

EPFO to announce interest rates for 2020-21 in March

Live Mint | 16 Feb 2021

There are doubts on whether the retirement fund can pay 8.5% interest this fiscal.

The employees' provident fund interest rate for 2020-21 is likely to be announced in the first week of March, when trustees of the retirement fund meet in Srinagar to examine its earnings and financial position.

The Employees' Provident Fund Organisation (EPFO) on Monday wrote to members of its central board of trustees (CBT) about the meeting scheduled on 4 March. Details and agenda for the meeting will be shared in the coming days, the EPFO head office said in the letter, a copy of which was seen by Mint.

The interest payout for 2019-20 was in the news for several reasons including delay in sale of equity and credit of interest, talks of paying it in two instalments and doubts on whether EPFO can actually pay 8.5% post the covid-19 economic downturn throughout 2020. Even when the fund decided to credit the amount, almost one out of 10 EPFO subscribers could not receive it as yet because of KYC mismatches.

The 2020-21 payout will be closely watched by more than 50 million of EPFO's active subscribers and many more inactive subscribers on whether the fund can offer 8.5% interest this year like it did last year.

"We are at the fag end of the 2020-21 financial year. The CBT will have to take a call on the interest payout for the current year now. However, before the CBT meets, the finance advisory committee will have to make the final calculations and suggest possible interest rates for the board to decide on," a member of the CBT said.

The official said that in 2019-20, the retirement fund manager had earned ₹61,000 crore, with ₹58,000 crore coming from its debt investments and around ₹3,000 crore from equities

"We have to see how much the debt funds have earned for the subscribers in 2020-21. We believe the equity market is on a high and we hope to make some good return from stock exposure," the board member said on condition of anonymity.

The CBT meeting in Srinagar comes almost a year and half after EPFO started covering establishments in Jammu and Kashmir in November 2019, after the revocation of Article 370 of the Constitution. In Jammu and Kashmir, however, EPFO covers establishments with 10 or more employees, while it is 20 or more for establishments in rest of India. More than 2,000 firms from the Union territory is now under EPFO coverage.

The labour ministry told EPFO in January 2020 to play a role in integrating the region with the rest of India through better pension coverage, higher insurance, and interest rate, and less social security costs.

Making Corporate India Comply

EPFO manages a corpus of more than ₹14 trillion and every year it has an annual accrual of more than ₹1.3 trillion. Of the annual accruals, it invests 15% in the equity market via exchange traded funds and puts the remaining 85% in debt investments.