

**CHAPTER VI : MINISTRY OF LABOUR AND EMPLOYMENT**

**Employees Provident Fund Organisation**

**6.1 Unauthorised payment of enhanced Fixed Medical Allowance to pensioners**

**The Employees' Provident Fund Organisation paid Fixed Medical Allowance at enhanced rates to its pensioners in contravention of the Government's orders resulting in excess expenditure of ₹ 24.48 lakh.**

Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF&MP Act) stipulates that the method of recruitment, salary & allowances and conditions of service of the employees of Employees' Provident Fund Organisation (EPFO) shall be in accordance with the rules and orders applicable to the employees of the Central Government. Any departure from the said rules and orders shall be taken only after obtaining prior approval of the Central Government.

Employees of EPFO in select cities<sup>1</sup> are covered under Central Government Health Scheme (CGHS). Employees in other cities are being paid Fixed Medical Allowance (FMA) in lieu of this facility for outdoor medical treatment available under CS (MA) Rules. These benefits were, however, not extended to the retired employees of the EPFO. EPFO granted FMA @ ₹ 100 per month effective from December 1997 to all its pensioners/ family pensioners (irrespective of the place of their residence) for meeting day to day medical expenses that do not require hospitalization. This was done on the analogy of Government of India orders of December 1997<sup>2</sup> applicable for Central Government pensioners residing in non-CGHS areas.

Audit observed that EPF Pensioner's Association moved CAT<sup>3</sup> for enhancement of FMA from ₹ 100 to ₹ 250 per month which was being paid to the serving employees of EPFO from January, 2003. In its decision of October 2004 the Tribunal directed the Central Board of Trustees of EPFO to consider the grant of enhanced FMA to its pensioners. Ministry of Labour and Employment conveyed its approval in October 2005 for the grant of FMA @ ₹ 250 per month to the pensioners of EPFO with retrospective effect from January 2003. The action of the Ministry of Labour and Employment was

<sup>1</sup> Like Delhi, Jaipur and Chandigarh

<sup>2</sup> Government of India Department of Pension and pension welfare O.M No:45/57/97-P &PW(C) dated 19.12 1997 under which Central Govt pensioners residing in non-CGHS areas are getting FMA of ₹ 100 for outdoor treatment.

<sup>3</sup> Central Administrative Tribunal, Ernakulum Bench

inconsistent with the Government of India orders which prescribe payment of FMA @ ₹ 100 only (enhanced to ₹ 300 with effect from September 2008). The Executive Committee of EPFO further raised the rates of FMA to ₹ 600 in January 2007<sup>4</sup> and ₹ 1200 in January 2010<sup>5</sup> without the mandatory approval of the Government of India.

EPFO paid FMA of ₹ 35.01 lakh at enhanced rate of ₹ 600/₹1200 to pensioners/ family pensioners without the approval of Government of India as against the amount of ₹ 10.53 lakh which was due to them @ ₹ 100 and ₹ 300 per month during January 2006 to March 2010. The action of the EPFO contravened provisions of the Act *ibid* and resulted in unauthorised excess expenditure of ₹ 24.48 lakh.

Further the pensioners were also allowed indoor treatment in CGHS recognized hospitals/ Government hospitals under CS (MA) Rules from October 2006 onwards. The scheme was introduced on the analogy of CGHS, yet, EPFO did not provide for either charging a monthly contribution or a one time contribution equivalent to ten years contribution, as applicable in case of CGHS beneficiaries. The amount recoverable on the basis of one time contribution based on the basic pension works out to ₹ 50.04 lakh for 125 pensioners provided with this facility.

EPFO stated (August 2010) that in accordance with the provisions of the Act, approval of Central Government was obtained for providing FMA to EPF pensioners and that the allowance was revised keeping in view the escalating cost of medical treatments and as per demand of pensioners. It further stated that EPF pensioners were not extended CGHS facility and any question of charging contribution from them did not arise. EPFO also stated that it was not a grantee organization and its expenditure had no bearing over Consolidated Fund of India.

The reply does not address the basic issue of failure of the EPFO to obtain prior approval of the Central Government before revising the rates of FMA (w.e.f. January 2006) as required under the EPF&MP Act. EPFO, which granted FMA and indoor medical facility on the analogy of the CS (MA) /CGHS rules also, ought to have recovered appropriate contribution from its pensioners. The fact that it is not a grantee organization now does not allow it to override the provisions of the Act under which EPFO was constituted.

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<sup>4</sup> With effect from 1.1.2006

<sup>5</sup> With effect from 1.1.2009, however the payment of FMA at this rate has not been made yet.

*Report No. 38 of 2010-11*

The matter was reported to the Ministry in October 2010; their reply was awaited as of February 2011.