MINUTES OF THE 65TH BOT MEETING HELD ON 05-06-2003, AT EOBI, HEAD OFFICE. KARACHI.

The 65th Meeting of the Board of Trustees of EOBI was held on 05-06-2003 at 1100 hours at EOBI, Head Office, Karachi. Following attended the meeting.

1.	Khawaja Ijaz Sarwar, Secretary, Labour Manpower and Overseas Pakistanis.	President
2.	Mr. Muhammad Shafi Malik, Chairman EOBI.	Member
3.	Mr.Tauqir Ahmad Joint Secretary (LW) MOL, Islamabad.	Member
4.	Major ® Iqbal Ahmed, Secretary Labour, Punjab.	Member
5.	Maj: Muzaffar Ali Afridi, Secretary Labour, Baluchistan.	Member.
6.	Raja Muhammad Abbas, Secretary Labour, Sindh.	
7.	Sardar Ali Ahmed Jogezai Employers' Rep. Baluchistan..	Member
8.	Mr.Nooruddin F. Daud Employers' Rep. NWFP.	Member
9.	Mr.Nazim F. Haji Employers' Rep. Sindh.	Member
10.	Mr.Sultan Muhammad Employees' Rep. Balochistan.	Member
11.	Mr.Muhammad Zaman Employees, Rep. NWFP.	Member
12.	Mr.Abdul Aziz Abbasi Employees' Rep. Sindh	Member
14.	Mr.Nooruddin Sheikh, FA/DG(F&I), EOBI.	Member
15.	Mr.Mushtaq Ahmed Sammo	Secretary BOT

2. Mr. Dost Muhammad, FA, LM&OPs and Mr. Khalid Amin Qureshi, JS Industries, could not attend the meeting due to their pre-occupation in respect of budget related assignments. Mr. Danish K.Monnoo, Employers' Representative Punjab informed that due to business pre-occupation, he would not be able to attend the meeting. Ch: Zaheer A.Taj Employees' Rep: Punjab, was unable to attend the meeting due to illness.

3. Mr. Nooruddin F. Daud. Commenced the meeting with recitation of Holy Quran. The Chairman, EOBI, welcomed all the participants. The President, BOT, joined later as he was busy in another meeting of the Minister. However,

being allowed by the President, Chairman started the meeting by taking up the agenda.

Item No. 1.

TO CONSIDER CONFIRMATION OF THE MINUTES OF 64th MEETING OF THE BOARD.

1.1 The Chairman, EOBI, explained the reason for late circulation of the approved minutes. Thereafter, he asked the members for their objections/reservations. **Since no objection was raised, the Board confirmed the minutes of 64th Meeting.**

Item No. 2.

TO CONSIDER PROGRESS ON THE DECISIONS TAKEN BY THE BOARD IN ITS 63RD MEETING.

2.1. Chairman informed the Board that due to late receipt of approved Minutes of 64th BOT meeting, the concerned Departments could not prepare the compliance report. However, the progress/compliance report in respect of the actions taken by the concerned Departments on the decisions of the 63rd BOT meeting were enclosed with the working paper for their perusal and consideration.

2.2. The Chairman informed the members about the efforts made to recover the dues, not only from private organizations but also from Public Sector Organizations like Pakistan Steel Mills, KESC, KTC, PRTC and from many more. He informed that the process of checking and recovery was in progress and by the grace of Almighty, targets shall be achieved.

2.3. The Employers representative Mr. Nazim F. Haji asked for statement mentioning total dues and list of defaulters with total amount of collection in respect of dues. Mr. Farooq Ahmed Awan, Director General (Investment) holding additional charge of Director General (Operation) explained the details of recovery of arrears from the Public Sector Organizations in detail. He said that recovery in such cases was at final stages.

2.4. In order to expedite the process of recovery, the issue of the powers to collect contribution by issuance of notices to Banks was also discussed. Some of the members suggested that in the first phase the power should only be utilized to recover dues from Public Sector. However, due to divergent opinion on the subject, matter was deferred for the next meeting in which the report of the Committee on Amendments in Law shall be presented by the Convener of the committee, Maj. ® Iqbal Ahmed, Secretary, Labour, Government of the Punjab.

2.5. The Board expressed satisfaction on compliance of Decisions of the 63rd Board Meeting.

Item No. 3.

TO CONSIDER PERFORMANCE OF THE INSTITUTION AND MINUTES OF 70TH MEETING OF THE INVESTMENT COMMITTEE.

3.1. The Chairman apprised the Board with the performance of the Institution for the period July 2002 to April, 2003 and said that a total 2506 new establishments had been registered as against 1920 last year showing an increase of 31%. The number of new Insured Persons was 118,433 as compared to 105,575 of first nine months of previous year. The amount of conurbation collected during July 2002 to April 2003 remained 16% higher than comparable period last year. The over all achievement against the target assigned by the Board was 99.60% as compared to 98.5% last year. He said that according to latest figures, the collection of contribution in May 2003 increased by 29.5% as compared to May 2002 due to collection of arrears from KESC. Chairman further informed that an amount of Rs.1,309,515,326 had been disbursed among the pensioners up to April 2003 against 1,102,797,495 during comparable period.

3.2. The employers' Representative Mr. Nazim F. Haji requested for details of total dues, the amount recovered and the outstanding balances against Public Sector Corporations. The Chairman assured him that the requisite would be provided accordingly.

3.3. While discussing the performance of Investment Division, the Chairman explained the efforts made by the management to implement the Institutional Strategy of diversification of portfolio through investment in Stock Exchange and Corporate Debt Market. He submitted following comparative statement to highlight the Institution's Performance:-

Comparative Statement of Investment

Rupees in Million

Description	2001-02 July 2001- April 2002	2002-03 July 2002- April 2003
Investment income	6422.632	7608.948
Increase/decreased (amount)	-	1186.628
Increase/decrease (percentage)	-	18.47%
Investment	843.208	1403.326
Increase/decrease (amount)	-	560.118
Increase/decreased (percentage)	-	66.43%

Comparative Position of Diversification

Description	Previous Year 2001-02	Current Year 2002-03
Portfolio Diversification		
Government Securities	97.54%	94.09%
COD/COIs/Banks	2.23%	0.66%
TFCs	0.00%	0.65%
Equities (allocation)	0.23%	4.60%

3.4 The Chairman explained that the award of contract for net working and software development was at final stage. Trading room was ready and is expected to be operative in July 2003.

3.5. The Board expressed satisfaction on the performance of the Institution and appreciated the results achieved in collection of contribution and profit earned on Investment.

Item No.4

TO CONSIDER REVISED BUDGET FOR 2002 - 2003 AND BUDGET ESTIMATES FOR THE YEAR 2003-2004.

4.1. The Chairman introduced the Revised Budget Estimates 2002-03 and Budget Estimates for the year 2003-04 by saying that the institution had implemented most of the reforms plan within the pre-allocated resources in the financial year 2002-03. There was no increase in the revised budget for 2002-03 and estimates for 2003-04 except for the allocation of Funds for Pension for EOBI Employees and provision for release of capped allowances. He then requested DG (F&I) to present the budget estimates. DG (F&I) with the help of multimedia explained the Budget Estimates 2002-03, Revised Estimates 2002-03 and Proposed Budget for the year 2003-04. Accordingly, Revised Estimates was Rs.508.989 million as against approved budget of Rs.451.480 million which showed an increase of Rs.57.197 million i.e. 12.74% from the previous budget. The reason for this increase was the additional pension contribution of Rs.60.197 million as a result of actuarial valuation on the advice of auditors.

4.2. He then informed that Expenditure Budget for 2003-2004 had been proposed as Rs.580.854 million as against revised budget of Rs.508.989 million i.e. an increase of Rs.71.865 million, which was 14.10% over the revised budget. The main reasons for this increase were provision of expected restoration of capped house rent/allowances of officers (i.e. Rs.40 million), and additional pension contribution of Rs.8.973 million as a result of actuarial valuation on the above advice of the auditors. Pay & Allowances for 40 vacant posts had also been provided. If these additional burdens are excluded from the Proposed Budget 2003-04, then there is only 3.6% increase over the Revised Budget 2002-03.

4.3. He also showed the slides to explain the details of income and expenditure for 2002-03 (revised) and 2003-04 (proposed).

4.4. A provision of Rs.5.5. million was available in the budget 2002-03 for in-house Trading Room. However, the expenditure exceeded the estimates to Rs.6.9 million as no provision was visualized for civil works. Rupees one million short falls was provided through adjustment. Rupees 0.45 million may be provided through Revised Estimates 2002-03.

4.5. At this stage some queries/questions were made about the purchase of new buildings, the construction of In-house Trading Room at EOBI House (Ex Awami Markaz), Commercial Complex Peshawar etc. These queries wee clarified by DG (F&I) with comprehensive facts and figures. **The Board of Trustees then approved unanimously the Revised Budget for 2002-2003 and Estimated Budget for 2003-2004 detailed below :-**

(Rs. In thousands)

	2002-03	**2002-03(Revised)**	**2003-04(Estimate)**
Contbn: Income:	Rs.2,104,000	Rs.2,125,000	Rs.2,235,000
Invest: Income:	Rs.8,077,659	Rs. 866,308	Rs.9,688,059
R/Misc.Income:	Rs. 33,837	Rs. 26,519	Rs. 34,330
Benefits Payment:	Rs.1,690,380	Rs.1,746,877	Rs.2,270,940
Capital Expend:	Rs. 59,422	Rs. 27,465	Rs. 78,370(Ann-I)
Management Exp:	Rs. 451,480	Rs. 508,989	Rs. 580,854(Ann-II)

Item No.5

TO CONSIDER ADOPTION OF ACCRUAL ACCOUNTING SYSTEM AND FORMULATION OF AUDIT COMMITTEE.

5.1. It was explained that there were two system of accounting in vegue i.e. Receipt Basis and Accrual Basis and EOBI was recording collection of contribution on actual receipt basis. The management has realized that with the implementation of complete automation plan and networking, it was necessary for EOBI to adopt Accrual System for accounting of contribution. A high powered committee was formed under the convenership of DG (F&I) who, after due consultation with the reputed chartered accountants and consultants, recommended that the Institution should adopt the Accrual System. **However, to develop a comprehensive Accrual System, expression of interest may lie invited on the basis of Term of Reference (Annex-II of the working paper). The system shall be operated through computerized programme with manual system till perfection of the Accrual System.**

5.2 The Chairman informed that in furtherance of the Board decisions taken in it's 64th meeting, the Term of Reference of the Audit Committee and its constitution were studied in detail. The SECP in its guidelines for good

governance had given the Term of Reference of Audit Committee in detail for companies quoted on Stock Exchange. Keeping in view the nature of EOBI following term of Reference was considered appropriate :-

i) To review reports from Internal, External & Commercial Auditors.

ii) To review Annual Financial Statements.

iii) To review Audited Accounts & Budget of the Institution.

iv) To review the progress of the implementation of recommendations made by various Audit Forums.

v) To review system of internal control and risk-management.

5.3. As regards constitution, he proposed that the Board might consider either F&B Committee, already established in he convenership of DG (F&I), to work as Audit Committee or another committee under the convenership of Joint Secretary (L.W) be formed.

i) **The Board unanimously approved the Adoption of Accrual System in EOBI and invitation of Expression of interest on the basis of Term of Reference.**

ii) **The Board approved the Term of Reference for the Audit Committee proposed above and allowed F&B Committee to act also as Audit Committee.**

ITEM NO. 6.

TO CONSIDER WAIVING/EXTINGUISHMENT OF BALANCE OF LOANS IN RESPECT OF DECESASED EMPLOYEES.

6.1. The Board was informed that some loan amounts were outstanding against deceased employees of the Institution. It was suggested that the same may be waived off on humanitarian grounds. Some members were of the opinion that before waiving off outstanding amounts of the loans, the matter may be referred to Ministry for confirmation as to whether the Board was competent to do so or not. The president suggested that as the total amount in question was quite meager and a large number of families were involved the Board may approve the write off of arrears. **The Board unanimously approved the write off of following arrears outstanding against deceased employees after adjustment of their dues at the time of their death.**

S.NO.	NAME & DESIGNATION	AMOUNTS(Rs.)
01.	Mr.Shoukat Ali, Assistant	Rs.17,562
02.	Mr.Mushtaq Ali Mallha, Assistant	Rs.15,099
03.	Mr.M.Rasheed Khan, Dy. Director	Rs. 7,835
04.	Syed Hassan, Asstt. Director.	Rs.64,104
05.	Mr.Muhammad Naseer, Supdt.	Rs.60,081
06.	Mr.Shahid Husain, Naib Qasid	Rs.11,815
07.	Mr.Rasheed A.Javed, EO	Rs.24,300
08.	Mr.Altaf Hussain Shah, Supdt.	Rs.62,734

ITEM NO. 7.

TO CONSIDER COMPREHENSIVE PROPOSAL REGARDING AWARD OF SCHOLARSHIP TO CHILDREN OF DECEASED EMPLOYEES (DECEASED EMPLOYEES' CHEILDREN EDUCATION FUND (DECEP).

7.1. The Board members were informed that as desired by the Board in its 64th Meeting, a comprehensive scheme on the subject was prepared and placed in working paper at pages 91-93 for Board's approval.

i) **The Board unanimously approved the creation of Deceased Employees' Children Education Fund (DECEP) initially with Rs.5,00,000 (Rupees five lac only) and ordered for formation of Committee to regulate the working and to monitor the entire activities.**

ii) **It was also decided that the employees will also contribute in this Fund.**

iii) **The Board approved the "Award of Scholarship Scheme for Children of Deceased Employees" (placed as annex-III).**

ITEM NO. 8

TO CONSIDER ACTURIAL VALUATION REPORT AS AT 30-06-2002.

8.1 The Chairman while explaining the need and importance of the Actuarial Valuation Report said that the primary purpose of the valuation was to ascertain, whether the existing scheme was financially viable and in long range actuarial balance. He further informed the Board that on hiss request the Actuary Mr.Shujat Siddiqi and Mr. Samiul Hassan ex-Chairman SLIC had kindly spared their valuable time to provide expert view on the subject.

8.2 The Actuary Mr.Shujat Siddiqi explained in detail the results of his

Actuarial Report emphasizing that **if no remedial action is taken, the EOB Fund shall start depleting in 2024 and shall stand exhausted in 2035.** He suggested three alternatives to improve the prevailing EOB scheme:

I. The employer should contribute @ Rs.225 per month per insured person. The employee's contribution would be Rs.50 per month. The basic flat rate pension would be Rs.725 per month. An additional pension of Rs.25 per month would be payable in respect of each year on insurable employment in excess of 15 years.

II. The employer should contribute @ Rs.300 per month per insured person. The employee's contribution would be Rs.50 per month. The basic flat rate pension would be Rs.1000 per month. An additional pension of Rs.25 per month would be payable in respect of each year of insurable employment in excess of 15 years.

III. The employer should contribute @ Rs.150 per month per insured person. The employee's contribution would range from Rs.20 to Rs.40 per month showing gradual increase over nine years. The basic flat rate pension would be Rs.700 per month. The employers' and employees' share of contribution may be gradually increased by small amounts over nine years.

8.3 Major ® M.Iqbal, Secretary Labour Punjab raised a question that in case an insured person is retired at the age of 40 years after contributing 15 years then who would maintain his record and how pension would be paid to him. The actuary replied that EOBI was maintaining his record and after attaining the age of 60 years, he will be paid his due pension by EOBI.

8.4 Mr.Nazim F.Haju asked about those ladies who left the jobs before completion of required length of services for entitlement for pension for one or the other reason. The Chairman replied that the matter had been referred to the actuary for their expert opinion. He further informed that according to the Institutional Strategy, on 10th July each year EDP Department shall generate list of pensioners likely to retire during the year along with their dates of retirement and amount of pension due.

8.5 Mr. Samiul Hasan, ex-Chairman SLIC while expressing his views on the subject said that Pakistan was the first country in Asia to introduce EOB Pension in 1976. In 1995, the Government withdrew its share of contribution, which made the Scheme un-viable and since then successive Governments failed to address the issue properly. He stressed that the time had come that this Board and the present Government must take a decision t restore viability on the basis of one of the option proposed in the Fifth Statutory Actuarial Valuation Report under consideration.

8.6 He further said that for viability of any scheme record building was very important and efforts should be intensified to improve the database.

8.7 Mr. Nooruddin F.Daud suggested that the three options offered by actuary, be circulated amongst Employers'/Employees' Forums to obtain their comments/views before according approval by the Board and submission to the Ministry & Cabinet for approval. **The Board agreeing to the suggestion of Mr.Nooruddin F.Daud decided that three alternatives may be circulated to all stakeholders for their views and comments but it should be ensured that unnecessary delay may not take place. Moreover, Seminar should also be arranged for open discussions and thereafter the outcome be placed before the Board I it's forthcoming meeting for decision.**

8.8 Mr. Sultan Muhammad, representative of Employees, requested the President that while settling the above issue, the old issue of contribution of coal miners may also be settled by the same committee.

8.9 The President formed a Committee comprising Mr.Nooruddin Shaikh, DG(F&I), Major® M.Iqbal, Mr. Nazim F.Haji, Employers' Rep: Mr. Sultan Muhammad and Ch: Zaheer A.Taj, Employees' Rep: under the convenership of Maj ® Muzaffar Ali Afridi, Secretary Labour Baluchistan, who was also allowed to take any person as co-opted member, if deems necessary. The Regional Head, Quetta will act as Secretary of the Committee. The Terms of Reference of the committee will be interalia to suggest how to include the Mine (Coal, Marble and Lime) Workers in the EOB Scheme. The Committee will submit its report on or before 30th June, 2003 so that it could be sent to all stakeholders for their comments/suggestions. Maj ® Iqbal Ahmed, member BOT informed that the report of the committee in his convenership would be submitted in the next BOT meeting which will also contain recommendation on the Actuarial Valuation Report.

ANY OTHER ITEMS.

a) **TO ACCORD APPROVAL FOR PAYMENT OF Rs.500,000 FOR VALUATION OF M/s UNIVERSAL LEASING CORPORATION LTD: AND TOTAL SECURITIES(PVT) LTD: ON RECOMMENDATION OF CHAIRMAN NAB FOR PLEA BARGAIN IN REPO DEAL.**

The Board was apprised that Chairman NAB had approved that appointment of Auditors M/s Riaz Ahmed Saqib Gohar & Company, Chartered Accountants, vide letter No.9/1/Bank-E-9/NAB dated 20-05-2003 on payment of Rs.500,000 (Rupees five lac only). The Ministry of Labour Manpower & Overseas Pakistanis had advised EOBI vide its letter dated 21-05-2003, to make payment of said amount, for valuation of M/s Universal Leasing Corporation Ltd: and Total Securities (Pvt) Ltd: by Me/ Riaz Ahmed Saqib Gohar & Company to facilitate recovery of maximum amount through plea bargain from the accused persons. **The Board approved the appointment of Auditors M/s Riaz Ahmed, Saqib Gohar & company, Chartered Accountants, as advised by Chairman, NAB,**

to carry out due diligence and valuation of the above referred two companies at consolidated fee of Rs.500,000 (Rupees five hundred thousands only) plus direct out of pocket expenses.

b) **TO CONSIDER DEPOSIT WITH IDBP.**

Chairman explained the endeavors of the management in selecting the best available avenues for investment and highest rate for parking the money earmarked for investment in stock market. He explained that IDBP had reduced the rate from9% to 6%. Its rating and financial health was not good and was in the process of Privatization. Mr. Nooruddin F. Daud was of the opinion that in such situation, deposit of money in IDBP was not safe. Mr. Farooq Awan, DG (Investment) provided details of commercial Banks and rate of profits on investments. **The Board decided that the Institution may consider investment in the stock market, PIBs and TFCs as per its rules. The excess money may be placed in short term deposit in Commercial Bank of A+ rating at highest possible market interest rate after competitive bidding.**

c) **INVESTMENT ADVISORY SERVICES AGREEMENT WITH M/S KHADIM ALI SHAH BOKHARI & COMPANY LIMITED.**

The members of Investment Committee reported that performance of the Adviser M/s Khadim Ali Shah Bukhari and Company during last one year had been upto mark. They helped the Institution in achieving a good rate of return and improvement in its investment portfolio. They recommended renewal of agreement for further one year. **The Board approved the renewal of agreement with M/s Khadim Ali Shah Bokhri & company for a further period of one year on the same terms & conditions as previously agreed upon.**

d) **OTHER INVESTMENT AVENUES.**

The Board unanimously allowed the Instituion to explore new investment avenues as suggested in the working paper.

e) **INVESTMENT IN HUMAN CAPITAL BUDGET PROVISION OF RS.3,450,000/- FOR THE YEAR 2003-04.**

e-1 Chairman while apprising the Board members for the need and importance of capacity building in Human Resource sector, provided complete details of the Qualification Improvement Scheme approved by the Board in its 60” meeting requiring the DEOs not having the prescribed qualification to

acquire the same failing which their services may be dispensed with. In response to the Scheme 20 applications had been received and fee for each semester is estimated at Rs.35,000/-. The amount required to accommodate pending applications worked out to Rs.14,00,000/- in two semesters. It was, therefore, proposed that the time limit of three years may be removed and the facility of re-imbursement of 50% fee under Qualification Improvement scheme may be provided to the ten senior most DEOs/DPOs. In certain cases, despite reimbursement facility the applicants may not be able to finance the remaining 50% from their salaries. In such cases Board may approve grant of loan recoverable in easy installments.

e-2 The Board Members discussed the names of various Universities to ensure good quality of education. Maj.Iqbal, however suggested that in order to make the selection transparent and effective the Ministry of Information Technology may be consulted for the selection of the University/Institute. The Board appreciated the suggestion.

e-3 The Chairman further explained that three senior officers have been nominated for Advance management Course at NIPA and next three shall be nominated next year. The details of the entry level, mid-management level courses were discussed for capacity building of the Institution.

e-4. **The Board after detailed discussion unanimously decided that:**

i) **the condition of three years for improvement of the qualification shall stand removed and the facility of reimbursement of 50% fee shall be extended to ten senior most DEOs/DPOs.**

ii) **In deserving cases matching loan may be extended recoverable in 24 installments after passing of the examination.**

iii) **The university or institution for qualification improvement shall be selected on the advice of the Ministry of Information Technology.**

iv) **The Board approved following allocation of funds for investment in Human Capital.**

- Qualification Improvement Rs. 7,00,000
- Entry Level Training from NILAT Rs. 3,50,000
- Capacity Building Training from NIPA Rs. 8,00,000
- Foreign Training Courses Rs. 5,50,000

Recurring Training Expenses:

- Advance Management Courses Rs. 3,00,000
- Short Institutional Courses. Rs. 1,00,000
- Short in-house Course at
- Three Centers & Zones Rs. 6,00,000

- Miscellaneous Expenses. Rs. 50,000

Total: **Rs.34,50,000**

f) **PROVISION FOR LIEN IN THE SERVICE OF THE INSTITUTION**

The Chairman explained that there were no rules for retention of lien in EOBI. After detailed examination of provisions of lien in comparable organizations and Federal Government **the Board granted approval for lien up to 2 years to the confirmed employees having rendered atleast 5 years' satisfactory service in the Institution.**

i) **TO CONSIDER REVISION OF PAY & ALLOWANCES FOR STAFF**

The Chairman requested the Board members to consider 10% to 12% increase in the salaries of EOBI staff, as during the last two years, no increase in their salaries had been provided. **The President appreciated the concern of the Chairman. He however,suggested that budget is going to be announced in few days and there is a possibility that Government may increase Government Servants' pay, therefore, EOBI should wait for announcement of budget**

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

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