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MANUAL OF ACCOUNTING PROCEDURE

PART-III

EMPLOYEES' PENSION SCHEME, 1995



Employees' Provident Fund Organisation

(Ministry of Labour, Government of India)

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THE EMPLOYEES' PENSION SCHEME, 1995

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NOTE:- The Paragraphs in the Scheme, other than the above, are dealt with in the Part I / II of this Manual.

INTRODUCTION

1.1.1 Consequent to introduction of the Employees' Pension Scheme, 1995, the need for a working manual is considered essential as the entire operation is aimed at Computer. However, before embarking on the total computerisation and also to meet the requirement of offices that are yet to be equipped with the Computer, the procedure and system of operation of the new Scheme has been attempted to suit the manual operation as well as computerised application.

1.1.2 The Manual of Accounting Procedure (Vol.I - Part -III) on Employees' Family Pension Scheme, 1971, drafted in the year 1982 and updated in the year 1987 may be consulted to deal with the cases that are to be decided under the provision of ceased Employees' Family Pension Scheme, 1971.

1.1.3 The provisions of this Manual should be strictly adhered to for uniform operation in all Regional Offices/Sub-Regional Offices and no deviation in the prescribed procedure should be made without the prior approval of the Central Provident Fund Commissioner. The Audit should ensure this and any departure noticed should be highlighted in their reports.

EMPLOYEES' PENSION SCHEME, 1995**1.2 COMMENCEMENT**

1.2.1 Employees' Provident Fund and Miscellaneous Provisions Act, 1952 has been amended through an Ordinance (13 of 1995) to institute Employees' Pension Scheme for the Provident Fund subscribers. The Ordinance has been replaced by the Employees' Provident Fund and Miscellaneous Provisions (Amendment) Act, 1996 (25th of 1996 dated 16.08.1996) by the Parliament.

1.2.2 The Scheme has come into effect from 16.11.1995. However, the commencement of this Scheme is from 1.4.1993 in respect of certain category of employees. On introduction of Employees' Pension Scheme, 1995, the Employees' Family Pension Scheme, 1971 got merged with the Employees' Pension Scheme, 1995 and it ceased to operate thereafter. However, the details of family of a member furnished through Form 2 under Employees' Family Pension Scheme, 1971/ Employees' Provident Fund Scheme, 1952 and all orders/ authorisation of Pension Payment Orders issued under the ceased Employees' Family

Pension Scheme, 1971 should be deemed to have been issued under the Employees' Pension Scheme, 1995.

1.2.3 Employees' Family Pension Scheme, 1971 provided pension either to the widow/widower or son/daughter only in the case of death of the member, while in service. In other cases, a lumpsum survivorship benefit was provided. Employees' Pension Scheme, 1995 provides for Superannuation Pension, Retirement Pension, Short Service Pension, Permanent and total Disablement Pension to member and Family Pension to widow/widower, Children (including orphan and disabled children) and nominee. In addition, the Employees' Pension Scheme, 1995 also provides for commuted value of Pension and Return of Capital on certain contingencies. Thus, the Employees' Pension Scheme, 1995 provides enlarged benefits when compared to the Employees' Family Pension Scheme, 1971.

1.2.4 Consequent to framing of the Employees' Pension Scheme, 1995 under the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 certain provisions of the Act namely, Definitions (Section 2), Employees' Family Pension Scheme (Section 6A & 6B) and provisions for grant of exemption (Section 17 (1C) and Schedule 3) have been suitably amended.

1.2.5 EMPLOYEES' PENSION SCHEME, 1995 - PENSION FUND

The Central Government has framed the Employees' Pension Scheme, 1995 under the provisions of Section 6A of the Employees' Provident Fund and Miscellaneous Provisions Act, 1952. It came into force on 16.11.95. The Pension Scheme may provide for all or any of the matters specified in Schedule III of the Act.

On framing of the Employees' Pension Scheme, 1995, the Pension Fund was set up. The following amount are due to be paid to the Pension Fund.

- (a) 8.1/3% of the basic wages & DA including retaining allowance from the employers share of PF contribution in respect of any employee who is a member of the Pension Scheme, payable by the PF unexempted establishments;
- (b) 8.1/3% of basic wages and DA including retaining allowance from the employer's share of PF of the employees of the establishments, exempted under Section 17 of the Act or under Para 27/27A of the Employees' Provident Fund Scheme, 1952;
- (c) The net assets of the Employees' Family Pension Fund under the Employees' Family Pension Scheme, 1971 as on the date of establishment of the Pension Fund;
- (d) 1.1/6% of basic wages and D.A. including retaining allowance of the members of the Employees' Pension Scheme, 1995 payable by the Central Government after due appropriation by Parliament.

The Pension Fund shall vest in and be administered by the Central Board.

DISPOSAL OF THE FUND:

(1) Subject to the provisions of the Act and the Scheme, the Fund Shall not, except with the prior sanction of the Central Government be expended for any purpose other than the payments envisaged in this Scheme, for continued payment of Family Pension, life assurance benefit and retirement-cum-withdrawal benefit sanctioned under the Employees' Family Pension Scheme, 1971, prior to the date of introduction of this Scheme or which may be sanctioned under that Scheme after the 16th November, 1995 in respect of cases arising before that date.

(2) Not exceeding 16% of the administrative expenses shall be met from and out of the Employees' Pension Fund. The remaining administrative expenses shall be met from the Administration Accounts set up under the Employees' Provident Fund Scheme, 1952. The cost of remittance of Pension shall be charged on the Pension Fund.

1.3 APPLICABILITY

1.3.1 The Employees' Pension Scheme, 1995 applies to all establishments to which the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 applies. Thus, it includes all the establishments to which exemption from the operation of Employees' Provident Fund Scheme, 1952 has been granted or Relaxation Order issued. Wherever exemption from the operation of Employees' Pension Scheme, 1995 is granted to an establishment, the Scheme is not applicable to such establishment from the date it is exempted under Section 17 (1C) of the Act, as may be notified in the Gazette.

1.4 MEMBERSHIP

1.4.1 A member under the Employees' Pension Scheme, 1995 shall mean, an employee who becomes a member of the Employees' Pension Fund in accordance with the provisions of the Scheme.

'Eligible member' means an employee, who is eligible to join the Employees' Pension Scheme, 1995.

'Existing member' means an existing employee who is a member of the Employees' Family Pension Scheme, 1971.

The membership under the Employees' Pension Scheme, 1995 are of two categories viz., compulsory and optional.

The following employees are compulsorily required to become the members of the Employees' Pension Scheme, 1995.

(a) The employee, who having been the member of the ceased Employees' Family Pension Scheme, 1971 and continue in employment on 16.11.1995 provided, he has not attained the age of 58 years as on 16.11.1995;

(b) The employee, who has become member of the Provident Fund either in an unexempted or exempted establishment (i.e. establishment exempted from the operation of the Employees' Provident Fund Scheme, 1952 including employees exempted under Para 27 & 27A of the Employees' Provident Fund Scheme, 1952) for the first time on or after 16.11.1995 provided he has not attained the age of 58 years on the date of becoming a member of the provident Fund;

(c) An 'excluded employee', as defined in Para 2 (f) or 80 or 81 of the Employees' Provident Fund Scheme, 1952, on opting to join the Employees' Provident Fund Scheme, 1952 will also become a member of the Employees' Pension Scheme, 1995; provided he has not attained the age of 58 years.

(d) The member of the ceased Employees' Family Pension Scheme, 1971, who was out of employment as on 16.11.1995 and has not withdrawn the benefits payable under EPF & EFP-Scheme, 71 and not attained the age of 60 years on 15.11.95 shall be a member of the Employees' Pension Scheme, 1995.

A member of the Employees' Pension Scheme, 1995 retains his membership as long as the benefit accrued to him under the Scheme is not withdrawn. However, his membership shall cease on attaining the age of 58 years.

A member of the Employees' Pension Scheme is entitled to carry over the period of his membership from one establishment to the other by availing the facility of Scheme Certificate. In case the due benefit is availed, the membership will cease and hence cannot be carried over.

1.4.2. Cessation of membership

1) On attaining the age of 58 years, an employee ceases to be a member of the Employees' Pension Scheme, 1995

2) A person who has drawn the pension (including reduced Pension and disabled pension) also cease to be a member of the Employees' Pension Scheme, 1995. In case of rejoining an establishment, he will not be eligible to become a member

1.4.3 MEMBERSHIP (OPTIONAL)

The Employees' Pension Scheme, 1995 provides for option to join the Scheme:-

(i) Member of the Employees' Provident Fund or Exempted Provident Fund, but not being a member of the Employees' Family Pension Scheme, 1971, can exercise his option only from retrospective effect from 1.3.1971 to become eligible for membership of Employees' Family Pension Scheme, 1971 and to qualify for membership in the Employees' Pension Scheme, 1995 from 16.11.1995, provided he has not attained the age of 60 years as on 15.11.1995. Only from 16.11.95 or thereafter such member is entitled to draw pension.

(ii) The employee who ceased to be a member of the Employees' Family Pension Scheme, 1971 between 1.4.1993 to 15.11.1995 on account of his attaining the age of 60 years or cessation of employment, can exercise his option to become member of the Employee's Pension Scheme, 1995 from the date of cessation/ exit from the employment;

A member who ceased his membership on attaining the age of 60 years between 1.4.1993 - 15.11.1995 and continues in service thereafter, can exercise the option from the date of cessation of his membership on attaining the age of 60 years.

(iii) A member who was not in employment as on 1.4.1993 but retains his membership by virtue of proviso 6 of the ceased Employees' Family Pension Scheme, 1971 and also retains his P.F. membership as on that date, is eligible to exercise option to become a member of the Employees' Pension Scheme, 1995 provided he has not attained the age of 60 years as on 31.3.1993.

(iv) The employee who ceased to be member of the Employees' Family Pension Scheme, 1971 between 1.4.1993 - 15.11.1995 and died during that period, shall be deemed to have exercised option to join the Employees' Pension Scheme, 1995 on the date of his death.

(v) A member of the ceased Employees' Pension Scheme, 1971 who left service between 1.4.93 & 15.11.95 and died after 16.11.95 without exercising any option to join the Employees' Pension Scheme, 1995, the family would be entitled to Pension provided the member had not attained the age of 58 years as on 15.11.95 and whether availed or not the withdrawal benefit. However, if the member had attained the age of 58 years as on 16.11.1995 and thereafter, member Pension followed by Widow Pension shall be allowed. If the member availed the Withdrawal Benefit during 1.4.93 & 15.11.95, the family would not be entitled for Pension in the event of death of the member on or after 16.11.95

1.4.4 The above persons can exercise their option subject to the following conditions:-

- (i) The persons referred against clause (i) & (ii) of Para 1.4.3 should exercise their option in the prescribed form (Form 1).
- (ii) In the case of persons referred to in clause (iv), on receipt of a letter from the beneficiary requesting for payment of pension under Employees' Pension Scheme, 1995 instead of Employees' Family Pension Scheme, 1971, Regional Office/Sub-Regional Office should review such cases and take further necessary action, if the beneficiary shall receive higher benefits determined as on the date of death of the member under the Employees' Pension Scheme, 1995.
- (iii) The Persons referred to in Para 1.4.3 (i) should pay the arrears of both shares of the Family Pension Fund contribution from 1.3.1971 to 15.11.1995 either by diversion from Provident Fund account or by remittance, calculated on the wages reckoned for recovery of Family Pension Fund contribution viz., the contributions which could have been diverted from the Provident Fund (both shares) together with the interest @ 8.5% p.a. The interest should be calculated upto the date of payment. If the wage particulars from 1.3.1971 are not forthcoming from the establishment, the contribution may be calculated on the pay ceiling fixed for payment of Family Pension Fund contribution from time to time with due interest as indicated above. Alternatively, the wages may be notionally arrived at with reference to the annual PF contributions in the ledger card/Form 24 and the FPF contributions may be worked out. Thus, the maximum amount of diversion would be Rs. 31,550/- upto 15.11.95. In addition, the actual Employees' Pension Scheme, 1995 contribution due @ 8.33% of the wages from 16.11.1995 onwards should be diverted from the Provident Fund along with interest at the rate declared and manner prescribed under para 60 of the Employees' Provident Fund Scheme, 1952.
- (iv) The Option should be exercised before attaining the age of 60 years as on 16.11.95 and before authorisation of Provident Fund dues. A Provident Fund member who has not attained the age of 58 years as on 16.11.1995, may opt before he attains the age of 58 years and before authorisation of his Provident Fund account.
- (v) Erroneous recovery of Family Pension Fund contributions in respect of non-optee made subsequent to 1.3.1971 should be diverted to Provident Fund/refunded, wherever account settled. In case, such member /widow desires, they can opt by paying the dues from 1.3.1971 to the date of erroneous recovery. Employees who died on or after 16.11.1995 but without exercising option cannot be given option, except when he was prevented from opting, on account of pending Writ Petition on the applicability of the Scheme to the establishment.

- (vi) The persons referred to in Para 1.4.3 (ii) should refund the retirement-cum-withdrawal benefit, if any, received by him together with Interest @ 8.5% p.a. from the date of payment (date of cheque) of retirement-cum-withdrawal benefit to the date of refund of the amount.
- (vii) The beneficiary in respect of the deceased member referred to in Para 1.4.3 (iv) should refund the Life Assurance Benefit paid, if any, together with the interest @ 8.5% from the date of payment (cheque date) of Life Assurance Benefit to the date of refund of the amount, The Family Pension paid should, however, be adjusted from the pension payable under Employees' Pension Scheme, 1995.

1.4.5 A Provident Fund member, who has finally withdrawn his Provident Fund accumulations prior to 16.11.1995 is not eligible to exercise option to join the Employees' Pension Scheme, 1995. However, if the part payment is made and the membership is retained as per provisions of Para 26A of the Employees' Provident Fund Scheme, 1952 he can exercise the option, subject to payment of dues as stated above. Any payment of supplementary/arrears of contribution due to the member on account of wage revision, settlement, etc., by the employer or otherwise and the same is required to be released to the member, as supplementary payment shall not be treated as part payment for the above purpose.

If the Provident Fund account of the member is fully and finally settled after 16.11.1995 but retained the Pension Fund membership alone on account of his not withdrawing the benefit and he takes up employment in a covered establishment or not he is not required to exercise his option to join the Employees' Pension Scheme, 1995. He shall become a compulsory member of the Employees' Pension Scheme, 1995 from the date of his joining the covered establishment.

1.4.6 A Family Pension Fund member, who left service between 1.4.1993 and 15.11.1995 and subsequently died during that period, shall also deemed to have exercised option. If the member has availed retirement-cum-withdrawal benefit under Employees' Family Pension Scheme, 1971, the amount of benefit availed should be refunded alongwith the interest @ 8.5% calculated from the date of payment (cheque date) to the date on which the amount is deposited in Account No. 10. In such cases, the refund may be accepted from the beneficiary under the Employees' Pension Scheme, 1995.

1.4.7 Family Pension Fund member, who crossed the age of 58 years but not 60 years before 1.4.1993 and continued in service till the age of 60 and above and left the service between 1.4.1993 and 15.11.1995, is also eligible to exercise option.

ELIGIBILITY FOR MEMBERSHIP IN RESPECT OF BELATED COVERAGES

1.4.8 In the case of belated implementation (retrospective coverage) of the establishment, the employer should be directed to deduct the contribution towards Employees' Family Pension Scheme,

1971 and Employees' Pension Scheme, 1995 from the date he is liable to implement provisions of the Act and the Schemes and not from a prospective date i.e. date after the issue of coverage letter allotting the Code Number. Wherever the employee's share of contribution for a pre-discovery period, is waived, both the shares of Family Pension Fund contributions due upto 15.11.1995 should be diverted from the employees'/employer's share of Provident Fund contributions to Employees' Pension Fund. The contribution due to Employees' Pension Fund at the statutory rate (presently 8.33%) should also be diverted from 16.11.1995 onwards from the employer's share of Provident Fund contribution. Even in past cases of belated implementation retrospective coverage, similar action should be taken to extend the eligible benefits under Employees' Family Pension Scheme, 1971/ Employees' Pension Scheme, 1995. The belated enrolment should also be regularised accordingly.

It is further stated that the employees who have been regularised under the Employees' Pension Scheme, 1995 from the date of their appointment to the service should be treated as if they were regularised under the Employees' Pension Scheme, 1971 from the date of their appointment to the service. The contributions due to the Employees' Pension Fund from the date of their appointment to the service should be paid by the employer. The contributions due to the Employees' Pension Fund from the date of their appointment to the service should be paid by the employer. The contributions due to the Employees' Pension Fund from the date of their appointment to the service should be paid by the employer.

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REGULARISATION OF EMPLOYEES UNDER THE EMPLOYEES' PENSION SCHEME, 1995

In the case of belated implementation of the Employees' Pension Scheme, 1995, the contributions due to the Employees' Pension Fund from the date of their appointment to the service should be paid by the employer. The contributions due to the Employees' Pension Fund from the date of their appointment to the service should be paid by the employer. The contributions due to the Employees' Pension Fund from the date of their appointment to the service should be paid by the employer.

CHAPTER

2

EMPLOYEES' PENSION FUND CONTRIBUTION

- 2.1.1 (a) From and out of the Employer's share of P.F. contributions payable by the employer in each month under Section 6 of the Act or under the rules of the Provident Fund of the establishment which is exempted under Section 17(1) (a) / (b) of the Act or whose employees are exempted under Para 27/27A of the Employees' Provident Fund Scheme, 1952, a part of contribution representing 8.33% of the employees' pay shall be remitted by the employer to the Employees' Pension Fund within 15 days of the close of every month into EPF Account No. 10 viz., Employees' Pension Fund contribution Account maintained in the State Bank of India
- (b) Where the pay of the member exceeds Rs. 5000/- per month, the contribution payable shall be limited to the amount payable on his pay of Rs. 5000/- only. However, at the option of the employer and the employee, contribution at 8.1/3% may be paid on pay exceeding Rs. 5000/- per month, from the date of commencement of the Scheme or from the date pay exceeds Rs. 5000/- whichever is later.
- (c) The option should be for the payment of contribution on the pay actually drawn in excess of Rs. 5000/- and will be in force till the retention of membership. Option once exercised is final.
- (d) Option initially given may continue even if his pay increases thereafter and contributions will be deducted on the increased pay from time to time.
- (e) Where the option is given for the (full) pay in excess of pay ceiling, the contribution will be recovered on that pay and pensionable salary determined subject to ceiling of pay opted and paid.
- (f) Where the rate of contribution is more than 8.33% a sum equivalent to 8.33% of pay shall be bifurcated from and out of the employer's share of contribution towards Pension Fund and deposited in Account No. 10.
- (g) The balance of employer's share of contribution shall be paid as Provident Fund contribution to Employees' Provident Fund Account No. 1 or to Exempted Provident Fund, as the case may be.

- (n) The amount of pension contribution shall be calculated to the nearest rupee i.e. 50 paise or more to be accounted as next higher rupee and fraction of rupee i.e. less than 50 paise may be ignored.

2.1.2 The contribution in respect of each member of an unexempted establishment should be reflected in Form 3A (EPF) and submitted by the employer along with Form 6A (EPF) within one month from the close of each financial year. The Form 12A will reflect the dues and remittances in respect of Pension Fund members for a month.

2.1.3 The contribution received in respect of a member after attaining the age of 58 years or on the pay exceeding Rs. 5000/- without the option for payment thereof, should be transferred to Provident Fund account of the member.

2.1.4 The exempted establishments (Exempted from the Employees' Provident Fund Scheme only) are required to furnish the details of recovery and remittance of contribution in Form 6 (Pension Scheme) every month. The Pension Fund contributions in respect of each member should be reflected in contribution Card in Form 7(PS). It should be submitted to Regional Office along with Form 8 (PS) within one month from the close of every financial year (i.e. 30th April).

2.1.5. The dues and remittance should be reconciled at the close of each year through the DCB Register.

2.2 DUE DATE FOR PAYMENT OF CONTRIBUTIONS:

2.2.1 Contributions to the Pension Fund are payable on or before 15th of the month following the month to which the contribution relates. However, 5 days grace period is allowed to the employer to pay the dues.

2.3. RECONCILIATION OF DUES AND RECEIPT

Dues and remittances towards pension fund should be watched through Form 12A /6 (PS) and posted in the DCB Register. The procedure for audit and acceptance of dues and remittance is dealt in Part - I of this Manual.

The Return in Form 3A /Form 7 (PS) should be sent to EDP Cell to calculate the Pension Fund dues for the month and also to extract the period of non contributory service to Form 24. A reconciliation of remittance made in Account No. 10 (Pension Fund contribution Account) should also be drawn in Form 6A /Form 8 (PS). If the total Pension Fund Contribution shown in the Form 6A/ Form 8 (PS) is found to agree with the details of dues and remittances shown in the DCB Register in respect of establishment for the year, it would mean that the aggregate of the contribution shown in the Form 6A /Form 8 (PS) has been reconciled with the actual receipt as recorded in the Cash Book. All receipt of contributions should be verified with the schedule of receipts received from Cash Sec-

tion every month.

2.4 CONTRIBUTIONS OF EXEMPTED ESTABLISHMENTS

The Exempted establishments which are having branches at various places will have to render necessary returns/ deposit Pension Fund contributions to the Regional Provident Fund Commissioner of the Regional/Sub-Regional Offices, where the Inspection charges are being remitted. However, where the exempted establishments are permitted to deposit the Pension Fund contribution separately with respective Regional Office/ Sub-Regional Office, wherein their Branches/ Offices are located, the same may be accepted.

2.5. CONTRIBUTION DUE FROM OPTees TO THE EMPLOYEES' PENSION SCHEME

The employees who are eligible to opt for the Employees' Pension Scheme, 1995 (w.e.f 1.3.71 only) are required to remit the past period contribution (with interest thereon), with effect from 1.3.1971. The procedure for remittance has been explained in Chapter 1.4.4 (iii) of this part of the Manual.

2.6 DEFAULTING ESTABLISHMENTS

The Accounts Section should prepare a defaulter list of establishment through EDP which have not paid the dues towards Employees' Pension Fund, with reference to the entries in the DCB Register and Schedule of receipt by the 5th of every month and send it to Enforcement Branch for initiating recovery proceedings, and penal action against the defaulting establishment. On receipt of defaulters list from the Accounts Section. Enforcement branch should take expeditious action to recover the dues. None of the pensionary benefits due to any member or beneficiary shall be denied due to non-remittance of contributions by the employers. However, the employers shall not be absolved of their liability.

2.7 LEVY OF DAMAGES

2.7.1 The belated remittance of Pension contribution due to the Employees' Pension Fund will attract levy of damages under Section 14-B of the Act read with para 5 of the Employees' Pension Scheme, 1995

2.7.2 The Accounts Section should prepare list of establishments through the EDP, which have paid the dues belatedly with reference to entries in DCB Register and Schedule of receipt, by the 5th of every month and send it to Damages Cell.

2.7.3 The procedure for levy of damages is incorporated in Part I of this Manual.

2.7.4 The penal damages realised should be deposited in Employees' Provident Fund Account No. 10.

2.8 APPLICATION OF THE PROVISIONS OF THE EMPLOYEES' PROVIDENT FUND SCHEME, 1952

Para 38 of the Employees' Pension Scheme, 1995 provides for application of the corresponding provisions of Employees' Provident Fund Scheme, 1952 in regard to matters for which either there is no provision or there is inadequate provisions in the Employees' Pension Scheme, 1995. Before invoking this provisions, the proposed application of Employees' Provident Fund Scheme, 1952 should be referred to the Controller of Pension in Regional Office for examination and uniform application with the approval of Central Provident Fund Commissioner, wherever necessary.

2.9 POWER TO ISSUE DIRECTIONS AND INTERPRETATION

2.9.1 Any difficulty in the matter of disbursement of Pension and other benefits and implementation or securing compliance to enforce the provisions of the Scheme which may arise in the course of working, should be first examined by the concerned Regional Office/Sub Regional Office with reference to the Employees' Pension Scheme 1995 and the provisions of this manual before taking the matter with the Controller of Pension of the region concerned. No reference should be made direct to the Central Office or to the Government of India. All such references should be examined by the Controller of Pension and unresolved issues will be taken up with the Central Provident Fund Commissioner along with his comments on the specific cases referred to him. No hypothetical case should be referred to at any stages.

The Pension Wing of the Central Office will endorse of a copy of the letter seeking directions from the Central Government to all the Controller of Pension for their information. As and when a decision is received from the Central Government, it should be conveyed to all Controllers of Pension, Regional Office/Sub-Regional Offices, Training and Audit Wing of the Organisation.

2.9.2 The above procedure should be adopted in regard to seeking of interpretations of the provisions of the Employees' Pension Scheme, 1995.

