

**GOVERNMENT OF INDIA
LABOUR AND EMPLOYMENT
LOK SABHA**

STARRED QUESTION NO:403
ANSWERED ON:25.04.2005
EMPLOYEES PENSION SCHEME IN HUGE DEFICIT
Mane Smt. Nivedita;Singh Shri Kirti Vardhan

Will the Minister of LABOUR AND EMPLOYMENT be pleased to state:

- (a) whether the Employees Pension Scheme, 1995 managed by EPFO is facing huge deficit;
- (b) if so, the details thereof;
- (c) whether the Government proposes to provide fund for the shortfall or recognize the deficit as a contingent liability so that the workers' interests are protected;
- (d) if so, the details thereof and the action proposed to be taken by the Government to protect the interest of workers; and
- (e) if not, the reasons therefor and the corrective measures proposed to ensure sustainability of EPS, 1995?

Answer

MINISTER OF LABOUR AND EMPLOYMENT (SHRI K. CHANDRASEKHAR RAO)

(a) to (e): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PART (a) TO (e) OF THE LOKSABHA STARRED QUESTION NO. 403 FOR 25.04.2005 BY SHRIMATI NIVEDITA MANE AND SHRI KIRTI VARDHAN SINGH REGARDING 'EMPLOYEES PENSION SCHEME IN HUGE DEFICIT.'

(a) & (b) Based on a sample survey data, the 7th Annual Valuation Report of Employees Pension Scheme has disclosed a projected deficit of Rs. 19,291 crores as on 31.03.2003. The deficit is mainly on account of raising of the wage ceiling from Rs. 5,000/- to Rs. 6,500/- w.e.f. June, 2001; declining rate of interest on the investments.

(c) to (e) The Projected deficit can be covered by taking certain corrective measures suggested in the Valuation Report. These include: a) the retirement age for members may be increased from 58 to 60 years. (b) Withdrawals under the scheme need to be controlled. (c) The existing contribution rate of 8.33% should be raised suitably or the benefits under the scheme be reduced suitably. (d) Any change in the scheme benefits should always be done only after actuarial assessment and the recommendations the Actuary may make should be simultaneously implemented.

There may thus, be no need for the Government to provide funds to meet the projected deficit.