

THE HIGH COURT OF SINDH KARACHI

Mr. Justice Muhammad Saleem Jessar
Mr. Justice Nisar Ahmed Bhanbhro

- C.P. No. D-931 of 2026 : Muhammad Shamim Akmal Khan & others versus Federation of Pakistan & others.
- C.P. No. D-1591 of 2026 : Syed Hassan Mustafa Kazmi & others versus Federation of Pakistan & others.
- C.P. No. D-1730 of 2026 : Israr Ali & others versus Federation of Pakistan & others.
- C.P. No. D-2235 of 2026 : Riaz Ahmed & others versus Federation of Pakistan & others.
- C.P. No. D-999 of 2026 : Pakistan Airline Pilot's Association & others versus Federation of Pakistan & others.
- C.P. No. D-1953 of 2026 : Rakshanda Pervaiz & others versus Federation of Pakistan & others.
- Petitioners : M/s. Malik Naeem Iqbal, Muhammad Saad Siddiqui, Barrister Talha Abbasi, Sahibzada Muhammad Mubeen, Malik Waseem Iqbal, Barrister Khurram Memon, Muhammad Rizwan, Ishfaq Ahmed, Shahriyar Ahmed, Advocates.
- None present for the Petitioners in
C.P. No. D- 1953 of 2026**
- Respondents : Khalid Mehmood Siddiqui, Aga Zafar Ahmed, Syed Mustafa Ali and Feroz Ahmed, Advocates, (assisted by Ms. Rifaq Sultan, Division Head (Litigation) of State Life Insurance Corporation of Pakistan.
- Federation of Pakistan : Ms. Shazia Hanjrah,
Deputy Attorney General for Pakistan.
- Date of hearing : 29-04-2026
- Date of decision : 29-04-2026
- Date of Reasons : 14-05-2026

J U D G M E N T

Muhammad Saleem Jessar, J. - We propose to decide the fate of the captioned petitions through this common judgment, as they involve a common question of law and facts.

2. The controversy involved in these petitions arises out of the alleged unilateral modification and curtailment of the Petitioners' vested post-retirement medical benefits by Pakistan International Airlines Holding Company Limited ("**PIAHCL**").

3. Learned counsel for the Petitioners contended that the vested post-retirement medical benefits and healthcare entitlements of the Petitioners and other similarly placed retirees/employees have unlawfully been curtailed and substituted through a time-bound and financially restricted insurance arrangement administered by State Life Insurance Corporation (SLIC). It was further contended that the impugned action is *ex facie* illegal, without lawful authority, and ultra vires the provisions of the Act, 2016, particularly Section 3(6) thereof, besides being in direct contravention of Chapter 20 of the Personal Policy Manual (PPM). It was argued that the impugned measures amount to an unlawful deprivation and discriminatory curtailment of vested post-retirement rights and benefits, thereby infringing the fundamental rights guaranteed to the Petitioners under Articles 4, 9, 14, and 25 of the Constitution of the Islamic Republic of Pakistan, 1973.

4. It was submitted by learned counsel for the Petitioners that the retired employees were getting medical benefits through ERP system and blocking and discontinuation of ERP access by PIACL, in respect of the Petitioners and other similarly placed employees/retirees is wholly without lawful authority, arbitrary, and devoid of any lawful justification. It was further submitted that the directives contained in Circular No. 03/2026, whereby it was stipulated that PIA Medical Centres would cease to entertain retirees after the expiry of the prescribed registration deadline, are *ex facie* coercive, unlawful, and ultra vires the governing legal and policy framework. According to learned counsel, the said directives effectively operate to compel the Petitioners to acquiesce to the

impugned insurance-based regime. They further averred that the impugned action is in clear violation of the Act, 2016, particularly Section 3(6) thereof, which expressly protects existing service and post-retirement benefits and bars any alteration thereof to the detriment of employees and retired employees, including pensionary and other accrued obligations owed to retirees. They further contended that PIAHCL, is attempting to justify the impugned action on the pretext of internal restructuring, which, according to them, is impermissible in law where it results in the curtailment or dilution of vested and statutorily protected rights.

5. Learned counsel for the Petitioners submitted that once retirement benefits accrue and stand crystallized upon superannuation, the same attain the character of vested rights, enjoying heightened protection in law and cannot be treated as discretionary, conditional, or expendable entitlements. It was further contended that the Honorable Supreme Court of Pakistan has consistently held that such accrued retirement benefits cannot be unilaterally altered, withdrawn, or diminished to the prejudice of retired employees under the guise of policy revision, administrative arrangement, restructuring, or financial constraints. They further averred that the impugned actions are in direct contravention of the express terms, safeguards, and protections contained in the Scheme of Arrangement approved on 03.05.2024, thereby rendering the same ultra vires and legally unsustainable.

6. They further submitted that only the Petitioners' category has been subjected to restrictive conditions, including panel hospital limitations, denial of reimbursement of medical expenses, mandatory card-based debit restrictions for OPD services, withdrawal of reimbursement facilities, and exclusion from access to major specialty institutions, whereas all other similarly placed categories continue to enjoy full, uninterrupted, and comprehensive medical coverage without such constraints. It was further argued that a substantial number of the Petitioners are residing in their respective native towns, villages, and smaller cities, where the facilities and network of SLIC, are either limited or not adequately available, thereby causing undue hardship, inconvenience, and practical impediments in availing timely medical treatment. In these circumstances, it was prayed that the instant petitions may be allowed and the Respondents may be directed to extend to the

Petitioners the same treatment, rights, and medical facilities as are being accorded to other similarly situated employees and retirees, thereby ensuring parity and non-discriminatory application of policy. Counsels for the Petitioners relied upon the case of 2024 SCMR 1689 (*Re: Muhammad Yousuf versus Province of Sindh & others*) and C.P. No. D-2224 of 2007 passed by this Court vide order dated 29.03.2010.

7. Learned counsel appearing on behalf of PIACL vehemently opposed the petitions and contended that, under the Scheme of Arrangement, all liabilities relating to medical and pension benefits stand transferred to PIAHCL. He submitted that the restructuring and legal segregation of PIACL was duly approved by the Federal Cabinet, shareholders, and creditors. He further argued that any grievance of the petitioners, if so arising, lies against PIAHCL and not PIACL.

8. Learned counsel for the Respondents PIAHCL & SLIC vehemently opposed the submissions advanced on behalf of the Petitioners and contended that enhanced and comprehensive medical facilities, including unlimited coverage, have been extended to the Petitioners through SLIC. It was specifically denied that the Petitioners have been subjected to any discrimination. Learned counsel further submitted that the Petitioners and other retired employees are not deprived of medical treatment or facilities, as the same continue to be provided through the revised administrative mechanism. It was further contended that the Petitioners have no vested right to challenge the policy decision regarding engagement of SLIC for management and administration of medical facilities for eligible retired employees. According to the Respondents, such policy decision squarely falls within the executive domain and does not amount to infringement of any vested or fundamental right of the Petitioners, nor does it violate any statutory protection under the Act, 2016.

9. While candidly acknowledging that the protections envisaged under Section 3(6) of the Act, 2016 are available to retired employees, learned counsel maintained that the transition of medical administration to SLIC does not constitute any change to the disadvantage of the retired employees within the meaning of Section 3(6). It was submitted that the medical coverage and benefits continue in substance, and only the

administrative modality for delivery thereof has been reorganized pursuant to the Scheme of Arrangement.

10. They further averred that more than 800 IPD hospitals across Pakistan have been empanelled to provide improved medical treatment and healthcare facilities to the Petitioners and other eligible retirees. It was further submitted that a substantial network of OPD hospitals, including approximately 39 designated OPD facilities, along with in-house pharmacies and pharmacy networks throughout Pakistan, has also been engaged. Learned counsel contended that all categories of hospitals and medical facilities have been brought within the panel to ensure that the Petitioners may avail medical treatment without making any out-of-pocket payment during the course of their treatment. They further contended that the employees transferred to PECPL were governed by a distinct scheme and separate terms and conditions applicable to their transfer and service structure. It was submitted that the comparison sought to be drawn by the Petitioners between their own categories and that of PECPL employees is misconceived, misplaced, and does not establish any case of discriminatory treatment. Therefore, they prayed that the petitions may be dismissed as being not maintainable.

11. Learned Deputy Attorney General for Pakistan, while opposing the instant petitions, adopted and reiterated the submissions advanced by the learned counsel appearing on behalf of the Respondents. She supported the stance taken by the Respondents and prayed for dismissal of the petitions.

12. Heard learned counsel for parties and perused the material made available before us on record.

13. In a nutshell, the Petitioners are aggrieved of the Scheme of Arrangement entered into between PIAHCL and SLIC, whereby the administration and provision of medical facilities has been delegated to SLIC, on the ground that the same is in violation of the Act, 2016, and is detrimental to the terms, conditions, and post-retirement benefits of the retirees. It is further stated that, prior to the Scheme of Arrangement, medical facilities were being extended to retirees under the PPM, which included indoor and outdoor treatment, consultation with external

specialists, and reimbursement of medical expenses. The petitioners, however, contend that the scope of medical benefits has been substantially curtailed and restricted to a limited panel/hospital network, cashless pharmacy services, and provision of prescribed medicines only, thereby effectively excluding reimbursement for treatment obtained from non-panel healthcare providers. The retirees are now required to register with SLIC, following which access to PIA Medical Centres has been discontinued, thereby adversely affecting their vested medical entitlements.

14. It is the case of the Petitioners that the long-standing medical facilities and healthcare entitlements, previously available and protected under the PIA Corporation (Conversion) Act, 2016, (“**Act, 2016**”) particularly Section 3(6) thereof read in conjunction with Chapter 20 of the PIA Personnel Policy Manual (“**PPM**”), have unlawfully been substituted with a restricted, time-bound, and financially capped insurance-based arrangement administered through State Life Insurance Corporation of Pakistan (“**SLIC**”). The Petitioners assert that such substitution amounts to an impermissible alteration of accrued and vested post-retirement rights and benefits, without lawful authority and in derogation of the governing statutory and contractual framework. It is contended that such accrued entitlements cannot lawfully be withheld, deferred, curtailed, or diluted on the basis of administrative exigencies, policy considerations, or alleged financial constraints, as the same enjoy protection under the applicable statutory and constitutional framework. The Petitioners have been directly and adversely affected by the impugned action, inasmuch as they fall within the category of retired employees who superannuated on or before 30th September, 2023, and whose post-retirement liabilities, obligations, and attendant service benefits stood vested in and was the responsibility of PIAHCL.

15. It is further the case of the Petitioners that, prior to the implementation of the Scheme of Arrangement, the medical facilities and healthcare entitlements of employees and retirees of Pakistan International Airlines were governed, and continue to be governed, by Chapter 20 of the PPM, which envisages and provides for comprehensive medical coverage, including but not limited to in-patient and out-patient treatment through PIA doctors, hospitals, laboratories, and clinics,

maternity-related medical facilities, reimbursement of medical expenses, and consultation and treatment through outside specialists. It is further stated that Clause 20.02.01 of Chapter 20 of the PPM expressly stipulates that PIA employees shall be entitled to such medical facilities and coverage as may be sanctioned from time to time, and that, in terms of the established practice, policy framework, and the protection afforded under Section 3(6) of the Act, 2016, the said medical benefits and facilities extend equally to retired employees as part of their protected post-retirement entitlements.

16. According to the Petitioners, the Precision Engineering Complex (Private) Limited (“**PECPL**”), is a newly incorporated entity tracing its origin to the Precision Engineering Complex (“**PEC**”), a unit initially owned and operated by Pakistan International Airlines and thereafter by Pakistan International Airlines Corporation Limited (“**PIACL**”). Subsequently, pursuant to the Scheme of Arrangement dated 03.05.2023, the said unit was transferred to PIAHCL. Thereafter, PECPL was incorporated as a separate legal entity, and the assets, liabilities, and operational structure of the PEC were transferred from PIAHCL to PECPL through a Scheme of Arrangement framed under Sections 279 to 283 read with Section 285(8) of the Companies Act, 2017, which was approved by Security & Exchange Commission of Pakistan (“**SECP**”) on 05.12.2025. The Petitioners submit that, under the said Scheme of Arrangement, all employees associated with the PEC, including serving and retired employees previously vested in PIAHCL, were transferred to PECPL with explicit protection and continuity of their service rights, terms and conditions of service, and post-retirement benefits.

17. It is further the case of the Petitioners that the SLIC, has been engaged by PIAHCL, for the administration and implementation of an insurance-based medical coverage arrangement for the Petitioners. According to the Petitioners, the said arrangement is inherently time-bound and subject to funding limitations, and forms an integral part of the impugned action, whereby the Petitioners’ legally protected and vested post-retirement medical entitlements, guaranteed under the Act, 2016 and governed by Chapter 20 of the PPM, have been unlawfully substituted, restricted, and curtailed.

18 It was further contended that PIAHCL, has sought to unilaterally shift the Petitioners from the existing statutory and policy-based medical regime to a limited insurance-based arrangement administered through SLIC. In this regard, Circular No. 03/2016 dated 09.02.2026, issued by PIAHCL, directed all retirees who had retired on or before 30.09.2023 to complete registration with SLIC by 15.02.2026, coupled with an express stipulation that, upon expiry of the said deadline, such retirees would no longer be entertained at PIA Medical Centres. The said deadline was subsequently extended till 15.03.2026 through notification dated 25.02.2026. The Notification dated 20.02.2026, issued by PIAHCL, to prescribe the principal features of the SLIC Health Insurance Scheme, which primarily confines coverage to in-patient treatment and hospitalization-related contingencies, including hospitalization expenses, emergency treatment, ICU coverage, pre- and post-hospitalization expenses up to 30 days, and day-care surgeries, while simultaneously imposing restrictive conditions, including denial of reimbursement claims and exclusion of expenses incurred at non-panel hospitals. According to them, said arrangement materially restricts and diminishes the comprehensive medical facilities previously available to them.

19. It was further grievance of the Petitioners that PIACL, acting without lawful authority and in an arbitrary manner, blocked and discontinued the Petitioners' access to the ERP system maintained by it, notwithstanding the Respondents' own representation that the impugned transitional arrangement was temporary in nature and stated to remain operative only up to 15.03.2026. According to the Petitioners, the ERP system constituted the primary mechanism through which they were able to avail and process essential medical facilities and services, including OPD consultations, issuance of in-patient referrals, approvals for surgeries and medical procedures, diagnostic facilitation, and other allied medical entitlements. The Petitioners contend that the unlawful suspension and blockage of such access has effectively deprived them of the ability to obtain timely and necessary medical treatment, thereby seriously prejudicing their vested post-retirement medical rights and entitlements.

20. In sum and substance, the Petitioners contend that, pursuant to the various Schemes of Arrangement, the employees originally associated with PIACL, now stand distributed amongst different entities and

categories. According to the Petitioners, it is of material significance that, whereas the overwhelming majority of such categories continue to enjoy and receive full medical facilities and healthcare benefits in terms of the PPM and the governing statutory framework, only one distinct class, namely retirees who superannuated on or before 30.09.2023 and whose liabilities remain vested in PIAHCL, has been singled out and subjected to a diminished, conditional, and time-bound insurance. The Petitioners submit that such treatment constitutes an unlawful classification, resulting in manifestly arbitrary and discriminatory treatment amongst similarly situated retirees, without any reasonable nexus or lawful justification.

21. In support of their stance, the petitioners primarily place reliance upon the Pakistan International Airlines Corporation (Conversion) Act, 2016, and in particular Section 3(6) thereof, read with the Pakistan International Airlines Personnel Policy Manual, especially Chapter 20. For ease of reference and proper appreciation, Section 3 of the Act, 2016 is reproduced hereunder:

3. ***Conversion of Corporation into a Company. –***

(6) *All employees of the Corporation shall be deemed to be employees of the Company on the same remuneration and other conditions of service, rights and privileges including but not limited to the provisions as to their pension, provident fund and gratuity, as the case may be, and other matters as were applicable to them before the conversion, including all existing retirement benefits of the employees whether funded or non-funded:*

Provided that –

- (i) *Notwithstanding anything contained in this Act or any other law, or any decision of any court or tribunal, the employees of the Company shall continue to be governed by non-statutory contractual terms, conditions, rules and regulations which shall not acquire, or be deemed to have acquired or be treated as having acquired, statutory status;*
- (ii) *no person deemed to be employed by the Company under this section shall be entitled to any compensation or benefit as a consequence of the conversion of the Corporation into a Company;*
- (iii) *The salaries, emoluments and all other terms of service of employees, whether permanent or contractual, shall not be changed to their disadvantage; and*

(iv) (iv) Pensions and other existing obligations of the Corporation to retired employees shall not be changed to their disadvantage.

22. From a plain reading of the aforesaid provision of law particularly, sub-section 6, it appears that all employees of the Corporation shall, upon conversion, be deemed to be employees of the Company on the same remuneration and terms and conditions of service, together with all rights, privileges, and benefits attached thereto. These expressly include, inter alia, pension, provident fund, gratuity, and other allied retirement benefits, whether funded or non-funded, as were admissible to them prior to such conversion. It further provides that all existing service and retirement benefits of the employees shall continue to remain protected and unaffected by the conversion, and shall be governed on the same terms as were applicable prior thereto. All employees of PIA in-service and retired are ensured full legal protection under the PIAC (Conversion) Act 2016, by giving them full service protection previously available to PIA employees. All PIA employees enjoyed the same legal protection under PIAC (Conversion) Act, 2016, which they were enjoying under the repealed PIAC Act, 1956.

23. It is further manifest from Section 3(6) (iv) of the Act, 2016 that, at the time of conversion, the existing retirement benefits of the employees, including the Petitioners, were required to remain at par with those already extended to similarly placed employees. The said provision explicitly stipulates that the pensions and other existing obligations of the Corporation towards its retired employees shall not be altered to their detriment or disadvantage.

24. A fleeting glance at the provisions quoted above would reveal that the employees PIAC on their transfer to the PIAHCL became employees of the latter under section 3 of the Act of 2016. Their terms and conditions of service were fully protected under PIAC Act 1956 Act of 2016. None of the terms and conditions could be varied to their disadvantage as is provided by the sections reproduced above. Not only that the legislature also bound the Federal Government to guarantee the existing terms and conditions of service and rights including pensionary benefits of the transferred employees.

25. It is by now a well-settled and firmly entrenched principle of law, consistently recognized, affirmed, and reiterated by the august Supreme Court of Pakistan as well as by this Court, that pensionary and post-retirement benefits constitute vested, accrued, and enforceable legal rights accruing in favour of retired employees by virtue of their past service. Such benefits do not possess the character of charity, bounty, or ex gratia concession dependent upon the pleasure or discretion of the employer or the executive authorities. Rather, the same are legally protected entitlements which cannot be withheld, curtailed, altered, or denied arbitrarily or in a manner detrimental to the rights of retired employees. It is further observed that once an employee retires and becomes entitled to pensionary or allied post-retirement benefits under the applicable statutory framework, rules, policies, or terms and conditions of service, such rights attain sanctity and acquire the status of vested rights. Any executive, administrative, or policy measure having the effect of adversely affecting or diminishing such accrued benefits must, therefore, withstand the test of legality, reasonableness, fairness, and non-discrimination as envisaged under the Constitution and the governing law.

26. It is pointed out by counsel for the Petitioners that the employees who were transferred along with the Petitioners are presently being extended full medical benefits and facilities, whereas the Petitioners and other similarly placed retirees, namely those who retired on or before 30.09.2023 and whose liabilities remained vested in PIAHCL, have been denied comparable treatment. Such differential treatment constitutes a manifestly arbitrary and discriminatory classification amongst similarly situated retirees, without any lawful justification and cannot sustain under the constitutional command articulated under articles 4, 9 and 25 of the Constitution of Islamic Republic of Pakistan of 1973, which protects the rights of every citizen as to be dealt with in accordance with law and shuns discriminatory treatment amongst the same class of persons.

27. Through the Scheme of Arrangement with SLIC, the medical reimbursement and other facilities available to retired employees have not merely been curtailed but have effectively been restricted by confining such benefits to specified empanelled hospitals. It is an admitted position that a number of the Petitioners and/or other similarly placed retirees reside in their respective native towns, villages, and smaller cities, where

the facilities and network of SLIC are either limited or not adequately available. Such restrictive arrangement is in clear contravention of Section 3(6) of the Act, 2016, which safeguards the continuity of service and retirement benefits on the same terms and conditions as were applicable prior to the restructuring. It is, therefore, observed that PIAHCL is not competent to unilaterally alter, vary, or disturb the subsisting arrangements governing medical and other allied benefits of serving and retired employees, as such interference results in unjust, discriminatory, and differential treatment inter se similarly placed employees, which is impermissible in law.

28. As to the maintainability of the instant petition, since objection has been raised by the Respondents that PIAHCL was a Company, having no statutory rules of service, therefore did not fall within the definition of person contemplated under 199(5) of the Constitution, therefore, writ cannot be issued. Undoubtedly Petitioners were the employees of PIAC and were transferred to PIAHCL under the provisions of Act-2016. PIA was established under PIAC, Act 1956 and discharged important aviation functions related to one of the affairs of the Federation within the purview of provisions of Article 199 of the Constitution; therefore fell within the connotations of the word 'person' as defined in clause (5) of the Article 199 of the Constitution. Moreover, the Petitioner seek enforcement of protection granted under section 3 of the statute (ACT-2016) accordingly, the grievance of the Petitioners was amenable to the writ jurisdiction of this Court.

29. For the foregoing reasons, these petitions are allowed. Consequently, Circular No. 03/2026 dated 09.02.2026, along with all other notifications issued pursuant thereto or emanating therefrom, are hereby set aside. The Respondents are directed to immediately unblock the ERP access of the Petitioners as well as other similarly placed retirees/employees, forthwith, and to extend them the same facilities as are being provided to other similarly placed employees. The Respondents are further directed to restore, continue, and ensure the post-retirement medical benefits of the Petitioners and all other similarly placed retirees/employees in the same manner, scope, and continuity as were available to them at the time of their retirement, strictly in accordance with the PPM and to treat them at par with other categories of

employees/retirees who are continuing to receive full medical benefits. The Respondents are also restrained from compelling or coercing the Petitioners to comply with the impugned Circular(s) and from unilaterally altering, modifying, or curtailing any medical benefits in violation of Section 3 of the Act, 2016. It is further clarified that if PIAHCL intends to continue with the medical benefits under the Arrangement of Scheme with State Life Insurance Corporation, it shall be in addition to their pre-existing medical facilities, as admissible to them under law.

29. The Petitions were allowed vide short order dated 29.04.2026 and these are the reasons for the same. Office is directed to send copy of the order to Respondents for compliance. Learned MIT-II to ensure compliance.

**JUDGE
HEAD OF THE CONST. BENCH**

JUDGE

**PS/SADAM*

APPROVED FOR REPORTING