"Service charges" reduced on RIC's and Pensioners'/Bahbood

"Service charges" on pre-mature encashment of these National Savings schemes have been halved from 25 Jan 2006, as follows:

5 year Regular Income Certificates

Period held to encashment	Previous charge	Revised charge
Less than 1 yr	4 %	2 %
At least 1 yr, less than 2 yrs	3 %	1½ %
At least 2 yrs, less than 3 yrs	2 %	1 %
At least 3 yrs, less than 4 yrs	1 %	½ %

10 year Bahbood/Pensioners'

Period held to encashment	Previous charge	Revised charge
Less than 1 yr	2 %	1 %
At least 1 yr, less than 2 yrs	1½ %	¾ %
At least 2 yrs, less than 3 yrs	1 %	½ %
At least 3 yrs, less than 4 yrs	½ %	¼ %

Charitable Organisations now allowed to invest up to Rs 10 million in SSC's.

There has been a small break in the log-jam created after 25 March 2000, when new investments in National Savings Schemes were limited to individuals.

Under a Notification dated 15 Dec 2005, "non-profit bodies, registered as a charitable organization under the Societies Registration Act, 1860 (XXI of 1860), or registered or approved as a charitable non-profit organization under any other law for the time being in force, may purchase [Special Savings Certificates] up to a maximum limit of ten million rupees only".

Before buying SSC's, charitable organisations should review their existing tax documentation, to ensure that it will prevent deduction of with-holding tax.

Our colleague Irfan Ali becomes a Fellow of the UK Institute of Actuaries

Irfan was awarded a 1st Class BE degree from the NED University of Engineering in Technology, in 1998. In 1999, he obtained a Postgraduate Diploma in Actuarial Science from the City University, London, which was converted to an M.Sc in Actuarial Science, after he submitted a thesis. He joined us in 2000. He passed the Institute's exams (held in Pakistan through the British Council), and became a Fellow in September 2005.

He has just returned from London after attending the Professionalism Course for new Fellows. He becomes the third Fellow of the Institute on our team.

Super-pill to reduce cardio-vascular disease by 80%?

The British Actuarial Journal Vol 10, Part IV, has a comprehensive paper by a Working Party of actuaries on "Longevity in the 21st Century". Among other nuggets of information, it mentions a Super Pill, or Polypill. Professors Law and Wald have applied for a patent for this pill, which they say should be taken daily by every person over the age of 55, irrespective of previous

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history. This pill would contain 6 drugs:

a statin to reduce LDL
a combination of low doses of three blood pressure reducing drugs
folic acid to reduce the level of homocysteine in the blood; and
aspirin to regulate blood platelet function.

Based on research published in the British Medical Journal, June 2003, they say this could reduce cardio-vascular disease by more than 80%.

"The constituent drugs for the 'polypill' are all either off-patent or soon will be. This will make [it] cheap". But the Working Party says "many in the medical community have remained somewhat sceptical".

SECP regulates life insurance policies financed by withdrawals from Recognised Provident Funds

SECP's Circular of 6 Feb 2006 (on their web-site) regulates life policies financed by withdrawals from Provident Funds.

From 1 July 2006, every prospective customer must be given an illustration comparing (a) the death benefits, surrender values and maturity benefits under the proposed policy, with (b) the results if the premiums are left in the Provident Fund to earn 8% pa compound. A copy of the illustration must be delivered to the Trustees of the Provident Fund.

No illustration is required if the policy provides only risk cover.

Should Defined Benefit Pension and Gratuity Funds buy ordinary shares?

Pension funds in developed countries invested more than 50% in ordinary shares. The expectation was that, net of inflation, shares provide the best yields, and help to reduce the costs of such schemes.

Under a Defined Benefits Pension Scheme, the ultimate liability almost always falls on the Employer. Therefore, ordinary shares held by the pension fund are in effect held by the Employing company, and thus indirectly by its shareholders. So an opposite view has gained much ground. In that view:

People hold a company's shares because it runs a particular business (or businesses); not to become indirect owners of a portfolio of ordinary shares.

So the pension fund should buy low-risk debt securities. The company should focus on its own business, instead of adding on the business of running a portfolio of shares. If shareholders want to create such a portfolio, they can do so themselves.

Both sides have strengths and weaknesses in their arguments. The debate has profound implications for the financial system.

Irrespective of who is right, an actuary should assess the risks of ordinary shares to the whole system, i.e. company plus Pension and Gratuity Fund.

Alcohol causes almost as many deaths and disabilities globally as smoking or high blood pressure

According to the BBC, an international team of scientists, writing in the Lancet, found 4% of the global burden of disease is attributable to alcohol, compared with 4.1% to tobacco and 4.4% to high blood pressure.

Alcohol related diseases include cancers of the mouth, liver and breast, heart disease, stroke, and liver cirrhosis. Alcohol also causes car accidents, drownings, falls and poisonings. It is also linked to a proportion of self-inflicted injuries and murders.

Useless information: Meena Kumari

The late Meena Kumari was well-known as a film star. But she also composed Urdu poetry. Her real name was Mahjabeen Naz.