

MINUTES OF THE 76th MEETING OF THE BOARD OF TRUSTEES HELD ON 30th June 2006, AT ISLAMABAD.

The 76th meeting of the Board of Trustees of EOBI was held at 10.00 am on 30th June 2006 at Committee Room of Ministry of Labour and Manpower, 5th floor; block B Pakistan Secretariat, Islamabad, to consider the following Agenda:

Sr.#	A G E N D A I T E M S
01.	TO CONFIRM THE MINUTES OF 75 TH MEETING OF THE BOARD OF TRUSTEES.
02.	TO REVIEW PROGRESS ON THE DECISIONS TAKEN BY THE BOARD IN ITS 75 TH MEETING.
03.	TO REVIEW PERFORMANCE OF THE INSTITUTION, MINUTES OF 103 TO 108 AND EMERGENT MEETING OF INVESTMENT COMMITTEE.
04.	BRIEFING BY THE INVESTMENT ADVISER IN RESPECT OF INVESTMENT/REAL ESTATE DEPARTMENT'S ACTIVITIES.
05.	TO CONSIDER APPROVAL OF THE AUDITED ANNUAL ACCOUNTS OF THE INSTITUTION FOR THE FINANCIAL YEAR 2004-2005.
06.	TO CONSIDER APPROVAL OF THE BUDGET ESTIMATES FOR THE FINANCIAL YEAR 2005-06 (REVISED) AND 2006-07 (PROPOSED).
07.	TO CONSIDER APPOINTMENT OF THE EXTERNAL AUDITORS FOR THE FINANCIAL YEAR 2005-06.
08.	TO CONSIDER THE ADDITIONAL BUDGET FOR 2 ND TIME HOUSE BUILDING LOAN TO OCTOBER, 2005 EARTH QUAKE AFFECTEES.
09.	TO CONSIDER RECRUITMENT OF OFFICERS UNDER THE PROBATIONARY OFFICERS INDUCTION SCHEME.

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

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| 1. | Malik Asif Hayat
<i>Secretary Labour and Manpower</i> | President |
| 2. | Brig. (R) Akhtar Zamin
<i>Chairman, EOBI</i> | Member |
| 3. | Mr. Ahsan Akhtar Malik
<i>Joint Secretary (Labour)</i> | Member |

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| 4. | Mr. Hassan Nawaz Tarar
Secretary Labour, Punjab | Member |
| 5. | Mr. Nasar Hayat
<i>Secretary Labour, Sindh</i> | Member |
| 6. | Mr. Noor-ud-Din F. Daud
Employers' Representative, NWFP | Member |
| 7. | Ch. Zaheer Ahmed Taj
<i>Employees' Representative, Punjab</i> | Member |
| 8. | Mr. Sultan Muhammad
<i>Employees' Representative, Balochistan</i> | Member |
| 9. | Mr. Muhammad Zaman
<i>Employees' Representative NWFP</i> | Member |
| 10. | Mr. Abdul Aziz Abbasi
<i>Employees' Representative, Sindh</i> | Member |
| 11. | Mushtaq Ahmed Sammo
ADG EOBI | Secretary BOT |

3. Mr. Akhtar Jamil Khan FA/DG (F&A) and Mr. Farooq Awan Investment Advisor, EOBI, attended the meeting as Co-opted members. Mian Ali Mohammad, Deputy Financial Advisor of Finance Division and Mr. Mumtaz Ahmed, Secretary, Workers Welfare Board Baluchistan attended the meeting on behalf of the Financial Advisor and Secretary Labour Baluchistan, respectively, as observers.

4. Mr. Ahsanullah Khan, Secretary Labour NWFP, Mr. Sardar Ali Ahmed Joggazi, Employers, Representative Baluchistan, Nazim F. Haji Employers' Representative of Sindh could not attend the meeting whereas Mr. Danish K. Manno Employers' Representative, Punjab already resigned from the membership of the Board of Trustees.

5. The meeting commenced with recitation from Holy Quran by Mr. Nooruddin F. Daud. The President BOT /Secretary Labour & Manpower Malik Asif Hayat welcoming the participants in the first BOT meeting in his tenure in Islamabad, mentioned that due to some important engagements BOT meeting could not be convened earlier. However in order to get approval for budget before 30th June we

had to fix meeting even on Friday. He further explained that the original agenda was based on seventeen (17) items, but to give maximum time to budget, he directed to minimize the Agenda and to keep only Budget and Budget related items in the agenda. He further suggested to escape routine items such as Confirmation, compliance, and performance to make the best use of available time. He invited objections from the members on the suggestion. All seconded his suggestion, therefore item No. 1 to item No. 4 were decided to be deferred. Thereafter Secretary Board was asked to proceed accordingly.

6. Secretary Board before embarking upon the proceeding obtained formal permission to allow the presence of co-opted members in the meeting from the President Board of Trustees; he informed that Board Secretariat had already submitted a written request for the same. Secretary Board also requested to allow the presence of Mr. Abdul Majeed, the DDG (F&A) of EOBI, Mr. Raja Faiz-ul-Hassan Faiz, the Central Labour Advisor and Mr. Mukhtar, the Assistant Chief of the Ministry in the meeting who were invited to assist the Board. The President accorded the permission and allowed to proceed further.

Item No 1

TO CONFIRM THE MINUTES OF 75TH MEETING OF THE BOARD OF TRUSTEES.

7. The item was deferred to spare time for budget and budget related items.

Item No 2

TO REVIEW PROGRESS ON THE DECISIONS TAKEN BY THE BOARD IN ITS 75TH MEETING.

8. The item was deferred to spare time for budget and budget related items.

Item No 3

TO REVIEW PERFORMANCE OF THE INSTITUTION, MINUTES OF 103 TO 108 AND EMERGENT MEETING OF INVESTMENT COMMITTEE.

9. The item was deferred to spare time for budget and budget related items.

Item no 4

BRIEFING BY THE INVESTMENT ADVISER IN RESPECT OF INVESTMENT/REAL ESTATE DEPARTMENT'S ACTIVITIES.

10. The item was deferred to spare time for budget and budget related items.

Item no 5

TO CONSIDER APPROVAL OF THE AUDITED ANNUAL ACCOUNTS OF THE INSTITUTION FOR THE FINANCIAL YEAR 2004-2005.

11. The Secretary Board requested, DG (F&A) to present the Annual Accounts for consideration and approval of the Board. Mr. Akhtar Jamil Khan, presenting the item informed that M/S Yousuf Adil Saleem & Co, Chartered Accountants, the Auditors for 2004-2005 have completed the audit of the institution's accounts and furnished the following:

- Balance Sheet as on 30-06-2005.
- Revenue Accounts for the year ended 30-06-2005.
- Cash Flow statement for the year ended 30-06-2005, and
- The Notes to the accounts for the year ended 30-06-2005.

12. Mr. Akhtar Jamil Khan further apprised the Board about the salient features of the Annual Accounts for the year 2004-2005.

- The fund increased by Rs. **14.360** Billions recording **17.59%** increase over the previous year.
- The receipts increased by **Rs 2.27** billion i.e. **15.48%** over the preceding year.
- The Management Expenses increased by **Rs. 75.0** Millions i.e. **13.55%** over the preceding year.

13. He informed that the Auditors had also pointed out some discrepancies requiring improvement. Besides, they also made the following two qualifications and one observation in their certificates to the Board.

Qualifications

- The share value of World Call Communication, Universal Leasing and Tele-Card should have been recorded at market rate, instead of the value determined by the NAB.
- The Institution had not recognized fully the total liability in respect of compensated absence of **Rs 122.518** Millions.

Observation

- That management made certain investments, which were in excess of the limits prescribed by the Investment Rules.

14. DG (F&A) apprising the Board about EOBI's response informed that in respect of first qualification, Management wanted to dispose of the shares but not below the price fixed by the NAB therefore share value was recorded at NAB value. In respect of second qualification, he informed that as desired by the Auditors and, as required under International Accounting Standards liability needs to be accounted for in the Accounts. Therefore, provisions were to be made in the accounts. However in order to minimize the impact of the total liability of Rs 122.518 Millions the amount was staggered over 3 years, by making provision of three installments, each of Rs. 41 Millions, and it will be fully provided for in financial year 2006-07. Explaining the observation, he informed that investments were made in excess of the limit, due to strategic holdings purpose with the approval of the Investment committee and to utilize the surplus funds in absence of appropriate investment opportunities.

15. Clarifying the position further, he informed that Audit Committee had already discussed and deliberated on Accounts and all related issues. The minutes of the 7th Audit Committee meeting held on 08-05-2006 had already been circulated to the members for their perusal and deliberations in the meeting. He therefore, requested the Board to ratify the transactions as required by the Auditors and to approve the Audited Annual Accounts for the financial year 2004 - 2005. Mr. Nooruddin F. Daud, Representative of Employers of NWFP enquired as to why management did not sell above mentioned shares during last two years, when share price was considerably high.

16. Investment Advisor Mr. Farooq Awan responding to this question, clarified that these shares were strategic holding investments and there were positive signals of merger of the World Call; thus the management decided to wait for the right time to encash the opportunity. Chairman supporting his contention reiterated that due to the bold and timely decision of the Investment Committee the Institution made profits which were otherwise not possible. He therefore asserted that Board must

encourage the Investment Committee to enable the Institution to take such necessary decision and to raise the EOBI Fund accordingly.

17. Mr. Nooruddin F. Daud appreciated the efforts and requested the President that Board members may be apprised of such efforts and results at latter stage, he however suggested that in future Board should be taken in confidence before such decisions. Mr. Zaheer Ahmed Taj, the Employees' Representative of Punjab also enquired that, why initiatives were not taken to benefit the institution during last few months when share market was at un-believable high rise. The Chairman responding to his question apprised the Board that institution was fully alive during the period and wanted to initiate bold decisions but only because of restrictions and procedural requirements such bold decisions were not possible. However, taking all possible precautions and reasonable safeguards a few decisions were taken and with the blessings of the Almighty Allah institution made huge profit of 90 millions in a month. **The President BOT directed to apprise the members about all such investments and keep a separate item in each BOT meeting, as already directed by the Board.**

18. The issue of Management Cost and leave encashment to employees of EOBI was also discussed. Mr. Nooruddin F. Daud pointed out that Board had already taken a decision not to accumulate leaves then why leave encashment has been allowed to the employees of EOBI. The Joint Secretary Labour also enquired about the difference between Rest & Recreation Provisions allowed in government and provisions of leave encashment in the institution. DDG (F&A) explained that the provision of earned leave accumulation had been redesigned as per the decision of the Board and now employees were required to avail earned leaves alongwith leave encashment, otherwise the same would lapse and will not be accumulated beyond 180 days.

19. The President concluding the discussion on the item expressed that facilities admissible to the employees of EOBI were not comparable with Government Employees. Employees of EOBI were not doing any thing extraordinary and different from government employees. He also observed that EOBI tends to take benefits of both, the government employees' as well as of corporation employees,

which was not justified. Management should decide either to choose government benefits or to avail corporation's privileges in toto and not the best of the both.

20. The issue of excess investment over and above the fixed limit was also discussed. The Secretary Labour, Punjab asked about the authority to condone such excess investments. The Investment Advisor clarified that Board is authorized to sanction investment and all such investments were duly approved by the Investment Committee of the Board and decision of the Investment Committee are treated as the decisions of the Board. The Chairman further clarified that keeping in view such problems institution had already proposed necessary amendments in the Investment Rules, which were under progress. He informed that efforts had been strengthened to make it more practicable and to ensure more transparency and fairness in all affairs of investments. Explaining practical problems he mentioned the difficulties, which hampered in timely action because of old fashioned restrictions and lengthy procedures, where as prompt and quick decision was the key requirement to survive in today's competitive Share Market.

21. Mr. Nooruddin F. Daud was of the opinion that limits were fixed to safeguard the funds and Investment Department should be adhered to. The Secretary Labour Punjab proposed to condone the excess limit by the government and to ensure strict compliance of Rules in future as Board can only recommend its condonation but could not condone it, because it is out of its purview.

22. The President while sorting out the issue, pointed out that the issue requires relaxation of limit and not condonation of excess investment. The Ministry is empowered to allow relaxation, if the Board recommends it. He thereafter invited Board Members' views as to whether these transactions were good for the institution or not and how to regularize it. All unanimously answered that transactions were good and need to be regularized accordingly.

23. President observed that accounts for the financial year 2005-2006 have been submitted quite late. FA/DG(F&A) clarified that since no meeting of the Board was held after January 2006, the accounts could not be placed before the BOT earlier.

24. After some discussion the Board ratified the items/transaction as per para (4) of the management letter of the auditor addressed to the BOT as detailed in para (7) of the working paper.

25. The Board also approved the audited annual accounts of the institution for 2004-2005 as recommended by the Audit Committee in its 7th meeting held on 08-05-2006. However, the Board directed the institution to get the matter of investment made in excess of limits prescribed in the Investment Rules 1979 relaxed by the government. It also directed that the limit should not exceed in future. **The Board also advised Investment Adviser that if necessary. The management may propose amendments in Investment Rules to expedite timely decision and to ensure safety of investment funds, which are in excess Rs. 100 Billion at the same time.**

Item NO. 6.

TO CONSIDER APPROVAL OF THE BUDGET ESTIMATES FOR THE FINANCIAL YEAR 2005-06 (REVISED) AND 2006-07 (PROPOSED).

Revised Budget 2005-06

26. DG (F&A) Mr. Akhtar Jamil Khan presenting the Revised Budget of the year 2005-06 informed that the estimated figures for 2005 – 2006 are as follow:

▪ Contribution Income	Rs. 3,292.000 Millions
▪ Investment income	Rs. 15,946.10 Million
▪ Other Income	Rs. 46.000 Millions
▪ Benefits Payment	Rs. 2,893. 242 Million
▪ Capital Expenditure	Rs. 44.300 Million
▪ Management Expenses	Rs. 671.510 Million

27. Briefing further, he informed that the approved contribution income for the year 2005-2006 was **Rs. 3, 37.00** Million. However, it was expected that final collection would be approximately **Rs. 3, 292** Million. The reasons for short fall were as follows:

- (a) The contribution target was based on higher side.
- (b) Employers had been reluctant to pay contribution @ Rs. 210/ (180+30) per Insured Persons (IPs).
- (c) Due to restriction on record checking it became difficult to detect evasion of contribution in the previous year.
- (d) Due to restructuring massive transfer/posting were made throughout the country, which also hampered field officers to achieve target.

28. Giving further details of the budget DG (F&A) informed that the actual estimate capital expenses stands at **Rs. 44.300** Million against the approved amount of 57.850 Million.

29. He further mentioned that the actual expenses in respect of management expenses were estimated to exceed the approved amount by Rs. 23.00 Million i.e. 3.55%. The Management expenses had been curtailed under many heads of expenses. However, due to provisioning of 41.000 Million book entry under the head of compensated absence and the increase in banks' services charges the over all adjustment resulted in increase of 23.0 Million; otherwise management cost had decreased if impact of the two items is excluded.

30. The President discussing the budget of the Institution expressed his concern over the minutes of the 8th Audit Committee Meeting held on 16-06-2006 and did not consider the same technically worth to be presented in the BOT, as neither the Financial Advisor (FA) Finance Division nor the Joint Secretary Labour, Manpower & Overseas Pakistanis, attended the same to fulfill the requirement of the quorum. Therefore Board can not consider the minutes of 8th Audit Committee. The compositions of the Audit Committee also need to be reviewed as the same person is the convener of both, the investment as well as Audit Committee, which is not desirable.

31. Discussing the revised contribution target he pointed out that the target for the last year was based on number of Insured Person (IPs). Unfortunately the figures of the IPs have yet not been confirmed therefore it was difficult to determine, as to

how many Insured Person (IPs) had actually been recorded / registered and how much collection had been received on their behalf.

32. DG (F&A) explained the status of contribution collected during 2002- 2003, 2003 - 2004 and 2004 - 2005 and apprised that efforts had been made to confirm actual position and Inshahallh very soon it would be possible to provide actual number of IPs. Chairman elaborating the process of contribution informed that he had introduced a new proforma, whereby actual details of contribution of each Beat Officer would be recorded alongwith the collection of arrears of both the private and public establishments in each Beat Officer's jurisdiction.

33. After some discussion **the Board approved proposed revised contribution target, for the year 2005 – 2006 of Rs. 3292 Millions.**

34. The Board also discussed the rental income from investment properties and the expenses on repair of these buildings. The President expressed his surprise over the huge amount spent on repair in relation to the income earned from these building and directed to review the same.

35. The President also directed to obtain views of Internal Audit on Investment Committee's minutes, so that discrepancies may be pointed out at local level and regularized accordingly.

36. **After some more discussion the Board approved the revised estimated for 2005-2006 as per details Annexure-“A”.**

Proposed Budget 2006-2007

37. After the approval of revised budget for 2005 – 2006, DG (F&A) briefed the participants about the proposed budget for the year 2006 - 2007 as under:

- Contribution estimated Rs. 4.05000 Million.
- Benefits payment estimated at **Rs.3.294000** Millions,
- Investment income estimated **Rs, 18,481.359** Million.

38. The Board members discussed and deliberated on proposed budget. The contribution income was considered not up to the mark and Board asked for further enhancement in the target. The Chairman responding to their observations stated that institution will respect the decision of the Board and all possible efforts would be made to ensure the compliance of the Board decision. He however expressed his practical difficulties and informed that due to recent Amendments in the Act, all establishments established after 1-07-2005 employing less than 20-workers had been excluded from the purview of the Act, which means that many of the establishments in formal as well as informal sector would be exempted from the applicability of EOB Act. He said after the announcement, majority of the employers/establishments will go for changing their existing working strength and even already registered units employing more than 50 workers will strive to get their establishments de-registered and try to get new registration with less than 20 workers to avoid payment of contribution.

39. The Secretary Labour Punjab also expressed the concern over the issue and stated that the amendment is contrary to efforts of the government to extend Social Security Net and Labour Welfare to the workers of the Informal Sector. He further observed that this will not only deprive the deserving workers of their legitimate rights, but it will also tremendously increase unnecessary litigation.

40. Mr. Zaheer Ahmed Taj also supported the views of the Chairman EOBI and strongly recommended to approach government to review the decision. He also suggested immediate launching of mapping exercise to ascertain factual working strength in registered units, so that necessary precaution could accordingly be taken to maintain/sustain at least existing number of IPs and their contribution.

41. The Chairman EOBI apprised that he had already directed his field officers to prepare details and to ascertain actual number of Insured Persons (IPs) available in registration units, specific sector of activities had already been identified and directives had also been issued to accomplish the task as soon as practicable. He also promised to conduct survey in Textile Sector specially in Faisalabad as desired by Mr. Zaheer Ahmed Taj.

42. **After detailed discussions following decisions were taken:**

1. **Board approved Rs. 4. 8 billion targets for contribution income for the year 2006-2007.**
2. **Board approved Rs. 18.481 Billions, as target for investment income for the year 2006-2007.**
3. **Board approved management cost of Rs. 724.32 Million. However, in respect of repair and maintenance expenditures on investment properties it was decided to review and rationalize the same.**
4. **While approving the management cost the BOT also desired that the allowances, perks and other facilities admissible to the employees of the institution alongwith proposal for revision may be put up in the next BOT meeting for perusal of the Board and sending to the Ministry of Finance for regularization.**

43. **The Board approved the proposed budget for the 2006–2007, as detailed in Annexure “A”**

Item No. 7

TO CONSIDER APPOINTMENT OF THE EXTERNAL AUDITORS FOR THE FINANCIAL YEAR 2005-06.

44. The Board then took up the item for appointment of Statutory Auditors for 2005-2006. Secretary Labour Punjab enquired about the maximum tenure of auditors and it was explained that the institution can continue with the same auditors for maximum period of 5 years and this being the 5th year of M/s M. Yoursuf Adil Saleem & Company, Chartered Accountants they are eligible for reappointment. DG (F&A) informed the Board, that auditors had asked for 50% increase in the fee over the preceding year. However, the institution had proposed increase of 16% from **Rs.500.00/- to Rs. 580,000/-.** **After some discussion the Board approved the appointment of M. Yoursuf Adil Saleem & Company, Chartered Accountants as auditors of the institution for 2005-2006 at professional charges of Rs. 580,000/- as per following details:**

A. Audit of the institution's accounts:	
i. Professional fee	<i>Rs.450,000/-</i>
ii. Out of pocket expenses (at actual subject to maximum of 10% of professional fee)	<i>Rs.45,000/-</i>
iii. Charges of visits to offices outside	<u><i>Rs.45,000</i></u>
	<u><i>Rs.540,000/-</i></u>
B. Audit of EOBI Pension Fund for 2005-2006	<u><i>Rs.25,000/-</i></u>
C. Audit of EOBI CPF for 2005-2006	<u><i>Rs.15,000/-</i></u>
	<u><i>Rs.580,000/-</i></u>

Item No. 8

TO CONSIDER THE ADDITIONAL BUDGET FOR 2ND TIME HOUSE BUILDING LOAN TO OCTOBER, 2005 EARTH QUAKE AFFECTEES.

45. The item was deferred.

Item No. 9

TO CONSIDER RECRUITMENT OF OFFICERS UNDER THE PROBATIONARY OFFICERS INDUCTION SCHEME.

46. The Board was apprised about the efforts made by the institution for recruitment of vacancies under the Probationary Officers Induction Scheme. A total 416 applications were received in response to the institution's advertisement and 298 applicants fulfilled the requirements. The eligible applicants were called for entry test, conducted by IBA and only one (1) candidate qualified the test.

47. In view of the unsatisfactory result, after analyzing and evaluating all possible causes management proposed that as the nature of the job in EOBI does not specifically require MBA or MPA therefore qualification requirement for probationary officers may be revised to attract desired candidates having equivalent qualification in other disciplines

48. **The President BOT observed that while relaxing qualification requirements, we must ensure that undesirable candidates are not selected; otherwise the basic idea behind the scheme would be defeated. The Board thereafter decided to revise qualification requirements and also included the following qualification apart from MBA & MPA.**

- i. Masters in Economics, Statistics, Math.**
- ii. M.Com /CA(Foundation completed)ICMA(3 parts completed).**

Item No. 10.

REGULARIZATION OF CONTRACT SERVICE OF SECRETARY BOARD.

49. The Chairman EOBI, with the permission of the President BOT presented the issue of Regularization of Contract Service of the Secretary BOT, as any other item.

50. He emphasized the need and requirement of Secretary Board and informed that Secretary Board was appointed initially for a period of two (2) years on Contract after observing all codal procedures and requirements for direct appointment purely on merit. After the expiry of two years period his contract was extended for another one year.

51. Board allowing the regularization of contract workers approved the Regulations in its 75th BOT meeting with an advice to finalize all cases till 28th February 2006. Accordingly the case of Secretary Board had been referred to the prescribed selection committee. The committee, however, pointed out some procedural requirements, which might take some time to complete the task and thus regularization of Secretary BOT could not be finalized. Chairman further informed that the contract of Secretary Board was to expire on 30th June, 2006 therefore Board may extend his contract for another two year so that all procedural requirements may be completed in mean time as desired by the committee .

52. Board unanimously allowed the regularization of Secretary Board's contract services in principle. Board further agreed with the proposal and allowed /approved the extension of contract for an other period of two years or till the regularization of his contract services, w.e.f. the date of expiry of his contract on average pay in ADG's pay scale with allowances and perks/ facilities admissible to regular ADGs .

53. Board also directed to speed up the procedure to regularize contract workers in the institution as decided in 75th BOT meeting.

Meeting ended with a vote of thanks to the chair.



EMPLOYEES OLD-AGE BENEFITS INSTITUTION

BOARD SECRETARIAT

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Secretary Board

Ref: No.EOBI/B.S/Mnt.76th /2006/

Dated: **28/07/2006**

Dy: Secretary (LW),
Ministry of Labour & Manpower,
Government of Pakistan,
ISLAMABAD.

Subject: **DRAFT MINUTES OF 76th MEETING OF THE BOARD OF TRUSTEES.**

Dear Sir,

I am directed to enclose herewith the draft minutes of the 76th meeting of the Board of Trustees held on 30th June 2006 at Islamabad along with soft copy for kind perusal & approval of the Secretary Labour and Manpower/ President BOT. The same may kindly be returned to this office after approval.

Best regards

Yours sincerely,

(Mushtaq Ahmed)

Secretary (BOT)

Encl: **as above.**