

Pension scheme an accounting mess, says valuer

The Employees Pension Scheme, 1995, continues to not only suffer from a substantial excess of liabilities over assets but the gap has continued to rise, finds the latest report of the independent valuer.

Worse, the valuation report (which, incidentally, only covers the year up to March 2008) says the data on which the findings are based are of poor quality. "Given the quality and too low a proportion of valid data made available for valuation, the results have limitations...and could be (no more than) a broad indication of the financial position as obtaining on the date of valuation," says the report from V Balasubramaniam, the valuer appointed by the the Employees Provident Fund Organisation.

His report says the cumulative shortfall is Rs 54,203 crore. The combined 9th and 10th valuation reports, stating the position as of March 2006, had revealed a valuation deficit of Rs 22,659 crore. In the 11th valuation report, this had risen by Rs 18,460 crore. In the latest, 12th valuation report, covering the period till March 2008, it has risen another Rs 13,084 crore, making a cumulative figure of Rs 54,203 crore. (ACCOUNT MISMATCH)

As noted earlier, the valuer says the data was insufficient and poor in quality. And, recommended that a firmer conclusion on the extent of deficit would be possible if complete and accurate data of a greater proportion of members and the class of pensioners and beneficiary pensions covered by the scheme were provided.

Explaining the findings from the available data, the report attributes the rise in deficit partly to the continuing effect of the increase in the monthly salary limit eligible for benefits from the scheme, in the year 2001, from Rs 5,000 to Rs 6,500. It was, it says, made effective for all members without infusion of additional funds to meet the higher liabilities. Also, there was "inadequacy of contribution rate owing to the changed economic scenario and membership behaviour, especially related to exit from the scheme, resulting in funding deficit".

It also points to inconsistencies in the data provided for valuation as compared to the one given for the earlier study.

(Business Standard)