

Item No. 10: Allowing for range in allocation for investment in ETF.

1. The Pattern of Investment, notified on 23rd April 2015 prescribes 05 to 15% investments in equity and related investment. The Central Board in its 207th Meeting held on 31.03.2015 while recommending the said Pattern of Investment for adoption decided to invest 5% of the total investments made during the year in Exchange Traded Fund (ETF) of Nifty and Sensex. For the FY 2015-16 the allocation to ETF was 5% of the total investments.
2. Later, the Ministry of Labour and Employment vide letter order F. No. G-20031/2/2016 SS.II dated 19th September, 2016 conveyed the direction to enhance investment in Equity (ETF) from 5% to 10% within the scope of Investment Pattern notified by the Ministry of Labour and Employment. For the FY 2016-17 the allocation to ETF was 10% of the total investments.
3. Later in the 218th CBT held on 27.05.2017 the investment percentage in ETF was increased from 10% to 15%. For the FY 2017-18 the allocation to ETF was 15% of the total investments.
4. The pattern of investment provides for an allocation range for all the asset class.

Sl No.	Asset Class	Allocation range (%)
1	Government Securities and Related Investments.	45-65
2	Debt Instruments and Related Investments	20-45
3	Short-term Debt Instruments and Related Investments	0-5
4	Equities and Related Investments	5-15
5	Asset Backed, Trust Structured and Miscellaneous Investments	0-5

5. Though the Pattern of Investment provides for a range 05-15% allocation to Equities and Related Investments (ETF) the Central Board has fixed the investments in ETF to 15% of the total investments.
6. The contributions from the employers along with maturity and interests from the existing securities together form the part of the total fresh accretions. This fresh accretion is utilized for investment as per the Pattern of Investment. Now since contributions from the employers is an uncertain variable, achieving exactly 15% allocation to ETF at the end of the financial year is not possible if there is any cash flow during last few days of the financial year.
7. It is accordingly proposed that just like other asset classes have range of permissible allocation, investment in Equities and Related Investments (ETF) may also be allowed a small range preferably 14.5% to 15% for investment in order to bring operational efficiency and ease.

8. The above said agenda is being placed in the 139th FIAC meeting held on 25.06.2018. The recommendation of the Committee will be placed before the Board on table.

Proposal: The Para 7 of the above item is placed before the CBT for consideration/approval.