EMPLOYEES' PROVIDENT FUND ORGANISATION
NEW DELHI

19TH MEETING OF THE
PENSION IMPLEMENTATION COMMITTEE
(SUB-COMMITTEE OF CBT, EPF)

ON

09th DECEMBER 2003

AT

11.30 A.M

VENUE

Chamber of Additional Secretary (Labour)
Ministry of Labour,
Shram Shakti Bhawan,
New Delhi – 110 001
AGENDA ITEM FOR XIX TH MEETING OF PENSION IMPLEMENTATION COMMITTEE

Date of Meeting : 9th December.2003
Time : 11.30 AM
Venue : Chamber of Additional Secretary (Labour) Ministry of Labour, Shram Shakti Bhawan, New Delhi.

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DRAFT MINUTES OF THE 18th MEETING OF PENSION IMPLEMENTATION COMMITTEE – CBT EPF

Date : 21st August, 2002
Time : 11.00 A.M.
Venue : Conference Room,
Bhavishya Nidhi Bhawan,
EPFO(Hqrs.),
Bhikaiji Cama Place,
New Delhi

The 18th Meeting of the Pension Implementation Committee was held on 21st August, 2002 under the Chairmanship of Dr. P.D. Shenoy, Secretary, Labour & Chairman, Pension Implementation Committee, CBT, EPF.

Following Members attended the meeting:

i) Shri A.D. Nagpal, Employees’ Representative
ii) Shri W.R. Varada Rajan, Employees’ Representative
iii) Shri Parduman Singh, Employees’ Representative
iv) Shri V.P. Chopra, Employers’ Representative
v) Shri N. Kannan, Employers’ Representative
vi) Addl.CPFC (Pension) & Convenor

Shri A S Kasliwal, Employers’ Representative could not attend the meeting and granted leave of absence.

Shri Ajai Singh, CPFC, Shri Ramakrishna, Technical Director, NIC; Shri K C Jain, Director, Ministry of Labour; Shri Anirudh Ray, FA & CAO and Shri Taneja, RPFC (Investment) were also present. Shri Bhudev Chatterjee, Actuary attended the meeting as special invitee.
Shri P Sudhakar Babu, RPFC(Pension), Shri Rahul Arya, APFC(Pension) & Smt Aprajita Jaggi, APFC(Pension) were also present.

While welcoming Secretary(Labour) who is chairing the PIC for the first time, Central Provident Fund Commissioner expressed his gratitude to Chairman who choose the Conference Room of Employees’ Provident Fund Organisation(Hqrs) as venue for Pension Implementation Committee meeting. He also informed the members that Shri Bhudev Chatterjee, Consultant Actuary is available for clarification on issues related to the Valuation Report and agenda item on interpretations of scheme provisions.

Shri Kannan enquired about the status of the case on EPS pending before the Hon’ble Supreme Court. Chairman suggested that since this issue has been mentioned in the Action Taken Report, this could be taken up then. Accordingly the agenda was taken up.

**Item-1: Confirmation of the Minutes of the 17th Meeting of the Pension Implementation Committee held on 06.09.2001.**

Before taking up the Minutes of the 17th Meeting, Addl. CPFC(Pension) informed the Committee that the comments/modifications suggested by Shri W R Varada Rajan in the Minutes of 16th Meeting held on March, 2001 were somehow not linked up and he regretted the lapse. Shri Varada Rajan enquired as to whether those comments will be circulated now. Addl.CPFC clarified that the points on the data base creation work and for selection of another valuer for future valuation raised by the member have been noted and acted upon.
With regard to the draft Minutes of the 17th Meeting, comments were received from Shri Parduman Singh and Shri W.R. Varada Rajan.

Shri Parduman Singh had commented as under:

(1) “Please add the following at page 3 para 3 line 6 after the words “2nd and 3rd Valuation Report”.

“Sh. Parduman Singh further pointed out that according to Agenda papers it has been brought out that after 3rd valuation report, a meeting of C.P.F.C. and F.A.L., Labour with Actuary and portfolio auditors and SBI was held on 26.7.2001. In this meeting when the Actuary was asked to explain as to how he has used the words: “Fund is drifting”, he replied it was his “impression”. After the discussion, it was decided that the “impression” of the Actuary does not give the correct picture. Even after that meeting to repeat the same words i.e. Fund is drifting, is very wrong and the Actuary should delete these words from the executive summary of the report.

(2) at page 6 before the last line, add the following:

Sh. Parduman Singh requested the Chairman to hold the next meeting of PIC at an early date as substantive items have been deferred. The Chairman agreed to this request and assured that an early meeting of PIC will be held.”

Shri W.R. Varada Rajan had desired to modify the minutes of the 17 meeting as under:

“On page 2 item 5 was deferred.”

“On page 5 following comments may be added: “Sh.W.R. Varada Rajan pointed out several inconsistencies in the data incorporated in the 4th valuation report as also in the observation made by the consultant Actuary cum Valuer in his first three reports and the 4th Report. It was decided that a small subcommittee of the PIC would look into the issue raised. The Chairman of the PIC would appoint the Sub Committee.”
After discussion it was decided to incorporate above comments in the Minutes of the 17th meeting. With the above, the minutes of the 17th Meeting confirmed.

Shri Parduman Singh desired to know as to why the PIC meeting is being held after a gap of almost one year. It was clarified that holding of PIC was planned earlier also but due to preoccupation of the convener and change of the Chairman of PIC, meeting could not be held early.

Shri Parduman Singh pointed out that the role of the PIC is to monitor the working of the pension scheme but no status report on EPS 1995 is placed in the agenda. Information about change in the status of pensioners, pension due to death or cessation on attaining 25 years of age, and other implementation aspects should be included so that working of the scheme could be analyzed. Shri W R Varada Rajan stated that in the 15th PIC Meeting, the issue of status report was raised and the several suggestions were given to improve the Status Report.

At this, CPFC invited suggestions from other PIC members also for compiling a structured proforma for the status report, which may be circulated to the other members as well. This was agreed upon.

ITEM-2(a): Action Taken Report on pending matters relating to decision taken in earlier meetings (1-15th Meeting)

(i) Amendment to Para 39 to insert Table E for transfer of contribution.

ACC(P) apprised the members that Government vide letter dated 20.8.2002 has informed that the proposal has been approved in principle and has directed EPFO to submit a draft notification
along with a proforma for claiming the refund by the Establishment.

(ii) **Amendment in Table B & C**

In respect of Table ‘B’ Govt. has informed vide letter dated 23.10.2001 that the issue is being examined from legal angle in consultation with Ministry of Law.

At this, the Chairman asked ACC(P) to inform the status of the pending case in Supreme Court. ACC(P) informed that the hearing in the case was concluded on 4th May, 2001 and still the judgment is awaited. The matter has also been taken up with the Additional Solicitor General vide our letter dated 25.7.2002.

Shri W.R.Varada Rajan informed that a request to the Hon’ble Chief Justice of India has been made on behalf of the several Trade Unions to discuss an important Social Security matter pending before the Hon’ble Supreme Court.

(iii) **Statutory Return for exempted establishment**

Noted by the Committee.

(iv) **Amendment to Para 14**

It was felt that the matter may be taken up after the judgment of the Hon’ble Supreme Court and Chairman suggested that Employees’ Provident Fund Organisation could call such meeting of the Central Trade Unions. However, Members pointed out that such meeting with Trade Union Leaders should be organised at the level of Ministry of Labour.
(v) Payment of pension to dependent parents with retrospective effect.

Shri W R Varada Rajan recalled that in one of the earlier meeting of Central Board of Trustees, it was assured that irrespective of the date of notification, the benefit would be given w.e.f. date of death or from 16.11.95 whichever is later. He desired to know as to why the proposal could not be reconsidered. He also suggested that information about the number of dependant parent pension cases and the quantum of amount involved should be placed before the Govt. so that a decision could be taken. Shri Parduman Singh stated that the then Chairman of the Committee had assured in the earlier meeting to relax the provision. He also pointed out that Govt. has accepted the Madhya Pradesh High Court Order in a similar case and as such the denial of same benefit to others will be discriminatory. Shri Kannan also supported their views and observed that the outflow from the Fund could be easily quantified and the same has no recurring effect on the fund.

The Chairman directed that the Organisation will submit a fresh proposal to Govt. for reconsideration.

(vi) Payment of appropriate benefit to legal heirs: -

(vii) Para 12 Interpretation: -

(viii) Disbursement of pension through Scheduled Banks: - Committee noted the position furnished at (vi), (vii) and (viii) of Action Taken Report.
ITEM - 2(b):  **Action Taken on the 16th Meeting of PIC**

(1) **Payment of appropriate benefit to legal heirs:** -

(2) **Para 12 Interpretation:** -

(3) **Disbursement of pension through Post Offices:** -

(4) **Operational instructions of validity of submission of nomination:** -

(5) **Determination of eligible service:** -
   The position furnished at S.No.1-5 of ATR noted by the Committee.

(6) **Relaxation for grant of Family Pension to Smt Sushila Devi:** -
   Chairman desired that Ministry of Labour may be reminded by a D.O. letter so as to dispose the case.

(7) **Disbursement through Scheduled Commercial Banks:** -
   Committee noted the position.

**Item-2(c): Action Taken Report on 17th Meeting of PIC**

(1) **Modification/reduction in the benefits:** -
   Committee reiterated that no reduction in the benefits need be considered till Supreme Court Order.

(2) **Issue of capital remained uninvested:** -
   Committee noted the position.

(3) **Withdrawal of Pension Fund from Public Account**
   Shri W R Varada Rajan suggested that the matter should be pursued and money should be withdrawn from Public Account.
Central Provident Fund Commissioner clarified that the proposal originated when investments offered better earnings outside the public account as past liabilities were funded from the current contributions. But in the present circumstances keeping money in Public Account would be better.

Chairman suggested that in the regime of falling interest rate it is always better to spend from the current accruals instead of liquidating the past investments. Moreover Fund in Public Account is getting a fixed rate of interest @ 8.5% which is not the case in the market.

(4) **Constitution of Actuarial Branch in the EPFO:**

Shri W R Varada Rajan stated that even after a long period, Actuarial Branch has not been constituted and if it is not required then this may be dropped. Addl. CPFC(Pension) clarified that this Branch is very much required and an Actuarial Section has already been created. However, it is difficult to get the personnel with the desired qualification as envisaged by Actuary under the current dispensation of salary. However, efforts will be made to develop a full-fledged Actuarial Branch.

(5) **4% Relief – Status:**

Shri Parduman Singh enquired about the status of the reliefs disbursed and pointed out that still a large number of pensioners are yet to receive it.

Shri W R Varada Rajan observed that status of relief disbursed as shown in agenda papers was same as given in agenda paper
circulated in June, 2002 thereby showing no progress. At this Addl. Central Provident Fund Commissioner (Pension) informed the Committee that as on date only 0.80 lacs pensioners are to get relief. Majority of them are of erstwhile Family Pension Scheme wherein relief is being processed manually and efforts are being made to computerize this process. The figures of pendency as 2.2 lacs was shown in the agenda item originally prepared for PIC meeting in June, 2002 which was postponed and now the pendency is 0.8 lacs only.

CPFC pointed out that since our offices are not networked, every time each office has to get new software and process relief on its own and the system is to be operated at local levels which causes delay in releasing the relief.

Chairman appreciated the progress achieved in this regard.

(6) **Actuary's observation on investment:**

Committee noted the position.

**Item – 3: (Deferred item of 17th Meeting) – Interpretation of Para 12 of EPS, '95**

Addl. CPFC(Pension) made a visual presentation on Para 12. He explained the Scheme provisions, clarification issued by the Government and the point of contention with reference to Govt.'s interpretation.

Shri Parduman Singh observed that this dispute regarding interpretation of the Para 12 is an old one and in one of the earlier meetings of the Pension Implementation Committee the then Chairman had suggested for appointment of an arbitrator to resolve the issue. But,
later Govt. took a decision that the Central Govt. alone the final arbitrator of the provision of Employees' Pension Scheme, 1995 as laid down in Para 41 of the Scheme. Shri Parduman Singh requested the Chairman to reconsider this issue. He also pointed out that for interpretation, it has been laid down by the Hon'ble Supreme Court in its various judgments that where there is no ambiguity in provisions/rules, then, its true meaning is to be considered and for Para 12 same principle should be applied as it is a question of interpretation. He requested the Chairman to reexamine the issue. Shri A D Nagpal added that as interpretation has legal aspect involved so this matter may be legally examined.

Shri Kannan observed that interpretation given by the Govt. under Para 41 is final and the Scheme nowhere provides for arbitration. However, Para 12 is complicated because minimum pension amounts are given at several stages, which should not have been done, and minimum amount should be fixed only at the last stage. He also referred to Para 12(3)(b) wherein a specific Table for calculating past service benefit based on wages as on 16.11.95 and years of last service is provided. He explained that as the past benefit so calculated is referred in all the Sub Paras viz., 12(4) and 12(5), the term “Aggregate of” “(a) (b)” of Sub Paras 12(3), 12(4) and 12(5) are to be read independent of all the words subject to minimum of Rs.800/-, Rs.600/- and Rs.500/- respectively. If the intention of Para 12 is to give minimum pension for each case of past service, what was the necessity of a separate Table under Para 12(3) (b) which also specifically provides service wise and wage wise benefit for past service. Shri Kannan observed that intention of the Para should be appreciated and it should not be a point of
argument. So he concluded that he fully agreed with the interpretation given by the Govt.

Shri W R Varada Rajan said that suggestion for arbitration was made in 15th Meeting of the Pension Implementation Committee. As the Govt. has already given its view under Para 41 of the Scheme there is no point in going to Govt. again and therefore, it should be referred to arbitration.

Shri Bhudev Chatterjee, Actuary at this point clarified about the minimum criteria provided in the Pension Scheme. He explained that scheme was costed on the criteria of total minimums and this was examined at all stages during the framing of EPS, '95. Regarding arbitration, Actuary observed that there is no separate Clause for arbitration in the scheme and instead Para 41 was provided for interpretation where the Govt. is the final authority, which was not available in the erstwhile Family Pension Scheme, 1971.

Addl. CPFC(Pension) suggested that the whole confusion could be cleared if Para 12 is restructured as per the true spirit, actuarial basis of Para 12 and interpretation of the Govt.

Finally, Chairman observed that for arbitration, specific provision has to be made in the Act/Scheme/Rule. However, he suggested that the issue could be reconsidered by Govt. if some fresh facts are brought out. Accordingly, he requested the members to give fresh facts if any on this issue to Central Provident Fund Commissioner for consideration by Govt.
Item No.4: 4th Annual Valuation Report – Follow-up Action Report

Addl. CPFC(Pension) introduced the item and explained the latest position on Point (i) to (iv) and Point (vi) to (viii) of the item for information of the Committee.

Point v:- Actuary's observation on investment.

Addl. CPFC(P) pointed out that the 1st valuation report had highlighted the need for investment audit which was taken due note. As the 1st Valuation Report got approved by CBT in its 150th meeting held on 6.3.99 only. Thereafter, the auditor was appointed who could verify the records of immediate past only. As such it was not possible/feasible to go back to past record for the period prior to Oct. 98. However, many measures have been taken to improve the investment procedure etc. as suggested by Actuary.

FA & CAO clarified that major areas of notional loss are: 1) postal delay; 2) delay in receipt of dues from State Govts; 3) at times fund may lie idle for 1 or 2 days because for purchase of good papers large corpus is required, over which State Bank of India have no control.

At this Actuary clarified that he is not bothered about the operational loss, which is inevitable. He observed that the major loss is because of non-investment for certain period as the SBI was investing only twice in a month during 95-96 and 96-97. He also explained that money has not been invested in the best possible manner.

Shri W R Varada Rajan desired that the Actuary should have quantified such notional loss, as the same was not assigned to the
statutory auditors. He also advised Actuary to provide inputs and guideline to audit such loss and to improve the investment.

Shri Chatterjee remarked that roughly Rs.300 crores has been lost. He also clarified that he has provided required guidelines and Proformae for monitoring of investment and if any more details or guidance are required he can be approached. As regards quantifying the actual loss, it is for the organisation to have effective mechanism and the auditors are to go into such details. Actuary will only do annual exercise of such investments.

Shri W R Varada Rajan observed that this issue has been discussed in a meeting with SBI where Actuary was also present and hence the matter could be rested/closed. SBI has several constraints due to restrictions on investment policies laid down within the pattern of investment. He requested that Actuary may suggest for more improvements.

Actuary reiterated that the Organisation should ensure that SBI does not keep money un-invested and the fund is invested in the highest available papers at the point of investment. He also clarified that when the investments is done as per the pattern which are guaranteed by the Govt. the rating is not relevant.

Shri Kannan also agreed to the above. At this Addl. CPFC(P) observed that because of Actuary’s critical analysis and recommendations, the Organisation has improved its investment procedure.
While summarizing the discussion, Chairman observed that since the Fund Manager is bound by the pattern of investment, instead of making sweeping generalization, specific proposal should be placed before the Central Board of Trustees for initiating change in pattern of investment. Appropriate measures for collective monitoring of the investment by Fund Manager should also be adopted.

Item No.5: **Determination of Pensionable salary for computation of pension – proposal to amend Para 11 of EPS, '95**

Item No.6: **Regulation of payment of benefit under Para 14 of Employees' Pension Scheme, 1995 in cases of members with short-term employment**

Addl.CPFC (Pension) while introducing the items highlighted the need to relook into Para 11 & 14 in the light of falling interest rate regime and the risk the Pension Fund is put in. The members, however, felt that it would be appropriate to defer the issues till the Supreme Court orders in the pending cases.

**Supplementary Item No. 1: Transfer of pension fund contribution dues pertains to the period of pendency of exemption application under EPS, 1995.**

After detailed deliberation it was decided by the Committee that procedure available under Employees’ Provident Fund Scheme, 1952 should be adopted for transfer of fund in case of establishment, whose exemption application under Employees' Pension Scheme, 1995 is rejected, treating it as a case of deemed cancellation of exemption.

The Meeting ended with vote of thanks to the Chair.
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<td>1.</td>
<td>Amendment of Para-39 of Employees Pension Scheme'1995 to include a provision for transfer of contribution upon grant of exemption from Employees Pension Scheme'1995 (10th Pension Implementation Committee meeting dated 16-9-97). (147th CBT meeting dated 2-12-97).</td>
<td>Notification issued vide No.S-65012/1/2000-SS-II dated 23-5-2003 – Annexure – A.</td>
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<td>2.</td>
<td>Follow up action on 1st valuation of Employees Pension Scheme'1995 – proposal for amendment in table B &amp; C and to add one new table 'E'. (151st CBT meeting dated 14-8-99).</td>
<td>Table E has been incorporated in EPS,1995 vide notification No.S.65012/1/2000.SS.II dated 23-5-2003. Table C has already been modified to cover benefit up to wage ceiling of Rs.6500/-. Since Supreme Court has given Judgment on validity of EPS,1995, the matter will now be referred to Actuary for revision in table B if necessary.</td>
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<td>3.</td>
<td>Proposal for amendment to Para-14 of Employees Pension Scheme'1995 to discourage premature withdrawal contribution may be considered after a meeting convened with the Trade Union Organisation. (13th Pension Implementation Committee Meeting dated 18-8-98).</td>
<td>As desired by Govt., views of all Central Trade Unions called for by EPFO and the views furnished by the unions communicated to Govt. vide letter No.Pens.12/33/EPF/Amdt./96-Pt.II/1645 dated 14-11-2003.</td>
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To
All Members,
Central Board of Trustee,
Employees’ Provident Fund.

Sub:- Amendment of Employees Pension Scheme’95 – Inclusion of Table-E for transfer value refund of contribution under Para-39 B – regarding.

Sir,

Please find enclosed herewith a copy of Notification No.S-65012/1/2000-SS-I dated 23/05/2003 received from Ministry of Labour notifying inclusion of Para-39 B under Employees Pension Scheme’95.

2. Para-39 B allows transfer value of pension fund in case of exemption granted to any establishment or in the case of a member being transferred from pension fund of one exempted establishment to another pension fund of exempted establishment or statutory pension fund or vice-versa.

3. A format of the worksheet to enable calculation of transfer value as per Table ‘E’ is also enclosed.

Encl:- As above

Yours faithfully

(A.Viswanathan)
Additional Central Provident Fund Commissioner(Pension)
Copy to:-

1. All Addl.CPFC’s
2. FA & CAO
3. Director (NATRASS)
4. RPFCs-In-Charge of the Region.
5. All officers-in-charge of SROs.
6. Manual Section/Director Siemens
7. Director (Vigilance)
8. Director (IS-I)(IS-II)
9. Director (MIS)
10. DD (Audit)
11. All Zonal Audit Officers
12. All Zonal Training Instituted.
13. P.S to CPFC

They are requested to take necessary follow up action.

(M.VIJAYARAJ)
Regional Provident Fund Commissioner(Pension)
भारत का राजपत्र
The Gazette of India

सं. 238] नई दिल्ली, शुक्रवार, मई 23, 2003/वनेव 2, 1925
No. 238] NEW DELHI, FRIDAY, MAY 23, 2003/JYAIISTHIA 2, 1925

भ्रम मंत्रालय

अधिसूचना

नई दिल्ली, 19 मई, 2003

साल.कानिलि. 430(अ).—कर्मचारी भविष्य निधि तथ्य प्रकृति उपवन्य अभिभावक, 1952 की धारा 7 के उत्तराधिकार (1) के साथ परिणत धारा 6 से प्रति प्रदत्त योजनाओं का प्रयोग करते हुए, केंद्रीय सरकार कर्मचारी पेंशन योजना, 1995 में और आगे संशोधन हेतु एवंत्यत्तव निम्नलिखित योजना बनाती है, अर्थात्—

1. (i) इस योजना को कर्मचारी पेंशन (संघन्धत) योजना, 2003 के नाम से जाना जाएगा।

(ii) यह योजना सरकारी राज्यप्त में प्रकाशित होने की विधि से प्रभावी होगी।

2. कर्मचारी पेंशन योजना, 1995 में :

(i) पैसे-39-के बाद, निम्नलिखित पैसे जोड़ा जाएगा, अर्थात्—

‘‘39-क’’ अंतरण कीमत (ट्रस्फर वैल्यू) —

यदि किसी प्रतिक्रिया को छूट प्रदान की जाती है तो अथवा किसी सदस्य की एक छूट प्रदान प्रतिक्रिया को पेंशन निधि से रुपरेखा छुट प्रदान प्रतिक्रिया को पेंशन निधि अथवा संपत्ति पेंशन निधि में अंतरण अथवा इसका उद्योग होता है एक अंतरण कीमत (ट्रस्फर वैल्यू) का भक्षण किया जाएगा जिसमें निम्नलिखित निर्देश निरूपित होगे—

(क) तालिकाएं 15-11-1995 तक पूर्व सेवाव्यापी से संबद्ध वापसी लाभ—(क) तालिका द्वारा मुतुनित्—(ख) 16-11-1995 से छूट प्रदान किए जाने/अंतरण की अवधि तक के कारण, तथा

(ख) तालिकाएं—‘‘क’’ के अनुसार 16-11-1995 से की गई सेवा पेंशन योजना के लिए अंतरण कीमत (ट्रस्फर वैल्यू) अथवा प्रतिक्रिया में निम्नलिखित निरूपित होने से छूट प्रदान किए जाने/अंतरण की अवधि के तहत, जैसे ही स्थिति हो।

(ग) पैसे-39 के अंतरण प्रदान की गई छूट को निरस्त किये जाने की विशेषता में, निधि का अंतरण छूट के लिए निम्नलिखित अभियुक्तम में उठाते हुए के पुनर्लिखित किया जाएगा।"

(ii) तालिका—‘‘क’’ के बाद, निम्नलिखित तालिका का समाहेत किया जाएगा—

'‘तालिका—‘‘क’’

(पैसे-39-ख देखें)
MINISTRY OF LABOUR
NOTIFICATION
New Delhi, the 19th May, 2003

G.S.R. 430(E).—In exercise of the powers conferred by Section 6A read with Sub-section (1) of Section 7 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952, the Central Government hereby makes the following scheme further to amend the Employees' Pension Scheme, 1995, namely:—

1. (i) This Scheme may be called the Employees' Pension (Amendment) Scheme, 2003.
(ii) It shall come into force from the date of publication in the Official Gazette.

2. In the Employees' Pension Scheme, 1995:

   (i) after paragraph 39-A, the following paragraph shall be inserted; namely:—

   “39B Transfer Value—In case exemption is granted to any establishment or in the case of a member being transferred from pension fund of one exempted establishment to another pension fund of exempted establishment or statutory pension fund or vice-versa, a transfer value payment will be made which will consist of the following:—

   (a) Withdrawal benefit relating to past service period upto 15-11-1995 as per Table-A multiplied by Table-B factor for the period between 16-11-1995 to the date of exemption/transfer, and

   (b) Transfer value for pensionable service as per Table-E for the service rendered from 16-11-1995 or from the date of joining the establishment to the date of exemption/transfer as the case may be.

   (c) In the event of cancellation of exemption granted under Para 39, transfer of fund will be made as per the conditions mentioned in the exemption notification.”;

   (ii) after Table-D, the following Table shall be inserted; namely:—

   “TABLE—E

   (see paragraph 39-B)

   (Transfer of contribution from Employees Pension Scheme, 1995 to exempted or other pension fund or vice-versa)

<table>
<thead>
<tr>
<th>Number of full years's contribution paid</th>
<th>Proportion of pay payable on last contribution month.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.978</td>
</tr>
<tr>
<td>2</td>
<td>1.979</td>
</tr>
<tr>
<td>3</td>
<td>3.003</td>
</tr>
<tr>
<td>4</td>
<td>4.051</td>
</tr>
<tr>
<td>5</td>
<td>5.124</td>
</tr>
<tr>
<td>6</td>
<td>6.221</td>
</tr>
<tr>
<td>7</td>
<td>7.345</td>
</tr>
<tr>
<td>8</td>
<td>8.494</td>
</tr>
<tr>
<td>9</td>
<td>9.671</td>
</tr>
</tbody>
</table>

   [F.No. S-65012/1/2000-SS-II]

   D. S. POONIA, Jt. Secy.
(To be incorporated in the Manual of Accounting Procedure
Employees Pension Scheme-1995)

FORM 1A
(Please see para 39-B)

Application for transfer of past accumulation from 16.11.1995 to the date of
effective date of exemption /transfer in respect of members of Employees Pension
Scheme, 1995 working in------ (Name of the Establishment)

1. Name of the Establishment and full Address
2. Code No.
3. Name of the R.O/SRO/SAO of E.P.F.O
4. Date of Initial coverage under the scheme
5. Effective date of grant of Exemption under Para 39 of EPS 95
6. No. and date of Exemption notification
7. Total Nos. of Employees as on date
8. No. of EPS 1971 members as on 15.11.1995
9. No. of Employees/Members covered under the EPS 95 as on effective date
   of Exemption
10. No. of EPS members left the estt between 16.11.1995 and effective date.
    (individual details to be furnished separately with A/c.PF No. , date of
    joining , date of exit, pensionable service, salary at exit on which
    contribution paid to Employees Pension Fund)
11. Name of the Trust as registered with RBI
12. Registration no. of the Trust with Public Deptt office of RBI
13. Date of Registration of the Trust with Public Deptt office of the RBI
14. Name and address of the Trustees
15. 3A/7PS in respect of above employees have submitted for the period
    upto_____ and 3A/7PS for the remaining period is enclosed herewith.....
16. Individual details of membership & contribution details are attached in the
    prescribed annexure 1B
17. Amount claimed as per Annexure: Rs.

Certified that above particulars are correct and the amount claimed are as per
Table E of EPS 1995 against the existing Pension Fund members of the
Employees Pension Fund Trust.

-------------------------------------------------------------------------------------
-------------------------------------------------------------------------------------
-------------------------------------------------------------------------------------
Name & signature of authorized official
of Establishment with stamp and date.
For office use

1. Certified that the claim for refund by_______have been verified as per Form 3 A/7PS and ledger and found to be correct. The claim has been processed as per Table E of EPS 1995 as under:
   Amount as per annexure to Form 1A as on ________ = ________

   Add Simple interest declared under Para 60 EPF Scheme for the relevant period up to last date of the month prior to transfer as on date of refund/release =

   Total = ____________________________

2. Accordingly Rupees (in words)/Rs. (in figure) is to be transferred from Employees Pension Fund to the/Trustees.

3. Certified that full particulars of the claim has been verified with the records available with this office and Rs._________is recommended for refund to the Trust namely ____________________________

   Date, Name and Signature RC(F & A) ------------------------------------------

   Name & Signature of RC in charge of the Region -------------------------------

4. A sum of Rupees ________ (in figures and in words) is sanctioned for refund of past accumulation for the period ________ to the Trust namely ____________________________

   ____________________________
   ____________________________
   ____________________________

   Date, Name and signature of the FA&CAO.

Note: Past accumulation under EFPS 1971 for the period up to 15.11.1995 is to be claimed by submitting separate claim for the existing members.
### Annexure to Form 1A

**Statement showing service & contribution details of employees of M/s.**

(For Establishment)

<table>
<thead>
<tr>
<th>Name of the member</th>
<th>Date of birth (Enclose Form 2)</th>
<th>Father's/ husband's name</th>
<th>Provident/Pension Fund Account No</th>
<th>Date of joining EFPS 1971</th>
<th>Break in reckonable service up to 16.11.95</th>
<th>Date of joining EPS 1995</th>
<th>Wages as on 15.11.95:</th>
<th>Wages as on date of exemption/cancellation:</th>
<th>In case of cancellation of exemption wage particulars from 16.11.95 to date of cancellation (Furnish in Form 7PS)</th>
<th>Details of (NCP) non-contributory period from 16.11.95 to the date of exemption/cancellation (years/months/days)</th>
<th>3A/7PS submitted up to which period</th>
<th>3A/7PS enclosed for the period for which it was not sent to EPFO</th>
<th>Amount payable as per Table E</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>10</td>
<td>11</td>
<td>12</td>
<td>13</td>
<td>14</td>
</tr>
</tbody>
</table>

Total amount claimed in Rupees: __________________________

List of enclosures: ______________________________________
Application for claiming transfer value for service and contribution in respect of Individual Members.

1. Name of the member
2. Date of birth
   (Enclose Form 2)
3. Father's/ husband's name
4. Name of the Establishment in which working with full address with name of RO/SRO/SAO
5. Provident/Pension Fund Account No. with present Employer
6. Name of former employer from which the transfer value is to be transferred with name of RO/SAO/SRO
7. Provident/Pension Fund A/c No. with former employer
8. Date of joining EFPS 1971
9. Date of joining and exit with / from former employer
10. Date of joining with the present employer
11. Break in reckonable 'service upto 16.11.95
12. Date of joining EPS 1995
13. Reason/authority for transfer
14. Wages as on date of exit from former employer
15. Details of (NCP) non-contributory period from 16.11.95 to the date of exit from the former employer
16. 3A/7PS submitted up to which period
17. 3A /7PS) enclosed for the period for which it was not sent to EPFO
18. Amount payable as per Table E (to be worked out by the transferred Employer Trust or RPFC as the case may be)
19. Any other relevant information
20. Details of enclosures
21. Signature of member
Authorization/Remarks by Transfer Employer with details of payment.

For office use

Verified the service particulars and contribution details with reference to records available and Rs.______ is found to be transferred from ________Fund to ________Fund as on ________. Interest as declared under Para 60 of Employees Provident Scheme, 1952 is also to be added as on date of actual refund.

AAO             APFC             RPFC(F&A)
**Item No.2(b): Action taken report on 18th PIC Meeting held on 21-8-2002.**

<table>
<thead>
<tr>
<th><strong>Amendment to Para 39 to insert Table E for transfer of contribution</strong></th>
<th>Amendment made in EPS,1995 vide Notification No.S.15012/1/2000/SS.II dated 23-5-2003.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Amendment to Para 14</strong></td>
<td>As desired by Govt. views of all Central Trade Unions called for by EPFO and the views furnished by the unions forwarded to Govt. vide letter No.Pens.12/33/EPS/Amdt./96.Pt.II/1645 dated 14-11-2003.</td>
</tr>
<tr>
<td>It was felt that the matter may be taken up after the judgment of the Hon’ble Supreme Court and Chairman suggested that EPFO could call such meeting of the Central Trade Unions. However, Members pointed out that such meeting with Trade Union Leaders should be organised at the level of Ministry of Labour.</td>
<td>The matter has again referred to Govt. vide letter No.Pers.2/24/97/2399 dated 20-11-2002. Government’s decision is still awaited.</td>
</tr>
<tr>
<td>Payment of pension to dependent parents with retrospective effect.</td>
<td>In order to develop a full fledged Actuarial Branch the inputs were taken from Actuaries associated with EPFO as valuer. The detailed recommendations are awaited. On receipt of recommendation final proposal shall be put up.</td>
</tr>
<tr>
<td>The Chairman directed that the Organisation will submit a fresh proposal to Govt. for reconsideration.</td>
<td>All the PIC member were requested to furnish their views on Para 12 vide letter No.Pens.PIC/15th meeting/2000/Pt. Dated 21-11-2002. Only one member Shri W.R.Varada Rajan replied that he explained his views at the 18th PIC meeting held on 21-8-2002 and he has no further comments.</td>
</tr>
<tr>
<td>Constitution of Actuarial Branch in the EPFO</td>
<td>Supreme Court has given judgment on EPS. Hence these items will be placed in the next PIC meeting.</td>
</tr>
<tr>
<td>Shri W.R.Varada Rajan stated that even after a long period, Actuarial Branch has not been constituted and if it is not required then this may be dropped. Addl.CPFC(P) clarified that this Branch is very much required and a Actuarial Section has already been created. However, it is difficult to get the personnel with the desired qualification as envisaged by Actuary under the current dispensation of salary. However, efforts will be made to develop a full-fledged Actuarial Branch.</td>
<td></td>
</tr>
<tr>
<td><strong>Item No.3 Interpretation of Para 12 of EPS,1995.</strong></td>
<td></td>
</tr>
<tr>
<td>The Chairman requested the members to give fresh facts if any on this issue to CPFC for consideration by Government.</td>
<td></td>
</tr>
<tr>
<td><strong>Item No.5: Determination of Pension able salary for computation of pension – proposal to amend Para 11 of EPS,1995.</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Item No.6: Regulation of payment of benefit under Para 14 of Employees’ Pension Scheme,1995 in cases of members with short term employment.</strong></td>
<td></td>
</tr>
<tr>
<td>It would be appropriate to defer the issues till the Supreme Court orders in the pending cases.</td>
<td></td>
</tr>
</tbody>
</table>
Employees' Pension Scheme'1995 was introduced w.e.f 16/11/95 with a provision for retrospective application from 01/04/93 in selective cases. On introduction of the said scheme, the erstwhile Employees' Family Pension Scheme, 1971 ceased to operate and all the assets and liabilities of the old Family Pension Fund were transferred and merged with the new Pension Fund.

The Employees' Family Pension Scheme, 1971 provided for limited pensionary coverage to the family members in the event of death of the member while in service. There was no provision for pension benefit to the member during his old age after retirement or to his family upon his death after leaving the service/retirement. This inadequacy in pensionary coverage led to the introduction of Employees' Pension Scheme'1995.

The Employees' Pension Scheme'1995 provides the following benefit package:-

For members –
Monthly Member Pension on superannuation/retirement,
Permanent and total disablement pension.
Commutation of pension upto 1/3\(^{rd}\) of pension amount

For family members – On death of the member.
Monthly widow/widower pension and children pension to two children at a time upto 25 years of age simultaneously.
Orphan pension, disablement children pension, nominee pension, dependent parents pension.

Return of Capital benefits.

Due to the comprehensive benefit package offered by Employees' Pension Scheme'1995 the rate of contribution was enhanced. The rate of contribution in the new Pension Fund is by partial diversion from the employer's share of PF contribution @ 8.33% p.m in lieu of 2.33% against the old Family Pension Scheme, 1971.

The scheme applies on compulsory basis to all the existing Family Pension Fund members and new entrants to the Provident Fund from 16/11/95. It is optional for existing PF members who were not FPF members, and those FPF members who ceased to be PF/FPF members between 01/04/93 to 15/11/95.
The validity of Employees' Pension Scheme, 1995 was challenged in different courts. Multiple writ petitions were filed in various High Courts.

The main ground for challenging EPS, 1995 was that it was unreasonable, arbitrary, and discriminatory in as much as existing benefits from P.F. have been depleted to a great extent by diversion of 8.33% employer's share and pension payable under the new Scheme is far below the accruals in the Pension Fund.

Three High Courts namely High Court of Madras, Karnataka, and Kerala disposed off the Writ petitions upholding the validity and legal vires of the Employees' Pension Scheme '1995. However on an interim order of status quo passed by the Division bench of Calcutta High Court, an SLP was filed by Govt. of India in 1997 before the Supreme Court. Also all pending cases from various High Court were transferred to Supreme Court and clubbed with this petition for final disposal.

M/s ONGC Ltd has filed a W.P. before the Supreme Court of India challenging rejection of their exemption application by the Govt. This petition was also tagged with other cases against Employees' Pension Scheme, 1995.

The Apex Court through its interim order dated 25/08/98 and 10/09/98 permitted continuity of benefit admissible under new Pension Scheme of 1995 and compliance by the employers either under the new Scheme or the old Scheme of 1971 in accordance with the choice of the member concerned and subject to the final decision of the Court. The said interim orders are as under:-

**Interim order dated 25/08/98**

"Those workmen who want to take the benefit of the scheme of 1995 will have to adopt the procedure under that scheme and will have to contribute appropriately for availing the benefit of the scheme of 1995. The amount contributed by them will have to be remitted to the Regional Provident Fund Commissioner by the concerned workmen respectively. However, those workmen who do not want to adopt the procedure of the scheme of 1995 will be permitted to continue to take the benefit of the earlier scheme of 1971. This will strictly be without prejudice to the rights and contentions of both the sides and awaiting further orders in these IAs."
Interim order dated 10/09/98

"We may make it clear that our earlier order dated 25-8-1998 will have to be read subject to the rider that if the workmen have not opted for the new scheme whatever contributions they had to make under the old scheme will have to be collected and remitted by the employers to the authorities. This clarification about our earlier order will have to be read in continuation of our order dated 25th August, 1998 in all the matters wherein that order applies."

In the meantime some of the petitioners viz. NMDC Workers Union, had withdrawn petition filed in the Supreme Court and expressed their willingness to comply with the Employees' Pension Scheme, 1995.

After considering all petitions and relevant details, the Hon'ble Supreme Court has upheld the validity of Employees' Pension Scheme, 1995. A copy of the Supreme Court judgment (uncertified) received is enclosed. We are awaiting certified copy for further necessary action.

Pursuant to the Para 32 of Employees’ Pension Scheme, 1995, Central Government appointed Shri Bhudev Chatterjee, Consultant Actuary as valuer to undertake the 4th annual valuation of the Pension Fund as at 31.3.2000. Shri Bhudev Chatterjee carried out the valuation and submitted his Final Valuation Report on 20.8.2001, recommending inter-alia additional relief @ 4% on pension payment as on 31.3.2000 to all the existing pensioners and reduction in Table ‘A’ & ‘D’ etc.

2. The Report was placed in the 17th Meeting of Pension Implementation Committee held on 6.9.2001. The details of decision taken on that Report in the 17th Meeting of Pension Implementation Committee are as under:

- The 4% relief may be recommended as agreed by members.
- The reduction in the scheme benefits as recommended by Actuary may be considered only after the Supreme Court judgment.
- The Actuary while finalizing his Report may take into account the views of the Committee with reference to para 3 of the executive summary in the report and submit a final report with the necessary changes in Para 3 and consequential in any other para as is necessary.
- The quantum and quality of data should be improved.
- The Actuary’s observations on investment to be examined separately.
- Panel of Actuaries to be appointed to evaluate the 4th Valuation report and the constitution of the panel and its terms of reference would be decided by Chairman, Pension Implementation Committee.
- Immediate action needs to be taken to constitute Actuarial Branch in EPF Head Office to streamline the valuation process.
The decision in the matter of allowing withdrawal from Public A/c to be expedited.

3. The final valuation report was placed before the Central Board of Trustees in its meeting held on 24.9.2001 wherein the following was decided:

"The Board after having taken note of the recommendations of the Pension Implementation Committee on 4th Actuarial Valuation Report approved the release of 4% relief to the pensioners."

4. The Central Government vide letter dated 13.11.2001 conveyed its sanction for allowing 4% additional relief on the original pension to all the pensioners as on 31.3.2000 w.e.f. 1.4.2000.

5. The Chairman, Pension Implementation Committee approved formation of a Selection Committee for constitution of the Panel of Actuaries. The Selection Committee so formed short listed two names i.e. Shri R Ramakrishnan and Shri N.R. Kapadia and the recommendation were forwarded to the Ministry. Ministry vide its letter No. R-15011/6/2001/SS.II dated 17.1.2003 conveyed approval for constitution at the Panel and appointment of Shri R. Ramakrishnan and Shri N.R Kapadia as the Panel of Actuaries on the following terms and conditions.

6. On appointment the Panel of Actuaries will be required to evaluate the 4th Valuation Report and test the results of the valuation to submit a detailed report. The report shall contain comments on relevant issues inter-alia:

- Approach and methodology of valuation
- Formats of financial report
- Adequacy and Quality of data
- Review of rate of contribution and other benefits
- Valuation of assets and liabilities
- Investment & Fund Management
- Adequacy & Solvency of the Fund
- Reasonableness of results
- Viability of Pension relief recommended
• Validity of Actuarial assumptions
• Principles adopted for the valuation
• Validity of demographic & economic assumptions.
• Reliability of demographic & financial projections.
• Analysis of projections
• Conclusions and recommendations.

7. The Panel of Actuaries submitted their report on 8.10.2003 alongwith an Executive Summary. The Panel of Actuaries approach is given in Section A3 of the Report i.e. “While we have tried to cover all the issues raised in the Terms of Reference (T.O.R.), the sequence of our analysis and comments will be different. The objective is to logically analyse the issues that impinge on the Adequacy and solvency of the Fund.”

8. The summary of original recommendations of Shri Bhudev Chatterjee, Valuer in the 4th Valuation Report and the comments of Panel of Actuaries and EPFO’s comments are placed below in Annexure ‘A’. Other major recommendations of the Panel of Actuaries are placed in Annexure ‘B’. For consideration of the Committee.
The summary of recommendations of Shri Bhudev Chatterjee, Valuer and The Panel of Actuaries

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Recommendations made by Shri Bhudev Chatterjee, Valuer</th>
<th>Comments made by the Panel of Actuaries</th>
<th>Comments of EPFO</th>
</tr>
</thead>
</table>
| 1.    | Pension Relief @ 4% be granted to all pensioners as at 31.3.2000 with minimum of Rs. 450/- p.m. or widow and Rs. 150/- p.m. to child and Rs. 250/- p.m. for orphan for each child, being maximum 2 children at any time. | i) Granting a 4% increase year after year and thus raising the level of expectation of members, may land the Fund in serious difficulties in the years to come. It is to be remembered that a financial institution like the EPS, 95 will come under close scrutiny from all quarters, including Parliament. The rate of increase has to be brought down in steps, atleast from the valuation as at 31\textsuperscript{st} March, 2001. When the viability of granting any increase is doubtful, granting of an increase of 4% cannot even be imagined. 

ii) We feel that the EPS fund is not adequate to meet emerging liabilities and hence future increase may be frozen until such time as there is physical surplus based on reliable employee data and realistic valuation assumptions. | 5\textsuperscript{th} & 6\textsuperscript{th} Valuation Reports have shown deficit. Since there is no surplus no increase can be given. Agree with comments of the Panel of Actuaries. Grant of pension relief is based on the availability of surplus. There is no compulsion of giving 4% unless there is surplus. |
| 2.    | Commuted value, ROC value, Table for withdrawal benefit are reduced to take note of reducing interest rate. | i) The unique characteristic of the Employees’ Pension Scheme, 1995, is that both benefits and contributions have been defined in advance. This is not theoretically feasible and so | Alternatively, we may streamline the scale of benefits and make them reflective of the prevailing interest rate. |
it becomes necessary to test whether the prescribed rate of contribution is adequate to pay the defined benefits.

ii) Theoretical study indicates that present rate of contribution is not adequate at least in terms of long term economic scenario. From the Table of Contribution Rates given, you will notice that contribution rate has to be at least 11%.

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3.</td>
<td>All investment schedules as agreed as well as data for investment shall be supplied as per format enclosed with 2nd valuation.</td>
<td>It is essential to collect reliable data for valuation failing which surplus can be effected. If State Bank of India puts enough safeguards &amp; investment is monitored properly then not necessary.</td>
</tr>
<tr>
<td>4.</td>
<td>Audit of investment shall be carried out an annual basis. Signed report of the auditor shall be made available to Actuary before valuation.</td>
<td>NA</td>
</tr>
<tr>
<td>5.</td>
<td>Certain changes in scheme rules for Trustees consideration to remove anomaly.</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td>Compliance by all establishment regardless of exemption status, should be solicited.</td>
<td>Yes.</td>
</tr>
</tbody>
</table>
OTHER RECOMMENDATIONS OF THE PANEL OF ACTUARIES

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Recommendations made by Panel of Actuaries</th>
<th>Comments of EPFO</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>A viable system should be put in place to fund the additional liability till then the ceiling should be frozen at the present level of Rs. 6500/-</td>
<td>Agree. The Valuer for 6th valuation has reported that increase of wage-ceiling from Rs. 5000/- to Rs. 6500/- has resulted into a deficit of Rs. 10,000 crores. To ensure that such additional liability and consequential deficit do not arise in future the recommendation shall be accepted.</td>
</tr>
<tr>
<td>2.</td>
<td>It is absolutely necessary to define the Pensionable Salary as the average salary over the last 60 months of service. OR atleast last 36 months of service.</td>
<td>Fully agree.</td>
</tr>
<tr>
<td>3.</td>
<td>The reduction factor need not be applied in the case of early retirement due to disability but raised to not less than 5% in other cases.</td>
<td>Agree. The original scheme draft provided for a reduction of 6%. Due to change in interest rates now the reduction rate when actuarially assessed has come as 5%. The current reduction rate is only 3% which encourages early retirement and puts early pensioners at advantage compared to superannuation pensioners. To remove this anomaly the recommendation shall be accepted.</td>
</tr>
<tr>
<td>4.</td>
<td>The number of deaths of pensioners is getting under stated…. This aspect needs to be investigated without delay and corrective measure taken.</td>
<td>Action has been initiated. Life certificates are being collected every year to ensure that deaths of pensioners are detected in time.</td>
</tr>
<tr>
<td>5.</td>
<td>The fund should be segregated into two parts i.e. Pension in payment Fund and Accumulation Fund. The Accumulation Fund in turn to be divided into two parts i.e. Fund pertaining to pre-scheme liability and Fund pertaining post scheme liability.</td>
<td>Needs detail examination in consultation with FA &amp; CAO and consultant Actuary.</td>
</tr>
</tbody>
</table>

Para 32 of Employees' Pension Scheme, 1995 provides for Annual Valuation as under:-

i) The Central Government shall have an annual valuation of the Employees' Pension Fund made by a Valuer appointed by it.

ii) At any time, when the Employees' Pension Fund so permits the Central Government may alter the rate of contributions payable under this Scheme or the scale of any benefit admissible under this Scheme or the period for which such benefit may be given.

2. Central Government vide letter No. R-15011/6/2001-SS-II dated 17.1.2003 appointed M/s. K.A. Pandit as Valuer to undertake the work of 5th Valuation alongwith the work of 6th valuation due as at 31.3.2001 and 31.3.2002 respectively. The Terms of Reference were as follows:

✓ M/s. K.A. Pandit is required to complete the valuation work and submit his report within a period of three months from the date of issue of the letter, inter-alia on solvency & adequacy of the fund, pension relief for the valuation period, if any and other improvements/changes in the EPS, 95 provisions, if necessary. The Actuarial Valuation Report shall contain inter-alia:

- Brief executive summary of the entire valuation report.
- Brief description of EPS; identification of changes in scheme provisions since the last valuation.
- Observations on statistical data (availability, adequacy, quality; extract from input data on members and beneficiaries; comparison with previous valuation).
- Description of development of scheme since last Actuarial Valuation (Nos. of members and beneficiaries; amounts of contributions and benefits; investment portfolio and rates of return)
- Analysis and advice on the EPS investment and portfolios.
- Description of system, which has been adopted for financing the scheme.
- Description of demographic and economic assumptions adopted for valuation; identification of changes from actuarial assumptions in preceding valuation.

- Demographic and financial projections.

- Analysis of projections; comparison with projections with previous valuation; analysis of sensitivity of actuarial assumptions; actuarial balance sheet; identification of actuarial gains and losses.

- Conclusions and recommendations.

3. M/s. K.A. Pandit has submitted the 5th Valuation Report. The recommendations and major comments of the Valuer together with EPFO’s comments are summarized below:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Comments/Recommendations of Valuer</th>
<th>Comments of Consultant Actuary</th>
<th>EPFO’s Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The retirement age for members may be increased from 58 to 60 years. Retirements at age 58 should be treated as early retirement. However, employees continuing in service after attaining 60 years would be eligible to receive pension in the same manner as employees in service beyond 58 years as at present. The three percent deduction made for each year of early retirement needs to be raised to five percent with the upper limit on such deduction being raised to 50% from the present 25%.</td>
<td>Correct. This will temporarily relief deficit but again deficit will start to go after sometime.</td>
<td>Agree with the Valuer.</td>
</tr>
<tr>
<td>2.</td>
<td>Withdrawal under the Scheme need to be controlled. A review of all the benefits on withdrawal need to be made. Particularly the Tables B and D under Rule 12 need to be revised downwards in view of lower interest prevalent now.</td>
<td>Measures should be made to curb the trend. One of the idea would be payment only from age 58.</td>
<td>Fully agree. Paying interest more than interest earned shall not be continued as it adversely affects the solvency of the fund and current contributors are put at disadvantage.</td>
</tr>
</tbody>
</table>
3. The existing contribution rate of 8.33% should be raised suitably or the benefits under the scheme be reduced suitably. This should be done after a proper examination of the scheme benefits by a team consisting of at least three Actuaries among others. No, we should change the rate as last resort. Contribution of 9.5% of salary is enough for payment of pension of 6500 x 7 as monthly pension should be adequate at salary lesser of Rs. 5000/-. Certain funds can be generated by deferring the payment, increasing reduction for earlier settlement, making guaranteed pension for specific age etc. After all these avenues are exhausted consideration should be given to increase contribution rate. Agree with the valuer and Consultant Actuary. However, increase in rate of contribution may not be feasible. Therefore, alternatively the benefit tables may be reduced as recommended.

4. Any change in the scheme benefits should always be done only after actuarial assessment and the recommendations the Actuary may make should be simultaneously implemented. Correct. Fully agree.

5. There is need to establish a machinery to oversee the operations of the Fund Manager by the PF Authorities. The Government is planning the approval of Fund Managers under the new Pension Regulatory Authority. The flexibility in investment pattern that may be allowed to these Fund Managers should also be extended to the Fund Managers of the EPS, 95. Though the SBI has been assessing the effectiveness of the operations by a system of internal audit, there is need for the greater involvement of the EPS Authorities. We agree and this has been the opinion in the past that investment should be properly controlled by EPFO and should be not left to SBI. We think this requires inclusion of professional experts in investment committee. EPFO is contemplating appointment of a consultant to advise on short term measures/new avenues within the existing investment guidelines and for suggesting a road map for long term investments.
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<td>6.</td>
<td>Whenever there is a proposal to increase the eligibility limit from pension the impact of the same should be assessed actuarially and concurrent steps be taken to implement the recommendations that the Actuary may make. This will ensure that such changes do not lead to enlarging the deficit. An assessment made of the impact of the increase in the pension eligibility salary from Rs. 5000/- to the figure of Rs. 6500/- indicates that there will be increase in the liability, and thus in the deficit, to the extent of about Rs. 10,000/- crores.</td>
<td>Yes.</td>
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<td>Immediate steps should be taken to ensure complete database for the valuation. While it should be our aim to get 100% of the data, at the same time, we must ensure its quality in terms of completeness and accuracy. Conclusions drawn from an inadequate database cannot be as satisfactory as could be drawn from a reliable database. The expected improvement in the quality of database for the seventh valuation can lead to more reliable conclusions.</td>
<td>This we have been advocated for a long time.</td>
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<td>Immediate steps should be taken to set up an Actuarial Department in the EPF Organisation as recommended by the actuary in the previous valuations. Detailed recommendations regarding</td>
<td>This should also be followed.</td>
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Valuer has assessed that raise in wage ceiling from Rs. 5000/- to Rs. 6500/- has resulted in a deficit of Rs. 10,000 crores. Infact at the time of the revision, the Consultant Actuary opined that contribution shall be diverted from PF to Pension Account back date. The suggestion could not be accepted due to lack of enabling provision in the scheme and the Act. As an alternate, an amendment was proposed to consider Pensionable salary be average of 5 years. The Pension Implementation Committee deferred its decision in view of pending case in the Supreme Court.

---

On implementation of the Re-inventing EPF Project, EPFO will be able to provide 100% of the data.

---

Agree. Further action shall be taken on receipt of detailed recommendation.
<p>| | | |</p>
<table>
<thead>
<tr>
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<tr>
<td>9.</td>
<td>Arrangements should be made in association with a team of Actuaries to investigate the past experience of the scheme in relation to mortality and withdrawal rates.</td>
<td>Yes, this should be carried out after the actuarial cell is set up.</td>
</tr>
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<td>In the beginning, it can be tried in-house with support from Consultant Actuary.</td>
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<td>10.</td>
<td>The experience of the scheme so far indicates that there are a large number of withdrawals from the scheme thus defeating the social security objective of the scheme. Apparently there is also a sizeable withdrawal from the scheme by persons who leave one employment taking the withdrawal benefits and joining the scheme again as a new recruit of another employer. A thorough review of the withdrawal benefits in the scheme is necessary to discourage such tendencies.</td>
<td>This is also correct.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Agree. Separate item is being placed.</td>
</tr>
<tr>
<td>11.</td>
<td>A revision is called for in the Tables B and D under Rule 14 to give effect to the changes in interest rates as also to discourage withdrawals.</td>
<td>This is also correct.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>May be changed immediately without delay.</td>
</tr>
<tr>
<td>12.</td>
<td>Urgent steps should be taken to implement the Supreme Court judgment on EPS, 95.</td>
<td>Judgment has to be analysed before any action is taken.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>However, special attention is to be focused for those who have opted for Employees' Family pension Scheme, 1974. But now they have to</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Judgment has since come. Appropriate action shall be taken. (separate item is placed)</td>
</tr>
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<td>13.</td>
<td>The impact of the Schemes that may be developed by the approved Fund Managers after the New Pension Regulatory Authority lay down their guidelines on the provisions of this scheme need to be examined and the scheme should be revised with particular reference to the provisions for exemptions.</td>
<td>Exemption is given if the prescribed conditions are fulfilled. It’s important to protect the employees benefit under any proposed scheme as also sustainability of the Exempted Fund.</td>
</tr>
</tbody>
</table>

4. The Committee may consider the 5th Valuation Report submitted by the Valuer and make appropriate recommendations.

Para 32 of Employees' Pension Scheme, 1995 provides for Annual Valuation as under:-

i) The Central Government shall have an annual valuation of the Employees' Pension Fund made by a Valuer appointed by it.

ii) At any time, when the Employees' Pension Fund so permits the Central Government may alter the rate of contributions payable under this Scheme or the scale of any benefit admissible under this Scheme or the period for which such benefit may be given.

2. Central Government vide letter No. R-15011/6/2001-SS-II dated 17.1.2003 appointed M/s. K.A. Pandit as Valuer to undertake the work of 5th Valuation along with the work of 6th valuation due as at 31.3.2001 and 31.3.2002 respectively. The Terms of Reference were as follows:

✓ M/s. K.A. Pandit is required to complete the valuation work and submit his report within a period of three months from the date of issue of the letter, inter-alia on solvency & adequacy of the fund, pension relief for the valuation period, if any and other improvements/changes in the EPS, 95 provisions, if necessary.

The Actuarial Valuation Report shall contain inter-alia:

- Brief executive summary of the entire valuation report.

- Brief description of EPS; identification of changes in scheme provisions since the last valuation.

- Observations on statistical data (availability, adequacy, quality; extract from input data on members and beneficiaries; comparison with previous valuations).

- Description of development of scheme since last Actuarial Valuation (Nos. of members and beneficiaries; amounts of contributions and benefits; investment portfolio and rates of return).

- Analysis and advice on the EPS investment and portfolios.

- Description of system, which has been adopted for financing the scheme.
- Description of demographic and economic assumptions adopted for valuation; identification of changes from actuarial assumptions in preceding valuation.

- Demographic and financial projections.

- Analysis of projections; comparison with projections with previous valuation; analysis of sensitivity of actuarial assumptions; actuarial balance sheet; identification of actuarial gains and losses.

- Conclusions and recommendations.

3. M/s. K.A. Pandit has submitted the 5th Valuation Report. The recommendations and major comments of the Valuer together with EPFO's comments are summarized below:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Comments/Recommendations of Valuer</th>
<th>Comments of Consultant Actuary</th>
<th>EPFO's Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The retirement age for members may be increased from 58 to 60 years. Retirements at age 58 should be treated as early retirement. However, employees continuing in service after attaining 60 years would be eligible to receive pension in the same manner as employees in service beyond 58 years as at present. The three percent deduction made for each year of early retirement needs to be raised to five percent with the upper limit on such deduction being raised to 50% from the present 25%.</td>
<td>Correct. This will temporarily relief deficit but again deficit will start to go after sometime.</td>
<td>Agree with the Valuer.</td>
</tr>
<tr>
<td>2.</td>
<td>Withdrawal under the Scheme need to be controlled. A review of all the benefits on withdrawal need to be made. Particularly the Tables B and D under Rule 12 need to be revised downwards in view of lower interest prevalent now.</td>
<td>Measures should be made to curb the trend. One of the idea would be payment only from age 58.</td>
<td>Fully agree. Paying interest more than interest earned shall not be continued as it adversely affects the solvency of the fund and current contributors are put at disadvantage.</td>
</tr>
</tbody>
</table>
3. The existing contribution rate of 8.33% should be raised suitably or the benefits under the scheme be reduced suitably. This should be done after a proper examination of the scheme benefits by a team consisting of at least three Actuaries among others. No, we should change the rate as last resort. Contribution of 9.5% of salary is enough for payment of pension of $6500 \times 0.7$ as monthly pension should be adequate at salary lesser of Rs. 5000/-. Certain funds can be generated by deferring the payment, increasing reduction for earlier settlement, making guaranteed pension for specific age etc. After all these avenues are exhausted consideration should be given to increase contribution rate. Agree with the valuer and Consultant Actuary. However, increase in rate of contribution may not be feasible. Therefore, alternatively the benefit tables may be reduced as recommended.

4. Any change in the scheme benefits should always be done only after actuarial assessment and the recommendations the Actuary may make should be simultaneously implemented. Correct. Fully agree.

5. There is need to establish a machinery to oversee the operations of the Fund Manager by the PF Authorities. The Government is planning the approval of Fund Managers under the new Pension Regulatory Authority. The flexibility in investment pattern that may be allowed to these Fund Managers should also be extended to the Fund Managers of the EPS, 95. Though the SBI has been assessing the effectiveness of the operations by a system of internal audit, there is need for the greater involvement of the EPS Authorities. We agree and this has been the opinion in the past that investment should be properly controlled by EPFO and should be not left to SBI. We think this requires inclusion of professional experts in investment committee. EPFO is contemplating appointment of a consultant to advise on short term measures/new avenues within the existing investment guidelines and for suggesting a road map for long term investments.
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<th>Whenever there is a proposal to increase the eligibility limit from pension the impact of the same should be assessed actuarially and concurrent steps be taken to implement the recommendations that the Actuary may make. This will ensure that such changes do not lead to enlarging the deficit. An assessment made of the impact of the increase in the pension eligibility salary from Rs. 5000/- to the figure of Rs. 6500/- indicates that there will be increase in the liability, and thus in the deficit, to the extent of about Rs. 10,000/- crores.</th>
<th>Yes.</th>
<th>Valuer has assessed that raise in wage ceiling from Rs. 5000/- to Rs. 6500/- has resulted in a deficit of Rs. 10,000 crores. Infact at the time of the revision, the Consultant Actuary opined that contribution shall be diverted from PF to Pension Account back date. The suggestion could not be accepted due to lack of enabling provision in the scheme and the Act. As an alternate, an amendment was proposed to consider Pensionable salary be average of 5 years. The Pension Implementation Committee deferred its decision in view of pending case in the Supreme Court.</th>
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<tr>
<td>6.</td>
<td>Immediate steps should be taken to ensure complete database for the valuation. While it should be our aim to get 100% of the data, at the same time, we must ensure its quality in terms of completeness and accuracy. Conclusions drawn from an inadequate database cannot be as satisfactory as could be drawn from a reliable database. The expected improvement in the quality of database for the seventh valuation can lead to more reliable conclusions.</td>
<td>This we have been advocated for a long time.</td>
<td>On implementation of the Re-inventing EPF Project, EPFO will be able to provide 100% of the data.</td>
</tr>
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<td>7.</td>
<td>Immediate steps should be taken to set up an Actuarial Department in the EPF Organisation as recommended by the actuary in the previous valuations. Detailed recommendations</td>
<td>This should also be followed.</td>
<td>Agree. Further action shall be taken on receipt of detailed recommendation.</td>
</tr>
</tbody>
</table>
Regarding the compositions of the Actuarial Department would be submitted separately. It should be the responsibility of this Department to take care of the database both as regards quantity and quality.

**9.** Arrangements should be made in association with a team of Actuaries to investigate the past experience of the scheme in relation to mortality and withdrawal rates.

Yes, this should be carried out after the actuarial cell is set up. In the beginning, it can be tried in-house with support from Consultant Actuary.

**10.** The experience of the scheme so far indicates that there are a large number of withdrawals from the scheme thus defeating the social security objective of the scheme. Apparently there is also a sizeable withdrawal from the scheme by persons who leave one employment taking the withdrawal benefits and joining the scheme again as a new recruit of another employer. A thorough review of the withdrawal benefits in the scheme is necessary to discourage such tendencies.

This is also correct. Agree. Separate item is being placed.

**11.** A revision is called for in the Tables B and D under Rule 14 to give effect to the changes in interest rates as also to discourage withdrawals.

This is also correct. May be changed immediately without delay.

**12.** Urgent steps should be taken to implement the Supreme Court judgment on EPS, 95.

Judgment has to be analysed before any action is taken. However, special attention is to be focused for those who have opted for Employees’ Family

Judgment has since come. Appropriate action shall be taken. (separate item is placed)
But now they have to compulsorily abide by EPS, 1995.

| 13. | The impact of the Schemes that may be developed by the approved Fund Managers after the New Pension Regulatory Authority lay down their guidelines on the provisions of this scheme need to be examined and the scheme should be revised with particular reference to the provisions for exemptions. | Exemption is given if the prescribed conditions are fulfilled. It's important to protect the employees benefit under any proposed scheme as also sustainability of the Exempted Fund. |

4. The Committee may consider the 6th Valuation Report submitted by the Valuer and make appropriate recommendations.
Item No.7:  Proposal for amendment of Paragraph 14 of the Employees' Pension Scheme, 1995.

Paragraph 14 of the Employees' Pension Scheme, 1995 provides that:

"If a member has not rendered the eligible service prescribed in Paragraph (9) on the date of exit, or on attaining 58 years of age whichever is earlier, he/she shall be entitled to a withdrawal benefit as laid down in Table 'D' or may opt to receive the scheme certificate provided on the date he/she has not attained the 58 years of age:

Provided that an existing member shall receive additional return of contribution for his/her past service under the Employees' Family Pension Scheme, 1971 computed as withdrawal-cum-retirement benefits as per Table 'A' multiplied by the factor given in Table 'B'."

Thus, in effect Para 14 of Employees Pension Scheme, 1995 provides for settlement of withdrawal benefit if a member has not rendered the eligible service of 10 years prescribed in Para 9, on the date of exit or on attaining the 58 years of age whichever is earlier.

Further, Para-12(8) provides for issuance of Scheme Certificate if a member ceases to be in employment and has not attained the prescribed age/eligible service for pension entitlement on retirement/superannuation. In such cases, Scheme Certificate shall be issued compulsorily if eligible service is 10 years or more whereas option between withdrawal benefit and scheme certificate is available where eligible service is less than 10 years.

As per above provisions members having less than 10 years eligible service and leaving the job are having the following two options:

Such member can opt for Scheme Certificate in lieu of contributions paid in the establishment so as to carry the accumulated eligible service to the new establishment which he/she may join at a later date, or

a) Such member can opt for withdrawal benefits, in lieu of contributions paid and the accumulated eligible service.

It was expected that more and more members will opt for Scheme Certificate in order to have continued protection to family and to get pensionary benefits at the entitled age. The withdrawal benefit exits would be limited to group of people who join EPF covered employment stream after attaining the age of 48 and above or person who are migrating out of the country or leaving employment stream for various reasons like marriage, setting up own business etc. However, the data over the years shows that this logical expectation has not materialized.
The above fact can be verified from the details of provident fund withdrawal cases settled during the last 5 years as given below which shows the continuous increase in the no. of withdrawal cases every year:

**TABLE ‘A’**

<table>
<thead>
<tr>
<th>Year</th>
<th>Total No. of claim settled</th>
<th>Amount of settlement (Crores)</th>
<th>No. of claim settled on superannuation</th>
<th>% age of superannulation claims to total claims</th>
<th>Average amount of settlement (approx.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>1265811</td>
<td>2063.08</td>
<td>55194</td>
<td>4.36</td>
<td>16,290</td>
</tr>
<tr>
<td>1998-99</td>
<td>1437749</td>
<td>2779.95</td>
<td>61421</td>
<td>4.27</td>
<td>19,330</td>
</tr>
<tr>
<td>1999-2000</td>
<td>1629786</td>
<td>3577.10</td>
<td>62764</td>
<td>3.85</td>
<td>21,940</td>
</tr>
<tr>
<td>2000-2001</td>
<td>1750360</td>
<td>4186.25</td>
<td>67716</td>
<td>3.87</td>
<td>23,910</td>
</tr>
<tr>
<td>2001-2002</td>
<td>2029193</td>
<td>5090.01</td>
<td>69741</td>
<td>3.44</td>
<td>25,080</td>
</tr>
</tbody>
</table>

The above statistics reveal some disturbing trends. The percentage of exits on account of attaining the age of superannuation is steadily decreasing. Secondly the average settlement taken by the member on attaining superannuation is not capable of even giving a minimum of Rs.250 per month, even by a generous annuity scheme like Varistha Bhima Pension Yojana. The lump-sum benefit is also so meager it is not capable of addressing the needs of the retiree and his family even for a year or two.

**TABLE ‘B’**

<table>
<thead>
<tr>
<th>Year</th>
<th>No. of Member Pension</th>
<th>No. of Scheme Certificate</th>
<th>Total Pensionable exits</th>
<th>Withdrawal benefits Non-Pensionable exits</th>
<th>% of Pensionable exits</th>
<th>% of Non-Pensionable exits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1997-98</td>
<td>70,052</td>
<td>24,546</td>
<td>94,598</td>
<td>10,94,992</td>
<td>7.95</td>
<td>92.05</td>
</tr>
<tr>
<td>1998-99</td>
<td>86,133</td>
<td>31,302</td>
<td>1,17,435</td>
<td>11,96,880</td>
<td>8.94</td>
<td>91.06</td>
</tr>
<tr>
<td>1999-2k</td>
<td>1,01,332</td>
<td>72,701</td>
<td>1,74,033</td>
<td>14,91,708</td>
<td>10.45</td>
<td>89.55</td>
</tr>
<tr>
<td>2k-01</td>
<td>1,10,028</td>
<td>1,10,663</td>
<td>2,20,691</td>
<td>16,63,603</td>
<td>11.71</td>
<td>88.29</td>
</tr>
<tr>
<td>2001-02</td>
<td>1,42,698</td>
<td>1,19,188</td>
<td>2,61,886</td>
<td>19,87,222</td>
<td>11.64</td>
<td>88.36</td>
</tr>
<tr>
<td>2002-03</td>
<td>1,74,045</td>
<td>1,39,051</td>
<td>3,13,096</td>
<td>18,32,052</td>
<td>14.60</td>
<td>85.40</td>
</tr>
</tbody>
</table>

Above tables shows that there is high incidence of withdrawal benefit instead of accepting the Scheme Certificate. This in effect is eroding the social security aspect provided to member's family and greatly jeopardise the prospect of members becoming eligible for pension entitlement.
This critical aspect was also noticed by ILO. The report of an ILO technical assistance appraisal mission, 1996 says "at any time during their first ten years of coverage, insured employees may leave their job, then apply for a withdrawal benefit under paragraph 14; if and when they resume employment, their accumulation of pension entitlements will have to start again from zero; there is nothing to prevent improvident employees from repeatedly doing this and ending up without any pension entitlement at the end of their working life. Paragraph 14 thus undermines the whole idea of compulsory provision for old age; it is recommended that it be revised so as to permit payment of a withdrawal benefit only on attainment of age 58; alternatively, the withdrawal option could be abolished entirely and a new provision introduced specifying that where the pension entitlement at age 58 is less than a certain minimum, then a lump-sum benefit should be paid instead;"

Further, the Actuary in his Actuarial valuation reports has also examined the matter and asserted that "Non Pensionable exit is about 8 times pensionable exits. The figures for the year 1998-99 and 1999-2000 are given below:-

<table>
<thead>
<tr>
<th>Year</th>
<th>Pensionable exits</th>
<th>Non-Pensionable exits</th>
<th>Scheme Certificate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998-1999</td>
<td>117435</td>
<td>1196880</td>
<td>31302</td>
</tr>
<tr>
<td>1999-2000</td>
<td>174033</td>
<td>1491708</td>
<td>72701</td>
</tr>
</tbody>
</table>

It is evident from the above figure that the no. of non-pensionable exits are very much as compare to pensionable exits. Moreover, out of non-pensionable exits the no. of Scheme Certificates is very less. So, maximum members are claiming withdrawal benefits.

Since such withdrawal is defeating the very purpose of providing the social security benefits of monthly pension, the only remedy in this regard is to amend the Para 14 of the EPS, 1995 to curtail the withdrawal benefits and to consider to settle the withdrawal benefits only on the attainment of superannuation age i.e. 58 years, if the member is not otherwise eligible for monthly member pension. It will ensure that's the family of the member remains protected from economic loss due to death of the bread winner and the members eligible service throughout his working life is accumulated.

To meet this purpose it is proposed that the Para 14 of the Employees' Pension Scheme, 1995 may be amended to incorporate the following inputs:--

i) In all the exit cases before attaining the age of 58 years where the eligible service is less than 10 years on date of exit, Scheme Certificates will be issued to such members, which will be valid till the age of 58 years.

ii) While calculating the withdrawal benefit under Para 14 in respect of past service under EFPS, 1971 the benefit computed as per Table A (which was payable on 15-11-1995) is multiplied by the factor given in Table B to compensate for the interest loss for the time gap fort the period between 16-11-1995 and date of attainment of 58 years or exit date whichever is earlier. However, for the withdrawal benefit computed under EPS, 1995 as laid down in Table D for the pensionable service identical provisions does not exist to compensate for the interest loss from the date of exit to the date of settlement on attainment of 58 years of age if a member has availed the Scheme Certificate and submits the same for encashment in future on
attaining 58 years of age. Same need be allowed. As such, if approved, provision be made to allow encashment of Scheme Certificate by allowing weightage multiplied by the factor given in Table B to compensate the time gap between the date of leaving the job and attainment of age 58 years or encashment of Scheme Certificate whichever is earlier.

Proposal for amendment of Para 14 to restrict withdrawal benefit by a member before attaining the age of 58 years was placed before the Pension Implementation Committee in its 13th meeting held on 18-8-1998 and the committee after examining the issues involved has desired that on the issue there is need to obtain views of Central Trade Union Organisations. The Central Board of Trustees has also endorsed the said decision of the PIC in its 159th meeting held on 4-12-2002. The matter was therefore, referred to Govt. who in turn has desired that views of all the recognized Central Trade Unions may be obtained on this amendment proposal and placed before the next meeting of CBT, EPF.

The views of all the recognized Central Trade Unions were obtained for amendment of Para 14 of the Employees' Pension Scheme. The views given by the Central Trade Unions are as under:-

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Trade Unions</th>
<th>Suggestions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Centre of Indian Trade Unions (CITU)</td>
<td>Not agreed with the proposal for amendment of Para-14 of Employees' Pension Scheme '1995.</td>
</tr>
<tr>
<td>2.</td>
<td>Indian National Trade Unions Congress (INTUC)</td>
<td>INTUC has desired to have a comprehensive agenda paper giving all details of retirement benefits/quantum of benefits before the matter is placed before the CBT EPF.</td>
</tr>
<tr>
<td>3.</td>
<td>All India Central Council of Trade Unions (AICCTU)</td>
<td>Suggested that a meeting of all Central Trade Unions should be called for by the Government to discuss such an important / sensitive issue.</td>
</tr>
<tr>
<td>4.</td>
<td>All India Trade Unions Congress (AITUC)</td>
<td>Suggested that a meeting of all Central Trade Unions should be called for by the Government to discuss such an important / sensitive issue.</td>
</tr>
<tr>
<td>5.</td>
<td>Hind Mazdoor Sabha</td>
<td>Informed that reply will be sent shortly.</td>
</tr>
<tr>
<td>6.</td>
<td>Bharatiya Mazdoor Sangh</td>
<td>Informed that they are not agreed with the proposal.</td>
</tr>
<tr>
<td>7.</td>
<td>TUCC/UTUC/UTUC(LS)</td>
<td>No response has so far been received.</td>
</tr>
</tbody>
</table>

These opinions have been referred to Government for consideration. Response is awaited.
INTRODUCTION & ADMINISTRATION

Employees' Pension Scheme 1995 came into effect from 16.11.95. Upon introduction of the new Employees' pension Scheme, 1995, the erstwhile Family Pension Scheme, 1971 ceased to operate and all the assets and liabilities of the same stood transferred and merged with the Pension Fund. The Employees' Pension Scheme 1995 has been conceived as a "Benefit defined Social Insurance Scheme" formulated following "actuarial principles" for ensuring long term financial viability. The Scheme aims at providing for economic sustenance during old age and survivorship coverage to the member and his family.

BENEFITS

Employees' Pension Scheme, 95 provides the following benefit package:

(i) To the member:
   a. Pension for life on superannuating/retirement and permanent total disablement;
   b. Facility for capital return (corpus accretion) on option formulae basis; and
   c. Commutation of pension up to 1/3rd of pension amount.

(ii) To the members of the family upon the death of the member:
   a. Pension to Widow/Widower for life or till re-marriage.
   b. To children two at a time upto 25 years of age simultaneously with widow/widower pension/orphan pension two at a time upto 25 years of age.
   c. Children/orphan with total and permanent disability shall be entitled to payment of children pension or orphan pension as the case may be irrespective of age and number of children in the family.
   d. Facility for payment of pension to nominee in the event of death of the member who is unmarried or without any eligible family member to receive pension, and
   e. Facility for payment of pension to dependent father/mother in the event the member dies leaving behind no eligible family members and no nomination by such deceased member exists;

ELIGIBILITY

Superannuation/retirement pension under the Employees' Pension Scheme will be payable on fulfilling:

(a) Minimum 10 years eligible service; and
(b) Attaining age of 58 years.
On ceasing employment earlier than 58 years, pension may be availed of by a member at his option, before attaining the age of 58 years but not below 50 years. Such early pension will be subject to discounting factor at the rate of 3% for every year of shortfall from 58 years. No pension will be payable to any member before attaining the age of 50 years. However, no such age restriction or eligibility requirement shall apply for pension entitlement on disablement or pension payable to the family members on death of the member. Membership with one month contribution will suffice in such cases.

PENSION DISBURSEMENT ARRANGEMENTS

A. Nationalised Banks

For ensuring disbursement of pension every month, arrangements have been made through nationalised banks to remit the pension.

B. Scheduled Commercial Banks

Para 33 has been amended on 27.9.2001 to permit disbursement of pension through Scheduled Commercial Banks including Regional Rural Bank and Co-operative Banks.

Agreements have been entered into with HDFC Bank on 18.10.2002, ICICI Bank on 7.3.2003 & UTI Bank on 13.3.2003. These Banks are fully networked branches, where all transactions are made on real time basis.

- The service charges are 1.25% on monthly pension disbursed and 0.25% on such non-recurring lump sum payments like Commutation of pension, Return of Capital & initial Pension arrears. This will result in saving in disbursement charges as under existing agreement with Nationalised Banks service charges are being paid @ 2.5% on all payment.

- The Saving Bank Account of the Trustees/EPFO and the E.P.F Pensioners are opened on 'Zero balance basis' and the minimum 'Balance condition' is also waived in respect of these accounts.

C. Post Offices

To enlarge the disbursement network arrangement has been finalized with the Deptt. of Posts w.e.f.1-7-2001 for disbursement of pension.
MEMBERS ENROLLED

During the year 2002-2003, 3737691 new members were enrolled at the gross level. After accounting for the ceased members, the net addition during the year was 1915055 members. The details of enrollment of members are given in Table-1.

| TABLE: 1 | ENROLMENT OF PENSION SCHEME MEMBERS |
| As on 31.03.2002 | 25572161 |
| ADD: Enrolled during the year | 3737691 |
| LESS: Ceased during the year | 1822636 |
| As on 31.03.2003 | 27487216 |
| Net addition over previous Year | 1915055 |

As on 31.03.2003, the members of Employees Pension Scheme were 27487216. The region-wise position of members is given in Table: 2.

| TABLE : 2 |
| S. No | Region | Members |
| 1. | Andhra Pradesh | 1831552 |
| 2. | Bihar | 287225 |
| 3. | Chhattisgarh | 180345 |
| 4. | Delhi | 1589418 |
| 5. | Goa | 83563 |
| 6. | Gujarat | 1612497 |
| 7. | Himachal Pradesh | 164654 |
| 8. | Haryana | 931554 |
| 9. | Jharkhand | 368468 |
| 10. | Karnataka | 2244265 |
| 11. | Kerala | 979959 |
| 12. | Maharashtra | 4095931 |
| 13. | Madhya Pradesh | 1258601 |
| 14. | North East Region | 209883 |
| 15. | Orissa | 510517 |
| 16. | Punjab | 2063934 |
| 17. | Rajasthan | 799120 |
| 18. | Tamil Nadu | 4703040 |
It can be seen from the Table 2 that Tamil Nadu region followed by Maharashtra region have the largest number of members. It would also be noted that around 78.84% of the total members are concentrated in 9 regions namely Tamil Nadu, Maharashtra, West Bengal, Karnataka, Punjab, Andhra Pradesh, Gujarat, Delhi & Himachal Pradesh.

CONTRIBUTION RECEIVED

During the year under the report Rs. 4787.84 crores were received as Pension Fund contributions. Out of this Rs. 4387.84 crores were collected from Employers’ share and Rs. 400.00 crores were contributed by Central Government.

PENSION FUND

The table below shows the position relating to contributions received, corpus and no. of pensioners year-wise.

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution recd. - Cumulative (Rs. In crores)</th>
<th>Corpus (Rs. In crores)</th>
<th>No. of pensioners (including EFPS, 1971)- Cumulative</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996-97</td>
<td>8733.56</td>
<td>14194.69</td>
<td>290329</td>
</tr>
<tr>
<td>1997-98</td>
<td>11954.14</td>
<td>17248.36</td>
<td>406040</td>
</tr>
<tr>
<td>1998-99</td>
<td>15586.90</td>
<td>22016.38</td>
<td>559728</td>
</tr>
<tr>
<td>1999-00</td>
<td>19753.68</td>
<td>27410.13</td>
<td>737998</td>
</tr>
<tr>
<td>2000-01</td>
<td>23976.29</td>
<td>33216.39</td>
<td>937126</td>
</tr>
<tr>
<td>2001-02</td>
<td>28425.33</td>
<td>39049.81</td>
<td>1168779</td>
</tr>
<tr>
<td>2002-03</td>
<td>33213.17</td>
<td>45045.21</td>
<td>1441670</td>
</tr>
</tbody>
</table>

INVESTMENT OF PENSION FUND

The Scheme provides for investment of the Pension Fund as per pattern indicated below:

- Family Pension corpus as on 15.11.1995 and the Central Government contribution from 16.11.1995 onwards shall be invested in the public account of the Government of India.
Other accretions to the pension Fund shall be invested as per pattern prescribed for the Employees' Provident Fund Scheme 1952.

The total corpus of Pension Fund accumulations amounted to Rs. 45045.21 crores as on 31.03.2003. The investment of Pension Fund during the year 2002-2003 and total corpus of Pension Fund as on 31.03.2003 are given in the Tables 3 & 4:

**TABLE: 3**

INVESTMENT OF PENSION FUND DURING 2002-03 (Rs. in Crores)

<table>
<thead>
<tr>
<th>I) As per Investment Pattern</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>(i) Central Government Securities</td>
<td>1845.36</td>
</tr>
<tr>
<td>(ii) State Government/ Government guaranteed Securities</td>
<td>910.26</td>
</tr>
<tr>
<td>(iii) Special Deposit Scheme</td>
<td>112.02</td>
</tr>
<tr>
<td>(iv) Public Sector Financial Institutions</td>
<td>1079.50</td>
</tr>
<tr>
<td><strong>Total investment</strong></td>
<td><strong>3947.14</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>II) Public Account</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total during the year (Public Account &amp; Securities) [I+II]</td>
<td>5995.40</td>
</tr>
</tbody>
</table>

**TABLE: 4**

TOTAL CORPUS OF PENSION FUND (Rs. in Crores)

| Net Investment in Securities as on 31.03.2002 | 20030.43 |
| Add: Net Investment during the year          | 3947.14  |
| **Net Investment in Securities as on 31.0**   | **23977.57** |
| Deposit in Public Account as on 31.03.2002   | 19019.38 |
| Add: Government contribution                 | 400.00   |
| Add: Interest received during the year       | 1648.26  |
| Balance in Public Account as on 31.03.2003   | 21067.64 |
| Total Corpus (Securities + Public Account) as on 31.03.2003 | 45045.21 |

**CONTRIBUTION ARREARS**

At the end of financial year 2001-2002, there was an outstanding arrears of Rs. 302.28 crores on account of Pension Fund contribution from employers. This was further increased due to additional recovery certificates issued in respect of unrealised current demand of Rs. 193.52 crores. The total workload for the year 2002-03 for recovery becomes Rs. 495.80 crores. Rs. 182.85 crores has been recovered through recovery action leaving behind an outstanding arrears of Rs. 342.95 crores.
ACTIONS TAKEN AGAINST DEFAULTERS

Prosecution cases under Section 14 of the Act were filed against the employers who failed to deposit the contributions. As against a workload of 14937 cases for disposal, 1078 cases were decided during the year. Of the cases decided, in 370 cases conviction were ordered, 222 cases were either acquitted or admonished, 288 cases were withdrawn and 198 cases were discharged.

Out of a workload of 31600 Recovery Certificates under section 8 of Employees' Provident Funds and Miscellaneous Provisions Act, 1952 involving an amount of Rs. 372.23 lakhs, an amount of Rs.53.69 Crores were realized through execution of 9259 cases. At the end of the year 22341 cases were pending involving a sum of Rs. 318.54 crores.

SERVICE TO THE MEMBERS OF PENSION SCHEME

PENSION BENEFICIARIES

During the year 2002-03, pensionary benefit has been extended to 272891 beneficiaries taking cumulative figure to 1441670. The classification of the beneficiaries under Employees' Pension Scheme, 1995 as on 31.3.2003 are as under:

<table>
<thead>
<tr>
<th>PENSION BENEFICIARIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>i) Members Pension</td>
</tr>
<tr>
<td>(a) Early Pension (50-57 years)</td>
</tr>
<tr>
<td>(b) Superannuation Pension</td>
</tr>
<tr>
<td>(c) Disablement Pension</td>
</tr>
<tr>
<td>Sub-total</td>
</tr>
<tr>
<td>ii) Widow/Widower Pension</td>
</tr>
<tr>
<td>(a) Death in Service</td>
</tr>
<tr>
<td>(b) Death away from Service</td>
</tr>
<tr>
<td>Sub-total</td>
</tr>
<tr>
<td>iii) Nominee Pension</td>
</tr>
<tr>
<td>iv) Orphan Pension</td>
</tr>
<tr>
<td>v) Children Pension</td>
</tr>
<tr>
<td>Grand Total</td>
</tr>
</tbody>
</table>

The aforesaid figures include 168503 widow pensioners and 3698 children pensioners drawing pension under the ceased Employees' Family Pension Scheme, 1971.

The region-wise classification of beneficiaries under Pension Scheme as on 31.03.2003 is given at Annexure-A.
SETTLEMENT OF PENSION CLAIMS (ALL BENEFITS)

Details of all benefit claims sanctioned under the Employees' Pension Scheme, 1995, year-wise for the past three years are given in Table-5.

<table>
<thead>
<tr>
<th>TABLE: 5</th>
<th>PENSION CLAIMS (ALL BENEFITS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Brought forward pendency at the beginning of the year</td>
</tr>
<tr>
<td>2</td>
<td>Claims received during the year</td>
</tr>
<tr>
<td>3</td>
<td>TOTAL WORKLOAD [1+2]</td>
</tr>
<tr>
<td>4</td>
<td>Claims returned for rectification of defects</td>
</tr>
<tr>
<td>5</td>
<td>Claims rejected being ineligible</td>
</tr>
<tr>
<td>6</td>
<td>Claims settled</td>
</tr>
<tr>
<td>7</td>
<td>Percentage of Claims settled to workload</td>
</tr>
<tr>
<td>8</td>
<td>Amount authorised for payment [Rs. lakhs]</td>
</tr>
<tr>
<td>9</td>
<td>Claims pending at the close of the year</td>
</tr>
<tr>
<td>10</td>
<td>Percentage of closing balance to workload</td>
</tr>
</tbody>
</table>

It would be seen from Table: 6 that during the year, under report 22.12 lakhs family pension claims were settled as against 19.87 lakhs claims settled during the previous year. This includes 356870 monthly Pension claims settled during the year.

The category-wise break up of family pension claims settled during the year 2002-2003 is indicated in Table-6.

<table>
<thead>
<tr>
<th>TABLE: 6</th>
<th>CATEGORY OF CLAIM</th>
<th>NO. OF CLAIMS SETTLED</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Monthly Pension benefit</td>
<td>356870</td>
</tr>
<tr>
<td></td>
<td>Life Assurance benefit (under FPS’71)</td>
<td>3758</td>
</tr>
<tr>
<td></td>
<td>Retirement-cum-withdrawal benefit</td>
<td>1832052</td>
</tr>
<tr>
<td></td>
<td>Refunds</td>
<td>20013</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>2212693</td>
</tr>
</tbody>
</table>
VALUATION OF PENSION FUND

As per Para 32 of Employees' Pension Scheme, 1995, Employees Pension Fund is to be evaluated by an Actuary at annual intervals. Upon 1st valuation (16.11.95 to 15.11.96), 4% pension relief has been granted. 2nd valuation was conducted for the period 16.11.96 to 31.3.98 to synchronize the process with financial year. Based on 2nd valuation result Govt. allowed 5.5% additional relief w.e.f. 1.4.98 to all pensioners as on 31.3.98. Simultaneously, the minimum family pension quantum also has been enhanced from January 2000 as recommended in 1st valuation report.

Similarly, upon completion of 3rd Valuation for the period 1998-99 Govt. sanctioned 4% additional relief on the original pension to all pensioners as on 31.3.99 w.e.f. 1.4.99. Further, the 4th valuation for the period 1999-2000 as on 31.3.2000 has been completed and based on 4th Valuation Report Govt. vide its order dated 13.11.2001 has sanctioned 4% additional relief to all pensioners as on 31.3.2000.

The 5th & 6th valuations have been completed. The final reports are being placed before PIC for consideration.

EXEMPTION

As per Para 39 of EPS 1995, any establishment or class of establishments may be granted exemption from the operation of the EPS 1995 by the appropriate Government if the Pension Scheme of the establishment(s) provides pensionary benefits either at par or more favorable than the benefits available under the EPS 1995. Three establishment have been granted exemption under Employees Pension Scheme'95. These are namely M/s. Tata Motors (Maharashtra), M/s. Malaysian Airlines (Tamil Nadu) and M/s. Oil India Ltd. (Assam).

However the consultant Actuary has opined that "It is the first pillar scheme and there should be no exemption under the scheme. No where in world, exemption from first pillar scheme allowed".
EMPLOYEES' PENSION SCHEME 95

Classification of Pensioners as at 31.03.2003

<table>
<thead>
<tr>
<th>S. No.</th>
<th>Region</th>
<th>Total No. of Members of Fund on 1.4.2000</th>
<th>Member pension</th>
<th>Spouse Pension</th>
<th>Children Pension</th>
<th>Orphan Pension</th>
<th>Total % of Grand Total</th>
<th>% to total P.F. Member</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>AP</td>
<td>2108767</td>
<td>54309</td>
<td>23182</td>
<td>44</td>
<td>77535</td>
<td>18766</td>
<td>21780</td>
</tr>
<tr>
<td>2</td>
<td>BR</td>
<td>342366</td>
<td>6914</td>
<td>13756</td>
<td>7</td>
<td>20677</td>
<td>5186</td>
<td>6272</td>
</tr>
<tr>
<td>3</td>
<td>CG</td>
<td>300456</td>
<td>5183</td>
<td>1620</td>
<td>29</td>
<td>6812</td>
<td>1121</td>
<td>2096</td>
</tr>
<tr>
<td>4</td>
<td>DL</td>
<td>1385832</td>
<td>10594</td>
<td>2900</td>
<td>4</td>
<td>13498</td>
<td>654</td>
<td>4809</td>
</tr>
<tr>
<td>5</td>
<td>GO</td>
<td>129202</td>
<td>1146</td>
<td>1659</td>
<td>6</td>
<td>2811</td>
<td>449</td>
<td>959</td>
</tr>
<tr>
<td>6</td>
<td>GJ</td>
<td>1742852</td>
<td>26528</td>
<td>17668</td>
<td>43</td>
<td>44239</td>
<td>11320</td>
<td>13139</td>
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<tr>
<td>7</td>
<td>HP</td>
<td>159434</td>
<td>1151</td>
<td>43</td>
<td>4</td>
<td>1198</td>
<td>1178</td>
<td>1248</td>
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<td>8</td>
<td>HR</td>
<td>861496</td>
<td>9213</td>
<td>4106</td>
<td>23</td>
<td>13342</td>
<td>3630</td>
<td>5537</td>
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<td>9</td>
<td>JD</td>
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<td>12369</td>
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<td>19542</td>
<td>2477</td>
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<td>10</td>
<td>KN</td>
<td>2144647</td>
<td>44593</td>
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<td>15886</td>
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<td>11</td>
<td>KR</td>
<td>713936</td>
<td>41318</td>
<td>35404</td>
<td>471</td>
<td>77193</td>
<td>6921</td>
<td>7994</td>
</tr>
<tr>
<td>12</td>
<td>MH</td>
<td>4066123</td>
<td>65645</td>
<td>45348</td>
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<td>111229</td>
<td>29009</td>
<td>32902</td>
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<tr>
<td>13</td>
<td>MP</td>
<td>1292413</td>
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<td>7814</td>
<td>28</td>
<td>26768</td>
<td>8444</td>
<td>7985</td>
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<td>14</td>
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<td>207831</td>
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<td>23</td>
<td>4181</td>
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<td>15</td>
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<td>8751</td>
<td>9134</td>
<td>8</td>
<td>17893</td>
<td>4329</td>
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<td>16</td>
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<td>6217</td>
<td>19</td>
<td>13338</td>
<td>5933</td>
<td>5347</td>
</tr>
<tr>
<td>17</td>
<td>RJ</td>
<td>808371</td>
<td>14722</td>
<td>7096</td>
<td>25</td>
<td>21843</td>
<td>3503</td>
<td>5489</td>
</tr>
<tr>
<td>18</td>
<td>TN</td>
<td>4365712</td>
<td>71905</td>
<td>36807</td>
<td>109</td>
<td>108821</td>
<td>20229</td>
<td>27455</td>
</tr>
<tr>
<td>19</td>
<td>UP</td>
<td>165243</td>
<td>1728</td>
<td>3078</td>
<td>6</td>
<td>4812</td>
<td>1864</td>
<td>2670</td>
</tr>
<tr>
<td>20</td>
<td>UT</td>
<td>1333342</td>
<td>26369</td>
<td>25334</td>
<td>21</td>
<td>51724</td>
<td>14072</td>
<td>12711</td>
</tr>
<tr>
<td>21</td>
<td>WB</td>
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<td>17875</td>
<td>12</td>
<td>40408</td>
<td>11973</td>
<td>11097</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2756255</td>
<td>455456</td>
<td>293380</td>
<td>1221</td>
<td>75065</td>
<td>168503</td>
<td>186696</td>
<td>22553</td>
</tr>
</tbody>
</table>
DRAFT MINUTES OF THE 19th PENSION
IMPLEMENTATION COMMITTEE OF THE CBT (EPF) HELD
MINISTRY OF LABOUR NEW DELHI.

Date : 9.12.2003
Time : 11.30 am
Venue : Committee Room,
Shram Shakti Bhawan,
Ministry of Labour
New Delhi.

The 19th meeting of the Pension Implementation Committee was held on 9.12.2003 under the Chairmanship of Shri Baleshwar Rai, Additional Secretary, Ministry of Labour.

Following members attended the meeting:

1) Shri A.D. Nagpal, Employees Representative
2) Shri B.N. Rai, Employees Representative
3) Shri Ajai Singh, C.P.F.C.
4) Addl. C.P.F.C. (Pension) Convener

Shri R.K. Somani, and Shri P. Rajendran, Employer's Representatives could not attend the meeting.

Shri D.S. Poonia, Joint Secretary, Shri K.C. Jain, Director, Shri Bhudev Chatterjee, Consultant Actuary, Shri N.R. Kapadia, Receiving Actuary, Shri M.G. Diwan and Shri Akshay Pandit, Valuing Actuaries [M/s. K. A. Pandit & Company] attended the meeting as special invitee.

Sh. M. Vijaya Raj, RPFC-I (Pension), Smt. Aprajita Jaggi, RPFC-II (Pension – Actuarial & Policy), Sh. Rahul Arya, APFC (Pension), Sh. Bhupendra Singh, APFC (Pension) and Smt. Padma Ramchandran, S.O (Pension A&C) were also present.

Chairman welcomed the members of the newly constituted Pension Implementation Committee.
Chairman suggested that first the power point presentation on 5th & 6th items of the agenda namely 5th and 6th Valuation report be taken up. The ACC (Pension) brought out line of the issue. Shri M.G.Diwon, partner K.A.Pandit & Co. made a presentation on his analysis of the Valuation reports. He also suggested certain measures to improve the health of the fund especially in view of huge deficit of over Rs.17,000 Crores as reflected in 6th Valuation report.

During the presentation, the Central Provident Fund Commissioner enquired about the percentage of data considered for valuation. Shri Diwan stated that the data was supplied in respect of 78 lakh members out of which 22 lakhs data was fully complete. Chairman enquired how the increase in wage ceiling limit has added to more liability especially when this also results in increase of contributions. To this Shri Diwan explained that the previous service put in at lower contributions would also be considered at increase wage ceiling while calculating the benefits. Also the persons who were drawing more than wage ceiling (Rs. 5,000 and above) before the wage ceiling increase, would count such period as pensionable service without commensurate contribution at higher wages and therefore also add to liability. Shri Diwan suggested that in future whenever the statutory wage ceiling is increased, there should be a simultaneous assessment by the Actuary so that its implications could be assessed and necessary steps could be suggested and measures could be taken up to ensure long term viability of the fund.

Chairman, enquired about the deficit as on 31.3.2003. It was clarified that the process for 7th valuation is due. Shri Diwan added that chances are that deficit would be more and picture would be clear only after 7th valuation.

Shri Diwan explained that by allowing liberal pattern of investment, returns can be increased so that deficit could be reduced. He suggested the method adopted by LIC wherein for the money collected in the Varishth Pension Bima Yojna 5% of the fund is allowed to be invested in equity so that the return of 9.5% as promised by the scheme could be given and Govt. liability be reduced to that extent. Also Shri Diwan suggested that money should also be parked in better investment once the newly constituted PFRDA [Pension fund Regulatory & Development Authority] lays down the investment guidelines etc.
CPFC enquired whether IRDA guidelines for investment are
different from the pattern of investment as prescribed by the
Govt. for EPFO. It was clarified that IRDA pattern is different
from pattern prescribed for EPFO.

Shri K.C. Jain, Director enquired about the impact of
assumption of salary raise as 7% when compared to the
assumption made at 8%. Shri Diwan clarified that it would be
around Rs.100 crores. Shri Jain also raised the point that
whether the increase in wage ceiling limit has any impact on the
fund in respect of those members, who are drawing more than
Rs. 6500 p.m. Shri Diwan stated that liability will increase in
future at the time of benefit delivery.

Shri Nalin Kapadia, Actuary added that there has to be a
matching between the increase in salary and the rate of increase in
salary as assumed by the Actuary.

Chairman enquired about the percentage of ineligible
persons i.e those who are drawing over and above Rs. 6,500/-
p.m. joining the Pension scheme. Shri Diwan stated that this
percentage could be found out provided such data is available.

ACC (Pension) explained that in the light of the final
judgement given by the Hon’ble Supreme Court the larger
establishments that were not complying under EPS 1995, would
have to comply under EPS’95 and therefore it is possible that
such data could be made available after one year.

Chairman enquired whether categorization in the
membership based upon the voluntary membership i.e. those
who are drawing more than Rs. 6,500/- p.m. and becomes
member voluntarily and those members who are drawing less
than Rs. 6,500/- and are compulsory members, could be done. If
this categorization can be done then it could be assessed whether
the voluntary members are drag on Pension Fund. Shri
N.R. Kapadia, stated that usually it would be drag on the fund.

Shri Diwan suggested that increase of 2% in contributions
to the Pension fund would be sufficient to check the deficit. It is
to be decided as from where this 2% will come. In the alternate
scheme provisions can be modified. If the scheme is allowed to
run on current provisions of retirement age, etc, in about 10 to 15
years the fund would suffer cash shortage.
J.S. (P) asked the Actuary if the retirement age as suggested by the Actuary is increased from 58 to 60 then would the scheme be sustainable. Shri Diwan stated that such measures would make the scheme sustainable as it would give additional income of Rs.20,000 Crores. Shri N.R.Kapadia, stated that the retirement age 58 years is linked to Gratuity Act and in most of the cases members work beyond this age. Raising the retirement age to 60 years would be consistent with the reality.

Shri Bhudev Chatterjee, suggested that the deficit could be reduced because of the final judgement given by the Hon'ble Supreme Court. As now, all those establishments that were party in the case would have to comply under EPS 1995 and therefore there would be a boost in the contributions to the Pension Fund. He also suggested that table B and D have to be changed and the rate of return given by these tables is to be reduced in view of the declining interest rates. This would result in less premature withdrawals and this would also bring down the deficit.

CPFC suggested that table B & D should be revised so that it would serve as disincentive for the members to take withdrawals benefits.

Shri N.R.Kapadia suggested that for early pension cases the reduction rate of 3% for every year short of 58 years of age is to be revised to check the deficit. He said that the world over such reduction rate is 6%

Shri A.D.Nagpal enquired about the impact of this measure. Shri Diwan clarified that by taking such steps there would be reduction in deficit as few members would go for early pension instead they would prefer full pension on retirement.

Shri Bhudev Chatterjee suggested that adopting 5% as reduction rate would be reasonable. Shri B.N.Rai said that we have to see the nature of membership that is expected in the coming 5 years as there would be large number of members joining the scheme from un-organized sector and drawing low wages. Shri Diwan clarified that for such members joining the Pension Scheme would be a good incentive. If their pension is below minimum pension then only it would have negative impact not other wise.
Shri A.D. Nagpal enquired as to how 3% reduction rate was implemented in EPS 1995. Shri Bhudev Chatterjee clarified that at the inception of the scheme there was a large number of establishment adopted VRS but now the situation has changed, therefore reduction rate is to be revised.

Shri N.R. Kapadia suggested that this reduction factor should also be graduated based upon the age at which the early pension is opted by the member.

Chairman added that this reduction factor should be disincentive for the members to opt for early pension. Shri D.S. Poonia enquired as to why we should adopt 5% reduction rate when it is 6% the world over as suggested by the Actuary. Shri Bhudev Chatterjee, explained that reduction rate is usually 2% less than the interest rate return.

CPFC said that a lot of members go for withdrawal benefit ranging from 80% to 90% and these exist are Resignation cases and not retirement ones. This also has a negative impact on the fund and it also defeats the objectives of the scheme. Chairman suggested that measures should be taken so that such withdrawals could be stopped. Shri Nalin Kapadia added that the studies made by the World Bank and Asian Development Bank, suggest that if corrective measures are not taken then EPS would face cash crunch by 2035.

CPFC suggested that in the new system that is designed under re-inventing EPF project it would be possible that not only sample data but 100% data could be given to the actuaries for valuation. If Actuaries could suggest other information that is relevant for valuation then it could also be included in the new system.

Shri A.D. Nagpal suggested that clear cut suggestions along with repercussions and measures should be brought before next PIC so that necessary steps could be taken to stabilize EPS. He added that stopping withdrawal benefits would be possibility in this regard. Chairman agreed to this.