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कर्मचारी भविष्य निधि संगठन
(श्रम मंत्रालय, भारत सरकार)

Employees' Provident Fund Organisation
(Ministry of Labour & Employment, Govt. Of India)

मुख्य कार्यालय/Head Office

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Website: www.epfindia.gov.in

No: Pension/Misc./2013/Higher Salary /528

Dated:-

To

08 NOV 2013

All Regional Provident Fund Commissioners
Regional Offices / Sub-Regional Offices

Sub: - Contribution on salary exceeding the statutory limit under Para 11(3) of the EPS' 95

Reference: 1. Circular No. Pen/4(2)96/SLP/Vol. V/16598 dated 26/06/04
2. Letter No. Pen.4(38)96/WB/59867 dated 01/12/04
3. Circular No. Pen/Misc/2006/Vol.I dated 25/04/06
4. Circular No. Pension/Misc./2005/65836 dated 22/11/06

Kind reference is invited to the headquarters circulars cited above wherein the issue of contributing on a pay exceeding the statutory limit under Para 11(3) of the Employees' Pension Scheme, 1995 has been the point of consideration.

2. This matter has been receiving attention in headquarters and the following significant facts have emerged in the analysis:

- (i) Every option for contribution on higher wages is putting the Pension Fund under strain on account of the higher payout obligations arising out of it. The payout is disproportionate to the contributions received in respect of cases where there is an option for contribution on higher wages.
- (ii) Currently the Pension Fund is running at an overall deficit as per Actuarial valuations and it would be unwarranted to increase the deficit by accepting options for contribution on higher wages knowing fully well that benefit payout in such cases are detrimental to the viability of the Fund.
- (iii) Members contributing on higher wages draw benefits disproportionate to the contributions, even given the fact that in their case the contributions are on higher salaries. In effect the poor members are subsidizing the benefits for the relatively richer members. This is a most undesirable and repugnant situation that needs to be corrected immediately.

3. In view of the foregoing, it has been decided that henceforth and until further orders no permission will be accorded for contribution on higher wages under EPS.

4. As may be evident under EPS there is no contribution payable separately. Under Para 3 of the EPS, from and out of the contributions payable by the employer in each month under section 6 of the Act, the employer shall remit a part of contribution representing 8.33% of the employees' pay to the EPS. Accordingly, the option to contribute on a pay exceeding statutory limit is available to a member only under Para 26(6) of the Employees Provident Fund Scheme, 1952 and not under Para 11(3) of the EPS.

5. Para 26(6) of the EPF Scheme 1952 provides that the contribution on higher wages would be permitted by an officer not below the rank of APFC on the joint request of the employer and employee. The option for contribution on higher wages to the EPS would have to be regulated under this Para. Accordingly, in all cases where joint requests from employer and employee preferring option for contribution on higher wages are received under Para 26(6), the permission for contribution on higher wages may be accorded subject to the condition that contribution to the EPS on higher wages would not be allowed and shall be limited to wage ceiling only. The reason for declining option for contribution on higher wages to EPS, that have been detailed in paragraph 2 above should also be clearly mentioned in the option acceptance letter/order.

[This issues with the approval of the CPFC]

Yours faithfully,


02/11/2013
(Chandramauli Chakraborty)
RPFC-I (Pension)

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RPFC (NDC)/NRPO with a request to upload on the website.