

EPFO Mulls Rate Cut on PF Deposits to 8.5% for the Year 2020

ET | Last Updated: Feb 28, 2020, 12.31 PM IST

- The EPFO is considering a cut of 15 basis points in the interest rate on PF deposits in FY20 to 8.5%.
- The EPFO invests 85% of its annual accruals in the debt market and 15% in equities through Exchange Traded Funds (ETFs).

New Delhi:

Salaried employees could face a cut in interest on their Provident Fund (PF) deposits this year with lower yields seen on investments by the Employees' Provident Fund Organization (EPFO).

The EPFO is considering a cut of 15 basis points in the interest rate on PF deposits in FY20 to 8.5%. Provident Fund deposits had fetched 8.65% in FY19. The issue is likely to be taken up at the central board of trustees (CBT) meeting of the EPFO on March 5.

The retirement fund body may find it difficult to keep the interest rate unchanged for this fiscal year, a person aware of the financials told Economic Times. The earnings on long-term fixed deposits, bonds and Government securities are down 50-80 basis points over the past one year, said the person. One basis point is one-hundredth of a percentage point.

The Finance Investment & Audit Committee (FIAC) will take a final call just before the CBT meet on the rate of return on PF deposits, depending on the exact earnings of the retirement fund body.

Rs.4, 500 crore Exposure in DHFL

The decision will be presented to the CBT at the meeting and it will then take a call on the matter. The EPFO has investments of more than Rs.18 lakh crore, of which about Rs.4,500 crore was in Dewan Housing Finance Corp. Ltd (DHFL) and Infrastructure Leasing & Financial Services (IL&FS), both of which have been laid low by their inability to make payments. The first is undergoing bankruptcy resolution after RBI direction and the second is going through a Government supervised rescue programme.

The EPFO invests 85% of its annual accruals in the debt market and 15% in equities through Exchange Traded Funds (ETFs). At the end of March last year, the EPFO had a cumulative investment of Rs.74, 324 crore in equities, fetching a return of 14.74%.

Disclaimer: The content above is taken from the source mentioned

Resource: Economic Times , 28 Feb 2020

Copyright © 2019 Aparajitha Corporate Services Pvt., Ltd. All Rights Reserved.

However, the government doesn't want to fuel disgruntlement among workers, who won't be happy with lower PF rates.

"Interest rate on EPFO is a big sentiment booster and any cut on it at this point may further hit the employee sentiment," said one of the persons cited above.

The CBT headed by the labour minister is the apex decision-making body of the EPFO that has an active subscriber base of 600,000.

Some of the other issues that will be taken up for consideration include engaging TCS iON for conducting computer data entry skill tests and cumulative performance evaluation of portfolio managers for the period ended September 30, 2019.