

Item No.14 : Recommendation of rate of interest to be credited to Employees' Provident Fund members account for the year 2017-2018.

1. As per the provision contained under sub-para (1) of Paragraph 60 of Employees' Provident Funds Scheme 1952 (hereinafter referred to as 'the Scheme'), EPFO is required to credit to the account of each member interest at such rate as may be determined by the Central Government in consultation with the Central Board. As per the provision contained under sub-para (2) of Paragraph 60 of the Scheme, the interest shall be credited to the members account on monthly running balances basis with effect from the last day in each year.

2. The above provisions are required to be read with sub-para (4) of Paragraph 60 of the Scheme, according to which - ***"in determining the rate of interest, the Central Government shall satisfy itself that there is no overdrawal on the Interest Account as a result of debit thereto of the interest credited to the accounts of members"***.

3. The amount belonging to the Employees' Provident Fund is invested according to the Investment Pattern prescribed by the Central Government from time to time under sub-para (1) of Paragraph 52 of the Scheme.

4. To recommend the rate of interest for the year 2017-18, the status of estimated amount to the credit of the members as on 31.03.2017 as per the Balance Sheet 2016-17 (unaudited); Revised Estimates (RE) for the Contributions and Withdrawals for 2017-18; and the estimated income from the investment holding are taken into consideration. The investment holding as on 31.12.2017 has been considered for making the estimates.

5. Crediting of interest to the members is expenditure for the Central Board, which is to be met out of its earnings. Thus, the rate of interest should be commensurate with the estimated earnings of the Central Board in respect of Employees' Provident Fund.

6. The investment holding (Face Value) of the Central Board, EPF as on 31.12.2017 in the Employees' Provident Fund account is as under:

Sl. No.	Category	Holding as on 31.12.2017	(Rs.in Crores)	
				% Holding
1	Central Govt. Securities (CTG)	1,17,493.88		20.76%
2(a).	State Guaranteed Securities (STG)	13,070.71		2.31%
2(b).	State Development Loans (SDL)	1,81,472.86		32.06%
3	Special Deposit Schemes (SDS)	52,985.49		9.36%
4	Private Sector (PVT)	47,221.31		8.34%
5	Public Sector Undertakings (PSU)	1,50,471.67		26.58%
6	CBLO + T-Bills (outstanding)	3,316.03		0.59%
	TOTAL	5,66,031.95		100.00%

Further, the investment in Exchange Traded Funds / Liquid Mutual Funds in Employees' Provident Fund account (as on 31.12.2017) is Rs. **25,363.05** Crores.

7. The actual net interest income received as per the Balance Sheet 2016-17 (un-audited) is Rs. **39,764.96** crores. Similarly, revised estimated liability (@ 8.65%) using contribution and withdrawal

figures of Balance Sheet 2016-17 (un-audited) is Rs. **39,069.10** crores. The revised summary of interest liability and income for the year 2016-17 is as follows:

(Rs. in Crores)

Principal	Rate	Liability	Income	Surplus/Deficit for the year 2016-17
451,665.88	8.65%	39,069.10	39,764.96	695.86

8. Calculation of Estimated INCOME in the Interest Account for 2017-18

(Rs. in Crores)

A	Add:	Interest Income Received/Receivable on securities during 2017-18	40,299.93
B	Add:	Interest received on deposits in Special Deposit Scheme during 2017-18	4,172.59
C	Add:	Estimates for penal Damages and section 7Q interest receipts for 2017-18	600.00
D	Add:	Income received on investments in Liquid Mutual Funds (till 14 Feb 2018)	32.43
E	Add:	Interest receivable (on 20.03.2017) on FDs	109.91
F	Add:	Income from dividend/sale of ETFs during 2017-18	1,269.68
G		Estimated Income received/receivable for 2017-18 (sum total of A to F)	46,484.55
H	Less:	Accrued Interest payable to vendors (estimated) during 2017-18	550.00
I	Less:	Interest on SRF @ 8.65% on 2016-17 balance for 2017-18	27.45
J	Less:	Cost of Amortisation (estimated) for 2017-18	0.00
K		Total amount to be reduced from Income (sum total of H to J)	577.45
L		Net Estimated Income available for distribution (G-K)	45,907.10
M	Add:	Surplus/Deficit for the year 2016-17	695.86
N		Net revised Amount available for distribution	46,602.96

Thus, a total of **Rs. 45,907.10 crores** estimated income for 2017-18 is expected to be available for updating members account by providing interest for the year 2017-18. If the surplus amount of **Rs. 695.86 crores** for the year 2016-17 as per para 7 above is added, the total amount available for updating members account for the year 2017-18 is **Rs. 46,602.96 crores**. It may be noted that during the last year the similar surplus amount of Rs. 409.78 crores for the year prior to the previous year was considered for calculation of rate of interest in the previous year.

9. CALCULATION OF ESTIMATED INTEREST PAYABLE ON MONTHLY RUNNING BALANCE BASIS FOR THE YEAR 2017-2018

(Rs. in Crores)

Month	Principal Opening Balance	Contribution (+)	Withdrawal (-)	Closing Balance
Apr-17	515,609.00	7,604.17	2,958.33	520,254.84
May-17	520,254.84	7,604.17	2,958.33	524,900.67
Jun-17	524,900.67	7,604.17	2,958.33	529,546.51
Jul-17	529,546.51	7,604.17	2,958.33	534,192.35
Aug-17	534,192.35	7,604.17	2,958.33	538,838.19
Sep-17	538,838.19	7,604.17	2,958.33	543,484.03
Oct-17	543,484.03	7,604.17	2,958.33	548,129.87
Nov-17	548,129.87	7,604.17	2,958.33	552,775.71
Dec-17	552,775.71	7,604.17	2,958.33	557,421.55
Jan-18	557,421.55	7,604.17	2,958.33	562,067.39
Feb-18	562,067.39	7,604.17	2,958.33	566,713.23
Mar-18	566,713.23	7,604.17	2,958.33	571,359.07
TOTAL	6,493,933.34	91,250.07	35,500.00	6,549,683.41

CONTRIBUTION AS PER REVISED ESTIMATES (2017-18)

91,250.07

WITHDRAWAL AS PER REVISED ESTIMATES (2017-18)

35,500.00

P. Opening Bal 6,493,933.34

Withdrawal 35,500.00

Interest Bearing

Balance 6,458,433.34

Principal Amount	5,38,202.78
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10. Considering the above facts, the income liability comparison tables with the expected available amount of Rs. **45,907.10** crores (Table (a)) as well as with the expected available amount of Rs. **46,602.96** crores (Table (b)) for distribution as interest and the interest liability on the interest bearing principal

amount of Rs. **5,38,202.78 crores** at different rates of interest and the resultant surplus /deficit in interest account for 2017-18 will be as given below in tables (a) and (b) respectively.

Table (a) Income Liability Comparison (Rs. In Crores)

Principal	Rate	Liability	Income	Surplus/ Deficit for the year 2017-18
538,202.78	8.40%	45,209.03	45,907.10	698.06
538,202.78	8.45%	45,478.13	45,907.10	428.96
538,202.78	8.50%	45,747.24	45,907.10	159.86
538,202.78	8.55%	46,016.34	45,907.10	-109.24
538,202.78	8.60%	46,285.44	45,907.10	-378.34
538,202.78	8.65%	46,554.54	45,907.10	-647.44
538,202.78	8.70%	46,823.64	45,907.10	-916.54
538,202.78	8.75%	47,092.74	45,907.10	-1,185.64
538,202.78	8.80%	47,361.84	45,907.10	-1,454.75
538,202.78	8.85%	47,630.95	45,907.10	-1,723.85

Table (b) Income Liability Comparison (Rs. In Crores)

Principal	Rate	Liability	Income	Surplus/ Deficit for the year 2017-18
538,202.78	8.40%	45,209.03	46,602.96	1,393.93
538,202.78	8.45%	45,478.13	46,602.96	1,124.83
538,202.78	8.50%	45,747.24	46,602.96	855.72
538,202.78	8.55%	46,016.34	46,602.96	586.62
538,202.78	8.60%	46,285.44	46,602.96	317.52
538,202.78	8.65%	46,554.54	46,602.96	48.42
538,202.78	8.70%	46,823.64	46,602.96	-220.68
538,202.78	8.75%	47,092.74	46,602.96	-489.78
538,202.78	8.80%	47,361.84	46,602.96	-758.88
538,202.78	8.85%	47,630.95	46,602.96	-1,027.99

11. In view of the above, agenda item regarding rate of interest to be credited to EPF members account for the financial year 2017-18 was placed for consideration and to recommend declaration of appropriate rate of interest before 138th FIAC.

12. The item was discussed among the FIAC members. Upon discussion, it was agreed by the members present that out of the two tables, the table (b) including the surplus/deficit for the previous year 2016-2017 in the Income part should be considered for calculation of interest as per the precedent for the last few years. FIAC also noted that at the rate of interest at 8.65% there is still left a surplus of Rs.48.42 crores.

13. FIAC decided to place the matter before the Central Board for an appropriate decision for declaration of the rate of interest for the year 2017-18.

Proposal: The matter is accordingly placed before the Central Board for an appropriate decision for declaration of the rate of interest for the year 2017-18.