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Sri Lanka's EPF to go paperless, diversify portfolio for higher risk-adjusted returns

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ECONOMYNEXT — The Central Bank of Sri Lanka (CBSL) plans to modernise operations of the Employees' Provident Fund (EPF) through digital enhancements and diversify the fund's investment portfolio to generate higher risk-adjusted returns.

CBSL said in its Annual Policy Statement for 2024 that the EPF will go "near-paperless" in 2024, with a number of technological enhancements also on the cards.

"Going forward, the EPF is committed to enhancing operational efficiency to deliver efficient and effective services to its stakeholders. Service quality is to be improved through the implementation of a near-paperless operating system with real-time document scanning," the

The initiatives taken to strengthen the electronic collection procedure by providing multiple payment avenues would continue to provide more flexibility to employers, the bank said.

"A comprehensive ICT solution would also be implemented at EPF with the view of re-engineering and modernising the existing process. EPF is to seek avenues to diversify its investment portfolio to generate a higher risk-adjusted rate of return while ensuring the safety of the overall fund," CBSL said.

The EPF is Sri Lanka's largest superannuation fund, with CBSL as its custodian. The bank said the fund demonstrated robust financial performance during 2023, amidst challenging circumstances, including the economic uncertainties, and the impact of the domestic debt restructuring (DDR) operation.

"The fund successfully carried out the provision and facilitation of refund payments, member-related services, and other services," it added.

In 2022, following the currency crisis, the annual average return on the EPF fell to its lowest in nearly two decades, a CBSL response to a Right to Information (RTI) request from EconomyNext showed.

It fell 9.52 percent from the previous year's 11.40 percent. According to the data made available from 2005, CBSL had provided the highest return of 16.03 percent in 2009. The island nation's largest pension fund has almost 21-million member accounts including 18.3 million non-contributing accounts due to some members having multiple number of accounts. As of end-2022, the fund is worth 3.38 trillion rupees or 10.6 billion US dollars.

By end 2022, a majority — 95.7 percent — of this was in government securities, while 84.1 billion rupees was invested in listed companies in the Colombo Stock Exchange, according to official data. (Colombo/Jan10/2024)