

EMPLOYEES' PROVIDENT FUND ORGANISATION

DRAFT MINUTES

64th MEETING OF EXECUTIVE COMMITTEE, CBT (EPF)

Meeting : Executive Committee, Central Board of Trustees (EPF)
Date : **10.12.2008**
Venue : Main Committee Room, 1st Floor,
"C" wing, Shram Shakti Bhawan
Ministry of Labour & Employment,
Rafi Marg, New Delhi – 110 001

The 64th meeting of the Executive Committee, CBT (EPF) was presided over by **Smt. Sudha Pillai**, Chairperson, Executive Committee, CBT (EPF) and Secretary to the Govt. of India, Ministry of Labour and Employment. The following members attended the meeting:

Shri Girish Awasthi

Employees' Representatives

Shri Babulal Todi

Employers' Representatives

Shri B.P. Pant

Shri S. Krishnan,
Special Secretary,
Ministry of Labour & Employment

**Central Government
Representatives**

Shri Rajesh Verma,
JS & FA,
Ministry of Labour & Employment

Shri A. Viswanathan
Central Provident Fund Commissioner

Member Secretary

The following members were absent from the meeting:

Dr. G. Sanjeeva Reddy

Employees' Representatives

Shri J. P. Chowdhary

Employers' Representatives

Secretary to the Govt. of Bihar
Department of Labour,
Training & Employment

Secretary to the Govt. of Haryana,
Deptt. of Labour & Employment.

Principal Secretary to the Govt. of
Uttar Pradesh, Department of
Labour, Employment & Training

**State Government
Representatives**

The list of the officers of the Ministry of Labour & Employment and of the officers of EPFO who attended the meeting is given at **Annexure-'A'**.

The CPFC with the permission of the Chair initiated the proceedings. He observed that for the first time in many years the Organisation has been able to place both the draft annual report for the year 2007-08 and the annual audited accounts for the 2007-08. He thanked Secretary (L&E) for taking up the issue with the CAG and continuous follow up, which resulted in early clearance.

Thereafter the Chairperson welcomed all the members to the 64th meeting of the Executive Committee of CBT (EPF). Regarding the annual audited accounts she observed that the real credit goes to the office of CAG as they had accorded priority out of the way inspite of a set time schedule for other audit work. Regarding the meeting she

appreciated the contributions of the members and that the participation was qualitatively of high order. She desired the same approach from the members so that all the agendas are taken up and decisions are taken. She also apologized for the last meeting change in the venue and delay in the start of the meeting because of a pre-schedule meeting which had spilled over. Thereafter she thanked all the members present and requested the CPFC to introduce the items.

The CPFC observed that the draft annual report had already been circulated to all the members of the Board, but the annual audited accounts have been placed on the table as the audit certificate was received only three days ago. He apologized for the adequate notice not being given to the members of the EC.

Item No. 1: Draft Annual report of the work and activities of the Employees' Provident Fund Organisation for the year 2007-2008.

The CPFC introduced the item and observed that normally the committee recommends that the annual report may be placed before the meeting of the full Board for detailed discussion. He desired that the members may take a view. The views and recommendations of the members will be placed before the Board in the later part of the day.

Shri B.P. Pant and Shri Babu Lal Todi observed that they will make their comments in the CBT.

Shri Girish Awasthi observed that he would like to make his observations on the draft annual report.

Accordingly the CPFC made a presentation on the highlights of the performance of EPFO in the form of a power point presentation which was circulated among the members:

- **Coverage of establishments:** Compared to previous year there was an increase a hike of 60,000. The establishment strength had reached 532702 at the end of year 2007-08.
- **Members enrolled:** The figure stood at 4.49 crores at the end of the year. When compared with the growth of establishments, the growth of members was disappointing. This was because of reconciliation with the figures of SAMA with traditional methods of keeping figures. The work of reconciliation has been taken up for two to three Regions.
- **Claims settled during the year:** A total of 56.09 lakh claims were settled and total benefits paid were to the extent of Rs.13,331.57 crores. There has been an improvement in the disposal to the extent of 10% in both the indicators.
- **Annual Statement of Accounts:** During the year nearly 3.93 crores account slips were issued and there was a shortfall as compared to the previous year. The reason for the shortfall was delayed notification of the rate of interest to be credited during the year.
- **Contributions collected:** There was a significant increase in the collection of PF contributions from exempted establishments to the tune of Rs.5884 crores which was 16% more than the previous year. In case of unexempted establishments the % growth was still higher to the extent of 30% and Rs. 18782 crores in actual terms.
- **PF Arrears:** At the end of 2007-08, the total arrear accumulations was Rs.2118 crores for unexempted sector and Rs.728 crores for exempted sector. There was an increase in the arrears to the extent of Rs.245

crores, break up of which was clarified separately. He informed that the trend of percent age of arrears of contribution over the progressive contributions had shown a decline which was a healthy sign. He summarized that for every 100 rupees collected as contributions, only 65 paisa could not be collected which is 0.65% in clear terms.

- **Prosecution cases:** During the year 4854 cases were filed as compared to 3739 cases in the previous year. The number of challans filed in the courts had also increased from 3 in the previous year to 89 in the current year.
- **Recovery Certificates:** During the year 55742 recovery certificates were executed which was lower than the previous year but as explained the amount of damages has gone up during the current year.
- **Investments:** At the end of the year an amount of Rs.25191 crores was invested as compared to Rs.21973 crores in the previous year.
- **Administration Account:** A sum of Rs.1587 crores was collected during the last year and there was a surplus of Rs.1043 crores at the end of the year.

Shri Girish Awasthi made his observations on the draft annual report as under:

- Prosecution cases against the defaulting establishments under the three schemes as evident from the FIR and challans was very high as indicated at page 3.

- The amount of PF arrears and the number of defaulter units is very high as compared to previous years. This was evident from sl. No.8 at page 6 and table X on page 44 and 45.
- The collection of administrative charges and inspection charges is very less in the present scenario as the organisation has to implement the recommendations of the 6th Central Pay Commission Report for EPF employees for which more funds will be required. It is the demand of the hour to enhance the administrative and inspection charges.
- At page 40 nothing has been stated on the distribution of investment in the private sector bonds. The Finance Minister has been directing all the Govt. departments to invest the fund in public sector, then why EPFO is not investing in public sector instead of private sector.
- Although efforts were made by EPFO on realizing the funds from Jute Industry of West Bengal even then much more efforts are required as the quantum of unrealized dues is more than the expectations.(page 52, Para 4.4(i))
- At page 57 many cases have been indicated pending in various Courts and efforts should be made by EPFO to settle these cases promptly.
- At page 66 the details of uninvested amount pending state wise has been indicated which is a very serious issue and requires attention.
- At page 120 a large number of grievances were reported pending for settlement and require attention.

Shri Babu Lal Todi desired to know the reasons for the growth of arrears over the previous year..

The CPFC clarified that the matter has been analysed and the growth in the arrears was due to levy of more penal damages on contribution arrears and secondly levy of interest u/s 7Q. There has been a reduction in contribution arrears and in a way they were curtailed during the year but the arrears of penal damages have gone up by Rs.245 crores which has contributed in the total arrears. He further clarified that cumulative contributions collected and arrears is cumulative right from the date of start of the organisation as it is not written off. He informed that the trend of percent age of arrears of contribution over the progressive contributions had shown a decline which was a healthy sign. He summarized that for every 100 rupees collected as contributions only 65 paisa could not be collected which is 0.65% in clear terms.

Shri Babu Lal Todi observed whether a conclusion can be drawn that in case the damages are reduced the arrears will be collected more. The damages are basically in the nature of a penalty and if the employer is not in a position to pay the arrears the whole thing goes in a circle. He was of the view that if the damages are reduced it is possible that the arrear collection will improve and the legal expenses of the department will also come down.

The CPFC clarified that a notification has already been issued to reduce the rate of damages under the three schemes which will bring it significantly down. Theoretically speaking both can be related in that fashion. He further informed that there is a separate

item on Amnesty Scheme before the CBT meeting in the later part of the day and the member can raise the issue again.

Shri B.P. Pant observed that EC can make a suggestion for the full Board to consider. He further observed that if the arrears can be split into damages and amount due to be paid, then it can be argued that if the damages are reduced then arrears will be less.

The CPFC clarified that levy of damages is penalty under the Act and taken together with the Scheme it requires mandatory levy of damages at a particular rate. At present the rate of damages has been reduced by a certain rate and if we require more changes the scheme will require further requirement.

JS(SS) raised the issue of increase in coverage which can be linked with these issues. He observed that with reference to the annual report three aspects require attention i.e. coverage, recovery of arrears and claim settlement. As regards the coverage it has not come to expected level and needs to be improved. The two issues of coverage and recovery can be combined together. If there is reduction in damages, it will improve coverage and consequently there will be improvement in membership. This aspect has to be kept in mind when a decision is taken.

The Chairperson intervened and observed that it will be appropriate to keep the discussion for the full Board and requested the members to make further comments in the Annual report.

Shri B.L. Todi raised the issue of un settled provident fund claims and alleged that the provident fund office finds some excuse or the other in dealing with such claims. He observed that there is a provision of damages by way of penalty on the employers for delay in depositing of contributions and emphasized that similar penalty need to be levied on the PF office for delay in settlement of PF claims beyond thirty days. He desired that the office can check the deficiency, if any, in the claim within a week of the deposit of claim and thereafter get back to claimant to get the deficiencies rectified so that the claim settlement is not delayed.

The CPFC clarified that this observation goes into the heart of functioning of the organisation. The point was well taken and it has to be improved upon.

Shri B.P. Pant observed that it will be taken up by Consumer's Court very soon and some day or other the organisation will be facing the consumer courts. It is all the more important to take some corrective steps at the beginning itself.

The CPFC further clarified that the members get interest till the last day of the month of settlement and they do not stand to lose in the case of delays. Regarding penalising the officers and staff concerned for delay in settlement of claims, the scheme mandates the claim should be received in complete form by the PF office. Thus the office requires cooperation from the members and the establishments. The field offices are being advised from time to time to properly scrutinize the claims and not to raise piecemeal objections to return the claims. The office has issued action against the

officers and staff who have been found to be responsible for delays. The whole issue relates to sensitizing the staff and members and this has been a priority area. He further informed that there is a conference of the Regional P.F. Commissioners called at Delhi in which in depth discussion will be undertaken on the issue and the concerns of the members will also be conveyed to the RPFCs in-charge.

Shri Babu Lal Todi observed that there has to be time bound approach. A member should be informed within the seven days about the deficiency in his form so that he has a chance to submit complete application to the office. He further raised an issue of nomination made by PF subscriber. He observed that nominations are filed by members long time back and are accepted by the office without objections but when the claim is submitted objections are raised by the office on the validity of the nomination and the claim is delayed. There may not be any question of payment of interest, but people may require money for some urgent need which is more important to the person than loss of interest. He was of the view that when nominations are filed at the time of appointment, it should be properly checked and need to be objected before hand and member to be informed beforehand. It is not proper to raise objection after accepting a nomination on the premise that it is not valid or proper.

The CPFC clarified that settlement of PF claims is governed by Scheme provisions and members have been advised to change nominations whenever there is a change in the status of family. It is mandated to intimate, revise and modify the nominations as soon as it takes place but normally the members do not do so. Secondly, in EPF the nominations are still held as having sanctity of a will even though Hon'ble Supreme Court

has held that a nomination is not a will. Rather it is only a right of the nominee to receive money and distribute it to its legal heirs. This being the legal position we are still governed by the Scheme and the issue requires further debate and may require an amendment of the Scheme. When a member who does not have a family and a nominee is not a member of his family, the officers are required to identify the legal heirs through the District Authorities. Even if the employer suggests some person as the legal heirs the same are acceptable. The issue otherwise is the disputes that arise and people resort to court of law.

The Chairperson summed up that the requirements of law may not be known to the subscribers and thus EPFO should launch a campaign to make the members aware about the nature of nomination. All efforts should be made to settle the claims promptly and facilitate the receipt of money by the subscribers.

The CPFC observed that the suggestions have been noted and appropriate publicity will be undertaken. With these observations the draft annual report for the year 2007-08 was recommended by the EC to be placed before the CBT.

Item No.2: Proposal for amendment of EPF, CBE (Allotment of Residences) Rules, 1972.

The CPFC introduced the item and explained that the existing scheme governing the officers and staff of the Organisation requires an amendment in line with the instructions issued by the Central Govt. in case of employees who die while in service.

The agenda was approved by the Executive Committee.

Item No. 3: One time relaxation of medical claims of retired EPFO employees due to non-settlement by M/s. Oriental Insurance Company Limited.

The CPFC introduced the item which was placed to seek one time relaxation in respect of retired employees who are governed by erstwhile mediclaim policy and did not get the benefits from M/s. Oriental Insurance Corpn., Ltd.,(OIC). He briefly explained that some of the retired employees were not issued Personal Index No.(PIN) by OIC during the year 2005-06 and there was a dispute with OIC. Meanwhile these retired employees had to meet the expenses on their treatment from their own pockets and the dispute is still going on. The item therefore suggests to take a sympathetic view in their cases and to reimburse their expenses by seeking a relaxation from the EC.

Shri B.L. Todi and Shri Girish Awasthi desired to know the number of employees involved and the total expenses involved.

The CPFC clarified that there are 584 employees involved but the persons who are not allotted PIN no. are very few. The details of the total expenses is not readily available but the reimbursement will be made subject to CGHS rules.

JS(SS) observed that before settling these claims it will be important to take legal advice by the EPFO so that it does not weaken the case against M/s. OIC.

The Chairperson observed that the committee should consider the case of retired persons as they are not at fault and due compassion must be showed as they have suffered a lot.

With the above discussion the agenda was passed.

Item No. 4: Closing of works at Regional Office, Dehradun, NRPO (Delhi) and other locations.

The Chief Engineer introduced the item relating to civil works taken up at Regional Office, Dehradun, National Registry & Processing Office at Delhi and staff quarters at Tirunelveli.

FA & CAO observed that he had seen the proposal on file and two things desired to mention:

- There was an administrative delay which requires responsibility to be fixed.
- In the proposals the specifications have been changed.

After a brief discussion on the agenda including all its part, the item was deferred for the following two reasons:

- The agenda may be placed before the sub-committee of the EC on the Building and Construction and thereafter to be placed before the EC with its recommendations.
- The comments and observations of the Internal Finance of the EPFO should be separately and clearly mentioned in the agenda note.

The Chairperson observed that views of the finance should be extracted in the agenda with inverted commas. It has been noticed that sometimes the matters which can be decided by EPFO or only by CBT are brought before the EC in the hope that they will be passed and later on one can turn back and say that EC has seen the proposal whereas EC had no authority on all matters.

With the above deliberations the item was deferred.

Item No.5: Interior Modular Furniture in various offices of EPFO.

The CE introduced the item to the Committee. With a brief discussion the item was approved.

Item No.6: Extending medical facilities by private hospitals to retired employees and their families.

The CPFC introduced the item and drew attention of the house on the observations of the integrated finance division of the Ministry on the issue placed on the table.

He informed the house that the issue relates to extending medical facilities to the retired employees of EPFO by private hospitals. The EC in its 55th meeting had approved adoption of CS (MA)Rules for retired employees of EPFO and further desired to empanel certain private hospitals so that the retired employees can get cashless facility. In this context, he further submitted that retired employees of EPFO are not entitled to CGHS facility even if they live in CGHS covered town or cities. There is a mediclaim scheme for the retired employees. The scheme has not yielded the desired results and he requested empanelment of private hospitals for facilitating the medical needs of retired employees of EPFO.

To this JS (SS) remarked that although it was a good proposal, CGHS itself has a very exhaustive list of authorized hospitals and enquired whether there is any lacuna in it.

The CPFC clarified that it is not so but some of the CGHS approved hospital have not been willing to come into agreement with EPFO and they could not be empanelled.

The Chairperson observed that even under Rashtriya Swasthya Bima Yojana (RSBY) anybody can come and get empanelled and there should not be any restriction of such type.

JS (SS) further clarified that such empanelment would be restricted only to those hospitals who agreed to give treatment on CGHS rates only.

CPFC further clarified that not only CGHS rates will apply but also EPFO would like to enlist ESI hospitals as well as Central and State government hospitals, like AIIMS and Safdarjung.

With these discussions the item was approved.

Item No. 7: Hiring of accommodation for officers – enhancement of existing ceiling on lease rental.

The CPFC introduced the item. He informed that the item was earlier placed in last meeting of the EC and reiterated the background note of the proposal placed before the EC. During the year 1989, the Board had approved the scheme of hiring residences for officers of EPFO. As the EC had desired to place the item again after examining certain points raised by the members, the agenda has been placed again. He observed that the EC had in its 120th meeting prescribed a ceiling for lease entitlement at 45% of the maximum of the time scale in the revised scales of pay recommended by the 5th Central Pay Commission. In the present proposal the same rate of entitlement may be considered for each level of the officers of EPFO as per the revised pay implemented as per the 6th CPC recommendations. He also drew the attention of the House to the comments of Integrated Finance Division, Ministry of Labour & Employment received and placed before the EC on table, that the deviations had already been approved and granted by the Government.

JS & FA (L&E) observed that in the last meeting a query was raised whether the entitlements were revised after the 5th CPC which has been clarified. Earlier the rate was 15% but it was reduced to 10% over and above the HRA rate. He pointed out that the entitlements at this rate would be nearly three times than the entitlements adopted after 5th CPC recommendations. In the 6th CPC the pay scales have been replaced by pay bands and need not be equated for calculation. The maximum of the pay band is very high as compared to maximum of pay scale. For the highest pay band there is huge difference from the highest pay scale. He thus opined that there is need for re-examination and moderation. Further there is provision for 15% enhancement every three years. He further added that the said facility should not extend to self lease.

The Chairperson summed up that there is a need for some fine tuning so that unintended benefits do not creep in. The matter otherwise needs proper consideration looking into the just demands of the officers. She added that the views expressed by the JS&FA need to be looked into and the item may be taken up in the next meeting. She reiterated that the matter need not be referred to Ministry of Finance to which JS(F&A) concurred.

With the above deliberations the item was deferred.

Item No.8: Amendment in transfer policy Guidelines in respect of Group "A" officers of Employees' Provident Fund Organisation.

The CPFC introduced the item and that the proposal was placed as a sequel to the deliberations of the EC in a proposal placed in the last meeting held on 10.11.2008. The proposal was aimed at amending certain provisions to remove difficulties in its operation.

The Chairperson observed that the matter was of a sensitive nature and requires more examination on file and then bringing it up to the LEM/Chairman, CBT.

With these observations the agenda was deferred by the Committee.

Item No. 9: Audited annual Accounts in respect of Employees' Provident Fund Scheme, 1952, Employees' Pension Scheme, 1995 and Employees' Deposit Linked Insurance Scheme, 1976 for the financial year 2007-08.

The CPFC invited the FA &CAO to introduce the item to the EC.

The FA&CAO observed that in accordance to the provisions of Para 74 of the Employees Provident Funds Scheme 1952, the Audited Annual Accounts in respect of three schemes for the financial year 2007-2008 are required to be considered by the EC and then recommended for adoption by the full Board. He highlighted the important observations made by CAG's office. He further informed the House that relevant replies have been sent to all the observations of CAG, summary of which have been enclosed with the audited accounts. He thereafter requested the members to make their observations so that the Executive Committee may recommend placing the Audited Annual Accounts in respect of three Schemes for the financial year 2007-08 before the Central Board of Trustees for adoption.

The members present noted that they will make their observations before the meeting of the CBT to be held later in the day.

With the above deliberations the Executive Committee recommended the Audited Annual Accounts in respect of three Schemes for the financial year 2007-08 to be placed before the Meeting of the Central Board of Trustees for adoption.

Item No.10: Approval of the payment of M/s. Batliboi & Purohit, chartered for the year 2005-06.

The Chairperson observed that proper complaint may be lodged with the Institute of Chartered Accountants of India (ICAI) against the auditors after making the payment.

The agenda was approved by the Committee.

At the conclusion of the proceedings, the Chairperson thanked the contributions made by Shri A. Viswanathan, the outgoing Central Provident fund Commissioner. She appreciated the knowledge skills of Shri A. Viswanathan and with a heavy heart expressed gratitude of the Committee. To these words of appreciation of the Committee, the CPFC reciprocated and also thanked all for extending cooperation to him during his tenure.

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

ANNEXURE – 'A'

List of officers of Ministry of Labour & Employment and Employees' Provident Fund Organisation, who attended the 64th Meeting of the Executive Committee, CBT (EPF) held on 10.12.2008.

1. Shri S.K. Srivastava, Joint Secretary (SS), Ministry of Labour & Employment.
2. Shri Abhay Kumar Singh, FA & CAO, EPFO.
3. Shri Trilok Chand, Addl. CPFC (HR).
4. Shri P.S. Babu, Addl. CPFC (Compliance).
5. Shri K.C. Pandey, Addl. CPFC (Pension).
6. Shri V.P. Ramaiah, Addl. CPFC (CSD).
7. Col. P .K. Chaturvedi, Chief Engineer.
8. Shri R. K. Kukreja, RPFC (HRM).
9. Shri K.V. Sarveswaran, RPFC (Pension).
10. Shri V. Krishnamoorthy, RPFC (F&A).
11. Shri S.C. Goyal, RPFC (Investment).
12. Shri Sanjay Bisht, RPFC (Conference).
13. Shri R.K. Kohli, APFC (Balance Sheet).
14. Shri R.M. Parti, APFC (Finance).
15. Shri Vishal Agarwal, APFC (Conference).