

N.S.S yields raised from 1 Oct 2010

Nominal yields on fresh investments in National Savings Schemes were increased on 1 Oct 2010:

Fresh investment date	1 Jul 09 to 30 Sep 10	1 Oct 10 onwards
3 yr Sp. Savings Certificates, if held to maturity	11.99 % pa compound to maturity	12.46 % pa compound to maturity
5 yr Regular Income Certs (yield payable monthly)	12.00 % pa (simple average)	12.36 % pa (simple average)
10 yr Bahbood Svng Cert (yield payable monthly)	14.16 % pa (simple average)	14.64 % pa (simple average)
Fresh investment date	24 Jun 08 to 30 Sep 09	1 Oct 10 onwards
10 yr Defence Saving Certs, if held to maturity	12.16 % pa compound to maturity	12.58 % pa compound to maturity

Estimates of future inflation are prone to error. But suppose inflation for the next 36 months is 13.5% pa. This would act like a tax of about 100% on the nominal yield. The Table below shows the effect on Special Savings Certificates.

Yield on Special Savings Certificates	Compound yield if held to maturity
Nominal	12.46 % pa
Net of inflation @ 13.5% pa	(-) 0.92% pa
Net of inflation & 10% withholding tax on income	(-) 1.91% pa
Net of inflation, tax & zakat	(-) 2.50% pa

In real terms, 10% income tax with-held would act as a tax on capital, not a tax on income.

Samee-ul-Hasan has worked for 52 years in actuarial & insurance fields. Honoured by Insurance Association of Pakistan

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At its annual dinner on 18 Sep 2010, the IAP presented a plaque to recognise his "long and devoted services to the insurance industry".

Minimum Wage base for EOBI contributions not yet raised

Clause (p) of S.2 of the EOBI Act, 1976, says '“wages” means the rates of wages as declared under the Minimum Wages for Unskilled Workers Ordinance, 1969 '.

Since 1 July 2005, contributions to EOBI have been based on that Minimum Wage, not the actual wage. Initial pensions of new pensioners have also been based on that Minimum Wage.

The Minimum Wage under the 1969 Ordinance was Rs 6,000 pm as at 30 June 2010. The Prime Minister announced that the "Minimum Wage" would be raised to Rs 7,000 pm.

The Punjab Government did issue a notification dated 28 July 2010, referring to the Prime Minister's announcement. But the notification was issued under the Minimum Wages Ordinance, 1961, not the 1969 Ordinance. On the face of it, the 1961 Ordinance is not relevant for contributions to EOBI.

As far as we know, no amendment has yet been made by the Federal Government, or a Provincial Government, in the 1969 Ordinance's Minimum Wage. Until such amendment, it seems EOBI contributions will continue to be calculated on Rs 6,000 p m.

The above statements are based on a plain reading of the law. We recommend that legal advice be taken. All concerned should watch the notification situation carefully.

Existing EOBI pensions increased

On the 26th July 2010, the Federal Government issued a Notification which raised existing pensions to Insured Persons and Survivors. An existing pensioner will get a Minimum Pension of Rs 3,000 p.m. (instead of Rs 2,000 pm upto 30 June 2010.). But if his "existing pension + 15%" is more than Rs 3,000 pm, he will get the higher amount.

Adjustments will be made if the existing pension is a "reduced" pension.

The Notification also improved benefits to unmarried female children, or disabled children, of a deceased insured person.

EOBI a provincial subject under the 18th Amendment to Constitution?

It seems that under the 18th Amendment, EOBI may have become a provincial subject.

Pensions are long term benefits. A person may work in many provinces over his or her lifetime. Other federal countries with strong state rights, like the USA and Germany, have single state pension schemes for the whole nation.

If indeed EOBI is now a provincial subject, only time will tell if this devolution will work smoothly. The division of assets and liabilities may prove complicated.

At present, only 5% of the work-force is covered by EOBI. A possible good result could be that provinces, using their power under devolution, extend EOBI's scope to provide subsistence pensions to the entire work-force.

Protests in France over proposed reforms of pension schemes

France has about 25 national pension schemes, based on occupations. They are not administered by the state, but for practical purposes are state pension schemes. Like most state pension schemes, the "Pay As You Go" principle applies.

Both men and women can retire at age 60, if they have contributed for at least 40.5 years. On reaching age 65, the full pension starts.

But in France the ratio of pensioners to working people has increased, and will continue to increase. This will strain the finances of the pension system. Many other countries face the same problem, because of low birth rates, and longer life expectancy.

To solve this problem, the French Government proposed to raise the retirement age to 62 by 2018, the contribution period to 41.5 years, and the full pension age to 67 years. Government said this would save 70 billion euros per annum.

Over 1 million people took to the streets to protest against these proposals. As a result, the Government announced relatively minor changes, to alleviate certain hardship cases. But the core proposals remain in tact.

Useless information

Sanskrit, most languages in the Indo-Gangetic plain, Farsi, Latin and most European languages, belong to the Indo-Aryan family. Some basic words and numbers are recognisably similar.

Examples: Urdu/Hindi *aag* is descended from Sanskrit *agni*, related to Latin *ignis*. English *widow*, German *witwe*, and Sanskrit *vidhva* mean the same. Urdu/Hindi *bèva* is descended from *vidhva*. Urdu/Hindi *laash*, a dead body, means the same as German *leiche*. *Lych-gate* is the entrance to an English church graveyard.

Readers should take expert advice on legal, tax and investment matters

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