

**MINUTES OF THE 73rd MEETING OF THE BOARD OF TRUSTEES
HELD ON 25-06-2005 AT EOBI HEAD OFFICE, KARACHI**

The 73rd meeting of the Board of Trustees of EOBI was held at 10:00 am on 25-06-2005 at EOBI Head Office Karachi to consider the following agenda: -

Item No.	Subject
01.	To confirm the Minutes of 72 nd Meeting of the Board of Trustees.
02.	To review progress on the decisions taken by the Board in its 72 nd Meeting
03.	To review performance of the Institution and approve Minutes of 98 th 99 th and 100 th Meetings of Investment Committee.
04.	To consider revised Budget for 2004-2005 and proposed Budget for 2005-2006.
05.	To consider the divestment of 51% ULCL Shares Holding with Management.
06.	To consider re-appropriation of Revenue and Capital Budget.
07.	To confirm approval of additional Budget under the head "Office Rent & taxes" for the financial year 2004-2005
Any other Item	
01.	To consider appointment of Legal Adviser for Lahore Zone

2. The meeting was presided by Malik Asif Hayat, President Board of Trustees/ Secretary, Labour and Manpower. The following attended the meeting: -

1.	Malik Asif Hayat <i>Secretary Labour and Manpower</i>	President
2.	Mr. Akhtar Jamil Khan Acting Chairman, EOBI.	Member
3.	Mr. Ahsan Akhtar Malik Joint Secretary (LW)	Member
4.	Mr. M. Jumman J. Jamro <i>Financial Adviser.</i>	Member
5.	Mr. Fazale Qader Joint Secretary Industries Division	Member
6.	Major(R) Shahnawaz Badar, <i>Secretary Labour, Punjab.</i>	Member
7.	Mr. Nasar Hayat <i>Secretary Labour Sindh</i>	Member
8.	Mr. Nazim F. Haji Employers' Representative, Sindh	Member
9.	Ch. Zaheer Ahmed Taj <i>Employees' Representative, Punjab</i>	Member
10.	Mr. Sultan Muhammad <i>Employees' Representative, Balochistan</i>	Member
11.	Mr. Muhammad Zaman Employees' Representative NWFP	Member
12.	Mr. Abdul Aziz Abbasi <i>Employees' Representative, Sindh</i>	Member
13.	Mushtaq Ahmed Sammo	Secretary BOT

3. Mr. Farooq Ahmed Awan, Investment Adviser, EOBI also attended the meeting. Mr. Imtiaz Kazi, Joint Secretary Industries, Khawaja Siddique Akber, Secretary Labour, Balochistan, Mr. Badshah Gul Wazir, Secretary Labour, NWFP, Sardar Ali Ahmed Jomezai, Employers' Representative of Balochistan, Mr. Danish K. Monnoo, Employers' Representative, Punjab and Mr. Noor-ud-din.F.Daud, Employers' Representative from NWFP could not attend the meeting due to their pre-occupations.

4. The meeting commenced with recitation from Holy Quran by Mr. Abdul Aziz Abbassi. The President welcoming the participants said that as earlier decided, the budget meeting would be a single item agenda and therefore only budget and budget related issues would be discussed today. He emphasized that EOBI is an organization meant for providing services to pensioners and therefore the primary responsibility of the organization is to ensure proper and timely services to the pensioners with minimum expenditure on management. He pointed out that there is a dire need to curtail the expenditure on management as they had exceeded 20% of the contribution while the international norms are much lower.

5. Thereafter he invited the Acting Chairman, EOBI to conduct the proceedings. The Acting Chairman took up the agenda items as under:-

Item No. 1

TO CONFIRM THE MINUTES OF 72ND MEETING OF THE BOARD OF TRUSTEES

6. The Acting Chairman informed the Board that minutes of 72nd BOT meeting had already been circulated to members for their comments and suggestions and a few comments and suggestions had been received. The Acting Chairman however once again invited all the members to offer their suggestions/comments.

7. Mr. Zaheer Ahmed Taj Employees Representative from Punjab pointed out that he had already submitted comments asking the management to clarify the absorption of two Internees of Law Department and preparation of Rules for regularization of contract workers. Mr. M. Sultan, Mr. Zaman and Mr. Abdul Aziz Abbassi representatives of employees also raised the same questions.

8. The Acting Chairman explained that Internees of Law Department were selected strictly in accordance with the laid down procedure, requirements, codal procedures, regional quota and in pursuance of 67th BOT Meeting wherein it was decided to absorb existing Internees. These Internees had requested to be absorbed in Grade 6 and did not ask for Grade 7. As there was no legal bar to this absorption, they were absorbed accordingly. The case of other Internees was different as they were interested to be absorbed in Grade 7, instead of Grade 6. The matter was discussed in 69th BOT Meeting where in it was decided that instead of absorbing them in Grade 7 they would be allowed to compete against the existing vacancies of Grade 7 for direct recruitment. The issue was again discussed in 70th BOT Meeting wherein Board decided that internship shall not entitle an internee for induction. The position had been explained by the then Chairman in 72nd BOT Meeting and recorded at para 22 to 24, Page 11 to 15 of 72nd BOT Meeting.

9. The Acting Chairman further explained that rules for regularization for contract workers were under progress and shall be put up before the restructuring committee for necessary deliberation and discussion.

10. The President while acknowledging the earlier decision apprised the Board that in the last meeting only period of contract was extended and it was agreed that institution would prepare fresh rules for regularizing contract workers. He however emphasized that restructuring committee had already been constituted with special assignment to firm up recommendation, for re-vamping entire EOBI working and structure. The committee would discuss, review and examine all issues relating to human resource of the organization. It would, therefore, be appropriate to wait for the Restructuring Committee's report.

Item No. 9

Retirement Of Chairman EOBI

11. Mr. Nazim F. Haji with permission of the President BOT drew attention of the Board members that Mr. Muhammad Shafi Malik, the outgoing Chairman may be allowed all such retirement benefits which had been allowed to the previous Chairman in 49th & 50th meeting of the Board subject to the conditions that the Chairman hold the post for a period of two years.

12. The EOBI had not presented any working paper for this item as it was taken up under Any Other Item of the Agenda. The Management/Secretary BOT concealed the facts of the

decision taken in 41st meeting of BOT held on 21-05-1995 by which the Board allowed purchase of a used vehicle to the senior officers, DDGs and above having minimum 5 years service at book value or 10% of the cost which ever is higher in the event of retirement of the Officer. Due to concealment of this fact from the Board, the decision under Item No. 9 (Retirement of Chairman EOBI Mr. M. Shafi Malik) was taken by fixing two years length of service. Had the earlier decision been pointed out in the meeting or draft minutes, this decision would not have been taken. This is gross negligence on the part of EOBI. In view of this, the decision item 9 of Any Other Item is withdrawn.

13. **There being no other objection the Board unanimously approved the minutes of 72nd Meeting of the Board.**

ITEM NO. 2

TO REVIEW PROGRESS ON THE DECISIONS TAKEN BY THE BOARD IN ITS' 72ND MEETING

14. Acting Chairman EOBI presented a detailed report on the actions taken on the decisions of 72nd Meeting of the Board of Trustees held on 10.03.2005 as under:-

- I. The target for registration of employers was fixed on the basis of information obtained from different sources, such as SECP, SESSI, Labour Departments etc including ME&T Department (Enclosed with the Agenda/working paper of 73rd BOT meeting as Annex-I).
- II. The pattern of reporting to reveal the collection out of arrears, current demand and regular collection under Accrual Accounting System had been adopted as decided by the Board. (Enclosed with the Agenda/working paper of 73rd BOT meeting as Annex-II).
- III. The reporting pattern of Claims Disposal Report had been adopted as decided by the Board. (Enclosed with the Agenda/working paper of 73rd BOT meeting as Annex-III).
- IV. A statement indicating the number of records that needed to be collected, cleansed and computerized and the actual number of records computerized was placed before the Board. Efforts were being made through Chambers, Employers' Associations and Employees' Federations to collect employment records and to minimize contact with establishment. However, Acting Chairman stated that majority of employers were not submitting information causing delay in completion of record building exercise. The Board expressed its dissatisfaction over the pace of this assignment.

- V. The Department-wise requirements of internees and their qualification were prepared and placed before the Board. (Enclosed with the Agenda/working paper of 73rd BOT meeting as Annex-V).
- VI. The maintenance of existing ratio of promotion vs. direct recruitment of Assistant Director (Grade-7) as 75:25 was notified vide office order No.151/2005 dated 23.05.2005. (Enclosed with the Agenda/working paper of 73rd BOT meeting as Annex-VI).
- VII. The Restructuring Committee's Convener Mr. Nazim F. Haji has framed TOR and names of the members of the committee.
- VIII. Advertisement containing detailed TOR for appointment of HR Consultant for restructuring and determination of manpower requirement was published in the national press. On receipt of EOI, eight firms were short-listed which submitted their bids by 22.06.2005. Necessary work to select the Consultant was in progress.
- IX. The increase in minimum pension from Rs.700/- to Rs.1000/- p.m. had been proposed in the Federal Government's Budget 2005-06 in the light of necessary actuarial valuation, which revealed that Fund was now viable upto 2025.
- X. Information regarding loan facility, granted to EOBI employees, was compared with the facilities granted by similar organizations e.g. SLIC, PIC, NIC and SBP. It was noted that rules of EOBI in this context were similar to those of SBP.
- XI. The divestment of 51% shares of ULCL with management control in favour of M/s. Creslease @ Rs.9.80 per share was thoroughly considered and approved by the Investment Committee. The NAB had also given necessary clearance to the transaction.
- XII. The process of restructuring of Real Estate Department and formation of company was in hand and an amount of Rs.100 million was already provided in the proposed budget for the year 2005-06.
- XIII. The constitution of committee to deliberate on outsourcing of Fund Management Operation was notified vide order No.148/2005 dated 27.05.2005.
- XIV. The order notifying DG(Investment) as Investment Adviser had been issued vide order No.147/2005 dt. 27.05.2005.
- XV. A comprehensive proposal outlining separate functional and management structure, job descriptions, proposed service & compensation package with option for existing employees presently working in the Investment Department, changes in operational manual and delegation of powers had been prepared by the Investment Department and sent to the Ministry on 9th June 2005.

- XVI. Necessary amounts for the proposed Real Estate Management Company (REMCO) were provided in the proposed budget for 2005-06.
- XVII. M/s. Yousuf Adil Saleem & Co., Chartered Accountants had been informed about their appointment to audit the annual accounts and EOBI Pension Fund at a total fee of Rs.5,00,000/-, vide letter No.HO/F&A/012-6/344
- XVIII. One-year extension in the service of contract employees and retirement benefits to the last retiring Chairman EOBI had been notified vide Office order No.123/2005 and 119/2005 dated 03.05.2005 respectively.
- XIX. Benefits to the last retiring Chairman are withdrawn

15. **The Board appreciated the comprehensive report by the Acting Chairman and expressed satisfaction on implementation of the decisions of the 72nd meeting of the Board of Trustees.**

ITEM NO. 3

REVIEW PERFORMANCE OF THE INSTITUTION AND APPROVAL OF MINUTES OF 98th 99th AND 100th MEETING OF INVESTMENT COMMITTEE.

16. The Acting Chairman explained that the main activities of the Institution continued to be registration of Employers, registration of Employees, collection of contribution, disposal of Pension Claims and Disbursement of Pensions. He presented the performance in respect of B&C Department, Investment Department and the EDP upto the month of May 2005 as under:-

Performance of B&C Department

Table-I

S. No.	Activities	Period		Cumulative Total since inception of the scheme
		July 2004 To May 2005	July 2003 To May 2004	
01.	Employers Registered	1157	2398	54388
02.	Employees Registered	122,622	161,594	2,246,704
03.	Contribution Collection (Rs. in million)	2347.00	2350.00	24307.00
04.	Disposal of Pension & Grant Claims	18,604	18,754	265,061
05.	Amount of Pensions & Grant disbursed (Rs. in million)	1740.00	1581.00	13,899.00

17. The Board expressed its displeasure for non-achievement of targets in certain operational areas. The President of the Board pointed out that the above data especially the particulars of the Insured Persons were not available in a cleansed form. He desired that the data/record cleansing should be completed and **by the end of September 2005, authentic & reliable record should be made available before the Board of Trustees.**

18. Mr. Nazim F. Haji suggested that in order to make reporting pattern more informative, details of amount recovered in last three years in respect of arrears should be incorporated in the Performa on yearly basis.

19. The President enquired about the progress of Dispute Resolution Committees (DRCs) reportedly constituted at Zonal and Regional level. The Acting Chairman informed that there has been no progress reported by these Committees due to non-pursuance of field offices. The Board expressing its dis-satisfaction directed the Acting Chairman to call the explanation of concerned Regional/Zonal Head for not making any progress.

20. **The President desired that performance of (DRCs) be reviewed and directed that Committees comprising of Regional Head, representative of employers and employees should be constituted in Each Region, with specific instructions that their basic purpose is to motivate the employer and not to inspect the establishments. The institution should create an atmosphere of persuasion rather than harassment or policing. The President directed that institution should submit a detailed report mentioning the constitution of DRC along with its TOR at the earliest.**

21. Mr. Sultan Muhammad and Mr. Muhammad Zaman pointed out that implementation of self assessment scheme had resulted in low number of employees' registration, because Field Officers have been stopped from checking of employers' record, They demanded that checking of employers' record should be allowed for protection of workers rights. The President informed that as per recent amendment, employer was bound not to reduce the number of employees for two years. He further clarified that those employers not complying the law, shall be liable for record checking along with those who will make short payments. Further they shall increase the number of their employees @10% after two years failing which their records could be checked for further necessary action as per law. The President said that he would request Chairman CBR

to ensure that social compliance be reflected in the Income Tax Returns submitted by the employers registered with EOBI.

22. Mr. Zaheer Ahmed Taj, while sharing his experience apprised the Board that Social Security Punjab introduced self-registration scheme, in order to motivate employer helping in increasing the number of establishments and employees, but all went in vain. The response was absolutely negative. The secretary Labour Punjab, Mr. Shahnawaz Badar confirmed the same. Therefore Mr. Zaheer Ahmed Taj suggested that instead of launching motivation programme efforts should be made to allow inspections.

23. Elaborating the issue further, President pointed out that some companies were issuing SA-8000 Certification to establishments without verifying facts from Federal Ministry of Labour or Provincial Labour Departments. The certification of SA-8000 is an acknowledgement of social compliance by the employer. The Board members, especially Labour Secretaries of Sindh and Punjab criticized the practice and appreciated the proposal of the President that such companies should be made liable to verify the facts from provincial labour departments or from the Labour Ministry before issuing such certificates.

24. **It was agreed that the matter shall be taken up with Provincial Departments and the Labour Division at appropriate level so that SA-8000 Certification should be issued only after verification of social compliance by the concerned Departments/Ministry.**

25. Mr. Abdul Aziz Abbasi informed that he had registered a complaint against Regional Office, Sukkur regarding issuance of fake pensions to 85 persons. The Acting Chairman replied that Inquiry Report had yet not been submitted. **The President advised that a copy of the Inquiry Report should be provided to Mr. Abdul Aziz Abbasi, within a week.**

26. Mr. Muhammad Zaman pointed out that Mr. Sahibzada Khan, Sr. Assistant, Regional Office, Mardan was arrested in a drug trafficking case at Peshawar airport but the Institution was still paying salary to him. Similarly, no action was taken against Mr. Ghani-ur-Rehman, Executive Office, Mardan who was involved in fake pension awarding case. The Acting Chairman informed that Mr. Sahibzada was under suspension and his case was under trial in the court. As regards Mr. Ghani-ur-Rehman, he informed that proceedings under Removal from

Service (Special Powers) Ordinance 2000 had already been initiated against him. **The Board desired that both cases should be finalized within month.**

27. Ch. Zaheer A. Taj said that he had also registered a complaint against Mr. Ali Jaffer Zaidi, Assistant Director, Multan but no action was taken against him. The Acting Chairman informed that inquiry shall be conducted and if found guilty, necessary disciplinary action shall be taken against the officer. However, Mr. Zaheer A. Taj would provide a written complaint within three days for further action.

28. While discussing the performance of operations the Joint Secretary Labour Mr. M. Ahsan Akhtar Malik pointed out that the figure of 2,246,704 as total number of insured persons registered since inception did not serve any meaningful purpose besides being misleading. He pointed out that it was decided in earlier meeting that department will authenticate the figure of Insured Persons by 30th June 2004. It was noted with concern that compliance to that effect was not made. The President suggested that frequent Audit Meeting should be conducted so that such issues could resolve amicably at appropriate time.

29. The need for maintaining the office of the Zonal Head was discussed in detail. It was felt that the functions of the Zonal Office were not materially different from those of the Regional Office. It was also noted that even if it be treated as an extension of the Head Office serving an administrative need, the number of Zonal Offices appears to be on the high side. The Board also examined the creation of office of Zonal Head (Appeals) and gave its acceptance in principle.

30, The President directed the Acting Chairman to submit a comprehensive report on the retention or otherwise of the posts of Zonal Heads in order to take the decision within a period of 30 days, and to create the temporary Appellant Authority in lieu of Zonal Head for all the 4 provinces. The President emphasized that Officers/Staff shall be re-adjusted in EOBI.

31, **The Board after discussing the compliance of B&C Department decided as under: -**

- ▶ **Institution shall submit a complete report on all disciplinary cases in the next BOT Meeting**

- ▶ **B&C department shall submit a clearance report in respect of total number of Insured Persons latest by 30th September 2005**
- ▶ **That while fixing targets, separate targets would be allocated for current contribution and recovery of arrears**
- ▶ **That Secretary BOT shall ensure proper and timely compliance of implementation of Board's decisions and report accordingly.**
- ▶ **The Board also advised that necessary action be taken for recovery of Rs.160 million from Bankers Equity Limited.**

Performance of Investment Department:

32. The performance of Investment Department was explained with the help of following comparative tables:-

Composition of Investment Portfolio)

Table-II

Nature of Investment	Amount (Rs. in millions)	%age
Government Securities	80,166.592	83.87%
Other Securities	1,868.580	1.95%
Equity	11,375.963	11.90%
Real Estate	2,167.771	2.27%
Total	95,580.906	

- The Institution following the policy of diversification has succeeded in reducing investment in Government securities from 91.80% to 83.87% in May 2005. Proportion of equity in the portfolio has grown from 4.62% to 11.90%.

Investment Income

Table-III

Description	May 2004	May 2005	%age Increase/ Decrease
Government Securities	9,373.792	11,590.393	23.65%
Others	91.916	102.793	11.83%
Equities	1,037.106	1,917.347	84.87%
Total	10,502.814	13,610.533	29.57%

- The Investment Income was Rs.10,502.814 million in May 2004 and Rs.13,610.533 million in May 2005 showing 29.57% increase. During eleven months of year 2004-05, the Institution has earned investment income of Rs.3,107.719 million.

Equity Income

Table-IV

Rs. in million

Equity Income	May 2005
Capital Gain realized	1,604.345
Dividend Income	313.002
Total Income (Realized)	1,917.347
Return on Equity	31.36%

33. **The Board expressed its satisfaction over performance of the Investment Department and ratified minutes of 98th to 100th meetings of the Investment Committee.**

Performance Review of EDP Department:

34. The performance of EDP Department was discussed in detail. The Acting Chairman informed that a presentation had been made before the President BOT wherein it was decided that the task shall be completed latest by 31st of May 2005. The President enquired about the total amount invested in IT Solution and the overall savings by introducing IT Solution in terms of social, financial and cost benefits. Expressing the general dissatisfaction the President directed that a comprehensive report be furnished covering all the foregoing points.

35. **The Board desired that a report covering the foregoing information be furnished within thirty (30) days.**

ITEM NO. 4**TO CONSIDER REVISED BUDGET FOR 2004-2005 AND PROPOSED BUDGET FOR 2005-2006.**

36. The Acting Chairman, EOBI, presented the revised budget for the financial year 2004-05 and proposed budget for 2005-06 for consideration of the Board. Elaborating the figures of the budget estimates, the Acting Chairman informed the Board that the Audit Committees of the Board had proposed an amount of Rs.2,770 million as contribution collection, Rs.15,350 million as Investment Income and Rs.2,590 million for benefits payments based on the existing scenario. He further informed that due to legislative changes in EOB Act, 1976, Minimum Pension has been enhanced to Rs.1000 per month from January 2005 and contribution rate has been linked with Minimum Wages. He mentioned that this will bring positive changes in contribution but the Institution would have to pay arrears of minimum pension as well. He pointed out that based on these changes, the expected figures of contribution collection for the next financial years would be as under:-

A. Contribution Collection	Target for 2005-06 (Rs. in million)
Employers' Contribution	2989.00
Employees' Contribution	498.00
Arrears Collection	163.00
Total	3,650.00
B. Activities	Target for 2005-06
Registration of Employers	2,600
Registration of Insured Persons	80,000
Pension Payments (Rs. in million)	2845

37. After detailed discussion, the Board decided that total employee registered as on 30-06-2005 according to para 16 is 2246704 which also include the pensioners. According to revised targets the management has given insured persons as 1328822 without clarifying before the Board as to the difference of 2246704 and 1328822. Therefore the BOT accepted tentatively figure of 1328822 as active insured employees. This issue would be reviewed with proper justification in December 2005.

38. The new Insured Persons to be registered has been given for the year 2005-06 as 80,000 which is far less then the previous years. The new target will be to the tune of average of last 3 years registered IPs. **Targets for registration and collection be revised accordingly within two week and circulated to all Board Members**

39. The Board then discussed the revised & Capital Budget for 2004-05 and the Revenue and Capital Budget for the year 2005-06 presented by the Acting Chairman, EOBI. The Board noted with appreciation reductions in expenses in the proposed budget estimates recommended by the Audit Committee in its meeting held on 08.06.2005.

40. **After detailed discussion, the Board approved the revised estimates for the Financial year 2004-05 and the proposed estimates for the financial year 2005-06 as recommended by the Audit Committee as per Annex-I, II. It was also decided that the estimates for the Financial Year 2005-06 shall be reviewed in December, 2005.**

41. While reviewing the portfolio performance, the President BoT observed that income yielding properties should be included in the investment portfolio whereas non income generating properties meant for office use may not be included in the investment portfolio. **In**

this respect, he observed that Awami Markaz be included in the investment portfolio's real estate section.

42. While considering the budget for the year 2005-2006 and targets set forth the year, the President BOT observed that the target for investment income was fixed at Rs. 15.350 Billion which was only 2.86% higher than previous years' target of Rs. 14.923 Billion. He observed that the increment of 2.86% was low and should be enhanced. **This was deliberated upon by Board members and it was decided that this should be increased to Rs. 16 Billion to be reviewed in December 2005.**

43. The comprehensive proposal regarding segregation of fund management and executive management was placed before the Board in pursuance of BOT decision of 72nd meeting. The proposal was also deliberated upon in the Investment Committee in its 100th meeting and it was decided to place it before the Board. The Board accordingly deliberated upon the proposal including the EOBI Investments functional/management structure, compensation package, consequent amendments in Delegation of Powers and the Internal Operation Manual. The Acting Chairman EOBI proposed that in the budget for the year 2005-06 and subsequent years, a block Allocation of funds for its management costs be placed at the disposal of investment management. He emphasized that it is essential for effective segregation of investment operations from those of core and other operations of EOBI. The EOBI Investment, he said, will put up in place all necessary accounting and auditing structures for observance of necessary codal formalities.

44. The Investment Advisor, Mr. Farooq A. Awan, then presented the budgetary proposal for block allocation of Rs,39.238 million including revenue Expenditure of Rs.25.10 million and Rs.14.138 million for capital expenditure. The proposal for segregation of investment management from executive management function and restructuring the Investment Department with block budget allocation was unanimously approved. Specifically, the following decision were taken:

- i. The Investment Department be restructured and named as EOBI Investments headed by Investment Advisor who will report to Board through its Investment Committee.
- ii. The EOBI Investments shall have its own functional and management structure (Annexure III&IV).

- iii. Powers as specified in Annex-V for effective and efficient discharge of functions be delegated to the Investment Advisor as head of the EOBI Investment. All other officers in the existing Investment Department would be re-designated with the formation of separate cadre and compensation package as per options to be exercised by them (Annexure-VI).
- iv. The president BOT directed that annual increments to an employee will not be awarded automatically as a matter of right but shall be approved by Investment Committee subject to his performance review during the year.
- v. The necessary amendments in the operation manual as proposed stand approved (Annexure-VII).
- vi. The block budget allocation of Rs.39.238 million for EOBI Investments including Revenue Expenditure of Rs.25.10 million and capital expenditure of Rs.14.138 million stands approved. It is further directed that expenses allocated for investment management in the overall budget for the year 2005-06 be revised downwards since such expenses have been catered for in the block allocation of Rs. 39.238 million. The increase in expenditure due to separation of management function may also be compensated through the corresponding decrease in the over all budget of the Institution so that the total budget of Rs.615 million approved by the Board is not exceeded due to separation of the investment function.
- vii. The Board also directed for speedy implementation of this decision and desired that necessary SROs/Orders/Circulars etc. be issued to complete the process for optimum investment management on professional lines at the earliest.
- viii. Upon the suggestion of JS(Industries), it was decided that Annexures also be circulated amongst Board member alongwith Minutes

ITEM NO. 5.

TO CONSIDER THE DIVESTMENT OF 51% ULCL SHARES HOLDING WITH MANAGEMENT

45 , Mr. Farooq A. Awan informed the Board that as per decision taken in the 72nd meeting held on 10/3/2005 to negotiate a reasonable price, a meeting comprising Mr. Nazim F. Haji, Member BOT, Mr. Akhtar Jamil Khan, Acting Chairman EOBI, Mr. Farooq A. Awan, Investment Advisor EOBI, Representatives of AMZ Securities, Financial Consultants and Mr. Javed Kalia, CEO, CresLease was held at EOBI Investment Department on 18/3/2005. Mr. Javed Kalia during

negotiations explained the various constraints in terms of raising prices but finally agreed to raise the bid price to Rs. 9.80 per share subject to EOBI Loan to ULCL to stay for three years from the date of takeover of the company. But subsequently M/s. CresLease agreed that effective date of the loan of Rs. 50 million shall be the date when the loan was extended to ULCL.

46, Analyzing the offer, Mr. Farooq A. Awan explained that as per Financial Consultants AMZ Securities' Report, the present book value of the share was Rs. 7.40 only. Hence, the offer obtained after negotiation with M/s. CresLease was 34.25% higher than the book value.

The President asked as to what was the NAB Team's per share evaluation of ULCL and if divestment is made, what shall be per share & total loss to EOBI? He further enquired as to how this loss, if any shall be made up? Replying to the queries Mr. Awan explained that NAB had valued the share of ULCL at Rs. 11.18 in year 2003. In case, divestment is made, a loss of Rs. 1.38 per share totaling to Rs. 14 million shall have to be borne but on the other hand if the company has to be operated which involves substantial costs as explained in the working paper. Moreover the company being of a small size has inherent disadvantages. In addition EOBI had to extend a loan of Rs. 50 million only to bring it in the working order and meet up its capital adequacy requirements. However the SECP has not accepted Rs. 50 million as equity towards fulfillment of capital adequacy requirement and has not yet renewed company's leasing license. If the EOBI accepts SECP's condition then Rs. 50 million will have to be treated as a sunk equity cost with little prospect of return. Whereas on the other hand the current treatment of Rs. 50 million as a subordinate loan will brighten its chances of recovery and moreover a return is being earned on it. Now it will be upto new management to get the license renewed or merge it with itself and EOBI would not have to incur additional costs. The other type of costs involves the management costs. In order to profitably operate the company as a going concern, additional funds will have to be injected to write new leases. Here again, EOBI resources will have to be utilized at lower than market rates with substantial business risk inherent in leasing including defaults/bad debts. The management costs per annum are estimated to be Rs. 12 million and in addition the opportunity costs of the capital tied up in the company has to be considered, the total annual recurring costs will be 28.8 million whereas the one time loss will be Rs. 14 million.

47, The EOBI will continue to retain 21% share holding in the company after its take over by CresLeasing. If the acquirer does well on the basis of its expertise in the area of leasing, then resultant enhancement in value will also benefit EOBI 21% holding. CresLeasing's own share is currently trading at Rs. 14.90. If we choose not to divest, then further erosion in value is

expected on account of lack of new leasing, opportunity costs of the funds, management costs and growing competition in leasing business. After detailed deliberations, the Board approved divestment of 51% shares of ULCL at Rs. 9.80 per share with transfer of management control to M/s. CresLease. The Board also approved to continue the EOBI's subordinate loan arrangement of Rs. 50 million w.e.f. the date of its grant to ULCL.

ITEM NO. 6

TO CONSIDER RE-APPROPRIATION OF REVENUE AND CAPITAL BUDGET.

48. The Chairman explained that the annual budget of the Institution was approved by the Board of Trustees under Section 19 of the EOB Act, 1976 which was then submitted to the Labour Division for approval of the Federal Government. The annual budget for capital and management expenses was approved under specific heads of accounts and accordingly the Institution was required to remain within the limits under each head of expenditure. However during the year special circumstances may arise under which the approved provision under specific head was likely to meet be exceeded while remaining within the overall budget provision. It is, therefore, proposed that the Chairman of the Institution may be authorized to re-appropriate the specific budgetary provisions within the limits explained in the working paper.

49. After some discussion, the Board deferred the issue for discussion in the next meeting of the Board and the Acting Chairman was advised to prepare a detailed paper in accordance with Federal Government Rules.

Item No. 7

To consider approval for Additional Budget under the Head Office Rent & Taxes for the Financial Year 2004-05

50. The institution being a Government organization tried its level best to get exemption of property tax from the concerned tax authorities but could not succeed. As a result of which the property taxes for current year as well as arrears of previous year were to be deposited in Government treasury.

51. The approved budget 2004-05 under the head "Office Rent & Taxes" was Rs. 2 million, which had already been utilized, and sufficient amount was not available for payments of property taxes.

52. The Honourable members of the BOT were therefore requested by circulation to allow additional budget of Rs.6.5 million under the Head "Office Rent & Taxes". The President BOT did not approve the allocation of funds through circulation and directed to place the proposal before the BOT

53. **Keeping in view the above circumstances, the Board approved an additional amount of Rs.6.5 million under the head "Office Rent & Taxes" to pay the taxes in respect of EOBI properties upto 30.06.2005.**

ANY OTHER ITEM NO 1 **TO CONSIDER APPOINTMENT OF LEGAL ADVISOR FOR LAHORE ZONE**

54. In order to manage the increasing workload of Lahore Zone it was recommended that Mr. Wasim Anwar Bhinder and Company be allowed as legal advisor on retainership on usual terms and conditions for Lahore Zone, to cater the needs of Faisalabad, Multan, Gujranwala and Lahore Regional Offices of Lahore Zone.

55. **The Board approved the appointment of Mr. Wasim Anwar Binder as legal advisor on retainer ship for Lahore Zone on usual terms and conditions.**

56. Before end of the meeting, Mr. Nazim F. Haji pointed out that in the recent amendments in the EOB Act-1976, the rate of contribution had been revised with retrospective effect from 1st January 2005. He demanded that it should be implemented from prospective date of July 01, 2005. The President/Secretary LM clarified that Minimum EOB Pension had been increased w.e.f. 01.01.2005, however, new contribution rates shall take effect from 1st July 2005.

57. Mr. Nazim F. Haji also agitated that amendments in the law were made without any reference to the Board, which was embarrassing for them. The President informed that the issue of increase in minimum pension had been discussed in the Board more than once and it was felt that to keep the Scheme viable, employers might not be heavily burdened. Therefore, on the basis of Actuary's report that was approved by this Board, therefore increase in pension from Rs.700 to Rs.1000 and rate of contribution @6% of minimum wages was decided. On this clarification the honorable member was satisfied.

58. Mr. Sultan Muhammad and Mr. Abdul Aziz Abbassi demanded that registration of new establishment might be continued without obtaining particulars of employees to raise the contribution collection. The President BOT and Acting Chairman EOBI were of the view that the main purpose of EOB Scheme was to give pension to the workers and if their particulars were not known, many rightful claimants would be deprived and fake pensions will continue to be released thus denying justice and equity.

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