

EPF RATE CUT TO 8.1%, TO HIT RETIREMENT SAVINGS

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The EPFO's income from investments this year stood at Rs. 76,768 crore from about Rs. 70,000 crore in 2020-21, when it had paid out 8.5% to EPF accounts. The EPF corpus went up during the year from Rs. 8.29 lakh crore to Rs. 9.42 lakh crore.

The EPFO has been investing at least 5% of incremental EPF inflows into members' accounts into the equity markets since 2015-16. A minimum 45% of fresh accruals are invested in government securities, with a ceiling of 65%.

K.E. Raghunathan, an EPFO trustee and a member of its Board's Finance and Investment Advisory Committee, told *The Hindu* that the 8.1% rate became feasible amid the current tumult in the markets, because the EPFO's fund managers had offloaded some of its equity and bond holdings before the Russia-Ukraine war.

"Considering the present situation, this has been possible only because EPFO sold some of its ETF [exchange-traded funds] and bond holdings in the last quarter of the year before the Russia-Ukraine conflict. Normally, they are liquidated in the last month of the financial year," he said.

"We will still have a surplus of Rs. 450 crore," the Union Minister said, adding that the trustees' recommendation has been made keeping safety as a priority and more attractive investment avenues for EPF savings will be considered.

The EPFO is the country's largest retirement fund and the second largest non-banking financial institution with a corpus of about Rs. 16 lakh crore. It has 24.77 crore members with EPF accounts, of which 14.36 crore members were allotted Unique Account Numbers (UANs) as of March 31, 2020. About five crore members are active contributors with fresh accretions made into their EPF accounts during 2019-20. "Under the circumstances, 8.1% is a fairly reasonable and decent, if not the best, return for members, considering that most similar savings vehicles are offering around 7% interest. It is important to remember that EPF savings are invested for the long term and therefore returns have to be sustained over time," Mr. Raghunathan said.

Calling the rate cut a balancing act between pursuing higher returns and maintaining high safety, Mr. Raghunathan said: "It is a clash between 'Wants' and 'Means' and we had to walk carefully treading a safe midway path."

It has been decided that the EPFO Board will meet every three-four months and the next meeting will be held in June or July in Bengaluru, the Minister said. It was originally proposed that the meeting be held in Kerala but there was some apprehension about the monsoon there at the time so Bengaluru was chosen to ensure the Board meets in South India next time, Mr. Yadav said.

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