No. Pension.33rd PIC Meeting/2014 1070

Dt: 31 JUL 2014

To

All The Members,
Pension Implementation Committee,
CBT, EPF.

Subject:- Draft minutes of the 33rd meeting of the Pension Implementation Committee held on 25.07.2014.

Sir,

A copy of the draft minutes of the above meeting as approved by the Chairman, Pension Implementation Committee is forwarded herewith. It is requested to send your comments, if any, on the minutes, within 10 days from the date of receipt of this letter.

Yours faithfully,

Encl: as above.

Regional P.F. Commissioner-I(Pension)

Copy to:-
1. PS to CPFC & Chairman, PIC
2. PS to Joint Secretary & FA, Ministry of Labour & Employment, New Delhi.
3. PS to Director (SS), Ministry of Labour & Employment, New Delhi.
4. PS to ACC (Pension).

ISSUED
Minutes of Meeting

33rd Meeting of

Pension Implementation Committee

Date: 25-Jul-2014

Venue: 3rd Floor, Conference Hall,
EPFO Headquarters
Bhavishyanidhi Bhavan
14-Bhikaiji Cama Place
New Delhi – 110 066

Present:

1. Shri. K.K. Jalan, Central Provident Fund Commissioner - Chairman
2. Smt. Meenakshi Gupta, Joint Secretary & Financial Advisor (MoL&E) - Member
3. Shri. Sharad Patil, Employer’s Representative, CBT (EPF) - Member
4. Shri. G.P. Shrivastava, Employer’s Representative, CBT (EPF) - Member
5. Shri. D.L. Sachdeva, Employee’s Representative, CBT (EPF) - Member
6. Shri. M.G. Diwan, Actuary (Domain Expert) - Member
7. Shri. K. Mohan Gandhi, PFRDA (Domain Expert) - Member

Shri. Vrijesh Upadhyay, Employee’s Representative, CBT (EPF) and Member could not attend due to prior engagements. Shri. M.P. Varghese, Additional Central Commissioner (Pension) and convenor of PIC could not attend due to official engagements.

Shri. Rajesh Bansal, Additional Central Commissioner (HQ), Shri. C. Chakraborty, RPFC-I (Pension) and Shri. B.K. Batra, RPFC-II (Pension) from EPFO and Shri. Jayesh Pandit, Actuary from M/s. K.A. Pandit also attended the meeting.

CPFC welcomed members of Reconstituted Pension Implementation Committee (PIC) and noted that the PIC is meeting after a gap of almost 3 years and this is the first meeting of the PIC after the reconstitution of the Central Board of Trustees. The last meeting was held on 15th September 2011, where only Mr. Sharad Patil among the present members was present.

2. After these opening remarks the Agenda items were taken up for deliberation. The discussion and decisions against each of the agenda items are as below:

Item No. 1: Confirmation of Minutes of 32nd Meeting held on 15.07.2011.

3. Pension Implementation Committee noted the contents of the minutes of 32nd meeting of the PIC held on 15th July, 2011.
Item No. 2: Action Taken Report on decision taken in 32nd Meeting.

4. The Committee noted that actions required in the minutes of the 32nd meeting have been taken and the issues are closed. Shri. Patil stated that the matter of enhancing the minimum pension under EPS to Rs. 1,000/- has been under discussion in various forums for a long time, and when the matter was brought before the CBT in its 205th meeting held on 05.02.2014, it had been informed that budgetary support for the proposal from the Government was only for one year. He suggested that proposal should be implemented and the matter pursued with the Ministry for ensuring budgetary support for future years as well.

5. CPFC informed that proposal for minimum pension have been included in the Union Budget and there was no indication in the proposal of the budgetary support for the minimum pension under EPS that it would be available only for one year. It would be advisable to await the Notification from the Government and then consider the matter.

6. Shri. Sachdeva stated that the Government should agree to increase the Government’s Share of contribution to EPS to 1.79% from the present 1.16% then there would be no need for budgetary allocation. CPFC stated that present system adopted for implementing the minimum pension proposal, with the help of a top-up subsidy from the Govt. is more scientific as the subsidy is accurately determined on the basis of individual pension amounts.

7. The members expressed their concern at the delay in issue of notification to enhance the minimum pension under EPS to Rs. 1,000/- per month.

Item No. 4: 14th, 15th & 16th (Combined Valuation Report of the Employees’ Pension Fund as on 31.03.2012 – Report submitted by M/s. K.A. Pandit, Consultants & Actuaries; the Valuer, appointed by the Central Government

8. The CPFC introduced the item and stated that the valuation report of the Employees’ Pension Fund for the 3 years period pertaining to 2009-10, 2010-11 and 2011-12, have been submitted by the Actuary M/s. K. A. Pandit and the same is placed before the Committee for consideration. He further, informed that the Actuarial Valuation Report for the year 2012-13 is expected shortly. Furthermore, the process of appointing Actuary for valuation for the year 2013-14 has also been commenced by the Ministry of Labour and Employment. Certain queries have been made by the Ministry which is being replied and the process is expected to be completed.

9. Shri Sharad Patil remarked that one of the short coming of the earlier valuation report have been requirement to provide adequate data to the actuary conducting valuation. He wanted to know whether there has been any improvement in this front.

10. CPFC stated that earlier valuation exercises have been carried out with about 4 to 5% data whereas for the present valuation exercise for the year 2011-12, 60% data of contributing members have been provided. Furthermore for the valuation for 2013-14, 90% data of contributing members is likely to be provided. The quality and quantity of the data that is provided for valuation has underwent marked improvement as a result of which Valuation Reports are more reliable and projections and recommendations more authentic.

discussed and deliberated
11. CPFC clarified that the completeness of data in respect of non-contributing members was still a point of concern and efforts are being taken to fill the gap in this area. Specifically, EPFO is proceeding with the allotment of Unique Account Number (UAN) for all the members and seeding the member data with details from other sources like AADHAR, PAN, Bank Accounts, etc. Most of this data collection exercise would be through online means and it is expected that over a period of time spread over the next 1 to 1½ years, the gaps in the EPFO database would be filled up to the extent of 90 to 95%.

12. Shri Sharad Patil wanted to know from the consulting actuaries whether the impact of contributing to EPS on wages higher than the statutory limit had been studied in the valuation report. Mr. Jayesh Pandit, Actuary replied that in the present valuation report the impact of members contributing on higher wages had been taken into account and it had been observed that while this group was small in size, its proportionate liability on the overall fund was higher than others. This group had a higher rate of escalation for wages as well as other demographic factors and a higher contribution rate than the present 8.33% would be required for this group to ensure liability requirements.

13. Shri G.P. Srivastava drew attention of the PIC to bullet point four at page 32 of the valuation report and wanted the actuary to clarify the recommendation. Shri. Pandit, Actuary stated that it was an important point that needed to be considered by the committee. In respect of dormant and non-contributing members there was an unknown and unquantifiable liability as in respect of all these accounts, the liability of pension in the event of death existed. It would be desirable to bring in such amendments in the scheme so as to restrict the liability in this area. The intention of the legislation would certainly not have been to provide unrestricted protection after a member leaves employment.

14. Shri. D.L. Sachdeva wanted to know the reason behind the fluctuation in the EPS Fund position from a deficit of Rs. 5,000 crores for the year 2009-10 to surplus of Rs. 12,000 crores in the year 2010-11 and again a deficit of Rs. 10,000 crores in the year 2011-12. The actuary explained that the variation was largely on account of the movement in data as had been provided by the department to them. He clarified that while the data for 2011-12 was complete to the extent of 60% of the contributing members, the data for the earlier years was not in line with this movement and hence there was the variation in the figures.

15. CPFC explained that the reliability of any valuation report is directly related to the quality of data on which the assessment had been carried out. As was widely known, all earlier valuation had been carried out with 3 to 4% data whereas the current violation has been made with 60% data. At present 95% data has been collected in respect of contributing members and to that extent evaluation for the subsequent years would be more reliable. With the efforts to allot UAN to members of EPFO and tagging the same with UID (Aadhar), the quality of data available that EPFO would improve to a great extent even in respect of non-contributing members for whom special efforts will be made to collect data. As of today we do not know or understand the liability completely in respect of non-contributing members in the valuation report for 2011-12 and this would even hold true for the valuation of 2012-13. In the given situation some extremely conservative assumptions are made in respect of the liability of non-contributing members. For example, while generally it is observed that 10% of the members become eligible for pension while
the rest take withdrawal benefits; in the case of non-contributing members pension liability in respect of 25% members has been assumed. This assumption would have to be reviewed after the proposal for increase in wage ceiling is implemented as more number of people would prefer to retain membership or consolidate earlier employments as the pension amount would be more attractive with the higher wage ceiling.

16. Mrs. Meenakshi Gupta, JS&FA, Ministry of Labour & Employment expressed her concern that the valuation report has to be reliable and accurate so that the Government's estimation of its liability towards the EPS can be known with a fair degree of accuracy and necessary budget appropriations can be projected. She also desired that segment wise information should be available in the valuation report. The actuary informed that as far as the proposal for implementing minimum pension of rupees 1000 was concerned the information for budgetary appropriation can be accurately assessed as the pension is data was available with 99% accuracy. Furthermore, the report presented segment wise information along various parameters as suggested by JS and FA.

17. Shri. K. Mohan Gandhi, PFRDA suggested that in collecting demographic details of members EPFO should consider collecting information from banks as banks were now opening and updating accounts based on KYC. He also suggested that EPFO should consider optimizing the collection time for remittances from employers and its subsequent investment. CPFC pointed out to him that the bank account details of pensioners were available with EPFO and in respect of pensioners the data was relatively more accurate and complete. EPFO was also considering getting bank account details of contributing members for the first time as part of the UAN exercise. Furthermore, a proposal was being made to the government for amending the schemes so that remittances are made by employers within five days of payment of wages.

18. Members of the committee also expressed their concern on the problem of unclaimed amounts as well as persons who have not claimed pension. It was pointed out that in EPS there would be no unclaimed amount as the scheme was framed on the principle of pooling of funds and sharing of risks. However, the concern was valid as far the EPF scheme was concerned but this discussion had to be taken up separately. At the same time it was true that there would be many members who had not claimed pension but it would be difficult to arrive at exact figures in the absence of data. While details to the extent of 95% have been captured in respect of contributing members the situation would improve in respect of other noncontributing members with the allotment of UAN and its linking to UID.

19. With the above discussions and deliberation the Pension Implementation Committee recommended that the report of valuation of the EPS presented by the actuary should be placed before the Central Board of Trustees, EPF for acceptance.
Item No. 5: Proposal for medical scheme for Employees' Pension Scheme, 1995 pensioners through ESIC funding from EDLI

20. Introducing the item before the committee, CPFC stated that demands for providing medical benefits to pensioners of EPS had been received and members of the board had also pressed for this facility on a number of occasions. Accordingly, this was taken up with RSBY and ESIC authorities. The results of the discussion are presented in the agenda item and it can be seen that ESIC has indicated a very high annual cost for providing basic medical services and that too in facilities where they had spare capacity. As such the proposal appeared to be unviable.

21. The members noted the fact that both RSBY and ESIC are not universally applicable across the country and disparities would emerge in providing medical facilities to pensioners from either of these two agencies apart from the high costs that had been indicated.

22. Under the circumstances, the committee accepted the position presented in the agenda item that the proposal was unviable and need not be pursued further.


23. The CPFC broadly outlined the various initiatives in computerization in pension related matters that had been more elaborately presented in the agenda item. He stated that the pension processes were being redesigned and reengineered around the core theme of UAN. The organization had also taken the steps towards digitization of pension data whereby the information would be available online for pension related work and the physical records can be stored separately at certain locations. This would result an unflattering of the offices and free up a lot of costly real estate space that is being occupied by pension records in the offices.

24. The members noted the contents of the agenda and appreciated the efforts being taken. Shri Sachdeva remarked that while the efforts were praiseworthy they should keep in mind the low-paid workers as well and the basic systems should continue to function for such people. CPFC assured members that basic operations would continue and no member would be put to disadvantage in terms of services for any inability to access technology. He also stated that many of the services were SMS-based and given the mobile penetration in the country the services were being used effectively by a wide cross-section of members.

25. CPFC requested the members to forward their comments and further suggestions for improvements so that these may also be considered.

26. The PIC noted the contents of the Agenda Item.

Item No. 3: Making Contributions and drawing benefits on wages exceeding the wage ceiling in Employees’ Pension Scheme, 1995

27. In his remarks while introducing the agenda item the CPFC stated that a number of important and major changes are being brought in along with the implementation of the proposals for increasing minimum pension in EPS Rs. 1,000/- per month and enhancing the wage ceiling Rs. 15,000. Most importantly the membership of EPS was being restricted for persons whose salary
at the time of joining was less than Rs. 15,000. This was being done in view of the fact that the scheme was essentially meant for the low-paid workers. He also stated that the provision for contribution to EPS on wages higher than the wage ceiling was being discontinued as this provision was mainly serving the purposes of high paid workers which was not the intention of the scheme and had become a source of a huge number of litigations.

28. He then invited RPFC-I (Pension) to briefly outline the major proposed changes. The following major amendments that have been proposed in the EPS for implementing the proposals for increasing minimum pension and enhancement of the wage ceiling were outlined:

(i) The proposed amendments included the enhancement of wage ceiling for contributions to EPS to Rs. 15,000/- with the stipulation that contributions to EPS would be restricted to the wage ceiling of Rs. 15,000/- only even if the wages exceeded the wage ceiling during course of employment.

(ii) The membership of EPS would be restricted to those members whose wages at the time of entry was below Rs. 15,000/- per month. In effect, those whose wages at the time of entry exceeded Rs. 15,000/- per month would not be allowed membership of EPS.

(iii) The proviso to Para 11(3) of EPS was to be deleted thereby doing away with the option to contribute to EPS on higher wages.

(iv) An amendment to the effect that the pensionable salary, for the purposes of calculating pension benefits would be based on the average of last 60 months of service prior to exit instead of the present 12 months.

(v) The Para 26(6) of the EPF Scheme was also to be amended; clearly indicating that option for contribution on higher wages under this paragraph in the EPF Scheme would not apply in respect of EPS 1995.

(vi) Amendment in EPS 1995 were to be included to the effect that those employees already contributing on higher salary would be given an option to continue contributing on higher wages subject to payment of Govt.'s Share of contribution on the wages above the statutory limit from the employees' share of contributions. Otherwise, the excess contribution to EPS made till date would be diverted to their PF accounts.

29. The members of the committees were in general agreement that the amendments were necessary, particularly the determination of pension on pro-rata basis. The committee also noted the rationale for removing the option of contributing on higher wages.

30. Shri. Sachdeva and Shri Sharad Patil opined that the provision of determining pensionable salary on the average of 60 months needed to be reviewed as both the Pension Implementation Committee and the Central Board had earlier agreed on recommending the pensionable salary on the basis of average for 36 months. Both the members also felt that there was a need to define wages under the act and schemes as there were many instances where Social Security was being denied by splitting the wages into different components. CPFC stated that the suggestion was being made to the government that the Social Security contributions would be made on the full salary if the salary was below Rs. 15,000 which is the wage ceiling limit.

31. With the above observations the committee noted the contents of the agenda item.
Other Matters

32. Shri. Sharad Patil observed that the communications between headquarters and regional offices at times had gaps and in certain instances where the question of legal eligibility had been clarified from headquarters different RPFC's had interpreted them differently. While some RPFC's had accepted the position as clarified by headquarters others had not. Particularly in the matter of contribution to EPS on higher wages, a number of circulars had been issued resulting in a lot of confusion. In many cases the contribution on higher wages had initially been accepted which was then reversed on the basis of the circulars but the money collected was not returned and remained in limbo. He was therefore of the opinion that it would be more prudent to effect amendments in the schemes rather than provide interpretations on the basis of circulars to ensure uniformity in implementation and for the sake of clarity.

33. A point was also raised that the EDLI scheme was not being reviewed or monitored by any subcommittee of the Board and since the EDLI benefits accrue upon death of members, the scheme should also be monitored and reviewed by the Pension Implementation Committee. Members of the committee unanimously agreed to the proposal and it was decided to make a recommendation to the Board to amend the terms of reference of the PIC to incorporate this item of work.

34. Members of the committee also desired that circulars and other important communications should be sent to members on their mail IDs for information. It was also felt that the PIC should meet at least two times in a year. Both these suggestions were agreed to.

The meeting ended with a vote of thanks to the chair.
EMPLEYEE'S PROVIDENT FUND ORGANISATION  
NEW DELHI

33RD MEETING OF THE  
PENSION IMPLEMENTATION COMMITTEE  
(SUB-COMMITTEE OF CBT, EPF)  

ON  

25TH JULY 2014  

AT  

VENUE  

CONFERENCE HALL,  
EMPLEYEE'S PROVIDENT FUND ORGANISATION,  
HEADQUARTERS, 14, BHNIKAJI CAMA PLACE,  
NEW DELHI – 110066.
No. Pension/33rd PIC Meeting/2014

To All Members,
Pension Implementation Committee,
CBT, EPF.

Sir,

It has been decided to convene the 33rd meeting of the Pension Implementation Committee on 25th July, 2014 at 11:00 A.M. at Conference Hall, Employees Provident Fund Organization, Headquarters, 14, Bhikaji Cama Place, New Delhi -110066. The Agenda and Agenda notes for the meeting are enclosed.

Kindly make it convenient to attend the meeting at the designated time.

Yours faithfully,

Encl: As above.

Regional Provident Fund Commissioner-I(Pension)

Copy to:

1. PS to CPFC & Chairman, PIC.
2. PS to Joint Secretary & FA, Ministry of Labour & Employment, New Delhi.
3. PS to Director(SS), Ministry of Labour & Employment, New Delhi.
4. PS to ACC(Pension)
**AGENDA ITEM FOR 33RD MEETING OF PENSION IMPLEMENTATION COMMITTEE**

**Date of Meeting**: 25th July, 2014  
**Time**: 11.00 A.M.  
**Venue**: Conference Hall, EPF Headquarters, 14, Bhikaiji Cama Place, New Delhi – 110066.

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<td>Action taken report on decision taken in 32nd Meeting.</td>
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<td>6.</td>
<td>Any other issues with the permission of the Chairman.</td>
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Item No.1: Confirmation of the Minutes of the 32nd meeting held on 15.7.2011.

The draft minutes of the 32nd Pension Implementation Committee held on 15.07.2011 were circulated to all members on 22.7.2011 for their information and comments. We have not received any comments from the members on the draft minutes circulated.

The draft minutes are placed before the Committee for confirmation.
Minutes of the 32nd Meeting of the Pension Implementation Committee

Date: 15.07.2011
Venue: Conference Room, Ministry of Labour and Employment, Shram Shakti Bhawan, New Delhi
Time: 3.00 P.M

The 32nd meeting of the Pension Implementation Committee was held on 15.07.2011 in the Conference Room of the Ministry of Labour & Employment, Shram Shakti Bhawan, New Delhi. The meeting was chaired by Shri Ravi Mathur, Addl. Secretary, Ministry of Labour & Employment, Govt of India.

The following members were present in the meeting:
1. Sh. G. Sanjeeva Reddy, Employees’ Representative
2. Sh. Dipankar Mukherjee, Employees’ Representative
3. Shri Sharad Patil, Employers’ Representative
4. Shri B.P. Pant, Employers’ Representative
5. Shri A. Kulshrestha, Addl. CPFC (Pension), EPFO - Convener, Pension Implementation Committee

The following members could not attend the meeting:
1. Sh. B.N. Rai, Employees’ Representative
2. Shri Santosh Saraf, Employers’ Representative
3. Joint Secretary (Social Security), Ministry of Labour & Employment
4. Joint Secretary & Financial Advisor, Ministry of Labour & Employment

Mr. Jayesh D. Pandit, Actuary, representative of M/s K.A. Pandit also attended the meeting.

Following officers from Ministry of Labour & Employment and Employees’ Provident Fund Organisation were also present:
1. Shri S.K. Verma, Director(SS), Ministry of Labour & Employment, Govt. of India.
2. Shri D.P. Singh, Under Secretary (Finance), IFD.
3. Sh. Abhay Ranjan, RPFC (Pension), EPFO
4. Smt. Aprajita Jaggi, RPFC-II (Pension), EPFO
**Item No. 1: Confirmation of the minutes of 31st Pension Implementation Committee Meeting held on 23.05.2011.**

The minutes of 31st Pension Implementation Committee meeting were approved.

**Item No. 2: Report of the Expert Committee on Employees' Pension Scheme, 1995.**

The Chairman welcomed all the members of Pension Implementation Committee and requested the members to deliberate upon the report of the Expert Committee on Employees Pension Scheme, 1995. He also requested the Actuary to provide further inputs on the Expert Committee Report on Employees Pension Scheme, 1995 as decided in the 31st Meeting of the Pension Implementation Committee. He urged the members to arrive at some consensus so that a report on the subject be prepared and submitted to Central Board of Trustees for further consideration of Central Board of Trustees.

Thereafter, the Actuary provided possible scenarios and calculatory inputs which were deliberated and discussed upon for evolving a consensus based on which draft report of the Pension Implementation Committee is to be prepared and circulated among members to seek their comments finalize the report.

The meeting ended with a vote of thanks to the chair.
Report of the Pension Implementation Committee on the Expert Committee Report

Background

The Expert Committee considered the demands of the pensioners in its three meetings held on 1st December 2009, 2nd February 2010 and 23rd July 2010. The Expert Committee submitted its Report to the Central Government on 05.08.2010.

Final Recommendations of the Expert Committee

The Committee has looked into the Employees' Pension Scheme, 1995 and the expert views have been explained in detail. After contemplating the detailed analysis provided by the Valuer, the Committee made following two recommendations:

Recommendation 1: Introduction of Provident Fund-cum-Pension Annuity Scheme; and
Recommendation 2: Modifications in the existing Employees' Pension Scheme, 1995.

Recommendation 1: Introduction of Provident Fund-cum-Pension Annuity Scheme

The Expert Committee felt that the proposed Provident Fund-cum-Annuiy Scheme is a better option to tide over the problems being faced by the Employees' Pension Scheme, 1995.

Hence the Expert Committee, as the first option, recommended the Provident Fund-cum-Pension Annuity Scheme as elaborated in the Report of the Expert Committee.

Recommendation 2: Modifications in the existing Employees' Pension Scheme, 1995

To continue with the existing Scheme framework, the Expert Committee considered six Scenario as analysed in the Report. The committee further noted that no increase in wage ceiling is possible unless the pension benefits are calculated in parts separately for pensionable service in respective wage ceilings as and when these are changed.
Accordingly, after contemplating the six scenarios worked out in the Report of the Expert Committee, the Committee recommended that the sixth scenario may be adopted i.e. a package of benefits consisting of:

- Increase in wage ceiling from Rs. 6500/- to Rs 10,000/-.
- provision of annual relief of 3%; and
- a minimum Pension of Rs. 1000/- to all categories of pensioners.

along with the following modifications to offset the cost of above benefits as much as possible:

- Pensionable Salary to be calculated as an average of last 3 years of service.
- Withdrawal option to be deleted
- Bonus of 2 years to be disallowed
- The age of superannuation to be raised to 60 years; and
- The age for early pension to be raised to 55 years
- Nominee Pension to be disallowed.

For the above package of benefits the contribution rate required was @ 14.75%.

However, the Committee emphasized that in order to make the scheme sustainable on a long term basis, it would be better to switch to a defined contribution scheme as proposed in first recommendation i.e. Provident Fund-cum-Pension Annuity Scheme.

Consideration of Report of the Expert Committee in Central Board of Trustees, EPF

On the directions of the Central Government the report of the Expert Committee was placed before Central Board of Trustees, EPF in its 190th meeting held on 15.09.2010. In the meeting, it was decided that the Report shall be discussed in the Pension Implementation Committee of the Board and then deliberated in detail in the subsequent meeting.

Meetings of the Pension Implementation Committee

The Report of the Expert Committee was placed in the 28th, 29th, 30th, 31st and 32nd Meetings of the Pension Implementation Committee held on 15.11.2010, 7.12.2010, 03.02.2011, 23.05.2011 and 15.07.2011 respectively.
Recommendations of the Pension Implementation Committee

The recommendations made by the Expert Committee were discussed in detail in the meetings of Pension Implementation Committee. As no consensus could emerge on the introduction of Provident Fund-cum-Pension Annuity Scheme, therefore, after detailed discussion and deliberation on the recommendation of the Expert Committee Report regarding modifications in the existing EPS, 95, the broad consensus emerged in the last meeting (32nd meeting of Pension Implementation Committee held on 15.07.2011) that as an immediate interim measure minimum monthly pension under EPS, 95 should be increased to Rs. 1000/- p.m.

In this background, the Actuary explained that to implement that hike prospectively i.e. keeping the existing valuation deficit under EPS, 95 as it is and without reducing any of the existing benefits, a hike to the tune of 0.63% in total contribution to EPS, 95 is required. He also clarified that this increase in contribution to the tune of 0.63% shall be effected in addition to the present contribution rate (8.33% - Employers' contribution + 1.16% - Central Government contribution) which is already applicable in case of EPS, 95.

Sh. Dipankar Mukherjee, Employees' Representative reiterated that his opinion must be placed on record that along with the hike in minimum pension to Rs. 1000/- p.m., provision for 3% annual increase in pension must also be considered. He also reiterated the recommendation made by Parliamentary Standing Committee on Labour in its 39th Report submitted to the Government, that the rate of contribution from the Government should at least be fixed at half of the rate of contribution which is being made by the employer towards EPS, 95. This proposition was also explained by Actuary that if 3% annual increase (on the original base pension and not Rs. 1000/- minimum) is also allowed in the scheme, then a further additional contribution of 4.45% shall be required.

Pension Implementation Committee is of the view that the proposal to increase minimum monthly pension under EPS, 95 to Rs. 1000/- p.m. be considered as an interim measure and therefore to enhance rate of contribution into EPS, 95 by 0.63%, should be placed before the Central Board of Trustees for discussion and deliberations so that the Central Board of Trustees could decide upon the source of additional contribution. It is noted that though the Employees' Representatives requested the Employers' Representatives to agree to increase Employers' contribution to the tune of 0.63% in total contribution to EPS, 95, so far the Employers' Representatives have only agreed to convey this suggestion to their wider constituents and revert. The views expressed by Shri Dipankar Mukherjee may also be placed before the Central Board of Trustees.
**Item No.2 : Action taken report on decision taken in 32nd meeting.**

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<td>1.</td>
<td>Report of the Expert Committee on Employees' Pension Scheme, 1995.</td>
<td>The Report of Expert Committee along with Report of Pension Implementation Committee were discussed in the 197th, 198th and 199th meeting of the Central Board of Trustees, EPF held on 23.12.2011, 22.2.2012 and 25.05.2012. The issue was again discussed in 199th meeting of CBT, EPF held on 25.05.2012 wherein it was also informed that due to the pressing urgency of the matter, after a meeting called by the Secretary (Labour &amp; Employment), a proposal was sent by EPFO to Central Government vide letter dated 27.3.2012, for considering enhancement of minimum pension under EPS to Rs.1000/- per month. In relation to increase in minimum pension under EPS, 1995, it is stated that the Ministry of Finance vide OM No.1(1)EV/2013 dated 21.01.2014 has conditionally agreed to the proposal for ensuring a minimum pension of Rs.1000/- per month by providing budgetary support to the tune of Rs.1217 crore for covering the difference between the calculated pension and minimum assured pension of Rs.1000/- per month initially for the financial year 2014-15. The Union Cabinet has also approved the proposal on 28.02.2014. Official Gazette notifications for implementing the proposal are yet to be issued. Further the Government has also agreed to enhance the wage ceiling to Rs.15000/- and the official gazette notification to this effect is expected shortly.</td>
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Making contributions and drawing benefits on wages exceeding the wage ceiling in Employees' Pension Scheme, 1995 (EPS)

Introduction

1. The EPS has a wage ceiling (which is presently Rs. 6,500/- per month) on which contributions @8.33% of the wages are required to be made from and out of the employer's share of contribution to EPF in respect of each member. The pension / withdrawal benefits determination under EPS are, accordingly, made with wages limited to the wage ceiling.

2. Under an amendment issued in the year 1996 a provision was introduced vide a proviso to Para 11(3) whereby under a joint option to be preferred by the employee and employer, contributions to EPS on wages exceeding the wage ceiling was allowed: Consequently, the benefits were also to be determined on the higher wages.

3. After the introduction of the amendment introducing the option for contribution on higher wages to EPS there was a period of 4-5 years when there existed a lack of clarity on the mode and procedure to be adopted for implementing the option. While there were some establishments that had been contributing on higher wages to EPS even prior to introduction of EPS continued to do so others commenced contributing on higher wages after the amendment some after duly preferring an option while others did so without an option. In the general lack of clarity that prevailed at the time, the decisions on allowing the option or otherwise were subjective and inconsistent when observed across different offices.

4. In order to bring clarity and have uniformity in this matter a series of administrative clarifications / circulars were issued. In spite of this there have been consistent demands over a long period of time from employers and employees of many establishments for allowing retrospective options for contributing at higher wages in EPS. There has been a series of court cases across the country, which continues even to this day, where employees are demanding that they be allowed / permitted to contribute on higher wages to EPS. Different Courts have given divergent decisions and some matters are pending in SLP in the Supreme Court.

5. There is no doubt that the EPS is a social security legislation that benefits a large section of the working population of the country and, therefore, lends itself for a liberal interpretation in favour of the workers but in the case of allowing contribution and benefits to EPS on higher wages there are grounds to substantiate that benefits liability / obligations in such cases are disproportionate to the contribution and are being cross-subsidized by workers whose contributions to EPS are below or restricted to the wage ceiling. In effect, the net result is a repugnant situation where the poor are subsidizing the relatively better off. The benefits obligations in these cases also affect the overall
sustainability of the EPS Fund. Therefore, in this case there is a need to balance the social security objective with the constraints and overarching need to ensure long term viability and sustainability of the Fund.

6. There is thus a need to revisit the understanding of the provisions of the EPS under which contributions are being accepted on wages higher than the statutory limits with consequential benefits being provided on the higher wages. This note presents the facts and developments in this aspect in order to evolve a considered stand on this issue along with any calibration required in the EPS to support such a stand.

Background

7. In order to appreciate the issue it would be appropriate to consider Para 11(3) and its proviso along with Para 3(2) and its proviso of the EPS -

(a) Para 11(3) and the proviso reads as - "(3) the maximum pensionable salary shall be limited to Rupees six thousand and five hundred/Rs. 6,500/- per month.

Provided that if at the option of the employer and employee, contribution paid on salary exceeding Rupees six thousand and five hundred/Rs. 6,500/- per month from the date of commencement of this Scheme or from the date salary exceeds Rupees six thousand and five hundred/Rs. 6,500/- whichever is later, and 8.33 percent share of the employers thereof is remitted into the Pension Fund, pensionable salary shall be based on such higher salary"

(b) Para 3(2) and the proviso reads as - "(2) The Central Government shall also contribute at the rate of 1.16% of the pay of the members of the Employees' Pension Scheme and credit the contribution to the Employees' Pension Fund:

Provided that where the pay of the member exceeds rupees six thousand and five hundred per month the contribution payable by the employer and the Central Government be limited to the amount payable on his pay of rupees six thousand and five hundred only"

8. In the above two paragraphs it would appear that the proviso to Para 3(2) specifically delimits the contribution of the employer and the Central Government to the statutory limit of Rs. 6,500/- and there is no option available for contribution on higher salary to the EPS as the contributions to EPS are by means of diversion from the employer’s contribution.

9. As such, from a plain reading of Para 3(2) with its proviso it would appear that the operation of the proviso to Para 11(3) allowing contribution on higher wages is redundant and infructuous. However, since both Para 11(3) and 3(2) are in existence it is to be construed that Para 3(2) provides for the general instance while Para 11(3) provides for the special instance of contributing on higher wages with the mutual agreement of employer and employee.
10. Presently, in respect of a member approaching the office with an option under Para 11(3) (jointly with this employer) for contribution on higher wages to EPS, the permission has to be granted, as there is no discretion under the existing provisions of the Scheme to refuse the same. However, it must be stated that such an option under EPS has to be preceded by an option under Para 26(6) of the EPF Scheme for contributing on higher wages, as there is no separate contribution for EPS and 8.33% of wages (the EPS contribution) has to be diverted from the employer's share of contribution under EPF.

11. In the matter of contributing on higher wages the following clarifications have been issued from headquarters at different times:

<table>
<thead>
<tr>
<th>No</th>
<th>Circular No</th>
<th>Date</th>
<th>Contents in Brief</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Pen4 (38)/96/WB/59867</td>
<td>01-12-2004</td>
<td>If salary exceeded statutory limit on 16-03-96 or exceeded thereafter but contributions were on wage ceiling then option for contribution not allowed.</td>
</tr>
<tr>
<td>2</td>
<td>Pen -4(2) 96/SLP/Vol.V/16598</td>
<td>22-06-2004</td>
<td>If employees contributed to EPS on full salary from 16-11-95 then benefits to be based on said pensionable salary</td>
</tr>
<tr>
<td>3</td>
<td>Pen/Misc./2006/Vol.1/5364</td>
<td>25-04-2006</td>
<td>Directions that options or deposits to EPS for contribution on higher salary should not be entertained either retrospectively or belatedly</td>
</tr>
<tr>
<td>4</td>
<td>Pension/Misc./2005/65836</td>
<td>22-11-2006</td>
<td>Contributions to EPS are payable out of the employer's share therefore the option to contribute on higher pay is available only under Para 26(6) of EPF Scheme and not Para 11(3) of the EPS. In cases where no option was given or no commitment was made then contribution on higher salary would be considered erroneous and pensionable salary restricted to statutory ceiling.</td>
</tr>
</tbody>
</table>

12. Copies of the above circulars are placed at Annexure I to this note.

13. All the above-mentioned circulars have dwelt upon clarifying the circumstances in which the option for contributions on higher wages would be valid. However, as has been indicated earlier the option of contribution on higher wages entails overall benefit subsidization of the well off members by the comparatively poorer members. It must be borne in mind that the benefits of the EPS are paid from a pooled fund of the
contributions of the members and the contributions of the Central Government (limited to the wage ceiling). The EPS does not have any separate funding from the Central Government. Therefore, any benefit structure that provides benefit to the rich at the cost of the poor should be discontinued and replaced by a more equitable and just structure.

The Prevailing Situation

14. It is pertinent to mention that contribution on higher wages to EPS is the subject matter of litigation in various courts and other legal forums across the country. In these litigations the employees either individually or through unions and association has demanded pension benefits at higher wages by allowing retrospective option under proviso to Para 11(3). By and large the basic facts of all such cases involve the following:

(i) Contribution on higher salary (than the statutory limit) by both the employer and employee from the commencement of the EPS or from such time thereafter when their salary exceeded the statutory limit.

(ii) While the contributions have been on the higher salary there has generally been an absence of a specific option preferred by the employer and employee for contribution on higher wages.

(iii) The actual contribution to the EPS Fund in such cases fall under the following categories-

a. The employer has restricted the EPS contribution to the statutory limit and made the remittance to EPF and EPS accounts accordingly and have submitted the returns in that fashion.

b. The employer has remitted the EPS contribution on the higher salary and submitted returns accordingly but the EPS has been restricted to statutory limit by our offices. There may or may not have been actual transfer of funds from EPS to EPF after such regulation by our offices. At times revised returns may also have been obtained from the employers.

(iv) Another category involves the revision of wages with retrospective effect in cases where the contribution to EPS has been on the higher wages under due option.

15. The stand taken by the department in all such litigation has been essentially that retrospective option for contribution on higher wages under EPS is not available and hence pension benefits on higher wages cannot be allowed if contribution to EPS has not been received, after due joint option exercised by the employer and employee, on higher wages (than statutory limit) from 16-11-95, the date of commencement of the scheme (or 16-03-1996 date from which proviso to Para 11(3) introduced) or the actual date on which the wages exceeded the statutory limit.

16. The above stand of the organization was enfeebled on account of two factors. First, in many of the cases where members had approached EPF offices for retrospective options, both employer and employee share of EPF contributions were being made on the full salary and EPF offices were accepting the same. As such, even in the absence of a formal acceptance of the option under Para 26(6) of EPF Scheme, a deemed acceptance had to be assumed. Secondly, there is no specific bar in the proviso to Para 11(3) from making a retrospective option, the only stipulation being that the option has to be
preferred from the date the salary exceeded Rs. 6,500/- or from 16.11.1995 whichever is later.

17. It would be pertinent to mention that various High Courts have allowed contribution on higher wages on the above two counts. In particular, the High Court, Delhi in the case of Airports Authority of India has in an interim order allowed pension on higher wages as contributions were received on higher wages and High Court, Kerala in WP No. 9929/07 has held that there is nothing to prevent retrospective application of the proviso to Para 11(3). Similarly, the High Court, Kerala in a series of cases, relating to establishments in the jurisdiction of SRO Kochi and SRO Kollam, have pronounced judgments that pension benefits on higher wages have to be given in the case where there has been retrospective revision of wages. The organization has implemented these judgments.

The issues with the higher wages option

18. The provisions of the EPS allowing contributions on wages higher than the statutory limits have to be reexamined in the context of the following facts:

a) The Actuarial valuations of the Fund till now have generally been carried out with the base assumption that the members contribute and derive benefits at or below the statutory limit. Actuaries accordingly assess the liabilities of the Fund on the basis of benefits admissible to members contributing at the statutory limit. Members contributing on higher wages draw benefits disproportionate to the contributions, even given the fact that in their case the contributions are higher given their higher salaries. This element has emerged in the current Actuarial study and has also been referred in the report of the Expert Committee on Pension. In effect the poor members are subsidizing the benefits for the relatively richer members. This is a most undesirable and repugnant situation that needs to be corrected.

b) The EPS has been experiencing a continuous deficit in its actuarial valuation since 2001. The actuarial valuations till now have not specifically analyzed the impact of contributions and consequent disbursal of benefits on higher wages in the EPS. However, in the current valuation, for which a draft preliminary Executive Summary of Data and results has been given by the actuary, this aspect was taken up. The results reveal that 4.67 lakh members are contributing at higher wages constituting a mere 0.52% of the membership but for whom the benefit obligation amounts to a disproportionately high 7% of the total benefit obligation.

c) Currently the Pension Fund is running at an overall deficit in excess of Rs. 10,000 crores (as per the latest Actuarial Report) and it would be unwarranted to increase the deficit by accepting options for contribution on higher wages knowing full well that benefit payout in such cases are detrimental to the viability of the Fund.

d) The EPS source of funding includes a share of Government contribution at 1.16% of the wages but the contribution is limited to the wage-ceiling limit of Rs. 6,500/-. Consequently, for a member contributing at higher salary (beyond Rs. 6,500/-) the government part of the Scheme funding is fixed at the wage limit of
Rs. 6,500/-. In contrast the scheme benefits are determined as a function of the last 12-month average wages and the pensionable service uniformly for both members contributing at or below the wage limit and those contributing at higher salary. This means that those contributing at higher wages stand to derive higher benefits while the source of funding is limited in their case. This potentially creates an anomaly where the members contributing at or below the wage limit are subsidizing the benefits of the higher paid members.

e) There is an underlying assumption in the scheme that the wages / salary and thereby the contributions to the EPS increases over the working lifetime of a member in a gradual and arithmetic progression. While this is not stated in specific and clear terms in the scheme it is a fact that Actuarial assessments normally assume a 5-7% increase in wages on a year-to-year basis on a straight-line progression. While minor deviations from this norm can be absorbed given the large membership base of the scheme it is a fact that salary progression in sharp curves intermittently or particularly towards the end of the service period can produce very high benefit payouts disproportionate to the contributions in the Fund. This is a lacuna in the Scheme that can be inadvertently or deliberately exploited to obtain disproportionate benefits to the detriment of the viability of the Scheme itself.

19. In view of the issues highlighted above three administrative circulars have been issued to address the apparent iniquitous situation:

(i) Circular No. Pension/Misc./2013/528 dated 08-Nov-2013 wherein as an immediate measure and until further orders it was decided to decline permission for any fresh option for contributing to the EPS at higher wages. This will cover all future cases. This was done in view of the fact that in cases of contribution at higher wages the Government’s contribution is restricted to Rs. 6,500/- and thus there is an element of cross-subsidy from the members contributing at the statutory limit.

(ii) Circular No. Pension/Misc./2013/529 dated 08-Nov-2013 whereby retrospective option for contributing on higher wages was allowed subject to the recoupment of loss to the EPS Fund by way of interest and damages.

(iii) Circular No. Pension/Misc./2013/432e dated 20-Jun-2014 where clarification on the circular cited second above was given that the option was restricted to those cases where the option for contribution had been exercised but there had been a revision of wages with retrospective effect.

20. The copies of the above three circulars are placed at Annexure II to this note.

21. It is noteworthy that these issues were included, inter-alia, in the agenda item placed before the Central Board of Trustees in its 205th meeting held on 05.02.2014. The Board approved the agenda placed before it and recommended the following amendments:

i) The Board approved the enhancement of wage ceiling for contributions to EPS to Rs. 15000/- with the stipulation that contributions to EPS would be restricted to the wage ceiling of Rs. 15000/- only.
ii) The Board approved the deletion of proviso to Para 11(3) of EPS thereby doing away with the option to contribute to EPS on higher wages.

iii) An amendment to the effect that the pensionable salary, for the purposes of calculating pension benefits would be based on the average of last 60 months of service prior to exit instead of the present 12 months.

iv) The Board also approved amendment to Para 26(6) of the EPF Scheme clearly indicating that option for contribution on higher wages under this paragraph in the EPF Scheme would not apply in respect of EPS 1995.

v) Amendment in EPS 1995 were also approved to the effect that those employees already contributing on higher salary would be given an option to continue contributing on higher wages subject to payment of Govt.'s Share of contribution on the wages above the statutory limit from the employees' share of contributions.

22. Based on the decision of the Board the amendments to EPS 1995 as approved by the Board have been sent to the Ministry for notification. The final notification is yet to be issued.

Proposal for Consideration

23. Subsequent to the decisions taken in the 205th meeting of the CBT mentioned above, representation has been received from members of the board for a specific discussion in these matters. Further, as has been stated earlier there is a need to revisit the understanding of the provisions of the EPS under which contributions are accepted on wages higher than the statutory limits and to evolve a considered stand on this issue along with any calibration required in the EPS to support such a stand.

24. The matter is accordingly placed for consideration and recommendations of the Pension Implementation Committee.
The Regional Provident Fund Commissioner,
Sub Regional Office, Visakapatnam.

Sub:- Clarification regarding EPS, 1995 - Rashtriya Ispat Nigam Ltd., Visakapatnam.

In continuation of this office circular No. Pen. 4(2)96/LP/Vol. V/16598 dated 32-6-2004, the following clarification are issued.

The employees whose salary as on 16-3-96 was above statutory limit or exceeded the wage limit after 16.3.96, but remittances made by the employer to A/c No.10 is up to wage ceiling and not on such higher wages drawn by the employee, such workers can not be allowed now to contribute at higher wages.

If any worker's wages was over and above the salary ceiling and whose options were(exercised) forwarded to RPFC but contribution were not on such higher wages drawn by them, retrospective remittance cannot be allowed.

The establishment was not expected to forward the option on piecemeal at their discretion, if any worker has exercised option to contribute on such higher salary, retrospective the same cannot be allowed.

In some cases it is revealed that though the workers' salary was over and above the wage ceiling prescribed under EPS, 1995 but contribution were restricted to the wage ceiling up to 31-5-2001 and some have exercised option to contribute on such higher salary w.e.f. 1-6-2001 to avoid back period contributions. Such practice should not be allowed. If such occurrences are noticed by you, you may fall back to the provision of Sec. G, GA 2(a) and EPF Scheme provisions connected on the issue.

Yours faithfully,

(M.VIJAYARAJ)
Regional Provident Fund Commissioner(Pension)

Copy to:-
- (1) PS to CPF
- (2) FA & CAO
- (3) All Addl. CPFs (HZ/WZ)
- (4) Director(Vig)
- (5) Director(NATRASS)
- (6) All ZTFs/Sub-ZTFs
- (7) All RPFCs

(M.VIJAYARAJ)
To,

All Regional Provident Fund Commissioners/  
Sub Regional Office, Regional Offices.

Sub:- Follow up action to be taken for securing the compliance under EPS,1995 consequent to the finalization of cases filed in the Supreme Court of India-regarding.

Sir,

Attention is invited to this office circular No. Pens.I.SCI/Exemp/2003/81794 dated 5-2-04 on the above subject. One of the field office, Sub Regional Office, Vishakapatnam has sought clarification on the following points.

Whether the employees who had earlier opted out of Employees' Pension Scheme, 1995 can be allowed to contribute to the Pension Fund over and above the statutory limit of Rs. 6500/- and avail benefits accordingly.

The matter has been examined and clarified as under:-

1. If the employees had contributed on the full salary to EPS from 16-11-95 then benefits are to be based on the said pensionable salary.

2. Due to supreme Court interim orders if they had elected not to go with EPS,1995 and to remain in EFPS,1971, then they are not allowed to contribute to pension fund over and above the statutory limit.

3. If in the past contribution paid on the wage ceiling and now want to enhance the contribution on higher salary in such cases the members are not allowed to do so.

[This issue with the approval of the ACC(Pension)]

Yours faithfully,

(M.VIYVARAJ)
Copy to:-

1. PS to Central Provident Fund Commissioner.
2. FA & CAO
3. Director (NATRSS)
4. All Zonal Audit Parties.
5. All Zonal Training Institutes.

(M.VIYAYARAJ)
Regional Provident Fund Commissioner (Pension)
To All the RPFCS incharge of the Region/ Officer-in-charge of all SROs.

SUB- Payment of Employees Pension Scheme pension on higher wages – regarding.

Sir,

Several representations are being received from various quarters for grant of Pension under EPS, 1995 based on higher salary i.e. over and above the statutory wage ceiling.

Instances have also come to our notice that the ROs/SROs have accepted the Pension Contribution on higher salary i.e. over and above the statutory wage ceiling in some cases or as per their directions the members /employers deposited the contribution on such higher salary either retrospectively or belatedly. This type of action on the part of ROs/SROs creates problem as this is violation of the provisions of EPS, 1995.

It is therefore requested that due care should be taken for strict enforcement of the provisions of the Scheme. Such kind of incidents should not take place, which is not in accordance with the provisions of the scheme. If any clarification is necessary in any matter relating to implementation of the Scheme provision, the same should invariably be referred to Office with full details and specific recommendation of RPFC/ACC (Zone).

You are further requested to intimate the details of such case where Pension Fund contribution on higher salary i.e. over and above the statutory wage ceiling are paid & credited by your office so far in the enclosed proforma within 7 days of receipt of this letter.

Yours faithfully,

(JAGMOHAN)

REGIONAL PROVIDENT FUND COMMISSIONER-1(PENSION)
No Pension/Misc/2006/65836

Dated: 22-11-2006

To

All Regional Provident Fund Commissioners
Regional Offices/ Sub Regional Offices.

Subject:- Contribution on salary exceeding the statutory limit (Para 11(3)) of EPS'95

Attention is invited to the following circulars:-


Instructions have already been issued by this office on the issue of contributing on a pay exceeding the statutory limit under Para 11(3) of the Employees' Pension Scheme, 1995. However, the field offices are finding it difficult to take decisions. As a result this office has been receiving a number of references from field offices, not to speak of the volley of grievances being aired by the members through various channels. Therefore it has become necessary for this office to issue guidelines in a more clear term.

While deciding the issue the following provisions may be kept in mind:

1) Under EPS there is no contribution payable separately. Under Para 3 of the EPS, from and out of the contributions payable by the employer in each month under Section 6 of the Act, the employer shall remit a part of contribution representing 8.33 percent of the Employees pay to the EPS. Therefore, it is only the employer's share of contribution payable under Employees Provident Fund Scheme, 1952 that is being diverted to EPS to the extent as aforesaid.

2) Accordingly, the option to contribute on a pay exceeding statutory limit is available to a member only under Para 26(6) of the Employees Provident Fund Scheme, 1952 and not under Para 11(3) of the EPS.
3) In fact Para 11(3) clarifies the methodology of determination of pensionable salary only.

4) Since opting to contribute on higher pay to EPS means a contribution on higher pay to Provident Fund as well, Para 11(3) provision will apply to only such of those employees who have been contributing on a higher pay under Para 26(6) of the Employees Provident Fund Scheme, 1952. Accordingly the grievances may be classified into the following categories and the issues be decided.

1. In all such cases where the employee has contributed over and above the statutory limit either from 16.3.1996 or from the month in which his salary exceeded the limit after having exercised his option and the same having been accepted by the Office, the pensionable salary will be based on such salary.

2. If the option was not exercised at the time of salary crossing the statutory limit or on 16.3.1996, as the case may be and the contribution was deposited on salary exceeding the limit after receiving instructions from the Office before the date of issue of circular dated 22.6.2004, the department has the vicarious liability (restricted to the specific case only) of honouring such a commitment and hence the pensionable salary shall be on the actual salary i.e. on the salary (exceeding the statutory limit) on which the contribution was paid. However, this is subject to i) a satisfactory explanation to be obtained and taken on record from the officer who made such a commitment. ii) the employer having remitted the administration charges and other contributions on such higher salary.

3. In the cases where no option was given or no commitment was made by the concerned Office, but the contribution on higher pay was deposited by the establishment/ employee, on their own such excess contributions will be considered as erroneous contributions and the pensionable salary will be restricted to the statutory ceiling existing from time to time.

So all field offices are requested to consider the grievances voiced under Para 11(3) in accordance with the above clarification and decide the issues at their level without referring them to the Head Office unnecessarily.

(This issues with the approval of CPFC)

Yours faithfully,

(RAJESH BANSAL)
ADDL. CENTRAL P.F. COMMISSIONER (PENSION)
17/11/2012
No: Pension/Misc./2013/Higher Salary

Dated:-

To

All Regional Provident Fund Commissioners
Regional Offices / Sub-Regional Offices

Sub: - Contribution on salary exceeding the statutory limit under Para 11(3) of the EPS’ 95

2. Letter No. Pen.4(38)96/WB/59867 dated 01/12/04
4. Circular No. Pension/Misc./2005/65836 dated 22/11/06

Kind reference is invited to the headquarters circulars cited above wherein the issue of contributing on a pay exceeding the statutory limit under Para 11(3) of the Employees’ Pension Scheme, 1995 has been the point of consideration.

2. This matter has been receiving attention in headquarters and the following significant facts have emerged in the analysis:

(i) Every option for contribution on higher wages is putting the Pension Fund under strain on account of the higher payout obligations arising out of it. The payout is disproportionate to the contributions received in respect of cases where there is an option for contribution on higher wages.

(ii) Currently the Pension Fund is running at an overall deficit as per Actuarial valuations and it would be unwarranted to increase the deficit by accepting options for contribution on higher wages knowing fully well that benefit payout in such cases are detrimental to the viability of the Fund.

(iii) Members contributing on higher wages draw benefits disproportionate to the contributions, even given the fact that in their case the contributions are on higher salaries. In effect the poor members are subsidizing the benefits for the relatively richer members. This is a most undesirable and repugnant situation that needs to be corrected immediately.
3. In view of the foregoing, it has been decided that henceforth and until further orders no permission will be accorded for contribution on higher wages under EPS.

4. As may be evident under EPS there is no contribution payable separately. Under Para 3 of the EPS, from and out of the contributions payable by the employer in each month under section 6 of the Act, the employer shall remit a part of contribution representing 8.33% of the employees’ pay to the EPS. Accordingly, the option to contribute on a pay exceeding statutory limit is available to a member only under Para 26(6) of the Employees Provident Fund Scheme, 1952 and not under Para 11(3) of the EPS.

5. Para 26(6) of the EPF Scheme 1952 provides that the contribution on higher wages would be permitted by an officer not below the rank of APFC on the joint request of the employer and employee. The option for contribution on higher wages to the EPS would have to be regulated under this Para. Accordingly, in all cases where joint requests from employer and employee preferring option for contribution on higher wages are received under Para 26(6), the permission for contribution on higher wages may be accorded subject to the condition that contribution to the EPS on higher wages would not be allowed and shall be limited to wage ceiling only. The reason for declining option for contribution on higher wages to EPS, that have been detailed in paragraph 2 above should also be clearly mentioned in the option acceptance letter/order.

[This issues with the approval of the CPFC]

Yours faithfully,

(Chandramauli Chakraborty)
RPFC-1 (Pension)

Copy:
RPFC (NDC)/NRPO with a request to upload on the website.
No. Pension/Misc./2013/Higher Salary /529

Dated: 08 NOV 2013

To,

All Addl. CPFCs
All RPFC I, Incharge of Regions

Sub: -Interest and damages on retrospectives option to Pension Scheme.

Dear Sir,

We are receiving the requests from members and employers also to allow the retrospectives option in Pension Scheme also.

The demand is considered in detail and it is observed that the pension on higher salary results into cross subsidy on behalf of the poorer workers. Considering the demand, it is decided to allow the retrospective option on higher salary under EPS, 1995 subject to payment of interest under Section 7Q and damages under 14B. On payment of interest and damages the pension on higher salary shall be allowed.

(This issues with the approval of CPFC)

Yours faithfully,

(CHANDRAMAULI CHAKRABORTY)
Regional Provident Fund Commissioner-I (Pension.)

Copy to:
RPFC (NDC)/NRPO with a request to upload on the website.
No. Pension/Misc./2013/Higher Salary

Dated 20 JUN 2014

To

All Regional Provident Fund Commissioners
Regional Offices / Sub-Regional Offices

Sub: Contribution on salary exceeding the statutory limit under Para 11(3) of the EPS' 95

2. Circular No. Pension/Misc./2013/529 dated 08/11/2013

Sir,

Reference is invited to the two circulars issued from headquarters cited above on the subject captioned. Several requests have been received from field offices seeking clarifications, guidelines and modalities for implementing the circulars under reference. The following points/ issues have been highlighted by the field offices-

(i) That the two circulars issued on 08-Nov-13 are in contradiction to each other; where on the one hand vide the circular cited first above the option for contribution on higher salary has been discontinued whereas on the other hand vide the circular cited second above retrospective option has been made available for existing members.

(ii) Clarifications have been sought on the instances and circumstances in which the retrospective option would be allowed and whether for those who are being denied the option today can claim retrospective effect from a later date.
(iii) In those cases where the retrospective option is permitted guidelines have been sought on the manner and method of imposing interest and damages.

2. The issues / points raised by the field offices have been considered and examined and following guidelines are issued to regulate the implementation of the two circulars under reference:

(i) As has been clearly stipulated in the headquarters circular cited first above no permission will be accorded for contribution on higher wages to the Employees Pension Scheme, 1995 (EPS) after 8.11.2013. As such, no option for contributing on higher wages to EPS should be allowed either prospectively or retrospectively in respect of any member.

(ii) The option for contributing to EPS on wages higher than the defined wage ceiling is permissible only where the conditions as prescribed under the provisions of the EPS and the Employees' Provident Fund Scheme, 1952 (EPFS) are fulfilled. In the normal circumstances the membership of EPS is restricted to the wage ceiling of Rs. 6,500/-. The exception of contributing on higher wages is provided in proviso to Para 11(3) of the EPS. This provision states that the pensionable salary for determination of pension can be based on the higher salary on the joint request from the employer and employee from the date the salary exceeds Rs. 6,500/- per month or from 16.11.1995 whichever is earlier. However, since the contribution to EPS is by diversion of 8.33% of the employer's share of contribution to the Provident Fund and there is no separate contribution to EPS this option has to be preceded by an option under Para 26(6) of EPFS duly approved by the competent authority for contribution of higher wages. Therefore, both an approved option under Para 26(6) of EPFS and option under proviso to Para 11(3) of EPS must subsist to avail benefits of higher wages under EPS. In the absence of a joint request both under EPFS and EPS as brought out above and at the relevant time, the option for contributing to EPS is not available.
(iii) The option for allowing contributions on higher salary to EPS with retrospective effect as contained in the head office circular cited second above would be applicable only in those cases where the option for contribution on higher salary has been made in the appropriate time as per the existing provisions and the same has been accepted by the office and there has been a subsequent revision of salaries with retrospective effect and demand is made to revise pension benefits on the basis of such retrospective increase in salary. In such cases apart from receipt/recovery of 8.33% contribution from the employers' for the differential amount of salary, the interest and damages would have to be assessed, levied and recovered. The critical date for the determination of interest and damages would be the date on which the employers remit the contributions for the differential amount of salary. The contents of the circular cited second above would not apply in cases where the option for contributing on higher salary has not been made as per existing provisions and / or has been accepted by our offices.

3. The references with field offices in the matter of contributing to EPS on higher wages may accordingly be dealt in the light of the clarifications provided above.

[This issues with the approval of the CPFC]

Yours faithfully,

(M.P. Varghese)
Additional Central PF Commissioner (Pension)

Employees’ Pension Scheme, 1995 is a funded scheme with combined features of Defined Benefit and Defined Contribution. Accordingly, the scheme prescribes the rate of contribution payable as well as the scale of benefits admissible. Therefore, a provision has been made under Para 32 of the Employees’ Pension Scheme, 1995 for annual valuation of Employees’ Pension Fund by a Valuer appointed by the Central Government. Para 32 of the Employees’ Pension Scheme, 1995 provides as under:-

“Para 32: Valuation of the Employees’ Pension Fund and review of the rates of contributions and quantum of the pension and other benefits:-

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

(2) 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.”


3. The appointed Valuers have submitted its report and the surplus/deficit revealed in the Valuation Report are as under:-

<table>
<thead>
<tr>
<th>Date</th>
<th>Surplus/Deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td>As on 31.3.2010</td>
<td>5,162.38 crore (-)</td>
</tr>
<tr>
<td>As on 31.3.2011</td>
<td>12,989 crore (+)</td>
</tr>
<tr>
<td>As on 31.3.2012</td>
<td>10,855 crore (-)</td>
</tr>
</tbody>
</table>
4. The deficit as revealed in the 13th Valuation as on 31.03.2009 was Rs. 61,608 crores. Whereas, in the 16th Valuation Report as on 31.03.2012, the deficit has been shown as Rs. 10,855 crore. Therefore, a decrease in valuation liability of Rs. 50,753 crores has been revealed in the current report as compared to 13th Valuation Report.

5. The Valuers have recorded in the Report that net liability or deficit of Rs. 10,855 crore in terms of present value, is less than 4% of the total liability and is not a matter of concern, though it is recommended that, EPS should look into investment return more carefully, do not increase benefits without consulting Actuary and do sensitivity analysis more frequently. It has been recorded in the report by the appointed Valuers that the quality and quantity of data supplied for the valuation is improving and represent EPS census. The main assumptions made by the Valuers are as under:

<table>
<thead>
<tr>
<th>Future salary rise</th>
<th>7%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate of Discounting</td>
<td>8%</td>
</tr>
<tr>
<td>Mortality rate</td>
<td>Indian Assured Lives Mortality (2006-08)</td>
</tr>
<tr>
<td>Attrition rate</td>
<td>Age related</td>
</tr>
<tr>
<td>Normal retirement age</td>
<td>58 years</td>
</tr>
<tr>
<td>Maximum salary for pension</td>
<td>Rs. 6500/- for those who are contributing at Rs. 6500/- or less.</td>
</tr>
</tbody>
</table>

6. The conclusions and suggestions are narrated in detail at page 30 of the valuation report which are mainly as under:

- Salary ceiling for the EPS is not raised for quite some time, the benefit gets eroded due to the inflation, but considering the effect the increase in the wage ceiling which can have on the financial health of the scheme, some alternative method to take care of inflation should be considered.
- There is no protection for inflation on the pension in payment the same also needs consideration, but this will put burden on the scheme finances. There is a provision in case of valuation surplus which may be considered in future.
- An exercise as to collection of the full data for all the type of beneficiary may be undertaken so as to have proper evaluation of the scheme.
-29-

- An endeavor may be made to have statistical cell in the EPFO so as to generate scheme specific mortality, attrition, and salary escalation etc. Statistics.

- Having proper asset liability matching and investment of the money considering the cash flow will help in proper investment and earning of the fund. Investment department may work closely with the benefit department to achieve the goal of higher earnings. This can be possible, when the data required for cash flow projection is available.

7. The 14th, 15th & 16th Valuation Report as on 31.03.2012 was received from Valuer on 13.01.2014 and the same was forwarded to Central Government on 02.04.2014. The Central Government vide letter No. R-15011/2/2004/SS-II dated 22.05.2014 (copy enclosed) has directed that the 14th, 15th & 16th Valuation Report may be placed in the next meeting of Central Board of Trustees, EPF. It has also been desired by the Government that comments on the recommendations/observations/findings of the Actuary may also be prepared wherein recent increase in wage ceiling from Rs. 6500/- to Rs. 15000/- for coverage under EPF & MP Act, 1952 and payment of minimum pension of Rs. 1000/- to EPS pensioners and condition imposed by Ministry of Finance while concurring with these proposals and any court orders may be factored in so that the Board can make an informed decision.

8. In this regard, it is mentioned that the Ministry of Finance vide its O.M. dated 21.01.2014 (copy enclosed) has already advised to have an actuarial valuation to assess the actuarial impact relating to various proposals/modifications in EPS, 95 within 2014-15. For the same, the process for appointment of Valuer for valuation as at 31.03.2014 has already been initiated and as desired by the Central Government "Notice for invitation of Tenders" has been forwarded to Central Government. The work of assessing of actuarial impact of various modifications as well as the financial impact of significant court orders shall also be done in consultation with the appointed valuer for valuation as at 31.03.2014.

9. It is expected that valuation will be completed at the earliest and based on latest results and considering the recommendations made in the report of the Expert Committee on EPS, 95, quantification of the impact of proposed amendments in the Employees' Pension Scheme, 1995 will be done for preparing proposal towards calibrating EPS, 95.
10. Hence, the 14th, 15th & 16th Valuation Report of the Employees’ Pension Fund for the period 01.04.2009 to 31.03.2012 is placed for consideration of the Committee.

Proposal: The 14th, 15th & 16th (combined) Valuation Report of Valuer along with comments on the recommendations/suggestion made therein, is placed before Pension Implementation Committee, for consideration.
No.R-15011/2/2004.SS-II
Government of India
Ministry of Labour & Employment
Shram Shakti Bhawan, Rafi Marg

New Delhi, dated the 22nd May, 2014

To,

The Central Provident Fund Commissioner,
Employees Provident Fund Organisation,
Bhavishya Nidhi Bhawan,
4, Bhikaji Cama Place,
New Delhi-110066.

Subject:- 14th, 15th & 16th (Combined) Valuation Report of Employees' Pension Fund as on 31.03.2012- Submission of Valuation Report by the Valuer — regarding.

Sir,

I am directed to refer to EPFO letter No. Actuarial/18(1)2010 dated 2nd April, 2014 on the above mentioned subject and to say that the approval of Hon'ble LEM is hereby conveyed for placing the 14th, 15th & 16th (Combined) Valuation Report of Employees' Pension Fund as on 31.03.2012 before Central Board of Trustees (CBT).

2. EPFO is also advised to prepare annotated comments on the recommendations/observations/findings of the Actuary so that the CBT can make an informed decision. These must factor in recent increase in wage ceiling from Rs. 6500/- to Rs. 15000/- for coverage under EPF & MP Act 1952, payment of minimum pension of Rs. 1000/- to EPS Pensioners, conditions imposed by Ministry of Finance while concurring with these proposals and any court orders which EPFO is required to implement vis-à-vis Provident Fund.

Yours' faithfully,

(SUBHASH KUMAR)
Under Secretary to the Government of India
Tele. No. 23711582
No. R. 15025/3/2007-SS.II/Vol.II (Pt)
Government of India
Ministry of Labour & Employment
Shram Shakti Bhawan, Rafi Marg

New Delhi, dated the 28th January, 2014

To,

The Central Provident Fund Commissioner,
Employees Provident Fund Organisation,
Bhavishya Nidhi Bhawan,
4, Bhikaji Cama Place,
New Delhi-110066.

{Kind Attention: Shri P.K. Udgata, ACC (Compliance)}

Subject:- Proposals for revision of wage ceiling from Rs. 6500 to Rs. 15000 for coverage under the Employees’ Provident Fund & Miscellaneous Provisions Act, 1952 and ensuing minimum pension of Rs. 1000 per month under EPS, 1995.

Sir,

I am directed to forward herewith a copy of O.M. dated 21st January, 2014 of Department of Expenditure, Ministry of Finance on the above mentioned subject.

2. It is requested to take necessary action at this end.

Yours faithfully,

[Signature]

(V. EKKA)
SECTION OFFICER

Encl:- As above.
OFFICE MEMORANDUM

Subject: Proposals for revision of wage ceiling from Rs.6500 to Rs.15000 for coverage under the Employees' Provident Fund & Miscellaneous Provision Act, 1952 and ensuring minimum pension of Rs. 1000 per month under EPS, 1995

The undersigned is directed to refer to DO letters No.S-35012/1/2012 SS-II and R-15025/3/2007 SS-II (Vol.-II) both dated December 16, 2013 from Secretary, Ministry of Labour & Employment to Secretary (Expenditure) on the above subject.

2. Although Ministry of Labour and Employment has sent the two proposals separately, there are several interlinking factors which require that the two be seen in a composite manner. Accordingly, both the proposals have been examined together and the following observations are made:

(i) The increase in the wage ceiling now proposed is likely to have considerable implications on the overall pool of pension funds on account of the increase in the average wage and many more employees coming into its fold. How this increase will compare with the increase in pension outgo will only be known through an actuarial valuation. The proposal to enhance the wage ceiling from Rs. 6500 per month to Rs. 15000 per month may be agreed to. The proposal for ensuring a minimum pension of Rs. 1000 per month may be agreed for the financial year 2014-15. Reimbursement will, accordingly, be made to the Fund for 2014-15 by way of budgetary support on an actual basis as indicated in the Statement attached in the MoLE O.M. dated 27th December, 2013, amounting to Rs.1217.03 crore. Further adjustments shall be made based on an Actuarial valuation. CBT is advised to do this in 2014-15 itself.

(ii) At present, while the wage ceiling for the purpose of EPF/EPS is Rs.6500/- per month, members continue in the scheme even after their wages go beyond Rs.6500/- per month. However, in these cases, the Government's contribution towards EPS continues at 1.16% of Rs.6500/-. If the proposal for enhancement of the wage ceiling from Rs.6500/- to Rs.15000/- is agreed to, the contribution of 1.16% from the Government towards EPS should be restricted only to such workers who join the scheme with wages up to the level of defined wage ceiling. It should be further ensured that contribution of the Government is restricted to 1.16% of the wage ceiling even for the members who have joined the scheme while their salary was below Rs.
15,000/- but has gone above this limit due to increments. This is suggested since the contribution of the Govt. towards the pension scheme is meant for the vulnerable class of workers.

(iii) As regards the amount of deficit, the first valuation for the period 16.11.1995 to 15.11.1996 threw up a surplus of Rs.1,689 crores. This came down to Rs.70 crores at the time of 4th valuation covering the period 01.4.1999 to 31.3.2000. Thereafter deficits have built up: It may be seen that the deficit jumped from Rs.43 crores in 5th valuation covering 01.4.2000 to 31.3.2001 to Rs.17,136 crores in the 6th valuation for the period 01.4.2001 to 31.3.2002. This steep jump in just one year was contributed to by the increase in the wage ceiling from Rs.5000/- to Rs.6500/-, which was effected in 2001. After this increase in wage ceiling for such members as were continuing in the scheme from an earlier point in time, the accrual of benefit was calculated on the higher wage ceiling for the entire period, whereas their contribution to the fund was on the lower wage ceiling till 2001. As a result of this, the payout liability of the scheme increased way beyond the contribution to the fund, leading to a huge increase in deficit. To ensure that this phenomenon is not replicated as a result of the wage ceiling increase now under consideration, calculation of the pension benefit on higher wage ceiling may be done only prospectively i.e. pension will be determined on pro-rata basis taking into consideration the contributed amount in both the periods.

(iv) The Expert Committee on EPS 1995, while recommending a package of benefits which included a minimum pension and revision of the wage ceiling, had also recommended certain modifications to the Scheme which could offset the cost of such benefits. It had also worked out the likely impact of the suggested measures. These are listed below:

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount (in Rs. Cr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base deficit</td>
<td>(-)69,834</td>
</tr>
<tr>
<td>a. Saving due to Pensionable Salary of 3 years instead of one year at present</td>
<td>8,774</td>
</tr>
<tr>
<td>b. Saving due to deletion of Withdrawal Option</td>
<td>6,776</td>
</tr>
<tr>
<td>c. Saving by disallowing bonus of 2 years</td>
<td>20,178</td>
</tr>
<tr>
<td>d. Saving due to raising of age of Superannuation to 60 years</td>
<td>27,076</td>
</tr>
<tr>
<td>e. Saving due to raising the age for Early Pension</td>
<td>12,028</td>
</tr>
<tr>
<td>Net surplus if all are adopted (with reference to above base deficit)</td>
<td>4,998</td>
</tr>
</tbody>
</table>

The modifications suggested above have been examined and the following is proposed against each modification:
(a) It should be ensured that the calculation of pensionable salary is based on an average of last 5 years as per international practice.

(b-d) MOL is advised to examine the possibility of introducing these measures.

(e) It should be ensured that the provision of early pension should not lead to a cross subsidisation for any subcategory. It should be ensured that these changes are effected when the proposals under consideration are implemented.

(v) It has been the practice that whenever actuarial valuation throws up a surplus, it has been disbursed to the subscribers as relief. However, it may be ensured that if a future actuarial valuation throws a surplus, the same should be retained in the Fund.

(vi) It may also be pointed out that the returns on the fund appear to be inadequate on account of the restrictive guidelines for investment adopted by the Central Board. These guidelines should, therefore, be aligned with the pattern of investment notified by the Ministry of Finance from time to time.

(vii) Since the Government contribution will be limited to wage ceiling in terms of sub para 2(ii) above, there will be two categories of members. The first category will comprise of members who are either contributing below the wage ceiling or at the level of wage ceiling on account of their having joined the Scheme when their wage was below the ceiling but subsequently exceeded the ceiling due to increments. The second category will comprise two subsets of members: (a) Those contributing voluntarily over and above the wage ceiling but had joined the scheme when their wage was below the wage ceiling; and (b) those who have always contributed voluntarily since their wages have always remained above the wage ceiling. There should be no Government contribution in respect of the second subcategory of members. Separate actuarial evaluations will be undertaken for each category to determine the pensionary benefit (for each category) so as to ensure that the pension fund remains sustainable and, at the same time, does not involve any cross subsidization.

(viii) It needs to be ensured, through actuarial valuations and appropriate corrective actions, that there is no cross subsidisation by one category of members to the other.

(ix) In order to implement the two proposals a set of amendments is required to be made in the EPF Scheme, 1952, EPS, 1995 and EDLIS, 1976, with due approvals. Further, the EPS 1995 will be modified suitably to incorporate changes required as a result of the actuarial evaluation stipulated above.
The Scheme needs to be closely monitored by the CBT. An Annual Report should also be brought out by the CBT which should inter alia disclose the details of the actuarial valuation and report analytically on the implementation of the scheme, and any other disclosure that it deems fit for ensuring accountability and transparency.

3. These measures are proposed because the financial implication of pensionary benefits is likely to play out over an extended period of time. Analysing the two proposals has involved grappling with a large number of scenarios yielding different financial projections with varying degrees of uncertainty. A greater degree of clarity and firmness will be obtained when a fresh actuarial valuation, taking into account the impact of the proposed changes, is carried out. Ministry of Labour & Employment may present to the Cabinet the scenario which most accurately captures the changes intended to be made as also the likely fallout. They also need to clearly enumerate the steps intended to be taken to ensure that the pension fund becomes viable as quickly as possible.

4. This issues with the approval of the Finance Minister.

(Vijay Kumar Singh)
Director
Tel: 23092604

To,

Shri Animesh Bharti
Director, Social Security Division
Ministry of Labour & Employment
Shram Shakti Bhavan
New Delhi
ITEM NO. 5: Proposal for medical scheme for Employees' Pension Scheme, 1995 pensioners through ESIC funding from EDLI – regarding.

Several representations/suggestions/demands were received from existing members, Pensioners and various Pensioners Associations/Federations under Employees' Pension Scheme, 1995 to provide medical facilities to pensioners under Employees' Pension Scheme, 1995. The above demand/suggestion along with other demands/suggestions received from various quarters were placed before the Expert Committee constituted by the Central Government for review of Employees’ Pension Scheme, 1995 so as to examine the same and to make recommendations thereon. The Committee examined the suggestion/demand to provide medical facility to pensioners under EPS, 95 but did not make any specific recommendation in its Report submitted to Central Government.

2. Later, a proposal was submitted by Sh. M. Jagadiswara Rao, Member, CBT, EPF & All India Secretary, Bhartiya Mazdoor Sangh which was received through Ministry of Labour & Employment for extending medical benefits under ESIC to EPS, 95 beneficiaries diverting funds from EDLI funds having tie-up with ESIC by amending the Section 6(C) of EPF & MP Act, 1952 (copy enclosed for kind perusal).

3. The proposal for extending medical benefits to EPS pensioners was taken up with Rāstriya Swasthya Bima Yojana (RSBY) in a meeting between EPFO officers and RSBY Division in Director General (Labour Welfare), Ministry of Labour & Employment on 03.04.2014 for exploring the possibilities of covering pensioners of EPS, 95 under ESIC/RSBY. While the minutes of the above meeting are awaited from RSBY, it was informed during the discussion that each and every district is not covered under the RSBY Scheme and under the present set of defined beneficiaries of RSBY Scheme, it would not be possible to cover EPS Pensioners under this scheme.
except Bidi workers who are already covered under the list of beneficiaries under RSBY. We have requested RSBY to expedite sending us the minutes and any other action, if possible, would be taken up after its receipt.

4. To discuss the scope of implementation of the above proposal in collaboration with ESIC, a meeting with the officers of ESIC and EPFO was chaired by Director (SS), Ministry of Labour & Employment on 23.02.2014. In the meeting, ESIC had reiterated its stand (as earlier conveyed vide their letter dated 02.04.2013) that it may not be feasible for ESIC to provide medical services to EPF pensioners in ESIC hospitals as a number of ESIC hospitals are already over burdened. It was also placed on record that many of the hospitals are run by the State Government and the State Government have not given consent for availing of medical services at ESIC hospitals by ESIC employees.

5. However, it was proposed by ESIC that the cost of providing medical services to EPF pensioners plus administrative cost of handling them (about 15%) may have to be charged from EPFO. ESIC conveyed that for approx. 41 lakh pensioner under EPS, 95, around Rs. 6416 to 8692 crore per year will be required to be paid by EPFO to ESIC for providing such facility.

6. Therefore, keeping in view the above outcome, the proposal of providing medical facilities to EPS, 95 pensioners, seems unfeasible.

7. The item is placed for consideration of the Committee.

Proposal: Item for medical scheme for Employees' Pension Scheme, 1995 pensioners through ESIC and proposal at para 6 are placed before Pension Implementation Committee, Central Board of Trustees, EPF for consideration.