AGENDA ITEMS FOR 39TH MEETING OF PENSION AND EDLI IMPLEMENTATION COMMITTEE.

Date of Meeting: 12.04.2017

Time: 3:00 P.M.

Venue: Conference Hall, 3rd Floor, Employees Provident Fund Organisation, Head office, Bhavishya Nidhi Bhawan, 14, Bhikaji Cama Place, New Delhi-66.
<table>
<thead>
<tr>
<th>Sl. NO</th>
<th>ITEM</th>
<th>PAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Confirmation of minutes of the 38th meeting of the Pension &amp; EDLI Implementation Committee</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Action Taken Report On The 38th Meeting/Decision.</td>
<td>3-4</td>
</tr>
<tr>
<td>3</td>
<td>Decision on Aadhar identification of beneficiaries of the pension scheme.</td>
<td>5</td>
</tr>
<tr>
<td>4</td>
<td>Amendments in EDLI Scheme, 1976 for introducing minimum assurance amount on death in service and survival cum loyalty benefit to PF members on superannuation.</td>
<td>To be placed on table</td>
</tr>
</tbody>
</table>
Item No. 1: Confirmation of minutes of the 38th meeting of the Pension & EDLI Implementation Committee held on 08.12.2016.

The minutes of 38th meeting of Pension & EDLI implementation Committee (Annexure A) is placed for confirmation of the committee.
**Item No. 2: Action Taken Report on the 38th meeting/decision.**

In the 38th PEIC meeting the following proposals were approved:

**Action Taken Report**

<table>
<thead>
<tr>
<th>Sl. No.</th>
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<th>Action Taken</th>
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| 1.      | Implementation of Supreme Court Orders related to Employees Pension Scheme 1995. | The Committee unanimously decided to comply with the orders of Hon'ble Supreme Court in SLP No.33032-33033 of 2015 in the matter of Shri R.C. Gupta & others Vs. RPFC (Shimla) & others in respect of all similar cases to avoid further litigation in this regard. However, it was agreed that compliance may be made immediately in respect of the Provident Fund & Pension Members including superannuated cases whose accounts are maintained by EPFO as their details are already available with EPFO and contribution on higher wages has been received by EPFO. | The matter was raised as a separate agenda in the 215th CBT meeting held at Bangalore on 19.12.2016. The CBT approved the proposal contained in the agenda with recommendation to the Government for implementation. A (Copy of the minutes enclosed as Annexure ‘B’)

A U.O. Note dated 10.01.2017 was forwarded to Ministry of Labour & Employment regarding allowing members of the Employees’ Pension Scheme 1995 the benefit of the actual salary in the Pension Fund exceeding wage limit of either Rs.5000/- or Rs. 6500/- per month from the effective date respectively as per the Hon'ble SC order in the matter of R.C. Gupta & other v/s RPFC, Shilma in SLP No. 33032-33033 of 2015. (Copy enclosed as Annexure ‘C’)

Approval of the Government was received vide letter No. R-15011/01/2017 SS II dated 16.03.2017. (Copy enclosed as Annexure ‘D’)|
2. Contribution exceeding wage ceiling of Rs.15000/- per month by the existing members of EPS 1995 with additional contribution of 1.16% of the wage from their provident fund account w.e.f. 01.09.2014.

This was circulated to field offices vide Head Office letter No. Pension-I/12/33/EPS Amendment/96/Vol.II/34007 dated 23.03.2017. (Copy enclosed as Annexure 'E')

The Proposal was welcomed and approved by the committee for making necessary amendment in the scheme.

The draft minutes of the 38th Meeting of PEIC alongwith agenda item was placed in the 215th CBT meeting. The CBT took note of it. The minutes of the CBT meeting is enclosed.

Accordingly, draft notification in r/o option on discontinuing contribution over Rs. 15000/- per month was forwarded to Ministry of Labour & Employment vide letter dated 06.01.2017 and is under consideration by the Government. (Copy enclosed as Annexure 'F')

3. Increase in cessation of membership under Employees' Pension Scheme 1995 from the existing age of 58 years to 60 years.

The agenda item was approved as contained in the agenda note for amendment in the EPS, 1995.

The draft minutes of the 38th Meeting of PEIC alongwith agenda item was placed in the 215th CBT meeting. The CBT took note of it. The minutes of the CBT meeting is enclosed.

Accordingly, draft notification for increasing the superannuation age to 60 years in the Employees' Pension Scheme was forwarded to Ministry of Labour & Employment vide letter dated 06.01.2017 and is under consideration by the Government. (Copy enclosed as Annexure 'G')
Item No. 3) Decision on Aadhaar identification of beneficiaries of the pension scheme.

Aadhaar Identification of Beneficiaries of the Pension Scheme:-

Vide Gazette notification No. SO 26 (E) dated 04.01.2017, the Government of India has made the submission of Aadhaar as identity document for pensioners mandatory. As per the said notification a member or a pensioner of the Employees’ Pension Scheme desirous of continuing the benefit of the said Scheme, who is not yet enrolled for Aadhaar shall be required to make an application for Aadhaar Enrolment by 31st January 2017. The said notification was circulated vide letter no. Pension-I/17(1)2016-17/Jeevan Praman dated 06.01.2017 and uploaded in EPF website at S.No.568.

Since Aadhaar number is needed for submission of Jeevan Praman Patra digitally, it has been decided to extend the date of submission of digital life certificate through Jeevan Praman Patra by Pensioners of EPF 95 upto 28.02.2017, in order to obviate any difficulty faced by the pensioners. It was decided that Life certificate in paper form should not be accepted.

Further, vide letter No. Pension –I/17(10)2016-17/Jeevan Pramaan/ 28246 it has been decided that a member must furnish the Aadhaar Number while submitting claim under Employees Pension Scheme, 1995 w.e.f. 1st February 2017. In case, a member has not been allotted Aadhaar Number a copy of his/her Aadhaar Enrolment ID slip may be submitted along with the claim for settlement of claim EPS, 1995.

Vide letter dated 15.02.2017 the date of submission of digital life certificate through Jeevan Pramaan patra was extended up to 31.03.2017 to facilitate pensioners in submission of Jeevan Pramaan Patra / Aadhaar for the members of the EPS 1995.

However, even after 31.03.2017, out of total 58,58,787 pensioners, 30,56,696 pensioners have not submitted Jeevan Pramaan Patra digitally. In the light of the above it is proposed that pension disbursement be continued to pensioners who have submitted Jeevan Pramaan patra digitally. In case a pensioner is unable to submit Jeevan Pramaan Patra digitally, the certificate in paper form may also be accepted with the covering letter explaining why digital certificate could not be submitted. Pension may also continue for such pensioners. For those who do not produce any life certificate, pension shall be discontinued from 01.05.2017.
Item No. 4) Amendments in EDLI Scheme, 1976 for introducing minimum assurance amount on death in service and survival cum loyalty benefit to PF members on superannuation.

This item to be placed on the table
Item No.4) Amendments in EDLI Scheme, 1976 for introducing minimum assurance amount on death in service and loyalty cum life benefit to PF members on superannuation.

The corpus of EDLI Scheme as on 31.03.2016 is Rs.18119.29 Crores and is increasing every year. Analysis of the Receipt & Payment under EDLI Fund during last 10 years was made as under:

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<th>S. N.</th>
<th>Year</th>
<th>Opening balance</th>
<th>Contributions Employers</th>
<th>Interest Recd.</th>
<th>14B &amp; 7Q</th>
<th>Total</th>
<th>Payments</th>
<th>Closing balance</th>
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<td>3.17</td>
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<td>48.60</td>
<td>6,376.50</td>
</tr>
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<td>3.</td>
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<td>6,376.50</td>
<td>368.40</td>
<td>569.96</td>
<td>3.73</td>
<td>7,318.58</td>
<td>48.72</td>
<td>7,269.86</td>
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<td>4.</td>
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<td>423.22</td>
<td>587.41</td>
<td>2.89</td>
<td>8,283.37</td>
<td>49.57</td>
<td>8,233.81</td>
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<td>5.</td>
<td>2010-11</td>
<td>8,233.81</td>
<td>480.01</td>
<td>701.91</td>
<td>4.69</td>
<td>9,420.42</td>
<td>49.15</td>
<td>9,371.27</td>
</tr>
<tr>
<td>6.</td>
<td>2011-12</td>
<td>9,371.27</td>
<td>566.40</td>
<td>833.34</td>
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<td>10,776.11</td>
<td>75.84</td>
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<td>2012-13</td>
<td>10,700.27</td>
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<td>927.88</td>
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<td>2013-14</td>
<td>12,128.79</td>
<td>697.78</td>
<td>1,057.95</td>
<td>7.97</td>
<td>13,892.49</td>
<td>153.23</td>
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<td>15.19</td>
<td>15,911.54</td>
<td>179.27</td>
<td>15,732.27</td>
</tr>
<tr>
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<td>2015-16</td>
<td>15,732.27</td>
<td>1,231.912</td>
<td>1,392.74</td>
<td>16.00</td>
<td>18,372.93</td>
<td>253.64</td>
<td>18,119.29</td>
</tr>
</tbody>
</table>

From the statistics available as above following details are derived:

i) Payments out of the EDLI Fund is only a small part of annual contribution received each year during the last ten years. It formed only around 13% to 20% of annual contribution from 2006-07 to 2015-16.

ii) Even after increase in the limit of payment to Rs.6 lakh the estimated payment (based on details from Sept. 2016 to December. 2016) comes only to 31% of annual contribution.

iii) The interest component accrued each year on investment is simply added to corpus so that corpus of EDLI has risen from 5636.88 crores as on 31-3-2007 to 18119.29 crores as on 31-3-2016.

iv) There is sufficient surplus fund available on annual basis in terms of contribution and interest each year, which is required to be paid to EDLI beneficiaries. Contributions paid on behalf of the EPF/EDLI members by the employers are meant for devised assurance/insurance benefits and not for accumulation of fund.

Considering the above, status on financial health of the EDLI fund, it is legitimate that the benefits under EDLI Scheme are increased. Since, increase in limit of benefits on death of the member has been increased to Rs.6 lakh in May 2016 only, it is considered not necessary to make any amendment for enhancement of upper limit at this stage.

Moreover, many establishments are seeking exemption from the EDLI Scheme as the benefits extended under the scheme are less as compared to that provided by the Private Insurance Companies.
Therefore, it will be appropriate to provide additional benefits in the EDLI Scheme, 1976 in order to make it more attractive.

Accordingly a proposal was made for amendment in the EDLI Scheme 1976 for providing:

1. Minimum assured benefit of Rs.2,50,000/- (Rs. Two lakh fifty thousand) on death of EDLI members under Para 22(3) of the EDLI Scheme, 1976

2. Loyalty cum life benefit to members on superannuation/total and permanent disablement

The proposal is placed as annexure ‘H’. The proposal was approved by CPFC and forwarded to Internal Finance Division for concurrence.

The following observations where made by the IFD.

I. Proposal for minimum assurance of Rs.2,50,000/- been concurred.

II. Legal opinion may be obtained on whether the proposal for loyalty is in conformity with Section 6C of the Act.

III. Actuarial assessment be made on the Funds’ sustainability in case loyalty benefit is provided.

As per observation in point II above, legal opinion was sought from the Legal Advisor and is placed as annexure ‘I’. As per the opinion of the Legal Advisor the Central Government is empowered under section 7 to, amend, vary, add either prospectively or retrospectively the Scheme, the pension Scheme or the Insurance Scheme.

The actuarial assessment which was already obtained is placed as annexure ‘J’. In the said report, it has been stated that 80% of the interest income be utilized to pay the loyalty benefit to the members retiring after putting in 20 years of service as a lump sum amount. The amount may kept at Rs.20,000/-

In the proposed amendment it has been proposed to extend the loyalty cum life benefits to members on retirement on completion of 58/60 years of age and have completed minimum 20 years of contributory service as under:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Average Wages Per Month</th>
<th>loyalty cum life benefit (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Less than or equal to Rs. 5000</td>
<td>30,000</td>
</tr>
<tr>
<td>2</td>
<td>More than Rs.5000 but less Rs.10000</td>
<td>40,000</td>
</tr>
<tr>
<td>3</td>
<td>More than Rs.10000</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Although the average loyalty cum life benefit comes to Rs.40000/-, the estimated annual outgo towards the loyalty benefits will be Rs.692 Crore. This is well below the 80% of the income earned through interest on corpus as shown under:

Annual receipt through return on investment for the year 2015-16 - 1362.74 Crores

80% of the above amount - 1090.19 Crores
Estimated annual outgo towards the
Loyalty cum life benefit - 692 Crores

The total estimated outgo from the EDLI fund is also well within the 80% of the total contribution received and interest earned as shown under:

Total contribution received during 2016-17 - 1425.96 Crores
Annual receipt through return on investment for the year 2015-16 - 1362.74 Crores
Total income in the fund - 2788.70 Crores.
80% of the total income = 2230.96 Crores

Estimated payments as benefit on death for the year 2017-18 – 432 crores.
Estimated outgo towards minimum assurance benefit - 386.10 Crores.
Estimated annual outgo towards the Loyalty cum life benefit - 692 Crores

Total outgo from the fund - 1510.10 Crores

Accordingly, the following proposal is placed for consideration

Proposal:

1. Provision be made for minimum assured benefit of Rs.2,50,000/- (Rs. Two lakh fifty thousand) on death of EDLI members under Para 22(3) of the EDLI Scheme, 1976

2. Provision be made in the EDLI Scheme for Loyalty cum life benefit to members on superannuation on completion of 58/60 years of age/total and permanent disablement and completion of 20 years of contributory service

The above proposal as detailed in note on amendment in EDLI scheme 1976 and placed at annexure "A" is placed before PEIC for consideration and approval for placing the matter before the Central Board of Trustees for necessary amendment in the EDLI Scheme, 1976.
AMENDMENT IN EDLI SCHEME, 1976

i) Provision for minimum assurance benefit of Rs.250000 (Rupees two lakh fifty thousand) on death of members of EDLI Scheme, 1976 under Para 22(3) of this Scheme.

ii) Introduction of loyalty cum life benefit under EDLI Scheme, 1976 on superannuation from service on attaining the age of cessation from membership as per Employees Pension Scheme, 1995.

Upon detailed evaluation of the corpus, annual contribution, annual interest accrued and payments made out of the EDLI funds, increase in benefit under EDLI Scheme, 1976(Para 22(3) was effected w.e.f. 24-05-2006 through notification of GSR NO. 543(E) dated 24-05-2016 from the existing ceiling of Rs. 360000 to Rs. 600000 on the death of the member under Para 22(3) of the EDLI Scheme, 1976.

3. On further analysis of the EDLI Fund after implementation of the above notification for increasing the limit of benefit to Rs.600000 on death of the member, following financial status of the fund under EDLI Scheme, 1976 has been noted.

A. Receipt and Payment under EDLI Fund (during 2015-16 and 2016-17)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Details of EDLI Fund</th>
<th>Amount in crores(Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Total Corpus of the Fund as on 31-3-2016</td>
<td>18372.93</td>
</tr>
<tr>
<td>2.</td>
<td>Annual Receipt through contributions for the year 2015-16</td>
<td>1231.92</td>
</tr>
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<td>3.</td>
<td>Annual receipt through return on investment for the year 2015-16</td>
<td>1362.74</td>
</tr>
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<td>4.</td>
<td>Annual payment as benefits on death for the year 2015-16</td>
<td>253.64</td>
</tr>
<tr>
<td>5.</td>
<td>Contributions received during 2016-17</td>
<td>1386.66</td>
</tr>
<tr>
<td>6.</td>
<td>Estimated payment as benefits on death for the year 2017-18 (based on the payments made from Sept. 2016 to December 2016, after amendment for increase in benefit limit to Rs. Six lakhs on 24-5-2016)</td>
<td>432.00</td>
</tr>
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</table>
8. Other Details

<table>
<thead>
<tr>
<th>S.No</th>
<th>Average Annual number of beneficiaries</th>
<th>32568</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Average payment per death case (432 crores/32568) even after increase in limit to Rs.60000/- from 24-05-2016</td>
<td>1.33 lakhs</td>
</tr>
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C. Receipt & Payment under EDLI Fund during last 10 years.

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3. From the statistics available as recorded in Table A, B and C above following details are derived:

i) Payments out of the EDLI Fund is only a small part of annual contribution received each year during the last ten years, it formed only around 13% to 20% of annual contribution from 2006-07 to 2015-16.

ii) Even after increase in the limit of payment to Rs. 600000 the estimated payment (based on details from Sept. 2016 to December. 2016) comes to 31% of annual contribution.

iii) The interest component accrued each year on investment is simply added to corpus so that corpus of EDLI has risen from 5636.88 crores as on 31-3-2007 to 18119.29 crores as on 31-3-2016.
iv) There is sufficient surplus fund available on annual basis in terms of contribution and interest each year, which is required to be paid to EDLI beneficiaries. Contributions paid on behalf of the EPF/EDLI members by the employers are meant for devised assurance/insurance benefits and not for accumulation of fund.

4. Considering the above, status on financial health of the EDLI fund, it is legitimate that the benefits under EDLI Scheme are increased. Since, increase in limit of benefits on death of the member has been increased to Rs. 600000 in May 2016 only it is considered not necessary to make any amendment for enhancement of upper limit at this stage.

5. Therefore, it is proposed that additional benefits are given in the existing provisions under EDLI Scheme, 1976. It has been noted that despite increase in benefit limit to Rs. 600000/- the average amount per death case is still Rs. 1.33 lakhs. Actual payments in sizable number of cases is in few thousands of rupees only.

6. Based on the average benefit paid under Para 22(3) of the EDLI Scheme and availability of the surplus contributions each year, it is proposed to make provision of minimum assured amount of benefit on death of the member.

7. Similarly, it has also been considered that apart from the benefits on death of member, some benefit is also extended to the surviving members on superannuation from service and cessation from membership.

8. Both the proposals as above were placed before the Internal Finance Division (IFD) of the EPFO. The FA & CAO of the Organization concurred on the proposal for introduction of minimum benefit of Rs. 300000 in case of death of the member in the existing provisions under Para 22(3) of the EDLI Scheme.

9. Regarding loyalty cum life benefit, it was suggested to have views from Actuary before taking any decision on the proposed Scheme.

10. Accordingly, the proposals were forwarded to Actuary (M/s. K.A. Pandit) for expert opinion in the matter. The Actuary has forwarded the opinion and is placed at Annexure A of this proposal. It has been opined that the experience on the impact of enhanced limit of
benefit Rs.600000/- is short and mortality analysis has not been conducted for this. So it would be difficult to predict the mortality improvement and its impact.

11. However, the Actuary suggested the following:

a) EPFO my think of sharing the surplus arising out of the contributions received from the members. Upto 80% of the surplus generated after servicing the claims may be contributed to the members Provident Fund Account each year.

b) 80% of the income earned through interest on the surplus asset be utilized to pay the loyalty benefit to the members retiring after putting 20 years of service as lump sum amount.

c) The loyalty benefit may be paid upto Rs. 20000/-

Accordingly, proposals for minimum benefit of Rs.2,50,000/- on death of the member and also for giving loyalty cum life benefit to the member having the membership under EDLI Scheme on attaining the age of superannuation and rendered service of minimum 20 years as member to EDLI Fund are placed for consideration.

12. Minimum assured benefit of Rs.2,50,000/-(Rs. Two lakhs fifty thousand) on death of EDLI members under Para 22(3) of the EDLI Scheme, 1976

Providing minimum assurance benefit to a member on death in service

As of now there is no provision for providing minimum assurance benefit under EDLI scheme to a PF member who dies while in service. The benefit paid under the scheme is linked to the average balance in the account of the deceased in the provident fund (50%) and 30 times the average monthly wages drawn during the 12 months proceeding the month in which he died subject to the overall ceiling of 6 lakhs rupees.

The assurance amount paid to members at times is as low as few thousand rupees. Payment of this low amount of EDLI benefit to the beneficiary defeat the very purpose of providing insurance Scheme for the beneficiaries of the members who die while in service.
Hence, to make the Scheme more meaningful the concept of minimum assurance amount can be introduced.

The annual surplus amount available by way of surplus contribution can be utilized for providing minimum assurance benefit as explained in previous para. The average number of EDLI cases settled is taken as 33000 (slightly higher than the average number of cases – 32568) per annum and accordingly, minimum assurance benefit of rupees two lakhs fifty thousand has been calculated as viable lower limit to be provided. The total estimated additional outgo per annum on account of providing minimum assurance benefit of Rupees 2.5 lakhs will be rupees 386.10 crores (33000 claims X rupees 1.17 lakhs) which is within the earmarked fund for this new proposed provision under EDLI Scheme, 1976.

The estimated fund required to finance this proposal of minimum assurance benefit of Rs. Two lakhs fifty thousand on death of the member would be Rs. 386.10 crores in one year at present rate, whereas the suggested fund available for this proposal out of the surplus of contribution over the payment is 80% of this surplus. The 80% of surplus contributions is calculated as under:

| Description                                      | Amount  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total contribution received during 2016-17</td>
<td>1425.96 crores</td>
</tr>
<tr>
<td>Total estimated annual payments during 2016-17</td>
<td>432.00 crores</td>
</tr>
<tr>
<td>(on higher enhanced ceiling of Rs. 600000)</td>
<td></td>
</tr>
</tbody>
</table>

\[
\text{Surplus} = 993.96
\]

\[
80\% \text{ of surplus contributions} = 795.17
\]

13. Loyalty cum life benefit to members on superannuation/total and permanent disablement

Loyalty cum life benefits can be extended to all members who have retired on superannuation on completion of 58/60 years of age (as per cessation of membership under EPS, 1995) and have completed, minimum twenty years of contributory service. In addition, the provident fund members who retire from service on account of total and permanent disablement and are eligible for disablement pension under the Employees Pension Scheme, 1995 can also be given
the proposed loyalty cum life benefit, provided they have completed 20 years of contributory service.

During the year 2015-16, a total of 148701 members were given superannuation pension and 24126 members were given disablement pension. Thus total number of such member pension cases in the year 2015-16 comes to 1, 72,827 (rounded to 1, 73,000).

Members who have completed 20 years of contributory service on the date superannuation will be eligible for the loyalty cum life benefit. The quantum of loyalty cum life benefit can be based on the average wages drawn by a member in the 12 months preceding the date of superannuation on cessation of membership.

The survival benefit can be given as under:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Average Wages Per Month</th>
<th>loyalty cum life benefit (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Less than or equal to Rs. 5000</td>
<td>30,000</td>
</tr>
<tr>
<td>2</td>
<td>More than Rs.5000 but less Rs.10000</td>
<td>40,000</td>
</tr>
<tr>
<td>3</td>
<td>More than Rs.10000</td>
<td>50,000</td>
</tr>
</tbody>
</table>

The average benefit for the above three categories comes to Rs. 40,000. Accordingly, the estimated annual outgo towards the loyalty cum life benefit will be Rs. 692 crores(1,73,000 members X Rs. 40,000). This is well within the anticipated available fund of Rs. 1090.19 crores (80% of the income earned through interest i.e. 80% of Rs. 1362.74 crores).
I have seen section 6C relating to EDLI Scheme under the EPF & MP Act 1952. On perusal it is revealed that the provision in section 6C relates to providing Life Insurance benefits to the employees.

The department proposes to add some more benefit in the EDLI scheme. My attention has been invited towards section 7 which relates to modification of Schemes. On perusal of this provision the Central Government may add to, amend or vary, either prospectively or retrospectively the Scheme, the pension Scheme or the Insurance Scheme.

Exercising the power under section 7 the Central Government is empowered to, amend, vary, add either prospectively or retrospectively the Scheme, the pension Scheme or the Insurance Scheme.

[Signature]
10-4-2017
D.R. Rashri
D. (EPF)
To:
The Central Provident Fund Commissioner  
EPFO  
Bikaji Cama Place  
Delhi

We refer to our discussion and your concern as to the generation of the surplus in the EDLI fund. Though the exercise for the valuation and enhancement of benefit was conducted 2 years back, the enhancement was made just last year. As the experience on the claim based on the enhanced ceiling is not yet gathered and mortality analysis is also not conducted, it would be difficult to predict the mortality improvement and its impact.

As a matter of benefit, EPFO may think of sharing the surplus arising out of the contributions received from the members. Surplus if any generated each year by claims paid being less than the contribution received can be set aside for sharing as a low claim bonus to the contributor. We feel that only 80% of the surplus generated out of low claims may be credited to the members Provident Fund Account each year.

There is also a surplus asset which is earning interest, a decision may also be taken that 80% of the income be utilised to pay the loyalty benefit to the members retiring after putting in 20 years of service as a lumpsum amount. The benefit may be kept at Rs.20,000.

The above may be reviewed in three years and an effort be made to conduct mortality investigation to work out the mortality applicable to EPFO members.

We would also request to make it clear to the members that the benefit given may change depending on the actual experience and it should not be treated as a right of the members.

As the above suggestions are not based on the data of mortality improvement, a close watch on the movement of the fund may be kept and a full-fledged actuarial valuation based on the mortality experience of EPFO may be conducted to validate above suggestions.

Thanking you

Yours Faithfully

For M/S.K.A.PANDIT
Minutes of 38th Meeting of Pension & EDLI Implementation Committee

Dated: 08 December, 2016

Venue: Conference Hall,
Employees Provident Fund Organisation,
Head office, Bhavishya Nidhi Bhawan,
14, Bhikaji Cama Place, New Delhi-66.

Present:
1. Dr. V.P. Joy, Central Provident Fund Commissioner - Chairman
2. Shri Vinod Kumar, Director (MoI &E) - Member
3. Shri G.P. Srivastava, Employers' Representative, CBT (EPF) - Member
4. Shri Vrijesh Upadhyay, Employees' Representative,
   CBT (EPF) - Member
5. Shri D.L. Sachdev, Employees' Representative,
   CBT (EPF) - Member
6. Shri Jayesh D. Pandit, Representative of M/s. K.A. Pandit,
   Appointed Actuary - Domain Expert
7. Dr. S.K. Thakur, ACC-I (Pension) - Convenor

Shri Arun Goel, Additional Secretary & Financial Advisor (MoI &E).
Shri R.S. Maker, Employers' Representative, CBT (EPF) and the representative of
PFRDA could not attend the meeting.

Central P.F. Commissioner welcomed the members of the Pension and
EDLI Implementation Committee (PEIC) and introduced the agenda items in brief
before the committee for consideration.

With these opening remarks he requested ACC-I (Pension) to take up the
matters for discussion as per agenda note. Accordingly, the agenda items were
placed for consideration of the committee.

Item No.1 Confirmation of minutes of the 37th meeting of the
Pension & EDLI Implementation Committee
Decision/Recommendation: The PEIC confirmed the minutes of the
37th meeting as circulated.

Item No.2 Action Taken Report on the 37th meeting/decision.
Decision/Recommendation: The PEIC took note of the Action taken
report placed before the committee.
Item No. 3  Implementation of Supreme Court Orders related to Employees' Pension Scheme 1995.

The agenda item was deliberated at length and the Committee unanimously decided to comply with the orders of the Hon'ble Supreme Court in SLP No. 33032 – 33033 of 2015 in the matter of Shri R.C. Gupta & Others Vs. RPFC (Shimla) & Others, in respect of all similar cases to avoid further litigation in this regard.

However, it was agreed that compliance may be made immediately in respect of the Provident Fund & Pension Members including superannuated cases whose accounts are maintained by EPFO as their details are already available with EPFO and contribution on higher wages has been received by EPFO. Their pension settlement may be regulated in accordance with the order of the Hon'ble Supreme Court by taking joint option from the employee and the employer and transfer/payment to Pension Fund as per details of payable contributions with interest.

In respect of those members of Exempted Provident Fund Trusts whose contribution on higher wages has not been received by EPFO, it was decided that their cases may be examined on verification of books of record of the exempted establishment and the trust regarding compliance to Provident Fund and Pension Fund as per the provisions of the EPF Scheme 1952 and Employees Pension Scheme 1995 and the information may be submitted to the committee.

Item No. 4  Contribution exceeding wage ceiling of Rs. 15000/- per month by the existing members of EPS 1995 with additional contribution of 1.16% of the wage from their provident fund account w.e.f. 01.09.2014.

The proposal was welcomed and approved by the committee for making necessary amendment in the scheme. The members of the committee also suggested that this provision should be made known to all such concerned members of the pension scheme through wide publicity and written communication.

Item No. 5  Increase in Cessation of membership under Employees' Pension Scheme 1995 from the existing age of 58 years to 60 years.

The agenda item was approved as contained in the agenda note for amendment in the EPS, 1995.
Shri G.L. Sachdev, Member, suggested that the age of superannuation should be changed in the model standing rules also. The Chairman observed that this aspect is not in the domain of the EPFO and so the member may take up the issue before the appropriate forum.

The meeting ended with a vote of thanks to the chair.

(Dr. V.P. Joy)
Central P.F. Commissioner
and Chairman, PEIC, CBT, EPF.
EMPLOYEES' PROVIDENT FUND ORGANISATION
MINUTES OF THE 215th CBT MEETING
(BENGALURU: 19th December 2016: 1000 AM)

The 215th meeting of the Central Board (EPF) was held under the Chairmanship of Shri Bandaru Dattatreya, Chairman Central Board (EPF) and Union Minister of Labour & Employment. Following members attended the meeting:

1. Smt M Sathiavathy, Secretary (L&E)
2. Shri Arun Goel, AS&FA (L&E)
3. Sh R K Gupta, JS (SS) (L&E)
4. Shri KV Shekhar Raju
5. Shri B Kamarasu
6. Dr Ud Choubey
7. Shri GP Srivastava
8. Shri Sushanta Sen
9. Dr. SS Patil
10. Shri DU Menon (vice Shri RS Maker)
11. Dr G Sanjeeva Reddy
12. Shri M Jagadishwara Rao
13. Shri Virjesh Upadhyay
14. Shri PJ Banasure
15. Shri Ashok Singh
16. Shri KN Umesh (vice Sh AK Padmanabhan)
17. Shri Ram Kishore Tripathy (vice Sh AD Nagpal)
18. Shri DL Sachdev
19. Shri Sankar Saha
20. Shri Ramen Pandey
21. Shri Sanjiv Kumar, Karnataka

VICE CHAIRMAN
CENTRAL GOVERNMENT REPRESENTATIVES

EMployers' REPRESENTATIVES

EMPLOYEES' REPRESENTATIVES

STATE GOVERNMENT
22. Shri MP Beri, Punjab
23. Shri RH Vasava, Gujarat
24. Dr Anuradha Lambaa, Haryana

25. Dr VP Joy, Central PF Commissioner

Following members could not attend and were granted leave of absence:-
1. Additional Secretary (L&E)
2. DG Labour Welfare
3. Joint Secretary (Min of Finance)

4. Shri BP Pant
5. Shri Ravi Wig
6. Shri J.P. Chowdhary
7. Shri RS Maker

8. Principal Secretary (Labour), Andhra Pradesh
9. Principal Secretary (Labour), Chhattisgarh
10. Principal Secretary (Labour), Himachal Pradesh
11. Principal Secretary (Labour), Madhya Pradesh
12. Principal Secretary (Labour), Maharashtra
13. Principal Secretary (Labour), Kerala
14. Principal Secretary (Labour), Rajasthan
15. Principal Secretary (Labour), Tamil Nadu
16. Principal Secretary (Labour), Uttar Pradesh
17. Principal Secretary (Labour), West Bengal
18. Principal Secretary (Labour), Delhi

The list of officers who attended the meeting is appended as Annexure A to the minutes. CPFC initiated the proceedings and welcomed Chairman, Vice Chairperson and all
other members to the 215th meeting of the Board. CPFC welcomed Secretary (L&E) and AS F&A (L&E) to their first meeting of the Board. CPFC then requested the Chairman to give the opening address.

Chairman informed the Board that the approval of the Organisational restructuring of EPFO has attained finality and he expected that its implementation will further improve EPFO services substantially.

Chairman stated that other important issues on agenda is declaration of rate of interest on PF balances for the year 2016-17; campaign for enrolment of new Provident Fund members among other important issues.

He then requested CPFC to take up the listed agenda items.

With the permission of Chairman, Shri Virijesh Upadhyay stated that the agenda items being brought before the Board are mostly administrativa in nature and the real issues related to workers' welfare are not being deliberated by CBT. He informed that the erstwhile Labour & Employment Minister, Shri Narendra Tomar had called a meeting of employers' and employees' representatives to discuss and decide on the issues which could be placed as an agenda for CBT meetings. Certain issues which required to be discussed were reducing the threshold limit for coverage to ten employees, the coverage of Aanganwadi, Asha workers, self-employed persons to bring under the Social Security Net of EPFO, informalization of employment and the resultant adverse impact on social security; enhancement of minimum pension, extension of medical coverage to pensioners etc. Dr. G. Sanjeeva Reddy stated that all the agenda items are prepared and brought by EPFO, Head Office. Members may be allowed to send any item to be included in agenda. Chairman stated that a special meeting of Board will be called for discussing these and other issues. He also requested the members to send in writing the issues which could be taken up by the Board for consideration. Thereafter, agenda items were taken up for discussion.

**Item No. 1- Confirmation of the Minutes of 214th meeting of CBT, EPF held on 26-07-2016.**

Shri Jagdishwara Rao stated that he submitted observations on the minutes of 214th CBT meeting. But his observations have been enclosed but not incorporated in the minutes. Vice-Chairman stated that the observations of member may be incorporated in the minutes after discussion and approval. The Board confirmed the minutes as placed before it.

**Item No. 2: Action Taken Statement in respect of decisions taken in the CBT meetings held upto 26-07-2016 (214th CBT meeting).**

Shri S Sen wanted to know the details of inoperative accounts after the recent amendments in EPF Scheme. CPFC assured that the requisite details would be provided. Dr Reddy advised that a separate agenda item on Workers' Bank be brought before the Board for consideration. Shri Sekhar Raju stated that he sent letter regarding notice for Executive Committee meeting and later on being asked not to attend the meeting, as the Executive Committee reconstitution was not notified at that time. Reply may be sent for this.

The Board noted the action taken status with these observations.
Item No. 3: Minutes of meetings of sub-Committees of the Board – for information

The Board took note of the minutes placed before it.

Item No. 4: Information to be placed before the Central Board in accordance with para 23 of the EPF Scheme

The Board took note of the information placed before it.

Item No. 5: Draft 63rd Annual Report on the work and activities of the Employees' Provident Fund Organisation for the year 2015-16

The Board adopted the Annual Report and recommended that it be sent to the Government for placing before the Parliament.

Item No. 6: Amendment to Condition No. 25 of Appendix ‘A’ to para 27AA of the Employees’ Provident Funds Scheme, 1952 for grant of exemption to establishments under Section 17(1)(a) of the Employees’ Provident Funds & Miscellaneous Provisions Act, 1952 andPara 27A of the Employees’ Provident Funds Scheme, 1952 by the Government

The Board did not agree to the proposed amendment.

The Board decided that the existing provisions in the scheme need not be amended and if any specific sector/industry requires any assistance/deviations, then it can be dealt on case to case basis and be brought before the Board.

Item No. 7: Proposal for streamlining cases of Surrender of Exemption granted to Establishments

The proposal as contained in the agenda was approved by the Board. Shri S Sen wanted to know how many PF exempted establishments have surrendered their exemption. CPFC assured that the information would be provided to the member.

Item No. 8: Implementation of Supreme Court Orders related to Employees’ Pension Scheme, 1995

It was noted that the proposal was examined by the Pension Implementation Committee and recommended. The proposal as contained in the agenda was approved and recommended by the Board to the Government.

Item No. 9: Merger of the two Sub Committees of the Central Board of Trustees on Coverage of Construction Workers and Contract Workers

The Board did not agree to the proposal.

CPFC explained the agenda item and informed that this is a short term three month campaign, expandable by further three months if required, designed to bring more workers in the coverage fold. CPFC also stated that the proposal is to bring the undeclared employees under the Social Security Net of EPFO to enable them to get social security benefits under the provisions. Employees’ representatives suggested to make the employer pay the employees’ contribution even in cases where the employees’ share was not recovered. Members welcomed the proposal and suggested that a sub-Committee of the Board be formed to suggest long term policy measures for same. Chairman stated that it can be considered once the outcome of the three months campaign is gathered. The Board thereafter, approved the proposal as contained in the agenda.

Shri Ashok Singh informed the Board that China has received the ISSA outstanding award for innovation in the field of social security by extending the insurance, pension and medical coverage to more than 90% of its population. Shri Singh stated that this needs to be emulated by EPFO also and urged the Government to look into it. He also raised the issue of extending social security coverage to about 20,000 coolies of Indian Railway by registering them with EPFO. He informed the Board that the contributions could be funded by levying a cess of only 10 paisa on each railway ticket sold by the Indian Railways. Chairman assured to look into the matter.

Item No. 11: Determining the rate of Adm. Charges payable by the employers under EPF Scheme, 1952 and EDLI Scheme, 1976.

Shri G.P. Srivastava stated that the proposal may be approved as there is surplus in administrative fund. The administrative charges to be levied must be dynamic. In case of deficit, CBT can enhance the administrative charges. Shri B. Kamarasu and Shri Shekhar Raju supported Shri G.P. Srivastava. CPFC suggested that last sentence of para 17 of the agenda may be read as “All administrative expenses of EDLI may be met from interest of EDLI Administration Fund corpus.”

After discussions the Board agreed to the proposal as contained in the agenda.

Item No. 12: Extension of tenure of Custodian of EPFO Securities M/s Standard Chartered Bank (SCB) upto 31/03/2017 after their performance evaluation for the period 01.07.2015 to 31.03.2016

The Board agreed to the proposal as contained in the agenda.


The Board agreed to the proposal as contained in the agenda.
Item No. 14: Revised Estimates for the year 2016-17 and Budget estimates for the year 2017-18 for EPFO and Schemes administered by EPFO

The Board agreed to the proposal as contained in the agenda.

Item No. 15: Recommendation of rate of interest to be credited to EPF member’s accounts for the year 2016-17

CPFC explained the proposal through a presentation and requested the Board to take a view in the matter. Dr. GS Reddy and all other employees’ representatives desired to know, why the income from ETF investments is not shown as income in the proposal. CPFC informed that the gains on ETF investments are only notional gains and C&AG has advised that notional income cannot be used for updation till the time the investments are liquidated and gains credited to EPF accounts. CPFC also informed that the matter has been studied by ICAI, which also recommended the same. Further, FA &CAO of EPFO is meeting with IIM Bangalore to finalise the issue of accounting gains in ETF investments and the developments would be informed to the Board. Employees’ representatives wanted to declare 8.70% interest rate by taking notional ETF gains in income.

Chairman stated that for sustaining long term health of the Fund, we need to be conservative and accordingly rate of interest of 8.65% would be desirable.

After deliberations the Board decided to recommend the rate of interest of 8.65% for the EPF balances in 2016-17.

Item No. 16: Performance Evaluation of Portfolio Managers for the period 01-07-2015 to 30-06-2016

The Board took note of the information placed before it.

Item No. 17: CBLO borrowing transactions by the Portfolio Managers during the period 01-04-2016 to 30-09-2016

The Board took note of the information placed before it.

Item No. 18: Enhancement of investment in Exchange Traded Fund from existing 5% to 10%

The employees’ representatives registered their displeasure at EPFO going ahead with ETF investments even after Board’s reservations in the matter. The employees’ representatives stated that as per the Act, the Fund vests in and is administered by the Board and Government is unilaterally taking decisions in the matter.

CPFC informed the Board that the total ETF investments so far are just over 1% of total investment corpus of EPFO. Moreover, G-Sec investments are currently giving a yield of less than 6.75%. It would be desirable to explore more investment options but with highest level of security. Employees’ representatives stated that they support lower returns on investments than risk a possibility of wiping out the corpus completely. Employees’ representatives wanted to have copy of the EPFO letter dated 08.09.2016 to Ministry. CPFC agreed to provide copy of the said letter sent to Ministry of Labour and Employment.
Chairman suggested to the Board to continue with the present rate of investments in ETF as the same are recommended by the Kaul Committee and approved by the Government. He also agreed to the suggestion of members to devise a protocol of sale of ETF investments periodically.

With these observations the Board took note of the proposal as contained in the agenda.

Item No. 19: Selection of Impact Assessment Study agency for publicity needs of EPFO

The Board agreed to the proposal as contained in the agenda.

Item No. 20: Social Media management plan/engagement of agency

The Board took note of the information placed before it.

Item No. 21: Temporary deployment of funds by EPFO Portfolio Managers on the fixed income side to invest in Liquid Mutual Funds for liquidity management

The Board agreed to the proposal as contained in the agenda.


The Board agreed to the proposal as contained in the agenda.

Item No. 23: List of ineligible cases for waiver of damages rejected by Central Provident Fund Commissioner

The Board took note of the information placed before it.

Item No. 24: Selection of External Concurrent Auditor (ECA) for the audit of investments done by Employees' Provident Fund Organization's Portfolio Managers

The Board agreed to the proposal as contained in the agenda.

Item No. 25: Organizational Restructuring of EPFO

Vice-Chairperson informed the Board that the restructuring has been agreed to by the Ministry of Finance and implementation of the same shall be done quickly. Members stated that the implementation be done quickly as the matter has been pending since long.

Chairman announced that promotion orders be issued as a New Year Gift to staff and officers. Vice-Chairperson assured Chairman and the Board that promotion will be issued as a New Year Gift.

CPFC to ensure implementation of this decision as provided under para 22(2) of EPF Scheme and report compliance.

Shri Kamarsu brought the attention of Board to allegations which have appeared in the press against the Central Board (EPF). He further stated that unfortunately this allegation has not been countered either by EPFO or by the Ministry of Labour & Employment. He urged that a time bound enquiry be conducted in the matter by the Ministry and action taken against the complainant if false and unsubstantiated allegations against the Board have been made.
S/Shri GP Srivastava, PJ Banasure and KV Shekhar Raju strongly demanded that enquiry be conducted in the matter and strong action be taken against anyone found culpable.

Vice Chairperson assured the Board that the Ministry will enquire into the matter and take requisite action.

She assured the Board that the approval of restructuring has been fair, transparent and objective. In fact delays in approval has been because the Ministry has conducted thorough examination of the matter. Vice Chairperson assured the Board that the restructuring would be implemented as soon as orders are issued by the Government.

With the observations, the proposal as contained in the agenda was approved.

**Item No. 26: Renewal of Agreement with State Bank of India for collection of dues and payments to beneficiaries**

The Board took note of the information placed before it.

Shri MJ Rao stated that even though EPFO has stopped the use of revenue stamps on claim forms, some PF exempt establishments continue to insist on same. CPFC assured that necessary action in the matter will be taken.

Chairman thanked the members for their cooperation.

The meeting ended with vote of thanks to the Chair.
ANNEXURE A

LIST OF OFFICERS OF EPFO WHO ATTENDED THE 215th MEETING OF CENTRAL BOARD (EPF) ON 19-12-2016 AT BENGALURU

<table>
<thead>
<tr>
<th>Sl No.</th>
<th>NAME</th>
<th>Designation</th>
<th>Organisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Shri Manish Gupta</td>
<td>FA &amp; CAO</td>
<td>Employees’ PF Organisation</td>
</tr>
<tr>
<td>2.</td>
<td>Shri Rajesh Bansal</td>
<td>ACC(HQ)</td>
<td>Employees’ PF Organisation</td>
</tr>
<tr>
<td>3.</td>
<td>Shri M Narayanappa</td>
<td>ACC</td>
<td>Employees’ PF Organisation</td>
</tr>
<tr>
<td>4.</td>
<td>Shri V Vijay Kumar</td>
<td>ACC</td>
<td>Employees’ PF Organisation</td>
</tr>
<tr>
<td>5.</td>
<td>Dr SK Thakur</td>
<td>ACC</td>
<td>Employees’ PF Organisation</td>
</tr>
<tr>
<td>6.</td>
<td>Shri KL Goyal</td>
<td>ACC</td>
<td>Employees’ PF Organisation</td>
</tr>
<tr>
<td>7.</td>
<td>Shri SC Goyal</td>
<td>ACC</td>
<td>Employees’ PF Organisation</td>
</tr>
<tr>
<td>8.</td>
<td>Shri Sanjay Kumar</td>
<td>RPFC</td>
<td>Employees’ PF Organisation</td>
</tr>
<tr>
<td>9.</td>
<td>Shri Maneesh Agnihotri</td>
<td>RPFC</td>
<td>Employees’ PF Organisation</td>
</tr>
<tr>
<td>10.</td>
<td>Shri Navendu Rai</td>
<td>RPFC</td>
<td>Employees’ PF Organisation</td>
</tr>
<tr>
<td>11.</td>
<td>Shri Uttam Prakash</td>
<td>RPFC</td>
<td>Employees’ PF Organisation</td>
</tr>
<tr>
<td>12.</td>
<td>Shri Nilendu Mishra</td>
<td>RPFC</td>
<td>Employees’ PF Organisation</td>
</tr>
<tr>
<td>13.</td>
<td>Shri Mihir Kumar</td>
<td>RPFC</td>
<td>Employees’ PF Organisation</td>
</tr>
<tr>
<td>14.</td>
<td>Shri Prithi Chand</td>
<td>Section Officer</td>
<td>Employees’ PF Organisation</td>
</tr>
</tbody>
</table>
Sub: Allowing members of the Employees' Pension Scheme 1995 the benefit of the actual salary in the Pension Fund exceeding wage limit of either Rs. 5000/- or Rs. 6500/- per month from the effective date respectively as per the Hon'ble SC order in the matter of R.C. Gupta & others v/s RPFC, Shimla in SLP No. 33032-33033 of 2015- Regarding.

The matter of determination of Pensionable salary exceeding the statutory wage ceiling and exercise of option under deleted proviso to Para 11(3) of Employees’ Pension Scheme 1995 was agitated before many High Courts Hon'ble High Court of Kerala, in particular, had disposed the various petitions on similar line directing the EPFO that "the 8.33% of the employer's contribution proportionate to the salary of employees in excess of Rs. 6500/- shall now be credited to the pension scheme and orders passed in accordance with law. Needless to say the interest accrued in the provident fund account to that extent also will stand transferred to the pension account. The employees shall also submit joint application along with their employer wherever the same has not been done."

The department had filed more than 10 SLPs before the Hon'ble Supreme Court against the orders passed by Hon'ble High Courts. The same have been dismissed by Hon'ble Supreme Court stating that "We do not find any legal and valid ground for interference; the special leave petitions are dismissed."

2. However, in SLP no. 33032-33033 of 2015 in the matter of R.C. Gupta & ors v/s RPFC, Shimla and ors, the Hon'ble Supreme Court of India has examined the provisions of EPF Scheme 1952 & Pension Scheme and passed the detailed order. The relevant excerpts of the order (copy enclosed as Annexure- 'A') are as under-

"The reference to the date of commencement of the Scheme or the date on which the salary exceeds the ceiling limit are dates from which the option exercised are to be reckoned with for calculation of pensionable salary. The said dates are not cut-off dates to determine the eligibility of the employee to indicate their option under the proviso to clause 11(3) of the pension Scheme.

A beneficial scheme, in our considered view ought not to be allowed to be defeated by reference to a cut-off date, particularly, in a situation where (as in the present case) the employer had deposited 12% of the actual salary and not 12% of the ceiling limit of Rs. 5,000/- or Rs. 6,500/- per month, as the case may be.

We do not see how exercise of option under paragraph 26 of the Provident Fund Scheme can be construed to estop the employees from exercising a similar option under Paragraph 11(3). If both the employer and the employee opt for deposit against the actual salary and not the ceiling amount, exercise of option under Paragraph 26 of the Provident Fund Scheme is inevitable. Exercise of option under Paragraph 26(6) is a necessary precursor to exercise of option under clause 11(3). Exercise of such option, therefore, would not foreclose the exercise of further
The above apart, in a situation where the deposit of the employer's share at 12% has been on the actual salary and not the ceiling amount, we do not see how the Provident Fund Commissioner could have been aggrieved to file the LRA before the Division bench of the High Court. All that the Provident Fund Commissioner is required to do in the case is an adjustment of accounts which in turn would have benefitted some of the employees. At best, what the Provident Commissioner could do and which we permit him to do under the present order is to seek a return of all such amounts that the concerned employees may have taken or withdrawn from their Provident Fund Account before granting them the benefit of the proviso to Clause 11(3) of the Pension Scheme. Once such return is made in whichever cases such return is due, consequential benefits in terms of this order will be granted to the said employee.

3. A background note for compliance of the Hon'ble Court orders was placed before Senior Officers of Head Office, EPFO for consideration and opinion in the matter. After going through the Supreme Court orders and background note, it was unanimously agreed to recommend to comply with the orders of the Courts, in particular, order of the Hon'ble Supreme Court in SLP No. 33032-33033 in the matter of R.C. Gupta & others.

4. However, considering the wider implication and needing uniform compliance for all such type of cases including the petitioners and also having financial bearing on the Pension Fund, it was decided that the matter may be placed before the Pension and EDLI Implementation Committee, a committee formed by the CBT in respect of policy matters related to Pension and EDLI. (Copy of the minutes of the Minutes enclosed as Annexure 'B')

5. Accordingly, the matter was placed as a separate agenda(Item No.3) before the Pension & EDLI Implementation Committee in its meeting held on 08.12.2016. The agenda item was deliberated at length and the Committee unanimously decided to comply with the orders of the Hon'ble Supreme Court in SLP No. 33032 - 33033 of 2015 in the matter of Shri R.C. Gupta & Others Vs. RPFC (Shimla) & Others, in respect of all similar cases to avoid further litigation in this regard. (Copy of the minutes of the Minutes enclosed as Annexure 'C')

6. However, it was agreed that compliance may be made immediately in respect of the Provident Fund & Pension Members including superannuated cases whose accounts are maintained by EPFO as their details are already available with EPFO and contribution on higher wages has been received by EPFO. Their pension settlement may be regulated in accordance with the order of the Hon'ble Supreme Court by taking joint option from the employee and the employer and transfer/payment to Pension Fund as per details of payable contributions with interest as applicable.

7. In respect of those members of Exempted Provident Fund Trusts whose contribution on higher wages has not been received by EPFO, it was decided that their cases may be examined on verification of books of record of the exempted establishment and the trust regarding compliance to Provident Fund and Pension Fund as per the provisions of the EPF Scheme 1952 and Employees Pension Scheme 1995 and the information may be submitted to the Committee.
recommendation to the government. (Minutes of the CBT meeting enclosed as Annexure 'A' for implementation.

9. Under the circumstances mentioned as above, it is proposed that administrative instructions may be allowed to be issued by EPFO to allow members of the Employees' Pension Scheme 1995 who had contributed on higher wages exceeding the statutory wage ceiling of Rs. 6500/- in the Provident Fund to divert 8.33% of the salary exceeding Rs. 6500/- to the Pension Fund with up-to-date interest as declared under EPF Scheme 1952 from time to time to get the benefit of pension on higher salary on receipt of joint option of the Employer and Employee. This will avoid unnecessary litigation in future. The financial liability in implementing the Hon'ble Supreme Court order will be met from the Pension Fund.

10. Since amendment for contribution under EPS' 95 exceeding wage ceiling of Rs. 15,000/- per month has been effected from 01.09.2014 the option on contribution exceeding wage ceiling of Rs. 5000/- or Rs. 6500/- will be restricted accordingly for the period up 31.08.2014.

[This issues with the approval of the CPFC].

(S.K. THAKUR)
Additional P.F. Commissioner-I(Pension)

Sh. R.K. Gupta, Joint Secretary

U.O. No. Pension-I/12/33/EPS Amendment/96/Vol.II/

Dated: 5/1/17
No R-15011/01/2017-SS.11
Government of India
Ministry of Labour & Employment
Shram Shakti Bhawan, Rafi Marg

New Delhi dated the 16th March, 2017

To,

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

Subject: Allowing members of the Employees' Pension Scheme, 1995 the benefit of the actual salary in the Pension Fund exceeding wage limit of either Rs. 5000/- or Rs. 6500/- per month from the effective date respectively as per the Hon'ble Supreme Court's Order in the matter of R.C. Gupta & others vs RPFC, Shimla in SLP No.33032-33033 of 2015 — Reg.

Sir,

I am directed to refer to EPFO’s U.O. No. Pension-II/33/1988 Amendment 96/II/1839 dated 10.01.2017 on the above mentioned subject and to convey the approval of the competent authority to allow EPFO to issue administrative instructions to allow members of the Employees' Pension Scheme, 1995 who had contributed on higher wages exceeding the statutory wage ceiling of Rs. 6500/- in the Provident Fund to divert 8.33% of the salary exceeding Rs. 6500/- to the Pension Fund with up to date interest as declared under EPF Scheme, 1952 from time to time to get the benefit of pension on higher salary on receipt of joint option of the Employer and Employee.

2. EPFO is also directed to ensure that the instructions (to be issued) are in accordance with the Hon'ble Supreme Court's order in SLP No.33032-33033 of 2015 and as per the provisions of the EPF & MP Act, 1952 and Schemes framed thereunder.

3. This approval is subject to the condition that it will not have any financial liability on the part of Government of India.

This issues with the approval of Hon'ble Minister of State (Independent Charge) for Labour and Employment.

Yours faithfully,

[Signature]

(Navil Kapur)
Under Secretary to the Government of India

[Stamp]
No: Pension-I/12/33/EPS Amendment/96/Vol.II

Dated: 43-03-2017

To,

All Regional P.F. Commissioner,
Regional Office/Sub-Regional Office.

Subject: Allowing members of the Employees' Pension Scheme, 1995 the benefit of the actual salary in the Pension Fund exceeding wage limit of either Rs. 5000/- or Rs. 6500 per month from the effective date respectively as per the Hon'ble Supreme Court's order in SLP No.33032-33033 of 2015 —

Regarding.

Sir,

The matter of determination of pensionable salary exceeding statutory wages ceiling and exercise of option under deleted proviso to Para 11(3) of the EPS, 95 was examined in the light of the Hon'ble Supreme Court's Order in SLP No.33032-33033 of 2015.

2) The Hon'ble Apex court in SLP No.33032-33033 of 2015 observed that the reference to the date of commencement of the Scheme or the date on which the salary exceeds the ceiling limit are dates from which the option exercised are to be reckoned with for calculation of pensionable salary. The said dates are not cut-off dates to determine the eligibility of the employer-employee to indicate their option under the proviso to Clause 11(3) of the Pension Scheme. It has further been observed that a beneficial Scheme, ought not to be allowed to be defeated by reference to a cut-off date, particularly, in a situation where (as in the present case) the employer had deposited 12% of the actual salary and not 12% of the ceiling limit of Rs. 5000/- or Rs. 6500/- per month, as the case may be.

In a situation where the deposit of the employer's share at 12% has been on the actual salary and not the ceiling amount, the Provident Fund Commissioner could seek a return of all such amounts that the concerned employees may have taken or withdrawn from their Provident Fund Account before granting them the benefits of the proviso to Clause 11(3) of the Pension Scheme. Once such a return is made in whichever cases such return is not consequential benefits in terms of this order will be granted to the said employees.

Thus a member contributing to the Provident Fund on the wages exceeding the statutory ceiling or who had contributed to the Provident Fund on the wages exceeding the statutory ceiling cannot be debarred from exercising the option to contribute on such higher wages to the pension fund. (Copy of the order of the Hon'ble Supreme Court enclosed).

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3) Accordingly a proposal was sent to MOL&E to allow members of the Employees' Pension Scheme, 1995 who had contributed on higher wages exceeding the statutory wage ceiling of Rs. 6500/- in the Provident Fund to divert 8.33% of the salary exceeding Rs. 6500/- to the Pension Fund with up to date interest as declared under EPF Scheme, 1952 from time to time to get the benefit of pension on higher salary on receipt of joint option of the Employer and Employee.

4) The MOL&E vide letter dated 16.03.2017 has conveyed its approval to allow members of the Employees' Pension Scheme, 1995 who had contributed on higher wages exceeding the statutory wage ceiling of Rs. 6500/- in the Provident Fund to divert 8.33% of the salary exceeding Rs. 6500/- to the Pension Fund with up to date interest as declared under EPF Scheme, 1952 from time to time to get the benefit of pension on higher salary on receipt of joint option of the Employer and Employee. (copy enclosed for ready reference)

5) The officers in charge of all field offices are directed to take necessary action accordingly in accordance with the order of the Hon'ble Supreme Court in SLP No.33033 of 2015 as approved by the Government and as per the provisions of the EPF & MP Act, 1952 and Schemes framed there under.

(This issues with the approval of CPFC.)

Yours faithfully,

(Addl. Central PF Commissioner, HQ(Pension))

Copy to:

ACC HQ(IS) for information with request for making necessary changes in the Software.
IN THE SUPREME COURT OF INDIA
CIVIL APPELLATE JURISDICTION

CIVIL APPEAL NO(S). 10013-10014 OF 2016
(Arising out of SLP(C) Nos. 33032-33033 of 2015)

R.C. GUPTA & ORS. ETC. ETC. 
. . . APPELLANT(S)

VERSUS

REGIONAL PROVIDENT FUND
COMMISSIONER EMPLOYEES PROVIDENT
FUND ORGANISATION & ORS ETC. 
. . . RESPONDENT(S)

ORDER

1. Leave granted.
2. The challenge in these appeals is to an order passed by the Division Bench of the Himachal Pradesh High Court reversing the order of the learned Single Judge by which the learned Single Judge had directed that the appellant-employees would be entitled to the benefit of deposit of 8.33% of their actual salary in the Pension Fund irrespective of the ceiling limit. The aforesaid percentage i.e. 8.33% is out of the total of 12%, which constitutes the employer's share under the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (hereinafter referred to as the 1952 Act).
3. The facts lie within a short compass. Under the 1952 Act, 10% or 12% of the basic wages including dearness allowance etc. is required to be deposited in the Provident Fund Account of an employee being the employer's share. The Act as enacted in the year 1952 did not contain any provision for pension. Sub-section 6A with which we are concerned, was inserted by an amendment w.e.f. 16.11.1995 providing for the Employees' Pension Scheme to be framed for payment of pension to retiring employees. The corpus of the pension fund was to be inter alia constituted by deposit of 8.33% of the employer's contribution under Section 6 of the Act. The Pension Scheme which was framed to give effect to the provisions of Section 6A contains inter alia Clause 11, which deals with determination of pensionable salary. Under Clause 11(3) of the Pension Scheme, the maximum pensionable salary was limited to Rs.5,000/-, which was subsequently enhanced to Rs.6,500/- per month w.e.f. 08.10.2003. A couple of months after the Pension Scheme was framed w.e.f. 16.11.1995, a proviso was added to Clause 11(3) w.e.f. 16.03.1996.
permitting an option to the employer and an employee for contribution on salary exceeding Rs.5,000/- or Rs.6,500/- (w.e.f. 08.10.2001) per month. 8.33% of such contribution on full salary was required to be remitted to the Pension Fund.

4. The appellant-employees on the eve of their retirement i.e. sometime in the year 2005 took the plea that the proviso brought in by the amendment of 1996 was not within their knowledge and, therefore, they may be given the benefit thereof, particularly, when the employer's contribution under the Act has been on actual salary and not on the basis of ceiling limit of either Rs.5,000/- or 6,500/- per month, as the case may be. This plea was negatived by the Provident Fund Authority on the ground that the proviso visualized a cut-off date for exercise of option, namely, the date of commencement of Scheme or from the date the salary exceeded the ceiling amount of Rs.5,000/- or 6,500/- per month, as may be. As the request of the appellant-employees was subsequent to either of the said dates, the same cannot be acceded to.
5. Aggrieved the appellant-employees moved the High Court under Article 226 of the Constitution. The learned Single Judge decided the writ petition in favour of the appellant-employees making it clear that the decision would not serve as a precedent for the future. The Division Bench reversed the said decision upholding the view of the Provident Fund Authority that under the proviso to Clause 11(3) of the Pension Scheme there was no cut-off date.

6. We have heard the learned counsel for the parties. We have read and considered the orders of the High Court, the provisions of the Act, the Provident Fund Scheme as well as the relevant provisions of the Pension Scheme.

Clause 11 (3) of the Pension Scheme is in the following terms:


xxx xxx xxx

(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 per cent share of the employers thereof is remitted into the Pension Fund, pensionable salary shall be based on such higher salary.)

8. Reading the proviso, we find that the reference to the date of commencement of the Scheme or the date on which the salary exceeds the ceiling limit are dates from which the option exercised are to be reckoned with for calculation of pensionable salary. The said dates are not cut-off dates to determine the eligibility of the employer-employee to indicate their option under the proviso to Clause 11(3) of the Pension Scheme. A somewhat similar view that has been taken by this Court in a matter coming from the Kerala High Court, wherein the Special Leave Petition (C) No. 7074 of 2014 filed by the Regional Provident Fund Commissioner was rejected by this Court by order dated 31.03.2016. A beneficial Scheme, in our considered view, ought not to be allowed to be defeated by reference to a cut-off date, particularly, in a
situation where (as in the present case) the employer had deposited 12% of the actual salary and not 12% of the ceiling limit of Rs. 5,000/- or Rs. 6,500/- per month, as the case may be.

9. A further argument has been made on behalf of the Provident Fund Commissioner that the appellant-employees had already exercised their option under paragraph 26(6) of the Employees' Provident Funds Scheme. Paragraph 26(6) is in the following terms:

26. Classes of employees entitled and required to join the fund

xxx xxx xxx

(6) Notwithstanding anything contained in this paragraph, an officer not below the rank of an Assistant Provident Fund Commissioner may, on the joint request in writing, of any employee of a factory or other establishment to which this Scheme applies and his employer, enroll such employee as a member or allow him to contribute more than [six thousand five hundred rupees] of his pay per month if he is already a member of the fund and thereupon such employee shall be entitled to the benefits and shall be subject to the conditions of the fund, provided that the employer gives an undertaking in writing that he shall pay the administrative

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3 Subs. By Notification No. 5-350/2/96-SS dated 4th May, 2001, for "rupees five thousand"
Earlier the word, "rupees five thousand" were substituted by G.S.R. 718(E), dated 22nd September, 1994 for the word, "rupees three thousand and five hundred" w.e.f. 1-10-1991.
Charges payable and shall comply with all statutory provisions in respect of such employee.

10. We do not see how exercise of option under paragraph 26 of the Provident Fund Scheme can be construed to estop the employees from exercising a similar option under paragraph 11(3). If both the employer and the employee opt for deposit against the actual salary and not the ceiling amount, exercise of option under paragraph 26 of the Provident Scheme is inevitable. Exercise of the option under paragraph 26(6) is a necessary precursor to the exercise of option under Clause 11(3). Exercise of such option, therefore, would not foreclose the exercise of a further option under Clause 11(3) of the Pension Scheme unless the circumstances warranting such foreclosure are clearly indicated.

11. The above apart in a situation where the deposit of the employer's share at 12% has been on the actual salary and not the ceiling amount, we do not see how the Provident Fund Commissioner could have been aggrieved to file the L.P.A. before the
Division Bench of the High Court. All that the Provident Fund Commissioner is required to do in the case is an adjustment of accounts which in turn would have benefitted some of the employees. At best what the Provident Commissioner could do and which we permit him to do under the present order is to seek a return of all such amounts that the concerned employees may have taken or withdrawn from their Provident Fund Account before granting them the benefit of the proviso to Clause 11(3) of the Pension Scheme. Once such a return is made in whichever cases such return is due, consequential benefits in terms of this order will be granted to the said employees.

12. Consequently and in light of the above, we allow these appeals and set aside the order of the Division Bench of the High Court.

..........................J.
(RANJAN GOGOI)

..........................J.
(PRAFULLA C. PANT)

NEW DELHI
OCTOBER 04, 2016
The Secretary,
Government of India
Ministry of Labour & Employment
Shram Shakti Bhawan, Rafi Marg,
New Delhi- 110 001.

[Kind attn: Shri R.K. Gupta, Joint Secretary]

Sub: Notification for option on discontinuing contribution over Rs.15,000/- per month and increasing the superannuation age to 60 years in the Employees' Pension Scheme 1995—regarding.

Sir,

In the Employees Pension Scheme, 1995 of EPFO, vide notification GSR 609 (E) dated 22nd August, 2014 sub para 4 was inserted in para 11 of the Scheme. As per the said provision, the existing members of the EPS 1995 as on the 1st day of September, 2014 who had been contributing on salary exceeding Rs.6500/- per month were given a fresh option to continue to contribute on salary exceeding Rs.15000/- per month.

However, this was subject to the proviso that the aforesaid members shall make an additional contribution at the rate of 1.16% on salary exceeding Rs.15000/- per month from and out of the contribution payable by the employees for each month under the provision of the Act.

However, it was found through the system that many of the members of the pension scheme who are continuing to contribute on higher wage ceiling exceeding Rs.15000/- per month to the pension fund @8.33% of the basic wage are not contributing the additional contribution @1.16% of the wage on the salary exceeding Rs.15000/-. As such they are contributing at lower rate than required under the revised scheme to get benefits of the pension scheme.

The matter was examined and it was felt that to obviate any disputes in future, an opportunity may be given with a time limit of six months to such members of the pension scheme who do not want to contribute on higher wage exceeding Rs.15000/- @ 8.33% with additional contribution at the rate of 1.16% of the wage exceeding Rs.15000/-, to opt out of higher contribution. In such cases the contribution paid beyond the wage ceiling of Rs.15000/- shall be transferred from the pension fund to their provident fund account along with interest as applicable to provident fund from time to time. This will be a case of 'negative option' for non-contribution exceeding the wage ceiling of Rs.15000/- w.e.f. 01.09.2014.

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Similarly there was a demand for increasing the age of superannuation as per the Employees Pension Scheme, 1995 to 60 years from the existing 58 years. This matter was also agitated before the Hon'ble High Court Rajasthan in writ petition No.7440/2013 wherein the Hon'ble Court directed that superannuation pension under para 12(1)(a) of the EPS, 1995, will also be applicable to those employees, who retire after the age of 58 years, provided they have rendered eligible service of 10 years before exit from service at age of superannuation and those, who have contributed to the Employees' Provident Fund Scheme upto the age of superannuation.

The view of actuary on the increase of retirement age to 60 years was also solicited. The actuary opined that ideally employee will get 2 years more credit of service. Since the fund is going to earn return on the corpus which the employee have contributed till age of 58 and also there is a maximum wage ceiling of Rs. 15000, the option may be cost neutral and may be considered.

Therefore, it was felt that it would be prudent to increase the age of cessation of membership of Employees' Pension Scheme, 1995 to 60 years of age, from the existing age of 58 years in compliance of the Courts orders and backed by opinion from the Actuary.

However, considering the wider implication and also in view of the financial bearing on the Pension Fund, it was decided to place the matter before Pension and EDLI Implementation Committee, a committee formed by the CBT in respect of policy matters related to Pension and EDLI.

Accordingly the following two proposals were placed as a agenda items for consideration in the 38th meeting of the PEIC held on 08.12.2016.

1. An opportunity may be given with a time limit of six months to those members of the pension scheme who do not want to contribute on higher wage exceeding Rs.15000/- @ 8.33% with additional contribution at the rate of 1.16% of the wage exceeding Rs.15000/-, to opt out of higher contribution

2. It is proposed that amendment to para 12(1)(a) and other paras of Employees' Pension Scheme 1995 may be approved, wherever the age of retirement/superannuation is mentioned as 58 years to replace it with 60 years.

The proposals were approved by the PEIC as contained in the agenda note for amendment in the EPS 1995.

The minutes of the 38th PEIC held on 08.12.2016 was also placed before the CBT in its meeting held on 19.12.2016 for information and acceptance. CBT has noted the minutes. Accordingly, two draft notifications for carrying out the amendments mentioned above in the Employees' Pension Scheme 1995 has been attempted and is enclosed herewith along with background note and justification for the same. Copies of the minutes of 38th PEIC and the agenda placed before the CBT as well as the minutes of CBT are also enclosed for ready reference. It is requested that Ministry of Labour and Employment may consider the proposal and issue requisite amendments early.

[This issues with the approval of the Central P.F. Commissioner]

Yours faithfully,

(S.K. THAKUR)
Addl. Central Provident Fund Commissioner (Pension)
Item No.4) Amendments in EDLI Scheme, 1976 for introducing minimum assurance amount on death in service and loyalty cum life benefit to PF members on superannuation.

The corpus of EDLI Scheme as on 31.03.2016 is Rs.18119.29 Crores and is increasing every year. Analysis of the Receipt & Payment under EDLI Fund during last 10 years was made as under:

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<tr>
<th>S. N.</th>
<th>Year</th>
<th>Opening Balance</th>
<th>Contributions Employers</th>
<th>Interest Recd.</th>
<th>14B &amp; 7Q</th>
<th>Total</th>
<th>Payments</th>
<th>Closing Balance</th>
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<tbody>
<tr>
<td>1</td>
<td>2006-07</td>
<td>5,019.72</td>
<td>250.65</td>
<td>410.61</td>
<td>3.87</td>
<td>5,684.86</td>
<td>47.97</td>
<td>5,636.88</td>
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<tr>
<td>2</td>
<td>2007-08</td>
<td>5,636.88</td>
<td>308.44</td>
<td>476.60</td>
<td>3.17</td>
<td>6,425.09</td>
<td>48.60</td>
<td>6,376.50</td>
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<tr>
<td>3</td>
<td>2008-09</td>
<td>6,376.50</td>
<td>368.40</td>
<td>569.96</td>
<td>3.73</td>
<td>7,318.58</td>
<td>48.72</td>
<td>7,269.86</td>
</tr>
<tr>
<td>4</td>
<td>2009-10</td>
<td>7,269.86</td>
<td>423.22</td>
<td>587.41</td>
<td>2.89</td>
<td>8,283.37</td>
<td>49.57</td>
<td>8,233.81</td>
</tr>
<tr>
<td>5</td>
<td>2010-11</td>
<td>8,233.81</td>
<td>480.01</td>
<td>701.91</td>
<td>4.69</td>
<td>9,420.42</td>
<td>49.15</td>
<td>9,371.27</td>
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<tr>
<td>6</td>
<td>2011-12</td>
<td>9,371.27</td>
<td>566.40</td>
<td>833.34</td>
<td>5.10</td>
<td>10,776.11</td>
<td>75.84</td>
<td>10,700.27</td>
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<tr>
<td>7</td>
<td>2012-13</td>
<td>10,700.27</td>
<td>620.13</td>
<td>927.88</td>
<td>4.72</td>
<td>12,253.00</td>
<td>124.21</td>
<td>12,128.79</td>
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<tr>
<td>8</td>
<td>2013-14</td>
<td>12,128.79</td>
<td>697.78</td>
<td>1,057.95</td>
<td>7.97</td>
<td>13,892.49</td>
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<td>2014-15</td>
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<td>1,231.912</td>
<td>1,392.74</td>
<td>16.00</td>
<td>18,372.93</td>
<td>253.64</td>
<td>18,119.29</td>
</tr>
</tbody>
</table>

From the statistics available as above following details are derived:

i) Payments out of the EDLI Fund is only a small part of annual contribution received each year during the last ten years. It formed only around 13% to 20% of annual contribution from 2006-07 to 2015-16.

ii) Even after increase in the limit of payment to Rs.6 lakh the estimated payment (based on details from Sept. 2016 to December, 2016) comes only to 31% of annual contribution.

iii) The interest component accrued each year on investment is simply added to corpus so that corpus of EDLI has risen from 5636.88 crores as on 31-3-2007 to 18119.29 crores as on 31-3-2016.

iv) There is sufficient surplus fund available on annual basis in terms of contribution and interest each year, which is required to be paid to EDLI beneficiaries. Contributions paid on behalf of the EPF/EDLI members by the employers are meant for devised assurance/insurance benefits and not for accumulation of fund.

Considering the above, status on financial health of the EDLI fund, it is legitimate that the benefits under EDLI Scheme are increased. Since, increase in limit of benefits on death of the member has been increased to Rs.6 lakh in May 2016 only, it is considered not necessary to make any amendment for enhancement of upper limit at this stage.

Moreover, many establishments are seeking exemption from the EDLI Scheme as the benefits extended under the scheme are less as compared to that provided by the Private Insurance Companies.
Therefore, it will be appropriate to provide additional benefits in the EDLI Scheme, 1976 order to make it more attractive.

Accordingly a proposal was made for amendment in the EDLI Scheme 1976 for providing:

1. Minimum assured benefit of Rs.2,50,000/- (Rs. Two lakh fifty thousand) on death of EDLI members under Para 22(3) of the EDLI Scheme, 1976

2. Loyalty cum life benefit to members on superannuation/total and permanent disablement

The proposal is placed as annexure ‘H’. The proposal was approved by CPFC and forwarded to Internal Finance Division for concurrence.

The following observations were made by the IFD:

I. Proposal for minimum assurance of Rs.2,50,000/- been concurred.

II. Legal opinion may be obtained on whether the proposal for loyalty is in conformity with Section 6C of the Act.

III. Actuarial assessment be made on the Funds' sustainability in case loyalty benefit is provided.

As per observation in point II above, legal opinion was sought from the Legal Advisor and is placed as annexure ‘I’. As per the opinion of the Legal Advisor the Central Government is empowered under section 7 to, amend, vary, add either prospectively or retrospectively the Scheme, the pension Scheme or the Insurance Scheme.

The actuarial assessment which was already obtained is placed as annexure ‘J’. In the said report, it has been stated that 80% of the interest income be utilized to pay the loyalty benefit to the members retiring after putting in 20 years of service as a lump sum amount. The amount may kept at Rs.20,000/–.

In the proposed amendment it has been proposed to extend the loyalty cum life benefits to members on retirement on completion of 58/60 years of age and have completed minimum 20 years of contributory service as under:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Average Wages Per Month</th>
<th>loyalty cum life benefit (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Less than or equal to Rs. 5000</td>
<td>30,000</td>
</tr>
<tr>
<td>2</td>
<td>More than Rs.5000 but less Rs.10000</td>
<td>40,000</td>
</tr>
<tr>
<td>3</td>
<td>More than Rs.10000</td>
<td>50,000</td>
</tr>
</tbody>
</table>

Although the average loyalty cum life benefit comes to Rs.40000/-, the estimated annual outgo towards the loyalty benefits will be Rs.692 Crore. This is well below the 80% of the income earned through interest on corpus as shown under:

Annual receipt through return on investment for the year 2015-16

80% of the above amount

- 1362.74 Crores
- 1090.19 Crores
Estimated annual outgo towards the Loyalty cum life benefit - 692 Crores

The total estimated outgo from the EDLI fund is also well within the 80% of the total contribution received and interest earned as shown under:

Total contribution received during 2016-17 - 1425.96 Crores
Annual receipt through return on investment for the year 2015-16 - 1362.74 Crores
Total income in the fund - 2788.70 Crores.
80% of the total income = 2230.96 Crores

Estimated payments as benefit on death for the year 2017-18 – 432 crores.
Estimated outgo towards minimum assurance benefit - 386.10 Crores.
Estimated annual outgo towards the Loyalty cum life benefit - 692 Crores

Total outgo from the fund - 1510.10 Crores

Accordingly, the following proposal is placed for consideration

Proposal:

1. Provision be made for minimum assured benefit of Rs.2,50,000/- (Rs. Two lakh fifty thousand) on death of EDLI members under Para 22(3) of the EDLI Scheme, 1976

2. Provision be made in the EDLI Scheme for Loyalty cum life benefit to members on superannuation on completion of 58/60 years of age/total and permanent disablement and completion of 20 years of contributory service

The above proposal as detailed in note on amendment in EDLI scheme 1976 and placed at annexure is placed before PEIC for consideration and approval for placing the matter before the Central Board of Trustees for necessary amendment in the EDLI Scheme, 1976.
AMENDMENT IN EDLI SCHEME, 1976

i) Provision for minimum assurance benefit of Rs.250000 (Rupees two lakh fifty thousand) on death of members of EDLI Scheme, 1976 under Para 22(3) of this Scheme.

ii) Introduction of loyalty cum life benefit under EDLI Scheme, 1976 on superannuation from service on attaining the age of cessation from membership as per Employees Pension Scheme, 1995.

Upon detailed evaluation of the corpus, annual contribution, annual interest accrued and payments made out of the EDLI funds, increase in benefit under EDLI Scheme, 1976(Para 22(3) was effected w.e.f. 24-05-2006 through notification of GSR NO. 543(E) dated 24-05-2016 from the existing ceiling of Rs. 360000 to Rs. 600000 on the death of the member under Para 22(3) of the EDLI Scheme, 1976.

3. On further analysis of the EDLI Fund after implementation of the above notification for increasing the limit of benefit to Rs.600000 on death of the member, following financial status of the fund under EDLI Scheme, 1976 has been noted.

A. Receipt and Payment under EDLI Fund (during 2015-16 and 2016-17)

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Details of EDLI Fund</th>
<th>Amount in crores(Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Total Corpus of the Fund as on 31-3-2016</td>
<td>18372.93</td>
</tr>
<tr>
<td>2.</td>
<td>Annual Receipt through contributions for the year 2015-16</td>
<td>1231.92</td>
</tr>
<tr>
<td>3.</td>
<td>Annual receipt through return on investment for the year 2015-16</td>
<td>1362.74</td>
</tr>
<tr>
<td>4.</td>
<td>Annual payment as benefits on death for the year 2015-16</td>
<td>253.64</td>
</tr>
<tr>
<td>5.</td>
<td>Contributions received during 2016-17</td>
<td>1386.66</td>
</tr>
<tr>
<td>6.</td>
<td>Estimated payment as benefits on death for the year 2017-18 (based on the payments made from Sept. 2016 to December 2016, after amendment for increase in benefit limit to Rs. Six lakhs on 24-5-2016</td>
<td>432.00</td>
</tr>
</tbody>
</table>
### Other Details

<table>
<thead>
<tr>
<th></th>
<th>Average Annual number of beneficiaries</th>
<th>32568</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.</td>
<td>Average payment per death case (432 crores/32568) even after increase in limit to Rs. 600000/- from 24-05-2016</td>
<td>1.33 lakhs</td>
</tr>
</tbody>
</table>

### C. Receipt & Payment under EDLI Fund during last 10 years.

<table>
<thead>
<tr>
<th>S.N</th>
<th>Year</th>
<th>Opening balance</th>
<th>Contributions</th>
<th>Interest Recd.</th>
<th>14B &amp; 7Q</th>
<th>Total</th>
<th>Payments</th>
<th>Closing balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2006-07</td>
<td>5,019.72</td>
<td>250.65</td>
<td>410.61</td>
<td>3.87</td>
<td>5,684.86</td>
<td>47.97</td>
<td>5,636.88</td>
</tr>
<tr>
<td>2.</td>
<td>2007-08</td>
<td>5,636.88</td>
<td>308.44</td>
<td>476.60</td>
<td>3.17</td>
<td>6,425.09</td>
<td>48.60</td>
<td>6,376.50</td>
</tr>
<tr>
<td>3.</td>
<td>2008-09</td>
<td>6,376.50</td>
<td>368.40</td>
<td>569.96</td>
<td>3.73</td>
<td>7,318.58</td>
<td>48.72</td>
<td>7,269.86</td>
</tr>
<tr>
<td>4.</td>
<td>2009-10</td>
<td>7,269.86</td>
<td>423.22</td>
<td>587.41</td>
<td>2.89</td>
<td>8,283.37</td>
<td>49.57</td>
<td>8,233.81</td>
</tr>
<tr>
<td>5.</td>
<td>2010-11</td>
<td>8,233.81</td>
<td>480.01</td>
<td>701.91</td>
<td>4.69</td>
<td>9,420.42</td>
<td>49.15</td>
<td>9,371.27</td>
</tr>
<tr>
<td>6.</td>
<td>2011-12</td>
<td>9,371.27</td>
<td>566.40</td>
<td>833.34</td>
<td>5.10</td>
<td>10,776.11</td>
<td>75.84</td>
<td>10,700.27</td>
</tr>
<tr>
<td>7.</td>
<td>2012-13</td>
<td>10,700.27</td>
<td>620.13</td>
<td>927.88</td>
<td>4.72</td>
<td>12,253.00</td>
<td>124.21</td>
<td>12,128.79</td>
</tr>
<tr>
<td>8.</td>
<td>2013-14</td>
<td>12,128.79</td>
<td>697.78</td>
<td>1,057.95</td>
<td>7.97</td>
<td>13,892.49</td>
<td>153.23</td>
<td>13,739.26</td>
</tr>
<tr>
<td>9.</td>
<td>2014-15</td>
<td>13,739.26</td>
<td>936.12</td>
<td>1,220.98</td>
<td>15.19</td>
<td>15,911.54</td>
<td>179.27</td>
<td>15,732.27</td>
</tr>
<tr>
<td>10.</td>
<td>2015-16</td>
<td>15,732.27</td>
<td>1,231.912</td>
<td>1,392.74</td>
<td>16.00</td>
<td>18,372.93</td>
<td>253.64</td>
<td>18,119.29</td>
</tr>
</tbody>
</table>

3. From the statistics available as recorded in Table A, B and C above following details are derived:

i) Payments out of the EDLI Fund is only a small part of annual contribution received each year during the last ten years, it formed only around 13% to 20% of annual contribution from 2006-07 to 2015-16.

ii) Even after increase in the limit of payment to Rs. 600000 the estimated payment (based on details from Sept. 2016 to December. 2016) comes to 31% of annual contribution.

iii) The interest component accrued each year on investment is simply added to corpus so that corpus of EDLI has risen from 5636.88 crores as on 31-3-2007 to 18119.29 crores as on 31-3-2016.
There is sufficient surplus fund available on annual basis in terms of contribution and interest each year, which is required to be paid to EDLI beneficiaries. Contributions paid on behalf of the EPF/EDLI members by the employers are meant for devised assurance/insurance benefits and not for accumulation of fund.

4. Considering the above, status on financial health of the EDLI fund, it is legitimate that the benefits under EDLI Scheme are increased. Since, increase in limit of benefits on death of the member has been increased to Rs. 600000 in May 2016 only it is considered not necessary to make any amendment for enhancement of upper limit at this stage.

5. Therefore, it is proposed that additional benefits are given in the existing provisions under EDLI Scheme, 1976. It has been noted that despite increase in benefit limit to Rs. 600000/- the average amount per death case is still Rs. 1.33 lakhs. Actual payments in sizable number of cases is in few thousands of rupees only.

6. Based on the average benefit paid under Para 22(3) of the EDLI Scheme and availability of the surplus contributions each year, it is proposed to make provision of minimum assured amount of benefit on death of the member.

7. Similarly, it has also been considered that apart from the benefits on death of member, some benefit is also extended to the surviving members on superannuation from service and cessation from membership.

8. Both the proposals as above were placed before the Internal Finance Division (IFD) of the EPFO. The FA & CAO of the Organization concurred on the proposal for introduction of minimum benefit of Rs. 300000 in case of death of the member in the existing provisions under Para 22(3) of the EDLI Scheme.

9. Regarding loyalty cum life benefit, it was suggested to have views from Actuary before taking any decision on the proposed Scheme.

10. Accordingly, the proposals were forwarded to Actuary (M/s. K.A. Pandit) for expert opinion in the matter. The Actuary has forwarded the opinion and is placed at Annexure A of this proposal. It has been opined that the experience on the impact of enhanced limit of
benefit Rs.600000/- is short and mortality analysis has not been conducted for this. So it would be difficult to predict the mortality improvement and its impact.

11. However, the Actuary suggested the following:-

a) EPFO my think of sharing the surplus arising out of the contributions received from the members. Upto 80% of the surplus generated after servicing the claims may be contributed to the members Provident Fund Account each year.

b) 80% of the income earned through interest on the surplus asset be utilized to pay the loyalty benefit to the members retiring after putting 20 years of service as lump sum amount.

c) The loyalty benefit may be paid upto Rs. 20000/-

Accordingly, proposals for minimum benefit of Rs.2,50,000/- on death of the member and also for giving loyalty cum life benefit to the member having the membership under EDLI Scheme on attaining the age of superannuation and rendered service of minimum 20 years as member to EDLI Fund are placed for consideration.

12. Minimum assured benefit of Rs.2,50,000/- (Rs. Two lakhs fifty thousand) on death of EDLI members under Para 22(3) of the EDLI Scheme, 1976

Providing minimum assurance benefit to a member on death in service

As of now, there is no provision for providing minimum assurance benefit under EDLI scheme to a PF member who dies while in service. The benefit paid under the scheme is linked to the average balance in the account of the deceased in the provident fund (50%) and 30 times the average monthly wages drawn during the 12 months proceeding the month in which he died subject to the overall ceiling of 6 lakhs rupees.

The assurance amount paid to members at times is as low as few thousand rupees. Payment of this low amount of EDLI benefit to the beneficiary defeat the very purpose of providing insurance Scheme for the beneficiaries of the members who die while in service.
Hence, to make the Scheme more meaningful the concept of minimum assurance amount can be introduced.

The annual surplus amount available by way of surplus contribution can be utilized for providing minimum assurance benefit as explained in previous para. The average number of EDLI cases settled is taken as 33000 (slightly higher than the average number of cases – 32568) per annum and accordingly, minimum assurance benefit of rupees two lakhs fifty thousand has been calculated as viable lower limit to be provided. The total estimated additional outgo per annum on account of providing minimum assurance benefit of Rupees 2.5 lakhs will be rupees 386.10 crores(33000 claims X rupees 1.17 lakhs) which is within the earmarked fund for this new proposed provision under EDLI Scheme, 1976.

The estimated fund required to finance this proposal of minimum assurance benefit of Rs. Two lakhs fifty thousand on death of the member would be Rs. 386.10 crores in one year at present rate, whereas the suggested fund available for this proposal out of the surplus of contribution over the payment is 80% of this surplus. The 80% of surplus contributions is calculated as under:

<table>
<thead>
<tr>
<th>Total contribution received during 2016-17</th>
<th>1425.96 crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total estimated annual payments during 2016-17</td>
<td>432.00 crores</td>
</tr>
<tr>
<td>(on higher enhanced ceiling of Rs.600000)</td>
<td></td>
</tr>
<tr>
<td>Surplus</td>
<td>993.96</td>
</tr>
<tr>
<td>80% of surplus contributions</td>
<td>795.17</td>
</tr>
</tbody>
</table>

13. **Loyalty cum life benefit to members on superannuation/total and permanent disablement**

Loyalty cum life benefits can be extended to all members who have retired on superannuation on completion of 58/60 years of age (as per cessation of membership under EPS, 1995) and have completed, minimum twenty years of contributory service. In addition, the provident fund members who retire from service on account of total and permanent disablement and are eligible for disablement pension under the Employees Pension Scheme, 1995 can also be given
the proposed loyalty cum life benefit, provided they have completed 20 years of contributory service.

During the year 2015-16, a total of 148701 members were given superannuation pension and 24126 members were given disablement pension. Thus total number of such member pension cases in the year 2015-16 comes to 1,72,827 (rounded to 1,73,000).

Members who have completed 20 years of contributory service on the date superannuation will be eligible for the loyalty cum life benefit. The quantum of loyalty cum life benefit can be based on the average wages drawn by a member in the 12 months preceding the date of superannuation on cessation of membership.

The survival benefit can be given as under:

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Average Wages Per Month</th>
<th>Loyalty cum life benefit (in Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Less than or equal to Rs. 5000</td>
<td>30,000</td>
</tr>
<tr>
<td>2</td>
<td>More than Rs.5000 but less Rs.10000</td>
<td>40,000</td>
</tr>
<tr>
<td>3</td>
<td>More than Rs.10000</td>
<td>50,000</td>
</tr>
</tbody>
</table>

The average benefit for the above three categories comes to Rs. 40,000. Accordingly, the estimated annual outgo towards the loyalty cum life benefit will be Rs. 692 crores (1,73,000 members X Rs. 40,000). This is well within the anticipated available fund of Rs. 1090.19 crores (80% of the income earned through interest i.e. 80% of Rs. 1362.74 crores).
I have seen section 6C relating to EDLI Scheme under the EPF & MP Act 1952. On perusal it is revealed that the provision in section 6C relates to providing Life Insurance benefits to the employees.

The department proposes to add some more benefit in the EDLI scheme. My attention has been invited towards section 7 which relates to modification of Schemes. On perusal of this provision the Central Government may add to, amend or vary, either prospectively or retrospectively the Scheme, the pension Scheme or the Insurance Scheme.

Exercising the power under section 7 the Central Government is empowered to, amend, vary, add either prospectively or retrospectively the Scheme, the pension Scheme or the Insurance Scheme.

Dr. R. Shankar
1st A (EPF)
11/4/2012

C.P.F.
11/4/11

Acc. (Rtn.)

R.e. (Rtn.)
To:  
The Central Provident Fund Commissioner  
EPFO  
Bikaji Cama Place  
Delhi  

Date: 31-03-2017  

We refer to our discussion and your concern as to the generation of the surplus in the EDLI fund. Though the exercise for the valuation and enhancement of benefit was conducted 2 years back, the enhancement was made just last year. As the experience on the claim based on the enhanced ceiling is not yet gathered and mortality analysis is also not conducted, it would be difficult to predict the mortality improvement and its impact.  

As a matter of benefit, EPFO may think of sharing the surplus arising out of the contributions received from the members. Surplus if any generated each year by claims paid being less than the contribution received can be set aside for sharing as a low claim bonus to the contributor. We feel that only 80% of the surplus generated out of low claims may be credited to the members Provident Fund Account each year.  

There is also a surplus asset which is earning interest, a decision may also be taken that 80% of the income be utilised to pay the loyalty benefit to the members retiring after putting in 20 years of service as a lumpsum amount. The benefit may be kept at Rs.20,000.  

The above may be reviewed in three years and an effort be made to conduct mortality investigation to work out the mortality applicable to EPFO members.  

We would also request to make it clear to the members that the benefit given may change depending on the actual experience and it should not be treated as a right of the members.  

As the above suggestions are not based on the data of mortality improvement, a close watch on the movement of the fund may be kept and a full-fledged actuarial valuation based on the mortality experience of EPFO may be conducted to validate above suggestions.  

Thanking you  

Yours Faithfully  

For M/S.K.A.PANDIT
No. Pension/39th PEIC Meeting/2017

Dated:

To,

All Members,
Pension & EDLI Implementation Committee
CBT, EPF

Sub: Minutes of the 39th Meeting of the Pension & EDLI Implementation Committee held on 12.04.2017 – reg.

Sir,

A copy of minutes of the 39th Meeting of Pension & EDLI Implementation Committee held on 12.04.2017 as approved by the Chairman, PEIC is forwarded herewith for information.

Yours faithfully,

(Mukesh Kumar)
Regional P.F. Commissioner-I (Pension)

Copy to:-

1. PS to CPFC & Chairman of PEIC
2. PS to Additional Secretary & FA, Ministry of Labour & Employment, New Delhi
3. PS to Director (IDAS, EPFO), Ministry of Labour & Employment, New Delhi
4. PS to ACC-I (Pension)
5. RPFC-I (Pension)
6. RPFC-II (Pension)
7. Section Officer (L&D)
8. Section Officer (A&C)
9. Section Officer (EDLI)
Minutes of 39th Meeting of Pension & EDLI Implementation Committee

Date: 12th April, 2017

Venue: Conference Hall,
Employees Provident Fund Organisation,
Head office, Bhavishya Nidhi Bhawan,
14, Bhikaji Cama Place, New Delhi-66.

Present:

1. Dr. V.P. Joy, Central Provident Fund Commissioner                  Chairman
2. Shri Subhash Kumar, U.S. (MoL&E)                                    Member
3. Shri G.P. Srivastava, Employers’ Representative, CBT (EPF)          Member
4. Shri Vrijesh Upadhyay, Employees’ Representative, CBT (EPF)         Member
5. Shri D.L. Sachdev, Employees’ Representative, CBT (EPF)             Member
6. Dr. S.K. Thakur, ACC-HQ (Gujarat)                                  Special invitee
7. Shri R.M. Verma, ACC-II (Pension)                                  Convenor

Shri Arun Goel, Additional Secretary & Financial Advisor (MoL&E), Shri R.S. Maker, Employers’ Representative, CBT (EPF), the representative of PFRDA and Shri Jayesh D. Pandit, Actuary could not attend the meeting.

Central P.F. Commissioner welcomed the members of the Pension and EDLI Implementation Committee (PEIC) and introduced the agenda items in brief before the committee for consideration.

With these opening remarks he requested ACC-II (Pension) to take up the matters for discussion as per agenda note. Accordingly, the agenda items were placed for consideration of the committee.
Item No. 1 Confirmation of minutes of the 38th meeting of the Pension & EDLI Implementation Committee.

Decision/Recommendation: The PEIC confirmed the minutes of the 38th meeting as circulated.

Item No. 2 Action Taken Report on the 38th meeting/decision.

Decision/Recommendation: The PEIC took note of the Action taken report placed before the committee.

Item No. 3 Decision on Aadhar identification of beneficiaries of the pension scheme.

The information was noted as contained in the agenda note and noted the actions already taken in this regard for getting digital life certificate from pensioners.

Item No. 4 Amendments in EDLI Scheme 1976 for introducing minimum assurance amount on death in service and loyalty cum life benefit to PF members on superannuation.

The agenda item was deliberated at length. The proposal was welcomed and approved by the committee for placing the same before the CBT for making necessary amendment in the scheme. The members of the committee also suggested that this provision should be made known to all such members of the scheme through wide publicity and written communication after approval of the same by the Government.

The meeting ended with a vote of thanks to the chair.

(Dr. V.P. Joy)
Central P.F. Commissioner
and Chairman, PEIC, CBT, EPF.