

89TH MEETING OF THE BOARD OF DIRECTORS

HELD AT

ON

TIME

Karachi

Sunday, 22nd November, 1987

10:00

A.M.

Pursuant to the notices dated 12th October, 26th October 1987 and 3rd November, 1987, the 89th meeting of the Board of Directors was held at Principal Office at Karachi on Sunday, 22nd November, 1987 at 10:00 A.M. The following were present :

- | | | |
|----|--------------------------|----------|
| 1. | Mr. M.A.M. Siddiqui, | Chairman |
| 2. | Mian Mumtaz Abdullah, | Director |
| 3. | Mr. Nisar-un-Nabi, | Director |
| 4. | Mr. Samee-ul-Hasan, | Director |
| 5. | Mr. Safdar Ali Chaudhry, | Director |
| 6. | Mr. Nazier Ahmed Jajvi, | Director |

Mr. Asim S.M. Khan, Secretary Board was present.

The Agenda of the meeting was taken up and the following business was transacted :

ITEM NO.1: CONFIRMATION OF MINUTES:

Minutes of the 88th meeting of the Board of Directors held on 18th August, 1987 were confirmed subject to the rectification of the following typographical error on page 901.

Item 5 (v) "NO BONUS CASH VALUE FOR FIRST 3 POLICY YEARS". The third line under this heading should be read as "3rd policy anniversary" instead of "The 4th policy anniversary".

ITEM NO.2: RECORDING OF MINUTES:

The Board recorded the minutes of -

- i) 119th meeting of the Executive Committee held on 7th July, 1987 subject to correction of typographical error on page 890 Item 6 (iv) Fourth line- 'Distributed conditions' should be read as 'Disturbed conditions'.
- ii) 120th (Emergent) meeting of Executive Committee held on 13th August, 1987.
- iii) 121st meeting of the Executive Committee held on 25th August, 1987.
- iv) 122nd (Emergent) meeting of the Executive Committee held on 27th September, 1987 and 5th October, 1987 respectively.

ITEM NO.3: IMPLEMENTATION REPORT:

The Board noted the implementation report from the Secretary Board on the decisions taken in the 88th meeting of the Board.

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ITEM NO.4: AGM (INVESTMENT)'S NOTE DATED 25TH AUGUST 1987 RE: STATE LIFE PROPOSAL TO ENTER INTO LEASING FINANCE:

The Board considered the note of Asstt. General Manager (Investment) enclosing the advice of the Income Tax Adviser and the comments of the B&A Division regarding tax treatment on the Income derived from the leasing finance and tax treatment of depreciation of assets on leasing. The Board decided to defer the proposal for entering into leasing finance and decided that B&A and Investment Divisions should study and examine further the implications involved.

ITEM NO.5: EXECUTIVE DIRECTOR (F&A) MEMORANDUM NO.92/87 RE: MEDICAL FACILITIES TO PARENTS OF OFFICERS:

The Board considered the proposal of Executive Director (F&A) for providing medical facilities to the parents of officers. The Board decided that the parents of officers should be allowed hospitalization only provided parents were wholly dependent upon the officers and residing with the officer concerned and had no other source of income.

Mr. Samee-ul-Hasan, Director, was of the view that the Corporation would be entering into an open ended commitment by allowing hospitalization to the parents of officers.

Other Directors felt that it would be fair to allow medical facilities to the parents of officers restricting them to hospitalization only as Pakistan Insurance Corporation and National Insurance Corporation have already allowed full medical facilities to the parents of officers in pursuance of the instructions of the Government. It was, however, emphasised that strict control should be exercised and thorough verification should be made for ensuring that the parents to whom hospitalization was allowed were in fact wholly dependent on the officer and had no other source of income whatsoever and were in fact residing with him.

ITEM NO.6: ANY OTHER MATTER:

- (i) Executive Director (F&A) Memorandum No.99/87
Re: Additional Budget for the year 1987.

The Board considered the proposal for additional budget for revenue and capital expenses and approved additional budget as under :

REVENUE BUDGET

(a)	Basic Salaries - staff	Rs.4.603 million
(b)	Corporation Allowances - staff	Rs.6.764 "
(c)	Bonus - staff	Rs.1.15 "
(d)	Basic salaries - officers	Rs.12.656 "
(e)	Corporation Allowances - officers	Rs.15.20 "
(f)	Medical - Staff	Rs.2.4 "

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(g) <u>Advertisement Budget for National Accidental Death Scheme.</u>			
The Board approved the additional budget provision of Rs.1.6 million for executing the necessary features of the revised accidental death scheme through T.V. and other publicity media.			
(h) <u>Capital Budget</u>			
The Board approved the additional capital budget of Rs.1.150 million to meet the requirements of Lahore, Gujranwala and Faisalabad Zones for providing Allied and Seating facilities to the qualifiers.			
The Board also decided that B&A Division should frame proposal for the consideration of the Board for giving incentives to the Zones for reducing the expense ratio.			
(ii) <u>Executive Director (F&A) Memorandum No.100/87</u> Re: <u>Appointment of Auditors for Audit of State Life Accounts for the year 1987.</u>			
The Board considered the proposal of Executive Director (F&A) and approved the appointment of the following Chartered Accountants to carry out audit of the accounts of the Corporation for 1987:			
(a) M/s. Rahim Jan & Co., Karachi (b) M/s. Hashmi & Co., Karachi (c) M/s. Taseer Hadi Khalid & Co., Lahore			
The Board also approved audit fee not exceeding Rs.200,000/- and out of pocket expenses not exceeding Rs.100,000/- subject to the approval of the Government.			
(iii) <u>Executive Director (F&A) Memorandum No.87/87</u> Re: <u>Revision of Pay of Area Managers.</u>			
The Board approved the proposal of Executive Director (F&A) to fix the pay of Area Managers on ordinary basis @ Rs.2,580 per month without any change in the rates and conditions for special incentives bonus. However, the Board desired that S&D Division should analyse the expense-ratio vis-a-vis quotas and ascertain the break-even point to determine the emoluments of Area Managers on scientific basis. The report should be submitted to the Board for consideration.			
(iv) <u>Executive Director (F&A) Memorandum No.101/87</u> Re: <u>Accelerated Promotion for Employees acquiring technical Insurance Qualifications.</u>			
The Board approved the following scheme of accelerated promotion as proposed by the Executive Director (F&A):			

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(A) EMPLOYEES PASSING ACTUARIAL EXAMINATIONS

<u>Promotion as</u>	<u>Society of Actuaries Examination (USA)</u>	<u>Institute of Actuarial Examination (England)</u>
Asstt. Manager	On securing 160 credits	On clearing 4 subjects
Dy. Manager	On clearing all Association courses (200 credits) plus two Fellowship subjects.	On clearing all part 'A' subjects plus one part 'B' subject.
Manager	On clearing 10 subjects, i.e. on completion of Fellowship Examination.	On clearing 10 subjects, i.e. on completion of Fellowship Examination.

(B) EMPLOYEES PASSING FLMI EXAMINATIONS

- Asstt. Manager On clearing seven courses.
- Deputy Manager On clearing ten courses.

(C) EMPLOYEES PASSING ACII & FCII

- Asstt. Manager On passing ACII examination.
- Dy. Manager On passing FCII examination.

The Board also decided that three advance increments should be allowed to those promoted as Managers and Dy. Managers under A, B or C above. The Board further decided that the post from which an employee was promoted under A, B or C above, would automatically stand upgraded.

- (v) Executive Director (F&A) Memorandum No.102/87 Re: Pensionary Benefits to the Officers terminated but reinstated under Martial Law Order - 23.

The Board considered the proposal of Executive Director (F&A) regarding recovery of Corporation contribution to CPF and Gratuity received by employees terminated but reinstated under Martial Law Order-23 and decided that -

- (a) no interest would be charged on Gratuity paid to the officers on termination of service.
- (b) Corporation's contribution for Provident Fund would be refundable in instalments with the same rate of interest as chargeable on Provident Fund loans.
- (c) instalments of refund would commence from a prescribed date till liquidation of the amount recoverable or till retirement whichever is earlier. The amount of instalments would be determined so as to facilitate recovery in maximum of 60 monthly instalments or till retirement whichever is earlier.

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- (vi) Executive Director (F&A) Memorandum No.103/87
Re: Technical Pay:

The Board considered the proposal of Executive Director (F&A) to allow technical pay to officers possessing professional qualifications subject to the approval of the Government at the following scale :

<u>QUALIFICATION</u>	<u>TECHNICAL PAY</u>
FCA	Rs.1,000 p.m.
ACA/CPA	Rs. 800 p.m.
FCMA	Rs. 800 p.m.
ACMA	Rs. 600 p.m.
Systems Analyst	Rs. 600 p.m.
Computer Programmer	Rs. 600 p.m.
MBA	Rs. 600 p.m.

- (vii) Executive Director (F&A) Memorandum No.104/87 Re:
Technical Pay for Actuarial Students of the So-
ciety of Actuaries USA.

The Board approved the proposal of Executive Director (F&A) for technical pay for actuarial examination of the Society Actuaries, USA as under :

1. ASSOCIATESHIP

- | | |
|--|---|
| (a) Course No.100 & Course No.110 with credit of 60 units. | Rs.50 per month |
| (b) For the remaining 390 units of credit. | Rs.1/- for each unit per month in addition to Rs.50 per month. |
| (c) On completion of 450 units of credits. | Rs.60 per month in addition of Rs.440/- totalling Rs.500 per month. |

2. FELLOWSHIP


....

A technical pay of Rs.50 per month in addition of Rs.500 per month on completion of each year of experience and after fellowship not exceeding Rs.600 per month all inclusive.

- (viii) Executive Director (F&A) Memorandum No.105/87 Re:
Accounts for the half year ended 30th June, 1987.

The Board considered the memorandum of Executive Director (F&A) and noted that the results were satisfactory. However, the Board decided that Zones who had not held any revival contest, should be directed to hold revival contests.

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<p>(ix) Executive Director (F&A) Memorandum No.106/87 Re: <u>Amendment in General Provident Fund Regulations and Contributory Provident Fund Rules:</u></p>			
<p>The Board considered the memorandum of Executive Director (F&A) and approved the amendment as per Annexure "A" to the minutes except the following amendments relating to -</p>			
<p>(a) Regularisation of payments of loan for purchase of plots or construction of house from own contribution on the basis of Affidavit from the employee.</p>			
<p>(b) Recovery of dues of the Corporation on dismissal of an employees.</p>			
<p>(x) Executive Director (F&A) Memorandum No.107/87 Re: <u>Extension of Principle of Moveover to the Officers of State Life.</u></p>			
<p>The Board considered the proposal of Executive Director (F&A) and approved the following principles for Moveover of Officers:</p>			
<p>(a) An officer would be entitled to moveover provided he remained on the maximum pay scale for one year from the date of last revision/fixation of pay.</p>			
<p>(b) Officers upto the rank of Manager shall be eligible for moveover.</p>			
<p>(c) In case of Executive Officer/Asstt. Manager grading, atleast 2 of the last 3 ACRs should be 'Good' and there should be no adverse remarks in their ACRs in order to qualify for moveover.</p>			
<p>(d) In case of Deputy Managers and Managers grading in all the last 3 ACRs should be 'Good' and there should be no adverse remarks in their ACRs to qualify for moveovers.</p>			
<p>(xi) Executive Director (F&A) Memorandum No.108/87 Re: <u>House Rent Allowance:</u></p>			
<p>The Board approved the proposal of Executive Director (F&A) to revise House Rent Allowance for officers with the approval of Federal Government as under :</p>			
<p>(a) Officers drawing basic pay upto but not exceeding Rs.2,815 i.e. maximum of 8(a) Superintendent's grade. House Rent Allowance at the rate of 55% of pay.</p>			
<p>(b) Officers drawing pay above Rs.2,815 House Rent Allowance at the rate of 45% of pay subject to minimum of Rs.1540.</p>			
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- (xii) Executive Director (INV) Memorandum No.109/87 Re: Review of the Investment Performance during the period ending September 30, 1987 in the light of the Investment Strategy for the year 1987.

The Board noted the investment performance and decided that sale and purchase of shares, securities and land etc. should be guided by sound investment principles and transactions should not be made only to maintain or enhance the investment yield.

- (xiii) Executive Director (INV/RED) Memorandum No.110/87 Re: Purchase of Land for State Life at Gujranwala.

The Board considered the memorandum of Executive Director (INV/RED) and approved purchase of land at Gujranwala at suitable and competitive price to be negotiated by the Executive Committee.

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

M. H. Khan

(CHAIRMAN)

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REGULATIONS	HELD AT	ON :	TIME
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S.No. REGULATION NUMBER	EXISTING TEXT	PROPOSED AMENDMENT	REASONS FOR THE PROPOSED AMENDMENT
(1) (2)	(3)	(4)	(5)
1.		In exercise of the powers conferred by Article 49 of the Life Insurance (Nationalisation) Order, 1972 (PO) No.10 of 1972), the State Life Insurance Corporation of Pakistan, with the previous approval of the federal Government, hereby makes the following amendments in the State Life Insurance Corporation Employees Contributory Provident Fund Regulations, 1975 namely :-	
2.	Regulation 2(b) Family in relation to a member means the wife, wives or husband and children of the member and the widow or widower and children of a deceased son or daughter of the member.	"Dependent parents may be added after the word daughter"	A member besides his wife and children has also to meet expenses of his dependent parents. This amendment will facilitate members in getting loans for expenses of their dependent parents.
3.	Regulation 3(d) New Clause	"Donations" shall be added.	This provides for receipt of donations in the Provident Fund.

ANNEXURE "A"

PROPOSED AMENDMENTS IN CONTRIBUTORY PROVIDENT FUND REGULATIONS 1975

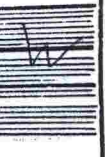
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S.No.	REGULATION NUMBER	EXISTING TEXT	PROPOSED AMENDMENT	REASONS FOR THE PROPOSED AMENDMENT	
(1)	(2)	(3)	(4)	(5)	
4.	Regulation 4 (1)	The fund shall be held by the Corporation and shall be administered by a Committee of twelve persons including a Chairman, appointed by the Corporation in such manner and for such term as it may determine from time to time (hereinafter referred to as the Administrators). The management custody, investment and control of the fund shall vest in the Administrators	(a) in sub-regulation (1) in the third line, between the words "Corporation" and "in" the following shall be inserted namely : "including one person from amongst employees in pay scales 1 to 8 and appointed by the Corporation." (b) For word "twelve" the word "seven" be inserted.	The Wage Commission has recommended (Para 101 of the Award) that Administrators of Provident Fund should include one of the workers nominated by the Chairman of the Corporation. Practically there are two representatives of the Union. Control over the Fund by 12 Administrators is cumbersome. The number of administrators be therefore reduced.	
5.	Regulation 4 (2)	"The Administrators shall with the previous approval of the Corporation appoint a Secretary of the fund who shall be responsible for the custody of all records and books of the fund, including the records of the decisions of the meetings of the administrators, and shall maintain the accounts of the Fund".	(a) in sub-regulation (2), after the word "appoint" the following shall be inserted, namely :- "in such manner and on such terms and conditions as the administrators may deem fit".	As per the existing Rule, only a full time secretary can be appointed. It may be desirable to make provision to engage a part time Secretary if such arrangement is considered necessary and feasible for economy in expenses	

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(5)

Past experience has shown that the centralised control exercised by the Committee of 12 Administrators in respect of routine financial matters of the Fund is too cumbersome and time consuming. Legal opinion recently obtained on this issue clarified that the powers of the Administrators can be delegated only to the extent such delegation is provided in the instrument of trust and any extension in the delegation of the stated powers will be in contravention of Section 47 of the Trust Act 1982.

The proposed sub-regulation will facilitate Regional Sub-Committee to be set-up in the future to handle the routine work of the Fund, at regional level, as per the directions of the Administrators.

(4)

(a) in sub-regulation (3) between the words of "and" "administrative" the words and Comma financial jointly with any other administrator (5) shall be inserted.

(b) after sub-regulation (3), a new sub-regulation shall be added, namely :-

"(4) The Administrators may appoint regional sub-committee or sub-committees to carry out such administrative and financial functions and in such manner and to such extent as the Administrators may from time to time decide".

(3)

The Administrators may, by resolution delegate to the Secretary of the Fund or to such other person or persons such functions of administrative and secretarial nature as they, from time to time deem fit.

(2)

6. Regulation 4 (3)

(1)

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(1)	(2)	(3)	(4)	(5)	
7.	Regulation 5(2)	Seven administrators, of whom one shall be the Chairman, shall constitute the quorum.	For the word seven 'Five' be substituted.	The Administrators of the Fund are senior officers of the Corporation and are already preoccupied with different jobs. This amendment will help in arrangement of meeting and getting loan and settlement cases processed speedily.	
8.	Regulation 5(4)	Resolution of the Administrators may be passed by circulation signed by not less than eight Administrators, of whom one shall be the Chairman, and all resolutions so passed shall have the same effect as if passed at a meeting.	For the word eight 'six' be substituted.	-do-	
9.	Regulation 8(1)	"Every permanent employee of the Corporation shall subscribe to the Fund. An application for membership of the fund shall be in the form set out in schedule-1".	In regulation 8, in sub-regulation (1), between the words "Corporation" and "shall" the following shall be inserted, namely :- "or an employee on deputation or contract whose participation in the Fund is stipulated in the terms of his appointment".	Regulation 1(3) stipulates participation in the Fund of employees who are on deputation or contract according to the terms of their deputation or contract. Regulation 8(1) is interrelated with Reg.1(3). The proposed amendment will bring the two Regulations in better unison.	

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	(5)		
10.	Regulation 9(1)	<p>"Every member shall subscribe monthly of the fund when on duty a sum of not less than 8-1/3% of his pay, which shall be deducted by the Corporation from each payment salary made to him from the date of admission to the fund and shall be paid by the Corporation to the Administrators who shall credit the same to the individual accounts of such members in the fund".</p>	<p>(a) between the words "payment" and "salary" the word "of" shall be inserted.</p> <p>(b) After 8-1/3% "the words or such higher percentage as the Corporation may fix" shall be added.</p>
11.	Regulation 9(3)	<p>A member may, at his option, not subscribe during leave. In case he elects not to subscribe, he shall intimate his election to the Secretary before he proceeds on leave. Failure to make due and timely intimation shall be deemed to constitute an election to subscribe. The option of a member under this sub-regulation shall be final".</p>	<p>The addition of the word "of" is intended to correct what appears to be an inadvertent omission.</p> <p>The rate of Contribution may be changed by the Corporation at any time.</p> <p>The option which this sub-regulation provides is commonly not given to members. Continuing subscription during leave period is obligatory according to the normal practice followed by Provident Fund Trusts. Even otherwise, the members option has no practical value since no reasonable person will be inclined to forego the benefit of employer's matching contribution. On the contrary it may encourage the reckless spend thrifts to have an additional source to squander the</p>

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(1)	(2)	(3)	(4)
12.	Regulation 10(1)	<p>"The Corporation shall make a contribution to the account of each member at the end of each month of a sum equal to 8-1/3 percent of the member's pay".</p> <p>"If a member subscribes during leaves, his leave salary shall for the purpose of this regulation be deemed to be his pay drawn on duty".</p>	<p>After 8-1/3% or such higher percentage as the Corporation may fix" shall be added.</p>
13.	Regulation 10(2)	<p>"In the event of any employee resigning from the services of the Corporation before the completion of five years of continuous service, the Corporation may disallow or any part of the amount of its contribution together with interest thereon and the amount so disallowed shall be paid back to the Corporation by the Administrators".</p>	<p>Seems superfluous.</p>
14.	Regulation 10(3)	<p>"In the event of an employee resigning from the service of the Corporation before completion of five years of continuous service, or his services being terminated/dismitted by the Corporation before completion of five years continuous service for</p>	<p>Occurrences may arise when it may be necessary to pay Corporation's contribution before completion of five years to an employee who is on contract or deputation with the Corporation, according to the terms of his contract. or deputation. Hence it is necessary to amend the first part of this sub-regulation, as proposed.</p>
			(5)
			<p>money they can save for their retirement.</p> <p>The amendment is necessary due to proposed change in Regulation 9(1).</p>

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(1)	(2)	(3)	(4)	(5)
	<p>any reason other than of illhealth, the Corporation may disallow the whole or any part of the amount of its contribution together with interest thereon and the amount so disallowed shall be retained by the Administrators.</p>	<p>There is no provision in the existing Sub-Regulation to disallow Corporation Contribution to a member who is either dismissed or whose service is terminated by the Corporation, before the completion of five years continuous service. The proposed amendment removes the existing disparity in the member's eligibility to receive Corporation's contribution on voluntary resignation and termination by the Corporation. The retention of disallowed money can be distributed among members in accordance with Regulation 3(c).</p>	<p>(c) after sub-regulation (3), a new sub-regulation may be added, namely:- "(4) on the expiry of contract of a member with the Corporation, the Corporation may allow to such member the whole or any part of its contribution together with interest thereon whether so provided in the terms of contract or not".</p>	<p>The present Regulations are silent on this issue. The proposed new Sub-Regulation will regulate settlement of the accounts of deputationists and those who are on contract with the Corporation.</p>
	<p>15. Regulation 10(4)</p>			

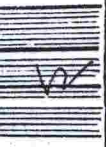
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(5)	<p>The Administrators jointly take decision the amendment shall correct the mistake.</p> <p>Present rules do not authorize payment against group policy. This amendment thus provides for payment against group policy.</p>	<p>There are no restrictions in the existing regulations to control volume of loans. There has been tendency among members to apply for loans even after the proposed amendments will help in curtailing volume of loans.</p>	
(4)	<p>(a) word "them" be substituted for word "him".</p> <p>(b) following regulation be added :</p> <p>"on the request of a member, the Administrators may out of the amount standing to the credit of a member's account allow payment of premium on the policies of Group Insurance covering the life of the member provided that the member irrevocably, authorises the Administrators to collect the amount of claim under the group insurance policy".</p>	<p>The following new regulations shall be added:</p> <p>A Second loan under regulation 15 shall be paid only after 50% of the first loan has been recovered from the salary of the member or when a member has refunded entire loan in lumpsum. In case a member applies for a fresh loan after his 50% loan is recovered balance of loan alongwith interest shall be</p>	
(3)	<p>"The Administrators may out of the amount standing to the credit of a member's account, allow payment of premia on the policies of insurance on the life of the member or of his spouse, provided the policy is assigned to the Administrators in such manner as may be determined by him from time to time".</p>		
(2)	16. Regulation 14(1)	17. Regulation 16(3)	
(1)			

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recovered from the fresh loan. Instalments of fresh loan shall be fixed on the basis of total loan comprising fresh loan and the balance of previous loan.

18. Regulation 16(4)

A fresh loan under regulation 14 shall only be paid after repayment of outstanding loan along with interest.

19. Regulation 16(5)

A second loan under Regulation 15 in conjunction with regulation 16(2) shall be paid only if a member repays fully the outstanding first loan including interest.

20. Regulation 27.

After regulation 26, the following new regulation shall be added, namely :

"27 All amounts standing to the credit of members which remain unclaimed after a period of five years from the date of the last subscription by such members shall be transferred to a reserve account to be utilised as the Administrators in their absolute discretion as they think fit, for the benefit of the members of the Fund. The Corporation shall have the first charge to the extent of its own contribution and interest thereon forfeited from the member for recovery of the outstanding dues of the Corporation owned by such members arising through his act of neglect, omission or fraud". or any other dues of the Corporation outstanding against the members.

The current regulations are silent on this issue. The proposed Regulation will serve as a guide line for the disposal of unclaimed balances. In the absence of this directive, disposal of unclaimed balance will become a matter of controversy in the future.

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<p>(1) Regulation 3(c)</p> <p>(2) Interest accrued on subscription and Contribution.</p> <p>(3)</p> <p>(4) Income from sale of investments, Income accrued on subscription and contribution, and investments held in the fund and amounts lapsed or forfeited in favour of the fund.</p> <p>(5) The present regulations do not provide for distribution of lapses and forfeitures among members. The amendment will provide for the distribution which will be in line with other Provident Funds.</p>			

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