

Govt cuts EPF interest rates

Finance ministry overrules trustees, settles for 8.7% interest

The finance minister has overruled a decision of the Employees' Provident Fund Organisation and cut the interest rate to 8.7 per cent for the financial year 2015-16.

The Central Board of Trustees (CBT) of the Employees' Provident Fund Organisation (EPFO) had approved an 8.8 per cent interest rate. For financial years 2013-14 and 2014-15, the interest rate was 8.75 per cent.

However, Union Labour Minister Bandaru Dattatreya, in a written reply to the Lok Sabha on Monday, said: "The CBT, at its meeting held in February, had proposed an interim rate of interest at 8.8 per cent to be credited to the accounts of Employees' Provident Fund subscribers for 2015-16. The ministry of finance has, however, ratified an interest rate of 8.7 per cent."

Trade unions were, naturally, unhappy with the decision, and accused the finance ministry of disrespecting the CBT - the supreme decision-making body of the EPFO.

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According to regulations, after the interest rate is approved by the CBT, it has to be approved by the finance ministry.

A labour ministry official said normally, the finance ministry vets the rate which is taken by the CBT since EPFO distributes interest rate according to the income generated from its investments every year and does not take money from the government. The finance ministry generally accepts the CBT's decision. "This is unprecedented. It has never happened before. The labour ministry is in its full right to request the government to reconsider this decision. We will take a decision soon in this regard," said the official.

Earlier, the Financial Audit and Investment Committee (FIAC) consisting of representatives of employees, employers and the government, projected that EPFO would earn Rs 34,844 crore in 2015-16, which would be sufficient to offer an interest rate of 8.95 per cent to the retirement fund body's 50 million subscribers.

According to the FIAC estimate, after giving an interest of 8.8 per cent, the EPFO would be left with a surplus of Rs 673 crore. An EPFO official explained if the finance ministry sticks to its decision, the retirement body can pay the remaining 0.1 per cent as bonus or ex gratia. "The ministry can take this decision in order not to antagonise the unions which are already on offensive," the labour ministry official said. Trade unions said the decision was a complete disrespect of the CBT's authority.

"This is unconstitutional. The finance ministry has disrespected the decision taken by the body which has representation from employers and employees," said P J Banasure, secretary,

Bharatiya Mazdoor Sangh (BMS) and a CBT member. D L Sachdeva, general secretary, All India Trade Union Congress, said it was unprecedented in EPFO's history.

"We are going to launch a protest against this decision after discussion with other central trade unions, this is an anti-people move," he said. "The finance ministry is on an offensive against the common man, which has started from the latest Budget. The labour minister had earlier said it (the EPFO interest rate) could be increased more with the surplus it had. We are going to protest against it," said A K Padmanabhan, president, Centre of Indian Trade Unions.

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