

**MINUTES OF THE 71ST MEETING OF THE BOARD
OF TRUSTEES HELD ON 20/12/2004 AT EOBI
HEAD OFFICE, KARACHI**

The 71st Meeting of the Board of Trustees of Employees' Old-Age Benefits Institution (EOBI) was held at 10 00 hours on 20/12/2004 at EOBI Head Office Karachi to consider the following agenda.

Sr. No.	AGENDA ITEMS
01	TO CONFIRM THE MINUTES OF 70TH MEETING OF THE BOARD.
02.	TO REVIEW PROGRESS ON THE DECISIONS TAKEN BY THE BOARD IN ITS 70TH MEETING.
03.	TO REVIEW PERFORMANCE OF THE INSTITUTION, MINUTES OF THE 89TH TO 93RD MEETING OF INVESTMENT COMMITTEE.
04.	TO DISCUSS THE GOALS/TRAGETS, ASSIGNED BY THE PRIME MINISTER.
05.	TO CONSIDER AND APPROVE THE ACCOUNTS FOR THE YEAR 2003-2004.
06	TO APPOINT CONSULTANT FOR ACTURIAL VALUATION FOR THE PERIOD 2002-2005.
07.	TO CONSIDER RESTUCTURING OF REAL ESTATE OPERATIONS.
08.	TO CONSIDER GRANT OF 15% ADHOC RELIEF TO RGULAR/CONTRACT/DAILY WAGE EMPLOYEES OF EOBI.
09.	TO CONSIDER APPROPRIATION OF Rs.05.43 MILLION FOR PURCHASE OF 04 VEHICLES.
10.	TO CONSIDER HUMAN RESOURCE POLICY & THE REPORT OF HRD COMMITTEE.
11.	TO CONSIDER THE WAYS AND MEANS FOR PROMPT PAYMENT OF PERFORMANCE RELATED BENEFITS.
12.	TO CONSIDER VARIOUS OPTIONS FOR INSTITUTIONALIZATION OF SUSTAINED INVESTMENT INCOME.
13.	TO APPROVE ASSETS ALLOCATION OF EOBI FUND.
14.	TO CONSIDER KESC's REQUEST FOR WAIVER OF STAUTORY INCREASE.
15.	TO APPROVE THE PROPOSAL FOR CREDIT RATING OF THE EOBI FUND.
16.	TO CONSIDER APPROVAL FOR DE-REGISTRATION OF CLOSED UNITS.

ANY OTHER ITEMS

01	TO CONSIDER EXTENSION OF SERVICES OF ADG RED
02	TO CONSIDER EXTENSION OF SERVICES OF CONTRACT EMPLOYEES OF THE INSTITUTION.
03	TO CONSIDER GRANT OF INCREASE IN PENSION TO EOBI RETIRED EMPLOYEES WITH EFFECT FROM JULY 2003 AND JULY 2004.
04	TO CONSIDER AWARD OF BANKING SERVICE AGREEMENT.
05	TO CONSIDER FEASIBILITY OF INCREASE IN MINIMUM PENSION TO Rs. 1000 PER MONTH.

The meeting was presided over by the President of the Board/ Secretary Labour, Manpower & Overseas Pakistanis Mr. Malik Asif Hayat. Followings attended the meeting: -

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| 1. Malik Asif Hayat
Secretary, M/O Labour, Manpower & Overseas Pakistanis. | President |
| 2. Mr. Muhammad Shafi Malik
Chairman, EOBI. | Member |
| 3. Mr. Abdul Rauf Malik
Financial Adviser. | Member |
| 4. Mr. Ahsan Akhtar Malik
Joint Secretary (LW), M/O LMOP. | Member |
| 5. Mr. Fazal-e- Qader
Joint Secretary Industries Division | Member |
| 6. Syed Mehmood Javed
Secretary Labour, Balochistan | Member |
| 7. Mr. Shahnawaz Badar
Secretary Labour, Punjab | Member |
| 8. MR Badshah Gul Wazir
Secretary Labour, NWFP | Member |
| 9. Mr. Danish K. Monnoo.
Employers' Rep. Punjab. | Member |
| 10. Mr. Nazim F. Haji
Employers' Representative, Sindh | Member |
| 11. Mr. Noor-Ud-Din F. Daud
Employers' Representative, NWFP | Member |

12. Ch. Zaheer Ahmed Taj Employees' Representative, Punjab	Member
13.Mr. Abdul Aziz Abbasi Employees' Representative, Sindh	Member
14.Mr. Muhammad Zaman Employees' Representative. NWFP	Member
15.Mr. Sultan Muhammad Employees' Representative, Baluchistan	Member
16.Mr. Akhtar Jamil Khan FA/DG (F&A) EOBI.	Member
17.Mr. Farooq A. Awan IA/DG(I), EOBI.	Member
18.Mushtaq Ahmed Sammo ADG (BS)/Law	Secretary BOT

3. Joint Secretary, M/O Commerce and Mr. Nasar Hayat, Secretary Labour Sindh could not attend the meeting, due to their pre-occupations. Mr. Muhammad Anwar Chaudhry the Senior Actuary also attended the meeting as co-opted member.
4. The meeting commenced with recitation from Holy Quran by Mr. Nooruddin F. Daud. The President of Board of Trustees Mr. Malik Asif Hayat welcoming the Trustees and participants said it was his first meeting as President BOT. He expressed the hope that all members shall continue to discharge their responsibilities and obligations as a team. Mr. Muhammad Zaman Employees' Representative from NWFP welcomed the President and assured him full cooperation of all members.
5. The Chairman introduced the new President of the Board and assured the new President that under his leadership, the Board would work with further zeal and enthusiasm. Chairman also acknowledged the contribution of former Presidents Mr. Muhammad Humayun Farshori, Khawaja Ijaz Sarwar and Mr. Farhat Hussain.

6. The Chairman thereafter briefed the members about important events summarized in letter No.EOBI/BS(CS)/2004 dated 15.12.2004 circulated to the Members as under:-

Review of Important Events:

1. Investment in Real Estate

- Six plots worth Rs. 681.526 million purchased in I-8 Sector, Islamabad.
- Petrol Pump site in Lahore, Sabzazar Lahore purchased through LDA.
- Investment in Gawadar explored but decided not to undertake on account of non-availability of land or land through acquisition, a report sent to the Secretary Ministry of Labour, Manpower & Overseas Pakistanis on 8-6-2004.

II. Sale of ULCL

- Expression of interest from following five companies received:-
 - i. M/s. Crescent Leasing Ltd.
 - ii. M/s. Sardar Muahammad Ashraf D. Baloch (Pvt) Ltd.
 - iii. M/s. Jahangir Siddiqui Capital Market (Pvt) Ltd.
 - iv. Pakistan Industrial & Commercial Leasing Ltd.
 - v. M/s. First Dawood Investment Bank Ltd.
- The issue of non-qualification of SOQ requiring annual revenue and equity each of Rs. 500 million resolved by removal of restrictions on the advice of legal adviser, Mr. Hanif Tayyab to ensure wider competition.
- On account of maturities of National Savings Deposit the limit of investment in stock has been increased to 6 billion.
- Because of diminution in value of PIBs on account of rising interest rates of PIBs worth Rs.1620 million have been sold to avoid further loss.
- Investment in E-13 & D-13 in collaboration with OPF is being planned.

- Investment in Shopping Mall, hotel and Office Tower in New Garden Town, Ferozpur Road, Lahore in joint venture with Government of Punjab and Abu Dhabi Group is being planned.
- Measures for institutionalization of investment function are being evaluated in consultation with experts.
- New Term of Reference for technical assistance programme of ADG-1956 has been submitted to the Ministry of Labour.
- Accrual Accounting Programme has been launched and upto 30th November 2004, 40% record building reports have been received. The Field Officers are being pushed to accomplish total record building upto 31st December 2004.
- Chairman held meeting with Advisor to the Prime Minister and Minister for State for Finance who assured complete support.

III. Human Resource Development

- Promotion of Director General (Ops) and Assistant Director Generals remained pending since long despite fixation of meetings several times.
- Bonus proposals submitted still await final approval of the Finance Division.

IV. DISCIPLINARY CASES:

- Disciplinary cases of Faisalabad were decided by the Chairman as under:-
 - a) Mr. Muhammad Munir Anwar - Two increments were withheld.
 - b) Mr. Arshad Munir Khalid - Demoted from DD to AD.
 - c) Mr. Abdul Razzak Malik - Demoted from AD to EO
 - d) Mr. Abdul Ghaffar Gill - Dismissed from service
- Human Resource Department moving on slow speed.
- Probationary Officers' Scheme is being pursued.
- The case of Mr. Muhammad Saleem DDG (under suspension) processed and is pending with Prime Minister Secretariat.

- V. M/s. System Private (Ltd) selected for IT-Solution have so far completed 1st phase and have done substantial work in 2nd phase.
- VI. Central Advisory Committee with Zonal Chapters constituted for participative management.
- VII. First round of meetings of Standing Committees of National Assembly and Senate were held and issues of investment in stock market and recovery of embezzled amounts were discussed.
- VIII. Revised TOR for Asian Development Bank has been submitted to Ministry of Labour, Manpower and Overseas Pakistanis to confine it to the assessment of reforms undertaken, alternatives for restoration of viability of EOB Scheme and capacity building for Investment Managers, Actuaries and I.T. Experts.
7. Mr. Badshah Gul Wazir, Secretary Labour NWFP informed that NWFP Provincial Government had requested the Federal Minister, Labour, Manpower and Overseas Pakistanis for upgrading EOBI Field Office of Bannu and to open a new office in Kaghan. Chairman advised him to submit written proposal so that it can be examined and placed before Board. The President remarked that the issue needs proper examination and justification, and advised that written proposal with full justification may be submitted.
8. Thereafter, the agenda was taken item-wise:-
- 9. Item No. 1**
TO CONFIRM THE MINUTES OF 70TH MEETING OF THE BOARD.
- 9.1 Chairman invited the members to indicate if they want to add or modify the minute of 70th BOT Meeting.
- 9.2 The F. A. Labour wanted to know that the corrections pointed out by him had been incorporated in the minutes or not. The Chairman explained that the corrections referred to by the FA Labour were in respect of 69th BOT Meeting and the same had already been cleared,

corrected and intimated accordingly in the 70th BOT. There being no other observations, **The minutes of 70th meeting were unanimously approved.**

10. Item No. 2.

TO REVIEW PROGRESS ON THE DECISIONS TAKEN BY THE BOARD IN ITS 70TH MEETING.

10.1 The Chairman briefing the participants informed that concerned Departments had already taken required action in compliance of 70th BOT Meeting, F.A. Labour referring to the compliance report enquired whether bonus was paid with the approval of Ministry of Labour, Manpower and Overseas Pakistanis. He was informed that Eid Advance was paid with the approval of the Ministry subject to the concurrence of Ministry of Finance, vide letter No. SS-2(18)/90.Pt dated 1st September, 2004. The Chairman emphasized the need of deciding the issue at earliest in view of fast approaching Eid-ul-Azha when next installment of Bonus for both officers and staff shall become due. He stressed that performance related incentives should not be curtailed in view of excellent performance of the Institution and hard work required in implementation of widely acknowledged reforms by the Institution. He stressed that decision may be taken before Eid-ul-Azha otherwise following the past practice, advance payment in lieu of Bonus shall have to be made. Some of the members of the Board supported the Chairman's contention by saying that the benefit given can not be withdrawn.

- **The President while appreciating the practical problems of EOBI management advised FA Labour to communicate the final decision of Finance Division in the matter at the earliest so that management may not face problems.**
- **The members of the Board expressed their satisfaction on implementation of the decisions of 70th BOT Meeting.**

11. **Item No.3**

TO REVIEW PERFORMANCE OF THE INSTITUTION, MINUTES OF THE 89TH TO 93RD MEETING OF INVESTMENT COMMITTEE.

- 11.1 Reviewing the performance of B&C Department Chairman informed that special emphasis had been laid on record building, IT solution, Accrual System and de-registration of closed units. He explained that after excluding the collection of arrears of Rs.179.168 million from PRTC, Rs.50 million from KESC and Rs. 18.02 million from OGDC, the collection had increased by 9.32% as compared to the preceding year. He further informed that due to enforcement of reform programme, the collection remained slow, but after the completion of these reforms contribution shall increase substantially.
- 11.2 Ch. Zaheer A. Taj acknowledging the new developments appreciated the efforts of the Chairman and informed that considerable progress had been made in respect of record building and entire system had been revamped. However, he informed that there are still some areas where field officers were not working in true spirit. He therefore, requested the Chairman to get inspections of establishments and inquiries against defaulting employees conducted under his supervision. According to him the work of de-registration was slow. Some of the employers were not declaring correct number of their employees. Therefore, inspections conducted by teams directly under control of the Chairman shall improve compliance.
- 11.3 Chairman explaining the process of deregistration informed that EDP Department of EOBI provided the lists of closed units to the Provincial Secretaries Labour for verification through their Social Security/Labour Departments. The verified lists had only been received from NWFP. Therefore, the assignment is still in progress.

As regards under-reporting of employees, he stressed that right of Self-Registration had been granted to the employees. They are being educated through press, newsletters, advertisements, meetings to exercise their right of Self Registration. Actions under Section 12(3) of EOB Act-1976 against employers are being taken on provision of information and payment of their share of contribution by employees.

- 11.4 Mr. Danish K. Monnoo while responding to suggestion for frequent inspections by EOBI stressed that EOBI should utilize the record of Labour Department and should not increase its visits to avoid harassment which can threaten even the existence of such Institutions.
- 11.5 The President assured that unnecessary visits shall be avoided and EOBI should continue its evidence-based actions. He, however, suggested that in order to ascertain exact number of employees in a similar type of an establishment can easily be calculated as all such units' employ same number of people for its operations. The Chairman informed that standard norms of employment had been evolved in case of Textile, Ginning etc. The checking plans are prepared on the basis of evidence or the standard norms. The President requested the employer members of the Board to develop such standards with EOBI management so that un-necessary visits by EOBI officials are not undertaken.
- 11.6 Mr. Zaheer A. Taj and Mr. Sultan Muhammad appreciated EOBI's efforts to extend the social security net to Mine Workers and to many other neglected sectors.

- 11.7 Mr. Nooruddin F. Daud referring to the performance report of B&C Department in respect of number of registrations enquired why number of registered units during the year had declined as compared to the preceding year. Chairman explained that in the preceding year, number of employers and employees increased on account of map survey conducted by EOBI. After completing registration of most of registerable employers, the scope for further registration had declined. The second reason is that in order to avoid illegal registrations, it had been decided that no registration shall be made without provision of list of insured persons in PR02/02A. Fictitious registration is harmful for the Institution as it can entitle the person to pension in respect of whom no contribution had been received.
- 11.8 Mr. Abdul Rauf Malik appreciated the action of the management to delete the ineligible and fictitious units without bothering about impact on their performance reports/coverage. Mr. Muhammad Anwar Chaudhry appreciating the efforts advised that reasons for wrong registration should be analyzed to improve the system. He suggested that awareness campaign in respect to EOBI pension scheme, employers/employees responsibilities and government role may be launched. Chairman informed that institution was conscious of the importance of public understanding of these issues and had used the media to create awareness about rights and obligations of the stakeholders under EOB Scheme. He, however, requested the Members to use their good offices to mobilize labour workforce and community so that EOB Scheme may become the real source of social security in the country.

11.9 FA Labour discussing performance pointed out that collection of contribution in respect of Lahore Zone was very surprising. Chairman explained that due to recovery of arrears as explained earlier the figures in respect of last year was higher.

11.10 Chairman briefed about investment performance and DG (Investment) explained position of capital gains, market position and their continuous efforts to avail best possible opportunities under the prescribed procedure and limitations.

12. **Item No.4.**
TO DISCUSS THE GOALS/TRAGETS/ASSIGNED BY THE PRIME MINISTER.

12.1 Chairman briefed the participants about the goals and targets assigned to EOBI by the Prime Minister as communicated by the Ministry.

12.2 The President informed that these targets were in process of revision. A meeting with heads of the institutions had been fixed on 29.12.2004 to review and revise the same with mutual agreement.

13. **ITEM # 5:**
CONSIDERATION & APPROVAL OF AUDITED ACCOUNTS FOR THE FINANCIAL YEAR 2003-04

13.1 The Board took up the approval of the audited annual accounts for the financial year 2003-04 and auditors report thereon for consideration. The Chairman apprised the Board of the funds position of the Institution. It recorded growth of Rs. 12.374 billions showing 17.86% increase over the preceding years, which is healthy growth and the funds stood at Rs. 81.641 billions as on 30th June, 2004. The President and many members observed that there should have been a single agenda meeting on the audited accounts and

should be noted for future. The Board then took up consideration of the auditors' report to the BOT on the accounts of the Institution and noted that the auditors have included the following two qualifications in their report:

- (a) Investment in World Call Communications, Telecard and Universal Leasing Corporation Ltd., had been recorded at cost which is contrary to the accounting policy for measurement of investment.
- (b) The Institution had not recognized liability of Rs. 142.5 million in respect of compensated absences.

The Board noted that the Audit Committee had already examined the above qualifications, the minutes of which were circulated to the Board members. As regards qualification at (a) above pertaining to Universal Leasing Corporation Ltd., since these shares were received from NAB alongwith strategic control and management with 71.56% share holding, and the Institution had the intention to dispose of the strategic investment with control of the company at or above cost, these investment were shown at cost and the decrease in the cost was not recorded in the accounts (reference para 5.1(a) of the minutes of Audit Committee). The auditors had also mentioned this fact at note 7.3.2. to the accounts.

- 13.2 As regards qualification at (b) above, in view of the huge financial impact, the Board had already decided, in the course of consideration of accounts for the year 2002-03, to restrict the accumulation of leave to 180 days and to allow leave encashment alongwith the availing of leave for at least 15 days w.e.f. 1st July 2005. Accordingly, the financial impact will be reduced considerably upon implementation of Board decision (reference para 5.1(b) of the minutes of Audit Committee). This fact has been recorded by the auditors at note 12.5 to the accounts.

13.3 On queries by the FA (Labour) following facts were explained:

Depreciation:

The board was informed that the rate of depreciation on vehicles and computer equipment was increased to 16.67% and 25% per annum in 2003-04 as compared to 12.5% and 15% in the preceding year respectively. The increase in depreciation rate for vehicles was made to depreciate the vehicles over a period of 6 years as per Government policy. As regards increase in rate of depreciation on computer equipment, it was adopted on the recommendation of our auditors as 15% rate of depreciation used in preceding years was considered to be too low in view of the fast changing technology.

13.4 **Deferred Liabilities:**

As regards employee pension fund on query by the F.A (Labour) it was pointed out that the Institution had created a separate fund for employee's pension and amounts were transferred into said fund as per recommendation of actuaries. As regards GPF the creation of a separate fund was in process. As regards interest credited to the members' accounts during the year 2003-04 to GPF Account, it was done at the rate of 13.5% as per Government Finance Division (Regulations Wing) notification No. F.1(2)-Reg 7/88-521 dated 10/7/2004, and the 15% rate mentioned in the accounts was a typographical error, which had been corrected by the auditors.

13.5 **Bonus:**

As regards the expenditure of Rs. 57.196 million under the head of bonus, it included the payment of Rs. 17 million as Bonus for the year 2002-03 which was disbursed in 2003-04 and which was not provided in the accounts for the year 2002-03 due to the late decision in the matter. Bonus for the year 2003-04 is Rs. 40 million which is less than 5% over the previous year.

13.6 Write off:

As regards Rs. 351,000 shown in the accounts under the head of employee's loans written off, it represents the loans due from the deceased employees which were approved for write off by the Board on humanitarian grounds.

13.7 Auditors' letter:

The Board then took up for consideration Auditors letter # 05-11/953 dated December 2, 2004 containing their observations/ recommendations for improvement of the procedure. As regards para-4 requiring specific approval, the Board noted that this matter was already discussed in detail in the Audit Committee meeting also attended by the auditors' representatives and it was agreed that instead of specific approval the Board may ratify the items pointed out by the auditors in their report.

13.8 Impairment of Long Terms Solvency:

As regards auditors observation relating to impairment of the long terms solvency of the fund, the Board noted that last increase in the rate of pension awarded in January 2000 from Rs. 630 per month to Rs. 700 per month, was made without actuarial advice and since then the Institution had taken up the matter with the Federal Government for reforms in the pension scheme to ensure long term solvency of the fund.

13.9 As regards the other observations of the auditors, it was pointed out that this was an ongoing process and at any point on time certain issues may remain in pipe line. The Audit Committee meeting had taken note of these issues and advised the Institution to submit a detailed report in its next meeting on the matters raised by the auditors in their report. The Chairman explained that major reason for the discrepancies was non adoption of accrual accounting based on automation. Each point in the letter had been discussed with them and enquires had been marked on the issues needing

investigation. The Board accordingly directed that the auditors may be advised to also include the Institution's view point in the matter and a detailed report on the following matters may be submitted by the institution in the next meeting of the BOT:-

- (i) Uncertainty about completeness of contribution collection.
- (ii) Difference of Rs. 143 millions between pensions paid as per bank record and EDP records during the financial year 2000-2001.
- (iii) Non setting of limits on individual brokers and traders for purchase and sale of shares.
- (iv) Delay in lodging of claims for loans outstanding from deceased employees amounting to Rs. 2,568,459.
- (v) Non reconciliation of contribution received between the Head Office and Regions.
- (vi) Non allocation of contribution receipt to specific employers.
- (vii) Non maintenance of proper records of the insured persons.
- (viii) Contribution from the employers for the month not received and also not appearing in the defaulters list.
- (ix) Appearance of Closed units in the defaulters list
- (x) Improper maintenance of Demand and Collection records
- (xi) Non availability of pensioner's data at the regions.
- (xii) Non segregation of pensions into old age, survivors and invalidity on actual basis.

The Board then approved the audited annual accounts for the financial year 2003-04 and also ratified the 17 items as per para 4 of the Auditors letter dated December 2, 2004 as referred to above.

14. Item No.6
TO APPOINT CONSULTANT FOR ACTUARIAL VALUATION FOR THE PERIOD 2002-2005.

14.1 Chairman informed that in accordance with Section 21 of EOB Act-1976 Actuarial Valuation of assets had to be carried out after every three year. Therefore, next Actuarial Valuation was due for the period July 2002 to June 2005. M/s. Akhtar & Hassan (Pvt) Ltd. were providing consultancy and Actuarial service to EOBI. Keeping in view their expertise, they may be appointed for the next Actuarial Valuation.

14.2 Mr. Danish K. Monnoo suggested that institution might find some other consultant as it is a global practice to change Actuary periodically to have better/expert professional view.

After discussion, it was decided that list of best available consultants be prepared and committee may select suitable one accordingly.

15. Item No.7
TO CONSIDER RESTRUCTURING OF REAL ESTATE OPERATIONS:

15.1 Chairman apprised the members that under the recent directives whereby goals and targets were assigned by the Prime Minister to all Ministries. EOBI had been asked to restructure its Real Estate Department. In order to manage mega Real Estate Projects, the institution intended to set up a wholly owned subsidiary to manage Real Estate Business. In this connection, a delegation should study models of renowned companies in UAE and Singapore to forge Joint Venture for profitable investment and transfer of professional expertise.

15.2 Chairman also briefed members about the on going projects and existing working capacity of Real Estate Department. The DG (Investment) further informed that the assigned task requires multi-disciplinary management and thus it was imperative to study models before to initiate investment.

The Board unanimously agreed and allowed to study models of constructions companies as proposed.

16. Item No. 8.

TO CONSIDER GRANT OF 15% ADHOC RELIEF TO REGULAR/CONTRACT/DAILY WAGE EMPLOYEES OF EOBI.

16.1 The Board was informed that Federal Government allowed Special Adhoc Relief @ 15% of the basic pay to its employees vide M/o Finance letter dated 19.07.2004 w.e.f. 01/07/2004. Mr. Ahsan Akhtar Malik informed that Standing Committee had approved the Special Adhoc relief in case of Workers' Welfare Fund, therefore, the Institution may be allowed to pay the Special Adhoc Relief @15% with effect from 01.07.2004.

The Board unanimously approved the Special adhoc Relief @ 15% of basic salary to the employees of EOBI.

17. Item No. 9.

TO CONSIDER APPROPRIATION OF Rs.-05.43 MILLION FOR PURCHASE OF 04 VEHICLES.

17.1 The members were informed that the BOT in its 67th meeting allocated an amount of Rs. 15.15 million for replacement/ purchase of 21 vehicles during the financial year 2003-2004. The matter was referred to the Ministry of Labour Manpower & Overseas Pakistanis for seeking approval of the cabinet Division/Prime Minister to

- purchase 21 vehicles. The Ministry conveyed the approval of the Prime Minister to purchase 21 vehicles vide letter No. SS-2(28)/2004 dated 06/07/2004
- 17.2 The booking of 17 vehicles for Rs. 1,48,91,000/= had been made from the approved budget leaving four approved vehicles.
- 17.3 It was therefore requested to sanction a sum of Rs.05.43 million for purchase of remaining four vehicles.

After due deliberations, Board approved the sum of Rs.5.43 million for purchase of vehicles subject to the actual specification mentioned in the cabinet division/Prime Minister letter No. SS-2(28)/2004 dated: 6th July 2004.

18. Item No. 10.

TO CONSIDER HUMAN RESOURCE POLICY & THE REPORT OF HRD COMMITTEE.

- 18.1 The Chairman explained that the Institution had embarked upon a programme of modernization and automation of assessment and collection procedures which required highly skilled manpower. The committee was therefore constituted in the 66th Meeting of the Board. It presented the report but only short term measures were implemented by the Board and new committee had to be constituted on account of transfer of Convener Raja Muhammad Abbas, the Secretary Labour Sindh.
- 18.2 DG(F&A) EOBI gave a detailed resume of the proceedings conducted by the new committee and the findings given in the report. The Chairman urged the members that short term proposal of the committee may be considered on priority to meet the acute deficiency of skilled manpower necessary to sustain the progress of

reforms. The size of the fund had increased to Rs.85 billion and high return on investment earned by the Institution in the preceding two years could not be sustained without highly competent and professional managers devoted to exploration of new investment opportunities. Even the senior managers trained in old environment of investment in government securities were unable to appreciate and perform their duties under new economic scenario. The members of the Board recognized the importance of Human Resource Development and the Chairman's concern for meeting the deficiency of officers equipped with required skills. Chairman requested the Board that the tempo of the decisions taken in earlier meetings on HRD should be maintained persistently to pursue the objectives of the Institution. He mentioned the following urgent issues for decision:-

- I. Absorption of remaining existing Internees with two years' relevant experience.
- II. Induction of 25 new internees.
- III. Approval of Probationary Officers' Scheme.

18.3 Mr. Abdul Rauf Malik objected that he being member of the HRD Committee was not aware of the proceedings of the committee. In response, DG(F&A) explained that meeting had been convened and quorum was full. However, it was noticed with concern that the notice should have been given to all members and only then the Committee proceedings could be considered valid with minimum quorum.

18.4 The Chairman said that the qualified internees normally leave the organization after getting relevant training. The issue had been discussed with top financial managers like Governor, State Bank of Pakistan, President HBL who advised induction of higher number of

internees than normally required. It is therefore proposed that more internees should be taken as per prevalent practice in major financial institutions to allow margin for those who shall leave institution.

18.5 The Chairman explained that the Board had approved Probationary Officers' Scheme in its 70th Meeting and had approved 45 new vacancies but it was decided to take 15 probationary officers per year. He explained that a written proposal from IBA had been received under which six months training in professional courses on subjects like Economics of Social Protection, Actuarial, Mathematics, etc shall be taught. and Post Graduate Diploma (PGD) shall be awarded. The probationers shall be under bond for four years but their probation shall terminate after two years satisfactory performance.

18.6 After detailed discussion following decisions were made:-

- I. **That report of the Committee shall be circulated to all the members and their opinion taken within shortest possible time to avoid delay in decisions;**
- II. **That following the earlier decisions of the Board, the Rules may be amended to make provision for absorption of internees;**
- III. **That long awaited promotions shall be expedited and the recommendations for promotion may be made for more than the existing vacancies.**

19. Item No. 11.**TO CONSIDER THE WAYS AND MEANS FOR PROMPT PAYMENT OF PERFORMANCE RELATED BENEFITS.**

19.1 The Board was informed about the need and importance of considering ways and means for prompt payment of performance related benefits such as bonus and group incentive. However all the members were of the opinion that it is policy matter and requires specific attention of the members therefore this may be deferred for next meeting for exclusive discussion on the issue.

19.2 The issue of payment of bonus either on basic salary or gross salary was also discussed in the light of objection raised by financial advisor. Some of the BOT members maintained their earlier decision. On query by Secretary Labour, it was explained that gross salary was being paid as bonus since 1997.

19.3 The Chairman emphasizing the practical problems requested that Finance Division may kindly be requested to expedite the decisions to enable the institution to pay bonus before Eid-ul-Azha.

- **After the discussion it was decided that F.A Labour should examine the draft Rules and furnish his comments.**
- **He was advised to pursue the case pending for approval of Finance Division and get the bonus for the year 2003, 2004 and the draft rules approved at the earliest.**

20. Item No. 12.**TO CONSIDER VARIOUS OPTIONS FOR INSTITUTIONALIZATION OF SUSTAINED INVESTMENT INCOME.**

20.1 The Chairman informed that institution is constantly exploring new investment avenues. Besides studying the concept of incorporation of investment and finance Services Company under NBFC Rules,

2003, outsourcing some of its funds to private sector equity portfolio management companies acquiring, strategic interest in public/private sector companies and joint venture the institution remained active in exploring investment options in real estate.

20.2 After the discussion, it was decided that institutionalization of investment was a technical policy matter requiring comprehensive presentation to enable members to comprehend different options hence the Institution shall make a comprehensive presentation with concrete proposal after thorough research and consultation.

21. Item NO. 13.

TO APPROVE ASSETS ALLOCATION OF EOBI FUND.

21.1 The Chairman explained that assets allocation is primary tool for managing over all portfolio market risk and to drive optimal returns. Assets Allocations is also instrumental in investment success. While apprising the Board with details of up coming maturities stock positions and institutions proposed Assets Allocations, he requested the Board to consider approval of the Asset Allocation for short term up to Jun 30 2004 and assign the Actuary to prepare optimal Assets Allocation along with next actuarial valuation.

21.2 The Chairman explained the asset allocation proposed by renowned international investment companies as under:-

Investment Company	Advisory	Stock	Bond	Cash
Merrill Lynch		40%	55%	5%
J.P. Morgan		50%	25%	25%
Credit Suisse		55%	30%	15%

- 21.3 The Employers Representative Mr. Danish K. Monno enquired about the nature of funds as to whether these were private or public pension funds. DG (investment) categorically confirmed that the proposed asset allocation pertained to both private and public pension funds.
- 21.4 The actuary Mr. Anwar Chaudhary also pointed out that short term allocation of assets may be made by the Board straight- away and the actuary may be required to give long term allocation of assets on the basis of rate of return required on investment to keep the pension scheme viable by matching flow of income with short and long term liabilities.
- 21.5 After the discussion, it was decided that:-
- I. **The Institution may invest 10% in equity of companies listed on stock market and 10% in Real Estate.**
 - II. **The Actuary may be required to determine the rate of return for long term investment in the new economic scenario and the asset mix to achieve said return.**
21. **Item No. 14.**
TO CONSIDER KESC's REQUEST FOR WAIVER OF STAUTORY INCREASE.
- 22.1 The Board was informed that the purpose of levying statutory increase was largely to compensate for loss of investment income.
- 22.2 Total amount of recoverable arrears of the institution on 30/04/2004 was 1241.00m Rupees out of which Rs. 49m was receivable from public sector establishment. Some of these had been closed while the others were still in operations. During last two years the institutions succeed in making recovery of principal amount from

some public sector corporations by approaching the highest authorities. They had requested to waive off the amount of statutory increase. Amongst these most prominent were:

S.No	Name of the Establishment	Status	Amount of Statutory Increase Rs. In Million
01	Punjab Road Transport Corporation (PRTC)	Closed	89.584
02	Pakistan Steel Mills	Active	7.96
03	Karachi Electricity Supply Corporation (KESC)	Active	52.50

- 22.3 The matter of waiving off the Amount of Statutory Increase of public sector defaulters was referred to consulting actuaries M/s Akhtar & Hussain (Pvt) Ltd and they submitted their recommendations. They were of the view that keeping in substantial liability in respect of present and potential pensioners of the establishment there is no justification in waiving off the statutory increase.
- 22.4 Legally statutory increase cannot be reduced or waived in case of failure of the employer to pay the contribution due from them. In case the employers who have not paid the amount of contribution admitted by them, for several years ranging from 2 years (Pakistan Steel Mills) to 28 years (in case of KESC). It can not be legally reduced, this legal position has been confirmed by Sindh High Court, reported as 1983 P.L.C. 182. The EOB Act 1976 like social security Act 1950 does not have any provision to allow waiver of statutory.
- 22.5 Actuarial valuation of 2002 conducted by the consulting actuaries as also the previous valuations had shown that the current contribution rate was not sufficient to meet the future liabilities of the institution in long range. The EOBI fund would be further strained if the statutory increase were waived off.

After due deliberation Board unanimously decided that according to Section (13) of EOBI Act 1976 there is no provision of waiver and this is a necessary payment and advised the institution to intimate KESC accordingly.

23. Item. No. 15.

TO APPROVE THE PROPOSAL FOR CREDIT RATING OF THE EOB FUND.

- 23.1 The Chairman informed that the credit rating reflects an independent, professional opinion expressed by the credit rating agencies of the credit quality denoting the credit risk associated with a particular debt instrument or an entity. The credit rating of an entity signifies the entity's capacity for timely payment of financial commitments.
- 23.2 The EOBI fund's financial performance & asset liability mix needs to be rated by a renowned credit rating agency to develop a benchmark for its financial stability & its ability to pay pension obligation as and when due. The credit rating shall enable EOBI to answer any query regarding its viability, prudent and professional management of fund.
- 23.3 In view of above request for "Fund Rating" of EOBI was made to the Pakistan Credit Rate Agency limited (PACRA). The Rating Agency informed that Fund Rating of EOBI's investment portfolio under its current structure, where investments were part of EOBI's total asset was not possible. It would be possible only if a separate company was set up for management of EOBI funds.

23.4 As provided in chapter-6 of the Institutional Strategy the stage was ripe to get the ISO 9000 certification to straighten its record keeping and procedure to bring the operation of the institution to international standard and attain viability and credibility through third party certification. Keeping in view PACRA's reply the institution has no option but to undertake ISO 9000 certification. The Board was therefore requested to accord approval.

Board unanimously agreed with the proposal and allowed management to get EOBI certified under ISO 9000.

24. Item No. 16
TO CONSIDER APPROVAL FOR DE-REGISTRATION OF CLOSE UNITS.

24.1 The Board was explained the procedure of de-registration of cases of permanent closure. The Chairman referring the decision of Board in its earlier meeting informed that lists were prepared by EDP and circulated to Provincial Secretaries of Labour for verification through their social security/labour departments as decided in the 69th Board Meeting. However, in 70th Board meeting, it was realized that Deregistration was responsibility of EOBI Regional/Zonal Heads hence it was decided that they should undertake the exercise as per laid down procedure. In order to expedite action, annual targets of the Zones were fixed on the basis of all registered employees with the condition that the target shall be reduced in respect of insured persons (IPs) pertaining to closed units, provided that deregistration of such units is got approved by the Board before 30.09.2004. The

consolidated progress made upto November 2004 is reproduced below:-

S.No.	Zone	Total No. of Closed Units as per EDP Record	No. of Closed Units under Process for De-registration	Percentage	Balance.
01	Karachi (S.Z)	2624	1655	63.07%	969
02	Karachi (N.Z)	2540	385	15.16%	2155
03	Hyderabad Zone	1875	60	3.2%	1815
04	Multan Zone	663	54	8.14%	609
05	Faisalabad Zone	1181	467	39.54%	714
06	Lahore Zone	1746	977	55.95%	769
07	Gujranwala Zone	1511	260	17.21%	1251
08	Peshawar Zone	508	143	28.14%	365
09	Islamabad Zone	671	606	90.31	65
10	Quetta Zone	355	11	3.10%	344
	Total	13674	4618	33.77%	9056

24.2 The Board was therefore requested to allow the de-registrations of **4618** units as mentioned above which neither involve any arrears nor claims of insured persons. Samples of lists were examined by the Members of the BOT. In response to President's query regarding future liability of the Institution, DDG(B&C) replied that even the names of employees were not available, hence the question of such liability did not arise. It was also confirmed by Ch. Zaheer A. Taj and Mr. Abdul Aziz Abbasi that in closed units absolutely no record of IPs was available. Mr. Nooruddin F. Daud, however, said that this aspect had not been examined by them in the meetings of De-Registration Committee.

24.3 The members discussed the issue thoroughly and after due deliberation Board was of the opinion that although substantial efforts had been made by the management yet categorical findings on the issue of further liability was missing in most of the cases. The institution should devise a proper format mentioning all relevant information in respect of past and present status of closed units, liabilities and number of employees working in the establishment.

After detailed discussion the Board allowed the de-registration of above mentioned 4618 closed units subject to confirmation that no names of IPs or record of their contribution was available hence there was no likelihood of any claim of pension in future by IPS. Where record of IPs and their contribution payment was available making them eligible for old-age grant or pension. Certified record of qualifying service and amount of contribution paid shall be specified in forms for processing deregistration cases. Such record shall be computerized to facilitate payment of claims. This action to be completed in one month and placed before the next Board meeting.

25. **Any other Item No. 1**

TO CONSIDER EXTENSION OF SERVICES OF ADG RED

25.1 The Board was informed that the present Head of Real Estate Department (Mr. N.H. Sabzwari) who will be attaining the age of superannuation on 31st December 2004 is a Civil Engineer by profession. He is heading this Department since its inception and

- prior to that he was Technical Adviser to EOBI. After his retirement there will be only one Assistant Engineer (A.D. Grade) and two. Engineers (one Civil and one Electrical in E.O. Grade) to run the Department. They obviously cannot handle the immense responsibility being Junior and less experienced officers.
- 25.2 The Prime Minister/Labour Ministry recently desired to go into the commercial investments particularly in housing sector to meet the annual shortage of housing in the country, for which re-structuring of Real Estate Division is under consideration of the Institution as the present strength of Engineers is absolutely insufficient for the purpose.
- 25.3 The Joint Secretary Labour enquired about the procedure for recruitment and promotion and asked why management was not proposing fresh appointment for the said post. He also asked as to why the case for re-employment not moved well in time as per laid down procedure. He was informed that the procedure to appoint would entail lengthy proceedings as the present incumbent is due for retirement on 31 December 2004 it would be difficult to find suitable person in a short period who can understand the responsibilities and fulfill the requirements. It is also apprehended that continuity of on going reforms and project would be damaged badly.
- 25.4 The Financial Advisor enquired about the promotion of next in line. He was informed that there was no other senior officer in engineer cadre except one Assistant Director therefore question of heart burning and deprivation of promotion right did not arise.

25.5 The employer's representative Mr. Danish K. Monnoo pointed out that it is an important assignment, therefore institution should prepare a suitable replacement for the same, however he agreed that for the time being in order to sustain the continuity Mr. N.H. Subzwari may be reemployed on contract.

The Board allowed re-employment of Mr. N.H. Sabzwari for a period of one year on existing terms and conditions and directed to train his substitute as no further extension will be granted.

26. **Any other Item No. 2.**

TO CONSIDER EXTENSION OF SERVICES OF CONTRACT/DAILY WAGE EMPLOYEES OF THE INSTITUTION.

26.1 The Board was informed that 21 employees were appointed on contract in accordance with recruitment rules and their selection was made strictly on merit. The contract period of these employees expired between August 2003 to April 2004. Their performance had been satisfactory. They were recommended for extension by their concerned departments and internal HR Committee.

26.2 The Board was further informed that employees working on contract and daily wages are neither entitled for allowances, bonus nor for adhoc increase although they deserve on the basis of performance. To compensate them for rising cost 15% increase in their salaries/daily wages may be allowed.

I. **The Board approved and allowed one year extension in the services of 21 employees mentioned in Annex-"B".**

II. **The Board allowed 15% increase in pay in respect of all contract and daily wage employees of the institution with**

**effect from 01.01.2005 as per schedule of salary/wages
placed as Annex-“C”.**

27. Item No. 3

**TO CONSIDER GRANT OF INCREASE IN PENSION TO EOBI RETIRED
EMPLOYEES WITH EFFECT FROM JULY 2003 AND JULY 2004.**

27.1 Enhancement in pension had been granted and amendments and Rule had been made by the Federal Government time to time after 1987. The increase in pension granted by the Federal Government to its employees in the year 1988, 1991, 1995 and 1999 were accordingly allowed to the retired employees of the institution by EOBI under Regulation 56.

27.2 Federal Government allowed the increase in pension to the government servant's w.e.f. July 2003 and July 2004 vide finance division OM. No. F.4(2) Reg. 4/2003 dated: 31/06/2003 and OM. No. F.4(1) reg.6/2004 dated:02/07/2004 respectively as under:

- I. @ 15% with effect from 1st July 2003
- II. @ 16% to those retired prior to revision or pay scales in 1994 and @ 8% to those who retired in revised pay scales of 1994 and onwards with effect from 1st July 2004

27.3 The Chairman briefed the members that the pension Regulations 56 provides for adoption of pension Rules/ Regulations/Instructions applicable to Civil Servants of the Federal Government shall mutatis Mutandis, apply to the employees of the Institution. On reference the finance Division (Regulation Wing) in its letter No. 4(1) Reg/6/2004 dated: 10th August 2004 advised that the institution may follow the relevant rules of the organization and previous practice keeping in view the financial position of the organization.

27.4 In view of above Board was requested to allow the increase in pension of the retired employees as per increase allowed by the Federal Government in the year 2003 and 2004.

The request was acceded.

28. **Any other Item No. 4**

TO CONSIDER AWARD OF BANKING SERVICE AGREEMENT.

28.1 The Board was informed that since inception of the EOB Scheme in 1976 M/S Habib Bank Limited has been providing banking services to the institution, which include collection of contribution from employers and disbursement of pension benefits to the insured persons. The existing agreement with HBL provided for contribution collection & pension payment charges @ Rs. 10/= per contribution voucher and pension payment voucher.

28.2 Upon expiry of the current agreement on 31/12/2003 HBL was approached for renewal of agreement. They informed that they shall be willing to continue the existing services @ Rs.20/= per voucher, which represents 100%, increase in the existing services charges. This demand being on higher side and in order to keep the management cost under reasonable limits the institution decided to award the service contract in transparent manner and on competitive rates by calling bids from leading banks through press. Accordingly advertisements for the banking services were published on 01/12/2003 in daily "Dawn and daily "Jang". In the advertisement apart from the contribution collection and pension payment, the bidders were requested to quote their charges for preparation of records of employers and insured persons and its reconciliation under automation system. In reply to the advertisement bids were received from M/S united Bank Limited and M/s Standard Chartered Bank Limited. After initial meetings

Standard Chartered Bank did not proceed further, probably due to their limited number of Bank branches as the basic requirement for the bank was to have at least 500 branches network.

28.3 In order to finalize the arrangement a committee of senior officers comprising of DDG (F&A) DDG (EDP) ADG (Audit) ADG (B&C) ADG (F&A) and Director (Reconciliation) was constituted. The committee negotiated the service charges of the banks in a number of meetings with senior officers of both the banks. The HBL officers insisted that the existing contract was not feasible for them and increase in existing service charges was necessary. However, in the course of the meeting they submitted their revised bid as under:-

<u>OPTION-1</u>	UBL	HBL
If mandate for service is given to either of the bank	<u>28,774,000</u>	<u>33,482,500</u>
<u>OPTION-II</u>		
If mandate for Punjab & NWFP is given to HBL And Sindh & Baluchistan to UBL.	24,820,000	28,534,000
Total Charges (HBL =UBL)-	<u>Rs. 53,354,000</u>	
<u>OPTION-III</u>		
If mandate for Sindh & Baluchistan is given HBL and Punjab & NWFP is given to UBL	24,820,000	30,166,000
Total Charges (HBL=UBL)-	<u>Rs. 54,986,00</u>	

28.4 Examination of revised bids reveals that the option of division of work was not feasible. For full collection HBL demanded **Rs.33. 483** million per annum whereas UBL quoted **Rs. 28.774** million per annum. Therefore UBL being lowest in bid deserved new contract.

28.5 This does not fall in the purview of Board decisions.

29. **Any other item No. 5****TO CONSIDER FEASIBILITY OF INCREASE IN MINIMUM PENSION TO Rs. 1000 PER MONTH.**

29.1 The Board was informed that the EOB Scheme envisaged in 1986 and improved in 1993 was based on 5% contribution by employers and matching contribution by the Federal Government raising the total contribution to 10% of the wages up to Rs. 3000/= per month. The minimum pension sustainable on said contribution was determined at Rs. 425.

29.2 The matching contributions discontinued in the year 1995. However, the minimum pension continued to be raised as follows:

<u>Year</u>	<u>Minimum Pension (Rs)</u>
1993	425
2000	630
2001	700

29.3 Further enhancement in the pension was discussed with actuary, which in the light of fact that the viability of scheme had been reduced to half due to withdrawal of government share of contribution proposed 3 options. All the 3 alternatives of restoration of viability given below were widely circulated to the stakeholders to develop consensus of opinion.

Alternative -1**(a) Required Contribution**

Employer's Contribution:	Rs. 225 per month
Contribution from Insured Person	Rs. 50 per month

(b) Benefits:

Base pension benefit for first 15 years of service:	Rs. 725 per month
Add: Pension for each year in excess of 15 years:	Rs.25 per month

Following table summarizes the pension benefits at different service periods:

Year of Service	Pension Benefits per month
15	725
20	850
25	975
30	1100
35	1225

Alternative 2:

(c) Required Contribution:

Employer Contribution:	Rs. 300 per month
Contribution from insured person	Rs. 50 per month

(d) Benefits:

Base pension benefit for first 15 years of service:	Rs.1000 per month
Add: Pension for each year in excess of 15 years:	Rs. 25 per month

Following table summarizes the pension benefits at different service periods:

Year of Service	Pension Benefits per month
15	1000
20	1125
25	1250
30	1375
35	1500

Alternative-3:

Under this alternative pension and contribution shall be increased step by step after every second year. The schedule of contribution and benefits for the first 9 years is as follows:

Year	Monthly Contribution			Monthly Pension	
	From Employer	From Insured Person	Total	Basic Pension	Additional for each year of insurable service in excess of 15 years
2003-04	150	20	170	700	20
2004-05	160	25	185	710	20
2005-06	160	25	185	710	20
2006-07	175	30	205	720	21
2007-08	175	30	205	720	21
2008-09	195	35	230	735	23
2009-10	195	35	230	735	23
2010-11	220	40	260	750	25
2011-12	220	40	260	750	25

29.4 The proposal regarding increase in contribution was unanimously opposed by the Chambers of Commerce & industry and it was urged that the government must restore the matching contribution and the increase if any should either be financed by the federal government or by the employees themselves and no additional burden should be placed on the employers.

29.5 The Board may consider the feasibility of increase in pension in view of above position from the following sources.

- Restoration of matching contribution by the federal government.
- Raising employers' contribution.
- Raising employees' contribution.

29.6 The issues were discussed at length both the representative of employers and employees deliberated upon it. The FA Labour analyzing the issues proposed that we should first enhance the existing funds and improve available resources thereafter we may consider the creation of liabilities.

The item was therefore deferred.

There being no other item agenda meeting was ended with vote of thanks.

**EMPLOYEES OLD-AGE BENEFITS INSTITUTION
CHAIRMAN SECRETARIATE
HEAD OFFICE**

To,

The Secretary,
Labour & Manpower,
Government of Pakistan,
Islamabad

Subject: **CASUAL LEAVE FOR 31ST December 2004**

Dear Sir.

Kindly refer to the subject noted above I have an urgent piece of work at my village Hadali. It is therefore requested that I may kindly granted casual leave for 31st December 2004.

(Muhammad Shafi Malik)
Chairman (EOBI)

No.EOBI/Mnt.70(CS)/2004
Dated: 24/12/2004

The Secretary,
Ministry of Labour Manpower
& Overseas Pakistanis,
Government of Pakistan,
ISLAMABAD.

Subject: **DRAFT MINUTES OF 71st MEETING OF THE BOARD OF TRUSTEES.**

Dear Sir,

Kindly refer to the above noted subject and find enclosed herewith Draft Minutes of the 71st meeting of EOBI Board of Trustees held on 20/12/2004 at EOBI Head Office Karachi, for your kind perusal, approval and return to this office for implementation and circulation amongst the honorable Trustees.

With best regards,

Yours Sincerely

(Muhammad. Shafi Malik)

Encl: As above.

C.C. to:

1. Joint Secretary (LW), M/O LM& Ops, Islamabad.

