	Rs. 2,000/- p.m	Rs.3,000 p.m
FCA/FCMA/CFA	Rs. 2,000/- p.m	Rs.4,000 p.m

34. The financial impact of the proposal has been worked out at Rs. 156,000 per annum.

The Board unanimously approved the proposal of the Institution after some discussion.

Item No.12 **To Remove Anomalies in increase in pay in the Grade of Executive Officers**

35. It was decided that the Institution would point out any anomaly found in the pay of its officers in Grade-6 viz-a-viz the pay of junior staff i.e. Grade-v. If the pay of Grade-vi came to less than Grade-v after increase then a proposal may be put up to BOT for rectification.

36. BOT supported this proposal to remove anomaly and decided that the Institution will send a proposal on the following lines to the Ministry for examination in consultation with DFA.

- a) In case of existing increase Three Increments @ Rs.295
being upto Rs. 799/-,
- b) In case of existing increase Two increments @ Rs. 295.
Between Rs.800 to Rs.1199.
- c) The increase of Rs.1200 to One increment @ Rs.295.
1499 may be allowed as.

However, it was decided that the matter may be referred to Ministry of Labour for further examination in consultation with Financial Adviser..

Item No.13 **To Consider the Entitlement of Vehicles for EOBI Officials**

37. The issue of entitlement of vehicles was discussed in detail. Mr. Nooruddin Sheikh, DG(F&I)/FA explained that the proposal for replacement of vehicles had been revised and accordingly 24 vehicles were to be replaced during the currency of the year i.e. 2002-03 being more than 8 years old (list attached as annex-B) One Potohar Jeep for Baluchistan was needed for traveling of officers in hilly terrain for performance of their duties. An amount of 11 million was needed, however, the budget available under the respective head was Rs.6.87 million therefore, the difference of Rs. 4.13 million would be needed.

The Board approved the proposal provided budget for replacement of vehicles is available and purchases are made in accordance with procedure. Further replacement proposals may be brought in the next financial Year.

Item No. 15(a) **Extension in Time Limit for Completion of Audit Of Account for Financial Year 2001-02**

38. The Chairman informed the Board that new external auditors, M/s. Yousuf Adil & Saleem Co., of category "A" appointed by the Institution have carried out checking and verification of accounts in detail. They have raised many new issues which were responded by submission of replies and documents to explain the position. Under Rule-5(4) of EOB Audit & Accounts Rules 1977, the audit has to be completed within six months of the end of accounting year or within such extended period as BOT may think appropriate with prior approval of the Federal Government. The Labour Division has extended the time limit for completion of audit of annual accounts for the year 2001-02 upto 31-03-2003 vide letter SS.2(15)2001 dated 08-02-2003. He requested the BOT to extend the time limit accordingly.

The Board unanimously approved the time limit upto 31-03-2003.

Item No.15(b) **To Consider and Approve Audited Account**
.....**for the year 2001-02.**

39. The item was taken up by the Board but the members felt that more time was required to study the accounts in order to have a meaningful discussion. It was, therefore, **decided to constitute a Committee to study the accounts in depth and report in the next Board Meeting.**

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| 1. | Mr. Nooruddin Sheikh
DG (F&I)/FA EOBI | Convener |
| 2. | Mr.Nooruddin F. Daud
Employer's Rep. NWFP | Member |
| 3. | Mr. Sultan Muhammad
Employees' Rep. Baluchistan | Member |
| 4. | Financial Adviser,
Labour Division. | Member |

Item No.15©

Upgradation of EDP Officers (in Executive Officers Cadres)

40. The Chairman explained that in 48th meeting of the Board held on 15-12-1998, it was decided that the Executive Officers completing satisfactory service of 15 years may be upgraded alongwith their posts to the posts of Assistant Directors. The decision was implemented in the case of Executive Officers performing Field Operation but it could not be implemented in respect of Executive Officer performing Data Entry functions known as DEOs/DPOs on account of the fact that the next higher post of Data entry Supervisor required higher qualifications as such they could not be promoted/upgraded on account of this technical hitch. The issue has been considered again on repeated requests of senior DEOs/DPOs who have already completed more than 15 years of services. The solution has now been found that the DEOs/DPOs completing 15 years satisfactory service may be designated as senior DPOs/DEOs. It is therefore, recommended that senior most DEOs/DPOs may also be upgraded alongwith post of designation of senior DPOs/DEOs on performance of satisfactory service for 15 years to remove the discrimination and encourage retention of such officers within the Institution. They are also being encouraged to improve their qualification to become eligible for next higher post i.e. Data entry Supervisor.

After some discussion the Board approved the proposal.

Item No. 15(d)

Upgradation of Executive Officers as Assistant Director.

41. The Chairman explained that in pursuance of decision taken in 48th meeting of BOT held on 15-12-1998, the first batch of Executive Officers comprising of 27 officers was upgraded as Assistant Director on 01-07-1999, with the approval of the Board. The second batch was upgraded under Office Order No. 242/2000 dated 07-07-2000 as a matter of policy/practice. Similarly the 3rd batch was upgraded on 29-10-2001. The 4th batch of Executive Officers who completed 15 years of services as Executive Officers were due for upgradation on 03-06-2002 as Assistant Directors.

42. The Departmental Promotion Committee in its meeting on 27-01-2003 considered upgradation cases and found these officers fit for promotion as Assistant Directors. Since all these officers are also drawing maximum salaries therefore, financial impact will be nominal to the extent of one promotion increment only. Besides, the law now provides that no checking will be made by an officer below the rank of Assistant Director and in Self-Assessment cases by Dy. Director. In view of this amendment in law the upgradation has become imperative.

Since it is consistent with the policy of the Board and previous batches have been upgraded the Board approved the upgradation proposed.

43. Thereafter the Board deferred all the remaining items of the Agenda of 63rd meeting for deliberation in the next BOT meeting to be held in first week of May, 2003 at Lahore.

44. The meeting ended with a vote of thanks to the Chair.