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CONFIDENTIAL AND RESTRICTED

MINUTES OF 153RD MEETING OF THE BOARD OF DIRECTORS

The one hundred and fifty third (153rd) meeting of the Board of Directors of State Life Insurance Corporation of Pakistan was held on 24th April, 2000 at 12:30 p.m., at Board Room, 3rd Floor, State Life Building No.9, Principal Office, Karachi.

PRESENT:

1. Dr. Najeeb Samie	Chairman
2. Mr. Rasool Bakhsh Baloch	Executive Director
3. Mr. Imtiaz Rasool	Executive Director
4. Mr. Mohammad Latif	Executive Director
5. Mr. Akbar Ali Hussain	Secretary Board

2. The meeting was also attended by Mr. J.M. Pereira, Consultant, Investment/ A&SP, at the request of the Board.

ITEM (1) CONFIRMATION OF MINUTES OF 152ND MEETING OF THE BOARD OF DIRECTORS.

3. The minutes of 152nd meeting of Board of Directors held on 4th and 5th March 2000 were placed before the Board. ED(PHS) proposed and ED(B&A) seconded, that the same be confirmed with the following amendments.

4. Accordingly, it was resolved as under:

RESOLVED:
"that the minutes of 152nd Meeting of the Board of Directors held on 4th and 5th March 2000 be and were hereby confirmed with the following amendments.

ED:
P&CS)/
arge(S&D)

Resolution in para 64 of item 9 of 152nd meeting of the Board to read as follows:
"that the last sentence in the above resolution i.e. 'Length of service in excess of 6 months would be taken as one year' be deleted."

ITEM (2) RATIFICATION OF MINUTES OF 256TH TO 259TH MEETING OF THE EXECUTIVE COMMITTEE. HELD ON 26TH NOVEMBER 1999, 22ND DECEMBER 1999, 14TH MARCH 2000 AND 14TH APRIL 2000

5. The minutes of the 256th to 259th Meeting of the Executive Committee held on 26th November 1999, 22nd December 1999, 14th March 2000 and 14th April 2000 respectively were placed before the Board for ratification.

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6. Accordingly, it was resolved as under:

RESOLVED:
"that the minutes and the decision taken in the 256th to 259th Meeting of the Executive Committee held on 26th November 1999, 22nd December 1999, 14th March 2000 and 14th April 2000 respectively be and was hereby ratified.

ITEM (3) APPROVAL OF PAYMENT TO M/S. HABIBULLAH ASSOCIATES ON ACCOUNT OF EXTRA COST OF IMPORT OF CHILLERS FOR STATE LIFE BUILDING AT FAISALABAD - FINALIZATION OF HVAC WORKS : GM(RE) MEMORANDUM DATED: 31ST MARCH 2000.

7. GM(RE) presented before the Board a memorandum regarding Air-conditioning work of State Life Building Project at Faisalabad awarded to M/s. Habibullah Associates for Rs.70.82 million. The Air-conditioning work has been held up by the Contractor after a progress of 98%. The schedule of completion of this project was November, 1997 which had been delayed due to various reasons. The Board of Directors at its 143rd meeting held on 19-12-1998 had considered this issue when the progress of work was held up for want of import of 02 Nos. chillers. The Board at that time had decided that State Life should procure gas fired chillers directly by opening L/C through local agents of Sanyo Japan, the L/C cost of which together with payments at other stages of the procurement of the chillers i.e., shipment, arrival at Port, release from the custom and delivery to the site etc., would be directly paid by State Life from the outstanding approved running bills of M/s.Habibullah Associates, the Contractor of Air-conditioning works. The Board had also decided that all expenses towards the BOQ item of chiller would be referred to arbitration for a final settlement including custom duty reduction, escalation in foreign exchange and imposition of liquidated damages due to project completion time over runs and the Arbitrator's decisions in the same would be binding on both the parties and the foregoing understanding was to be reflected by an amendment in the existing contract. Accordingly an amendment in the existing agreement was made and the chillers have been procured and brought at site.

8. GM(RE) further informed the Board that in view of the above financing of the project by State Life, the present status of project finance was exceeding the contract sum. The expected completion cost of the project would now be Rs.76.50 million against the contracted amount of Rs.70.82 million.

9. The G.M.(RE) suggested that in the interest of the Corporation and to ensure completion of works, the Contractor may be financed a sum of Rs.3.5 million at this stage of work and an additional amount of Rs.2 million be paid to the contractor after completion and handing over of the functional plant to State Life. These payments would be subject to an interest rate that would be fixed by State Life. The Contractor would

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submit a bank guarantee of a gross amount inclusive of sum so financed by State Life alongwith interest undertaking to complete and hand over the entire works within 30 days of receipt of the above payments. It was also suggested by G.M. (RE) in the memorandum that SLIC would be at liberty to encash the bank guarantee in case of non completion of the works within 30 days of receipt of payment or upon failure of the Contractor to deposit any amount with State Life after the arbitration award.

10. The Board after deliberation of the matter agreed in principle to the above proposal given by G.M.(RE) in the memorandum and resolved as follows :-

RESOLVED:

Action: GM(RE)

(i) "that in the interest of the Corporation and to ensure completion of works, the Contractor may be financed a sum of Rs.3.5 million immediately."

Action: GM(RE)

(ii) "that the above payment of Rs.3.5 million would be subject to an interest rate that would be fixed by State Life, and the Contractor would be required to submit an irrevocable bank guarantee of a Prime Bank for a gross amount i.e. sum financed by State Life alongwith interest and an undertaking to complete and hand over the entire works within 30 days of receipt of the above payments. State Life would be at liberty to encash the bank guarantee in case of non completion of the works within 30 days of receipt of payment or upon failure of the Contractor to deposit any amount with State Life after the arbitration award."

Action: ED(B&A)/ GM(RE)/ AGM(LAW)

(iii) "that a Committee comprising of ED (B&A), GM (RE) and AGM(Law) was constituted to prepare a comprehensive document to form part of the supplementary agreement and for preparing the draft of the Bank Guarantee to be obtained from the contractor."

ITEM (4) SLIC INTEREST IN PROJECT – BAY CLUB CONDOMINIUM – RESIDENTIAL FLATS
GM(RE) MEMORANDUM DATED: 5TH APRIL 2000.

11. GM(RE) presented before the Board a memorandum mentioning therein that a proposal has been received from M/s. Expression Trading Company – Architects, Builders and Developers through the Chief Executive for sale of Apartments and Penthouses in Bay Club Condominium Project located at Coastal Avenue/Coastal Street II Phase-VIII DHA., Karachi facing the Arabian Sea, on a plot measuring 5227 Sq. Yards with 410 feet frontage. The towers would be of 20 storey high with one penthouse on roof top. Each storey caters one independent apartment with 4 bedrooms, drawing/dining and family living room with attached baths and American Kitchen. Covered Area of each apartment is 2800 Sft., while the penthouse shall have a covered area of 5600 Sft., on two floors.

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12. GM(RE) further informed that the construction period was 3 years and the project envisages many facilities to its residents including restaurant, multi purpose hall, health club, gymnasium, swimming pool and indoor games. Modern lifts, standby generator set and car parking arrangements would also be provided. The average selling price for these apartments was Rs.2200/- per Sft., while for the penthouses it was Rs.4000/- per Sft.

13. GM(RE) mentioned that State Life as a policy had never promoted the Real Estate business of this kind i.e., purchase of residential flats and recommended that the proposal be declined because of the following:

a. The price of land was stagnant for more than two years and Real Estate Market was on down track throughout the city.

b. The proposed project area was situated in newly reclaimed land of DHA, which was considered to be remote area of DHA. and the area development would take considerable time.

c. Investment in this scheme was not technically/financially viable at this stage.

14. GM(RE) placed the matter before the Board for further consideration.

Action: GM(RE)

15. Based on recommendation of GM(RE), the Board decided that the proposal be declined.

ITEM (5) APPROVAL OF REFURBISHING OF OLD LIFTS IN DIFFERENT STATE LIFE BUILDINGS.
GM(RE) MEMORANDUM DATED: 19TH APRIL 2000.

16. GM(RE) presented before the Board a memorandum that there were around 54 Nos. lifts in various buildings of State Life throughout the country out of which 24 were in very old and dilapidated condition. These lifts were inherited at the time of nationalization of insurance companies and had completed their useful life of 35 years and now required major overhauling and modernization.

17. GM(RE) informed that with major overhauling, proper upkeep and regular maintenance program these lifts could be kept operational and functional. Though it was very un-economical to maintain very old lifts, yet in view of the increasing cost of these imported lifts and austerity in the Corporation, efforts have been made to keep these lifts in functional condition as far as possible.

18. GM (RE) further informed that since last 7 years, no major refurbishing plan of these lifts had been prepared nor any major work done. These lifts now required major overhauling which would ensure their continued operation. The spare parts of the above lifts have to be imported from various countries of their origin and would require time as such, a three-phase program had been prepared by Real Estate Division. In the first phase 11 Nos. lifts installed in the prominent buildings would be overhauled while other 13 lifts out of total old lot will be taken care of in next 2-3 years in a phased program.

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19. The lifts as well as the spare parts are all imported, and relates to out dated models, it becomes very difficult to get spares of these lifts from the manufacturers on short notice. A majority of the spares will require alterations and changes before incorporation. The detailed estimate of these lifts had been prepared, keeping in view the existing trend of spares used, useful life of the parts and current experience of general wear and tear of the parts used in these lifts. The details of the lifts, the cost of spare parts and labour components are given hereunder:-

	No. of Lifts	Cost of parts	Labour cost	Total
SLIC Building No.1	05	Rs.9.00 million	Rs.1.00 million	Rs.10.00 million
SLIC Building No.2	03	Rs.5.25 million	Rs.0.75 million	Rs. 6.00 million
SLIC Building No.6	03	Rs.2.50 million	Rs.0.50 million	Rs. 3.00 million

20. After deliberations the Board resolved as under:

RESOLVED:

Action: GM(RE)

"that GM (RE) be instructed to prepare a detailed scope of work and estimate of cost involved for re-furbishing of each lift and the basis of such estimates. The complete working paper on the above estimates be submitted to the Board / EC for consideration at its next meeting."

ITEM (7) APPROVAL OF SERVICE/BROKERAGE CHARGES OF M/S. VIP ESTATE FOR ESTABLISHING McDONALD'S OUTLET BY M/S.SIZA FOODS (PVT.) LTD. IN STATE LIFE BUILDING NO.5-A, KARACHI
GM(RE) MEMORANDUM DATED: 21ST APRIL 2000.

21. The Executive Committee at its 255th meeting held on 22nd October, 1999 had instructed that the bids be invited through newspapers for renting of the showroom in State Life Building No.5-A, Karachi.

22. GM(RE) informed that M/s. VIP Estate had submitted the bid on behalf of M/s. Siza Food (Pvt.) Ltd. for the setting up of McDonald's outlet in the said premises which was accompanied by pay order amounting to Rs.10,000/- as earnest money. In the covering letter of the bid. M/s. VIP Estate had mentioned that their service/brokerage charges would be equivalent to one month's rent which would be payable by the State Life Insurance Corporation of Pakistan at the time of signing the lease agreement with M/s. Siza Food (Pvt.) Ltd.

23. GM(RE) further informed that the lease agreement for the setting up of McDonald's outlet has already been signed by State Life and a pay order amounting to Rs.6,764,977/-was received as advance rent for three (03) years from M/s. Siza Food (Pvt) Ltd. the break up of which was as follows:

Area	2695 Sq.ft.
Rent per sq.ft.	Rs.70/-
Rent per month	Rs.188,650/-
Rent per annum (1st year)	Rs.2,263,800/- (A)
Rent increase per year	Rs.7 ½%
Rent for 2nd year	Rs.2,433,585/- (B)
Rent for 3rd year	Rs.2,616,104/- (C)
Advance rent for three (03) years	A+B+C = Rs.7,313,489/-
Less: 7 ½% Income Tax	(-) Rs.548,512/-
TOTAL	Rs.6,764,977/-

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24. GM(RE) also informed that M/s. VIP Estate had now requested for the payment of their service /brokerage charges equivalent to one months rent, amounting to Rs.188,650/-

25. GM(RE) informed the Board that State Life had sufficient spaces lying vacant in its various buildings and the services of Real Estate Brokers is required to rent out these spaces. If the services of Real Estate Brokers are neglected and brokerage was not paid to them, it would create a bad impression of the State Life and the renting out of premises through brokers would not be possible in future.

26. The case was placed before Board of Directors for perusal & approval of payment equivalent to one month's rent to M/s. VIP Estate as their service/brokerage charges.

27. After deliberation the Board resolved as under:-

RESOLVED:

Action: GM(RE)

(i) "that the Board instructed GM(RE) to negotiate brokerage terms with M/s. VIP Estate and put up his recommendation to the Board at its next meeting for consideration. State Life normally does not pay service/brokerage charges to Estate Agent, if State Life had advertised the renting of vacant space."

ITEM (8) APPROVAL OF ALLOTMENT OF SLIC RESIDENTIAL ACCOMMODATION.
ITEM TO BE PRESENTED BY GM(RE). ITEM ENCLOSED.

28. GM(RE) informed the Board that the Board at its 145[th] meeting held on 25/27-02-1999 had decided that since a number of officers have been transferred to Karachi from other stations, the tenants of State Life who are occupying residential accommodations be issued notice for vacating the premises in their possession for use and occupation by State Life Officers and ejectment applications be filed on the aforesaid grounds against those tenants who do not vacate the premises within the stipulated period. In compliance with the Board decision notices were issued and on failure to vacate the premises ejectment applications were filed against private tenants. The issue of allotment of the residential buildings and rate of rent etc., was also discussed by the Board and terms and conditions of renting of these residential accommodations for SLIC employees was finalized.

29. GM(RE) presented before the Board a request from Dr.Aamir Ahmed–DS(Admn), Govt. of Sindh for allotment of Flat No.6 in State Life apartments at 1-A, Framrose Road, Bath Island which was already in his occupation. The flat was previously in the name of Mirza Yaqoobian Yousuf against whom State Life has earlier filed a case of ejectment, which is pending adjudicaiton. The tenancy of the flat can be transferred in the name of Dr. Aamir Ahmad on the same basis as was done in case of 1-B, Lalazar, which was approved by the Board at its 152[nd] meeting held on 04-03-2000. The terms of the lease would be as under:-

a. Rent Rs.14000/- to 15,000/- Per Month. (equivalent to market rent)

b. The officer would hand over peaceful vacant position of the flat and pay all outstanding charges/rent in case of his transfer or leaving employment of the Government either on retirement or otherwise termination of service.

30. The matter was placed before the Board for consideration.

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31. After due deliberation the Board resolved as under:-

Action: GM(RE)

RESOLVED:

"that Flat No.6 in State Life Apartments at 1-A, Framrose Road, Bath Island be rented out to a Government official, Dr.Aamir Ahmed–DS(Admn), Govt. of Sindh through Estate Office of the Government, at a fair rent, provided there was no prior pending request of State Life officers, on the condition that as soon as he was transferred or left employment of the Government either on retirement or otherwise, he would hand over the peaceful vacant position of the premises and pay all outstanding charges/rent."

ITEM (9) DOWN SIZING IN STATE LIFE
ED(P&GS) MEMORANDUM DATED: 24TH APRIL 2000.

32. ED(P&GS) informed the Board that during the last few years, State Life had recruited employees disproportionate to its business expansion. In 1994 the total staff strength was 3,081 against approved strength of 4,813 while its First Year Premium was Rs.1,196.8 million with overall expense ratio of 36.7% and renewal expense ratio of 27.5%. In 1996, the strength increase to 6016 against approved staff strength of 6,190 and its First Year Premium was Rs.1,306.1 million with overall expense ratio of 42.5% and renewal expense ratio of 35%. In 1998, while the business remained stagnant, the staff strength stayed at 6016 giving rise to increase in expense ratios, which reached 42% and 38% respectively. The overall expense ratio was estimated to be around 43% for the year 1999.

33. The Board of Directors at its 148th meeting held on 11th and 12th September, 1999 constituted a Committee to review and finalize the strength of the Corporation by identifying categories of surplus officers/staff and to determine its financial impact with a view to rationalize and right-size the staff strength of the Corporation. The Committee comprised of Divisional Heads of P&GS, B&A, PHS and System Division. Later on, Divisional Head(Actuarial) was also included in the Committee. Findings of the Committee were that there were 484 surplus employees.

34. ED(P&GS) informed the Board that the total number of employees of the Corporation had reduced down from 6,016 in 1996 to 5,698 in December 1999. However, in view of increasing expense ratios of the Corporation and as per Government directive given vide Ministry of Commerce letter No.7(1)/99-Admn-VII dated 10.2.2000 and 14.4.2000 to reduce the strength of employees by 25%, further steps were required to trim the organization.

35. ED(P&GS) further informed the Board that in order to take further measures and to reduce the staff strength, a variety of options were considered in consultation with the Law Division and outside Legal Advisor Mr.Makhdoom Ali Khan, Advocate.

36. Under Regulation 20 of State Life Employees (Service) Regulations 1973, an employee who had completed 25 years of service could be retired after his case had been reviewed by a Committee constituted by the Federal Government.

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37. The Regulation states that an employee shall retire from service:

i. On such date after he has completed 25 years of service as the competent authority may decide after review of the employee's case by the Committee constituted by the Federal Government.

ii. Where no direction is given under Clause(i) on completion of the sixtieth year of his age.

38. ED(P&GS) mentioned that since that no objective criteria could be made for reviewing the case of such employees as required under Regulation(20), as there was nothing adverse either in the ACRs of these employees or in their service record and if this Regulation was to be invoked, the management would have to resort to pick and choose process. In case of litigation it would be almost impossible to defend pick and choose process therefore, the only option was to invoke Regulation 22. This has also been advised by Mr. Makhdoom Ali Khan, Advocate and our in-house legal counsel. The Regulation 22 reads as follows:

22. Termination of Service:
(1) The appointing authority may terminate the service of a confirmed employee:-

a. in pay scales 1 to 8 (a) and MN-I to MN-III as a measure of retrenchment by giving him one month's notice in writing or by way of punishment duly awarded in accordance with these regulations:

b. in other pay scales by giving him three months notice in writing without assigning any reason.

(2) The appointing authority shall have the option to pay to the employee at any time during the continuance of the notice a sum equal to his pay for the unexpired period of notice in which case the termination would become effective on the date such payment was tendered.

39. ED(P&GS) further informed that though there was no specific law, the courts in various cases have laid down the following para-meters for retrenchment.

i. Retrenchment could be done on the basis of justifiable financial or re-organizational reasons;

ii. The principle of last come first go is to be strictly adhered to;

iii. There would not be any pick and choose in the process of retrenchment;

iv. If the employer within one year of the retrenchment proposes to employ workers, he was legally bound to offer employment to the retrenched workers.

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40. After detailed deliberation made in consultation with State Life's Law Division and Mr. Makhdoom Ali Khan, Advocate, ED(P&GS) suggested the following two measures to reduce the number of employees in State Life:-

i. Services of officers who have completed 35 years of service with the Corporation may be terminated under Regulation 22(1)(b) with normal retirement benefits and with some additional benefits. Total number of officers was 156. The grade-wise detail was circulated to the members of the Board.

ii. Retrenchment of employees under Regulation 22(1)(a) on last in first out (LIFO) basis in various designations. Total number of employees under this category desired to be retrenched was 300. The grade-wise detail was circulated to the members of the Board.

41. ED(P&GS) also informed the Board that the management held detailed meetings with C.B.A. and representatives of Officers Federation and in the light of discussions with them, finalized benefits which were to be paid to the employees whose services were being dispensed with.

42. A statement including financial impact (estimated) for both officers and staff to be dispensed as referred above was circulated to the members of the Board. The total impact to the Corporation would be around Rs.20.209 million out of which Rs.19.486 million would be one time payment as notice pay, golden handshake and leave encashment and Rs.0.723 million would be paid in the respective years on account of group insurance premium. A total sum of Rs.176.761 million approximately would be paid to the officers and staff as normal retirement benefits from respective pension/gratuity/contributory provident funds, out of which Rs.29.997 million was payable to staff with service more than 10 years and less than 25 years, for payment of which special permission was required. Annual saving out of dispensing of service of the above officers and staff through this process would be around Rs.82.8 million.

43. ED(P&GS) also informed the Board that as regards medical benefits to be offered to the officers being retired, the financial impact would be almost the same as per normal entitlement of the officers retiring under the normal process. The only exception to para 11(A)(d)(ii) of the medical rules, was that instead of 3 basic pay, they would now be allowed two basic pay plus hospitalization for self and spouse only upto the age of 60 years. The officers while in service, are allowed hospitalization for self, spouse, dependent children and parents.

44. The following benefits proposed to be given to the employees who services are being dispensed with, were beyond the scope of State Life Employees (Service) Regulations 1973, and involve financial implications, as such require approval of the Government:

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a. Employees whose services are terminated under Regulation 22 (the legally safest route) are not entitled to payment of retirement benefits. In view of their services to the Corporation, the scheme envisage payment of retirement benefits to such employees in departure from the Service Regulations.

b. Leave encashment, medical benefit of hospitalization at actuals on retirement, Group Insurance after retirement are also not provided under the Rules.

c. Payment of three month basic pay to staff members for each year of service rendered, having length of service upto 10 years was also beyond the Rules.

45. The scheme was a one time exercise and does not require amendments in Service Regulations. However, as it involves financial implications and deviation from the Regulations therefore it required Government approval. A copy of the proposal sent to Government of Pakistan/Ministry of Commerce is enclosed as Annexure "A" to the Minutes.

46. ED(P&GS) also informed that the proposal for down-sizing through Golden Hand Shake, Early Retirement Benefits given in the memo fall within the scope of Government scheme as circulated by the Establishment Division vide D.O. No.35/2/97-RW.III dated 12.8.1997 on the subject. Some of the benefits being offered are less than those proposed in the said D.O. After approval of the Ministry, the list of steps that would be taken by State Life were circulated to the Board members.

47. The Board was requested to consider and approve the above proposal.

48. After deliberation, the Board resolved as under:

RESOLVED:

Action: ED(P&GS)

(i) "that the following measures suggested to reduce the number of employees in State Life after consultation with State Life's Law Division and Mr.Makhdoom Ali Khan be and was hereby approved.

a. Services of officers who have completed 35 years of service with the Corporation be terminated under Regulation 22(1)(b) with normal retirement benefits and with some additional benefits as described below. Total number of such officers was 156.

b. Retrenchment of employees under Regulation 22(1)(a) on last in first out (LIFO) basis in various designations. Total number of employees under this category desired to be retrenched was 300. Names of such employees was to be determined designation-wise on the basis of Zonal/Regional/Principal Office staff strength.

Action: ED(P&GS)

(ii) "that the following suggested benefits to be paid to the employees whose services were being dispensed with, be and was hereby approved:-

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A. OFFICERS

a. Notice Pay.
Three months basic pay in lieu of three months notice period.

b. Normal Retirement Benefits.
Payment of pension or gratuity/provident fund to them would be as per their normal entitlement.

c. Additional Benefits

i. Leave Encashment.
50% of the leave at credit or maximum of 90 days whichever was less would be encashed.

ii. Medical Benefit.
As per Corporation's rules, medical facilities are allowed to retired officers equal to three months basic pay i.e. one basic pay each for i) cost of medicines ii) consultation fee/laboratory tests iii) for hospitalization. However, for these officers two months basic pay, one for cost of medicines and the other for consultation fee/laboratory test would be paid as per entitlement of retired officers. However, in lieu of one month basic pay per month for hospitalization, actual hospitalization charges would be allowed upto the age of 60 years for the officer and his/her spouse.

iii. Group Insurance.
(a). Compulsory Group Insurance coverage upto the age of 60 years or for next five years whichever was earlier. Premium to be paid by State Life.

(b). Voluntary group insurance coverage to be continued upto the age of 60 years or for next five years whichever was earlier. Premium to be borne by concerned officer and to be recovered from final settlement in lumpsum.

iv. Recovery of Loans/Advances.
All loans/advances to be recovered in full from settlement of final dues except House Building Loans:

Recovery of house building loan from the final dues would be made to the extent of such amount that the balance was recovered from pension in monthly installments upto the age of 60 years or next 5 years which-ever was earlier in such a manner that the monthly installments did not exceed 45% of the monthly pension. The balance amount was to be recovered in lumpsum from final settlement. In case of any mishap the balance of outstanding loans will be recovered from the claims of group insurance policies (compulsory & voluntary).

v. Payment of bonus in advance would also be adjusted in full.

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B. <u>STAFF</u>

a. **<u>Staff members having length of service upto 10 years.</u>**

i. <u>Golden Hand-shake.</u>
The staff with service less than 10 years would be paid three months basic pay for each completed year of service. This would include one month basic pay in lieu of one month notice period. However, payment for the period of less than one year would be considered on prorata basis.

ii. All loans/advances including advance bonuses would be recovered in full.

b. **<u>Staff members having more than 10 years of service.</u>**

i. <u>Notice Pay.</u>
One month basic pay in lieu of one month notice period.

ii. <u>Normal Benefits.</u>
Pension or gratuity/provident fund was to be paid as per their entitlement on the basis of actual length of service of each employee.

iii. <u>Additional Benefits.</u>

1. <u>Leave Encashment.</u>
50% of the leave at credit or a maximum of 150 days which-ever was less would be encashed.

2. <u>Group Insurance Coverage.</u>
   a. Compulsory group insurance coverage upto the age of 60 years or for next five years whichever was earlier. Premium to be paid by State Life.
   b. Credit insurance of loan/advances to be continued upto the recovery of outstanding loans as per the existing arrangement.

iv. <u>Recovery of Loans/Advances.</u>
All loans/advances to be recovered in full from settlement of final dues except House Building Loans:

Recovery of house building loan from the final dues would be made to the extent of such amount that the balance was recovered from pension in monthly installments upto the age of 60 years or next 5 years which-ever was earlier, in such a manner that this did not exceed 45% of the monthly pension. The balance amount would be recovered in lump-sum from the final settlement. In case of any mishap, the balance of outstanding loan would be recovered from the claim from group insurance policy for Credit Insurance.

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Action: ED(P&GS)/ ED(B&A)

(iii) "that the total financial impact (estimated) to the Corporation for both officers and staff as referred above would be around Rs.20.209 million out of which Rs.19.486 million would be one time payment as notice pay, golden handshake and leave encashment and balance Rs.0.723 million would be paid in the respective years on account of group insurance premium. A total sum of Rs.176.761 million would be paid as normal retirement benefits from respective pension/gratuity/contributory provident funds, out of which, Rs.29.997 million was in respect of staff with service more than 10 years and less than 25 years, for payment of which special permission was required. Annual saving through this process would be around Rs.82.8 million.

Action: ED(P&GS)

(iv) "that since exercise of downsizing involved financial implications and many of the benefits proposed to be given to the employees whose services were to be dispensed with, were beyond the scope of State Life Employees (Service) Regulations 1973, approval be obtained from the Government with regard to the following:-

a. Payment of retirement benefits (in departure from the service regulations) to such employees whose services were being terminated under regulation 22 of State Life Employees (Service) Regulations 1973 considered to be the legally safest route for the purpose.

b. Payment of Leave encashment, medical benefit of hospitalization at actuals on retirement, Group Insurance after retirement which was not provided under the Rules.

c. Payment of three month basic pay to staff members for each year of service rendered, having length of service upto 10 years which was also beyond the Rules.

Action: ED(P&GS)

(v) "that ED(P&GS) be and was hereby authorized to take all necessary steps for implementation of the above scheme after its approval by the Government.

ITEM (11) <u>REGULARIZATION OF 4 MANAGERS(DEV.) DEMOTED AS AREA MANAGERS.</u>
Incharge(S&D) MEMORANDUM DATED: 24TH APRIL 2000.

52. GM(S&D) presented before the Board a Memorandum for formation of a Standing Committee to review the appeals of Manager Development against their demotion as "A" category Area Managers as a result of there performance review. The demoted Manager Development were promoted under Accelerated Promotion Scheme in 1996, and were required to achieve certain laid down targets which was their basis of promotion.

53. GM(S&D) informed the Board that appeals have been received from against demotion from eighteen out of the twenty one Ex-Managers(Dev.) Regulation No.33 (2)a) of State Life Employees (Service) Regulations 1973, requires that a Standing Committee of three Directors including the Chairman be constituted to review their appeals and submit its recommendations to the Board for final orders thereon.

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54. It was therefore, suggested that a Standing Committee consisting of three Directors including the Chairman be constituted to considered the appeals. The Board desired that a working paper be prepared and submitted to the Standing Committee, giving therein details of the business performance of the appellant Manager Development duly authenticated by the Incharge (S&D), Divisional Head (S&D), respective Zonal Heads and IA&E.

RESOLVED:

Action: ED(P&GS)

"that a Standing Committee consisting of three Directors, i.e., Chairman, E.D(PHS) and E.D.(B&A) be and was hereby constituted to consider the appeal of eighteen demoted Manager Development, and submit its recommendation to the Board of Directors at its next meeting for final orders thereon."

55. The consideration of item No.6 and 10 was deferred by the Board until is next meeting

ITEM (6) APPROVAL OF STRATEGY FOR RENTING OF VACANT AREAS. GM(RE) MEMORANDUM DATED: 7TH APRIL 2000.

ITEM (10) POSITION PAPER ON STATE ASSETS MANAGEMENT COMPANY. CONSULTANT (INVESTMENT) MEMORANDUM NOT RECEIVED.

57. The Board expressed its displeasure with Consultant (Investment) and Divisional Head (Investment) for not presenting the Memorandum to the Board for its consideration.

58. The Board resolved as under:-

RESOLVED:

Action: ED(P&GS)

"that a Committee be constituted consisting of ED(P&GS), ED(PHS), ED(B&A) and Consultant (Investment) with Divisional Head (Investment) as member Secretary to receive and consider the report of the Investment Consultant/Investment Division on SAMCO and finalized recommendation be submitted to the Board at its next meeting for approval.

59. The meeting ended with vote of thanks to the chair.

CHAIRMAN

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Annexure "A"

Date: 24.4. 2000.
Ref: PL-10(2)

Sub: **DOWN SIZING/RIGHT-SIZING IN STATE LIFE**

My dear,

In compliance with the directive of the Government as conveyed vide letters No.7(1)/99-Admn.VII dated 10.2.2000 and 14.4.2000 State Life, after lengthy discussion, consultation with Collective Bargaining Agent of the Employees, Officer's Federation and Legal Advisor, designed a scheme, whereby services of 156 officers and 300 staff members may be dispensed with.

2. Details of the scheme and its financial implications are given in the enclosed memorandum which has been approved by the Board of Directors in its 153rd Meeting held on 24.4.2000.

3. Some of the benefits proposed to be given to the employees whose services are being dispensed with as stated above, are beyond the scope of State Life Employees (Service) Regulations 1973, and involve financial implications. These benefits are mentioned below.

a. As explained in paras 7 to 10 of the enclosed memo, legally safest route is invocation of Regulation 22. Employees whose services are terminated under Regulation 22 are not entitled to payment of retirement benefits. In view of their services to the Corporation, the scheme envisage payment of retirement benefits to such employees in departure from the Service Regulations.

b. Leave encashment, medical benefit of hospitalization at actual on retirement, Group Insurance after retirement are also not provided under the Rules.

c. Payment of three month basic pay to staff members for each year of service rendered, having length of service upto 10 years is also beyond the Rules.

4. The proposal for down-sizing through Golden Hand Shake, Early Retirement Benefits given in the memo falls within the scope of Government scheme as circulated by the Establishment Division vide D.O. No.35/2/97-RW.III dated 12.8.1997 on the subject. In fact, some benefits being offered are less than those proposed in the said D.O

5. Government may approve the scheme.

With kind regards,

Sincerely yours,

- sd -
(Imtiaz Rasool)

Mr. Ijaz Ahmed,
Joint Secretary (Admn.),
Ministry of Commerce,
Government of Pakistan,
Islamabad.

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c.c. to:- Mr. Saleem Iqbal, Joint Secretary(Insurance), Ministry of Commerce, Government of Pakistan, **Islamabad.**

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STATE LIFE INSURANCE CORPORATION OF PAKISTAN

MEMORANDUM TO THE BOARD OF DIRECTORS

FROM: EXECUTIVE DIRECTOR (P&GS)

SUBJECT: *DOWN-SIZING IN STATE LIFE*

During the last few years, State Life recruited employees disproportionate to its business expansion. In 1994 the total staff strength was 3,081 against approved strength of 4,813 while its FYP was Rs.1,196.8 million with overall expense ratio of 36.7% and renewal expense ratio of 27.5%. In 1996, the strength soared to 6016 against approved staff strength of 6,190 and its FYP was Rs.1,306.1 million with overall expense ratio of 42.5% and renewal expense ratio of 35%. While the business remained stagnant, the staff strength stayed at 6016 giving rise to increase in expense ratios, which reached 42% and 38% respectively in 1998. The overall expense ratio is estimated to be around 43% for the year 1999.

2. The increasing renewal expense ratio was also pointed out by the Government Auditors, who while auditing accounts for the year 1996 observed as follows:

> "Renewal expense ratio for the Corporation increased to 35% as compared to 30.4% of the previous year, against the prescribed limit of 15% as defined in the Insurance Act 1938."

3. With the view to rationalize and right-size the staff strength of the Corporation, the Board of Directors in its 148th meeting held on 11/12.9.1999 constituted a Committee to review and finalize the strength of the Corporation by identifying categories of surplus officers/staff and to determine its financial impact. The Committee comprised of Divisional Heads of P&GS, B&A, PHS and System Division. Later on, Divisional Head(Actuarial) was also included in the Committee. Findings of the Committee were that there were 484 surplus employees.

4. The Corporation being alive to the problem of over-staffing, increase in the expense ratios and decrease in business, reduced its Individual Life Zones from 28 to 26 and Group Life Zones from 11 to 4. Two Regional Offices of the Group life business were abolished. The staff strength of each of the four Regional Offices of Individual Life business was also reduced from 29 to 8 employees.

5. Total number of employees of the Corporation has thus gone down from 6,016 in 1996 to 5,698 in December 1999. However, in view of increasing expense ratios of the Corporation and as per Government directive given vide Ministry of Commerce letter No.7(1)/99-Admn-VII dated 10.2.2000 and 14.4.2000 to reduce the strength of employees by 25%, further steps to trim the organization are needed.

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6. In order to take further measures to reduce the staff strength, a variety of options were considered in consultation with the Law Division and outside Legal Advisor Mr. Makhdoom Ali Khan, Advocate.

7. Under Regulation 20 of State Life Employees (Service) Regulations 1973, an employee who has completed 25 years of service can be retired after his case has been reviewed by a Committee constituted by the Federal Government. The Regulation is reproduced below:

An employee shall retire from service:

i. On such date after he has completed 25 years of service as the competent authority may decide after review of the employee's case by the Committee constituted by the Federal Government.

ii. Where no direction is given under Clause(i) on completion of the sixtieth year of his age.

8. In view of the fact that no objective criteria can be made for reviewing the case of such employees as required under the above Regulation as there is nothing adverse either in the ACRs of these employees or in their service record. If this Regulation is invoked, the management would have to resort to pick and choose process. In case of litigation it would have been almost impossible to defend pick and choose process. Therefore, the only option is to invoke Regulation 22. This has also been advised by Mr. Makhdoom Ali Khan, Advocate and our in-house legal counsel. The Regulation 22 reads as follows:

22. Termination of Service: (1) The appointing authority may terminate the service of a confirmed employee:-

a) in pay scales 1 to 8 (a) and MN-I to MN-III as a measure of retrenchment by giving him one month's notice in writing or by way of punishment duly awarded in accordance with these regulations:

b) in other pay scales by giving him three months notice in writing without assigning any reason.

(2) The appointing authority shall have the option to pay to the employee at any time during the continuance of the notice a sum equal to his pay for the unexpired period of notice in which case the termination shall become effective on the date such payment is tendered.

9. For retrenchment of employees, Regulation 22 empowers the management to terminate services of unionized staff as measure of retrenchment after giving notice of one month or payment for the balance period during the continuation of the notice period. Though there is no specific law, the courts in various cases have laid down following parameters for retrenchment.

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i. Retrenchment could be done on the basis of justifiable financial or re-organizational reasons;
ii. The principle of last come first go is to be strictly adhered to;
iii. There would not be any pick and choose in the process of retrenchment;
iv. If the employer within one year of the retrenchment proposes to employ workers, he is legally bound to offer employment to the retrenched workers.

10. After detailed deliberation made in consultation with State Life's Law Division and Mr. Makhdoom Ali Khan, Advocate, following two measures are being suggested to reduce the number of employees in State Life:-

i. Services of officers who have completed 35 years of service with the Corporation may be terminated under Regulation 22(1)(b) with normal retirement benefits and with some additional benefits as described below. Total number of officers is 156. The grade-wise detail is given at Annex.A.

ii. Retrenchment of employees under Regulation 22(1)(a) on last in first out (LIFO) basis in various designations. Total number of employees under this category desired to be retrenched is 300. The grade-wise detail is given at Annex.B.

11. The management held detailed meetings with C.B.A. and representatives of Officers Federation. In the light of discussions with them, following benefits are to be paid to the employees whose services are being dispensed with.

A. OFFICERS

a. The number of such officers is 156.

b. Retirement of officers who have completed 35 years or more of their service will be mandatory.

c. Notice Pay.

Three months basic pay in lieu of three months notice period.

d. Normal Retirement Benefits.

Payment of pension or gratuity/provident fund to them will be as per their normal entitlement.

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e. Additional Benefits

a. Leave Encashment.

50% of the leave at credit or maximum of 90 days whichever is less will be enncashed.

ii. Medical Benefit.

As per Corporation's rules, medical facilities are allowed to retired officers equal to three months basic pay i.e. one basic pay each for i) cost of medicines ii) consultation fee/labatory tests iii) for hospitalization. However, for these officers two months basic pay, one for cost of medicines and the other for consultation fee/labotary test will be paid as per entitlement of retired officers. However, in lieu of one month basic pay per month for hospitalization, actual hospitalization charges will be allowed upto the age of 60 years for the officer and his/her spouse.

iii. Group Insurance.

(a). Compulsory Group Insurance coverage upto the age of 60 years or for next five years whichever is earlier. Premium to be paid by State Life.

(b) Voluntary group insurance coverage to be continued upto the age of 60 years or for next five years which ever is earlier. Premium to be borne by concerned officer and to be recovered from final settlement in lumpsum.

iv. Recovery of Loans/Advances.

All loans/advances to be recovered in full from settlement of final dues except House Building Loans:

Recovery of house building loan from the final dues may be made to the extent of such amount that the balance may be recovered from pension in monthly instalments upto the age of 60 years or next 5 years which-ever is earlier in such a manner that this does not exceed 45% of the monthly pension. The balance amount is to be recovered in lumpsum from final settlement. In case of any mishap the balance of outstanding loans will be recovered from the claims of group insurance policies (compulsory & voluntary).

v. Payment of bonus in advance will also be adjusted in full.

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B. STAFF

a. The number of such employees is 300.

b. Basis of retrenchment.

Mandatory retrenchment on the basis of last come first out. Names of such employees is to be determined designation-wise on the basis of Zonal/Regional/Principal Office staff strength.

c. Staff members having length of service upto 10 years.

i. Golden Hand-shake.

The staff with service less than 10 years will be paid three months basic pay for each completed year of service. This will include one month basic pay in lieu of one month notice period. However, payment for the period of less than one year will be considered on prorata basis.

ii. All loans/advances including advance bonuses will be recovered in full.

d. Staff members having more than 10 years of service.

i. Notice Pay.

One month basic pay in lieu of one month notice period.

ii. Normal Benefits.

Pension or gratuity/provident fund is to be paid as per their entitlement on the basis of actual length of service of each employee.

iii. Additional Benefits.

1. Leave Encashment.

50% of the leave at credit or a maximum of 150 days which-ever is less will be encashed.

2. Group Insurance Coverage.

a) Compulsory group insurance coverage upto the age of 60 years or for next five years whichever is earlier. Premium to be paid by State Life.

b) Credit insurance of loan/advances to be continued upto the recovery of outstanding loans as per existing arrangement.

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iv. Recovery of Loans/Advances.

All loans/advances to be recovered in full from settlement of final dues except House Building Loans:

Recovery of house building loan from the final dues may be made to the extent of such amount that the balance may be recovered from pension in monthly installments upto the age of 60 years or next 5 years which-ever is earlier, in such a manner that this does not exceed 45% of the monthly pension. The balance amount to be recovered in lump-sum from the final settlement. In case of any mishap the balance of outstanding loan will be recovered from the claim from group insurance policy for Credit Insurance.

12. The steps required to be taken and draft letters to be issued to the officers and staff are annexed herewith as Annex.C.

13. A statement including financial impact (estimated) for both officers and staff as referred to paras 11 is attached as Annex.D. The total impact to the Corporation will be around Rs.20.209 million out of this amount Rs.19.486 million will be one time payment as notice pay, golden handshake and leave encashment. Remaining Rs.0.723 million will be paid in the respective years on account of group insurance premium. Whereas around Rs.176.761 million will be paid as normal retirement benefits from respective pension/gratuity/contributory provident funds, out of this, Rs.29.997 million is in respect of staff with service more than 10 years and less than 25 years for payment of which special permission is required. Annual saving through this process would be around Rs.82.8 million.

14. As regard medical benefits to the officers being retired, the financial impact on this account will be about the same which is as per normal entitlement of the retired officers. However, the exception to the medical rules, as mentioned in para 11(A)(d)(ii) is that instead of 3 basic pay, they will now be allowed two basic pay plus hospitalization for self and spouse only upto the age of 60 years. It may be mentioned that while in service, officers are allowed hospitalization for self, spouse, dependent children and parents.

15. Many of the benefits proposed to be given to the employees whose services are being dispensed with as stated above, are beyond the scope of State Life Employees (Service) Regulations 1973, involve financial implications. These benefits are mentioned below and require approval of the Government.

a. As explained in paras 7 to 10 above, legally safest route is invocation of Regulation 22. Employees whose services are terminated under Regulation 22 are not entitled to payment of retirement benefits. In view of their services to the Corporation, the scheme envisage payment of retirement benefits to such employees in departure from the Service Regulations.

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b. Leave encashment, medical benefit of hospitalization at actuals on retirement, Group Insurance after retirement are also not provided under the Rules.

c. Payment of three month basic pay to staff members for each year of service rendered, having length of service upto 10 years is also beyond the Rules.

16. The scheme is a one time exercise and does not require amendments in Service Regulations. However, as it involves financial implications and deviation from the Regulations therefore it requires Government approval.

17. The proposal for down-sizing through Golden Hand Shake, Early Retirement Benefits given in the memo falls within the scope of Government scheme as circulated by the Establishment Division vide D.O. No.35/2/97-RW.III dated 12.8.1997 on the subject. In fact, some benefits being offered are less than those proposed in the said D.O. After approval of the Ministry, steps to be taken by State Life are listed at Annexure C.

18. The Board is requested to consider and approve the above proposal.

- sd -
(Imtiaz Rasool)

Karachi, April 24, 2000.

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Annexure-A to the Memorandum.

State Life Insurance Corporation of Pakistan
List of Officers who have completed 35 years
Or more service as on 31-03-2000.

S.No.	Designation	Number
1.	General Manager	2
2.	Deputy General Managers	5
3.	Assistant General Managers	12
4.	Managers	19
5.	Deputy Managers	44
6.	Assistant Managers	74
	Total	156

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Annexure B to the Memorandum.

Grade & Designation-wise Provisional Breakup of 300 Surplus staff on all Pakistan Basis

Grade 4 to 7 Staff	Designation Wise Net Surplus	Grade-wise Total Surplus	Total required surplus
Superintendents	22 Nos.		
Stenographers	02 Nos.		
Stenotypists	03 Nos.		
Asstt. Superintendents	21 Nos.		
Office Assistants	150 Nos.		
Typists/Jr. P.C. Opts	13 Nos.	211 Nos.	
Grades 1 to 3 Staff			
Sr.Drivers	04 Nos.		
Sr. Record Sorters	01 Nos.		
Drivers	02 Nos.		
Quasids	06 Nos.		
Record Sorters	15 Nos.		
Lift Oprts/Sr.S.G.	02 Nos.		
Naib Quasids	48 Nos.		
Secruity Guards	01 Nos.	79 Nos.	
Maintenance Staff			
MN-3	03 Nos.		
MN-1	07 Nos.	10 Nos.	300 Nos.

Prepared by: ------------------------------

M.Yousuf Ansari
Manager(P&GS)

Checked by: ------------------------------

M. Talib Ali
Dy. General Manager(International)

* subject to revalidation of data.

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STATE LIFE INSURANCE CORPORATION OF PAKISTAN

Summery of Financial Impact of Golden Handshake/Early Retirement Benifits

(Rs in Million)

	Total Nos	Normal Benefits				Total	Notice Pay Officers=3Months Staff=1 Month	Source of Funds	Additional Benefits				Source of Funds	Grand Total	Annual Savings
		Nos	Pension	Nos.	Gratuity and Provident Fund				Golden Handshake for staff 1-10 yrs. Of Service	Leave Encashment	Group Insurance Premium	Total			
OFFICERS With service 35 Years or more	156	'47	139.280	9	7.484	146.764	5.458	-Payment of Pension/ Gratuity/Cont.Provident funds to be Paid from respective Pension/ Gratuity/ Provd.Funds	0	5.458	0.421	5.879	Payment on account of Golden Handshake/ leave encashment to be charged as current year expenses	158.101	45.800
STAFF With service more than 10 years	45		29.397		0	29.397	0.255	-Payment of notice pay to be charged as current year expenses	0	1.278	0.302	1.580	Group Insurance Prem. to be charged as expense of the respective year.	31.332	37.000
With Service Upto 10 years	255		0		0	0	0.536		6.450	0	0	6.450		7.036	
Total	456		169.277		7.484	176.761	6.299		6.450	6.736	0.723	13.908		196.969	82.800

Note:

1- The initial amount of Leave encashment @ 50% of the leave at credit subject to maximum 180 days to employees with service more than 10 years and golden handshake @ 3 months basic pay for each completed year of service for employees with service less than 10 years has been reduced by :

- 3 months for officers and
- 1 month for staff with service more than 10 years and
- 1 month for staff with service less than 10 years

and

these amounts have been shown under the column of notice pay

2- The total impact of Rs.196.969 Million(estimated) consists of the following:

- Normal Retirement Benefits:		
OFFICERS (Covered under Corporation rules)	Rs.146.764 millions	
STAFF: with service more than ten years (Though provision for payable balance exists with pension fund but payment is not covered under normal rules)	29.997	176.761
- Notice Pay (Reference Note - 1)	6.299	
- Additional Benefits		
Golden Handshake - for staff with service less than ten years	6.450	
Leave Encashment - for staff and officers with service more than ten years	6.736	
	13.186	
- Total of one time payment at the time of retirement / retrenchment	19.486	
- Group Insurance For staff and officers with service more than ten years (Expenses to be accounted for in the respective year)	0.723	20.209
TOTAL IMPACT		Rs.196.969 millions

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