SUPREME AUDIT INSTITUTION OF INDIA

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Report of the
Comptroller and Auditor General of India
on
Key Entities and Schemes in Pension Sector

Union Government
Department of Financial Services
Report No. 15 of 2026
(Performance Audit - Civil)

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PREFACE

This Report of the Comptroller and Auditor General of India has been prepared for submission to the President of India under Article 151 of the Constitution of India. The Report has been prepared in accordance with the Performance Auditing Guidelines, 2014 and Regulations on Audit and Accounts, 2020 of the Comptroller and Auditor General of India.

The Report contains the results of Performance Audit of the Key Entities and Schemes in Pension Sector covering the period from April 2017 to March 2024.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

Executive Summary

Executive Summary

Introduction

India's pension system includes various retirement-related instruments such as Provident Fund, Gratuity and Pension schemes. Provident Fund and Gratuity mainly provide lump-sum benefits at retirement, while pension schemes offer regular post-retirement income.

The pension sector in India is governed by different legislations enacted over nearly a century, ranging from the Provident Funds Act, 1925 to the Pension Fund Regulatory and Development Authority (PFRDA) Act, 2013. The sector comprises diverse systems *viz.,* statutory organisations like the Employees Provident Fund Organisation (EPFO) and PFRDA, sector-specific organisations such as Coal Mines Provident Fund Organisation (CMPFO), Assam Tea Employees Provident Fund Organisation (ATEPFO), and Seamen's Provident Fund Organisation (SPFO), and various government-funded schemes for the unorganised sector and senior citizens.

In this context, the Performance Audit of the key entities and schemes in pension sector was undertaken to assess functioning of the existing legal, regulatory and institutional framework towards providing effective governance, prudent fund management and protection of subscribers' interests within the pension sector. The audit was conducted during January 2022 to August 2024 covering the period from April 2017 to March 2024 with examination of relevant records in the Department of Financial Services and other concerned Ministries/Departments, PFRDA and other selected entities *viz.,* statutory pension systems (EPFO, CMPFO, SPFO and ATEPFO), pension systems managed by six autonomous bodies/ CPSEs[1] and four major Government pension schemes[2] involved in their administration, regulation and management.

Audit assessed the functioning of key entities and schemes in pension sector across three broad interrelated functional areas:

(i) Governance Framework, which includes organisational structure, oversight and accountability mechanisms.

(ii) Fund Management *inter-alia* covering investment strategies, asset allocation, risk management practices, performance monitoring and compliance, and

(iii) Protection of subscribers' interests including Grievance Redressal Mechanism and safeguards against operational and financial risks.

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[1] Cotton Corporation of India Limited (CCIL), Chennai Petrochemicals Corporation Limited (CPCL), Rashtriya Ispat Nigam Limited (RINL), MECON Limited, Calcutta Dock Labour Board (CDLB) and Indian Institute of Foreign Trade (IIFT)

[2] Atal Pension Yojana (APY), Pradhan Mantri Shram Yogi Maandhan Yojana (PMSYM), Pradhan Mantri Kisan Maandhan Yojana (PMKMY) and Pradhan Mantri Vaya Vandan Yojana (PMVVY)

Key Audit Findings:

Regulatory Bodies and other organisations (including CPSEs/ABs)

(a) Governance Framework

- PFRDA was a regulator as well as the appointing authority of the CEO and trustees of NPS Trust. While being the regulator, PFRDA appointed intermediaries (entities involved in the NPS architecture) and did not have an arm's length relationship with NPS Trust. Similarly, the Finance, Investment and Audit Committee of EPFO selected portfolio managers and allocated funds among them, while also overseeing and inspecting their activities.

(Paras 2.2.1 and 3.1.1.1)

- Timelines for meetings of Board of Trustees were either not prescribed (in CMPFO, ATEPFO, RINL and MECON) or Board/Committees did not meet as per stipulated frequency (in CMPFO and SPFO) or available records did not indicate conduct of meetings of the Board in case of IIFT. Other issues in oversight were also observed across CPSEs/ABs like RINL, CPCL and MECON.

(Paras 3.2.1.1, 3.2.2.1, 3.3.1, 3.4.1.1, 4.4.1, 4.5.1.1, 4.6.1.1 and 4.8.1.2)

- SPFO received ex-gratia and annuity contribution in respect of seamen without enabling provisions in SPF Act 1966. CDLB was not included in the Schedule of the Provident Funds Act, 1925, as amended in 2019. There was no evidence to indicate that the PF Trust of IIFT had a separate legal existence. There were delays in preparation of annual accounts in IIFT.

(Paras 3.3.3.3, 4.7.1.1, 4.8.1.1 and 4.8.1.3)

(b) Fund Management

- In the National Pension System, there were instances of breaches of prescribed investment limits by Pension Fund Managers (PFMs). ATEPFO made investments without adherence to the criteria of safety first, resulting in financial losses. CCIL did not meet the minimum required threshold in equity and related investments during 2018-19 and 2019-20. In RINL managed trusts, there was shortfall in investments in equities and related instruments during 2018-19, 2020-21 and 2021-22. IIFT invested 85 *per cent* of funds in term deposits of banks and debt securities, as against the ceiling of 45 *per cent* of total amount of investment.

(Paras 2.3.3, 3.4.2.1, 4.3.2.2, 4.5.2.1 and 4.8.2.1)

- Few pension fund managers did not formulate stop loss limits for certain investments like Corporate Bonds and other securities. The exit policy for exit from securities below investment grade in EPFO portfolio was under formulation. The investment framework of SPFO and CCIL did not provide for a stop-loss policy. Also, CPCL lacked an internal investment policy to guide selection and monitoring of investments.

(Paras 2.3.1.1, 3.1.2.1, 3.3.2.2, 4.3.2.1 and 4.4.2.4)

- As on 31 March 2024, PFRDA and NPS Trust had accumulated a corpus of ₹415.25 crore and ₹94.19 crore respectively, while EPFO's Administration Fund Account held an amount of ₹33,117.46 crore (as of 31 March 2023). This apart, the PF Earning and Distribution account in ATEPFO, used to account for income and expenses under the scheme, recorded a rising deficit from ₹9.45 crore in 2019-20 to ₹268.40 crore in 2023-24.

(Paras 2.4.2.1, 2.4.2.2, 3.1.1.3 and 3.4.2.3)

- EPFO's actuarial valuation as of 31 March 2017, 31 March 2018 and 31 March 2019 did not account for the minimum pension liability of ₹1,000 per month, thereby underreporting potential deficits. Further, the actuarial valuation in case of ATEPFO was in process since January 2019 but was not yet finalised as of April 2025.

(Paras 3.1.2.2 and 3.4.2.2)

- CMPFO's pension fund faced actuarial deficit being driven by decrease in the number of subscribers and increase in the number of pensioners. In CPCL, rates earned on investment for the period from 2019-20 to 2023-24 were lower than the rates of return declared to the subscribers except for 2021-22. CDLB operated without a dedicated pension fund and pension was being paid from earnings, with arrear liability being ₹967.38 crore as on 31 March 2023.

(Paras 3.2.2.3, 4.4.2.3 and 4.7.2.2)

(c) Protection of subscribers' interests

- PFRDA had a defined grievance escalation matrix, however there were delays in resolution of grievances as well as in issue of awards by Ombudsman. Similarly, there were delays in grievance resolution in case of EPFO also, with 41 *per cent* of grievances having taken more than the prescribed seven days to resolve. In SPFO, CPGRAMS was the only available grievance redressal portal and subscribers were relying on the RTI Act to get basic information relating to their accounts. In ATEPFO, less than 50 *per cent* of compliant cases were disposed off within 30 days and there was no online platform for monitoring of receipt and disposal of grievances between the nodal offices.

(Paras 2.4.4.2, 2.4.4.4, 3.1.3.2, 3.3.3.5, 3.4.3.3)

- Issues such as absence of a grievance redressal policy detailing turnaround time for resolution of grievances and escalation mechanism were also noticed in CPSEs/ABs *viz.,* CCIL, CPCL, MECON and CDLB.

(Paras 4.3.3.1, 4.4.3.1, 4.6.3.1 and 4.7.3.1)

- Relevant provision of the PFRDA Act mentions that subscribers seeking minimum assured returns would have an option to invest funds in such schemes providing minimum assured returns as may be notified by PFRDA. However, Minimum Assured Return Scheme (MARS) was yet to be implemented by PFRDA's pension fund managers. In case of EPFO, the wage ceiling of ₹15,000 was last revised in September 2014.

(Paras 2.3.2 and 3.1.3.1)

- CMPFO held an amount of ₹12,130.91 crore in suspense accounts, at the end of 2023-24, which was yet to be posted to individual ledgers. Accounting lapses were observed in SPFO, where contributions for over 28,000 subscribers remained unposted, denying them interest credits. In ATEPFO, shortfall in deposit of PF contributions at the end of each year ranged between ₹78.69 crore in 2018-19 and ₹315.45 crore in 2021-22. Further, the IT system at IIFT showed negative balances for members and listed retired employees as active subscribers due to system design flaws.

(Paras 3.2.3.2, 3.3.3.1, 3.4.1.2 and 4.8.3.1)

- In ATEPFO, in respect of family pension claims, 59 *per cent* to 90 *per cent* of the claims were outstanding at the end of every year during 2017-18 to 2023-24 in ATEPFO and 99-100 per cent of claims which were settled had breached the timeline of 30 days.

(Para 3.4.3.1)

Schemes for unorganised sector and senior citizens

(i) Planning and coverage

- In APY, the initial target to enrol two crore population by December 2015, was achieved by 2020, after delay of five years. Out of the total number of APY accounts, the proportion of subscribers persisting in the scheme stood at around 51 *per cent* as of 31 March 2024. Inadequate verification in APY further resulted in enrolment of ineligible subscribers. Till 31 March 2024, 44.92 lakh subscribers had subscribed to PMSYM, against the target of 10 crore subscribers by end of March 2023. In PMKMY, till 31 March 2024, the enrolment in the Scheme was 19.49 lakh subscribers, against the target of five crore subscribers upto 2021-22.

(Paras 5.2.1.1, 5.2.1.2, 5.3.1.1 and 5.4.1.1)

- The absence of a unique primary identifier during initial implementation led to multiple accounts being linked to single bank accounts across APY, PMSYM, and PMKMY.

(Paras 5.2.2.2, 5.3.2.1 and 5.4.2.1)

(ii) Financial management and oversight

- Unlike APY, actuarial valuation of pension fund was not carried out in PMSYM and PMKMY.

- Memorandum of Understanding including the roles and responsibilities of LIC and DFS, was not signed between them for implementation of Pradhan Mantri Vaya Vandana Yojana (PMVVY).
- As of March 2023, PMVVY portfolio witnessed 98 *per cent* of funds being invested in Government securities (against the 60-70 *per cent* limit), and funds of ₹5,437.74 crore invested in securities with tenures exceeding the 15-year limit.

(Paras 5.2.3.1, 5.3.2.2, 5.4.2.2, 5.5.1.1 and 5.5.3.1)

(iii) Implementation and subscriber support

- In PMVVY, each subscriber had a maximum purchase price limit of ₹15 lakh which could be invested in the scheme. However, in 1,793 subscribers the total purchase price had surpassed the stipulated limit of ₹15 lakh.
- In PMVVY, there were 5,314 grievances registered against 10.89 lakh policies issued from inception and till March 2022. While 42 *per cent* of the complaints got resolved within two days, seven *per cent* of the complaints took more than the turnaround time of 10 days to get resolved.
- Test check of grievance cases under PMSYM showed instances of inappropriate resolution.

(Paras 5.5.2.1, 5.5.4 and 5.3.3.3)

Audit Recommendations

Significant recommendations made by Audit are as under:

(1) **The Department of Financial Services may consider separation between the regulatory role of PFRDA and the operational role of the NPS Trust in order to ensure arm's length relationship between the regulator and the operator.**

(2) **PFRDA may expedite implementation of a Minimum Assured Return Scheme to provide an option to NPS subscribers to receive a minimum assured return upon retirement.**

(3) **PFRDA may establish (i) a robust mechanism for timely resolution of complaints by developing a centralised grievance redressal portal with automated migration of grievances from different agencies and (ii) a unified system for escalation of grievances.**

(4) **EPFO may implement measures to improve the working of exempted establishments and minimise instances of non-compliance.**

(5) **EPFO may expedite finalisation of the Exit policy for investments.**

(6) **The Ministry may take expeditious steps to revise the wage ceiling of Employees' Provident Fund Scheme, to enhance the coverage of the working population and ensure adequate pension upon retirement.**

(7) **CMPFO may take steps to clear the balances under suspense account and pass on the benefits to the subscribers. CMPFO may also expedite the process of**

digitisation of subscribers' accounts to prevent recurrence of accumulation of balance in suspense account in future.

(8) SPFO may expedite clearing of pending unposted items in the accounts of subscribers and establish a mechanism to prevent recurrence of such issues in the future.

(9) Ministry may expedite the amendment to the statute in order to regularise the operation of annuity and ex-gratia schemes as well as contributions collected by SPFO since 2017-18.

(10) ATEPFO may take steps to inspect all Tea Estates at least once a year, to ensure enrolment of tea estate workers and timely deposit of contributions.

(11) ATEPFO may ensure conduct of actuarial valuation of the scheme's funds at periodic intervals to enable fair valuation of its assets and liabilities in order to ensure long-term sustainability of the schemes.

(12) CCIL may formulate a stop loss policy for different categories of investments, ensuring adherence and notify a detailed grievance redressal policy.

(13) CPCL may formulate a comprehensive Investment policy for different categories of investments, ensuring adherence, besides notifying a detailed grievance redressal policy detailing turnaround time, escalation mechanism, etc.

(14) RINL may prescribe timelines for meetings of the Board of Trustees and ensure adherence to the prescribed investment guidelines.

(15) CDLB may take up the issue of applicability of Provident Funds Act, 1925 (as amended in 2019), with the Ministry of Labour and Employment.

(16) The Board of Trustees of IIFT may take appropriate steps to ensure a separate legal existence of the PF Trust of IIFT.

(17) PFRDA may weed out APY beneficiaries who are Income taxpayers or beneficiaries of other statutory social security schemes, by verifying their taxpayer status with Income Tax authorities and their enrolment in other social security schemes through required identifiers like PAN, Aadhaar or any other combination of personal identifiers.

(18) The Ministry of Labour and Employment may take steps to effectively resolve the grievances under PMSYM being raised through CPGRAMS or other portals.

(19) The Ministry may take steps to increase enrolment under PMKMY through measures like conduct of IEC activities.

(20) The Department may sign an MoU with LIC detailing the roles and responsibilities of stakeholders involved in implementation of PMVVY.

Chapter I-

INTRODUCTION

Chapter-I
Introduction

1.1 Pension sector in India

Pension plays an important role in safeguarding individuals against old-age income insecurity. As per the report of the National Commission on Population, the number of older persons (aged 60 years and above) in India is projected to reach 23 crore by the year 2036, comprising 14.9 *per cent* of the total projected population. This underscores the importance of old-age economic security.

Major retirement benefits in India include provident fund, gratuity and pension. While provident fund and gratuity provide lump sum benefits, pension takes the form of a monthly annuity. Broadly, pension schemes in India can be seen as amalgamation of various instruments as under:

- **Social Security Schemes of the Government (non-contributory)**: The Ministry of Rural Development administers the National Social Assistance Programme which comprises Indira Gandhi National Old Age Pension Scheme, Indira Gandhi National Widow Pension Scheme, Indira Gandhi National Disability Pension Scheme, National Family Benefit Scheme and Annapurna Scheme.
- **Social Security Schemes of Government (contributory)**: Atal Pension Yojana, Pradhan Mantri Shram Yogi Maandhan Yojana, Pradhan Mantri Karam Yogi Maandhan Yojana and Pradhan Mantri Kisan Maandhan Yojana.
- **Civil Service Pension**: Discontinued prospectively and replaced with National Pension System (NPS) regulated by the Pension Fund Regulatory and Development Authority (PFRDA).
- **Special Provident Funds**: Coal Mines Provident Fund, Seamen's Provident Fund, J&K Provident Fund and Assam Tea Employees Provident Fund governed by their respective statutes.
- **Employees' Provident Fund and Employees' Pension Scheme:** Regulated by the Employees Provident Fund Organisation (EPFO).
- **Approved Superannuation Funds and Recognised Provident Funds**: An approved superannuation fund is an organisational pension program created by an organisation for the benefit of its employees. These funds are approved by the Commissioner of Income Tax.
- **National Pension System:** Central Government employees as well as employees of Central Autonomous Bodies who joined service on or after 1 January 2004 were covered under the National Pension System (NPS). Later, in 2009, NPS was made available to all citizens on a voluntary basis to make it a universal pension product.
- **Public Provident Fund:** Government-backed long-term investment scheme offering tax benefits and assured interest rates.

- **Retirement Plans of Mutual Funds**: Mutual Funds, registered under the Securities and Exchange Board of India (SEBI), also provide retirement products to the subscribers.
- **Annuity Plans of Life Insurance companies regulated by the Insurance Regulatory and Development Authority of India (IRDAI)**: Pension products as registered under IRDAI are provided by insurance companies for specific needs of subscribers. Under these products, subscribers have to pay a specific amount (either in lump sum or over a period) and later on, an annuity based on the invested amount is paid by the Insurance Companies to the subscribers.

Based on the nature of contributions and benefits, pension schemes can be classified into defined contribution schemes, defined benefit schemes and hybrid schemes:

- **Defined contribution pension scheme** is one in which pension contributions are invested in assets and pension benefits are determined by contributions paid and the investment return. The risks associated with such pension lie with members of the scheme, i.e., the subscribers. For example, the National Pension System where a fixed percentage of pay is deducted as employee's contribution apart from contribution provided by the employer.
- **Defined benefit pension scheme** is one in which the rules of the scheme specify the rate of benefits to be paid, often in relation to the employee's salary when they are working. It involves a 'promise to pay' by the employer or the scheme sponsor, which must be honored whether funds are available or not, thus involving risks for the sponsor i.e., the employer. For example, the Old Pension Scheme for Government Employees.
- **Hybrid pension schemes** offer a mixture of defined benefit and defined contribution schemes. Both the contributions and the benefits are defined in such schemes. For example, the Employees' Pension Scheme of EPFO.

1.2 Global Pension Index

The Mercer CFA Institute Global Pension Index (MCGPI), commonly referred to as the Mercer Pension Index, is discussed in an annual report, which evaluates and ranks pension systems of various countries. The Mercer Pension Index serves as a benchmark for assessing the adequacy, sustainability and integrity of pension systems.

The index evaluates pension systems on the basis of three criteria:

(i) Adequacy

The primary objective of any pension system is to provide adequate retirement income. Therefore, this sub-index considers the base (or safety-net) level of income provided by each system, as well as the net replacement rate at income levels ranging from 50 *per cent* to 150 *per cent* of the average wage.

(ii) Sustainability

The long-term sustainability of the existing retirement income system is a concern in many countries, particularly in light of the aging population, the increasing old-age dependency ratio, the public expenditure on pension, substantial Government debt and rising inflation.

An important feature of sustainability is the level of funding in advance, which is particularly important when the ratio of workers to retirees is declining. Therefore, this sub-index considers contribution rates, the level of pension assets and the coverage of the pension system.

(iii) Integrity

The third sub-index considers the integrity of the overall pension system. This sub-index considers the role of regulation and governance, the protection provided to plan members from a range of risks and the level of communication provided to individuals.

The overall index value represents the weighted average of the three sub-indices. The weightage used is 40 *per cent* for the adequacy sub-index, 35 *per cent* for the sustainability sub-index and 25 *per cent* for the integrity sub-index.

1.3 Assessing the functioning of key entities and schemes in pension sector

Against the above background, Audit assessed the functioning of key entities and schemes in pension sector on three broad functional aspects namely, governance framework, fund management and protection of subscribers' interests. Key aspects assessed by audit as part of the governance framework included legal framework as well as roles and responsibilities of the administrators.

1.3.1 Governance Framework

A well-balanced governance framework ensures an appropriate organisational structure and supervisory mechanism to prevent any conflict of interest. A financial sector regulator should have appropriate governance structures in place to ensure that it operates effectively and efficiently. This may include a Board of Directors or governing council that provides oversight and strategic direction, as well as different management and operational structures that are responsible for day-to-day operations. A good pension/provident fund governance framework is characterised by independence, transparency, accountability and focus on the primacy of subscribers' interests.

1.3.2 Fund Management

A pension regulator oversees fund management by setting rules and guidelines to ensure transparency and safety. It monitors compliance with these rules/guidelines, including asset allocation and risk management practices. Key components of fund management include the investment strategy, asset allocation strategy, risk management framework, portfolio performance evaluation and monitoring as well as reporting of portfolio performance.

1.3.3 Protection of subscribers' interests

It is essential for a pension system to safeguard subscribers' assets, provide long-term financial security and mitigate risks such as fraud/mismanagement. The primary objective of the pension system is to promote old-age income security while protecting the interests of pension fund subscribers. Key functions encompass educating and creating awareness of subscribers and intermediaries on issues related to pension, establishment of a robust and time-bound grievance redressal system and adjudication of disputes between intermediaries and subscribers.

1.4 Audit Framework

1.4.1 Audit Universe

The Performance Audit covered various organisations and Government schemes, as mentioned below:

- **Regulatory Bodies and Organisations**: The Pension Fund Regulatory and Development Authority (PFRDA) was reviewed, along with statutory organisations *viz.,* Employees' Provident Fund Organisation (EPFO); Seamen's Provident Fund Organisation (SPFO); Coal Mines Provident Fund Organisation (CMPFO); and Assam Tea Employees Provident Fund Organisation (ATEPFO)
- **Provident and Pension Funds** of six selected CPSEs/Autonomous Bodies. Among the six selected entities, four[1] are governed under the Employees Provident Fund and Miscellaneous Provisions (EPF&MP) Act, 1952 and two[2] are governed under Provident Funds Act, 1925.
- **Government Pension Schemes**: Four major schemes (where Government of India promises assured pension) namely, Atal Pension Yojana (APY); Pradhan Mantri Shram Yogi Maandhan Yojana (PMSYM); Pradhan Mantri Kisan Maandhan Yojana (PMKMY); and Pradhan Mantri Vaya Vandana Yojana (PMVVY) were reviewed.

Audit did not cover pension products of life insurance companies and retirement plans offered by mutual funds, which are regulated by the Insurance Regulatory and Development Authority of India (IRDAI) and Securities and Exchange Board of India (SEBI) respectively. Further, comprehensive data on superannuation funds approved by the Income Tax Department was not available and hence these were also not covered in audit. Audit also excluded civil service pension and non-contributory social security schemes of the Government of India since these are fully funded by the Government and are non-contributory.

The focus of the audit was on retirement products which offer structured savings and benefits tied to retirement and are assured by the Government or are contributory in nature.

1.4.2 Audit objectives

The Performance Audit was conducted to assess:

[1] *Cotton Corporation of India Ltd (CCIL), Mumbai; Chennai Petroleum Corporation Ltd (CPCL), Chennai; Rashtriya Ispat Nigam Ltd. (RINL), Vishakhapatnam; and MECON Ltd, Ranchi*

[2] *Indian Institute of Foreign Trade (IIFT), New Delhi; and Calcutta Dock Labour Board (CDLB), Kolkata.*

(i) functioning of regulators/administrators and statutory provident fund organisations with respect to governance, fund management and protection of subscribers' interests;

(ii) provident funds managed by selected Central Public Sector Enterprises/ Autonomous Bodies; and

(iii) the implementation of selected voluntary pension schemes implemented by the Government of India

1.4.3 Audit scope and methodology

The Performance Audit covering the period from April 2017 to March 2024 began with an Entry Conference held on 12 January 2022 and a stakeholder engagement meeting on 08 July 2022 with the Department of Financial Services and Pension Fund Regulatory and Development Authority (PFRDA). This was followed by review of records of PFRDA. An Exit Conference with PFRDA was conducted on 21 August 2024.

In addition to PFRDA, examination of records, data analysis, entry and exit conferences were also organised with relevant Ministries/Departments, Autonomous Bodies (ABs), Central Public Sector Enterprises (CPSEs) and implementing agencies covered in audit. Details of stakeholder engagement meetings are tabulated in **Annexure-I**. The draft audit reports were issued to concerned auditees and their responses were considered and suitably incorporated in the Audit Report.

The Audit Report was issued to the Department of Financial Services (DFS) and other concerned Ministries/Departments on 31 January 2025. An Exit Conference was held with DFS and other Ministries/Departments and entities on 7 March 2025 to discuss major audit findings. The replies of DFS (28 April 2025) to the draft Performance Audit report, including the responses of other Ministries/Departments, have been duly considered and suitably incorporated in the Report.

1.4.4 Sources of Audit criteria

The following are the major sources of Audit criteria:

- Various statutes namely, PFRDA Act, 2013, Provident Funds Act, 1925, Employees' Provident Funds and Miscellaneous Provisions Act, 1952, Assam Tea Plantations Provident Fund and Pension Fund Scheme Act, 1955, Seamen's Provident Fund Act, 1966, Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948
- Regulations, notifications, circulars and rules issued from time to time by the Ministries/Departments and other entities.
- Investment guidelines issued by PFRDA, Department of Economic Affairs, Ministry of Labour and Employment and EPFO.
- Gazette Notifications issued by Ministries related to the Government Pension Schemes.
- Agenda and approved Minutes of Board Meetings of auditee entities.
- Reports of relevant Committees.

1.5 Acknowledgement

Audit acknowledges the cooperation received from the Department of Financial Services, other Ministries/Departments and Central Public Sector Enterprises and Autonomous Bodies covered in audit.

Chapter II-

Pension Fund Regulatory and Development Authority

Chapter-II
Pension Fund Regulatory and Development Authority

2.1 About PFRDA

National Pension System (NPS) is regulated by an independent regulator i.e Pension Fund Regulatory and Development Authority (PFRDA). The Government of India introduced NPS from 1 January 2004, through a notification on 22 December 2003, for new entrants to Central Government service, except Armed Forces (extended to all citizens with effect from 1 May 2009). With the introduction of NPS, an Interim PFRDA was initially established (23 August 2003) to promote, develop and regulate the pension sector in India. Later, the PFRDA Act was passed by the Parliament in September 2013 and it came into effect from 1 February 2014.

Subsequently, Atal Pension Yojana (APY) was introduced as a pension scheme by the Government of India, with effect from 1 June 2015, creating a universal social security system for all Indians, especially the poor, the under-privileged and the workers in the unorganised sector. Any Indian citizen who has a savings bank account and is in the age group of 18-40 years, can join APY. Under APY, minimum guaranteed pension of ₹1,000 or ₹2,000 or ₹3,000 or ₹4,000 or ₹5,000 per month would start after attaining the age of 60 years depending on the contributions by subscribers for their chosen pension amount. PFRDA was entrusted the role of administering APY under the overall administrative and institutional architecture of (NPS).

2.1.1 Organisational structure, powers and functions of PFRDA

PFRDA consists of a chairperson, three whole-time members and three part-time members to be appointed by the Central Government. Section 14(1) of the PFRDA Act prescribes that PFRDA has the duty to regulate, promote and ensure orderly growth of the National Pension System and pension schemes to which the Act applies and to protect the interests of subscribers of such system and schemes. Section 14(2) of the PFRDA Act lays down the powers and functions of PFRDA which are detailed at **Annexure-II.**

2.1.2 NPS Architecture

The system architecture of NPS is unbundled with each intermediary undertaking a specialised activity for attaining economies of scale so that operational/intermediation costs can be kept at the minimum. The list of intermediaries involved in NPS architecture and their functions are depicted in Figure 2.1. The names of registered intermediaries are given in **Annexure-III**.

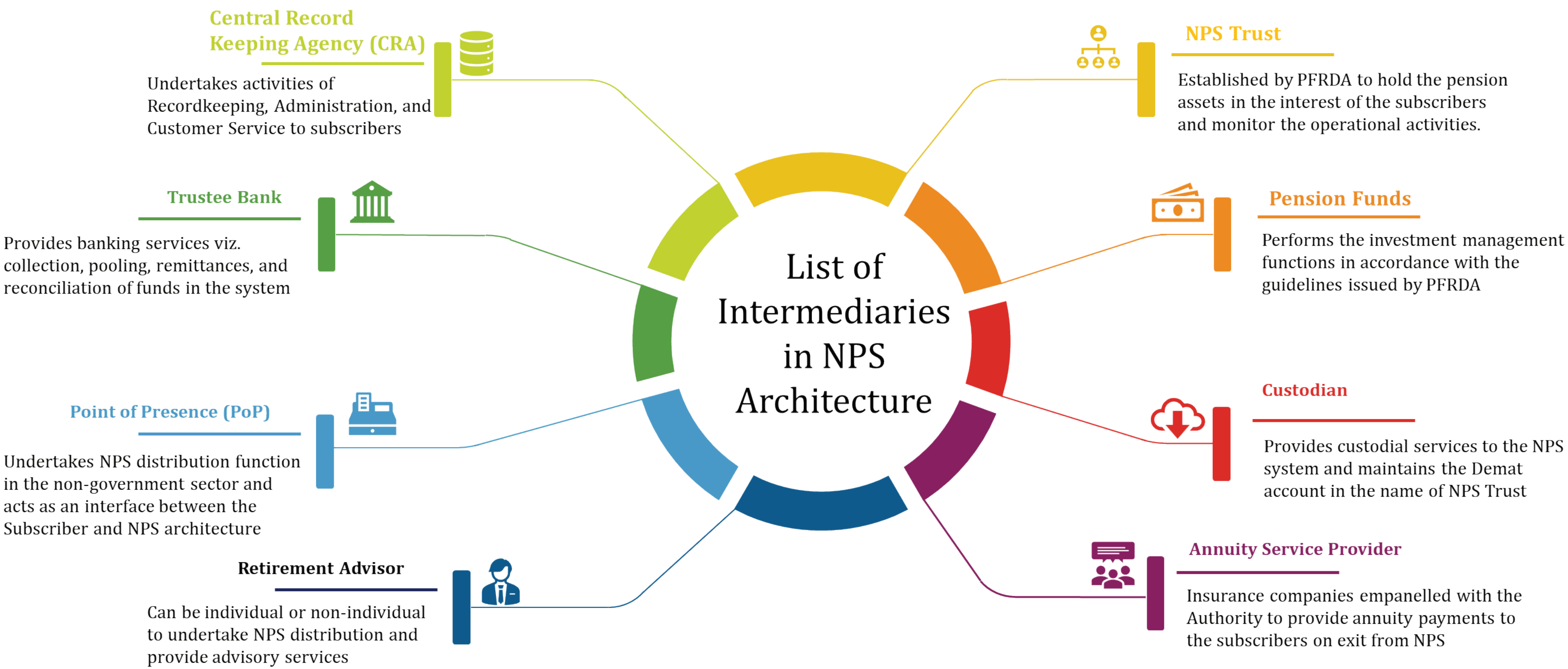

Figure 2.1: List of Intermediaries and their functions in NPS Architecture

2.2 Governance framework of PFRDA

Audit observations on the governance framework of PFRDA are discussed in succeeding sub-paragraphs:

2.2.1 Governance Structure

As per the NPS architecture, PFRDA is the regulator and is responsible for oversight and strategic direction whereas NPS Trust is an intermediary and acts as the operator. As per Regulation 10 of PFRDA (NPS Trust) Regulations, 2015, NPS Trust shall be managed by a Board of Trustees, consisting of 5 to 11 trustees, to be appointed by PFRDA. The general superintendence, direction and control of affairs of the Trust shall vest with the Board of Trustees. Out of the trustees appointed, one trustee shall be designated by PFRDA as Chairperson of the Board of Trustees of NPS Trust. PFRDA shall also appoint a Chief Executive Officer (CEO) of the NPS Trust, who shall not be a trustee. The CEO shall be responsible for the day-to-day administration and management of NPS Trust. The Finance Minister, in the Budget speech (2019), announced the separation of NPS Trust from PFRDA to ensure an arm's length relationship between NPS Trust (Implementer) and PFRDA (Regulator) and to protect the interests of subscribers.

Audit observed that:

- The management of NPS Trust was subject to the superintendence, direction and control of the Board of Trustees. Further, the day-to-day administration and management of NPS Trust was to be carried out by the CEO. However, appointments of the trustees and the CEO were made by PFRDA as per PFRDA (NPS Trust) Regulations. This implied that PFRDA was both the regulator and the appointing authority of the CEO and trustees of NPS Trust.

- PFRDA appointed intermediaries (entities involved in the NPS architecture) while being the regulator.

- PFRDA, being the regulator, was required to maintain an arm’s length relationship with the NPS Trust. However, the Trust Deed had been executed between PFRDA, as the settlor and the trustees of the NPS Trust. Thus, PFRDA, despite being the regulator, was also the settlor of the NPS Trust.

- PFRDA was entrusted with the responsibility to regulate, promote and ensure orderly growth of the National Pension System and other pension schemes to which the PFRDA Act applied. Also, PFRDA was tasked with protecting the interests of subscribers in these systems and schemes, which involved enforcing rules, monitoring performance and ensuring that stakeholders complied with established regulations. However, PFRDA was also serving as the implementer of NPS and Atal Pension Yojana (APY). In that capacity, PFRDA was setting enrolment targets for the schemes, promoting their benefits and driving their growth.

PFRDA replied (June 2023) that PFRDA (NPS Trust) Regulations, 2015 have been amended in April 2023. As per the amended Regulations, the power to appoint officers and other staff of the NPS Trust, and to determine their pay and allowances and other terms and conditions of service has been conferred on the Board of Trustees, with intimation to PFRDA. It was further stated that the proposal of separation of NPS Trust and PFRDA through amendment of the PFRDA Act had been forwarded to the Ministry of Finance and was under consideration.

The Department of Financial Services stated (April 2025) that as per Section 27 of PFRDA Act, 2013, registration of intermediaries was under the purview of PFRDA. While PFRDA regulates and supervises the intermediaries under the NPS architecture, NPS Trust manages subscribers' assets in their best interests. It was further stated that the amendments of NPS Trust Regulations in 2023 had clearly separated the role and responsibility of PFRDA and NPS Trust including the power to the Board of Trustees to appoint staff and manage their terms of service.

The replies of the Department/PFRDA with regard to amendment made in PFRDA (NPS Trust) Regulations are acknowledged. However, PFRDA would continue as the appointing authority for the intermediaries, as the settlor of NPS Trust deed and as the implementer of NPS and APY besides being a regulator, till appropriate action is taken.

Recommendation No. 1

The Department of Financial Services (DFS) may consider separation between the regulatory role of PFRDA and the operational role of the NPS Trust in order to ensure arm's length relationship between the regulator and the operator.

2.2.2 Governance Framework

In order to ensure transparent functioning and accountability of PFRDA, the PFRDA Act, 2013 and the Rules and Regulations made thereunder stipulate publishing of performance reports with various disclosure requirements and periodic submission of statements and returns to the Central Government.

Audit observations on the functioning of PFRDA are discussed below:

2.2.2.1 Annual Reports and Returns

(a) Disclosure of performance benchmark in Annual Reports

As per the PFRDA (Reports, Returns, and Statements) Rules, 2015, information about the performance of pension funds and performance benchmarks is required to be part of the Annual Report. The performance of the Pension Funds and the benchmark against which performance could be measured/evaluated were an important tool for subscribers to make informed decisions while opting for the Pension Fund.

Audit observed that the performance of pension funds was available in the Annual Reports of PFRDA for the years 2015-16 to 2021-22, but performance benchmarks were not provided therein. However, the performance benchmarks of these pension funds were provided in the Annual Reports of NPS Trust, which was an intermediary of PFRDA.

PFRDA stated (January 2023) that the suggestions of Audit were duly noted and the benchmark return would be incorporated in the Annual reports going forward.

(b) Performance evaluation system

As per Rule 7 of PFRDA (Reports, Returns and Statements) Rules, 2015, PFRDA was to determine the goals to be achieved by it relating to its duties and functions under the Act and develop a system to measure and evaluate its efficiency in achieving such goals. Every year, PFRDA was to prepare a report on its performance, based on the evaluation carried out by it and make it a part of its Annual Report.

From scrutiny of records of PFRDA made available, audit could not ascertain if PFRDA had put in place a system/mechanism to measure and evaluate efficiency in achieving goals related to its duties and functions under the Act. Further, in successive Annual Reports, there was no reference to any methodology/system based on which performance was being assessed and indicated in the Annual Reports.

(c) Furnishing of returns and statements to Central Government

According to Rule 3 of PFRDA (Reports, Returns and Statements) Rules, 2015, PFRDA was to furnish quarterly, to the Central Government, returns and statements on the following matters:

- Any directions issued by PFRDA under Section 15 of the PFRDA Act to the intermediaries in the interests of subscribers or for orderly development of NPS or a pension scheme to which the Act applies, or to prevent the affairs of any intermediary being conducted in a manner detrimental to the interest of subscribers, or to secure the proper management of any intermediary.
- Any investigation ordered by PFRDA under section 16 of the PFRDA Act.
- Number of complaints received from subscribers and redressed.
- Penalties imposed under Section 28 of the PFRDA Act.
- Any critical area adversely affecting the subscribers under the Act.
- Details of NPS and other pension schemes covered under the Act including intermediaries and other entities associated therewith and performance of such systems and schemes.
- Details of costs and fees paid by the subscribers under NPS for the service offered by the intermediaries.

Further, as per Rule 6 of PFRDA (Reports, Returns and Statements) Rules, 2015, PFRDA was to prepare a report of the expenditure incurred by it during the year in respect of its duties and functions under the Act. Also, PFRDA was to review, at least once every two years, its resources and report the outcome of such a review to the Central Government.

PFRDA was requested to produce copies of returns and reports submitted to the Central Government under Rule 3 and Rule 6 of the PFRDA (Reports, Returns and Statements) Rules, 2015. However, such reports were not made available to Audit. PFRDA replied (14 August 2024) that Reports as per Rule 3 of PFRDA (Reports, Returns and Statements) Rules, 2015 have been sent to the Department of Financial Services for Q4 2023-24 and the same would be shared at the completion of each quarter.

It is evident from the reply that while PFRDA had commenced complying with reporting requirements as per Rule 3, compliance with Rule 6 was still to be ensured.

2.3 Fund Management

Pension Fund means an intermediary which has been granted a certificate of registration under sub-section (3) of section 27 of PFRDA Act, 2013 by PFRDA for receiving contributions, accumulating them and making payments to the subscriber in the manner as may be specified by regulations. PFRDA grants certificate of registration to Pension Fund Managers for managing assets of the pension schemes. As of March 2024, there were 11 Pension Fund Managers under NPS Architecture.

2.3.1 Policies and guidelines for pension fund managers

As per Section 14(2)(b) of the PFRDA Act, PFRDA had the power to approve the terms and conditions for management of the corpus of the pension funds including the investment guidelines. Further as per Section 23(3) of the PFRDA Act, pension fund managers were to function in accordance with regulations made under the Act. In pursuance of the provisions of the Act, the PFRDA (Pension Fund) Regulations, 2015 were notified by PFRDA for pension fund managers.

As per Schedule X (Investment and Risk Management Committee) of the above Regulations, pension fund was to draw up an investment policy and place the same before its Board of Directors for approval. In framing such a policy, the Board of Directors would be guided by issues relating to liquidity, prudential norms, exposure limits, stop loss limits in securities trading, management of all investment and market risks, management of assets liabilities mismatch, investment audits and investment statistics and the provisions of PFRDA's guidelines or directions.

PFRDA issued Investment Guidelines **(Annexure-IV)** for pension fund managers in the years 2015 and 2021. The guidelines, *inter alia,* provide for:

- Permissible categories of investment (Government Securities, Corporate Bonds, Equity and Others) and exposure limits,
- Limitations over the investment in the form of minimum permissible investment grade, maximum exposure limits etc.
- Broad exit clause for the investment for which the investment grade falls below the permissible investment grade.

Audit observed that the investment guidelines of PFRDA did not specifically include aspects such as stress testing and asset-liability mismatch. Further, the investment guidelines of PFRDA also did not contain broad parameters to implement Stop loss policies for management of various risks, as discussed in the following sub-paragraphs:

2.3.1.1 Stop loss policy

Stop loss refers to limiting the potential loss in an investment in case of downfall in the investment. A Stop loss policy defines the trigger point at which the pension fund manager would take a call either to exit or hold the investment, as per their investment guidelines.

Pension fund managers invested the funds available to them under the NPS architecture as per the investment guidelines issued by PFRDA. As per the guidelines, PFRDA provided investment limits and type of instruments in which the pension fund managers would invest the money. Further, PFRDA (Pension Fund) Regulations, 2015 mandated that the pension fund managers would have an investment policy approved by their respective Board of Directors including stop loss limits in securities trading.

Audit observed that few pension fund managers did not formulate stop loss limits for certain investments like corporate bonds and other securities. Audit compared the investment policy of seven pension fund managers and observed that they had formulated the stop loss limits for only some of the categories of investment during the years 2017-18 to 2023-24, as shown in the table below:

Table 2.1: Stop loss policy of pension fund managers

Name of the pension fund manager	Corporate Bonds	Equity	Other securities (Alternate asset class)
SBI Pension Funds Pvt. Ltd	Yes	Yes	No
LIC Pension Fund Ltd.	Yes	Yes	No
UTI Pension Fund Ltd.	Yes	Yes	No
HDFC Pension Fund Management Ltd.	Yes	Yes	No
ICICI Prudential Pension Fund Management Co. Ltd.	Yes	Yes	Yes
Kotak Mahindra Pension Fund Ltd.	No	Yes	No
Aditya Birla Sun life Pension Fund Management Ltd	No	Yes	No

The amount of assets under management under NPS architecture as of 31 March 2025 was ₹14.45 lakh crore of which 55 *per cent* was held in Government Securities, 23 *per cent* in Corporate Bonds, 19 *per cent* in Equity and 3 *per cent* in other securities.

As seen from the table above, only equity investments i.e., 19.00 *per cent* of the total assets were fully covered with stop loss limits.

PFRDA stated (May 2022) that the stop loss limits were forming part of Investment policies of pension fund managers which were publicly disclosed on their websites.

Department of Financial Services stated (April 2025) that each Pension Fund follows its own investment strategy, guided by its Investment Committee and Board, with a focus on maximising subscribers' benefits. Investments in G-Secs, Corporate Debt, and Alternate Assets follow strict credit and risk policies. PFRDA and NPS Trust ensure adherence to stop loss policies with regular reviews and reporting.

The reply may be viewed in light of the fact that stop loss limits had not been formulated by the pension fund managers for all categories of investment. This was despite the need to have stop loss limits in place for corporate bonds and other securities (alternate asset class), to protect the fund's value during unforeseen market disruptions.

Recommendation No. 2

Stop loss limits for corporate bonds and other securities may be formulated and implemented by PFMs.

2.3.1.2 Asset Liability Management (ALM)

Asset Liability Management (ALM) is used by financial institutions to mitigate financial risks resulting from a mismatch of assets and liabilities. ALM employs a combination of risk management and financial planning to manage long-term risks that can arise due to changing circumstances. The importance of ALM in the pension sector emanates from various factors specific to pension funds like long duration of investments, uncertainty of life expectancy, heterogeneity of contribution among members, differences in choices at the age of retirement (100 *per cent* annuities against 70 *per cent* annuities and 30 *per cent* lump sum), etc.

An expert committee under the chairmanship of Shri G.N. Bajpai (former Chairman, LIC and SEBI) was constituted (September 2014) by PFRDA to review the investment guidelines for NPS Schemes in the private sector. The terms of reference of the Committee, *inter alia,* were to recommend suitable measures for ALM. The Committee submitted its report in April 2015, wherein it was recommended that:

- NPS portfolio predominantly consisted of fixed-income securities and therefore the regulator (PFRDA) should adopt a dynamic ALM module, which could, *inter alia,* include prudential duration gap limits, prudential rates for interest rate sensitivity and a structural liquidity framework.
- A mechanism on the lines of Debenture Redemption Reserve could be considered to avoid sale of investments under duress.
- Central Recordkeeping Agencies should regularly share data on exits with pension fund managers who may then develop their own ALM policies in line with the prudential guidelines stipulated by the regulator.

Audit observed that PFRDA did not issue guidelines regarding adoption of the ALM policies for NPS.

PFRDA replied (October 2023) that:

- ALM Module was required where the inflow of the funds was low. However, in the case of NPS, the inflow of funds was significantly high.
- The securities under NPS were marked to market, which provided fair value of the securities on a daily basis and liquidity position of the pension funds was good and for managing redemption and exits, the data for exits that would be happening in next three

months was shared by the Central Recordkeeping Agencies with the pension fund managers.

- Approximately, 4-5 *per cent* of the corpus was kept by the pension funds in the short-term securities, which was sufficient to cover the increased outflow demand, if any, that would come up in the years to come. Currently, no such situations were faced by the pension funds and the ALM module may be developed in the future on need basis.

The Department of Financial Services stated (April 2025) that PFRDA had informed that annual review of the legacy corpus assessed liquidity and fund transfer capacity, which was reported to the Board. The Central Recordkeeping Agencies shared three months' exit forecasts with the pension funds for ensuring efficient exits. Liquidity was regularly monitored with portfolio composition of 19 *per cent* equity, 54 *per cent* G-secs, 24 *per cent* corporate bonds and three *per cent* money market instruments. Since the investments reflected market prices, liquidation was aligned with the payouts to subscribers.

The replies may be viewed in light of the fact that as recommended by the Bajpai Committee introduction of Asset Liability Management policies would be useful to align asset maturities with payout obligations. Mark-to-market valuations do not guarantee liquidity, especially in less liquid bond markets. ALM enables better cash flow forecasting and risk management, ensuring that funds are available when needed.

Recommendation No. 3

PFRDA may consider implementing ALM policies for NPS in order to align asset maturities with payout obligations.

2.3.2 Minimum Assured Return Scheme

As per Section 20 of the PFRDA Act, 2013, subscribers seeking minimum assured returns would have an option to invest funds in such schemes providing minimum assured returns as may be notified by PFRDA. Further, as per PFRDA (Pension Fund) Regulations, 2015, one of the eligibility criteria for a sponsor of pension fund was to ensure that the pension fund would have the ability to provide minimum assured return scheme through market-based mechanism which may include guarantee to be purchased by the subscriber.

The 21st Standing Committee on Finance (2005) on PFRDA Bill, 2005 also had recommended giving preference to pension fund managers that guarantee returns. Further, as per the report of the 40th Standing Committee on Finance (2010-11) on PFRDA Bill, 2011, the Department of Financial Services (DFS) had stated on the issue of 'market-based guarantee' that the financing arrangements for such guarantees required a fairly developed financial market and at that time no pension fund management company in India offered guaranteed pension products. The Department further informed the Committee that when the fund managers are registered under the PFRDA Act, the possibility would be explored to register those fund managers which could offer any kind of guaranteed pension products.

In the same report, the Standing Committee stated that they were deeply concerned about the uncertainty of returns on the funds of the subscribers and were dismayed at the casual approach of the Government as reflected in Clause 20(2)(g)[3], wherein the hapless subscribers had no implicit or explicit assurance of benefits, except market based guaranteed return mechanism, neither tried nor tested. As any effective pension scheme needed to be underpinned by stability of returns and reasonable post-retirement incomes, it was imperative that Government should provide for minimum guaranteed return and not the mere camouflage of market-based guarantee, which should not be less than the minimum return available currently under the defined benefit pension scheme. The Committee therefore desired that the Government must devise a mechanism to enable subscribers of NPS to be ensured of such minimum assured/guaranteed returns for their pension so that they are not put to any disadvantage vis-à-vis other pensioners. In the absence of such a guarantee/assurance, NPS could not justifiably claim to provide old age income security. Such a provision would also be complementary to the proposed Clause 25 wherein the ability to provide guaranteed returns had been made one of the eligibility criteria for the fund managers. If there was any shortfall, then the Government in its Budget could bear the same and assume that additional responsibility. This would go a long way in creating a sense of security amongst the employees so that not only would their capital be safe, but they would also be getting stable returns on the same.

Audit observed that Minimum Assured Return Scheme (MARS) was yet to be implemented by PFRDA's pension fund managers. The issue was also highlighted in CAG's Performance Audit Report No. 13 of 2020 on National Pension System. It was further noted that as of January 2023, 23,927 Central Government subscribers had retired under NPS without an assured return.

PFRDA stated (November 2023) that a Committee had been formed to guide the design of MARS and its subsequent implementation by the pension fund managers.

The Department of Financial Services stated (April 2025) that a consultant had been appointed in February 2022, with a Committee guiding the design and implementation of MARS. The Department also stated that PFRDA was finalising MARS as a guaranteed-return investment option under NPS.

Recommendation No. 4

PFRDA may expedite implementation of a Minimum Assured Return Scheme to provide an option to NPS subscribers to receive a minimum assured return upon retirement.

2.3.3 Adherence to Investment guidelines by pension fund managers

PFRDA issued Investment Guidelines for NPS Schemes[4] and Atal Pension Yojana wherein maximum limits on the percentage of the total investment allowed in various categories[5] of investment was laid down. The limits as per guidelines (July 2021) are given in **Annexure-IV**.

[3] ***As per Section 20(2)(g) of the PFRDA Act, there shall not be any implicit or explicit assurance of benefit except market-based guarantee mechanism to be purchased by the subscriber.***

[4] ***Scheme CG (for Central Government employees), Scheme SG (for State Government employees), Corporate CG (for Corporate Sector employees) and NPS Lite scheme (for unorganised sector)***

[5] ***(i) Government Securities and Related Investments, (ii) Debt Instruments and Related Investments, (iii) Short-term Debt Instruments and Related Investments, (iv) Equity and Related Investments, and (v) Asset Backed, Trust Structured and Miscellaneous Investments***

PFRDA also issued Investment Guidelines for other schemes[6] under separate categories of investments.

On the basis of reports submitted by the pension fund managers, NPS Trust submitted exception reports for deviations observed, along with its recommendations to PFRDA.

Audit analysed the Investment Guidelines and Exception Reports and observed that the pension fund managers had breached the investment limits on several occasions. Two types of breaches were noticed, namely, Investment in a Scheme/Instrument which was not allowed and breach of the investment limits for various investment classes.

As per records pertaining to exception reporting made by NPS Trust to PFRDA, the number of instances of breach of investment limits that were reported during the years 2017-18 to 2023-24 were as follows:

Table 2.2: Instances of breaches of Investment guidelines

Name of the Pension Fund Manager	Number of Instances						
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Aditya Birla Sun life Pension Fund Management Ltd	2,534	1,186	260	0	0	0	1
ICICI Prudential Pension Fund Management Co. Ltd.	4	8	10	11	12	8	0
LIC Pension Fund Ltd.	7	7	11	10	12	15	9
SBI Pension Funds Pvt. Ltd	8	13	12	13	18	21	8
Kotak Mahindra Pension Fund Ltd.	7	20	25	29	14	6	0
HDFC Pension Fund Management Ltd.	44	45	156	1,085	944	5	1
UTI Pension Fund Ltd.	2	1	2	11	7	1	6

The exception reporting by NPS Trust was made on the basis of returns filed by pension fund managers as per periodicity defined under the regulation i.e. on a monthly basis. However, corrective measures were prescribed by the regulator (PFRDA) after lapse of a considerable time period, reckoned from date of breach of investment limits. Given that market conditions are dynamic and investment values can change daily, delays in detecting breaches may reduce the effectiveness of corrective actions and expose the fund to potential risks.

PFRDA replied (July 2022) that presently no system was available for real-time monitoring of investment limits at PFRDA. However, limits were monitored on real-time basis by the pension funds and going forward also, the real-time monitoring and checking of the limits

[6] *For unorganised/private sector, based on different Asset classes viz., Asset Class E (Equity and Related Instruments), Asset Class C (Corporate Debt and Related Instruments), Asset Class G (Government Bonds and Related Instruments) and Asset Class A (Alternative Investment Funds)*

would rest with pension funds only as they were primarily responsible for the investment actions.

The Department of Financial Services replied (April 2025) that the pension funds tracked limits in real-time and reported on monthly basis to NPS Trust. NPS Trust reviewed the compliances, consolidated the findings and submitted the observations to PFRDA for further action. However, the primary responsibility of investment monitoring was with the pension funds and automation at NPS Trust may enhance day to day investment monitoring.

The replies may be viewed in light of the fact that real-time monitoring at the regulator level is not mandated, however quicker exception reporting by NPS Trust could ensure that information reaches PFRDA more promptly, enabling faster regulatory action.

Recommendation No. 5

PFRDA may consider reviewing the periodicity of submission of investments reports by pension fund managers to NPS Trust as well as exception reports from NPS Trust to PFRDA.

2.4 Protection of subscribers' interests

PFRDA regulates the NPS ecosystem. The objective of PFRDA is to promote old-age income security by establishing, developing and regulating pension funds to protect the interests of the subscribers of pension funds and for matters connected therewith or incidental thereto.

Functions of PFRDA with regard to protection of subscribers' interests, *inter-alia*, include:

- Ensuring safety of the contribution of subscribers to various schemes of pension funds to which the PFRDA Act applied.
- Ensuring that the intermediation and other operational costs under the NPS were economical and reasonable.
- Undertaking steps for educating subscribers and the general public on issues relating to pension, retirement savings and related issues and training of intermediaries.
- Establishing mechanism for redressal of grievances of subscribers.

2.4.1 Regulations for Government Nodal Offices

The PFRDA Act, 2013 defines a subscriber as a person who subscribes to a scheme of a pension fund. This definition does not differentiate between Government subscribers and private subscribers of NPS. Further, the following provisions outline the compensation framework for subscribers and the penalties applicable to intermediaries in the event of service deficiencies or violations of established rules and regulations:

- Provision 41 of the PFRDA (Points of Presence) Regulations[7], 2018 mandated compensation to subscribers if Points of Presence (PoPs) fail to meet Service Level Standards or adhere to guidelines issued by PFRDA.
- Section 28(5) of PFRDA Act, 2013 provides for penalties on intermediaries that fail to comply with its provisions, rules, regulations, and directions.

As per the annual reports of PFRDA, the absence of an enabling provision precluded Government nodal offices (Central Government, State Government and Autonomous nodal offices) from being considered as intermediary as per PFRDA Act 2013 and hence they remained outside the purview of penalty provisions provided under Section 28 of the PFRDA Act 2013. Further, Annual Reports mentioned that the CCS (Implementation of National Pension System) Rules, 2021 as notified (30 March 2021) by the Department of Pension and Pensioners' Welfare (DoPPW) laid down the General conditions of implementation of NPS under the Central Government sector. The said rules, *inter alia,* mandated adherence to timelines related to various NPS activities while stipulating that the responsibility in case of delays was retained with the Head of the Department.

Audit further observed that though the time taken in remittance to subscribers' accounts was regularly reported by PFRDA to nodal offices of Central and State Governments, the information on individual delays was not disclosed to the concerned subscribers (who were the affected party). The concerned Government subscribers to NPS were also not informed about their pending credit and compensation due to them (from the Government) in line with CCS (Implementation of NPS) Rules 2021.

PFRDA replied (March 2023 and August 2024) that the associated Employer/Government Department was responsible for timely deduction and processing of NPS contributions and service requests, etc. as per the concerned notifications of the Government. The Board of PFRDA decided (April 2016) that Government as the employer should take onus for timely upload of subscription and subscriber grievances. A specific Government sector department in PFRDA interacted with the nodal officers and provided handholding by making them aware of the guidelines to be followed. It was also informed that based on the data received from the Central Recordkeeping Agencies (CRA), supervisory review of nodal offices was also undertaken. The reports shared with the nodal offices by CRA could be utilised by those offices for calculation of compensation to be paid, if any, due to delay in contribution as per the applicable rules notified by the Governments concerned. PFRDA also stated that details about the delays were communicated with nodal offices and their controlling offices as well as the subscribers.

Department of Financial Services, while endorsing the response of PFRDA, replied (April 2025) that efforts would be made to include a separate section under the Annual Report where the number of cases with delays and their reasons would be explained.

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[7] ***The PFRDA (Points of Presence) Regulations, 2018 aimed at encouraging an independent, strong and effective distribution channel for NPS and other schemes regulated and administered under the provisions of PFRDA Act, 2013 and to ensure that market practices of Points of Presence were fair, efficient and transparent for the promotion and protection of interest of subscribers.***

The replies underscore that instances of delayed remittance or non-remittance of contributions were required to be communicated to subscribers, as these affect the subscribers' retirement corpus.

2.4.2 Collection of fee/charges by NPS Trust and PFRDA

2.4.2.1 Collection of fee/charges by NPS Trust

As per regulation 4(2)(t) under Chapter-II of PFRDA (National Pension System Trust) Regulations, 2015, NPS Trust Deed shall contain a provision regarding collection of fee or charges from subscribers for any services rendered to subscribers, after approval of PFRDA.

Audit observed that from the year 2015, NPS Trust was charging an annual fee of 0.01 *per cent* of the Assets under Management (AUM). The fee was reduced (December 2017) to 0.005 *per cent* effective from April 2018 and the same was paused from January 2019 to July 2019. Thereafter, the fee was again charged at the rate of 0.005 *per cent*. As on 31 March 2024, NPS Trust had a corpus fund of ₹94.19 crore, built substantially from the collection of fees. Creation of significant corpus by charging fees/charges as a percentage of AUM from the subscribers was against the interest of subscribers and should have been a concern for the regulator.

PFRDA accepted the audit observation and replied that the Board of PFRDA in its 114th meeting held on 12 October 2023 reviewed the recovery of fee/charges by NPS Trust and reduced it from 0.005 *per cent* to 0.003 *per cent* of AUM per annum with the observation that as the AUM of the NPS and APY schemes were growing rapidly, another review of the recovery of fee/charges by NPS Trust may be undertaken after one year.

2.4.2.2 Collection of fee/charges by PFRDA

Under the NPS architecture, PFRDA charged various fixed fees like Application fee, Registration fee and Annual fee to be paid by the intermediaries to the PFRDA and these fees formed part of income of PFRDA. Audit compared the fee collected by PFRDA with that of another regulator *viz.*, the Securities and Exchange Board of India (SEBI), which comes under the administrative control of the Department of Economic Affairs, and observed that there was substantial difference in the fees charged by PFRDA and SEBI as shown in the table below:

Table 2.4: Comparison of fees charged by PFRDA and SEBI

Name of the Intermediary	Type of Fee	Fees charged by SEBI	Fees charged by PFRDA
Portfolio Manager[8]/ Pension Fund Manager	Application Fee	₹1 lakh	₹10 lakh
	Registration Fee	₹10 lakh	₹25 lakh
	Annual Fee	₹5 lakh every three years	As determined by PFRDA from time to time, subject to minimum ₹10 lakh
Merchant Banker[9]/ Trustee Bank	Registration Fee	₹20 lakh	₹25 lakh
	Annual Fee	₹9 lakh every three years from the sixth year	As determined through bid or such other manner as may be

[8] *(as per SEBI Regulations 2020)*
[9] *(as per SEBI Regulations 2025)*

Name of the Intermediary	Type of Fee	Fees charged by SEBI	Fees charged by PFRDA
			decided by PFRDA at the time of selection process
Custodian	Application Fee	Not Applicable	₹5 lakh
	Registration Fee	Not Applicable	₹25 lakh
	Annual Fee	Not Applicable	0.0005% of Asset under Custody or ₹10 lakh, whichever is higher
Central Recordkeeping Agency (CRA)	Registration Fee	Not Applicable	₹25 lakh
	Annual Fee	Not Applicable	0.05 times the service charges

Audit observed that the fees charged by PFRDA contributed significantly to the corpus of PFRDA which stood at ₹415.25 crore as of 31 March 2024 including a surplus (net of expenses) of ₹117.81 crore for the year 2023-24. PFRDA may consider rationalising the fee charged from intermediaries.

2.4.3 Subscriber Education and Protection Fund

PFRDA (Subscriber Education and Protection Fund) Regulations, 2015 provides for the establishment of a fund *inter alia*, out of grants, donations and penalties, which shall be utilised towards protection of the interest of the subscribers and for promoting, educating and creating awareness among subscribers in relation to pension, retirement saving and related issues. Regulation 6 of the aforesaid Regulations stipulates that PFRDA shall constitute a Committee for recommending subscriber education, awareness and protection activities and for utilisation of the Subscriber Education and Protection Fund. The meetings of the Committee shall be convened at least once a quarter. Further, the Committee shall submit a report to PFRDA on a quarterly basis detailing the funds received, their utilisation and plan for the forthcoming quarter, for the activities to be carried out, if any. PFRDA shall review the reports referred to it and assess the performance of the activities of the Committee. PFRDA shall also give directions for the optimal utilisation of the Fund in order to enhance the effectiveness of its activities.

Audit observations on the Subscriber Education and Protection Fund (SEPF) are discussed in following sub-paragraphs:

2.4.3.1 Meetings of SEPF Committee

As per Regulation 6(2) of the PFRDA (SEPF) Regulations, 2015, the Committee shall consist of the following members, namely (a) the Executive Director of PFRDA who shall be the convener of the Committee; (b) two other officials of PFRDA; and (c) four other members who have expertise in the financial market and experience in matters of subscriber grievance redressal or subscriber education. Further, Regulation 8(1) requires at least one meeting of the Committee to be convened in a quarter.

Audit observed that since its constitution in December 2016, only eight meetings of the SEPF Committee were held till March 2024 against the stipulated 29 meetings. This indicated that

PFRDA did not take effective measures to ensure that the SEPF Committee met at stipulated intervals, towards effectively fulfilling its envisaged role of promoting and raising awareness among subscribers.

PFRDA stated (April 2023) that in addition to the members from PFRDA, the SEPF Committee consisted of other external members, who had expertise and experience in the financial markets. Due to this diversity of members from different fields and organisations, their availability had to be seen to conduct the meetings.

Audit acknowledges the fact that availability of external members was required to be ensured. However, this requirement cannot justify the significant delay in holding meetings of the Committee. Given the role of the SEPF Committee in raising awareness and educating subscribers, PFRDA had the responsibility to ensure that the Committee met as per the stipulated frequency.

2.4.3.2 Utilisation of SEPF Funds

SEPF had an opening balance of ₹141.19 lakh as of April 2017, which grew to ₹273.75 lakh by March 2024. However, from FY 2016-17 to 2023-24, only ₹50.08 lakh[10] was spent from SEPF. Records made available indicated that PFRDA did not have an effective action plan for utilising funds lying in SEPF for targeting intended beneficiaries through dedicated awareness programmes.

PFRDA replied (August 2024) that accumulated amount in SEPF since 2015 was minimal due to which recurring activities could not be undertaken.

Department of Financial Services reiterated (April 2025) PFRDA's view and stated that given the limited funds in SEPF, expenditure decisions required prudent financial management.

The reply had to be seen in light of the fact that a significant amount of ₹273.75 lakh was lying unutilised in SEPF as of March 2024, which could have been gainfully utilized to meet the intended purposes of the fund.

Recommendation No. 6

PFRDA may expedite regular meetings of SEPF Committee and ensure effective utilisation of funds lying in the Fund.

2.4.4 Grievance Redressal Mechanism

The broad features of Grievance Redressal Mechanism under NPS architecture are given in **Annexure-V.** The grievances from various modes were consolidated in a central portal *viz.*, Central Grievance Management System (CGMS) and then routed to the concerned intermediary. A grievance could be escalated if the resolution was not provided within the prescribed time period or if the complaint was rejected, or if a subscriber was not satisfied with the reply. There were four levels for raising/escalation of grievances as shown in the table below:

[10] comprising ₹0.08 lakh in 2019-20 and ₹50.00 lakh in 2023-24

Table 2.5: Levels for raising/escalation of grievances under NPS architecture

S. No	Level	Timeline	Escalation to
1	Nodal Office/ Concerned Intermediary	30 days	NPS Trust
2	NPS Trust	30 days[11]	Ombudsman
3	Ombudsman	90 days	PFRDA
4	PFRDA (Designated Member)	60 days	Securities Appellate Tribunal

Audit observed the following deficiencies in the Grievance Redressal Mechanism of PFRDA:

2.4.4.1 Integrated Platform for lodging of grievances

As per Para 9 of the PFRDA (Redressal of Subscriber Grievance) Regulations, 2015, the Grievance Redressal Policy should provide for automated systems to enable online registration, tracking of the status of grievances by complainants and generation of periodical reports as may be specified by PFRDA. The system should also be so designed that it can integrate seamlessly with PFRDA's system in the manner as may be specified by PFRDA from time to time.

The following were the different ways in which an NPS subscriber could lodge grievances:

- in the Central Grievance Management System (CGMS) provided by each Central Recordkeeping Agency (CRA) against the associated nodal offices/Points of Presence or any other intermediary under PFRDA.
- through physical letters in the prescribed form.
- through the call center/CRA helpline with the help of the customer care executive.
- through Public Grievances Portal, monitored by the Government of India under Centralised Public Grievance Redress and Monitoring System (CPGRAMS).

Audit observed that:

- The aggrieved subscribers could raise grievances through multiple channels with a variety of means (online/offline/calls) and all grievances were eventually resolved through the CGMS portal managed by the respective CRA.
- The CGMS portal was not integrated with the CPGRAMS portal and there was a need for manual intervention for routing CPGRAMS grievances to the intermediary concerned through CRA. The grievances received through CPGRAMS by DFS were directed to PFRDA. At PFRDA, such grievances were downloaded manually and forwarded to the CRA for routing to the concerned intermediaries afresh for resolution. Further, after the resolution of the grievance, PFRDA again downloaded the resolution provided by the concerned intermediary and uploaded the same in the form of an Action

[11] *Revised to 21 days with effect from 21 February 2024*

Taken Report (ATR) on the CPGRAMS portal. In this way, the grievances were marked as resolved and were closed in the system of the CPGRAMS portal.

PFRDA replied (February 2023, May 2023 and August 2024) that multiple channels were opened for the convenience of the subscribers and due to security reasons stated by NIC, CGMS could not be integrated with CPGRAMS. It also stated that integration was not possible because the CGMS platform was provided by an intermediary of PFRDA, which was neither a government body nor it was available on the platform of NIC. Later, NIC indicated that the technical feasibility of integrating the two platforms could not be ruled out, but it would require further deliberations involving the technical teams of the concerned CRAs and NIC.

Audit appreciates the initiative of PFRDA in providing more than one channel to raise grievances for the convenience of the subscribers. However, PFRDA may take steps to integrate CPGRAMS with CGMS and to automate the migration of grievances, in order to fully comply with the requirement of PFRDA (Redressal of Subscriber Grievance) Regulations, 2015, regarding the implementation of automated grievance redressal system.

2.4.4.2 Time taken in resolution of grievances

As per Section 6(5) of the PFRDA (Redressal of Subscriber Grievance) Regulations, 2015, every grievance was to be disposed off within a period of 30 days of its receipt and a final reply was to be sent to the complainant, containing details of resolution or rejection of the complaint, with reasons thereof recorded in writing. Further, as per Section 10 of the Regulations, any subscriber whose grievance had not been resolved within 30 days from the date of receipt of the grievance by the intermediary, or who was not satisfied with the resolution provided by any intermediary under the NPS (other than NPS Trust) would register a grievance with the NPS Trust, against such intermediary. The NPS Trust was to follow up the grievance with the concerned intermediary for redressal of the subscriber grievance. The NPS Trust was to call for the resolution of the subscriber grievance and respond to the subscriber within 30 days from the date of receipt of the grievance, about the resolution of the grievance.

PFRDA furnished (June 2023) data dump of grievances of all the three CRAs. Audit scrutiny of grievance data revealed that out of total 14,05,423 grievances, in 92,251 instances (6.56 *per cent*) the turnaround time for resolution of grievances exceeded 30 days. Further, audit scrutiny revealed that there were 51,187 grievances (3.68 *per cent*) which were resolved within 90 days and 41,064 grievances (2.95 *per cent*) took exceptionally high time (more than 90 days).

Further, delay was also noticed in grievances escalated to NPS Trust. Audit sought status of grievances (referrals) for cases escalated to NPS Trust on monthly basis for the year 2021-22. Analysis of data furnished by PFRDA revealed that a total of 2,593 grievances were escalated to NPS Trust from one of the CRAs[12] for FY 2021-22. Audit observed that NPS Trust took more time than the prescribed turnaround time (30 days) for 140 escalated cases (5.40 *per cent*).

In reply, PFRDA furnished (November 2023) comments of NPS Trust that on a monthly basis. NPS Trust identified the grievances that were pending for more than 60 days and sent reminder to the concerned entities against which such grievances were pending by way of physical

[12] ***Protean eGov Technologies Limited***

letters. On receipt of reminder from NPS Trust, some of the grievances were resolved, whereas there were grievances that remained unresolved, the status of which was further ascertained after 45 days of sending the said reminder, which were transferred to PFRDA. NPS Trust adopted the mechanism of persuasion through calls and reminders for timely resolution of grievances, as there was no enforcement mechanism available with NPS Trust against such entities.

Audit is of the view that an enforcement mechanism was necessary for timely resolution of complaints. Also, increasing subscriber awareness and feedback mechanisms could help in empowering subscribers and containing the number of grievances.

2.4.4.3 Tracking of grievances and effectiveness of grievance redressal

The grievances received by PFRDA were lodged into Central Grievance Management System (CGMS), facilitated by each CRA, for which a token (a unique reference number) was generated. The grievance was attended by the entity concerned which posted resolution details in the system. The subscriber could check the status of grievance and details of resolution using the assigned token number. If not satisfied with the resolution provided, the aggrieved subscriber could escalate it to the next level (refer table 2.5).

Audit observed that whenever a subscriber wanted to escalate grievance against any entity due to rejection or non-satisfactory reply, escalation had to be made afresh, and a new token number was to be generated presuming it as a new grievance. There was no link between the grievances raised and escalated by the same subscriber and hence it was not possible to track a grievance chronologically with a single token number till the final resolution. It was further observed that no checks were available to identify and mark multiple grievances received from an aggrieved subscriber on different platforms on the same issue as a single grievance.

Between 2017-18 and 2023-24, a total of 14,25,235 grievances were received on CGMS. Audit, however, could not comment on the effectiveness of grievance resolution, as there was no database of resolved cases that were escalated as appeals to the next level by the subscribers. Without having the linkage between resolved cases and appeals made against those cases, the quality of resolution or the satisfaction of the subscribers could also not be commented upon.

PFRDA accepted in its reply (July 2023) that there was a lack of thread in the grievance redressal management system of PFRDA, to track the grievance chronologically with a single token number in case of escalations.

Audit is of the view that PFRDA needs to leverage the technology to develop an automated and centralised Grievance Redressal portal with unified escalation system, which can work across different agencies and departments.

Recommendation No. 7

PFRDA may establish (i) a robust mechanism for timely resolution of complaints by developing a centralised grievance redressal portal with automated migration of grievances from different agencies, and (ii) a unified system for escalation of grievances.

2.4.4.4 Functioning of Ombudsman

The subscriber whose grievance had not been resolved by the intermediary within 30 days from the date of submission of the grievance to the NPS Trust, or who was not satisfied with the resolution provided by the NPS Trust, could prefer an appeal to the Ombudsman against the concerned intermediary or entity. Initially, on receipt of the complaint, the Ombudsman shall make an effort for settlement by mutual agreement or mediation between the complainant and the intermediary or entity concerned and passed such award within 30 days. If the matter was not resolved by a mutually acceptable agreement within a period of 30 days of receipt of the complaint, the Ombudsman would issue an award within a period of 90 days from the date of the filing of the complaint.

Audit observations on functioning of Ombudsman are discussed below:

(a) Time taken in issue of award by Ombudsman

Under the PFRDA (Redressal of Subscriber Grievance) Regulations, 2015, the turnaround time for issuing an award on adjudication by the Ombudsman was 90 days from the date of the filing of the complaint.

Audit observed that between April 2018 and April 2022, a total of 58 cases were processed by the Ombudsman. A test-check of 12 cases out of the total 58 cases, for which records/information were provided by PFRDA, revealed that there were delays in issuing the award, ranging between 17 days to 502 days (beyond the turnaround time of 90 days), with a median delay of 231 days. This indicated the need for more robustness in the mechanism to monitor the Ombudsman's adherence to the turnaround time.

PFRDA replied (December 2022 and August 2024) that an award could not be invalidated due to the delay in issuing of award as provided by the Regulations. It stated that most delays in awards were due to the pandemic lockdown and other unforeseen contingencies. Also, due to calling for remarks/comments from multiple intermediaries involved in NPS to make informed decisions, delays occurred in the process of issuing the award. Regarding mechanisms to monitor compliance to turnaround time by the Ombudsman, PFRDA stated (May 2023) that the Ombudsman was required to submit an annual report to PFRDA within three months of the close of each financial year containing a general review of activities of the office. The PFRDA Board made observations on the report and the same were intimated to the Ombudsman to take suitable action.

The reply may be viewed in light of the fact that:

- Delays in issue of award by the Ombudsman may cause loss to the subscriber i.e., loss of corpus (loss of opportunity cost). The aggrieved subscriber could approach the fourth level (PFRDA) and the subsequent fifth level (Securities Appellate Tribunal), only after the Ombudsman passed an award. Hence the issue of award by the Ombudsman within the defined turnaround time was required for an effective and robust grievance redressal mechanism.
- Out of the 12 cases test-checked in audit, six cases had been filed during the period of Covid-19 pandemic or immediately preceding it (i.e. January 2020 to June 2021).

However, in the remaining six cases also, there was a median delay of 476 days in the issuance of awards, far exceeding the stipulated timeline of 90 days.

- Given the low burden of the number of cases dealt with by the Ombudsman, the period of 90 days was sufficient for calling for remarks from multiple intermediaries and to adjudicate upon the appeal. Also, dependence on an annual report from the Ombudsman was insufficient to monitor adherence to the turnaround time, since the annual report could only offer retrospective insight but would not address ongoing compliance with the 90-day timeframe.

(b) Enforcement of Ombudsman's Award

According to PFRDA (Redressal of Subscriber Grievance) Regulations, 2015 an award issued by the Ombudsman was to be implemented by the party so directed within 30 days of receipt of the award.

During test-check of 12 files provided by PFRDA regarding the Ombudsman award, Audit observed that the award was not implemented in two cases and the status of implementation of the award was not available in the file concerned in ten cases. Further, the Ombudsman did not endorse copy of the award to PFRDA despite being the regulator, to enable effective enforcement of the award on the intermediaries.

PFRDA replied (February 2023 and August 2024) that no records were available with PFRDA regarding the date of implementation of the award. It was only when the complainant/appellant approached the Ombudsman with information/mails regarding non-implementation of the award, that such mail was forwarded by the Ombudsman to PFRDA. On non-endorsement of the award by the Ombudsman, PFRDA replied that a copy of the Ombudsman award was not endorsed to PFRDA as the PFRDA (Redressal of Subscriber Grievance) Regulations, 2015 did not mention/specify this requirement. PFRDA attributed delays in compliance with Ombudsman awards in the Government sector to the nodal offices. These delays were regularly communicated and followed up. The implementation of NPS in this sector was dependent on both administrative efficiency and the financial condition of the respective Governments. Enforcing Ombudsman order remained a challenge, relying heavily on persuasion and consistent follow-up.

Department of Financial Services replied (April 2025) that compliance with Ombudsman awards was undertaken by the nodal offices and was affected by the administrative and financial constraints.

The replies may be viewed in light of the fact that in two instances where the Ombudsman award was not implemented, Audit did not find records indicating financial constraints that would have prevented enforcement of the award. The response of PFRDA that delays were regularly communicated and followed-up contradicted its earlier statement that no records were available regarding the implementation date. Further, the fact of dependency on the complainant/appellant for raising of grievance due to non-implementation of the award did not absolve the government nodal offices from reporting non-implementation of the award, to PFRDA.

Recommendation No. 8

PFRDA may take effective steps for timely implementation of awards issued by the Ombudsman.

2.5 Summing up

PFRDA has played a vital role in shaping India's pension framework through the NPS. Its initiative to create a pension market reflects a commitment to ensuring long-term financial security for a growing subscriber base. Through regulatory reforms, technology-driven processes, and a focus on financial inclusion, PFRDA has established itself as a critical institution in India's evolving pension landscape.

However, Audit findings point to significant areas for improvement in the areas of governance, fund management and grievance redressal.

PFRDA is both the regulator and operator, which exercises control over the appointment of intermediaries. In terms of fund management, even though PFRDA has established clear investment guidelines the absence of a comprehensive stop-loss policy and robust Asset-Liability Management (ALM) indicate the need for taking steps in this direction.

The grievance redressal mechanism included an escalation matrix and defined turnaround time for resolution of grievances under NPS. However, timely resolution of grievances and enforcement of awards issued by the Ombudsman were areas that required further improvement.

Chapter III-

Statutory Pension Systems

Chapter-III
Statutory Pension Systems

As per section 12(3) of the PFRDA Act, 2013, the Act shall not apply to the following Schemes/Funds:

- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
- The Assam Tea Plantations Provident Fund and Pension Fund Scheme Act, 1955
- The Seamen's Provident Fund Act, 1966
- The Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948
- The Jammu and Kashmir Employees' Provident Funds Act, 1961 (repealed[13])

These entities serve diverse workforce groups and operate under distinct legislative mandates, but they share the overarching objective of ensuring post-retirement social security for their members.

This Chapter brings out the comparative analysis of four statutory provident fund organisations *viz.*, Employees' Provident Fund Organisation (EPFO), Assam Tea Employees Provident Fund Organisation (ATEPFO), Seamen's Provident Fund Organisation (SPFO) and Coal Mines Provident Fund Organisation (CMPFO) in terms of their governance structures, operational challenges and financial management. **Table 3.1** in the next page highlights the features of the four organisations to provide context.

It can be seen from **Table 3.1** that some of the Acts have provision for Insurance, but the scope of the review undertaken by Audit was restricted only to the Provident Funds and Pension Schemes under these Acts. The detailed findings of each of these mandated funds are brought out in the succeeding paragraphs.

[13] *The Jammu and Kashmir Employees' Provident Funds Act, 1961 was repealed and Employees' Provident Funds and Miscellaneous Provisions Act, 1952 became applicable in the Union Territories of Jammu & Kashmir and Ladakh with effect from 1 November 2019, as per the Jammu & Kashmir Reorganisation Act, 2019*

Table 3.1: Basic features of various Statutory Pension Systems

Parameter	EPFO	CMPFO	SPFO	ATEPFO
Governing Act	Employees' Provident Funds and Miscellaneous Provisions Act, 1952	Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948	Seamen's Provident Fund Act, 1966	Assam Tea Plantations Provident Fund and Pension Fund Scheme Act, 1955
Administrative Ministry	Ministry of Labour and Employment	Ministry of Coal	Ministry of Shipping	Government of Assam
Applicable to	Any establishment engaged in any industry specified in Schedule-I of the Act in which twenty or more persons are employed. Other establishments notified by Central Government which engages twenty or more persons	Employees employed in or in connection with Coal Mining.	Employees of the merchant shipping industry	Workers employed in tea plantations and factories of Assam
Schemes/ Benefits under the Act	• Provident Fund under Employees' Provident Fund (EPF) Scheme, 1952. • Pension under Employees' Pension	• Provident Fund under Coal Mines Provident Fund Scheme (CMPF), 1948 • Pension under Coal	Provident Fund under Seamen's Provident Fund Scheme	• Provident Fund under Assam Tea Plantations Provident Fund Scheme (1955), • Pension under Pension-cum-Family Pension Scheme (1968/1972)

Parameter	EPFO	CMPFO	SPFO	ATEPFO
	Scheme (EPS), 1995. • Insurance under Employees' Deposit Linked Insurance (EDLI) Scheme, 1976.	Mines Pension Scheme (CMPS), 1998		• Insurance under Deposit Linked Insurance Fund Scheme (1984).
Contribution	Employee Contribution: 12% Employer Contribution: 12% Contribution is capped at maximum wage ceiling of ₹15,000	Provident Fund: Employee & Employer Contribution: 12% Pension Fund: Employee & Employer Contribution: 7%	Employee Contribution: 12% Employer Contribution: 12%	Employee Contribution: 12% Employer Contribution: 12%
Number of Establishments as on 31 March 2024	24,18,166	798 Coal Mines and Offices	606 Shipping Companies	1,266
Number of Subscribers (as on 31 March 2024	32.56 crore	3.34 lakh subscribers and 6.14 lakh pensioners	1.11 lakh	12.83 lakh subscribers and 33,235 pensioners
Assets Under Management (AUM) as on 31 March 2024	EPF: ₹15.29 lakh crore EPS: ₹8.76 lakh crore	PF: ₹1,27,345.71 crore Pension: ₹22,334.46 crore	₹3,296.75 crore (only PF)	PF: ₹13,887.71 crore Pension: ₹376.21 crore

3.1 Employees Provident Fund Organisation

The Employees' Provident Fund Organisation (EPFO) is a statutory organisation under the Ministry of Labour and Employment (MoL&E). It came into existence with the promulgation of the Employees' Provident Funds Ordinance in 1951, subsequently replaced by the Employees' Provident Funds Act, 1952. The Act is now referred to as the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (EPF&MP Act, 1952) which extends to the whole of India.

The Act applies to:

- Every establishment, which is a factory engaged in any industry specified in Schedule-I of the Act in which 20 or more persons are employed; and
- Any other establishment employing 20 or more persons or class of such establishments which the Central Government notifies in the Official Gazette.

Besides, an establishment that does not otherwise fall under the purview of the Act, can get itself covered voluntarily when the employer and the majority of its employees agree that the provisions of the Act should be made applicable to their establishment.

As of 31 March 2024, the total Assets Under Management with EPFO was ₹24.05 lakh crore and a total of 24,18,266 establishments and 32.56 crore members were covered under EPFO.

EPFO administers the EPF&MP Act, 1952 and manages three key social security schemes under the overall supervision of the Central Board of Trustees. The three schemes under EPFO are:

- The Employees' Provident Fund (EPF) Scheme, 1952
- The Employees' Pension Scheme (EPS), 1995
- The Employees' Deposit Linked Insurance (EDLI) Scheme, 1976

Details of these schemes are given in **Annexure-VI**.

3.1.1 Governance Framework

The Central Board of Trustees is a tripartite statutory body constituted by the Central Government under Section 5A of the Act. The tenure of the Board is for five years, and it has the responsibility to administer the EPF&MP Act,1952 and the three Schemes framed under the Act. The Central Board consists of representatives of Government {Central Government (five members) and State Government (15 members)}, Employers (10 members) and Employees (10 members). The Union Minister for Labour and Employment is the Chairman of the Central Board.

The main functions of the Central Board are:

- Administration of the funds vested in the Board.
- Delegation of administrative and financial powers, as deemed necessary.
- Appointment of officers and staff.
- Maintenance of Accounts of Income and Expenditure in prescribed form and manner.

The Committees of the Central Board, consisting of representatives of employers, employees, Government, and domain experts are constituted to aid and advise the Board for specific purposes. Various committees include Finance, Investment and Audit Committee (FIAC), Pension and EDLI Implementation Committee (PEIC), Exempted Establishments' Committee (EEC) and Executive Committee. The functions of these committees are given in **Annexure-VII.**

The Employees' Provident Funds Scheme, 1952, prescribed a minimum of two meetings of the Central Board and four meetings of the Executive Committee in a financial year, which was complied with during the audit period.

3.1.1.1 Responsibility of Investment Committee

The Central Board of Trustees of EPFO, through its Finance, Investment and Audit Committee (FIAC), selected the portfolio managers and allocated funds among them according to the principles set by the latter. Additionally, FIAC was responsible for overseeing and inspecting the activities of portfolio managers, which required objective assessment to ensure their optimal performance and adherence to guidelines.

However, involvement of FIAC in the appointment and selection of these portfolio managers as well as in exercising oversight over them resulted in the same Committee under the Central Board of Trustees performing both selection and inspection duties.

The 42nd Standing Committee on Labour (2017-18), in their Report titled 'Regulatory Framework of the EPFO on the Excluded category vis-a-vis implementation of various PF Acts', had quoted a response from the Ministry of Finance wherein the Ministry had also stated that EPFO performed the role of both regulator and player.

EPFO in their reply (February 2024) denied any conflict of interest and stated that the selection of the portfolio managers was done by the Central Board of Trustees for which a selection committee was constituted to assist in the selection process. The Committee consisted of an external member i.e. Chief General Manager, PFRDA. On the other hand, the Investment Committee (earlier FIAC), a sub-committee of the Central Board of Trustees was entrusted with the task relating to monitoring of investments. EPFO also stated that the performance of portfolio managers was evaluated by EPFO with the assistance from CRISIL against objective benchmarks, with findings reviewed by the Investment Committee (earlier FIAC). Also, fund allocation to portfolio managers was based on objective criteria outlined in the Request for Proposal, including financial and technical performance.

The reply may be viewed in light of the fact that FIAC was involved in the preparation and approval of Request for Proposal as well as in the bidding process including opening of bids. FIAC also submitted recommendations to the Central Board of Trustees for selection of portfolio manager. Therefore, FIAC's responsibility in both, recommending selection of portfolio managers and exercising oversight over these portfolio managers could affect the objectivity required for effective fund management.

3.1.1.2 Compliance and reporting for exempted establishments

As per Section 17 (Power to exempt) of Employees' Provident Funds and Miscellaneous Provisions (EPF&MP) Act, 1952, the appropriate Government may, by notification in the Official Gazette and subject to such conditions as may be specified in the notification, exempt an establishment, whether prospectively or retrospectively, from the operation of all or any of the provisions of any Scheme, subject to certain conditions.

An establishment was granted exemption only when the rules of its provident fund in respect of the rate of contribution were not less favourable than the statutory rate and the employees were also in enjoyment of another provident fund, pension or gratuity and such other benefits which on the whole were not less favourable to the employees than the statutory benefits provided under the EPF&MP Act or any Scheme. The role of Exempted Establishment Committee (EEC) was to oversee the working of exempted establishments in all respects and to make suggestions for consideration of the Central Board of Trustees to improve working of the exempted establishments. The monitoring of the exempted establishments was done through monthly online returns and yearly compliance audits of the establishments by the Regional Provident Fund Commissioners.

Audit sought records relating to the Annual compliance audit reports of exempted establishments. EPFO provided the compliance audit report of one establishment. Audit observed that the establishment did not follow the applicable investment guidelines of the Ministry of Labour and Employment (MoL&E), as detailed below:

- The stipulated investment in Asset-backed, Trust structured and Miscellaneous Investments were up to five *per cent*, whereas investments made in this category were 92.72 *per cent*.
- The investments made in other categories were well below the prescribed norms, with no investment in equity.

In the compliance audit report of the above-mentioned exempted establishment, EPFO neither mentioned the deviation from investment norms nor the provision for liability to pay surcharge on invest not being as per norms.

Audit sought similar cases of deviation from investment norms observed by EPFO for other exempted establishments and the action taken in those cases, along with the list of establishments where the rate of contribution or benefits were less favourable to the employees than the statutory benefits provided under the EPF&MP Act or any Scheme along with action taken in those cases. However, EPFO did not provide the list of establishments where deviations were observed.

EPFO replied (August 2024) that the establishment pointed out by Audit had surrendered its exemption, which had been approved by the Central Provident Fund Commissioner for submission to the Exempted Establishment Committee/Central Board of Trustees. Additionally, 37 similar establishments, found non-compliant with exemption conditions over the past two years, were being recommended to the appropriate Government for exemption cancellation.

Audit further reviewed the monthly Performance Evaluation Reports (based on six parameters[14]) of exempted establishments available on EPFO's website. Based on the data extracted from these performance evaluation reports, it was observed that among the 1,300 (approx.) exempted establishments, 236 establishments did not file any return in a single month between April 2022 and March 2023. Additionally, 221 exempted establishments had consistently demonstrated poor performance, scoring between 100 to 400 out of 600, across most months during the same period. Further, EPFO did not provide the action taken by the Exempted Establishment Committee on the establishments which did not file returns and the action taken on the establishments which had consistently showed poor compliance to the aforesaid parameters. Hence, Audit could not draw assurance on the effectiveness of monitoring through monthly Performance Evaluation Reports.

EPFO replied (August 2024) that a new Standard Operating Procedure (SOP) for management and regulation of exempted establishments had been devised (second half of 2023) wherein a new monitoring mechanism had been formulated, and a detailed matrix of monitoring had been laid down at the level of Regional Office (RO), Zonal Office (ZO) and Head Office (HO) for necessary compliance action. Establishments scoring poorly (0 to 300 marks) were reported for corrective action, with the involvement of Exempted Establishment Committee limited to policy matters and recommendations for exemption cancellations, when necessary. EPFO further stated that the list of such establishments that did not file any return in a single month between April 2022 and March 2023 was being taken out and the respective ROs and ZOs were being communicated to take action and send Action Taken Report to Head Office.

The Ministry of Labour and Employment stated (April 2025) that the Exempted Establishment Committee was primarily responsible for formulating overarching policies to benefit exempted establishments. A Manual on exempted establishments was already in place, along with Standard Operating Procedures covering various aspects of governance compliance and reporting. Additionally, an annual compliance audit mechanism was in operation for exempted establishments and any shortcomings identified during these audits were addressed in accordance with the prescribed instructions and SOPs. However, the Ministry also stated that the observation had been noted for deliberation and compliance.

While the reply of EPFO is acknowledged, it was imperative that the broader mandate of the Exempted Establishment Committee as outlined in its functions was fulfilled. The role of the Committee included overseeing the working of exempted establishments and making suggestions for improving the working of the exempted establishments, hence, limiting the ambit of its responsibilities to only policy matters or exemption cancellations would not be in the long term interest of EPFO.

Recommendation No. 9

EPFO may implement measures to improve the working of exempted establishments and minimise instances of non-compliance

[14] ***Transfer of Fund Before Due Date, Investment, Remittance to the Trust, Interest Declared, Claim Settlement, Audit of Accounts.***

3.1.1.3 Collection of fees/charges by EPFO

As per Section 39 of the Employees Provident Fund Scheme 1952, the Central Government in consultation with the Central Board of Trustees shall fix the percentage of administrative charges for meeting normal administrative expenses of EPFO. The said charges are paid by the employer along with the provident fund contribution of the employee and employer to the EPFO. The current rate of administrative charges payable by the employers of the unexempted establishments is 0.5 *per cent* of the total pay on which contributions are payable.

Audit observed that the administrative charges levied in respect of the unexempted establishments significantly contributed to building of corpus in the EPF Administration Fund Account of EPFO, which stood at ₹33,117.46 crore as of 31 March 2023. This indicated the need for administrative charges to be rationalised so as not to become a source of substantial surplus to EPFO.

In reply, EPFO (Feb 2024) stated that the expenses of EPFO were met from the administrative charges and EPFO did not get any grant from the Government/Consolidated Fund of India for its expenses. EPFO was bound to be self-sufficient in terms of revenue generation for its expenses. There was an increased need for financial resources in view of future expansion of the organisation, purchase of land and construction of buildings for newly opened offices, upgradation of IT infrastructure, fresh recruitment, etc. It was further stated that the rate of administrative charges was revised from time to time by the Government and in last 10 years, the rate of administrative charges had been reduced from 1.10 *per cent* in 2014 to 0.5 *per cent* in 2018.

The reply needs to be viewed in the context of ongoing increase of surplus in the Administration Fund Account of EPFO. There was a surplus of ₹2,420.77 crore in the Administration Account during FY 2023-24 which further added to the corpus. Retaining such a substantial corpus was indicative of the need for EPFO to periodically review the administrative charges.

The Ministry of Labour and Employment, while reiterating the response of EPFO, stated (April 2025) that the observation had been noted and would be considered during the next review.

3.1.2 Fund Management

The Central Board of Trustees appointed Portfolio Managers to act as its agents to manage the funds independently for EPFO under Portfolio Management Services (PMS). The funds included fresh accretions, interest receipts, maturity proceed of securities and the initial portfolio of securities transferred by the Central Board to the Portfolio Managers.

Further, the Central Board of Trustees authorised the Investment Management Committee, as per the Investment Manual, to supervise/review the investment process and investment guidelines to ensure that the investment decisions were in line with the investment objectives. The Investment Management Committee also reviewed the investment performance vis-à-vis relevant benchmark(s) as agreed with the Central Board.

The Portfolio Manager followed the investment pattern notified by the Ministry of Labour and Employment to invest funds in different categories of instruments. The investment pattern is given in **Annexure-VIII.**

3.1.2.1 Key aspects in Investment Management Policy

EPFO, in its Investment Management Manual, set out the broad operating framework within which the Portfolio Management Service (PMS) team would operate. It outlined the policy direction from the Government of India in the form of an investment pattern as well as the investment policies and guidelines framed by the Central Board for the management of funds. These policies and guidelines were intended to ensure that the investments were made for optimising returns without compromising the safety and security of the investments. Audit, however, observed that the investment management policy was deficient on the following aspects:

(a) Exit Policy

In EPFO, Committees of the Central Board were constituted to aid and advise the Board for specific purposes and for the purpose of investments, the Finance, Investment and Audit Committee (FIAC) had been formed. FIAC oversaw the investments handled by portfolio managers and supervised timely investment of funds with a view to realise optimum returns thereon.

Audit observed that the Investment Manual contained a broad framework of risk management and internal controls but did not contain an exit policy in reference to loss-making investments. As on 31 March 2022, EPFO was holding investments worth ₹16,028 crore, for which the investment grade was below the allowed investment grade (minimum AA grade) as notified by the Ministry of Labour and Employment.

EPFO replied (February 2024) that:

- The list of securities where ratings had been downgraded was placed before the Investment Committee (earlier FIAC) from time to time, along with recommendations given by the portfolio managers. Based on the inputs, the Investment Committee took a considered view with respect to the available exit options.
- The downgrade of securities in possession of EPFO was regularly monitored by the Consultant, CRISIL Limited. As per the intimation/report of the Consultant, the recommendations of the portfolio managers were sought. Accordingly, an agenda on such downgrades comprising recommendations from portfolio managers was presented before the Investment Committee. As per the directions of the Investment Committee, further course of action was decided.
- The drafting of a comprehensive Exit policy was in process.

The Ministry of Labour and Employment stated (April 2025) that the Exit policy for exit from securities below investment grade in EPFO portfolio was under formulation.

The reply of EPFO may be viewed in light of the fact that in case of downgrade of securities, immediate action would be required either to continue holding or to exit from such downgraded investments. However, in the present scenario, decision-making through the Investment Committee would only materialize during meetings of the Committee, which during 2022-23, met only on four occasions, indicating possible time lag between the dynamic market situation and the decision being taken.

Recommendation No. 10

EPFO may expedite finalisation of the Exit policy for investments.

(b) Risk Management Framework

The Investment Management Manual provided that the risk management team at the portfolio manager's end would ensure that investment pattern and investment guidelines were complied with and would review the processes and other measures to have an independent assessment of risks and their mitigation.

Audit observed that EPFO did not establish specific guidelines/framework for risk management and instead delegated this responsibility to the Portfolio Managers, who were entrusted with the task of managing funds. In this context, it was evident that the Finance, Investment and Audit Committee (FIAC), i.e. the Committee overseeing investments managed by these portfolio managers, played a limited role in risk management.

EPFO replied (July 2024) that:

- Investments were made in accordance with the pattern notified by the Ministry of Labour and Employment and the Central Board of Trustees also had specified additional guidelines to balance risk and returns. The investments were regularly monitored for compliance with the pattern of investment with the help of the Consultant (CRISIL) and external concurrent auditors.
- The Investment Committee, which is a sub-committee of the Central Board of Trustees was mandated with the responsibility of risk management of investments and to review all default cases and required to deliberate and recommend Exit option on downgraded securities.

EPFO further replied (August 2024) that the Investment Management Manual for portfolio managers prescribed for risk management team to carry out independent assessment of risks and their mitigation. Further, Risk Management Cell was created in November 2022 and approval for appointment of separate consultant for assistance in formulating risk management framework had also been given by the Central Board of Trustees in its 233rd meeting held on 27-28 March 2023.

The Ministry of Labour and Employment stated (April 2025) that EPFO had published a Request for Proposal (RFP) for selection of consultant for the purpose of framing risk management framework and for periodic risk assessment.

(c) Asset Liability Management (ALM)

Both the EPF scheme (Defined Contribution) and EPS Scheme (Defined Benefit) of EPFO had inherent risks associated with them. Asset Liability Management (ALM), which employs a combination of risk management and financial planning to manage long-term risks, can be utilized to mitigate financial risks resulting from a mismatch between assets and liabilities.

Audit noticed that EPFO did not provide guidelines to portfolio managers on asset liability management.

EPFO replied (November 2023) by citing Para 32 of the Employees' Pension Scheme 1995, which mandated the annual valuation of the pension fund. It emphasised that actuarial valuation focused on aligning assets and liabilities. It was also stated that a detailed study on ALM in order to adopt liability driven investment was proposed to be carried out through any IIM/Institute of eminence which would be an additional input to the actuarial report.

The reply of EPFO may be viewed in light of the fact that the primary function of ALM is to mitigate risks associated with investment and the conduct of an actuarial valuation is not a substitute for effective implementation of ALM.

The Ministry of Labour and Employment stated (April 2025) that the audit observation had been noted for compliance.

Recommendation No. 11

EPFO may prioritise implementing a robust ALM framework for better risk management.

3.1.2.2 Actuarial deficit

As per Section 32 of the Employees' Pension Scheme, 1995, the Central Government was to have an annual valuation of the employees' pension fund made by a valuer appointed by it. At any time, the Employees' Pension Fund permitted the Central Government to alter the rate of contributions payable under the Scheme or the scale of any benefit admissible under the Scheme or the period for which such benefit may be given.

Actuarial valuation under the EPS Scheme as of 31 March 2017, 31 March 2018 and 31 March 2019 was carried out by EPFO and as per the valuation reports, the following shortfall (i.e. Present Value of Benefits *minus* Present Value of Contributions) was reported by the actuary in his reports:

Table 3.2: Shortfall reported in actuarial valuation

(₹ in crore)

Date of Valuation	Actuarial Shortfall
31.03.2017	15,531.91
31.03.2018	34,597.24
31.03.2019	37,326.94

Audit observed that while calculating the shortfall, the actuary did not consider the minimum pension of ₹1,000 per month, provided under the Scheme. This would assume importance since the existing assessment itself indicated a significant actuarial deficit.

In reply, EPFO (April 2024) stated that:

- Actuarial shortfall was a projection or statistical estimate and there was no question of recouping the shortfall. Further, the actuarial deficit/surplus was taken care of by making alterations as provided in Para 32 of EPS.
- Actuarial estimate was a long-term estimate which assisted in decision-making to modify the Scheme from time to time.
- The factor of minimum pension of ₹1,000 per month was not taken in the actuarial valuation and would be taken in the next valuation.

The Ministry of Labour and Employment stated (April 2025) that the Government had approved actuarial valuations for the financial years 2017-18 and 2018-19 and appointments had been finalised for the subsequent valuations covering financial years 2019-20, 2020-21 and 2021-22. The draft report for the 2019-20 valuation as of 31 March 2020 was being finalised and valuation of EPS Fund for financial year 2020-21 as of 31 March 2021 was in progress. It was also stated that all the necessary assumptions were being considered for such valuations.

The replies may be seen in light of the fact that the actuarial shortfall represents funding gap between the present value of the assets and the liabilities, which needs to be addressed, since EPFO has to pay claims (minimum assured pension) of subscribers.

3.1.3 Subscriber Protection and Grievance Redressal Mechanism

3.1.3.1 Coverage and pension payout

As per the Employees' Provident Fund Scheme, 1952, employees earning monthly wages up to ₹15,000 (Basic pay + Dearness allowance) had to be mandatorily covered in the scheme. When the Scheme was launched in 1952, the wage ceiling was ₹300 per month and there had been successive increases in wage ceiling in the succeeding years. However, it has been 10 years since the last revision in the wage ceiling was done (in 2014) when it was raised from ₹6,500 to ₹15,000.

An ad-hoc Committee for enhancing coverage and reducing litigation was constituted (November 2021) by EPFO under the chairmanship of the Minister of State for Labour and Employment**.** The report titled 'Deliberations and Recommendations of the Ad-hoc Committee on Coverage and Related Litigation' was published in July 2022. The Committee during the deliberations was apprised that between 1952 and 1983, the wage ceiling in EPF was five to six times the minimum pay of Central Government employees. Between 1983 and 2006, it was two to three times. However, from 2006 to date, it was less than the minimum pay of Central Government employees. The Committee in its report stated that it would be desirable if the wage ceiling was linked to any identifiable metric issued by the Government of India from time to time for periodic revisions automatically. The Committee recommended certain wage ceiling/contribution ceiling options[15] for consideration of Central Government.

In this regard, Audit observed the following:

(a) Number of Contributing members in EPF

As per the Economic Survey (2021-22), in 2019-20, employment across the organised sector was 9.55 crore and the employment for the unorganised sector was 43.99 crore, aggregating to 53.54 crore. The members registered under the EPF scheme as per the Annual Report of EPFO for the financial year 2021-22 was 27.73 crore i.e. 52 *per cent* of the total employment. Further,

[15] ***Options recommended by the Committee were: (i) Three times the minimum pay of a Central Government employee (i.e. ₹54,000 per month); (ii) wage ceiling based on GDP per capita (approx. ₹25,000 per month); (iii) CPI adjusted present value of the wage ceiling in 1957 (approx. ₹45,000 per month); (iv) Three times the per capita annual Gross National Income at current prices (i.e. ₹42,000 per month); (v) Two times the income exempt from personal income tax (approx. ₹42,000 per month); and (vi) instead of wage ceiling, contribution ceiling up to which the Finance Act allows tax free interest could be adopted (i.e. ₹2,50,000 per annum for employees' share and ₹7,50,000 per annum for employers' share).***

as per the Annual Report, the average contributing members out of the total registered members was 4.63 crore i.e., 8.64 *per cent* of the total employment.

(b) Number of members contributing to EPS

In the Employees' Pension Scheme (EPS) as formulated by the EPFO, the wage ceiling was restricted to ₹15,000 and any person having monthly basic salary of more than ₹15,000 was not allowed to be a member of the Scheme.

Thus, the contributing population in respect of EPS was even lesser than EPF, as the EPF scheme allowed voluntary contribution even for wage celling above ₹15,000 but such voluntary contribution was not allowed in the case of EPS with effect from 1 September 2014.

(c) Pension payout under EPS

The pension of EPS members was dependent on pensionable salary (average monthly pay drawn during the contributory period of service in 60 months preceding the date of exit from the membership of the Pension Fund) and pensionable service (service for which contributions had been received).

For 2011-12 poverty estimation, consumption expenditure prescribed by Tendulkar methodology[16] estimated ₹4,080 per month in rural areas and ₹5,000 per month in urban areas for a family of five. Around 99 *per cent* of the total pensioners in EPS received monthly pension up to ₹4,000 which was even lesser than the consumption expenditure[17] of BPL families. On comparing the pension of EPS members with Atal Pension Yojana (APY), the subscribers who joined APY even at 40 years and opted for the maximum pension, would receive a maximum guaranteed pension of ₹5,000 per month.

(d) Action taken on ad-hoc Committee report

Audit noticed that a letter had been addressed (September 2023) by EPFO (Legal Division) to the Ministry of Labour and Employment forwarding the recommendation for aligning the wage ceiling to any identifiable metric as suggested in the report. However, revision in wage ceiling had not taken place so far.

EPFO replied (February 2024) that Section 7 of the Employees Provident Fund and Miscellaneous Provisions Act, 1952 authorised the Central Government to amend or vary the schemes[18] prospectively or retrospectively. Central Board of Trustees had accordingly recommended to the Central Government to suitably modify the schemes to: (i) enhance the wage ceiling and link it to any identifiable metric, (ii) modify the scheme to ensure mandatory enrolment of all employees under the three schemes and to receive contributions on their behalf

[16] ***In 2005, an expert group chaired by Shri Suresh Tendulkar was constituted to review the methodology for poverty estimation. Instead of monthly household consumption, consumption expenditure was broken up into per person per day consumption, resulting in the figure of ₹32 and ₹26 a day for urban and rural areas. The national poverty line for 2011-12 was estimated at ₹816 per capita per month for rural areas and ₹1,000 per capita per month for urban areas.***

[17] ***Consumption expenditure is the minimum level of expenditure required to fulfil the basic needs like food, clothing, footwear, fuel, light, educational and medical requirements.***

[18] ***Employees Provident Fund Scheme, Employees' Pension Scheme and Employees' Deposit-Linked Insurance Scheme***

up to the specified wage ceiling, and (iii) reduce the coverage threshold for an establishment under the Act to 10 employees. EPFO further stated that the recommendation of the Central Board had been forwarded to the Central Government on 20 September 2023 followed by subsequent reminders, and the matter was under consideration in the Ministry of Labour and Employment.

The Ministry of Labour and Employment stated (April 2025) that the matter of revising the wage ceiling was under active consideration in the Ministry and also in the Ministry of Finance.

Recommendation No. 12

The Ministry may take expeditious steps to revise the wage ceiling of Employees' Provident Fund Scheme, to enhance the coverage of the working population and ensure adequate pension upon retirement.

3.1.3.2 Grievance redressal mechanism in EPFO

The performance and service delivery parameters for grievance redressal were laid out in the Citizen's Charter issued (November 2022) by EPFO. The document contained the organisation's commitment to stakeholders to meet their expectations of service standards and a declaration of timely, accessible, affordable, equitable, seamless and sensitive delivery of services. The various modes of registering and resolving grievances *inter alia* included the Centralised Public Grievance Redressal and Monitoring System (CPGRAMS) and Employee's Provident Fund Online Grievance Management System (EPFiGMS).

(a) Employee's Provident Fund Online Grievance Management System (EPFiGMS)

The mechanism put in place by EPFO for the grievances lodged in EPFiGMS is given below:

- The EPFiGMS portal automatically generated a grievance registration number and sent it to the complainant's registered mobile number.
- The grievances were forwarded to the concerned Regional Offices for resolution.
- After taking necessary action, the Regional Office provides the resolution of the grievances by submitting the reply on portal and the reply is automatically forwarded to the complainant's registered mobile number.

As per the Annual Reports of EPFO, the turnaround time for grievance resolution till 2019-20 was 15 days. From 2020-21, the turnaround time was seven days. The actual turnaround time for grievance resolution as per the data provided by EPFO for the period 2017-18 to 2022-23 was as shown below:

Table 3.3: Time taken by EPFO in grievance resolution

Turnaround time (days)	Count of grievances	% of grievances
0-7	31,59,184	59
8-15	12,88,213	24
16-30	6,24,167	12
>31	2,58,127	5
Total	**53,29,691**	**100**

It can be seen from the table above that 41 *per cent* of grievances took more than seven days to get resolved and 17 *per cent* of the grievances took more than 15 days to get resolved. Audit further observed that approximately half (48 *per cent*) of the total grievances reported during 2017-18 to 2022-23 were related to claims settlement.

(b) Feedback Mechanism

Audit observed a minor variation between the feedback mechanism between CPGRAMS and EPFiGMS. For CPGRAMS, feedback was taken over calls from 20 complainants every month to find out the quality of redressal of grievances on the CPGRAMS portal. For EPFiGMS, once the grievance was resolved, the complainant was given the option to provide his/her feedback on a scale of 1-5 ratings.

The Ministry of Labour and Employment replied (April 2025) that:

(a) The workers could ventilate their grievances through CPGRAMS, EPFiGMS, UMANG App, various social media platforms, and departmental email ids. The workers could also make appeals through CPGRAMS in case their grievances were not resolved satisfactorily. The field formations of EPFO could also be approached for the grievances. Further EPFO was having call centers in English, Hindi and ten vernacular languages.

(b) The flagship initiative of EPFO i.e. Nidhi Aapke Nikat, in its 2.0 version, was an outreach scheme which aimed to serve multiple purposes to redress grievances as well as liaisoning with the State Government Departments/Agencies for coverage/extension of PF benefits. The EPFO functionaries from the field offices with IT infrastructure visited the districts and attempted to resolve the grievances on the spot and registered them in case of non-resolution on the spot.

(c) EPFO had taken various initiatives to streamline the claims settlement, such as, enabling auto-processing for advance claims up to ₹1 lakh, covering illness, housing, education, and marriage related claims for auto-processing, with 60 *per cent* of the claims being settled in auto mode. Member details corrections and most transfer claims now required minimal EPFO intervention, and over 99 *per cent* of the claims were now being filed online.

The initiatives taken by EPFO are acknowledged by Audit. However, the prevalence of claim-related grievances call for further improvements in the EPFO's claim processing procedures. Addressing these issues could further enhance efficiency and transparency within the organisation, ensuring smoother experience for the beneficiaries.

3.2 Coal Mines Provident Fund Organisation

Coal Mines Provident Fund Organisation (CMPFO), Dhanbad, an autonomous body under the Ministry of Coal, was established under the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948 to implement social security schemes for the benefits of employees employed in or in connection with coal mining. The Act applies to all companies engaged in coal mining and associated activities and *inter alia* includes (i) Coal India Limited (CIL) and its eight subsidiaries functioning under Ministry of Coal, (ii) the Singareni Collieries Company

Limited (SCCL), under the Government of Telangana, and (iii) outsourcing contractors of coal producing units.

There are 20 regional offices of CMPFO spread across the coal producing states in the country and are headed by the Regional Commissioners.

Currently, CMPFO manages two schemes, namely, Coal Mines Pension Scheme (CMPS) and Coal Mines Provident Fund Scheme (CMPF). As of 31 March 2024, CMPFO was managing Assets under Management (AUM) of ₹22,334.46 crore in Pension Scheme and ₹1,27,345.71 crore in PF Scheme with 3.34 lakh subscribers and 6.14 lakh pensioners. The details of the schemes under CMPFO are given at **Annexure-IX.**

3.2.1 Governance Framework

CMPFO was governed by a Board of Trustees (BoT) which was responsible for administering the Coal Mines Provident Fund Scheme 1971 and the Coal Mines Pension Scheme (CMPS), 1998. The BoT was headed by a Chairman appointed by the Central Government and consisted of 23 members including representatives of Central/State Government, enrolled employers and employees. The Commissioner, who was also appointed by the Central Government, acted as Chief Executive Officer and ex-officio member of the Board.

Audit observations on the efficacy of governance framework are discussed below:

3.2.1.1 Frequency of Board meetings

The Board of Trustees was the governing body of the CMPFO. The Act or the Scheme guidelines did not define any timeline for the meetings of the Board of Trustees. During the period from 2017-18 to 2023-24, only 12 Board meetings were held (i.e. less than two meetings a year, on an average) and the time gap between these meetings ranged between 2 months to 13 months.

CMPFO replied (July 2024) that for regulation of meetings of the Board, a calendar for conducting the meetings for the year 2024 had been prepared as per the directions of the Ministry of Coal.

The Ministry of Coal stated (April 2025) that for ensuring regular conduct of meetings, a calender for the year 2024 had been prepared, scheduling four meetings at regular intervals. This structured approach was being continued for the year 2025 as well.

Audit acknowledges the reply of the Management/Ministry. However, preparation of a meeting calendar is an interim measure and the frequency of meetings may be laid down, in order to enable exercise of oversight on a regular basis.

Recommendation No. 13

CMPFO may lay down timelines for conduct of meetings of the Board of Trustees and ensure regular meetings as per prescribed periodicity.

3.2.1.2 Monitoring of the deposit of subscription and damages

As per Section 23 of Coal Mines Pension Scheme (CMPS), 1998, the employer was responsible for deduction of the employee's share of contribution (from his salary) towards the CMPS and remit the same to the Commissioner, CMPFO. In case, any employer made default in the remittance of any contribution, the Commissioner was competent to recover damages for such delayed remittance at the rates specified in Schedule-4 of CMPS.

From a review of three cases[19], audit observed that the above provision was not effectively implemented for identification of recovery cases (i.e. non-deposit/short-deposit of the subscription amount) and for calculating the damages on the defaulted amount, as per the applicable rule. Moreover, demand notices issued by CMPFO for levy of damages did not have any uniform format and did not mention the specific Rule of CMPS.

CMPFO replied (July 2024) that the collection of subscription and damage charges was regulated by the provisions of respective Schemes. Due to acute shortage of manpower in recent past, the activity regarding monitoring of the deposit of subscription could not be taken up on large scale. Now as the appointment/promotion of staff was going on, this activity would be taken up on priority. Further, during the exit meeting (August 2024), CMPFO stated that a Standard Operating Procedure would be brought out for adopting a uniform practice in this regard.

The Ministry of Coal stated (April 2025) that mass promotions of eligible employees to critical posts was being undertaken by CMPFO with a view to strengthening the workforce and enhancing the efficiency of operations of CMPFO. This was expected to significantly improve the capacity of CMPFO to monitor the deposit activities more effectively and ensure that all processes were completed in a timely and organised manner.

3.2.2 Fund Management

CMPFO received contributions from subscribers of the Provident Fund Scheme, Pension Scheme and Deposit Linked Insurance Scheme (DLI effective up to January 2022). The subscription received from subscribers towards these schemes were invested as per investment pattern notified by the Ministry of Finance (March 2015) and adopted by the Board of Trustees (September 2015), as given in **Annexure-VIII.**

The combined funds amounting to ₹1,51,634.84 crore had been invested through the portfolio managers. With effect from 1 February 2020, UTI Asset Management Company Ltd, Mumbai, and SBI Funds Management Private Limited, Mumbai were managing the combined funds in the ratio of 60:40 respectively. The work of portfolio managers was reviewed by their concurrent auditors as well as by the Investment Sub-Committee of the Board of Trustees.

3.2.2.1 Meetings of Investment Sub-committee

CMPFO formed an Investment Sub-Committee in February 2007 to review the investments of CMPFO and for portfolio management. The sub-committee was to meet at least quarterly to review the investment portfolio of CMPFO and the Board of Trustees (BoT) was to be appraised about this in every meeting.

Audit observed that during the period from 2017-18 to 2023-24, the Investment Sub-Committee held 16 meetings while it was required to hold 28 meetings. The Sub-Committee

[19] ***These three cases pertain to the contractors deployed by the Central Coalfields Limited for its projects.***

did not hold any meetings in 2019-20. During 2022-23 and 2023-24, the Sub-Committee conducted four meetings each year. The delay in holding the meetings was in the range of around 1 month to 16 months. In 2018 and 2019, the rating of the investment in respect of Dewan Housing Finance Limited (DHFL), Reliance Capital (RCap) and Infrastructure Leasing and Financial Services Limited (IL&FS) were downgraded. However, as ascertained from the Minutes, this downgrading could not be reviewed by the Sub-Committee due to non-holding of regular meetings. The BoT also did not raise concerns regarding the inadequacy in review of investments by the Sub-Committee.

While accepting the audit observation, CMPFO (July 2024) and the Ministry of Coal (April 2025) stated that the meetings of the Investment Sub-Committee were not held regularly in the past but the Sub-Committee was regularly holding meetings for the last two years.

3.2.2.2 Performance benchmarks for portfolio managers

CMPFO entered into agreements (January 2020) with portfolio managers for investment of funds in the market to get optimum returns in compliance with the Government guidelines. As per the Portfolio Management Agreement, CMPFO was to set up Investment Monitoring Cell to evaluate the performance of portfolio managers and would also fix performance benchmarks to review the performance of portfolio managers.

Audit observed that as of March 2024, CMPFO neither constituted the Investment Monitoring Cell nor framed any performance benchmarks to evaluate the performance of portfolio managers. Consequently, the portfolio managers were not being evaluated regarding the investments made by them and the returns generated thereon.

CMPFO (July 2024) and the Ministry of Coal (April 2025) stated that CMPFO had initiated setting up of Investment Monitoring Cell. However, due to shortage of manpower, this could not be established. Later, the Board of Trustees took a decision to appoint a third-party agency for overall monitoring of all the investments including all intermediaries working on behalf of CMPFO. The tendering process for appointment of third-party agency had been completed and the work had been awarded to CRISIL Ltd in February 2025.

3.2.2.3 Sustainability of pension fund

Section 22 of CMPS, 1998 provides for regular valuation of pension funds through actuary every three years. The recommendation of the actuary was required to be placed before the Board of Trustees. It was also provided that at any time when the pension fund so permitted, the Board on the recommendation of actuary, may recommend it to the Central Government and with its approval may amend the rates of contribution payable under the Scheme or the scale of any benefits admissible or the period for which such benefit may be allowed.

Audit observed that the gap between assets and liability of the Pension fund of CMPFO widened over the years. As per the actuarial valuation reports, the net liability of the Pension Fund was as under:

Table 3.4: Net liability of the Pension Fund as per Actuarial valuation reports

(₹ in crore)

Actuarial valuation Report	Present value of all benefits	Present value of contribution	Net Present Value of all benefits	Corpus	Net Liability
A	B	C	D=(B)-(C)	E	F=(D)-(E)
As on 31.03.2015	62,376	7,986	54,390	13,413	40,977
As on 31.03.2019	95,551	37,887	57,664	15,272	42,392
As on 31.03.2022	1,14,533	47,573	66,960	18,999	47,961

Despite having deficit as depicted in the actuarial reports, CMPFO did not have a plan in place to address issues in sustainability of pension fund, in the near future. Further, there was neither any provision in the CMPF Act nor in the Pension Scheme framed thereunder, indicating as to who would bear the responsibility of meeting the gap in the Pension Fund. The Ministry of Coal informed (November 2022) CMPFO that with regard to a proposal for enhancement of Government contribution to Coal Mines Pension Scheme, the Ministry of Finance had clarified that it would not agree to any pension scheme where the burden would fall on the Government of India.

Audit further observed that the pension fund was getting adversely impacted from two sides *viz.*, the continuous year by year decrease in the number of subscribers and the year-wise increase in the number of pensioners. In 2017-18, the number of subscribers of the scheme was 4,45,000 which had reduced to 3,34,091 in 2023-24 whereas the number of pensioners in 2017-18 was 4,95,000 which had increased to 6,13,872 in 2023-24. The trend showed that in future this gap would get wider. As a result, the outflow from the pension fund was higher than the receipt of the contributions in majority of the last seven years.

CMPFO (July 2024) and Ministry of Coal (April 2025) stated that the Board of Trustees was very much concerned about the sustainability of the pension fund. The Board in its meeting held in February 2024 had constituted a high-powered committee under the Additional Secretary, Ministry of Coal along with the Commissioner, CMPFO; Director (Finance), Coal India Limited, and representatives from Singareni Collieries Company Limited, EPFO and the Actuary. The Committee held four meetings and observed that (i) the Pension Fund was projected to show a negative balance starting from 2031 (ii) there was an inherent design fault in the existing scheme, (iii) Coal companies needed to contribute more, either through additional contributions or other financial mechanisms to support the fund, (iv) A new scheme may also be adopted. These observations were deliberated by the Board in its meeting held in January 2025 and it was emphasised that Coal India Limited being a major stakeholder in the Pension Fund, should come out with some sort of financial package to bridge the gap in the fund. The proposal of Coal India Limited when received would be placed before the Board for deliberations.

Recommendation No. 14

CMPFO/Ministry of Coal may take expeditious measures to ensure long-term sustainability of the Pension Fund.

3.2.3 Protection of Subscribers' Interest

3.2.3.1 Subscribers' registration and data management

A new subscriber to the schemes of CMPFO had to submit documents[20] for registration at the time of joining. After verification of the documents, a unique CMPFO identification number (ID) was allotted to the subscriber which was referred/used for purposes of all schemes of CMPFO.

Audit inspected the records of Regional Office I & II, Ranchi and Regional Office, Deoghar and observed the following issues in subscriber registration and data management:

- **Subscribers' data**: The process of member registration for the Provident Fund and Pension scheme was being carried out manually through concerned regional offices located across the country. The subscribers' data was self-managed by CMPFO. There was no effective system for backup of vital data of subscribers as a measure against exigencies like loss or damage to the physical records by any reason whatsoever.
- **Non-inclusion of vital information in database:** The details of subscribers maintained in Ledger Card (LC) were not being updated. The database of subscribers maintained in unified format did not comprehensively contain information of members such as name, CMPFO account number, father's/spouse name, date of appointment, nominee name and relationship, date of birth, qualification, post held, date of superannuation, family details, Aadhaar number, PAN number, etc.
- **Single Registration for all units**: Unit/colliery-wise individual Allotment Register for entry of new members of that colliery was not maintained (RO, Deoghar). In an Allotment Register, more than one entry of mines was also found.
- **Allotment registers for dependent:** No register was maintained to record Pension claims/applications received in respect of claims of family/dependants.
- **Time frame for registration**: Timelines for registration of subscribers were not prescribed.

CMPFO stated (July 2024) that it was in the process of computerisation by partnering with C-DAC. All issues relating to data management would be addressed once the project was completed.

The Ministry of Coal stated (April 2025) that the digitisation process was being implemented by C-DAC in two phases. The first phase comprising creation of members data, online settlement of claims and creation of dashboard had already been implemented. The second

[20] *In Form No. PS- 3 (particulars of family members) and in Form no. PS-4 (nomination form).*

phase comprising financial module, mobile application and prescriptive report generation was underway and likely to be completed by May 2025.

3.2.3.2 Balance under Suspense account

CMPFO received contributions from their members towards the Provident Fund Scheme and Pension Scheme. Initially the contribution received from the member was transferred to Suspense Account. Thereafter, the classification processing was initiated with the help of annual contribution statements received from coal companies. After that the subscriptions were posted to the respective ledger accounts.

Audit noticed that at the end of 2023-24, an amount of ₹12,130.91 crore was lying in the suspense account. Effective action was not taken by CMPFO for settlement of the balance in suspense account. Further, the matter had seldom been discussed or reviewed in meetings of the governing body of CMPFO or any other committee.

CMPFO replied (July 2024) that it was in the process of complete digitisation of members' accounts. Once the digitisation process is completed, the suspense account balance would get largely diluted.

The Ministry of Coal stated (April 2025) that the second phase of digitization comprising financial module, mobile application and prescriptive report generation was underway and was likely to be completed by May 2025. The financial module would help online transaction of PF and Pension amount from Coal Companies to CMPFO/Bank and from CMPFO/Bank to members' account.

The replies need to be viewed in the context that the amount held in suspense account for long periods without classification or posting to individual ledgers could result in unclassified amounts missing out on potential investment returns (due to non-investment or delayed investment), which might also cause undue hardship to subscribers if such amounts remained in suspense account even after their retirement. Further, the digitisation process was not yet completed (November 2025).

Recommendation No. 15

CMPFO may take steps to clear the balances under suspense account and pass on the benefits to the subscribers. CMPFO may also expedite the process of digitisation of subscribers' accounts to prevent recurrence of accumulation of balance in suspense account in future.

3.2.3.3 Grievance redressal mechanism

The deficiencies in grievance redressal mechanism of CMPFO were highlighted in CAG's Compliance Audit Report (Economic & Service Ministries – Civil) No. 1 of 2023 under para 2.2 titled 'Operation of Coal Mines Pension Scheme, 1998 and Coal Mines Deposit Linked Insurance Scheme, 1976". It was recommended in the Report that the Management may devise a reliable mechanism for prompt and timely redressal of grievances.

In the Action Taken Note (ATN) on the above audit para, the Ministry of Coal informed (May 2023) that a full-fledged grievance section was working in CMPFO and there was a dedicated grievance redressal desk at Headquarters level which was functioning under direct supervision of the Commissioner, CMPFO. Further, there would be a provision for online grievance registering and monitoring system in the CMPFO's portal being developed by C-DAC. In subsequent ATNs, the Ministry informed about the progress of development of the portal.

The Ministry of Coal stated (April 2025) that CMPFO had a dedicated grievance redressal cell, headed by an Assistant Commissioner, which was responsible for addressing grievances received through both online and offline channels, ensuring that all concerns were thoroughly reviewed and resolved in a time-bound manner. Further, the grievance disposal process was closely monitored by the Commissioner, CMPFO as well as the Ministry of Coal, on a regular basis.

Audit appreciated the improvements brought by CMPFO in its grievance redressal mechanism.

3.3 Seamen's Provident Fund Organisation

The Seamen's Provident Fund Organisation was set up under the provisions of the Seamen's Provident Fund Act, 1966 to administer and operate the Seamen's Provident Fund Scheme. It works under the administrative control of the Ministry of Ports, Shipping and Waterways. The affairs of SPFO are controlled by the Board of Trustees, whose Chairman and members are appointed by the Ministry. There are nine members in the Board, three each from the officials of the Government, employer's representatives and employee's representatives. The Commissioner is appointed by the Government as Chief Executive Officer.

The office of the Commissioner, SPFO oversees operational and oversight functions relating to the Scheme. The cost of administration, including staff expenses are met from the administrative charges received from the employers which are at the rate of five *per cent* of the total amount of employers' and employees' contribution.

As of March 2024, the number of subscribers under SPFO was 1.11 lakh and the Assets under Management was ₹3,296.75 crore. The basic features of the Seamen's Provident Fund are given in **Annexure-X.** There are no provisions for pension or other retirement benefits in the scheme for seamen.

3.3.1 Governance Framework

The Board of Trustees was the governing body of SPFO for taking policy and administrative decisions relating to the scheme. The Board was assisted by a Finance Sub-Committee in administering the funds. The Commissioner was the Chief Executive Officer and served as the Secretary to the Board.

The Finance Sub-Committee of SPFO was constituted in the special meeting (held on 10 May 2002) to make recommendations regarding investment of Provident Fund subscriptions. There were seven members in the Finance Sub-Committee and the presence of any two members along with the Commissioner was required to ensure quorum. One meeting of the Sub-Committee was to be held in each quarter.

Audit observed that:

- Between 2017-18 and 2023-24, the meetings of Finance Sub-Committee were not held on quarterly basis as prescribed. Against the required 28 meetings, only 16 meetings were held, with year-wise meeting details being: 2017-18 (2 meetings), 2018-19 (1 meeting), 2019-20 (2 meetings), 2020-21 to 2022-23 (3 meetings each), 2023-24 (2 meeting).
- The portfolio manager submitted monthly reports to SPFO which were reviewed by a third-party consultant (CRISIL Ltd) on quarterly basis. The review report was to be examined by the Finance Sub-Committee. In the absence of regular quarterly meetings, the review reports could not be timely examined by the Sub-Committee.

SPFO stated (May 2023) that the Finance Sub-Committee reviewed the investments made by the portfolio manager in every meeting.

The Ministry of Ports, Shipping and Waterways replied (April 2025) that due to non-availability of full-time Commissioner since 2017-2019, meetings could not be held on quarterly basis. However, the audit observation had been noted for compliance.

The reply of SPFO regarding review of investments by the Finance Sub-Committee was not supported by copies of agenda/minutes of the meeting(s) where such reviews were undertaken.

Recommendation No. 16

SPFO may ensure conduct of meetings of the Finance Sub-Committee, as per the prescribed periodicity

3.3.2 Fund Management

As of 31 March 2024, the total Assets under Management (AUM) of SPFO were ₹3,296.75 crore. SBI Funds Management Pvt. Ltd. was the fund manager of the Provident Fund of SPFO.

3.3.2.1 Adherence to investment guidelines

Ministry of Finance (Department of Financial Services) Notification dated 14 August 2008 (as amended in 2015) stipulates the pattern of investment to be followed by Non-Government Provident Funds, Superannuation Funds and Gratuity Funds, which is given in **Annexure-VIII**.

As per the guidelines, investments are permitted in the following categories of instruments: (i) Government Securities and related instruments, (ii) Debt instruments and related investments, (iii) Short-term debt instruments and related investments, (iv) Equity and related investments and (v) Asset-backed, Trust structured and Miscellaneous investments.

Audit observed that the investment pattern of SPFO was in line with the guidelines of Ministry of Finance, except for the year 2020-21 when the investment in Category II (Debt and related instruments) fell short of the minimum required threshold of 35 *per cent* of aggregate incremental investment. During 2020–21, SPFO's investment in Category II instruments was ₹133.14 crore against the required minimum of ₹136.83 crore, resulting in a shortfall of ₹3.69 crore.

SPFO replied (November 2023) that fresh accretions to the fund were invested as per the investment pattern notified by the Ministry of Finance.

The reply may be seen in light of the fact that SPFO did not adhere to the prescribed limit fixed for category II investments during the year 2020-21.

3.3.2.2 Stop loss policy

SBI Funds Management Private Limited, Mumbai was appointed as the portfolio manager by SPFO in the financial year 2011-12. As per the terms of agreement, the portfolio was to be handled by the fund manager on discretionary basis, wherein the investment would be made as per the Government of India notification dated 14 August 2008 and guidelines issued from time to time. While managing the fund, the fund manager could attempt to sell the securities which were downgraded by the credit rating agencies below the investment grade and switch over the investment in investment grade securities which were in conformity with the investment mandate.

During the year 2012-16, an amount of ₹18.30 crore was invested in Non-Convertible Debentures of IL&FS Ltd. and during the years 2015-16 to 2017-18, amount of ₹107.36 crore was invested in the securities of DHFL. Audit noticed that in the year 2018, IL&FS filed an application with NCLT seeking relief in connection with the Scheme of arrangement on its debt obligations, and in the year 2019 the ratings of DHFL were downgraded by the rating agency CARE. Due to non-exercise of exit clause by the portfolio manager, SPFO provided for capital loss of ₹53.75 crore for investments made in DHFL and treated ₹18.30 crore of investments in IL&FS as bad investments.

Audit further observed that neither the agreement with the portfolio manager nor the investment framework of SPFO provided for a stop-loss policy to limit losses in case of adverse movement in credit quality or market conditions, which resulted in continued exposure to unfavourable securities.

Although the agreement between SPFO and the portfolio manager provided for regular scrutiny of the ratings and performance of securities invested and ensure exit from the investment in case of non-favourable situation, neither the portfolio manager nor the SPFO ensured due compliance thereof.

SPFO replied (August 2023) that the portfolio manager informed about the downgrade of ratings of IL&FS securities on 11 September 2018 and there was no exit clause in the purchased securities of IL&FS. It received an amount of ₹52.29 lakh as refund in 2022-23. In respect of DHFL, SPFO stated that no officials or agency responsible for the loss were identified as the investments were made as per the pattern of Ministry of Finance. Further, it stated that a new clause had been added in the agreement dated 1 April 2021 stating that the portfolio manager shall provide legal assistance and take necessary steps to protect the investments from becoming default/non-profit/bad investments by operation of law, operation of court or otherwise. Further a letter had been sent to the portfolio manager to ensure availability of an exit clause in the investment made in private entities.

The Ministry of Ports, Shipping and Waterways replied (April 2025) that SPFO had noted the observation for future compliance. SPFO would formulate a stop loss policy for all categories of investments and adhere to the same.

Recommendation No. 17

SPFO may formulate stop loss policy for all categories of investments and ensure adherence to such policy

3.3.3 Protection of Subscribers' Interest

3.3.3.1 Posting of contributions in subscribers' accounts

The shipping companies remitted Provident Fund contributions for seafarers along with their details. If the seafarer's details did not match with SPFO records, the contributions were marked as unposted and not credited to their accounts. These unposted contributions fell into three categories:

- If seafarer's account was not available in SPFO system or did not match with SPFO's records i.e. name and CDC[21] number, it was transferred to Mismatch account.
- If the company had deposited Provident Fund contribution for the period for which they had already deposited partly the Provident Fund to SPFO, then it was posted to Overlapping account.
- If company had deposited Provident Fund contribution for the same period and transferred the same amount, it was posted in Duplicate account.

Audit observed that as on 31 March 2024, out of 1,11,247 subscribers (2023-24), there were unposted contributions pertaining to 28,343 subscribers which were not credited to subscribers account due to above mentioned reasons. For interest earned on unposted items, SPFO made a provision of ₹10.88 crore on interest suspense account. The interest earned on unposted items was not passed on to the subscribers as the amount remained unposted to their respective accounts. Further, it could not be ascertained whether the retired employees were provided with their unposted items and the interest earned thereon.

SPFO replied (April 2023) that they checked unposted items only at the time of final withdrawal and were in the process of appointing an agency to determine interest on unposted amounts. Further, SPFO replied (November 2023) that the unposted items had been reduced to 8,680 as on 3 November 2023 and letters had been sent to 268 Shipping Companies on 18 October 2023 requesting to provide the correct details of seafarers lying unposted.

The Ministry of Ports, Shipping and Waterways replied (April 2025) that SPFO was making efforts to obtain seafarers details from employers, which was essential for the clearance of unposted items. A new software development project was also underway to make necessary mechanism to prevent the recurrence of such issues in future.

[21] *A Continuous Discharge Certificate (CDC) is a document of identity for seafarers and is issued by the country where the seafarer resides*

Recommendation No. 18

SPFO may expedite clearing of pending unposted items in the accounts of subscribers and establish a mechanism to prevent recurrence of such issues in the future.

3.3.3.2 Changes in PF Scheme provisions

The Seamen's Provident Fund Act, 1966 provided that any changes to the PF Scheme could be made by the Government through notification in the official Gazette. As per Para 32 of the Scheme, the employers were required to send a consolidated return to the Commissioner within 15 days of final settlement of wages of the seamen and as per Para 35, the employer were to pay total contribution and administrative charges to the fund within 15 days of the date on which wages became payable to the seamen.

Audit observed that changes were made in the provisions of the scheme, whereby the period of 15 days was increased to 30 days of sign off of seamen (instead of the day when wages became payable). Further, records made available did not convey that these changes were sent to the Government for approval and gazette notification.

SPFO stated (November 2023) that the revision was approved by its Board in its 83rd meeting on 28 January 2000. It was further stated that the audit observation would be placed before the Board for forwarding the amendments to the Government, seeking ex-post facto approval and Gazette Notification.

3.3.3.3 Operation of other retirement scheme

As per the provisions of the Seamen's Provident Fund Act, 1966, SPFO could only operate Provident Fund scheme, where it received contribution from seamen and their employer at 12 *per cent* of the wages of seamen.

Audit observed that in addition to the contribution, SPFO also received ex-gratia and annuity contribution in respect of the seamen, though there was no provision for such contribution in SPF Act/Scheme, 1966. The contributions other than PF received by SPFO from employers were as under:

Table 3.5: Balance in Ex-gratia and annuity fund with SPFO

(₹ in crore)

Year	Total Subscribers	Ex-gratia	Annuity
2017-18	74,784	71.68	205.24
2018-19	82,010	76.78	222.11
2019-20	88,420	82.99	240.06
2020-21	94,142	89.003	259.30
2021-22	97,334	100.16	291.26
2022-23	1,03,446	106.60	310.53
2023-24	1,11,247	114.12	334.29

The above amount was also sent to the portfolio manager for further investment and interest was credited in the seamen's account towards such contributions. The amount accumulated along with the interest in the account of the member was paid at the time of the member's final withdrawal from the fund. SPFO could not provide the number of beneficiaries in whose account these additional contributions were received.

SPFO replied (November 2023) that a proposal had been sent to the Ministry of Ports, Shipping and Waterways for amendment of SPF Act to introduce Annuity Fund scheme and Gratuity Fund scheme.

The Ministry of Ports, Shipping and Waterways replied (April 2025) that proposal for amendment of SPF Act,1966 to introduce Annuity (pension) and Gratuity scheme has already been formulated and was in process.

Recommendation No. 19

Ministry may expedite the amendment to the statute in order to regularize the operation of annuity and ex-gratia schemes as well as contributions collected by SPFO since 2017-18.

3.3.3.4 Issue of Annual PF statement

As per Para 68 of SPF Scheme, the Commissioner after the closing of the FY was to send to each member a statement of his account showing the opening balance at the beginning of the year, amount contributed during the year, the total amount of interest credited or debited in the year and closing balance at the end of the year.

From scrutiny of records made available, audit observed that SPFO did not provide annual PF statement to its subscribers and the statements were provided only on request. Although contributions were updated on the website, interest credits were not similarly updated on the website.

SPFO replied (July 2023) that the subscribers could check their balance on the online portal and if they requested to send PF statement via email the same could be sent by SPFO. Further, it was replied that the account slips were being issued to seafarers for the FY 2022-23.

The reply had to be seen in light of the fact that SPFO was providing statements only upon request and the online portal was not being updated with details of interest credits, indicating availability of incomplete details on the website.

3.3.3.5 Grievance Redressal Mechanism

The Seamen's Provident Fund Act did not mandate any Grievance Redressal Mechanism. However, as a part of its citizen charter, SPFO had put in place a grievance redressal mechanism which was headed by the Commissioner, SPFO. Further, subscribers could raise grievances through CPGRAMS portal and could also obtain information through the Right to Information Act.

Audit observed that CPGRAMS was the only available grievance redressal portal. Grievances were needed to be submitted physically or through email to the Commissioner, SPFO at Mumbai. Further, the website of SPFO did not contain any information about how to raise grievances. It was also noticed that the subscribers relied on RTI Act to get basic information relating to their accounts. This was evident from the fact that around 91 *per cent* of RTI applications (188 out of 207 cases during the period 2017-2023) were subscriber account/balance related information.

SPFO assured (November 2023) to take corrective action by forming a grievance cell. SPFO also committed to implement a new Grievance Portal and prepare a grievance redressal policy for Board's approval.

The Ministry of Ports, Shipping and Waterways replied (April 2025) that SPFO had noted the observation for its compliance.

Recommendation No. 20

SPFO may develop an online portal for lodging and monitoring of resolution of the grievances. Further, the organisation may also notify a detailed grievance redressal policy including turnaround time, point of closure, escalation mechanisms, etc.

3.4 Assam Tea Employees Provident Fund Organisation

The Government of Assam passed the Assam Tea Plantations Provident Fund Scheme Act in June 1955, which was amended from time to time and was called as the Assam Tea Plantations Provident Fund and Pension Fund and Deposit linked Insurance Fund Scheme Act 1955. The Act provides social security benefits to the workers employed in tea plantations and factories in Assam.

Accordingly, the Government of Assam framed the Assam Tea Plantations Provident Fund scheme (1955), Pension-cum-Family Pension scheme (1968/72) and Deposit Linked Insurance Fund scheme (1984). These funds and schemes are being administered and implemented by Assam Tea Employees Provident Fund Organisation (ATEPFO). ATEPFO is functioning as an autonomous body, under the Department of Labour and Welfare of the Government of Assam.

All the Provident Fund subscribers under ATEPFO are eligible for pensionary benefits on retirement without any financial liability on the part of either the employers or the employees.

As of 31 March 2024, ATEPFO was managing ₹13,887.71 crore as Assets under Management in the schemes and had 12,82,989 subscribers. The details of the schemes and details of Assets under Management, subscribers and pensioners under ATEPFO are given in **Annexure-XI**.

3.4.1 Governance Framework

The Board of Trustees of ATEPFO was constituted under Section 3 of Assam Tea Plantations Provident Fund and Pension Fund Scheme Act, 1955. ATEPFO was administered by the Board of Trustees consisting of chairman and vice-chairman nominated by the Government of Assam, four officials representing the State Government, and four members representing both the employees and employers. The Secretary-cum-Provident Fund Commissioner was the ex-officio member of the Board of Trustees.

Para 3 of Assam Tea Plantations Provident Fund Scheme provided for constitution of two Committees, *viz.*, Executive Committee and Investment Committee from amongst the members of trustees to oversee the administration of funds and the pattern of investment respectively.

The organisation had a three-tier administrative structure for the implementation of schemes such as (i) Head administration (ii) Zonal administration and (iii) Inspectorate administration.

ATEPFO was headed by the Chief Executive Officer who was further assisted by the Additional Provident Fund Commissioner and the Deputy Provident Fund Commissioner. The head office provided guidelines and procedures for the operation of the Zonal and Inspectorate Offices.

3.4.1.1 Meetings of Board of Trustees and the Committees

The number of meetings conducted by the Board of Trustees and the two committees during the period 2017-18 to 2023-24 was as under:

Table 3.6: Number of meetings of Board of Trustees and two Committees of ATEPFO

Name of the Committee	Total strength of the Committee	Number of meetings conducted during the year						
		2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
Board of Trustees	15	2	2	2	1	2	2	2
Executive Committee	6	0	0	0	0	0	0	0
Investment Committee	6	2	1	1	0	1	1	1

Audit observed that the Act and the Standard Operating Procedure of the Investment Committee did not prescribe a minimum number of meetings for the Board of Trustees or its Committees, which could result in inadequate monitoring of the functioning of ATEPFO and performance of the Fund.

Government of Assam stated (April 2025) that ATEPFO had accepted the audit observation and would place the proposal to set a minimum number of meetings per year for the Board of Trustees and its various Committees.

Recommendation No. 21

ATEPFO may prescribe the minimum number of meetings to be held in a year, by the Board of Trustees and its Committees.

3.4.1.2 Contributions towards Provident Fund

Section 3(3) read with Section 11(A) of the Assam Tea Plantations Provident Fund Act, 1955 envisaged that every employer would deposit the PF contribution to ATEPFO within 30 days from the date of disbursement of wages failing which the employer would be liable to pay interest at the rate of 15 *per cent* per annum on the arrear till it was deposited.

During the seven years from 2017-18 to 2023-24, the total PF contributions to be received by ATEPFO from the registered 1,266 Tea Estates was ₹5,376.95 crore, including contribution of ₹135.52 crore receivable at the beginning of the year 2017-18. However, there was a shortfall in the actual receipt of PF contributions during the same period. The shortfall in the deposit of

PF contributions at the end of each year ranged between ₹78.69 crore in 2018-19 and ₹315.45 crore in 2021-22. Out of the total default amount of ₹260.13 crore as of March 2024, amount of ₹14.25 crore pertained to 16 Tea Estates of Assam Tea Corporation Limited which had not been depositing the PF contribution since 2022.

Due to the shortfall, the PF corpus fund to the tune of ₹260.13 crore as of March 2024 could not be invested resulting in a loss of income to the Fund.

As per Section 15(B)(i) of the Act (amended in 2016), ATEPFO was empowered to recover the default amount from the employers. The mode of recovery process prescribed in the Recovery Manual (July 2016) included issuance of notice, filing FIR/criminal cases, third party notice, recovery certificate, and attachment and sale of Tea Estates. Before taking action, ATEPFO issued reminders within 15 days after the completion of the grace period of 30 days from the date of disbursement of wages.

The status of action initiated against defaulting Tea Estates as of March 2024 was as under:

Table 3.7: Status of action taken against defaulting Tea Estates

Sl. No.	Category	Timeline followed by ATEPFO	Number of defaulting Tea Estates[22]
(i)	Reminder	15 days after completion of 30 days grace period	62
(ii)	Final Reminder	15 days from the date of issue of Reminder	78
(iii)	Notice for initiation of recovery proceedings	No timeline prescribed	49
(iv)	FIR/Criminal Case	No timeline prescribed	64
(v)	Third party/Broker notice[23]	No timeline prescribed	10
(vi)	Recovery Certificate	No timeline prescribed	28
(vii)	Attachment	No timeline prescribed	7
(viii)	Action yet to be initiated	-	49
Total			**347**

Audit observed that no timelines had been fixed for action to be taken subsequent to the issue of final reminder for the initiation of recovery proceedings. In the absence of such timelines, action for recovery of default amount would be at the discretion of the officials. Further, ATEPFO had not yet imposed statutory interest against 347 defaulting Tea Estates for non-deposit of PF contribution as of March 2024 in deviation from the provisions of the Act.

While accepting the audit observations, ATEPFO stated (October 2023) that the shortfall in the deposit of PF contribution had reduced to ₹77.41 crore as of September 2023. Regarding the recovery procedure, ATEPFO stated that the matter would be placed before the Board of

[22] *These figures denote the count of Tea Estates at each stage of the recovery process. The figures for all the stages are mutually exclusive and exclude the departures in the previous stages.*

[23] *In case of default in payment by a Tea Estate, total receivable default amount was assigned to third party/broker (recovery agent) by ATEPFO for recovery.*

Trustees for formulation of a Standard Operating Procedure for fixing a timeline for recovery proceedings including attachment of defaulting Tea Estates. Regarding levy of statutory interest, ATEPFO stated (November 2023) that statutory interest was levied after the concerned Tea Estates deposited the default amount.

Government of Assam stated (April 2025) that preparation of a Standard Operating Procedure for fixing a timeline for recovery proceedings was under process by ATEPFO.

Recommendation No. 22

ATEPFO may expedite recovery proceedings and formulate a Standard Operating Procedure for fixing timelines for different stages of the recovery proceedings at the earliest.

3.4.1.3 Inspection of Registered Tea Estates/Factories

As per the Inspector Manual of ATEPFO, every registered Tea Estate and factory was to be inspected at least once a year, if not twice to ensure effective implementation of the Act and the schemes. Every Inspector was to check cases of non-enrolment of tea workers, short deposits of PF contribution and administrative charges, pending claims under various schemes and bring to notice such irregularities to the Board. Further, Inspectors were to keep constant vigil over unregistered Tea Estates/Factories and recommend enrolment under ATEPFO as per the provisions of the Act, as applicable.

The status of inspections carried out in the registered Tea Estates by ATEPFO from 2017-18 to 2023-24 was as under:

Table 3.8: Inspection of Tea Estates by ATEPFO

Year	Number of registered Tea Estates/factories due for inspection	Number of Tea Estates/factories inspected	Shortfall in inspection	Percentage of shortfall
2017-18	1,114	536	578	52%
2018-19	1,146	544	602	53%
2019-20	1,157	249	908	78%
2022-23	1,192	1,108	84	7%
2023-24	1,233	949	284	23%

It may be seen from the above table that the shortfall in the inspection of registered Tea Estates ranged between 7 *per cent* to 78 *per cent* during the years 2017-18 to 2023-24. Further, inspection of Tea Estates were not carried out during 2020-21 and 2021-22 due to Covid pandemic. Audit also observed that out of a total sanctioned strength of 44 Inspectors, ATEPFO had 33 Inspectors (75 *per cent*) in position. Further, out of 1,146 Tea Estates enrolled under ATEPFO as of March 2019, a total of 221 Tea Estates had not been inspected even once during the entire three-year period from 2017-18 to 2019-20.

During the audit of 30 selected Tea Estates, it was noticed that out of 7,767 PF members who had ceased from service, 2,820 PF claims (36 *per cent*) of the beneficiaries were forwarded by the Tea Estates to ATEPFO with a delay ranging from one month to six months, and 2,975 PF claims (38 *per cent*) were submitted with a delay ranging from six months to above 12 months. Further, while 962 cases (12 *per cent*) were settled within one month, a total of 1,010 PF claims (13 *per cent*) were yet to be processed and submitted to ATEPFO as of March 2022.

Pending cases of various claims which were not forwarded by the Tea Estates remained unreported due to a lack of adequate inspections carried out by ATEPFO during 2017-18 to 2019-20. As the benefits of Pension/Family pension scheme were allowed only after settlement of PF claims of the subscribers, delay in processing and submission of PF claims by the Tea Estates resulted in denial of timely benefits of the Pension/Family pension scheme.

ATEPFO accepted (October 2023) the audit observation and stated that necessary steps would be taken to inspect every Tea Estate at least once a year.

Government of Assam stated (April 2025) that in FY 2024-25, out of the total number of 1,225 Tea Estates, ATEPFO had conducted inspection of 906 Tea Estates till December 2024. Further, ATEPFO was taking necessary steps to inspect all Tea Estates once a year.

Recommendation No. 23

ATEPFO may take steps to inspect all Tea Estates at least once a year, to ensure enrolment of tea estate workers and timely deposit of contributions.

3.4.2 Fund Management

As per the Assam Tea Employees Provident Fund and Pension Fund Scheme 1968, the Investment Committee would, unless otherwise directed by the Government, decide the manner of investment and the particular Government Securities mentioned in the Indian Trust Act, 1882 in which all monies of the Fund would be invested.

Based on a notification issued (May 2015) by the Ministry of Labour and Employment on the investment pattern to be followed by the exempted trusts, ATEPFO adopted (October 2017) its own Standard Operating Procedure (SOP) for investment of its funds in various securities, as given in **Annexure-VIII**.

Audit observations on fund management by ATEPFO are discussed in succeeding sub-paragraphs:

3.4.2.1 Investments made in Corporate Bonds

The Standard Operating Procedure (SOP) for investments of funds required the investments to be made on the criteria of safety first, then liquidity, followed by returns (SLR philosophy[24]). Audit, however, observed that an amount of ₹69.61 crore was invested by ATEPFO in the Corporate Bonds of IL&FS and Reliance Capital during 2017-18 in deviation from the criteria of safety first. ATEPFO invested ₹20 crore in August and September 2017 in IL&FS bonds, and ₹9.97 crore in October 2017 in Reliance bonds against the advice (July/October 2017) of its investment advisor. The advisor stated that in IL&FS bonds, there was sharp decline in the

[24] The SLR investment philosophy is an approach to investing that prioritises financial goals in a special order viz. Safety first, then Liquidity and finally Returns.

valuations of its key listed investments which adversely affected its leverage, and the acceptability of the bonds of Reliance Capital was low.

Further, the Internal committee of officers on Investment considered IL&FS bonds for investment of ₹39.64 crore (₹19.76 crore in November 2017 and ₹19.88 crore in May 2018) and referred the same to the investment advisor for its opinion. However, the advisor reversed (November 2017 and May 2018) its opinion given in July and October 2017 and supported the referred scrips (IL&FS bonds) citing the strong institutional background of IL&FS. Accordingly, ATEPFO again invested ₹39.64 crore in IL&FS bonds. However, from 2019-20 onwards, all IL&FS Bonds and Reliance Bonds in which ATEPFO had invested its funds started defaulting in the payment of interest income, resulting in a loss of ₹17.97 crore. Besides, the chances of recovery of the amount invested (₹69.61 crore) were also remote till the date of audit (December 2022). Subsequently, ATEPFO stated (October 2023) that the matter related to IL&FS was pending adjudication before the National Company Law Tribunal (NCLT) and in three out of five bonds of IL&FS, it had received ₹10.54 crore as interim distribution measure.

Thus, investments made without adhering to the criteria of safety first resulted in loss of interest of ₹7.43 crore (₹17.97 crore minus ₹10.54 crore) and possible loss of invested funds to the tune of ₹69.61 crore.

ATEPFO replied that both Reliance Capital and IL&FS were AAA rating and many PF Trusts including EPFO had invested in those funds.

The Government of Assam stated (April 2025) that an amount of ₹16.13 crore had been realised till date as interim distribution. The matter was sub-judice in various tribunals and ATEPFO was actively pursuing for quick recovery of the default amounts. Further, as per the latest Resolution Framework and directions provided by the NCLAT, ATEPFO was further set to receive 6,00,000 InvIT[25] units at the rate of ₹100/- each (face value) as interim distribution.

The fact remains that the investment advisor had initially provided an adverse opinion on the proposals for investment in the above two portfolios and the internal committee of officers of ATEPFO did not comply with the criteria of safety as laid down in the SOP, which resulted in loss of interest income and exposed its funds to risk of irrecoverable loss due to default.

Recommendation No. 24

ATEPFO may adhere to criteria laid down in the SOP for investment of funds.

3.4.2.2 Actuarial valuation of pension scheme

ATEPFO was managing funds of four schemes, namely, Provident Fund, Pension-cum-Family Pension Fund, Deposit-Linked Insurance (DLI) Fund and Gratuity Fund. In November 2018, ATEPFO issued an office order stating that, in accordance with the directions of the Ministry of Labour and Employment and the Board of Trustees of ATEPFO, actuarial valuation of the

[25] Infrastructure Investment Trusts (InvITs) are a type of investment vehicle that allow investors to invest in infrastructure projects. InvITs offer investors the opportunity to invest in a diversified portfolio of infrastructure projects, which can provide stable income streams and potential capital appreciation over the long-term.

aforementioned funds was required to be conducted. Accordingly, a Committee was constituted for this purpose.

Audit observed that ATEPFO appointed an actuary in January 2019, but could not complete the valuation since ATEPFO was unable to provide garden-wise data required for such valuation.

ATEPFO (August 2024) and the Government of Assam (April 2025) stated that draft actuarial valuation report had been received by ATEPFO in case of deposit linked insurance, family pension and general pension scheme. It was also stated that the actuary had suggested conversion of the existing pension scheme into contributory pension scheme in line with the pension scheme under EPFO. Further, an actuary firm had been appointed for carrying out actuarial valuation of gratuity scheme. The appointment of actuary in case of provident fund was under process.

Recommendation No. 25

ATEPFO may ensure conduct of actuarial valuation of the scheme's funds at periodic intervals to enable fair valuation of its assets and liabilities in order to ensure long-term sustainability of the schemes.

3.4.2.3 Asset-Liability Management

The Board of Trustees was responsible for ensuring that the scheme's funds were invested according to the established investment pattern to achieve the trust's objectives. One of the key objectives of the Board of Trustees was to bridge asset-liability mismatches.

Audit noticed that from 2019-20 onwards, PF Earning and Distribution Account, used to account for the income and expenses under the scheme, showed a deficit which grew continuously from ₹9.45 crore in 2019-20 to ₹268.40 crore in 2023-24. The increasing negative balance in the PF Earning and Distribution Account would adversely affect the PF Corpus in the long-term.

ATEPFO stated (November 2024) that it would take steps to levy penal interest on all defaulting Tea Estates and it was also considering conversion of existing non-contributory pension scheme into contributory pension scheme to overcome the problem of asset-liability mismatch.

The Government of Assam stated (April 2025) that the General Pension scheme run by ATEPFO was a non-contributory scheme unlike EPFO and the same was fully funded by the interest earnings of the Provident Fund. As a result, a major portion of the interest earnings was utilised for pensionary benefits of General Pension which was a major contributing factor of the increasing deficit. To ease out the burden, the Board of Trustees was considering implementation of Contributory Pension Scheme. Discussion with various stakeholders with respect to implementation of Contributory Pension Scheme was under process.

3.4.2.4 Contribution by Government of India

As per the Assam Tea Plantations Provident Fund Scheme, 1968, the Pension-cum-family pension fund was to be built up partly by GoI contribution and the entire cost of administration of the Pension-cum-family pension scheme was to be borne by the GoI based on the demand of ATEPFO prepared against actual expenditure incurred during the previous year.

Audit, however, observed that there was shortfall in receipt of GoI's contributions for family pension and administration cost. At the end of 2023-24, an amount of ₹43.46 crore and ₹11.55 crore was due from GoI towards Family Pension and Administrative cost respectively.

The Government of Assam stated (April 2025) that the matter of arrear of GoI contribution and administration cost in respect of Family Pension scheme had already been taken up with the Ministry of Labour and Employment.

3.4.3 Protection of subscribers' interests

3.4.3.1 Settlement of PF and pension claims

As per the Pension Rules framed under the Assam Tea Plantations Provident Fund Scheme, 1968, the benefits of Pension/Family pension scheme were calculated based on PF accumulation at credit at the time of cessation from service/death of the subscriber and allowed only after settlement of PF claims of the subscribers. Further, as the basic records of date of birth/joining and date of cessation/death of PF subscribers were maintained at the Tea Estates level, claims for final PF payment and pensionary benefits of subscribers were processed and forwarded by the Tea Estates to ATEPFO for settlement. ATEPFO required the PF claims of a subscriber to be submitted by the Tea Estates immediately after the date of cessation/death of subscriber. For settlement of claims, ATEPFO in its citizen charter (issued in April 2022) specified a timeline of 30 days for settlement of PF and pension claims from the date of receipt of claims.

In respect of settlement of claims during the period 2017-18 to 2023-24, Audit observed that:

- In respect of family pension claims, 59 *per cent* to 90 *per cent* of the claims were outstanding at the end of every year during 2017-18 to 2023-24 in ATEPFO.
- The timeline for settlement of claims as specified in the citizen's charter was not adhered to and most of the claims (99-100 *per cent*) that were settled had breached the timeline of 30 days. Further, out of the total pension/family pension and PF claims (due to death of subscriber), in majority of the cases (i.e. from 65 *per cent* to 81 *per cent*), the claims were settled by ATEPFO after more than one year of cessation from service/death of the subscribers.

ATEPFO replied (October 2023) that the timeline would be incorporated in the SOP for processing and submission of claims by the Tea Estates after cessation/death of PF subscribers and timelines would be strictly followed. The Government of Assam stated (April 2025) that necessary steps were being taken for formulation of the SOP.

Recommendation No. 26

ATEPFO may expedite formulation of a Standard Operating Procedure, incorporating timelines for processing PF and Pension claims and ensuring adherence to these timelines.

3.4.3.2 Issue of annual PF statements

As per Assam Tea Plantations Provident Fund Scheme, 1968, ATEPFO was to issue an Annual PF statement showing the amount at credit in the subscriber's account which was prepared after the Annual Returns submitted by the Tea Estates had been audited by the Board and the Annual Statement was to be furnished to the subscribers through the employer of the Tea Estate concerned.

Audit observed that ATEPFO did not issue Annual PF statements to several subscribers ranging between 6.01 lakh and 11.53 lakh during FY 2017-18 to 2020-21 as shown below:

Table 3.9: Details of issuance of PF statement by ATEPFO

Financial year	Number of registered Tea Estates	No of enrolled subscribers	Number of subscribers to whom PF statement was not issued
2017-18	1,114	9,98,308	9,55,597
2018-19	1,146	10,49,292	9,67,787
2019-20	1,157	11,80,548	11,53,646
2020-21	1,167	12,09,297	6,01,187

Audit further observed that 237 out of 1,167 Tea Estates (as of March 2021) had not submitted their Annual returns to the Board due to which PF members of these establishments were not provided with Annual PF statements.

ATEPFO replied (October 2023) that annual PF statements had been issued to 686 Tea Estates involving 6.16 lakh beneficiaries as of September 2023 and online generation of PF statement would be introduced from January 2024.

The reply may be seen in light of the fact that ATEPFO was required to ensure the issuance of annual PF statements to all subscribers in a time-bound manner. However, as of September 2023, PF statements had not been issued to around half (49 *per cent*) of the subscribers.

As per the updated information furnished (November 2024) to Audit, it was stated that online generation of PF statement for the year 2021-22 onwards was introduced from January 2024 for the subscribers and Tea Estates.

The Government of Assam stated (April 2025) that out of 6,01,187 subscribers to whom PF statements had not been issued at the time of Audit, the PF statements had been issued to 4,60,668 subscribers. Issuance of PF statements to the remaining PF subscribers was under process.

3.4.3.3 Grievance redressal mechanism

The Assam Tea Plantations Provident Fund and Pension Fund Scheme Act, 1955 and the Scheme guidelines did not contain any provision for setting up of a grievance redressal mechanism. To address the grievances arising out of the implementation of schemes under ATEPFO, a Grievance Redressal Cell (GRC) was established in September 2014 with the appointment of nodal officers at the Headquarters' office as well as seven zonal offices and six Inspectorate offices of ATEPFO. However, the GRC was made operational without formulating any Standard Operating Procedure (SOP)/Guidelines for identification, classification, settlement, etc. of grievances. For settlement of grievances, turnaround time of 30 days from receipt of the grievances by ATEPFO was notified in the citizen charter. At present, grievances were received through offline mode or email or by contacting the nodal officers through mobile phone numbers.

ATEPFO had received a total of 644 grievances as of March 2022, 20 of which were received through the Headquarters office and 624 cases through its 13 nodal offices. Audit observed that the disposal of grievances in ATEPFO was not effective enough as less than 50 *per cent* (319 cases) of complaint cases were disposed of within 30 days. A total of 139 grievances (22 *per cent*) were disposed of by the respective nodal offices between one month and three months, and 108 grievances (17 *per cent*) were disposed of after a delay of more than three months from the date of receipt of the grievances. Moreover, as of March 2022, 78 grievance cases (12 *per cent*) were pending disposal beyond 30 days.

Audit further noticed that there was no online platform for monitoring of receipt and disposal of grievances between the nodal officers and ATEPFO headquarters for follow up action on the outstanding cases. Moreover, as the grievance redressal system was still in offline mode, the follow up and feedback mechanism was weak.

ATEPFO replied (October 2023) that an online grievance redressal system would be developed.

The Government of Assam stated (April 2025) that development of an online grievance redressal portal was under process and necessary steps were being taken to formulate a Standard Operating Procedure for grievance redressal by ATEPFO.

Recommendation No. 27

ATEPFO may take steps to fast track development of the online portal for monitoring receipt and disposal of grievances. A detailed policy for grievance redressal including turnaround time, point of closure, escalation mechanisms, etc. may also be formulated.

3.5 Summing up

The review of Employees Provident Fund Organisation (EPFO), Coal Mines Provident Fund Organisation (CMPFO), Seamen's Provident Fund Organisation (SPFO) and Assam Tea Employees Provident Fund Organisation (ATEPFO) revealed diverse governance frameworks and issues faced by the statutory pension funds in India. While all these organisations share the common goal of ensuring financial security for workers post-retirement, their governance frameworks, operational efficiency and benefits vary significantly.

Deficiencies in timely filing of returns by exempted establishments, lack of comprehensive exit policy for investments as well as guidelines to portfolio managers on asset liability management, besides delays in redressal of grievances, were noticed. The wage ceiling under EPS has remained unchanged since 2014, affecting its alignment with current wage levels and limiting effective coverage. Contributing population in respect of EPS was lesser than EPF as

EPF scheme allows voluntary contribution even for wage ceiling above ₹15000, but such voluntary contribution was not allowed in the case of EPS. Monthly pension payouts under EPS needed improvement. In CMPFO there were lesser meetings of the Board and investment sub-committee. The investment monitoring cell was yet to be constituted. Gap between the assets and liabilities of the Pension Fund widened over the years reviewed in audit. This apart at the end of 2023-24, ₹12130.91 crore were lying in the suspense account requiring settlement.

In SPFO, meetings of the Finance sub-committee were not held regularly and deviations were noticed in the investment pattern, with a stop loss policy yet to be provided. There were instances of unposted contributions not credited to subscribers, besides SPFO receiving ex-gratia and annuity contribution without necessary provision in the Act/Scheme.

In ATEPFO, minimum number of meetings for the Board of Trustees were not prescribed, there was shortfall in deposit of PF contributions in certain years. There was also shortfall in inspection of registered tea estates. There was need for periodic actuarial valuation of the pension scheme. There were delays in settlement of claims and ineffective disposal of grievances.

Chapter IV-

Pension systems managed by CPSEs and Autonomous Bodies

Chapter-IV
Pension systems managed by CPSEs and Autonomous Bodies

4.1 Background

The statutory funds discussed in the previous chapter were intended for employees in specific sectors such as coal, tea plantations, etc. In addition to these sector-specific funds, there are other Provident/Superannuation funds governed by other legislations, such as the Provident Funds Act, 1925, the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and funds that are recognised/approved under Fourth schedule of Income Tax Act, 1961.

(i) Provident Funds Act, 1925

Provident Fund Act, 1925 is a consolidation of laws relating to Government and other Provident Funds. The Schedule to the Provident Funds Act, 1925, lists establishments/provident funds to which the Act applies. Other provident funds can also be brought under this Act by being notified in the Official Gazette and subsequently included in the schedule of units attached to the Act. This provision allows for the expansion of the Act's coverage to additional provident funds through official notification. Historically, the Act was not included in the Allocation of Business Rules (AoBR) under any Ministry/Department of the Government of India. However, the Government allocated the administration of the Provident Fund Act, 1925, to the Ministry of Labour and Employment in June 2018.

(ii) Employees' Provident Funds and Miscellaneous Provisions Act, 1952

The Act applies to factories engaged in industries listed under Schedule-I of the Act that employ twenty or more persons. It also applies to other establishments with twenty or more employees or those specifically notified by the Central Government. These establishments can also seek exemption under Section 17 of the Act to manage their own Provident/Pension funds. Section 17 of the Act defines the conditions under which establishments can seek exemption from the provisions of the Act to manage their own provident/superannuation fund. One of the primary conditions for granting exemption is that exempted establishment provide benefits that are at least equal to or superior to those offered under the statutory schemes of the Act.

(iii) Recognised Provident Funds and Approved Superannuation Funds under Income Tax Act, 1961

Part A and B of the Fourth Schedule of Income Tax Act, 1961 provides a framework for regulating Provident Funds and Superannuation Funds respectively, named Recognised Provident Funds and Approved Superannuation Funds. This schedule outlines the conditions for recognition, management, and taxation of such funds. The provident funds and superannuation funds are to be recognised and approved by the Principal Chief Commissioner of Income/Chief Commissioner of Income Tax/Principal Commissioner of Income Tax/Commissioner of Income Tax.

The Recognised Provident Funds/Approved Superannuation Funds shall also include the exempted provident funds and pension funds under Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

4.2 Selection of Pension Systems for Audit

From the Central Board of Direct Taxes (CBDT), Audit sought information about the universe of Recognised Provident Funds and Approved Superannuation Funds under the Fourth Schedule to the Income Tax Act, 1961. CBDT stated that the data related to those Funds was not maintained centrally at CBDT. In the absence of consolidated data on the Recognised Provident Funds and Approved Superannuation Funds, Audit reviewed pension systems of six selected Central Public Sector Enterprises (CPSEs)/Autonomous Bodies (ABs) which comprised four funds exempted under Employees' Provident Funds and Miscellaneous Provisions Act, 1952 and two funds under Provident Funds Act, 1925, as mentioned below:

(i) Exempted under Employees' Provident Funds and Miscellaneous Provisions Act, 1952

- Cotton Corporation of India Limited (CCIL)
- Chennai Petrochemicals Corporation Limited (CPCL)
- Rashtriya Ispat Nigam Limited (RINL)
- MECON Limited (MECON)

(ii) Under Provident Funds Act, 1925

- Calcutta Dock Labour Board (CDLB)
- Indian Institute of Foreign Trade (IIFT)

The following table provides a comparative overview of these funds, highlighting their key features such as their governing statutes, Assets under Management (AUM), subscriber base, etc.

Table 4.1: Key features of provident/pension funds of CPSEs and Autonomous Bodies

Features	CCIL	CPCL	RINL	MECON	CDLB	IIFT
Governing Act	EPF&MP Act, 1952	EPF&MP Act, 1952	EPF&MP Act, 1952	EPF&MP Act, 1952	PF Act, 1925	PF Act, 1925
Administrative Ministry	Ministry of Textiles	Ministry of Petroleum and Natural Gas	Ministry of Steel	Ministry of Steel	Ministry of Ports, Shipping and Waterways	Ministry of Commerce and Industry
Applicable Pensionary benefits	• Contributory Provident Fund (CPF) • Employee Pension Scheme under EPF&MP Act • Contributory Superannuation Scheme (CSS)	• Contributory Provident Fund (CPF) • Employee Pension Scheme under EPF&MP Act • Contributory Pension Scheme (CPS)	• Contributory Provident Fund • Employee Pension Scheme under EPF&MP Act • Contributory Superannuation Benefit Fund	• Contributory Provident Fund • LIC Pension Scheme	• Non-Contributory Provident Fund • Defined Benefit Pension	• Contributory Provident Fund • NPS

Features	CCIL	CPCL	RINL	MECON	CDLB	IIFT
Contributions	CPF: 12% of Basic pay plus DA CSS: 3% to 6% of pay depending on age	CPF: 12% of Basic pay plus DA CPS: 2% of Basic pay plus DA	CPF: 12% of Basic pay plus DA CSBF: 2% of Basic pay plus DA	CPF: 12% of Basic pay plus DA LIC Pension Scheme: 2% of Basic pay plus DA	CPF: 8.33% of monthly emoluments	CPF: 12% of Basic pay plus DA NPS: 10% of Basic pay plus DA
Subscribers as of March 2024	CPF: 9,835 CSS: 691	CPF: 1,476 CPS: 1,492	CPF: 13,549 CSBF: 13,549	CPF: 1,325 LIC Pension Scheme: 2,093	CPF: 54	CPF: 49 NPS: 63
AUM (in ₹ crore) as of March 2024	CPF: ₹189.60 crore CSS: ₹98.68 crore	CPF: ₹619.35 crore CPS: ₹387.31 crore	CPF: ₹4,939.13 crore CSBF: ₹1,088.05 crore	CPF: ₹779.96 crore	CPF: ₹83.23 crore	CPF: ₹34.28 crore

4.3 Cotton Corporation of India

Cotton Corporation of India Limited (CCIL) was established on 31 July 1970 under the administrative control of Ministry of Textiles as a Public Sector Undertaking under the Companies Act, 1956. The retirement benefits in CCIL includes Provident Fund and Superannuation Pension. The Employees' Contributory Provident Fund (CPF) is an exempted Provident Fund under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. The organisation offers two superannuation pension schemes, namely, Employees' Pension Scheme (EPS) under the Employees Provident Fund and Miscellaneous Provisions Act, 1952 and a Contributory Superannuation Scheme (CSS). As of 31 March 2024, CCIL's Provident Fund had ₹189.60 crore as Assets under Management with 9,835 subscribers. The details of these Provident Fund and Pension schemes are given in **Annexure-XII**.

4.3.1 Governance Framework

Contributory Provident Fund Trust: Provisions of the Employees Provident Fund Scheme, 1952 outlined the organisational structure for exempted funds as per which the employer was required to establish a Board of Trustees for management of the Provident Fund. The power to operate the Provident Fund vested with the Board of Trustees which was responsible and accountable to the Employees' Provident Fund Organisation. Accordingly, the Board of Trustees had been formed, which consisted of six members from the management side and an equal number of members from employees' side.

Contributory Superannuation Scheme Trust: Contributory Superannuation Scheme (CSS) Fund was set up as per the guidelines of the Department of Public Enterprises (DPE). The organisation structure was laid out in the trust deed dated 7 January 1997 as replaced by principal deed dated 30 August 2012. The governance structure for administration of the Fund was laid out in the deed. It provided for constitution of a Board of Trustees with equal number of representatives of the employer and the employees, with restriction of minimum eight and maximum 12 number of total members.

Audit observed that as per the recommendations of EPFO, StockHolding Corporation of India Limited (SHCIL) was appointed (1999) as custodian for both the funds on nomination basis. However, the agreement did not contain an end date, and the terms of payment were also not included in the agreement. Further, SHCIL also acted as agent for purchasing securities as decided by the Investment Committee for which it charged a fee of 0.02 *per cent* with a cap of ₹750 per transaction (purchase/ sale/ transfer).

Management replied (November 2023) that the matter would be taken up with SHCIL to enter into a new agreement and the same would be placed before the Board of Trustees for approval.

4.3.2 Fund Management

The provident fund and the pension fund were being maintained separately. The CPF followed the investment pattern directed by the Ministry of Labour and Employment whereas the CSS followed the investment pattern of Income Tax Rules, 1962 (issued by the Department of Economic Affairs). The exemption for CPF was provided under the condition that the exempted PF would perform on par or better than EPF.

4.3.2.1 Investments and Risk Management

The Investment Committee in CCIL followed the investment guidelines issued by the Ministry of Labour and Employment (29 May 2015) for investment of CPF monies. As per these guidelines, the investment under the category 'Debt and Related Instruments' was to be made only in such securities which had minimum AA rating or equivalent in the applicable rating scale from at least two credit rating agencies registered with Securities and Exchange Board of India (SEBI). Further, if for any of the instruments, the rating fell below the minimum permissible investment grade prescribed for investment in that instrument when it was purchased, as confirmed by one credit rating agency, the option of exit was to be considered and exercised, as appropriate, in a manner that was in the best interest of the subscribers.

The Investment Committee for CPF made investments of ₹9.99 crore in six bonds of IFCI Limited during the year 2010-11 to 2014-15. It was observed that a credit ratings agency had downgraded the ratings of the IFCI securities purchased by CCIL to B+ Negative and hence placed under high risk of default. However, after the downgrading of securities, the Management did not exercise the option to exit from the securities. Audit further observed that there was no stop-loss policy in place to limit exposure or losses arising from deterioration in the credit quality of investments.

The Management replied (November 2023) that needful action would be taken in this regard and the same would be put up in the meetings of the Board of Trustees for approval.

4.3.2.2 Investment pattern of funds

The CPF and CSS being non-government superannuation funds were required to follow the investment pattern issued by Department of Economic Affairs, Ministry of Finance, as per which investments were permitted in the specific categories of instruments *viz.*, (i) Government Securities and related instruments, (ii) Debt instruments and related investments, (iii) Short-term debt instruments and related investments, (iv) Equity and related investments and (v) Asset-backed, Trust structured and Miscellaneous investments. Further, the prescribed investment pattern was to be achieved separately for each successive financial year through timely and appropriate planning.

Audit observed that the investment pattern of CPF was in line with the investment pattern prescribed by the Ministry of Finance, whereas in respect of CSS, the minimum required investment of five *per cent* under Category IV (Equity and related investments) was not followed in the years 2018-19 and 2019-20. The shortfall against the minimum required investment was ₹8.57 lakh in 2018-19 and ₹42.36 lakh in 2019-20.

The Management replied that due care would be taken in future so that such defaults did not occur.

4.3.3 Protection of subscribers' interests

4.3.3.1 Grievance Redressal Mechanism

Public Grievance Redressal System (PGRS) was an online portal in CCIL for the employees to lodge their complaints. Tracking of complaints was also facilitated on this portal through the system generated unique registration number. Nodal Officers were nominated at Branch and Headquarter level. In case of escalation of resolution, the next higher authority was intimated through email and SMS. Also, during the period covered under audit (2017-18 to 2022-23), no grievance relating to CPF or CSS was received. Apart from an online system, the organisation also maintained a manual register for recording receipt of complaints, which was opened in April 2019. No complaints were found recorded till March 2024.

Audit, however, observed that CCIL did not have a grievance redressal policy detailing turnaround time, escalation, point of closure of complaints, etc.

Management replied (November 2023) that a well-versed online grievance redressal mechanism would be developed for CSS and CPF and would be put before the Board of Trustees meeting for approval.

> ***Recommendation No. 28***
>
> ***CCIL may formulate a stop loss policy for different categories of investments, ensuring adherence and notify a detailed grievance redressal policy.***

4.4 Chennai Petroleum Corporation Limited

Chennai Petroleum Corporation Limited (CPCL/Company) was established in 1967 as a public limited company under the Companies Act. It became subsidiary of Indian Oil Corporation Limited (IOCL) with effect from 2001, focusing on producing regular petroleum products and value-added downstream petroleum products. The Company is operating its refinery at Manali, Chennai.

As part of its superannuation benefits, the company provides Provident Fund, Pension, Gratuity and Post-Retirement Medical Benefit. The Provident Fund is an exempted fund under the Employees Provident Fund and Miscellaneous Provisions (EPF&MP) Act, 1952. Two types of pension are offered by the company, namely, Employee Pension Scheme (EPS) under EPF&MP Act, 1952, and a defined contributory pension scheme namely, Superannuation

Benefit Fund (SABF). The company also introduced National Pension System and employees can choose between NPS or SABF.

As of March 2024, the number of subscribers in the Contributory Provident Fund (CPF) scheme stood at 1,476, while the Contributory Pension Scheme (CPS) scheme had 1,492 subscribers. The total Assets Under Management (AUM) for both schemes amounted to ₹1,006.66 crore, as of March 2024. The details of the Provident Fund and Pension Schemes are given in **Annexure-XIII**.

4.4.1 Governance framework

There were two separate trusts in place to manage Provident Fund and Pension Fund of CPCL:

(i) Employee Provident Fund Trust: As per the rules under EPF&MP Act, 1952, CPCL constituted EPF Trust for the management of Provident Fund having trustees representing both the management and employees. The number of trustees shall not be less than four and more than twelve and the tenure of trustees shall be five years. Presently, the EPF Trust had one Chairman and eight trustees - four each from employees and management side.

(ii) SABF Trust: CPCL Pension Scheme i.e. Superannuation Benefit Fund (SABF) was managed by a Trust consisting of six members. The Trust consisted of four trustees drawn from employees of CPCL and two other members from trade union.

As per CPCL EPF Trust Rules, the meetings of the Trust were required to be held once every quarter. During the period 2017-18 to 2022-23, the Trust largely adhered to this requirement, with only one instance where the meeting was not held in the quarter i.e. Q4 of 2019-20 and one delayed meeting in Q1 of 2020-21 which was held in another quarter. Further, for the year 2023-24, the Trust fully complied with the requirement of conducting four quarterly meetings as per the Trust rules.

The Management replied (August 2023) that the deviation was due to outbreak of Covid-19.

4.4.2 Fund Management

The Provident Fund was managed by the Trust as per section 17(1) of EPF&MP Act, 1952 and the rules framed thereunder. Being an exempted fund, the fund was to perform on par or better than EPF. Also, the Trust was mandated to invest the funds as per the investment guidelines issued by the Ministry of Labour and Employment. In the case of pension schemes, the company had signed a contract with LIC for managing the funds and to provide an annuity service.

4.4.2.1 Investment pattern

The Provident Fund contribution from employees was invested by CPCL EPF Trust as per the investment guidelines (May 2015) of the Ministry of Labour and Employment. In addition to the above, CPCL also followed certain additional precautions to ensure the safety and liquidity of its investments.

Audit observed that there were no deviations from approved investment guidelines.

4.4.2.2 Investment and Risk Management policy

As per the investment guidelines issued (May 2015) by the Ministry of Labour and Employment, prudent investment of funds of a trust/fund within the prescribed pattern was the fiduciary responsibility of the Trustees and was needed to be exercised with appropriate due diligence.

To exercise responsibilities entrusted with the Trust, detailed investment and risk management guidelines were to be framed, separate committees/sub-committees for investment, audit, risk management etc. were required to be constituted.

Audit observed that:

- CPCL EPF Trust did not have any detailed investment or risk management policy comprising stop loss/exit policy etc. Further, investment modalities/procedures followed by the Trust were not adequately documented.
- There are no intermediaries involved in the fund management process. The Provident Fund was managed internally by CPCL. Also, CPCL EPF Trust did not constitute any investment committee to oversee investment decisions and investment withdrawals.

The Management replied (August 2023) that periodic health checkup of investment was reviewed internally on a regular basis and there were no deviation from the approved investment guidelines and all the investments were made in line with the guidelines. Further, the Company assured that a proper investment policy and investment modalities/procedures would be prepared and approved by the Trust. Similarly, investment committees would be constituted to oversee investment decisions and investment withdrawals.

4.4.2.3 Sustainability of EPF Trust Funds and Asset Liability Management

Audit observed that the rates earned on investment for the period from 2019-20 to 2023-24 were lower[26] than the rates of return declared to the subscribers except for the year 2021-22. Further, CPCL had a policy to make good the short fall (i.e. difference between the Assets and Liabilities) of EPF Fund based on actuarial valuation and such an amount would be provided in the accounts of CPCL every year. Accordingly, CPCL had provided for shortfall in all the years of deficit and there was no Asset Liability mismatch.

The Management replied (September 2024) that EPF Trust had accumulated adequate reserves and surplus to meet the liability of subscribers balances. The Trust had met all its cash-flow requirements out of its own resources and had never relied on the funds of CPCL.

The reply is to be viewed in light of the fact that sustainability of EPF Trust would be achieved only if the rate of return on its investment was higher than the rates declared to subscribers, as there was a shortfall in four out of five years.

4.4.2.4 Exit policy

As per the investment guidelines issued by the Ministry of Labour and Employment, if any of the investments falls below the minimum permissible investment grade prescribed for

[26] ***2019-20: (-) 0.36 per cent; 2020-21: (-) 0.16 per cent; 2021-22: (+) 0.52 per cent; 2022-23: (-) 0.13 per cent and 2023-24: (-) 0.13 per cent***

investment when it was purchased, as confirmed by one credit rating agency, the option of exit shall be considered and exercised as appropriate, in a manner that is in the best interest of the subscribers.

Audit reviewed the investment made by the CPCL EPF Trust and observed that provisions or loss adjustments were made for certain securities during the financial year 2021-22. Specifically, a provision of ₹11 crore was created for investment in IL&FS, and a provision of ₹2.11 crore was created for investment in DHFL.

For the purchase of DHFL debentures in 2016, no credit rating records were provided, and for the DHFL debenture purchased in 2017, outdated ratings (more than nine months old) were used, with no further records or specific explanations from management. For purchase of ILFS debentures, documentation containing copy of investment resolution, application for the non-convertible debentures, transaction of the payment was provided and copy of prospectus including the rating of two credit rating agencies was given. However, the documents containing the basis on which these investments were identified for investment and subsequent action taken by the Board to limit the loss were not provided.

Further, on review of the minutes of the meeting of the trustees, it was observed that no such review or verification of the rating of securities had been carried out after making investment. Also, no internal investment policy existed to guide objectives, selection and monitoring of investments.

The Management stated (September 2023) that approved investment policy and the investment modalities/procedure as suggested by Audit would be documented and steps would be taken to constitute an investment committee to oversee investment decisions, and the proposed investment committee would look after the functions of Risk Management Committee also.

4.4.3 Protection of subscribers' interests

4.4.3.1 Grievance redressal policy

Audit observed that CPCL had an online grievance redressal management system in place but did not have a grievance redressal policy detailing the scope and objectives, applicability, turnaround time, grievance escalation mechanism and monitoring mechanism.

The Management replied (September 2023) that CPCL already had an online grievance redressal management system and so far, had not received any grievances related to PF/Pension. It was further stated that CPCL would formulate and implement a comprehensive grievance redressal policy including defined areas of dissatisfaction, specified turnaround time for resolution, a feedback mechanism and monitoring of grievance disposal.

Recommendation No. 29

CPCL may formulate a comprehensive Investment policy for different categories of investments, ensuring adherence, besides notifying a detailed grievance redressal policy detailing turnaround time, escalation mechanism, etc.

4.5 Rashtriya Ispat Nigam Limited

Rashtriya Ispat Nigam Limited (RINL), Visakhapatnam formerly known as Vishakhapatnam Steel Project, is a central public sector undertaking under the administrative control of the Ministry of Steel.

The retirement benefits in RINL includes Provident Fund and Pension. Visakhapatnam Steel Project Employees Provident Fund (VSPEPF) is an exempted fund under EPF&MP Act, 1952, managed by the company as per the provisions of exempted provident funds of EPF&MP Act. The organisation offers two types of pension to its employees/workers namely, Employee Pension Scheme under EPFO Act, 1952 and a defined contribution pension scheme of its own namely Employees Superannuation Benefit Fund (ESBF).

As of March 2024, the corpus under the VSPEPF and ESBF were ₹4,939.13 crore and ₹1,088.05 crore with 13,549 subscribers. The details of the provident fund and pension fund are given in **Annexure-XIV**.

4.5.1 Governance Framework

VSPEPF Trust: As per the rules of EPF&MP Act, RINL constituted a Trust for the management of Provident Fund having trustees representing both the Management and employees.

ESBF Trust: It was constituted under RINL ESBF Rules, consisting of representatives from recognised unions, steel executive association and Management.

The details of VSPEPF and ESBF trust are given in detail in **Annexure-XV**.

4.5.1.1 Formation of Body of Managing Trustees

As per Rule 4.3 of RINL ESBF Rules, from amongst the Trustees, a Body of Managing Trustees (BMT) shall be nominated consisting of seven members, two from recognised union, one from executives' side and four from company, including the Chairman and Secretary of the Trust appointed as per Trust Rules, who shall be ex-officio members of BMT.

As per Rule 9, the Board of Trustees shall have the power at any time to sell, vary, transfer, transpose or change any investment forming part of the Fund into or for others of the nature hereby authorised. To carry out the requirements of these Rules, the Managing Trustees were vested with all necessary powers by which they could open and operate jointly by any two of the Trustees (at least one representing the Company), the account of the Fund with any Scheduled Bank or Post Office Savings Bank and to give authority to the Bank for investments in the manner prescribed. For operating the Bank accounts by any two of the Managing Trustees, the Board of Trustees would authorise the Managing Trustees as the authorised Signatories.

Audit observed that Board of Trustees did not authorise any members of the Body of Managing Trustees, as signatories, as mentioned in the Rules. Furthermore, the rules did not specify a timeline for conducting the meetings of Board of Trustees. As a result, the Board was conducting investment meetings to make investment decisions on an ad-hoc basis.

The Management stated (January 2024) that the Body of Managing Trustees was appointed by the Management and ensured working judiciously enabling the RINL ESBF trust to get better returns by investing as per pattern. The Trust also ensure timely payment to employees separated by way of retirement /death /resignations /medical terminations etc.

The reply is not convincing as the Body of Managing Trustees was not continuously operational except in November/ December 2019. Also, the Board of Trustees met as per convenience and the decision to invest the surplus funds was not made within a reasonable time.

Further, considering the NPA cases of Reliance Capital, IL&FS and DHFL amounting to ₹247.72 crore (₹48.24 crore under ESBF and ₹199.48 crore under VSPEPF), both the Boards (i.e. ESBF and VSPEPF Trust) needed to constitute an investment committee and risk management committee to avail advice/suggestions or appropriate guidance in reducing/minimising risk involved while making investments.

It was replied (January 2024) that the matter would be taken up with the Management of RINL for constitution of committees and ESBF Rules would be suitably amended after discussion with Management with regard to Investment Committee and Risk Committee.

4.5.1.2 Working of the Trusts

In respect of the ESBF trust, Audit observed that the agenda items were not being circulated to trustees before the meeting of the Board of Trustees. As per ESBF Rules, agenda items were to be circulated 15 days before the meeting.

The Management stated (27 January 2024) that PF and Pay Section team had created a WhatsApp group wherein all the communication was done and post the conclusion of the meetings, the signatures of Trustees were taken in Minutes of meeting register. Henceforth communication and acknowledgment would be recorded in the minutes. ESBF Rules would be suitably amended in line with the prevailing procedure of intimation of meeting.

In respect of the VSP EPF trust, Audit observed that the Trust Rules did not prescribe timelines for calling the meetings of Board of Trustees, procedure for adjourning the meetings and notice period for calling the General and Emergency Meeting, circulation of subject matters, agenda items etc.

The Management stated (January 2024) that VSP EPF Trust, PF and Pay Section team had created a WhatsApp group wherein all the communication was done and they were also circulating to each Trustee the agenda of meeting and compilation of quotes.

The reply of Management did not contain documentation to substantiate that communication was made through official channels. Moreover, communication through Whatsapp could not be a substitute for official channels of communication.

4.5.2 Fund Management

4.5.2.1 Adherence to Investment pattern

The Board of Trustees of RINL ESBF and VSP EPF Trusts followed the investment pattern notified by the Ministry of Finance and Ministry of Labour and Employment respectively (as given in **Annexure-VIII**).

Audit observed that during the years 2018-19 to 2021-22, there was a shortfall in investment under the category 'Equities and related instruments' as compared to the minimum required investment. The shortfall ranged between ₹1.70 crore (2018-19) to ₹7.02 crore (2020-21) in respect of ESBF Trust and between 0.90 crore (2021-22) to ₹56.08 crore (2020-21) in respect of VSP EPF Trust.

Management replied (January 2024) that as per the investment guidelines, the investment pattern was needed to be achieved each successive financial year based on the fresh accretions for the particular financial year and not on entire investments.

The reply needs to be viewed in light of the fact that the shortfall was seen in the accretions/increase in investments in each financial year only.

4.5.2.2 Declaration of interest rate by the ESBF Trust

As per RINL ESBF Rules, the account of each member shall be made up on the 31st day of March every year which shall disclose the contributions and interest credited. The Managing Trustees shall furnish each of the members with a statement of account as on the last day of the previous financial year. If a member ceases to be in the service of the employer during the financial year due to retirement, death or otherwise, the account shall be made up on such date of cessation of service and interest shall be credited to the account till such date at the rate applicable for the immediately preceding financial year.

During the years from 2017-18 to 2021-22, ESBF Trust declared and credited interest rates equivalent to the rates of interest notified by EPFO.

Audit observed that:

- While declaring the rate of interest, the Trustees did not consider probable loss (i.e. without appropriate provision) of principal amount of ₹28.45 crore invested in IL&FS and Reliance Capital which defaulted on interest payments from August 2018 and September 2019 respectively i.e. for more than three years.
- Non consideration of provision led to the extension of benefit to the members separated from the ESBF Trust as excess rate of interest was paid to separated members, which would adversely affect the future incomes of the existing members.

The Management stated (January 2024) that every year interest rates were declared by the Board of Trustees of ESBF. Issues observed by Audit were also brought to the notice of Board of Trustees with regard to IL&FS and Reliance Capital etc. As of 2022-23, the Trust closed with a surplus of ₹16.29 crore and the decision of the majority of the Trustees was final and binding.

However, there was probable loss of investment on certain securities which had not been considered when declaring the rate of interest.

4.5.3 Protection of subscribers' interests

The grievance redressal mechanism to address the complaints of the subscribers of the schemes was managed by RINL itself. The complaints were received from the beneficiaries in person at Pay & PF section located inside the plant premises. Further, for the benefit of all retired employees and to address their issues, a separate final settlement cell known as Superannuated Employees Welfare Assistant (SEWA) had been established by RINL.

In this regard, Audit observed that neither the RINL ESBF Trust nor the VSP EPF Trust had their own grievance redressal mechanism in place to handle grievances and complaints. Further, records and details related to grievances as received by RINL from scheme subscribers were not provided to Audit to verify that the grievances were received and addressed appropriately.

The Management replied (January 2024) that grievances were received and resolved through grievance redressal management cell of RINL and SEWA cell.

The reply was not convincing there was no recorded document in support of reply about EPF and ESBF grievances of beneficiaries being received, recorded and timely addressed.

Recommendation No. 30

RINL may prescribe timelines for meetings of the Board of Trustees and ensure adherence to the prescribed investment guidelines.

4.6 MECON Limited

MECON Limited, formerly known as Metallurgical & Engineering Consultants (India) Limited is a central public sector undertaking, under the Ministry of Steel, Government of India.

The Board of Directors of MECON in its 232nd Meeting (25 October 2018) approved introduction of Pension Scheme named MECON Employees Group Pension Scheme. The date of commencement of the pension scheme was 1 May 2019. All the Executive employees and non-executive employees who have put in minimum of 15 years of service and superannuated from the service during the period from 1 January 2007 to 31 December 2016 were eligible for pension with effect from 1 January 2007 and with effect from 1 January 2012 respectively.

Prior to the introduction of MECON Employees Group Pension Scheme, employees of MECON were covered under the Employees Provident Funds and Miscellaneous Provisions (EPF&MP) Act, 1952. Thus, at present two pension schemes are in operation for employees of MECON i.e., Employee Pension Scheme (EPS) under EPF&MP Act, 1952 and MECON Employees Group Pension Scheme.

As on March 2024, the number of subscribers in the Employee Provident Fund (EPF) Scheme stood at 1,325 while the Group Pension Scheme had 2,093 subscribers. The Assets Under Management (AUM) of EPF scheme was ₹779.96 crore. MECON Employees Group Pension

Scheme was a defined contribution scheme wherein the employee's contribution was optional. The employer contribution under the group pension scheme depended upon the quantum of profits made by the Company subject to upper ceiling of 30 *per cent* of superannuation benefits and the Board decided the percentage every year.

Life Insurance Corporation of India was appointed as the Fund manager and Annuity provider for MECON Employees Group Pension Scheme. Fund was transferred to the Trust constituted to manage and operate the Pension Scheme. The Trust remitted employee-wise employer's contribution to LIC (the Fund Manager). LIC credited interest quarterly on fund received for every employee. A corpus was thus created by way of fund accumulation from employer's contribution and interest credited by LIC. On superannuation from service, annuity was purchased by the LIC based on fund accumulated and option selected by the beneficiary and annuity was paid accordingly to the beneficiary. MECON had no liability whatsoever to pay any beneficiary entitled to the benefits secured by such annuity or annuities.

4.6.1 Governance Framework

The Board of Directors of MECON approved (October 2018) introduction of pension scheme for employees in MECON and the Trust Deed was signed on 11 March 2019 between MECON and representatives of employees of the company called "The Trustees". A five-member Pension Trust was constituted (December 2018) to implement the Pension Scheme. According to the Trust Deed, the Trustee shall have the entire custody, management and control of the Trust Fund till its remittance to the Fund Manager (LIC).

4.6.1.1 Meetings of Trustees

The Trust deed provided that meeting of the Board of Trustees may be held for dispatch of business and they may adjourn and otherwise regulate their meetings and proceedings as they may think fit. A written notice of not less than seven days shall be provided to each Trustee for every meeting. However, a meeting may be convened with shorter notice if all Trustees give their written consent.

Audit noted that four meetings of the Trustees were held upto March 2024, but no notice was given to the members prior to the meeting. However, since April 2024, notices were issued to members, though with less than seven days' advance notice for these meetings.

Further, there was no defined periodicity for holding meetings. Without a binding obligation for the Board of Trustees to meet regularly, smooth and timely dispatch of business related to the MECON Employees Group Pension Scheme could become challenging.

The Management stated (March 2024) that the last meeting of the Trust was held on 12 May 2023. However, as advised by Audit, the frequency of the meetings in future would be reviewed based on the requirement.

The reply may be seen in view of the fact that the Trust was entrusted with important role of safeguarding the contributions of employees, ensuring timely remittance of funds, monitoring and evaluating the performance of fund manager. In the absence of regular meetings, Audit could not effectively assess the performance of the Trust in discharging their responsibilities.

4.6.2 Fund Management

LIC was appointed as Fund Manager and Annuity Service Provider by the Board of Directors. The contributions by MECON limited and the employee contributions were invested in LIC's New Group Superannuation Cash Accumulation Scheme (Approved by IRDAI). LIC and MECON Ltd., had entered into an agreement, as per which the Trust was to transfer the contribution (of employer and employee) for each member and LIC was to provide scheme benefits to the subscribers. The said scheme was Defined Contribution Scheme which is a non-linked and non-participating scheme. Under the Scheme, individual member-wise policy accounts were being maintained by the LIC.

4.6.3 Protection of subscribers' interest

4.6.3.1 Grievance redressal mechanism

The organisation did not have a grievance redressal policy in place. There was no provision found in the MECON Employees Group Pension Rules adopted on 1 May 2019 for establishment of a grievance redressal mechanism. In the absence of grievance redressal policy and mechanism, Audit could not derive assurance on the effectiveness of grievance handling by the Management. On enquiring about grievances received through Centralised Public Grievance Redressal and Monitoring System (CPGRAMS), the Management informed that no grievances had been received from the beneficiaries through CPGRAMS.

The Management stated (March 2024) that a nodal officer had been appointed by the Human Resource Department to address the representation of ex-employees relating to pension, post superannuation medical benefit scheme etc. In addition to that, the Company has a mail-id exemphelp@meconlimited.co.in where the grievances could be posted.

The reply was silent on the issue of grievance redressal policy and mechanism.

In respect of audit observations on the Autonomous Bodies exempted under EPF&MP Act 1952, namely, Cotton Corporation of India, Chennai Petroleum Corporation Limited, Rashtriya Ispat Nigam Limited and MECON Limited, the Ministry of Labour and Employment replied (April 2025) that:

- The governance and compliance framework for exempted establishments under the Provident Fund and Pension Schemes was primarily managed by respective Boards of Trustees, with operational oversight left to the field offices.
- While most Trusts were adhering to the investment guidelines, instances of delayed trustees meetings, absence of risk management policies and lack of structured grievance redressal mechanisms indicate the need for stronger oversight. Steps were being taken to further streamline grievance redressal mechanisms to improve accessibility and responsiveness.
- Audit recommendations had been duly noted for further deliberation and necessary compliance.

4.7 Calcutta Dock Labour Board

Calcutta Dock Labour Board (CDLB) was constituted (September 1952) under Section 5A of the Dock Workers (Regulation of Employment) Act, 1948 as a 15-member Board consisting of an equal number of members representing the Government, the Labour Unions and employers of Dock Workers/shipping companies. The CDLB is functioning as an autonomous body under the Ministry of Ports, Shipping and Waterways. The main function of the CDLB was administering two Schemes for regulation of employment of registered dock workers in the Port of Kolkata namely, Calcutta Dock Workers (Regulation of Employment) Scheme, 1970 and Calcutta Dock Clerical and Supervisory Workers (Regulation of Employment) Scheme, 1970.

The retirement benefit in CDLB included Non-Contributory Provident Fund (NCPF) and Defined Benefit Pension. As of 31 March 2024, the number of subscribers in the NCPF scheme was 54 and the Assets under Management (AUM) were ₹83.23 crore. The details of the Non-Contributory Provident Fund are given in **Annexure-XVI.** Further, as on 31 March 2024, there were 3,826 pensioners in CDLB.

4.7.1 Governance Framework

The NCPF Fund was administered by the Board of Trustees (BoT) constituted as per CDLB (Employee) NCPF Rules and CDLB (Registered Workers) NCPF Rules. The composition of Board of Trustees for the said funds is given in **Annexure-XVII**.

4.7.1.1 Legal framework of CDLB

The Provident Funds Act, 1925 was previously not included in the Allocation of Business Rules under any Ministry/Department of the Government of India (either the Ministry of Finance or the Ministry of Labour and Employment). However, the Government allocated the administration of the Provident Funds Act, 1925, to the Ministry of Labour and Employment in June 2018.

The Schedule of the Provident Funds Act, 1925, contains the list of institutions to which the Act applies. On scrutiny of records, Audit observed that the Provident Fund of the CDLB employees and workers was not included in the list of Institutions notified under the Provident Funds Act 1925, as per the latest amendment in 2019.

The Management replied (October 2023) that the Provident fund of CDLB employees and registered dock workers was governed by the Provident Funds Act, 1925. The name of CDLB was included under serial no.74 of the Schedule of Annexure of the Principal Act, 1925.

The reply of Management was incomplete as the reason for CDLB not being included in the latest list of institutions (2019) under the Provident Funds Act, 1925, was not furnished. Consequently, Audit could not ascertain the legal framework governing the Provident Fund of CDLB employees and workers.

4.7.2 Fund Management

As per the NCPF Rules 1972, all the money of the fund, not immediately required for the purpose of the Fund, shall be invested by the Board of Trustees in any of the securities for the time being authorised for the investment of moneys of a Provident Fund or of a Trust under the Indian Income Tax Act, 1922, and the Indian Trust Act, 1882 and Rules made thereunder.

4.7.2.1 Investment pattern

NCPF Rules did not stipulate an investment pattern. In the absence of the specific guidelines, audit observed that the Fund was mainly invested in Fixed Deposits of Nationalised Banks, Post Office Time Deposits, Bonds of Public Sector Undertakings and other bonds and deposits/securities guaranteed by the State or Central Government.

It was observed that every year, an interest rate of 7 *per cent* per annum was declared by the Board, irrespective of the return earned on the investment. Between 2017-18 and 2023-24, the return earned on the investment ranged between 7.05 *per cent* and 7.8 *per cent*. Further, on enquiring the reasons for non-adherence to the guidelines of Ministry of Finance on investment pattern for non-government provident funds, superannuation funds and gratuity funds, the Management informed (October 2023) that it is not binding on CDLB to follow the said guidelines.

4.7.2.2 Sustainability of Pension

CDLB Employees' Pension and Gratuity Rules came into force with effect from 1 April 1972 and CDLB Workers Pension and Gratuity Rules came into force with effect from 1 January 1979. On retirement, the employees/workers were eligible to get monthly pension from the Board along with the benefits of commuted value of pension as per the Rules.

The Calcutta Dock Clerical and Supervisory Workers (Regulation of Employment) Scheme, 1970, and the Calcutta Dock Workers (Regulation of Employment) Scheme, 1970, mandated the respective Boards to maintain and administer welfare fund, provident fund, gratuity fund, and other specific-purpose funds by recovering contributions from registered employers. Additionally, the Calcutta Dock Clerical and Supervisory Workers (Regulation of Employment) Scheme provided for the creation of a voluntary retirement fund or other necessary funds, with rules framed by the Board for their operation.

Audit observed that:

- No pension fund was created as per the provisions of Calcutta Dock Clerical and Supervisory Workers (Regulation of Employment) Scheme, 1970 and Calcutta Dock Workers (Regulation of Employment) Scheme, 1970.
- The pension was being disbursed from the earnings of CDLB based on the affordability. The Balance Sheet of CDLB for the audit years revealed that CDLB was maintaining a provision for Pension Fund without any Earmarked investments for pension. The investment that was made over the years got exhausted after the financial setback in the year 1999. Only book entry or provision was being made and shown in the Balance Sheet of General Scheme under Earmarked/Endowment Fund. But there was no equivalent fund invested/deposited separately with any financial institution or fund manager.
- Since the pension was being paid from the earnings, the arrear liability relating to revision of pension, dearness relief, commutation etc. was ₹967.38 crore as on 31 March 2023.

- In April 2023, CDLB approached LIC to obtain the purchase price of annuities for retired and current workers and employees, in order to furnish the updated fund requirement for financial assistance to the Ministry of Ports, Shipping and Waterways for the creation of a pension fund. As of 31 March 2023, the estimated cost of creating a pension fund with LIC for disbursing current pension, excluding arrear liabilities was ₹931.68 crore.

The Management replied (October 2023) that during the 1990s, the financial position of the Board started to weaken. The pension liability was met from the earnings of the Board. However, as the number of pensioners increased with passage of time, it became difficult to manage the pension liabilities from the earnings. Ultimately in 2005, the Pension and Gratuity Rules were modified by inserting the clause ‘affordability’ for payment. The Board had sought financial support from the Ministry for discharge of arear pension liabilities and creation of Pension fund but the same had not yet materialised.

The reply does not justify the non-establishment of a pension fund. Creation of a pension fund corpus could have ensured protection of subscriber interests.

4.7.3 Protection of subscribers’ interests

4.7.3.1 Grievance Redressal Management

Calcutta Dock Labour Board (CDLB) received grievances from pensioners at Board’s Offices, in offline mode, which were dealt with by the staff/officers of the Pension department and Labour Establishment Section. CDLB did not have its own online portal for grievance redressal and utilised CPGRAMS for online receipt of grievances. Dy. Chairman, CDLB functioned as Director, Grievance. During 2017-18 to 2022-23, a total of 140 grievances were received on CPGRAMS out of which 139 grievances were settled.

Audit observed that CDLB did not have a grievance redressal policy that provided details like scope and applicability, channels of lodging grievances, turnaround time for resolving various grievances, grievance escalation mechanism, and feedback mechanism.

The Management replied that a Pension Committee had been formed in January 2023 to redress the grievances of the existing pensioners.

The reply does not adequately address the audit observation since the Pension Committee was established to address the grievances of existing pensioners concerning the provision of joint accounts with their spouses. As such, this Committee had been constituted for a specific purpose and did not exclusively deal with redressal of grievances.

Recommendation No. 31

CDLB may take up the issue of applicability of Provident Funds Act, 1925 (as amended in 2019), with the Ministry of Labour and Employment.

4.8 Indian Institute of Foreign Trade

The Indian Institute of Foreign Trade (IIFT) was established in 1963 as an autonomous body under the Ministry of Commerce and Industry to contribute to the skill building for the external trade sector of India. The Institute was granted ‘Deemed to be University’ status in 2002 by the University Grants Commission. IIFT, at present, has three schemes to cater for the retirement benefits of its employees i.e. Employees Contributory Provident Fund scheme, Life Insurance Corporation (LIC) Group Superannuation Scheme (for employees who joined between November 1999 to November 2004) and National Pension Scheme (NPS) which is mandatory for employees who joined after 1 April 2016.

Contributory Provident Fund of IIFT

The Provident Fund of IIFT was governed under the provisions of the Provident Funds Act, 1925. From 6 March 1982, IIFT adopted Employees Contributory Provident Fund Rules, 1982. The Rules relating to Contributory Provident Fund Rules were framed by IIFT on the basis of Employee Provident Fund & Miscellaneous Provisions Act, 1952. As of March 2023, IIFT Contributory Provident Fund had 52 subscribers and Assets Under Management (AUM) of ₹34.28 crore.

4.8.1 Governance framework

Employees Provident Fund by IIFT was governed under the Provident Funds Act, 1925 and had adopted Employees Contributory Provident Fund Rules, 1982 for the administration and management of the Fund. As per the CPF Rules, the Fund shall be constituted as an `Irrevocable Trust' and be administered by the Board of Trustees comprising, the Director, Registrar, an officer nominated by the Director and three representatives of the members of the Fund to be elected from amongst different categories of employees of the Institute in the presence of a representative of the Regional Provident Fund Commissioner. The Director will be the Chairman of the Board.

4.8.1.1 Registration of CPF Trust by IIFT

As per the CPF Rules, 1982, the Fund shall be constituted as an `Irrevocable Trust'. No money belonging to the Fund in the hands of the Trustees shall be recoverable by the Institute under any pretext whatsoever nor shall the Institute have any lien or charge of any description on the same.

Audit observed that the IIFT Provident Fund Trust was not a separate legal entity. It was a unit of IIFT, a society registered under the Societies Act. No Trust deed was available with IIFT. Further, the Trust had not applied for PAN with Income Tax Department. Due to this reason, the tax deducted at source on the interest of fixed deposit of the Trust was not appropriately accounted for.

IIFT replied (August 2023) that the records relating to registration of CPF Trust were not traceable. IIFT further furnished copy of note sheets pertaining to April 2014 in which IIFT had made some efforts to get the CPF Trust registered retrospectively (from 1982).

4.8.1.2 Meetings of Board of Trustees

In terms of IIFT CPF Rules, 1982, the Board of Trustees were to meet at least twice a year and the presence of at least four members of the Board, of whom two shall be the representative of the employees, were to form the quorum at any meeting. Audit could not find any evidence of meetings of the Board of Trustees. No file/records relating to minutes of meeting of Board of Trustees was being maintained by IIFT.

4.8.1.3 Preparation of accounts and conduct of audit of accounts

IIFT CPF Rules stipulated that soon after 31st March in each year, a balance sheet shall be prepared as on 31st March. The balance sheet and the accounts shall be audited yearly by the Auditors of the Institute. A copy of the balance sheet will be sent every year to Regional Provident Fund Commissioner.

Audit noticed that the accounts of IIFT CPF Trust have been prepared as detailed below:

Table 4.2: Status of Accounts preparation of IIFT CPF and its audit

Sl. No	Period of Accounts	Month/ Year in which Accounts prepared	Year in which audited
1	1999-2000 to 2001-02 (3 years)	December 2005	2007
2	2002-03	February 2008	February 2008
3	2003-04 to 2006-07 (4 years)	July 2008	July/August 2008
4	2007-08	September 2008	September 2008
5	2016-17 to 2020-21 (5 years)	November 2022	December 2022

As can be seen, the annual accounts had not been prepared annually by IIFT as mandated by the CPF rules. Resultantly, the audit of IIFT CPF accounts had not been conducted as per the mandated timeline.

The absence of regular financial reporting and timely audits undermines accountability and transparency within the organisation. Without the preparation of annual accounts and verification of these accounts through timely audits, there was no clear, accurate, or up-to-date record of how the funds were being managed. This lack of oversight made it challenging to identify any financial mismanagement, errors, or discrepancies in the allocation of resources.

IIFT, while accepting the observation of Audit, stated (December 2023) that the point had been noted, and PF Audit would be done in a timely manner.

4.8.2 Fund Management

4.8.2.1 Adherence to investment guidelines

As per the CPF Trust Rules, 1982, investment of all moneys belonging to the Fund and not immediately required for making any payment to members, after making payments of loans and full amount to retiring members, would be invested only in approved Central/State Government securities in accordance with the orders of Ministry of Labour and Employment issued from time to time at the close of every financial year.

The Ministry of Labour and Employment notified (May 2015) the Investment Pattern and the same is given in **Annexure-VIII**. As on March 2023, IIFT CPF Trust had Assets under Management of ₹34.28 crore, out of which ₹29.04 crore were invested in the term deposits of bank and debt securities.

Audit observed that in contravention of the prescribed pattern for investment, IIFT invested 85 *per cent* of the funds in term deposits of banks and debt securities against the allowed maximum permissible limit of 45 *per cent* of total amount of investment. Below are the rates declared and paid by IIFT to its employees for their CPF contribution and the returns generated by them in respective years.

Table 4.3: Interest earned and declared by IIFT-CPF

Financial Year	Interest rate declared	Interest rate Earned
2017-18	8.55%	6.58%
2018-19	8.65%	9.11%
2019-20	8.50%	6.63%
2020-21	8.50%	7.59%
2021-22	8.10%	7.57%
2022-23	8.15%	--

As is evident from the above table, interest earned was lower than the declared rates during FY 2017-18 to 2021-22 except for one Financial Year (2018-19).

Thus, deviation from the prescribed pattern for investment of provident funds led to erosion of Funds and the deficit in the account of IIFT CPF Trust was approximately ₹5.58 crore as of 31 March 2023.

IIFT replied (December 2023) that the PF funds were managed by the Trust, and as per the approved PF Rules, funds were to be invested in SBI/ Nationalised Banks/ Scheduled Commercial Banks. IIFT further stated that diverting the funds in different securities was riskier as compared to investing in FDs in nationalised banks, which earned stable returns and were safer. IIFT also stated that it was under Provident Funds Act, 1925 and hence the guidelines of Ministry of Finance were not applicable to it.

However, as IIFT was governed under CPF Rules, 1982 as per which investments would be made in accordance with the orders of Ministry of Labour and Employment issued from time to time, the investments should have been made in compliance with these guidelines.

4.8.3 Protection of subscribers' interests

4.8.3.1 IT system used by IIFT for maintenance of CPF accounts

In terms of IIFT CPF Rules 1982, regarding maintenance of accounts of the subscription, separate accounts would be maintained for each subscriber showing the amount contributed by him, interest accrued thereon, amount withdrawn by him, and the total amount outstanding to his credit. Also, a passbook was to be provided to the employees so that they can satisfy themselves as to the correctness of the annual statement and any error could be brought to the notice of Trustees.

Audit observed that:

(i) The system permitted withdrawal of more than the available amounts in the individual accounts of the members and hence the balances of many members were shown in negative figures.

(ii) The employees who had attained superannuation and final payment of PF amount had been released by IIFT, were still being shown in the list of the existing members with negative balances in their account.

(iii) The employees who had shifted to NPS (an option available for the existing employees to shift from CPF to NPS) and had obtained excess withdrawal from PF account were still being shown in the list of CPF subscribers with balances (shown in negative) which were recoverable from employees concerned.

(iv) In sample cases selected by Audit, a difference in closing and opening balance in the individual account had been noticed by audit. The IT system was not designed to mitigate the issue of difference in closing and opening balance.

(v) IIFT did not provide any annual statement of accounts or passbooks to employees in previous years.

The above shortcomings highlighted several critical gaps in both the system's design and its operational execution. These errors hindered effective tracking of individual subscriber contributions and withdrawals. Furthermore, the failure to provide employees with annual statements or passbooks deprived them of the opportunity to verify their account balances and identify any discrepancies, undermining transparency and accountability in the process.

IIFT accepted the observation and stated (December 2023) that they had started the procedure to provide annual statements of PF accounts or passbooks to employees every year from the year 2022-23.

Recommendation No. 32

The Board may take appropriate steps to ensure a separate legal existence of the PF Trust of IIFT. Further, the Board may ensure preparation of accounts of the Trust regularly, as prescribed. The Board may also adhere to the stipulation in the CPF Trust Rules 1982 of IIFT about investing in accordance with orders of the Ministry of Labour and Employment.

4.9 Summing up

The audit of six pension funds - four under the Employees' Provident Funds and Miscellaneous Provisions (EPF&MP) Act, 1952, and two under the Provident Funds Act, 1925 - highlighted a mix of strengths and areas for improvement in their governance, fund management and subscriber protection mechanisms.

The funds managed under the EPF&MP Act, 1952 (Cotton Corporation of India, Chennai Petroleum Corporation Limited, Rashtriya Ispat Nigam Limited, and MECON Limited) demonstrated adherence to basic statutory requirements, including broad compliance with investment guidelines. However, issues in fund management and lack of a grievance redressal policy were noticed in CCIL. In CPCL, there was no detailed investment/risk management policy and rates of return on investment for the period from 2019-20 to 2023-24 were lower than rates of return declared except for the year 2021-22. As regards RINL, there were instances of agenda items not being circulated to the Board of Trustees of ESBF Trust, besides shortfall in investment under the category 'equities and related instruments' during 2018-19 to 2021-22. In case of MECON, there was no defined periodicity for holding meetings of its Board of Trustees, besides absence of grievance redressal policy and mechanism.

Funds managed under the Provident Funds Act, 1925 (Calcutta Dock Labour Board and Indian Institute of Foreign Trade) faced distinct challenges. The Calcutta Dock Labour Board's lack of a dedicated pension fund and reliance on earnings to pay pension resulted in significant arrears. Similarly, evidence pertaining to meetings of the Board of Trustees of Indian Institute of Foreign Trade was not available. There were instances of delayed account preparation, besides deviation from Investment Rules prescribed by Ministry of Labour and Employment, which were to be followed in line with provisions of their own CPF Rules, 1982.

To summarise, while these funds played an important role in providing retirement benefits to their respective subscribers, their performance indicated the need for improvement.

Chapter V-

Pension Schemes for the unorganised sector and senior citizens

Chapter-V
Pension Schemes for the unorganised sector and senior citizens

5.1 Background

Pension for the unorganised sector workers is important, as it provides monthly income during old age, when they are not working. During the working age of the unorganised sector workers, they do not have access to any formal means to contribute to pension schemes. To address the longevity risks among the workers in unorganised sector and to encourage the workers in unorganised sector to voluntarily save for their retirement, the Government had started the Swavalamban Scheme (National Pension System for unorganised sector) in 2010-11. However, coverage under Swavalamban Scheme was inadequate mainly due to lack of guaranteed pension benefits at the age of 60 years.

The Government announced the introduction of universal social security schemes in the Pension sector for all Indians, specially the poor and the under-privileged, in the Budget for the year 2015-16. In this direction, **Atal Pension Yojana (APY)** was launched in May 2015, to provide a defined pension, depending on the contribution, and its period. Under the APY, the subscribers would receive the fixed minimum pension of ₹1,000/ ₹2,000/ ₹3,000/ ₹4,000/ ₹5,000 per month, at the age of 60 years, depending on their contributions, which would be based on the age of joining the APY.

The Government in 2017 introduced **Pradhan Mantri Vaya Vandan Yojana[27] (PMVVY)** to protect elderly persons aged 60 years and above, against a future fall in their interest income due to a possible fall in the interest rates. The scheme offers a certain minimum assured return on the initial corpus contributed as subscription to the Scheme. The scheme provides an assured return of 8.30 *per cent*[28] per annum and is implemented through Life Insurance Corporation of India (LIC).

Further, in the interim Budget 2019-20, the Government launched a pension scheme namely **Pradhan Mantri Shram-Yogi Maandhan Yojana (PMSYM)** for the unorganised sector workers with monthly income upto ₹15,000. This pension scheme shall provide them an assured monthly pension of ₹3,000 from the age of 60 years on a monthly contribution of a small affordable amount during their working age.

The Government felt a need to create a social security net (in the form of pension) for the farmers. Most of the farmers at old age would lose their livelihood, as manual labour would be difficult at advanced age. The problem is compounded in respect of small and marginal farmers as they have minimal or no savings to provide for old age. Hence, Government introduced a pension scheme for Small and Marginal Farmers (SMF), namely, the **Pradhan Mantri Kisan Maandhan Yojana (PMKMY)**, as a voluntary and contributory pension scheme. The scheme would provide an assured pension of ₹3,000 after attaining the age of 60 years.

[27] Varishtha Pension Bima Yojana with similar benefits as PMVVY was introduced in 2003 and extended till 2015.

[28] There was an assured return of eight per cent per annum payable monthly which is equivalent to 8.30 per cent per annum (annualised return).

In addition to the above, a Centrally Sponsored Scheme, namely, National Social Assistance Programme (NSAP) provides social assistance to poor households in case of old age, death of the breadwinner and maternity. At present, NSAP includes five sub-schemes namely, (i) Indira Gandhi National Old Age Pension Scheme (IGNOAPS), (ii) Indira Gandhi National Widow Pension Scheme (IGNWPS), (iii) Indira Gandhi National Disability Pension Scheme (IGNDPS), (iv) National Family Benefit Scheme (NFBS), and (v) Annapurna Scheme.

The schemes under NSAP are not under the scope of this audit, as the benefits are in the form of grants and no contribution is received from the beneficiaries. The schemes selected for audit, namely, APY, PMSYM, PMKMY and PMVVY are contributory schemes, where Government receives contributions from the subscribers, manages the funds and pays pension after subscribers attain eligible age as per the scheme. Further, the defined benefits are assured by the Government by way of gap funding.

Each scheme caters to specific groups such as unorganised workers, small and marginal farmers, senior citizens providing minimum assured pension supported by Government contributions. This section provides a comprehensive evaluation of these schemes, shedding light on their planning, implementation and monitoring.

A comparison of features of the selected schemes is provided in the table below:

Table 5.1: Features of various Pension Schemes of Government of India

	APY	PMSYM	PMKMY	PMVVY
Launched in	June 2015	February 2019	August 2019	May 2017
Eligibility	18-40 years with people having Savings Account.	18-40 Years with people having Savings Accounts. Monthly income not exceeding ₹15,000 and not covered under other pension schemes	Small and Marginal Farmers who are not covered under other pension schemes, and who are not institutional landholders etc.	Senior citizens above 60 years.
Target group	Special focus on unorganised Sector	unorganised Sector	Small and Marginal Farmers (SMFs)	Senior Citizens
Agencies involved	Department of Financial Services, PFRDA and	Ministry of Labour and Employment, LIC and	Department of Agriculture and Farmers' Welfare, LIC and	Department of Financial Services and LIC

	APY	PMSYM	PMKMY	PMVVY
	Enrolling Agencies	Common Service Center	Common Service Center	
No. of Subscribers (March 2024)	641 lakh (March 2025)	44.92 lakh	19.48 lakh	9.39 lakh
Assets Under Management	₹46,023 crore (March 2025)	₹2,736.25 crore (March 2023)	₹609.82 crore (March 2023)	₹72,687 crore (March 2022)
Premium Amount	Ranges from ₹42/- to ₹7,778/-	Ranges from ₹55/- to ₹200/- per month	Ranges from ₹55/- to ₹200/- per month	Maximum allowed investment: ₹15 lakh
Co-contribution by GoI	50% of premium (up to ₹1,000) for subscribers who joined before March 2016.	50:50 matching contribution by GoI	50:50 matching contribution by GoI	Not Applicable
Pension Payment Age	60 Years	60 Years	60 Years	From date of enrolment
Pension Amount	Different minimum guaranteed pension ₹1,000/₹2,000/ ₹3,000/₹4,000/ ₹5,000	Assured minimum pension of ₹3,000	Assured minimum pension of ₹3,000	Maximum monthly pension of ₹9,250 Assured return of 8.30 *per cent* per annum (annualised return) for 10 years.
Provision for family Pension	Only to Spouse (100 *per cent*) and return of corpus after demise of the spouse.	Only to Spouse (50 *per cent*)	Only to Spouse (50 *per cent*)	Not Applicable

5.2 Atal Pension Yojana

Atal Pension Yojana (APY) was launched in June 2015 by the Ministry of Finance for the unorganised sector workers. Any Indian citizen who has a savings bank account and is in the age group of 18 - 40 years, can join APY Scheme. Under the APY, minimum guaranteed pension of ₹1,000 or ₹2,000 or ₹3,000 or ₹4,000 or ₹5,000 per month would commence after attaining the age of 60 years depending on the contributions by the subscribers for their chosen pension amount.

In respect of an eligible subscriber who had joined the scheme during the period 1 June 2015 to 31 March 2016 and who was not a beneficiary of any social security scheme and was not an income tax payer, the Government of India co-contributed 50 *per cent* of the total contribution or ₹1,000 per annum, whichever was lower. The said Government co-contribution was available for a period of five years from the financial year 2015-16 to 2019-20.

APY is being implemented by the Pension Fund Regulatory and Development Authority (PFRDA) under the overall administrative and institutional architecture of the National Pension System (NPS).

The details of various agencies involved in implementation of the Scheme are given in **Annexure-XVIII**. The contribution chart for the Scheme is given in **Annexure-XIX.**

5.2.1 Planning

As per the approved Cabinet Note (May 2015), the Department of Financial Services estimated to enroll two crore subscribers under the Scheme during the period 1 June 2015 to 31 December 2015.

5.2.1.1 Enrolment under APY

Audit observed that the initial target to enroll two crore population by December 2015 was achieved only by the financial year 2020, after a delay of five years. Further, the proportion of subscribers persisting in the scheme stood at around 51 *per cent* as of 31 March 2024, as shown in the table on the next page.

Table 5.2: Persistency of APY subscribers

Particulars	Number of APY accounts	Persistent till 31.03.2024	Persistency[29] (%)
Active APY Accounts opened till 31.03.2016	20,97,188	10,66,063	50.83
Active APY Accounts opened till 31.03.2023	4,23,11,040	2,15,51,041	50.93

Also, the issue of persistency was highlighted during the Expenditure Finance Committee meeting held on 11 October 2021, which reviewed proposals for the continuation of the Central

[29] ***Contributions deposited monthly, quarterly or half yearly as the case may be on regular basis.***

Sector Schemes under the Department of Financial Services (DFS). The Committee expressed concerns regarding the low persistency rate among subscribers.

The low persistency rate may affect long-term sustainability of the scheme, as it may disrupt the consistent flow of funds. Additionally, the persistency issue raises concern about the overall effectiveness of the scheme.

5.2.1.2 Verification of beneficiaries

The APY scheme focused on unorganised sector, and it was prescribed that, to be eligible for Government co-contribution, the eligible subscriber should neither be a member of any statutory social security scheme nor an income taxpayer.

Audit observed that since the launch of scheme, the number of subscribers who were either taxpayers or other social security scheme beneficiaries increased substantially. A summary of number of APY subscribers who were taxpayers and beneficiaries of other social security schemes is given in Table below:

Table 5.3: Taxpayers and beneficiaries of other social security programme enrolled in APY

Year	Total subscribers joined	Number of taxpayers in total subscribers	Number of other social security scheme beneficiaries in total subscribers	Number of subscribers who were both taxpayers and other social security scheme beneficiaries in total subscribers
2015-16	24,84,895	1,91,409	1,51,788	48,114
As of September 2022	4,06,09,323	14,14,947	13,97,080	400,618

An ineffective verification process for eligibility led to ineligible subscribers being enrolled in the APY scheme. Solely relying on self-declaration by the subscribers without cross-checking could weaken the scheme's integrity and result in benefits to ineligible beneficiaries. A more robust verification mechanism was essential to ensure only eligible individuals receive co-contributions.

The Department of Financial Services stated (October 2022 and April 2025) that the categorisation for income-tax payer and beneficiary under any statutory social scheme was based on the self-declaration given by the prospective subscriber at the time of enrolment under APY. The subscriber declared/undertook to furnish the true and correct information and to immediately inform the bank of any change in the information furnished. Further, the subscriber was also held responsible in case of submission of any false or incorrect information and APY service providers were required to ensure subscriber's eligibility before enrolment. It was further stated that from 1 October 2022, the system automatically rejected registration where tax payer status was shown as 'yes'.

The reply needs to be viewed against the fact that the 'Taxpayer' flag and 'other social security schemes beneficiary' flag played important role in identifying the subscribers to give Government co-contribution to eligible subscribers. Hence, it was necessary to include checks within the system to verify the eligibility of the subscriber instead of solely relying on self-declaration. Further, DFS vide notification dated 10 August 2022, amended the eligibility criteria for enrolling in APY. From 01 October 2022, any citizen who was or had been an income-tax payer, shall not be eligible to join APY.

Recommendation No. 33

PFRDA may weed out APY beneficiaries who are Income taxpayers or beneficiaries of other statutory social security schemes, by verifying their taxpayer status with Income Tax authorities and their enrollment in other social security schemes through required identifiers like PAN, Aadhaar or any other combination of personal identifiers.

5.2.2 Implementation of APY

5.2.2.1 Identification of unique subscribers

APY was implemented from 1 June 2015 and the approved Cabinet Note for APY mentioned that for enrollment in APY, Aadhaar would be the primary KYC document for identification of (a) beneficiaries, (b) spouse and (c) nominees to avoid pension rights and entitlement related disputes in the long term.

Audit observed that neither was Aadhaar a mandatory field in the subscriber form to be used as primary KYC in the beginning of the scheme nor was any other field made mandatory to be used as primary KYC.

PFRDA stated (October 2024) that existing KYC details of subscribers existing in the banking system were being used by the banks. Further at the time of payout, the Aadhaar had been proposed to be used as the mandatory document to provide the benefits to only unique subscribers.

The reply is not reasonable as allowing duplicate enrollment in the system and denying benefits to the subscribers who are not unique, at the time of pension payout is not in the best interest of the subscribers. Further, presence of duplicate subscribers would lead to avoidable administrative cost and gap funding by the Government.

5.2.2.2 Multiplicity of beneficiaries in APY

As per the APY scheme, subscribers shall have only one APY account. Accordingly, while registering the subscriber, banks/APY service providers were required to ensure that only one APY account was mapped to one savings bank account. In the case of a joint account, each holder could be registered under the same bank account.

The central record keeping agency for APY (Protean) provided details of 4.54 crore Permanent Retirement Account Numbers (PRANs) as on 19 September 2022 from the APY database. Preliminary examination of data revealed that there was no unique field which could be used as primary key. Therefore, Audit carried out the de-duplication exercise using a combination of multiple fields namely, 'Subscriber Name', 'DOB', 'Gender', 'NLOO registration number' (id representing the APY-Service providers) and 'Bank Account Number' provided in the database of subscribers. Different methodologies yielded slightly varying outcomes as under:

Table 5.4: Summary of outcome of de-duplication of APY subscriber database

S. No.	De-Duplication criteria	Outcome
1	De-duplication on only 'Bank Account Number'	1,25,211 unique bank account numbers linked to 2,79,650 APY PRANs
2	De-duplication on combination of 'Subscriber Name' and 'Bank Account Number' fields	27,216 bank account numbers linked to 57,088 APY PRANs
3	De-duplication on combination of 5 parameters namely 'Subscriber Name', 'DOB', 'Sex', 'NLOO registration number' and 'Bank Account number'	25,672 bank account numbers linked to 53,868 APY PRANs

The outcome of the above de-duplication exercise of APY subscribers was for subscribers that had multiple PRANs associated with their bank account number in the same bank. However, due to the absence of a primary field (unique id like Aadhaar, PAN), Audit could not ascertain the subscribers who may have multiple APY PRANs associated with bank account numbers across different banks.

PFRDA replied (August 2023) that at present no photo, signature or PAN of the subscriber was available in the Central Recordkeeping Agency (CRA) system and the account was linked to the bank account of the beneficiary. Thus, no other primary KYC document was available that could be used as a unique identifier for the de-duplication process. PFRDA had instructed the CRA to initiate a de-duplication process but the same could be limited only to the APY accounts opened through the same bank and the de-duplication process across banks was currently not possible in the absence of a unique identifier. PFRDA further stated that it had requested the Department of Financial Services to consider making Aadhaar mandatory for APY scheme for existing as well as newly opened accounts.

The Department of Financial Services replied (April 2025) that CRA had been instructed by PFRDA on APY's de-duplication and CRA's confirmation of its implementation had been received. It was further stated that Aadhaar was proposed to be made mandatory at exit (60 years of age) to prevent multiple pension under the Scheme.

The reply may be viewed in light of the fact that since the Scheme provides assured pension benefits and the Government is providing gap funding, the presence of duplicates would increase the financial burden on the Government.

Recommendation No. 34

The Department of Financial Services and PFRDA may jointly ensure that a unique identifier is captured for all APY subscribers to facilitate de-duplication across different banks.

5.2.3 Fund Management

As per the notification of APY, the amount collected under APY shall be invested as per the investment pattern specified by the Central Government from time to time. The investment pattern and the returns generated by the pension fund managers are given in **Annexure-XX**.

5.2.3.1 Actuarial Valuation

Actuarial valuation was made mandatory as per approved Note for Cabinet (May 2015) citing the reason that APY was a defined benefit scheme and any gap between the desired rate of return and actual rate of return would need to be bridged by the Government. The actuarial valuation of the scheme would be done to know the fund position vis-a-vis the fixed pension liability.

For APY schemes three actuarial valuations were carried out during the year 2018, 2020 & 2021 and the deficits calculated in these three years are ₹1,382 crore, ₹8,104 crore, and ₹8,853 crore respectively.

5.2.3.1.1 Payouts directly through pension funds

In the Actuarial report of 2018, the Actuary had forecasted a deficit of ₹1,382 crore primarily due to the fact that the pension would be paid through insurance companies (annuity service providers). However, the Actuary had forecasted a surplus of ₹537 crore, in the scenario where the Pension was paid directly from Pension Funds. In this regard, Audit sought response from PFRDA on the steps/action taken by PFRDA and the Department of Financial Services towards shifting the Fund to the pension funds for paying pension directly through them, and on the reasons for not paying the pension by the pension funds directly as suggested by the Actuary.

In its response, PFRDA (February 2023) cited the practical challenges of direct payouts through pension funds, such as limited expertise and resources in asset-liability management and longevity risk mitigation. PFRDA in its response (July 2023) emphasised the need for robust systems to handle payout complexities and ensure subscriber protection. It was further stated that pension fund managers would require substantial capital infusion to guarantee payouts, making annuity service providers better equipped to manage this phase. Following discussions with the Department of Financial Services, a consensus was reached that annuity service providers were a more viable option for managing pension disbursements.

The reply needs to be viewed in light of the fact that the three pension fund managers (*viz*., SBI, LIC and UTI) collectively managing 92 *per cent* of NPS funds had already demonstrated expertise in asset-liability management. Further, two of these pension fund managers had group companies functioning as annuity service providers under NPS, indicating that they possessed the capability to manage longevity risks. PFRDA could explore the possibility of allowing pension funds to manage payout risks or engaged with them on the capital requirements that would be necessary for undertaking direct pension payouts. Although PFRDA cited a letter sent to the Department of Financial Services regarding the surplus funds in the event of pension funds handling payouts, it did not provide any document regarding subsequent communication from the Department on the utility of annuity service providers as the preferred option. As a result, Audit was unable to verify the Department's position.

5.2.4 Monitoring

5.2.4.1 Inspection of Points of Presence

As per PFRDA (Point of Presence) Regulations, 2018, PFRDA may if it considers necessary at any time, undertake directly or through its authorised representative an inspection and audit of the point of presence for any purpose, including the purposes as specified under this regulation.

The year-wise number of inspections conducted was as shown below:

Table 5.5: Details of inspections of APY-Points of Presence (PoPs)

Year	Number of PoPs registered under PoP Regulations, 2018	Number of PoP inspections conducted
2015-16	-	Nil
2016-17	-	Nil
2017-18	-	Nil
2018-19	268	1
2019-20	317	9
2020-21	306	Nil (due to Covid-19)
2021-22	311	5
2022-23	331	8
2023-24	363	10

Audit observed that, in the first three years of the Scheme, no inspection of APY-PoPs was done by PFRDA. In the subsequent years also, till 5 March 2024, only 33 inspections were carried out, with less than three *per cent* of PoPs inspected every year. Further, during the period 2018-19 to 2021-22, the PoPs selected for inspection were primarily based on the number of subscribers enrolled by the PoPs and time lapsed from last inspection of the PoP.

PFRDA replied (May 2023) that they had initiated the inspection of PoPs under APY post registration of APY service providers as PoPs under PFRDA (Point of Presence) Regulations, 2018, as the power to conduct the inspection had been drawn from the extant regulations. PFRDA further stated that they conducted the inspection of PoPs based on the risk-based approach considering various parameters which mainly include the number of subscriber registered, incidents (subscriber complaints and supervisory issues such as multiple PRANs etc.) and category-based (Payment Bank, Co-operative Bank, Regional Rural Banks).

The Department of Financial Services, while reiterating PFRDA's response, stated (April 2025)

- The 'subscriber base' served as a key criterion for inspection as it was directly correlated to quantum of contribution and requests processed by PoPs.
- The top 25 PoPs under APY accounted for approximately 86 *per cent* of total subscribers and all of them had been inspected. The bottom PoPs were either non-

operational or constituted very less subscribers or any adverse observations through offsite supervision had not been noted.

- All PoPs were required to submit annual compliance and external audit reports by independent Chartered Accountant firms, ensuring that PoPs not covered under inspection remained subject to the stipulated supervisory framework.

The replies of DFS and PFRDA are acknowledged.

5.2.4.2 Grievance redressal mechanism

PFRDA (Redressal of Subscriber Grievance) Regulations, 2015 aims to provide a framework for handling grievances of the subscribers by the intermediaries under National Pension System (NPS) and other pension schemes regulated by PFRDA at any point of time.

A total of 4,21,632 number of grievances relating to APY had been received during the period 2015-16 to 2024-25, comprising 87,200 grievances against the Central Recordkeeping Agency and 3,34,432 grievances against the Points of Presence.

The issues discussed in para 2.4.4 regarding grievance redressal mechanism of PFRDA are also applicable to APY, as the grievance redressal architecture under PFRDA is same for NPS and APY.

5.3 Pradhan Mantri Shram Yogi Maandhan Yojana

Pradhan Mantri Shram Yogi Maandhan (PMSYM) Yojana was introduced to provide old age protection for the welfare of unorganised workers under section 3(1)(c) of the Unorganised Workers' Social Security Act, 2008. The Scheme was approved by the Cabinet in its meeting held on 1 February 2019. The scheme was launched by the Government for the unorganised sector workers with monthly income upto ₹15,000. It is a Central Sector Scheme, administered by the Ministry of Labour and Employment in partnership with the LIC as the pension fund manager.

The features of the Scheme and the role of various agencies involved in its implementation are given at **Annexure-XXI** and the contribution chart for the Scheme is at **Annexure-XXII.**

The Ministry of Labour and Employment has been entrusted with the role of formulation, implementation, monitoring and evaluation of the Scheme. The monitoring of the Scheme by the Ministry focuses, *inter alia*, on two aspects: (i) enrolments under the scheme for increased outreach and (ii) performance of the funds for better returns.

5.3.1 Planning

5.3.1.1 Enrolment

As per the Cabinet Note (28 February 2019) for Pradhan Mantri Shram Yogi Maandhan (PMSYM) Yojana, the targets were set to include unorganised workers under the age group 18-40 years (about 25 crore people). The Scheme was envisaged to cover 10 crore beneficiaries over a period of five years or up to 31 March 2023. The year-wise target set as per Cabinet note is given below along with actual subscriptions:

Table 5.6: Target and actual beneficiaries under PMSYM

S.No.	Financial year	Estimated beneficiaries	Actual subscribers*	Percentage subscribers
1	2018-19	1 crore	27,80,659	27.80
2	2019-20	2 crore	11,07,725	5.54
3	2020-21	2 crore	1,36,792	0.68
4	2021-22	2 crore	1,28,369	0.64
5	2022-23	3 crore	2,72,495	0.91
6	2023-24	-	65,775	-
Total		**10 crore**	**44,91,815**	**4.49**

*** Source: Maandhan portal**

Audit observed that till 31 March 2024, only 44.92 lakh subscribers had subscribed to the Scheme, against the target of ten crore by the end of March 2023, falling short of more than 9.55 crore subscribers. The enrolment worked out to 4.49 *per cent* of the total target of ten crore subscribers. Further, Audit noticed that only 43 *per cent* of subscribers were active and regularly contributing to the Scheme out of the total subscribers.

The Ministry of Labour and Employment replied (April 2024) that various meetings were held under the chairmanship of Joint Secretary & Director General Labour Welfare and Deputy Director General to increase the outreach and mobilisation of beneficiaries into the pension scheme. A sum of ₹36.56 crore was spent on various Information, Education and Communication (IEC) activities for the year 2019-20. Media campaign through TV and Radio were being run by the Ministry. Also, a Committee was formed (1 September 2023) for redesigning the PMSYM scheme. The Ministry also stated that the revival period for a dormant account had been revised from the earlier one year to three years, to increase the number of active beneficiaries.

The Ministry further stated (April 2025) that through the Welfare Commissioners in the States, the Ministry had organised 1,035 camps nationwide for awareness of the schemes including PMSYM. Further, 2,223 Awareness-cum-Registration Camps and 6,110 Shramik Chaupal programmes were also conducted between April 2024 and January 2025. The Ministry had collaborated with the Ministry of Information and Broadcasting for the telecast of Audio Video spots and jingles related to the PMSYM scheme in January 2024.

The reply may be seen in light of the fact that only 4.49 *per cent* of enrolments were achieved during the initial years of the Scheme's implementation. A more sustained and extensive IEC campaign was essential to bridge the gap. Also, extending the revival period for dormant accounts from one year to three years was a positive step for improving retention rate.

5.3.2 Implementation

5.3.2.1 Multiplicity in enrolment of subscribers

As per the gazette notification (February 2019), of the Scheme a person who had a savings bank account and Aadhaar number was eligible to join the scheme. Therefore, it was imperative to ensure, either while registering the subscriber or at the stage of successful auto-debit, that only one Shram Yogi Pension Account Number (SPAN) or PMSYM account was mapped to one savings bank account. In the case of a joint account, each account holder could be registered under the same bank account.

The Ministry of Labour and Employment provided details of approximately 44 lakh PMSYM accounts as of 31 March 2023. Audit analysed the data provided by the Ministry. Important fields like the Aadhaar number, monthly income, enrolment in other pension schemes, *inter alia*, were requested as part of the data. However, these three fields were not furnished citing non-availability of the same with LIC. Preliminary examination of data revealed that there was no unique field which could be used as the primary key.

Therefore, data de-duplication was performed by Audit using the combination of multiple fields namely 'Name', 'Gender', 'DOB', 'Bank Account Number' and 'State Name' provided in the database of subscribers. Different methodologies yielded slightly varying outcomes as under:

Table 5.7: Summary of de-duplication of PMSYM database

S.No.	De-duplication criteria	Number of potential duplicates
1.	De-Duplication on only 'Bank Account Number'	33,596 unique bank account numbers linked to 74,598 SPANs
2.	Combination of 'Name' and 'Bank Account Number' fields	69 bank accounts linked to 268 SPANs
3.	Combination of Five fields namely 'Name', 'DOB', 'Gender', 'State Name', and 'Bank Account Number'	5 bank accounts linked to 12 SPANs

Further, it is pertinent to mention that the above outcomes were only indicative and based on subscribers using the same bank account number. Further, there could be a possibility for subscribers using different bank account numbers for multiple enrolments. In the absence of a unique field (Aadhaar, PAN, etc.) in the data given to Audit, the actual position of unique enrolment could not be ascertained.

The Ministry of Labour and Employment replied (May 2024) that the database provided to Audit may not contain the active/inactive field and requested Audit to provide SPAN details of duplicate subscribers, for taking necessary action or to identify any inactive SPANs and take policy decision on their treatment. Audit shared SPAN details of LIC dataset (31 May 2024) with the Ministry.

The Ministry further stated (April 2025) that certain checks had been put in place so that ineligible persons could not subscribe to the Scheme. Only the beneficiaries enrolled in eShram with an Aadhaar-authenticated Universal Account Number (UAN) could now register in PMSYM. Age eligibility (18-40 years) was verified through UAN and Aadhaar authentication. Also, the system blocked duplicate registrations using the same Aadhaar or UAN once a subscriber was enrolled.

Audit appreciates the remedial actions taken by the Ministry. The reply was, however, silent on the status and treatment of duplicate accounts already identified by Audit, including whether co-contributions made under such accounts were recovered, nullified, or adjusted.

5.3.2.2 Actuarial valuation

As per the Memorandum of Understanding signed (July 2019) between the Ministry of Labour and Employment and LIC of India, LIC had to undertake annual actuarial valuation of the pension fund. LIC in a letter (5 February 2019) to the Ministry raised concerns regarding inadequate levels of contributions to provide life annuity to subscribers (minimum assured pension of ₹3,000 with 50 *per cent* to the spouse on death of member).

Audit observed that in response to the letter from the LIC, the Ministry replied (6 February 2019) that the concerns had been noted and first such actuarial valuation was to be done after five years of Scheme implementation, so that the membership trend, age profile of members could be observed to finalise assumptions for actuarial valuation. As of March 2024, five years had lapsed, but records made available showed that no actuarial valuation had been carried out.

The Ministry of Labour and Employment replied (May 2024) that a Committee had been formed to prepare the RFP for hiring actuarial firms for actuarial evaluation of PMSYM Scheme. Actuarial valuation of the fund was being taken up and adequacy of funds would be known after that. Inflation indexing of pension may be required to make the scheme attractive.

The Ministry further stated (April 2025) that an actuarial firm had been on-boarded and the work would be completed by end of April 2025. On the basis of the report of the actuarial evaluation, the scheme would be comprehensively reviewed.

5.3.3 Monitoring

5.3.3.1 Monitoring of balances under Government Pool Account

As per the MoU signed between LIC and the Ministry of Labour and Employment, a Pension Fund would be created by the Central Government which was to be managed by LIC of India. The pension fund contained two accounts, namely, Government Pool Account (GPA) where all money released by the Government would be credited, and Subscriber's Individual Account (SIA), where the initial and further contributions of each of the subscribers would be credited.

As per the MoU, the investment income i.e., interest/dividend earned by the Fund would be distributed to SIA and GPA. Further, LIC would also provide the Government with an annual statement of accretions to and deductions from the Pension Fund along with Pension Fund Balance.

As per Rule 238(1) of General Financial Rules, 2017, Utilisation Certificate should be submitted in the prescribed format (Form GFR 12-A) and this format included, *inter alia*, two important heads/fields namely interest earned on unspent balances and interest deposited back to the Government. The Ministry also prescribed the same format for submitting the utilisation certificate. Also, the Utilisation Certificate should be submitted within 12 months of the closure of the financial year in which the funds were released.

Audit observed that:

- LIC did not submit the utilisation certificates in the prescribed format. The format used by LIC did not capture the interest earned on unspent balance and the interest deposited back to Government account.
- Details of interest earned by LIC was not reflected in the Statements of accounts - summary of funds received and apportioned under GPA, as submitted by LIC to the Ministry.
- The Ministry released ₹49.49 crore in FY 2018-19, ₹324.70 crore in FY 2019-20 and ₹305.76 crore in the FY 2020-21 in respect of Government funding for equal co-contribution. The Ministry furnished (13 March 2024) UCs received from LIC for the years 2018-19 to 2022-23. However, the utilisation certificate for the year 2018-19 was dated 13 September 2023 and the other four utilisation certificates were dated 1 November 2023.

Thus, LIC did not follow due process as per General Financial Rules or as per the MoU signed with the Ministry. Further scrutiny of records regarding release of funds to LIC revealed that neither the Ministry nor the Pay and Accounts Officer (PAO) had made any observation on the above deviation by LIC. Without ensuring that the interest earned on unspent balance was remitted back to Government accounts or assuring that the interest earned was getting adjusted in the balances being brought forward from last year, the Ministry continued sanctioning and releasing further funds to LIC.

In the Exit conference held (29 May 2024) with the Ministry of Labour and Employment, it was replied that the Ministry made payment to LIC after it raised demand for co-contribution. As the fund received went into the Government Pool Account (GPA) and was immediately invested by LIC, there remained no unutilised money with LIC. The Ministry further stated (April 2025) that since September 2023, following Ministry's instructions, LIC had been submitting the utilisation certificates in the prescribed GFR 12-A format.

While the reply of the Ministry is acknowledged, it is pertinent to note that UCs for the years 2018-19 to 2019-23 were submitted with delay instead of within 12 months of the closure of financial year as per the General Financial Rules, 2017.

5.3.3.2 Third party evaluation of the Scheme

As per the Ministry of Finance OM (August 2016) on formulation of public funded schemes, all Ministries/Departments were to prepare an output-outcome framework for each Central Sector Scheme and Centrally Sponsored Scheme with the approval of the CEO, NITI Aayog. The framework needed to define measurable medium-term outcomes focusing on the quality of schemes and set annual physical and financial targets that align with achieving these outcomes. NITI Aayog would initiate the process of third-party evaluations for these schemes and extension of the scheme from one Finance Commission cycle to another would be contingent on the result of such an evaluation exercise.

Audit observed that the Ministry of Labour and Employment carried out a third-party evaluation for the purpose of continuation of the PMSYM scheme through Indian Institute of

Public Administration (IIPA), New Delhi. The final report of the study was submitted to the Ministry in March 2023.

Some of the recommendations, as made in the report of IIPA were as under:

(i) Merge PMSYM scheme with Atal Pension Yojana (APY). Continue Government's matching contributions for existing subscribers' post-merger.

(ii) Discontinue fresh registrations; allow existing subscribers to migrate to APY.

(iii) Permit higher contributions in instalments for enhanced benefits.

(iv) Establish district-level committees with enrolment targets for unorganised workers. Set up a grievance redressal cell in the Ministry of Labour and Employment.

(v) Increase eligibility income limit to ₹18,000 per month and minimum age eligibility to 50 years.

About the action taken on the third-party evaluation report, the Ministry replied (13 March 2024) that a Committee with members from PFRDA, Department of Financial Services and Arun Jaitley National Institute of Financial Management (AJNIFM) had been constituted to revamp and redesign the PMSYM scheme. Further, the Committee concluded that the merger of the PMSYM scheme with APY was not feasible due to the operational challenges related to migration and gap requirements.

5.3.3.3 Grievance redressal mechanism

As per the MoU (July 2019) between the Ministry of Labour and Employment and LIC, the latter would facilitate necessary back-end data support and linkage with front-end. The Maandhan portal was launched in 2019 by the Ministry. A toll-free number had been set up in February 2019 in terms of the MoU. Call Centre expenses were being reimbursed by the Ministry to LIC on actual basis. Further, in order to address any queries and grievances related to e-Shram portal, a dedicated call centre and Grievance Management System (GMS) was set up by the Ministry through CSC eGovernance Services India Limited.

Complaints were also being received through the Centralised Public Grievance Redress and Monitoring System (CPGRAMS) platform. As per the OM of the Department of Administrative Reforms and Public Grievances, the timeline for redressal of grievances through CPGRAMS was 30 days (July 2022).

The Ministry provided (1 April 2024) list of 8,972 tickets raised through various portals. Out of these, 180 tickets were open and rest were closed. The only information provided for closed tickets were date of closure, and there were no remarks for information related to the resolution, mode of communication to subscribers and feedback from subscribers on the resolution received.

In the absence of complete details of tickets raised, the grievances received in the Ministry through CPGRAMS were test checked. A total of 1,542 grievances had been received on CPGRAMS portal during 2019-20 to 2022-23, out of which 605 grievances were test-checked, and it was observed that 77 out of these 605 grievances pertained to PMSYM Scheme.

While reviewing these grievances pertaining to PMSYM, Audit observed that the Ministry had not provided appropriate resolution in 10 out of 77 test checked cases. In four cases, the grievances were passed on to some other entities or subordinate organisations for resolution or the grievances were disposed off citing non-availability of certain document/information without proper follow-up with the aggrieved.

The Ministry of Labour and Employment replied (April 2025) that the audit observation had been duly noted for further improvements.

Recommendation No. 35

The Ministry of Labour and Employment may take steps to effectively resolve the grievances under PMSYM being raised through CPGRAMS or other portals.

5.4 Pradhan Mantri Kisan Maandhan Yojana

The Ministry of Labour and Employment implements the Pradhan Mantri Shram Yogi Maandhan Yojana (PMSYM) for unorganised sector workers whose monthly income is ₹15,000 or below. As this excluded a large number of farmers, it was felt that a separate Scheme needs to be implemented which targets the social security of all small and marginal farmers across the country and hence, Pradhan Mantri Kisan Maandhan Yojana (PMKMY) was introduced in August 2019 by the Department of Agriculture and Farmers Welfare, Ministry of Agriculture & Farmers' Welfare. The features of the Scheme and roles of various agencies involved are given at **Annexure-XXIII** and the contribution chart for the Scheme is at **Annexure-XXII**.

5.4.1 Planning

5.4.1.1 Enrolments under the Scheme

As per the Note for the Cabinet (31 May 2019) for the Scheme, the targeted population of small and marginal farmers in the age bracket of 18-40 years was eight crore. However, considering the exclusion of certain categories of beneficiaries of higher economic strata and small and marginal farmers covered under other statutory social security schemes, the net beneficiaries were expected to be about five crore in the 4-5 years of Scheme.

Further, as per the Cabinet note, it was also proposed to utilise the database created under the PM-KISAN Scheme. For this purpose, it was proposed that the State Nodal Officers in the States dealing with PM-KISAN may be roped in for the enrolment of farmers. This would help the farmers who were already drawing benefits under the PM-KISAN Scheme. The option would also be given to the farmers to allow contribution of his/her share to the PMKMY Scheme from the benefits of PM-KISAN Scheme directly.

The year-wise target set (as per note for Cabinet for approval of Scheme) is shown in the table below along with actual subscriptions:

Table 5.8: Targets and actual subscribers of PMKMY

S.No.	Financial year	Estimated beneficiaries	Actual subscribers	Percentage subscribers
1	2019-20	1 crore	16,38,078	16.38
2	2020-21	2 crore	1,14,835	0.57
3	2021-22	2 crore	1,49,783	0.75
4	2022-23	-	41,335	-
5	2023-24	-	4,711	-
Total		**5 crore**	**19,48,742**	**3.90**

Source: Maandhan portal

Audit observed that till 31 March 2024, the enrolment in the Scheme was only 19.49 lakh subscribers, falling short by 4.8 crore subscribers against the intended target of five crore subscribers. In percentage terms, in the first year about 16 *per cent* of target registrations were achieved, which declined in subsequent years. In total, less than four *per cent* of targeted beneficiaries could only be enrolled in these years.

Also, out of the total 13 crore small and marginal farmers, 8.55 crore farmers received the 12th instalment (August-November 2022-23) under the PM-KISAN scheme. However, only a meagre 1.41 lakh farmers (0.16 *per cent* of PMKISAN beneficiaries who received the 12th instalment) from the PM-KISAN Scheme registered themselves under the PMKMY. Further, no budget had been allocated, and no expenditure had been incurred towards IEC activities, as well as outreach and awareness programs.

In the exit conference with the Department of Agriculture & Farmers' Welfare, it was stated (July 2024) that to address the challenges in enrolment and enhance the Scheme's effectiveness, a high-level Committee to explore the potential convergence of the PMKMY scheme with other pension schemes of the Government of India had been formed. On increasing awareness of the Scheme and IEC activities, the Department stated that advertisements for awareness campaigns were very costly and only limited expenditure on IEC was possible.

The Department further stated (April 2025) that the average age of PM-KISAN beneficiaries was 52 years, with 1.5 crore registered farmers aged 18-40 years. There were several overlapping pension schemes such as Atal Pension Yojana, and Pradhan Mantri Shram Yogi Mandhan Yojana run by different Departments of the Central Government targeting almost the same set of subscribers of the same age group. The Pension Scheme required long term financial commitments and pension was available only at the age of 60 years. Therefore, many of eligible farmers were hesitant to register in the Scheme. Hence, targets were revised in the Expenditure Finance Committee (EFC) note (FY 2021-22) to 23 lakh subscribers by the end of 15th Finance Commission (FY 2025-26). As of April 2025, the registered farmers were 24.82 lakh which was more than the target under the Scheme. Further, the Ministry conducted weekly review meetings with the State Governments to sensitise stakeholders about the Scheme and its benefits.

The reply is not corroborated from the EFC note on PMKMY as per which the downward revision of estimated beneficiaries stood at 1.25 crore during the 15^{th} Finance Commission period (i.e., up to FY 2025-26). It is evident that within three years from the launch of the scheme Ministry revised the target of beneficiaries from 5 crore to 1.25 crore by the end of 15^{th} Finance Commission (2025-26) indicating the Scheme's limited appeal. Also, the schemes APY and PMSYM were already in existence when PMKMY was conceptualised

Recommendation No. 36

The Ministry may take steps to increase enrollment under PMKMY through measures like conduct of IEC activities.

5.4.2 Implementation

5.4.2.1 Multiplicity in enrolment of subscribers

As per the operational guidelines of PMKMY, the eligible small and marginal farmers desirous of joining the scheme would visit the nearest Common Service Centre (CSC) along with his Aadhaar card and bank passbook or account details and the online registration process would be completed after taking the Aadhaar number, name, date of birth and few other basic details. Further, the CSC was to ensure that customer related information was validated using customer bank passbooks before completing the registration process.

The Department of Agriculture & Farmers' Welfare provided the data of 22.93 lakh subscribers as of 19 September 2023 to Audit. However, some of the fields such as Aadhaar number, enrolment in other pension schemes, and last contribution details were not provided in the data shared with Audit. A preliminary examination of data provided by the department revealed that the data did not contain any unique field like Aadhaar number which could be used as primary key. Therefore, data de-duplication was done by Audit using the combination of multiple fields namely 'Name of Subscriber', 'Gender', 'DOB', 'Bank Account Number' and 'State Name' provided in the database of subscribers. Different methodologies yielded slightly varying outcomes as under:

Table 5.9: Summary of de-duplication of PMKMY database

S.No.	De-duplication criteria	Number of potential duplicates
1.	De-duplication on only 'Bank Account Number'	33,470 bank account numbers linked to 1,45,511 PMKMY Pension accounts
2.	Combination of 'Name of Subscriber' and 'Bank Account Number' fields	646 bank account numbers linked to 11,261 PMKMY Pension accounts
3.	Combination of five fields namely 'Name of Subscriber', 'DOB', 'Gender', 'State Name', and 'Bank Account Number'	393 bank account numbers linked to 951 PMKMY Pension accounts

Further, the above stated outcome was only indicative and based on subscribers using the same bank account number. Further, there could be a possibility for subscribers using different bank account numbers for multiple enrolments. In the absence of unique field (Aadhaar) in the data given to Audit, the actual position could not be ascertained.

The Department of Agriculture & Farmers' Welfare replied (July 2024) that many people of the same family registered in the Scheme with the same bank account number. Also, registration was done locally so there occurred some time lag and meanwhile subscriber re-registered from other CSC. In all possibilities, there might be only a single active Pension account linked with one bank account. The Department assured that it would cross-check all such duplicate cases.

The reply needs to be viewed in light of the fact that 'Name of Subscriber' was one of the key parameters in the de-duplication exercise by Audit. This eliminates the possibility of family members sharing the same bank account being flagged as duplicates.

The Department further stated (April 2025) during the initial phase of implementation, the registration portals managed by CSC lacked adequate validation mechanisms, which led to duplicate enrolments. The Department stated that a de-duplication exercise had been carried out, and wherever duplicate registrations were found, debits were stopped. All necessary validations and checks were now in place to prevent future duplications. Since the scheme was voluntary and contributory, no benefits would be released until the subscriber reaches the age of 60 (first payouts are expected in the year 2039). Once the pension payout starts, the Department would ensure that pension was credited into Aadhaar-verified accounts.

The reply may be seen in the light of the fact that although pension payout would start in 2039, the Government makes matching co-contribution for all subscribers from the time of enrolments itself.

5.4.2.2 Actuarial valuation

As per the MoU (August 2019) between the Department of Agriculture & Farmers' Welfare and LIC, annual actuarial evaluation of Pension Fund would be done by LIC. In case of any shortfall or insufficiency in the fund on the basis of actuarial valuation, LIC would approach the Ministry of Finance for such gap funding as per the Cabinet note approved on 31 May 2019.

Audit observed that even after lapse of five years since the inception of scheme, no actuarial valuation was carried out up to March 2024.

5.4.2.3 Investment Pattern and Return

Against audit query, Department replied that the contributions received under the scheme were invested as per the investment guidelines prescribed by IRDAI for Group Superannuation Funds in LIC. Department further stated that the pattern of investment prescribed by IRDAI for these funds was (a) Government securities – being not less than 20 *per cent*, (b) Government Securities or other approved securities – being not less than 40 *per cent*, (c) Balance to be invested in Approved Investment as specified in Schedule 1 – Not exceeding 60 *per cent*.

From records made available, audit could not ascertain the extent of adherence to the prescribed investment pattern of the funds.

The Department of Agriculture & Farmers' Welfare replied (April 2025) that LIC adhered to the IRDAI's investment guidelines. These guidelines ensured a balanced approach to investments, prioritising both safety and optimal returns.

As per Cabinet Note (May 2019), contribution rate for the subscribers is based on assumption of yield on investments at the rate of 8% per annum. Audit observed that the returns generated by the fund manager since the inception of the scheme were as follows:

Table 5.10: Returns generated by LIC from PMKMY investments

For the year ending on	Returns on the investment
31.03.2020	5.70 %
31.03.2021	6.31 %
31.03.2022	6.80 %
31.03.2023	7.02 %
31.03.2024	7.23 %

The Department replied (April 2025) that in consultation with the Department of Financial Services, they were considering other fund management strategies for generating optimal returns for safeguarding farmers' interests.

The reply may be viewed in light of the fact that the actual rate of returns received during first five years of implementation was lesser than the rate of return assumed by the Ministry while seeking approval of the Cabinet. Continuation of the shortfall might lead to a burden on the Government by way of gap funding.

Recommendation No. 37

The Ministry may ensure actuarial valuation to ascertain the extent of asset-liability mismatch and provide the required gap funding through budgetary resources.

5.4.3 Monitoring

5.4.3.1 Third-party impact evaluation

As per the response of the Department of Agriculture & Farmers' Welfare on the comments of the Expenditure Finance Committee on PMKMY, third party/independent evaluation of the Scheme was to be undertaken by the end of FY 2021-22.

Audit observed that, though a letter was sent (December 2022) by the Department to NITI Aayog to utilise an empaneled agency to conduct third-party evaluation, the Department did not undertake any impact evaluation studies.

The Department stated (April 2025) that the delay was primarily due to the disruptions caused by the COVID-19 pandemic, which affected timelines and shifted focus to immediate relief measures. Acting on the advice of NITI Aayog, the Department was engaging institutions empanelled with the Monitoring and Evaluation Office and was actively following up to expedite the process. Also, Agri Economics Research (AER) Division of the Ministry had been requested to undertake a parallel evaluation.

5.4.3.2 Grievance redressal mechanism

As per the the Cabinet note, the Project Monitoring Unit (PMU) set up for PM-Kisan Scheme was to take care of the implementation of PMKMY. A project monitoring unit, namely National Farmer Welfare Programme Implementation Society (NFWPIS) had been set up for the PM-Kisan Scheme at the Central level in the Department of Agriculture & Farmer's Welfare. The PMU undertook publicity campaign (Information, Education and Communication-IEC) for the Scheme and also incurred administrative expenses.

Scrutiny of records/ documents/ web portal related with grievance redressal system pertaining to PMKMY showed no grievances pertaining to the scheme.

Further, Audit test-checked 400 out of 67,944 grievances received on Centralised Public Grievance Redress and Monitoring System (CPGRAMS) portal during the period 2019-20 to 2022-23 and observed that none of the grievances pertained to PMKMY.

The Department stated (March 2023) that it had received only five complaints to date and further stated (October 2023) that there were not many grievances received under PMKMY as the first payout would be in 2039.

The Department further stated (April 2025) that at present, grievances under the Scheme were routed through CSC call centre and addressed by LIC as part of their operational responsibilities. It was further stated that in order to improve accessibility, grievances would be allowed through multiple channels, including a toll-free helpline, a dedicated –mail address, and an online grievance portal integrated with PMKMY portal. It was also stated that the Department would enhance awareness by launching targeted IEC campaigns, especially in rural and remote areas, using multiple media platforms to inform farmers about the grievance redressal process. It would also implement feedback mechanisms to assess the effectiveness of these initiatives. Further, the Department was actively engaging with the Department of Administrative Reforms and Public Grievances to integrate with the PMKMY portal to allow farmers to register their grievances on CPGRAMS portal with scheme categorisation.

Recommendation No. 38

The Ministry may formulate a mechanism for centralised monitoring and tracking of grievances under PMKMY to ensure their effective resolution.

5.5 Pradhan Mantri Vaya Vandana Yojana

Pradhan Mantri Vaya Vandana (PMVVY) is a social security scheme for assured return, launched by Ministry of Finance, Government of India on 4 May 2017. PMVVY is being implemented through Life Insurance Corporation of India (LIC) and is designed to protect elderly persons aged 60 years and above. Every senior citizen can purchase policies up to a maximum purchase price of ₹15,00,000 on or after attaining the age of 60 years. The Scheme provides an assured return for 10 years. The pension is payable at the end of each period during the policy tenure of 10 years. The minimum investment required is ₹1,62,162, which provides a pension of ₹1,000 per month.

The subscriber details, Assets under Management and contribution table of PMVVY is given in **Annexure-XXIV**.

5.5.1 Planning

5.5.1.1 MoU between LIC and Department of Financial Services

Audit observed that no Memorandum of Understanding (MoU) was signed between the Department of Financial Services (DFS) and LIC for the implementation of Pradhan Mantri Vaya Vandana Yojana (PMVVY). In the absence of MoU, there was a lack of clarity regarding the specific roles and responsibilities of LIC and the Ministry.

The Department of Financial Services stated (April 2025) that LIC comes under its administrative control and the Scheme was intended to be implemented and run as an insurance policy by LIC in its normal course of working. Hence, no MoU was signed between LIC and DFS for its implementation.

However, Audit is of the view that a formal MoU was required to clearly define roles, responsibilities, financial commitments and monitoring mechanism.

Recommendation No. 39

The Department may sign an MoU with LIC detailing the roles and responsibilities of stakeholders involved in implementation of PMVVY.

5.5.2 Implementation

5.5.2.1 Adherence to the limit on maximum purchase price

In the PMVVY scheme, each subscriber had a maximum purchase price limit of ₹15 lakh that could be invested in the scheme. Multiple policies could also be taken by a subscriber subject to the aggregate limit of ₹15 lakh for each subscriber. Audit analysed the data provided by the Department of Financial Services regarding PMVVY and observed that there were 1,793 cases (out of 9,39,193 cases) where the total purchase price per subscriber surpassed the stipulated limit of ₹15 lakh.

The Department stated (October 2024) that 1,793 cases where total investment in the Scheme exceeded ₹15 lakh were linked to 5,909 policies. Out of 5,909 policies, 3,780 policies were within the permissible limit and 241 policies required no further action as they had technical errors during the registration process. The remaining 1,888 policies required action to be taken by LIC. Of 1,888 policies, 621 policies had been cancelled fully, 1,112 policies had been partially cancelled, against 80 policies death claim surrender had been paid and corrective action was yet to be taken in respect of 75 policies. The Department further stated (April 2025) that LIC had taken corrective action on 74 out of 75 policies. In one case, the annuitant had approached the Court, and the matter was sub-judice.

While audit appreciates Department’s efforts, the current system's data checks and reliance on subscribers to disclose details of previous policies under PMVVY does not prevent individuals holding multiple accounts that surpass the maximum investment limit. The system required comprehensive data validation and checks to enforce the investment limit for individual beneficiaries.

5.5.3 Fund Management

The primary objective of fund management under the PMVVY was to ensure the financial sustainability of the Scheme and to generate returns that could support the guaranteed pension payments to the policyholders. Audit observations on fund management are discussed below:

5.5.3.1 Investment of PMVVY funds

The Department of Financial Services stated (May 2023) that LIC followed its own investment guidelines, which recommended allocating 60-70 *per cent* of the total investment in Government Securities, with the balance invested in high-quality PSU/Corporate bonds and debentures. Further, these investments were to be made in instruments with a residual tenor of 10 years or less, aligning with the 10-year term of the scheme. Later, the Department stated (December 2023) that the investment of PMVVY funds adhered to the prescribed investment pattern for pension funds as per IRDAI (Investment) Regulations, 2016. These regulations mandated that at least 20 *per cent* of total investments be allocated to Central Government Securities, at least 40 *per cent* to Central Government Securities, State Government Securities, or other approved securities, and the balance in approved investments outlined in Schedule I of the Regulations.

Audit observed inconsistency in the replies, regarding the investment policy being followed for PMVVY funds. Hence, audit could not derive assurance about the investment patterns being followed.

It is pertinent to mention that any shortfall in the assured returns was to be borne by the Government. Audit noticed variation in returns and shortfall thereon. Accordingly, between 2018-19 to 2020-21, LIC received a total subsidy of ₹440.60 crore from the Department. The table 5.11 on the next page shows the returns generated by LIC and the corresponding shortfall.

Table 5.11: Returns generated by LIC and shortfall from assured return (PMVVY)

Sr. No.	Financial Year	PMVVY[30] 2017 (assured 8.30% return per annum)		PMVVY 2018 (assured 8.30% return per annum)		PMVVY 2020 (assured 7.60% return per annum)	
		Return	Shortfall	Return	Shortfall	Return	Shortfall
1	2017-18	5.81	2.49	-	-	-	-
2	2018-19	8.17	0.13	7.38	0.92	-	-
3	2019-20	8.40	Nil	7.26	1.04	-	-
4	2020-21	8.44	Nil	8.24	0.06	4.61	2.99
5	2021-22	8.18	0.12	7.99	0.31	6.75	0.85

[30] *PMVVY 2017 was the first version of the Scheme which was active from May 2017 till May 2018. PMVVY 2018 was the second version which was in existence from June 2018 till March 2020 and PMVVY 2020 was the last version which was extended till March 2023.*

As may be seen from the above table, the return generated in most of the years was not sufficient to meet the assured returns under PMVVY.

Audit further observed that the investments under PMVVY were largely done in long-term, secured, liquid and high-yielding debt instruments. The portfolio position of PMVVY as on 23 March 2023 was as follows:

Table 5.12: Investment portfolio of PMVVY scheme

Type of Securities	Amount invested (₹ in crore)	Percentage of Total Investment
Total State Government securities	54,060.94	64.73
Total Central Government securities	27,864.68	33.37
Treasury Bills Repurchase	963.50	1.15
Total Sovereign Green Bonds	625.03	0.75
Grand Total	**83,514.15**	

As observed from the above table, as on 23 March 2023, the PMVVY portfolio witnessed 98 *per cent* of funds having been invested in Government securities. Further, it was observed investments amounting to ₹5,437.74 crore were invested in securities whose tenure exceeded 15 years.

The Department of Financial Services stated (December 2023, October 2024 and April 2025) that the investments were done as per IRDAI guidelines and PMVVY funds were managed in line with other life insurance non-linked portfolios (as per IRDAI valuation norms). Further, based on evolving market conditions and trend of cash flows into the Scheme at the point of allocation, investments in longer tenure Government bonds were made for ₹5,437.74 crore, which was a small portion (about 6.5 *per cent* of total fund size under PMVVY scheme). These securities could be sold for any liquidity need. The efforts were to protect the overall yield of the portfolio with the minimum possible risk, as during this phase there was very high volatility in the markets.

The reply needs to be viewed in light of the fact that the return generated from the investments made by LIC out of PMVVY funds was not sufficient to meet the return assured under the Scheme in majority of the years during the period 2017-18 to 2021-22.

5.5.4 Grievance Redressal Mechanism

LIC's policy for protection of interest of policyholders had been framed as per the IRDAI Protection of Policyholders Interest Regulations, 2017. As per LIC, the policyholders had access to various channels for raising grievances *viz.*, Customer portal of LIC of India, IRDAI's Grievance Management System - BIMA BHAROSA synced with LIC's complaint management system, CPGRAMS and National Consumer Helpline. Also, where the grievance was not resolved in favour of the policyholder or partially resolved in favour of the policyholder, the complainant had the option to take up the matter before the insurance ombudsman.

As per the Grievance data provided by the Department of Financial Services, 5,314 grievances were registered against the 10,88,922 policies issued till March 2022 since inception. Audit observed that 42 *per cent* of complaints got resolved within two days, and seven *per cent* of complaints took more than the turnaround time of 10 days to get resolved.

Further, from the feedback, it was observed that 94 *per cent* of complainants had not provided any feedback and two *per cent* of the complainants had provided feedback of excellent and poor each.

The Department of Financial Services stated (April 2025) that a feedback mechanism had been implemented in LIC's Complaint Management System whereby the complainants were intimated through SMS about resolution of the complaints and were also requested to give feedback. The option of feedback on the quality of resolution was available through Portal or by sending a return SMS after resolution of complaint.

The reply needs to be viewed in light of the fact that despite the existence of a feedback mechanism, the negligible response rate (six *per cent*) indicates the need for further improvement on receiving feedback. A well-designed feedback system should actively capture user responses to assess service quality.

5.6 Summing up

Schemes in India like Atal Pension Yojana (APY), Pradhan Mantri Shram Yogi Maandhan Yojana (PMSYM), and Pradhan Mantri Kisan Maandhan Yojana (PMKMY) share the common goal of providing financial security through assured pension. Review of the above pension schemes for the unorganised sector highlighted significant overlap in their target beneficiaries and respective operational frameworks. The age group of eligible subscribers was 18-40 years for these three schemes. While the target group for two of these schemes was the unorganised sector, PMKMY focused on small and marginal farmers. This apart, these schemes also had assured minimum pension of ₹3000 per month, while in case of APY, it ranged from ₹1000 to ₹5000.

Such simultaneous operation and management of different schemes by different Ministries/Departments, brought out issues like duplicate enrolments and similar demographic profiles competing for benefits under these schemes, limiting their overall effectiveness.

There is a need for a more holistic approach to pension for the unorganised sector to streamline operations and eliminate redundancies. This would also enable better fund management, improved monitoring and more robust grievance redressal mechanisms. In effect, there was a need for the Government to review the need for multiplicity of pension schemes being implemented by different Ministries for the unorganised sector.

Chapter VI-

Conclusion and Way forward

Chapter-VI
Conclusion and Way forward

The Pension sector in India comprises different legislations, institutions and Ministries. The statutes governing the regulatory framework of Pension Systems in India were enacted at various periods, spanning nearly a century from the pre-independence era to the 21st century. The Provident Funds Act, 1925, one of the earliest legislations, established the foundation for retirement savings. This was followed by the Employees' Provident Funds and Miscellaneous Provisions (EPF&MP) Act, 1952, which introduced a framework for provident funds for industrial and other organised sectors. Similarly, sector-specific legislations such as the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948, Seamen's Provident Fund Act, 1966 and the Assam Tea Plantations Provident Fund Act, 1955, were designed to address requirements of workforce of specific sectors. The Pension Fund Regulatory and Development Authority (PFRDA) Act, 2013 is the recent legislation which established an independent regulator to oversee pension systems.

The responsibility of administration and oversight of pension systems was distributed among multiple Ministries. The Provident Funds Act, 1925, the earliest legislation, was not included in the Allocation of Business Rules till June 2019 when this legislation was assigned to the Ministry of Labour and Employment for regulation. While the EPF&MP Act 1952 which provided the legal framework for the pension system for industrial and other organised sectors, was administered by the Ministry of Labour and Employment, there were other sector-specific legislations in place being administered by the respective Ministries[31]. The National Pension System (NPS) which was developed for all citizens (Government and Non-Government) was regulated by PFRDA.

6.1 Governance Framework

Audit of Governance Framework of key entities in Pension sector revealed the following:

- PFRDA was the regulator and the appointing authority of the CEO and trustees of NPS Trust. PFRDA appointed intermediaries (entities involved in the NPS architecture) and did not have an arm's length relationship with NPS Trust. Similarly, in EPFO also, involvement of FIAC in the appointment and selection of portfolio managers as well as in exercising oversight over them, resulted in the same Committee performing both selection and inspection duties.
- The Boards/Committees of few statutory pension systems either did not comply with requirements or the timelines for conduct for the Board meetings were not prescribed in their statute/rules. Further, review of selected exempted establishments and establishments under Provident Funds Act, 1925 also revealed similar findings.

[31] ***Seamen's Provident Fund Act is regulated by the Ministry of Ports, Shipping and Waterways; Coal Mines Provident Fund Act is regulated by the Ministry of Coal, and Assam Tea Plantations Provident Fund Act is regulated by the Government of Assam.***

- There was no evidence to indicate that the Provident Fund Trust of Indian Institute of Foreign Trade had a separate legal existence. Calcutta Dock Labour Board was not included in the Schedule of the Provident Funds Act, 1925, as amended in 2019.
- In PFRDA, certain non-compliances were noticed such as non-disclosure of performance benchmark in Annual reports of PFRDA. In successive Annual Reports there was no reference to any methodology/system based on which performance was being assessed. Moreover, there were instances of delayed/non- compliance by PFRDA in submission of mandated reports to the administrative Ministry i.e., Department of Financial Services, Ministry of Finance about their functioning and expenditure.
- Audit observed breach of investment guidelines by the pension fund managers in case of NPS. Non-compliance in filing of performance evaluation reports by few exempted establishments by EPFO and inadequate inspection of Tea Estates by Assam Tea Employees Provident Fund Organisation was also observed.

The above underscored the need for better segregation of roles and compliance enforcement across pension systems. This would address operational inefficiencies and foster robust oversight mechanisms towards better protecting stakeholders' interests. In order to build a resilient and transparent regulatory framework for pension sector, it is imperative to strengthen accountability mechanisms, including comprehensive reporting, adherence to performance benchmarks and rigorous inspection protocols.

6.2 Fund Management

A review of fund management framework of key entities in Pension sector revealed the following:

- The investment framework for the pension systems in India was governed by different investment guidelines issued by various Ministries. There were three sets of investment guidelines viz, those issued by PFRDA, the Ministry of Labour and Employment and the Ministry of Finance. The National Pension System (NPS) under PFRDA had its own distinct set of investment guidelines. Statutory provident funds were free to follow any investment pattern with their Board's approval. While EPFO, Coal Mines Provident Fund Organisation (CMPFO) and Assam Tea Employees Provident Fund Organisation (ATEPFO) followed investment guidelines issued by the Ministry of Labour and Employment, Seamen's Provident Fund Organisation (SPFO) followed the investment guidelines of the Ministry of Finance.
- While the establishments which were exempted under EPF&MP Act, 1952 were mandated to follow the investment guidelines of Ministry of Labour and Employment for their provident fund, the self-managed pension fund of these establishments had a choice to comply with the guidelines issued by Ministry of Finance or the Ministry of Labour and Employment as per their Board's approval.
- CDLB did not have guidelines in place for administering how funds were to be invested. In case of IIFT investment rules prescribed by Ministry of Labour and Employment

were not followed. Resultantly, these institutions had invested majority of their funds in Fixed Deposits.

- The investment patterns of statutory provident/pension funds broadly aligned with the guidelines, demonstrating compliance in most cases. However, a review of exempted provident funds of selected exempted establishments (CPSEs and CABs) revealed that the establishments deviated from the investment pattern in equity asset class.
- Review of the risk management strategy of PFRDA revealed absence of asset-liability management for NPS and non-formulation of stop loss policies for corporate bonds and other securities (alternate asset class).
- A review of investments by statutory funds, in light of their risk management policies, revealed investments in securities below the prescribed investment grade. For instance, EPFO held investments worth ₹16,028 crore which were below investment grade. Similarly, the investments of CMPFO, SPFO and ATEPFO contained securities which were downgraded below investment grade. Exempted funds also faced similar issues, as noticed in case of Cotton Corporation of India Limited and Chennai Petroleum Corporation Limited.
- A review of actuarial valuation of statutory pension funds revealed asset-liability mismatches, indicating potential challenges in meeting long-term obligations. As of March 2019, the gap between asset and liability of pension scheme under EPFO was ₹37,326.94 crore, whereas the actuarial valuation gap of pension scheme under CMPFO was ₹47,961 crore (as of March 2022). In case of EPFO, the deficit valuation did not account for the guaranteed minimum pension of ₹1,000, a key parameter impacting the future liabilities. In ATEPFO the actuarial valuation of pension scheme had not been conducted.

To mitigate these challenges, there is a need for standardisation of investment guidelines across all pension systems. Addressing these gaps through strengthening of the regulatory framework, implementation of risk management policies and stringent monitoring of investments made are essential to better safeguard the financial stability of pension systems. The asset-liability gap in various pension funds or absence of actuarial valuations also needs to be addressed in order to ensure sustainability of the funds.

6.3 Protection of subscribers' interests

While pension schemes under EPFO (₹1,000) and CMPFO (₹1,000) offered a minimum pension, there was no minimum assured return under the National Pension System (NPS). Further, by excluding employees with salaries exceeding ₹15,000 from the Employees' Pension Scheme (EPS) of EPFO, the system left a substantial portion of the workforce in the organised sector without pension coverage.

Audit of the grievance redressal mechanisms of key entities in pension sector revealed disparities, as mentioned below:

- PFRDA had implemented a robust regulation for grievance redressal, which included a hierarchy of escalation layers to redress grievances, defined turnaround times, and specified points of closure. PFRDA regulations also mandated the appointment of an ombudsman to handle grievances which are escalated. These features provided a comprehensive system for addressing subscriber concerns.

- While EPFO offered a modern portal for grievance handling, it did not have institutional mechanisms like an ombudsman for resolving appeals against the resolved grievances.
- In contrast, other statutory pension systems, such as those of the CMPFO, SPFO and ATEPFO relied primarily on Centralised Public Grievance Redress and Monitoring System (CPGRAMS) or manual processes for grievance management.
- The grievance redressal mechanism of selected exempted establishments and establishments under PF Act 1925 revealed shortcomings like absence of detailed grievance redressal policy (incorporating Turn around time, point of closure, escalation mechanism), absence of an IT portal to lodge and track grievances. Thus, there was a need for strengthening the grievance redressal systems across the pension sector.

6.4 Schemes for unorganised sector

Workers in the unorganised and informal sectors had access only to voluntary pension schemes introduced by the Government (as per their eligibility) like Atal Pension Yojana (APY), Pradhan Mantri Shyam Yogi Maandhan Yojana (PMSYM), Pradhan Mantri Kisan Maandhan Yojana, etc. Audit of these three schemes of Government of India revealed the following:

- Atal Pension Yojana (APY), launched in 2015, aimed to provide retirement security primarily for unorganised sector workers, but similar schemes such as the Pradhan Mantri Shram Yogi Maandhan Yojana (PMSYM) and the Pradhan Mantri Kisan Maandhan Yojana (PMKMY) were introduced in 2019, targeting overlapping demographics, namely, unorganised sector workers and Small and Marginal farmers (SMF) respectively between 18 to 40 years.
- This overlap led to challenges in achieving target subscriber numbers under the Schemes. In APY, the initial target to enroll two crore population by December 2015 was achieved only by the financial year 2020, after a delay of five years. Similarly, PMSYM and PMKMY were also able to achieve only 4.49 *per cent* (of target of 10 crore subscribers) and 3.90 *per cent* (of target of five crore subscribers) respectively, by 2023-24. Audit also found duplicity of subscribers across the Schemes.
- The APY, implemented by the PFRDA, adhered to its own distinct set of investment guidelines. In contrast, the PMKMY, managed by the Life Insurance Corporation of India (LIC) follows investment pattern of IRDAI's Group Superannuation Funds. This is despite both the schemes offering similar pensionary benefits.
- While actuarial valuation had been carried out to estimate the gap funding requirements for APY, no such valuations had been undertaken for PMSYM and PMKMY, despite these Schemes being operational for five years.

Rationalising these schemes and creating a streamlined framework would help eliminate duplication, enhance subscriber outreach, and achieve intended objectives effectively. Further, the disparity between investment strategies of the Schemes highlights need for synchronisation as these schemes share similar objectives and benefits. The divergence in investment approaches has fiscal implications as these schemes assure fixed pension payouts, with the Government of India providing gap funding. Regular actuarial assessments and gap estimations, coupled with timely gap funding would ensure better financial viability of these schemes.

6.5 Other issues in Pension Systems in India

Various entities manage and regulate their respective pension systems, For instance, the EPFO has details regarding EPF and Employees' Pension Scheme (EPS) only. Similarly, the PFRDA has information only about National Pension System (NPS) schemes, while sector-specific administrators like CMPFO and SPFO manage their respective schemes only. Resultantly, no single Ministry or organisation can provide comprehensive data on the number of subscribers, total AUM, or the overall structure of Provident Funds and Pension Funds in India.

Further, India's pension systems offer a wide range of retirement benefits. For instance, the EPFO provides a comprehensive package comprising a Provident Fund, a monthly pension under the Employees' Pension Scheme (EPS), and life insurance coverage under the Employees' Deposit Linked Insurance (EDLI) scheme. In contrast, the SPFO offers only a Provident Fund benefit, lacking additional components like pension or insurance. For civil servants, the Old Pension Scheme offered a combination of Provident Fund and defined pension benefits. With the introduction of the reformed pension regime under the PFRDA through the National Pension System (NPS) there is a shift to a market-linked pension model, focusing on retirement income without Provident Fund benefits. This variation highlights disparity in retirement benefits across different systems.

6.6 Way Forward

Over the years, various regulatory bodies were established to regulate different sub-sectors of the financial sector. For instance, Reserve Bank of India (RBI) regulates the Banking sector (including Regional Rural Banks) and Non-Banking Financial Companies (NBFCs) in India; Insurance Regulatory and Development Authority of India (IRDAI) regulates the Insurance sector in India; and Securities and Exchange Board of India (SEBI) regulates the securities market. On similar lines, establishing a single regulator for the pension sector could be contemplated, as recommended by the Financial Sector Legislative Reforms Commission (FSLRC). This could aid in better streamlining of policies, eliminating redundancies, as well as ensuring uniformity in investments and subscriber protection mechanisms, besides playing a role in streamlining and deepening the pension sector in India.

Attempting convergence among Schemes like APY, PMSYM and PMKMY would assist in enabling better targeting of subscribers, improve financial management and ensure optimal utilisation of resources. Such reforms would not only enhance the effectiveness of pension delivery for unorganised sector workers but also reduce the fiscal burden on the Government by minimising administrative overheads and improving financial oversight.

(Anand Mohan Bajaj)
Deputy Comptroller and Auditor General
(Commercial and Report Central)
and Chairman, Audit Board

New Delhi
Dated: 13 July 2026

Countersigned

(K. Sanjay Murthy)
Comptroller and Auditor General of India

New Delhi
Dated: 15 July 2026

Annexures

Annexure-I
(Referred to in para 1.4.3)

Engagement with Stakeholders

Initially, it was decided to take up Performance Audit of the Pension Fund Regulatory and Development Authority (PFRDA). A stakeholder engagement meeting was organised on 8 July 2022 between the officers of CAG, officers of PFRDA including its Chairman, and Joint Secretary (Pension reforms), Department of Financial Services in the premises of PFRDA. This meeting led to the revision of Audit guidelines and Audit Design Matrix for the Performance Audit.

A panel discussion on the overview of Pension Regulation in India was held at the CAG office on 6 September 2022. This discussion was attended by representatives from Ministry of Finance, PFRDA, Employees' Provident Fund Organisation (EPFO), Central Board of Direct Taxes (CBDT), Coal Mines Provident Fund Organisation (CMPFO), and Securities and Exchange Board of India (SEBI). On the basis of the issues discussed in the meeting, it was decided to have a holistic view of wealth accumulation products (pension products and retirement corpus) and to assess the pension universe and determine adequacy, sustainability and integrity of pension/ retirement corpus managed by different entities. Accordingly, it was decided to take up audit of National Pension System, Atal Pension Yojana, CMPFO, Seamen's Provident Fund Organisation, Assam Tea Plantation Provident Fund Organisation, EPFO and other pension products.

After further deliberations within the Department, the scope of the Performance Audit was expanded (January 2023) to include the above mentioned organisations and selected pension schemes of various Ministries. Further, following a mid-term review conducted in May 2023, the scope of Audit was further expanded to include the audit of provident and superannuation funds managed by selected Central Public Sector Enterprises (CPSEs) and Central Autonomous Bodies (CABs).

The details of the audit units covered in the Performance Audit and the dates of Entry and Exit Conferences held with them are as under:

Sl. No	Audit Unit	Date of Entry conference	Date of Exit conference
1.	Department of Financial Services, Ministry of Finance	12.01.2022	07.03.2025
2.	Pension Fund Regulatory and Development Authority (PFRDA)	12.01.2022	21.08.2024
3.	Employees' Provident Fund Organisation (EPFO)	04.07.2023	02.08.2024

Sl. No	Audit Unit	Date of Entry conference	Date of Exit conference
4.	Department of Agriculture & Farmers Welfare (for Pradhan Mantri Kisan Maandhan Yojana)	February 2023	26.07.2024
5.	Ministry of Labour and Employment (for Pradhan Mantri Shram Yogi Maandhan Yojana)	June 2023	29.05.2024
6.	Department of Financial Services (for Pradhan Mantri Vaya Vandana Yojana)	16.02.2023	06.03.2024
7.	Assam Tea Employees Provident Fund Organisation (ATEPFO)	03.08.2022	01.11.2023
8.	Coal Miners Provident Fund Organisation (CMPFO)	13.02.2023	07.08.2024
9.	Seamen's Provident Fund Organisation (SPFO)	24.03.2023	25.10.2023
10.	Rashtriya Ispat Nigam Limited (RINL)	25.07.2023	03.09.2024
11.	MECON Limited	05.07.2023	03.01.2024
12.	Cotton Corporation of India Limited (CCIL)	13.07.2023	26.10.2023
13.	Chennai Petroleum Corporation Limited (CPCL)	27.07.2023	18.08.2023
14.	Calcutta Dock Labour Board (CDLB)	12.07.2023	01.11.2023
15.	Indian Institute of Foreign Trade (IIFT)	11.07.2023	01.09.2023

Annexure-II
(Referred to in para 2.1.1)

Powers and Functions of PFRDA

The powers and functions of PFRDA shall include:

a) regulating the National Pension System and the pension schemes to which this Act applies.

b) approving the schemes, the terms and conditions thereof and laying down norms for the management of the corpus of the pension funds, including investment guidelines.

c) registering and regulating intermediaries.

d) issuing to an intermediary, on application, a certificate of registration and renewing, modifying, withdrawing, suspending or cancelling such registration.

e) protecting the interests of subscribers by:

   i. ensuring safety of the contribution of subscribers to various schemes of pension funds to which this Act applies.

   ii. ensuring that the intermediation and other operational costs under the National Pension System are economical and reasonable.

f) establishing mechanism for redressal of grievances of subscribers to be determined by regulations.

g) adjudication of disputes between intermediaries and between intermediaries and subscribers.

h) collecting data and requiring the intermediaries to collect such data and undertaking and commissioning studies, research and projects.

i) undertaking steps for educating subscribers and the general public on issues relating to pension, retirement savings and related issues and training of intermediaries.

j) standardising dissemination of information about performance of pension funds and performance benchmarks.

k) regulating the regulated assets.

l) levying fees or other charges for carrying out the purposes of this Act.

m) specifying by regulations the form and manner in which books of account shall be maintained and statement of accounts shall be rendered by intermediaries.

n) calling for information from, undertaking inspection of, conducting inquiries and investigations including audit of, intermediaries and other entities or organisations connected with pension funds.

o) exercising such other powers and functions as may be prescribed.

Annexure-III
(Referred to in para 2.1.2)

Names of the registered intermediaries involved in NPS Architecture

Central Recordkeeping Agencies:

(i) Computer Age Management Services Limited (CAMS), Chennai

(ii) KFin Technologies Limited, Hyderabad

(iii) Protean eGov Technologies Limited, Mumbai

Trustee Bank:

Axis Bank Limited

Pension Funds:

(i) Pension Funds (PFs) for 'Default Scheme' under Government Sector:

- LIC Pension Fund Limited
- SBI Pension Funds Pvt. Limited
- UTI Pension Fund Limited

(ii) Pension Funds (PFs) for Government (other than 'Default Scheme') and Private Sector:

- LIC Pension Fund Limited
- SBI Pension Funds Pvt. Limited
- UTI Pension Fund Limited
- HDFC Pension Fund Management Limited
- ICICI Prudential Pension Funds Management Company Limited
- Kotak Mahindra Pension Fund Limited
- Aditya Birla Sun Life Pension Fund Management Limited
- TATA Pension Fund Management Private Limited
- Axis Pension Fund Management Limited
- Max Life Pension Fund Management Limited
- DSP Pension Fund Managers Private Limited

Custodian:

Deutsche Bank AG

Annexure-IV
(Referred to in para 2.3.1 and 2.3.3)

Investment Guidelines of PFRDA

Regulation 14 of the PFRDA (Pension Fund) Regulations 2015, states that Pension Fund shall manage schemes in accordance with such norms of management of corpus of pension fund including investment guidelines as approved by the authority from time to time. PFRDA vide its circular dated 20 July 2021 issued Investment Guidelines for Scheme CG, Scheme SG, Corporate CG, and NPS Lite schemes of NPS and APY where maximum capping on the percentage of the amount of the total investment allowed in a category of investment is applicable. The capping as per the latest guidelines is provided in the table below:

Category	Category of Investments	Maximum Percentage amount to be invested
I	Government Securities and Related Investments	Upto 55%
II	Debt Instruments and Related Investments	Upto 45%
III	Short-term Debt Instruments and Related Investments	Upto 10%
IV	Equities and Related Investments	Upto 15%
V	Asset-Backed, Trust Structured and Miscellaneous Investments	Upto 5%

Apart from the above capping, PFRDA provides pension fund managers with additional measures as below:

- Investment in the debt instruments under category II shall be made in such securities which have minimum AA rating or equivalent in applicable rating scale from at least two credit rating agencies registered with SEBI.
- If for any of the instruments mentioned above the rating falls below the minimum permissible investment grade prescribed for investment in that instrument when it was purchased, as confirmed by one credit rating agency, the option of exit shall be considered and exercised, as appropriate, in a manner that is in the best interest of the subscribers.
- The Pension Funds and trust will take suitable steps to control and optimise the cost of management of the fund and the process of investment is accountable and transparent.

On similar grounds, PFRDA issued Investment Guidelines for other schemes under separate category under which following asset classes were covered:

- Asset Class E: Equity and Related Instruments
- Asset Class C: Corporate Debt and Related Instruments
- Asset Class G: Government Bonds and Related Instruments
- Asset Class A: Alternative Investment Funds including instruments like Commercial Mortgage-Backed Securities (CMBS), Mortgage-Backed Securities (MBS), Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), etc.

Annexure-V
(Referred to in para 2.4.5)

Grievance Redressal Mechanism in NPS Architecture

The following are the broad features of grievance redressal mechanism in NPS Architecture:

- Every intermediary under the NPS and any other pension scheme regulated by the Authority shall have a clearly defined system and procedure for receiving, registering, acknowledging, and effectively disposing the grievances received in a prompt and fair manner.
- Grievance redressal policies would need to conform to benchmarks and standards as laid down or amended by PFRDA from time to time. These benchmarks may include, *inter alia,* resolution time for a grievance, service quality, manner of receiving grievances, number of outstanding grievances against intermediaries under the NPS or any other pension scheme etc.
- The National Pension System Trust (NPST) shall lay down detailed guidelines and procedures for a two-level grievance redressal policy for intermediaries and other entities with minimum conditions and it shall be responsible for the overall grievance management system.
- NPS Trust shall be required to monitor and periodically conduct review and perform oversight on the grievance management system in respect of schemes under NPS. It shall, forward to PFRDA, reports on its review and oversight, within such period as may be specified by PFRDA.

Turnaround Time (TAT) for grievance redressal

- Every grievance shall be disposed within a period of thirty days of its receipt and a final reply shall be sent to the complainant, containing details of the resolution or rejection of the complaint, with reasons thereof recorded in writing.
- The intermediary under the NPS or any other pension scheme regulated by PFRDA, while disposing off the complaint, shall inform the complainant of the way he or she may pursue the complaint, if dissatisfied with such resolution or rejection.

Point of closure

A grievance shall be considered as disposed and closed in any of the following instances, namely:

- when the intermediary or entity regulated by PFRDA has acceded to the request of the complainant fully.
- where the complainant has indicated in writing, its acceptance of the response of the intermediary or entity regulated by PFRDA.
- where the complainant has not responded within 45 days of the receipt of the written response of the intermediary or entity regulated by PFRDA.

- where the Grievance Redressal Officer has certified under intimation to the subscriber that the intermediary or entity regulated by PFRDA has discharged its contractual, statutory, and regulatory obligations and therefore closes the complaint.
- where the complainant has not preferred any appeal within 45 days from the date of receipt of resolution or rejection of the grievance communicated by the intermediary or entity regulated by PFRDA or the NPS Trust, as the case may be
- where the decision of the Ombudsman in appeal has been communicated to such complainant.

Annexure-VI
(Referred to in para 3.1)

Details of Schemes under Employees Provident Fund and Miscellaneous Provisions Act, 1952

Employees' Provident Funds Scheme, 1952

The Scheme came into effect on 1 November 1952. It is a statutory benefit available to the employees post-retirement or when they leave the services. The details of the Scheme are as under:

Objective: The Scheme's aim is to provide post-retirement benefits for the employees, a class of employees, or their legal heir (in case of death), employed in an establishment to which the EPF&MP Act applies.

Coverage: The Scheme mandates coverage of all establishments under its scheduled list of establishments/factories, employing 20 or more persons.

Membership: The Scheme mandates coverage of all establishments under its scheduled list of establishments/factories, employing 20 or more persons, wherein, employees earning monthly wages equal to or less than ₹15,000 (Basic pay + Dearness Allowance) have to be mandatorily covered.

Contribution: Member's contribution (12 *per cent* of EPF wages) and employer's contribution (3.67 *per cent* of EPF wages, after directing 8.33 *per cent* of the total 12 *per cent* share towards Employees' Pension Scheme) goes towards the EPF account of the member.

Total investments under the EPF scheme as of 31 March 2024 were ₹15.29 lakh crore.

Employees' Pension Scheme, 1995

The Employees' Pension Scheme, 1995 (EPS) came into effect in 1995 replacing the Employees' Family Pension Scheme, 1971. EPS has been designed on the principles of a 'Defined Contribution - Defined Benefit' Social Insurance Scheme and adopts 'actuarial principles' for ensuring long-term financial viability. The Scheme aims at providing economic sustenance during old age and survivorship coverage to members and their families.

Applicability: The EPS, at its inception, applied compulsorily to all the existing members of the Employees' Provident Fund who were contributing to the Employees' Family Pension Scheme, 1971. As members of the Provident Fund from 16 November 1995 onwards, the new entrants also acquired membership of the Scheme on a compulsory basis. However, the same is restricted to the statutory wage ceiling of ₹15,000 per month, since September 2014.

Eligibility: A member of the EPS becomes eligible for superannuation/early pension under the EPS on fulfilling the following criteria: (i) Minimum 10 years of eligible service; and (ii) Attaining age of 58 years (for superannuation)/50 years (for early pension).

Contribution: The Employees' Pension Scheme, 1995 is funded by directing 8.33 *per cent* of the monthly wages from the monthly Employer's share of Provident Fund contributions as well as a contribution of 1.16 *per cent* of the monthly wages (limited to the amount payable on pay of ₹15,000 only) by the Central Government.

Benefit: Eligible members get monthly pension on superannuation/retirement or disability. The monthly pension is also payable for dependents of deceased members *viz.*, widow(er), children, parent/nominee.

Total Investments under the EPS scheme as of 31 March 2024 was ₹8.76 lakh crore.

Employees' Deposit Linked Insurance Scheme, 1976 (EDLI)

Employees' Deposit Linked Insurance Scheme, 1976 came into force in August 1976.

Applicability: The Insurance Scheme applies to all factories/establishments to which the EPF&MP Act, 1952 applies. All employees who are members of the provident fund are members of this scheme.

Contribution: This Scheme is supported by a nominal contribution by the employers. No contribution is payable by the employee for availing the insurance cover.

Benefit: In the event of premature death of a member while in service, insurance up to ₹7 lakh is payable.

Annexure-VII
(Referred to in para 3.1.1)

Functions of various Committees under Central Board of Trustees of EPFO

Committee Name	Functions
Finance, Investment and Audit Committee (FIAC)	• To oversee investments handled by the portfolio managers. • Appointment of consultant for selection of portfolio managers. • Broad principles for *inter-se* allocation of funds to portfolio managers. • Recommend suggestions and changes in investment guidelines to the Central Board of Trustees. • Recommend rate of interest to be credited to the accounts of PF members, to the Central Board of Trustees.
Pension and EDLI Implementation Committee (PEIC)	• To review the functioning of the Employees' Pension Scheme, 1995 and Employees' Deposit Linked Insurance Scheme, 1976
Exempted Establishments' Committee (EEC)	• To oversee the working of exempted establishments in all respects and to make suggestions for consideration of the Board to improve working of the exempted establishments. • To consider and suggest additional guidelines for grant of exemption/relaxation.
Executive Committee	• Consideration of the investment policy and making appropriate recommendations to the Board on liberalisation of investment pattern. • Specifying work norms for staff and officers of the organisation. • Framing/amending of the rules relating to method of recruitment, pay and allowances and other conditions of service of the officers and staff of EPFO.

Annexure-VIII
(Referred to in paras 3.1.2, 3.2.2, 3.3.2.1, 3.4.2, 4.5.2.1 and 4.8.2.1)

Investment pattern notified by Ministry of Labour and Employment and Ministry of Finance

Category	Investment Pattern	Percentage of amount to be invested (Ministry of Labour and Employment	Percentage of amount to be invested (Ministry of Finance)
(i)	Government Securities and Related Investments	Minimum 45% and up to 65%	Minimum 45% and up to 50%
(ii)	Debt Instruments and Related Investments	Minimum 20% and up to 45%	Minimum 35% and up to 45%
(iii)	Short-Term Debt and Related Investments	Up to 5%	Up to 5%
(iv)	Equities and Related Investment	Minimum 5% and up to 15%	Minimum 5% and up to 15%
(v)	Asset-Backed, Trust Structured, and Miscellaneous Investments	Up to 5%	Up to 5%

Annexure-IX
(Referred to in para 3.2)

Details of various Schemes of Coal Mines Provident Fund Organisation (CMPFO)

Coal Mines Pension Scheme, 1998

Coal Mines Pension Scheme, 1988 (CMPS) was framed under the provisions of Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948. The CMPS came into force with effect from 31 March 1998 by replacing the erstwhile Coal Mines Family Pension Scheme (CMFPS), 1971. The Scheme provides coverage to all employees who were members of the erstwhile CMFPS and to those who are eligible as per the provisions of the CMPS. A Pension Fund was established to make a provision for payment of pension in accordance with the Scheme to the employees on superannuation. CMPS is a hybrid pension scheme that ensures monthly pension[32] to the members at the rate of 25 *per cent* of the average emoluments or not less than ₹1,000 per month after superannuation. Moreover, in case of death of a member before superannuation, CMPS provides financial assistance to the dependents in the form of 'Widow or Widower Pension', 'Children Pension', 'Orphan Pension' and Ex-Gratia payment.

Till 30 September 2017, the employees and the employers were contributing an amount equivalent to two and one-third *per cent* of the salary of the employee. Thereafter, the rate was revised to seven *per cent* of the salary of the employee with matching contribution of the same percentage by the employer. In addition to the above, an amount equivalent to one and two-third *per cent* of the salary of the employee (maximum of salary up to ₹1,600 per month) was also contributed by the Central Government to the fund.

Coal Mines Provident Fund Scheme

The Coal Mines Provident Fund (CMPF) Scheme was created under the Coal Mines Provident Fund and Miscellaneous Provisions Act, 1948, to benefit employees of coal mines. The Act applies to all companies involved in coal mining and related activities. The CMPF Scheme ensures better financial security for coal mines employees, providing benefits upon retirement and in case of death during service. All employees, whether directly employed or through contractors, are eligible from day one. Both employees and employers contribute 12 *per cent* each (since 1 May 2000). The interest on the fund is credited as per the rates approved by the Central Government in consultation with the Board of Trustees (BoT). The CMPF Scheme is managed by the Board of Trustees (BoT), which includes representatives from the Government, employers, and employees. The Commissioner of CMPFO is the ex-officio member overseeing the organisation. The Scheme operates through 20 Regional Offices of CMPFO across coal-producing states, with the headquarters in Dhanbad, Jharkhand.

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[32] ***Minimum pension enhanced to ₹1,000 per month with effect from March 2014***

Annexure-X
(Referred to in para 3.3)

Seamen's Provident Fund Organisation

Every seaman employed on articles of agreement is entitled and is required to become a member of the Seamen's Provident Fund. A member of the Fund continues to be a member until he withdraws the amount standing to his credit in the Fund.

The contribution payable by the employer is at the rate of twelve (12) *per cent*[33] of the wages payable to each seaman by his employer (employer's contribution). Equal amount of contribution, i.e., at the rate of 12 *per cent*, is payable by the employer from the wages of the seaman (member's contribution). The seaman has the option to contribute an additional amount exceeding the compulsory contribution of 12 *per cent* which does not imply a corresponding obligation on the employer to increase this contribution proportionately.

[33] ***Increase from 6 per cent at beginning to 10 per cent in 1978 and to twelve per cent from 22 September 1997***

Annexure-XI
(Referred to in para 3.4)

Assam Tea Employees Provident Fund Organisation

Assam Tea Plantations Provident Fund Scheme (1955)

Permanent or temporary employees drawing wages up to ₹15,000 per month are compulsorily covered under the Provident Fund Scheme. However, personnel of managerial and executive cadres are left outside the purview of the Act. The contributions of the employees and employers to the Fund are deducted at source at the rate of 12 *per cent*. The subscriber will get the total PF accumulation at the time of cessation/retirement.

As on 31 March 2024, 1,266 Tea Estates/Factories were registered under ATEPFO where 10 or more employees were employed on any day of the twelve months preceding enforcement of the Scheme. As on 31 March 2024, 12,82,989 members had subscribed to the Fund. The corpus/closing balance of Provident Fund as of March 2024 was ₹13,887.71 crore which grew yearly at seven *per cent* to nine *per cent* from ₹8,604.21 crore in 2017-18. The rate of interest for the Scheme during 2017-19 was 7.5 *per cent* per annum and thereafter (during 2019-24) at the rate of 7 *per cent* per annum.

Pension-Cum-Family Pension Scheme

All the provident fund subscribers are eligible for pensionary benefits on retirement without any financial liability on the part of either the employers or the employees. The scheme is available to the PF members who have rendered a minimum of 10 years of service and on attainment of 50 years of age. The defined benefit (pension) under the scheme is 90 *per cent* of the total PF accumulation with effect from[34] 01.04.2020 payable at the time of cessation from service and paid on a monthly basis for 12 years after the attainment of 58 years of age. The source of the fund, i.e. the contribution to the Pension Fund, is made by transferring the stipulated amount annually from the interest earned in the Provident Fund.

The Family Pension Scheme (1972) provides for a family pension to the family of a deceased member of the Fund who dies while in service, subject to completion of one year of membership in the Provident Fund. The family pension benefit at the rate of ₹1,000 to ₹1,500 per month is paid to the spouse of the deceased subscriber till the date of death/remarriage, thereafter to the eldest child - son up to 18 years and daughter till 21 years or marriage. The source of fund for the Family Pension Scheme is the Government of India (GoI) contribution. The GoI contributes 1.167 *per cent* of the total wages along with the actual administrative cost.

In both schemes, neither the pensioner nor family members are required to make any contributions. The corpus of Pension-cum-Family Pension Fund was ₹181.93 crore in 2017-18 and grew to ₹376.21 crore as of March 2024.

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[34] ***Prior to 01.04.2020, 75 per cent of the total PF accumulation was payable for 10 years on monthly basis.***

Annexure-XII
(Referred to in para 4.3)

Provident Fund and Pension Fund of Cotton Corporation of India Limited

Provident Fund

The CCIL is an exempted organisation under the provision of Section 17 of the EPF&MP Act. The CCIL Employees' Contributory Provident Fund (CPF) was set up in the 18^{th} Board Meeting of the CCIL held on 29 April 1972. CPF started its operations on 31 May 1972. The CPF works under the supervision of the Employees Provident Fund Organisation (EPFO) and follows the provisions of the Employees Provident Fund Scheme, 1952. Both regular and temporary employees are covered under CPF. Under the CCI CPF, the Employer contributes 12 *per cent* of the pay (Basic pay plus Dearness allowance) and each employee contributes monthly at the rate prescribed in the EPF&MP Act, 1952, which is currently equal to the contribution payable by the employer (i.e. 12 *per cent* of pay).

As of March 2024, there were 9,835 members covered under CCI CPF and the Assets under Management (AUM) for CPF stood at ₹189.60 crore.

Superannuation Pension Scheme

The organisation offers two types of pension namely, Employee Pension Scheme under EPF&MP Act, 1952 and Contributory Superannuation Scheme (CSS) managed by the CCIL.

Employee Pension Scheme

The Employees' Pension Scheme, 1995 is funded by the diversion of an amount equivalent to 8.33 *per cent* of the monthly wages (Basic pay plus Dearness allowance) from the monthly employer's share of Provident Fund contributions as well as a contribution of 1.16 *per cent* of the monthly wages with a maximum ceiling of ₹1,250 per month i.e., ₹15,000 per annum remitted to EPFO.

Contributory Superannuation Scheme (CSS)

CCIL CCS applies only to regular employees of the organisation which is optional for them. A fixed rate of contribution as percentage of pay (ranging from three *per cent* to six *per cent* depending upon age at the time of entry into service) is deducted from the salary of the employees. It is a defined contribution scheme wherein the contribution of employer in the fund is limited to 30 *per cent* of aggregate of salary as reduced by the amount of employer's contribution to the Provident Fund, Gratuity and Post-superannuation Medical Benefits.

As at March 2024, there were 691 regular employees covered under CSS and the Assets under Management stood at ₹98.68 crore.

Annexure-XIII
(Referred to in para 4.4)

Provident Fund and Pension Schemes in Chennai Petroleum Corporation Limited

Employees Provident Fund

The Employees Provident Funds and Miscellaneous Provisions Act, 1952 provides for mandatory Provident Fund Scheme to every establishment specified in Schedule I where 20 or more persons are deployed. However, the Act in its section 17(1) empowers Government to exempt an establishment and allow to operate its own Provident Fund with the conditions that the employer shall establish a Board of Trustees for the administration of the provident fund consisting of such number of members as specified in the Employees Provident Fund Scheme, 1952.

As per the statute, Chennai Petroleum Corporation Limited (CPCL) contributes at the rate of 12 *per cent* of Basic Pay (BP) *plus* Dearness Allowance (DA) to the EPF account of the employees and similar contribution is also made by the employees. Further, out of the employer contribution, an amount equal to 8.33 *per cent* of total of monthly basic pay and DA with a ceiling of ₹15,000 per year in respect of employees who joined on or before 30 September 2014 is contributed to Employees Pension Scheme of Employees Provident Fund Organisation (EPFO) and the balance is credited to the employees EPF account. In respect of the employees who joined after 30 September 2014, total of amount deducted is credited to his EPF account. The contribution of employer and employee towards EPF is managed by CPCL Employees Provident Fund Trust.

Pension Schemes

CPCL offers three different pension schemes to its members, as mentioned below:

i. Employees Pension Scheme

The Employees' Pension Scheme, 1995 is funded by diversion of an amount equivalent to 8.33 *per cent* of the monthly wages from the monthly employer's share of Provident Fund contributions as well as a contribution of 1.16 *per cent* of the monthly wages with a maximum ceiling of ₹1,250 per month i.e., ₹15,000 per annum remitted to EPFO.

ii. Superannuation Benefit Fund (SABF)

A defined contribution pension scheme (DCPS), called as Superannuation Benefit Fund, was implemented in November 2006 replacing defined benefit scheme. Under the scheme, after adjusting the rate of contributions towards EPF, Gratuity and the Post-Retirement Medical Benefit Fund within the superannuation benefits, the balance percentage up to 30 *per cent* of Basic Pay *plus* DA shall be the rate of contribution towards pension under defined contribution pension scheme which are credited to the individual employee's pension account. Presently, the defined contribution pension benefit account is being fully managed through a Trust operating in the name of CPCL Employees Superannuation Trust.

Initially, Superannuation Benefit Fund (SABF) managed by LIC was the only option under the pension scheme of the company. In 2020, employees were given option to choose between old scheme (SABF) and New Pension Scheme (NPS) or continue with both. In case, an employee exercises the option to switch to NPS, the amount in SABF will be transferred to NPS only at the time of superannuation.

iii. National Pension System (NPS)

In the case of NPS, Prudential Pension Fund Management Company is the default pension fund manager with default choice of asset allocation as Auto Choice 'Conservative Life Cycle'. However, employees have the flexibility of selecting their own pension fund manager from those registered under NPS. The role of management of CPCL is only limited to remitting of contribution of both employees and employer to the respective fund manager.

Annexure-XIV
(Referred to in para 4.5)

Superannuation benefits in Rashtriya Ispat Nigam Limited

Provident Fund

Rashtriya Ispat Nigam Limited (RINL) is an exempt establishment for operating its own Employees Provident Fund under Section 17(1) of The Employees' Provident Funds and Miscellaneous Provisions Act, 1952. Accordingly, Visakhapatnam Steel Project Employees Provident Fund (VSPEPF) was established on 1 June 1981. The VSPEPF Trust's rules were formulated and came into force with effect from 1 April 1982.

The employer shall pay each month to the individual account of a member, an amount calculated at the rate prescribed in EPF Act, 1952 from time to time as employer's contribution. Presently, RINL pays monthly 12 *per cent* of Pay (Basic plus DA) to the individual account and out of this, 8.33 *per cent* of Pay (Basic plus DA) with a maximum ceiling of ₹1,250 per month i.e., ₹15,000 per annum has to be remitted to EPFO under Employees' Pension Scheme and the remaining is remitted into VSPEPF. Similarly, the members of the Trust pay each month 12 *per cent* of Pay (Basic plus DA) to the individual's account. The employer has to transfer the employees' share and employers' share of contribution to the Board of Trustees before 15th of the following month.

Pension Scheme

RINL offers two types of pension to its employees/workers namely, Employee Pension Scheme under EPF&MP Act, 1952 and a defined contribution pension scheme of its own namely Employees Superannuation Benefit Fund (ESBF).

i. Employee Pension Scheme (EPS)

As mentioned earlier, from the 12 *per cent* of the employer's contributions, 8.33 *per cent* of Pay (Basic *plus* DA) with a maximum ceiling of ₹1,250 per month i.e., ₹15,000 per annum is remitted to EPFO under Employees' pension scheme (EPS).

ii. Employees Superannuation Benefit Fund (ESBF)

The Company has also established Employees Superannuation Benefit Fund (ESBF) as an Approved Superannuation Fund, with effect from 1 November 1995 and obtained approval (10 October 1996) for exemption under Section 2(1) of Part B of Schedule-IV of the Income Tax Act, 1961. The Ministry of Steel (MoS) introduced (11 February 2019) a pension scheme for CPSEs under its administrative control. The RINL introduced 'RINL's Employees' Pension (Defined Contribution) Scheme (EPS)' with effect from 1 January 2007 in case of executives and 1 January 2012 in case of non-executives.

To implement the Pension Scheme in accordance with DPE Guidelines, Board of Directors of RINL introduced (28 March 2019) RINL Employees' Pension (Defined Contribution) Scheme. The fund under the scheme is managed by RINL Employees Superannuation Benefit Fund (ESBF) Trust. The eligibility was defined separately for Executives and Non-Executives based on Department of Public Enterprises (DPE) guidelines as given below.

- Executives, including Functional Directors and Management Trainees who were on the rolls of the Company as on 1 January 2007 and recruited thereafter shall be eligible for Company's contribution towards RINL EPS under the Scheme except otherwise provided in the Rules.
- Non-Executives including trainees recruited for eventual employment, who were on the rolls of the Company as on 1 January 2012 and recruited thereafter shall be eligible for Company's contribution towards RINL EPS under the Scheme except otherwise as provided in these Rules.
- Employees of RINL on deputation/lien to other CPSEs, Government departments, etc. were eligible under the EPS scheme provided such employees join back RINL and superannuate or resign subsequently from RINL. Besides, in all such cases, the borrowing organisation of the employee should contribute to RINL the prescribed percentage of basic pay plus DA towards pension corpus.

Initially as per RINL ESBF Rules, 1995, employer contribution was ₹100 per annum and employee contribution was two *per cent* of his monthly Basic pay plus DA. Upon implementation of the Defined Contribution Pension Scheme (October 2019), the contributions are as under:

Employer Contribution	Member's Contribution
Executives: 01.01,2007 to 31.03.2015 @ 9% of Basic plus DA 01.04.2015 to 31.03.2018 @ 3% of Basic plus DA	• 2% of Basic pay plus DA • In addition, a member can make voluntary contribution through salary at any time.
Non-Executives: 01.01.2012 to 31.03.2015 @ 6% of Basic plus DA 01.04.2015 to 31.03.2018 @ 2% of Basic plus DA	

Details of the corpus of the funds of EPF Trust and ESBF Trust and membership from 2017-18 to 2023-24 are as under:

Year	Number of members	Corpus of EPF Trust (₹ crore)	Corpus of ESBF Trust (₹ crore)
2017-18	17,331	3,370.24	593.08
2018-19	17,517	3,797.70	655.81
2019-20	17,576	4,184.06	779.90
2020-21	16,843	4,626.29	834.61
2021-22	15,861	4,804.20	927.00
2022-23	14,814	5,255.96	1,032.25
2023-24	13,549	4,939.13	1,088.05

Annexure-XV
(Referred to in para 4.5.1)

Details of VSPEPF and ESBF Trusts of RINL

Visakhapatnam Steel Project Employees Provident Fund (VSPEPF) Trust is managed by the Board of Trustees constituted from time to time and as per the VSPEPF Trust Rules 1982. The number of Trustees shall not be less than four or more than twelve. Half of the number of Trustees shall be appointed by RINL from amongst the officers employed in managerial or administrative capacity and the remaining half shall be filled by election from amongst the members in an election to be held for the purpose on any working day or if there is a recognised union, by nomination by the recognised union. As of 31 July 2023, there were nine Trustees representing five from Management and four from Unions on the Board of VSPEPF.

The Employees Superannuation Benefit Fund (ESBF) Trust is being managed and administered by the Board of Trustees constituted under the RINL ESBF Rules framed for the functioning of the Trust. The Board of Trustees shall consist of 15 members and the employer has the power to appoint Trustees in the ratio 5:2:8 i.e., five from recognised Unions, two from Steel Executives Association (SEA) and eight from Management. At present, there are 15 members representing five from recognised Unions, two from SEA and eight from the Management on the Board of ESBF.

The Chief General Manager (HR), RINL is Member and Chairman of both VSPEPF and ESBF Trusts.

Annexure-XVI
(Referred to in para 4.7)

Non-Contributory Provident Fund of Calcutta Dock Labour Board

Non-Contributory Provident Fund (NCPF) was introduced for employees and workers *vide* the Calcutta Dock Labour Board (CDLB) Employees' Non-Contributory Provident Fund Rules and Calcutta Dock Labour Board (CDLB) Workers Non-Contributory Provident Fund Rules respectively. These rules came into force with effect from 1st April 1972. The administration of the fund for the employees and registered workers was done by two separate Boards of Trustees (BoT). The BoT was responsible for due conduct and administration of the funds in accordance with NCPF rules.

The amount of subscription to the NCPF (for both employees and workers) was to be fixed by the member himself subject to the condition that it may be any sum not less than 8-1/3 *per cent* of his pay but not more than his full pay. The amount of subscription subject to the above condition may be enhanced or reduced once at any time during the course of the year on giving one month's notice to the Trustees. Interest was to be credited annually by the BoT to the account of each subscriber at the rate of interest to the lower quarter of the average percentage interest earned on the money of the fund invested under the rules. Such interest was to be calculated on the monthly balance at the credit of each subscriber compounded yearly.

A members' accumulation in the fund including interest was to be paid as soon as possible after his retirement, quitting service or death.

The number of members and the total fund/Assets under Management of Provident Fund during the period 2017-18 to 2023-24 was as follows:

Sl. No.	Year	Number of PF Members (Employees and Workers)	Total Fund/Assets (₹ crore)
1	2017-18	85	55.61
2	2018-19	77	61.81
3	2019-20	71	66.84
4	2020-21	64	67.7
5	2021-22	60	73.33
6	2022-23	56	77.59
7.	2023-24	54	83.23

Annexure-XVII
(Referred to in para 4.7.1)

Composition of Board of Trustees for Provident Fund of Calcutta Dock Labour Board

Registered Workers Non-Contributory Provident Fund

The Board of Trustees is composed of the Deputy Chairman, Calcutta Dock Labour Board (*ex-officio*), one member of the Board representing the workers and one member representing the Employers to be nominated by the Board.

Employees Non-Contributory Provident Fund

The Board of Trustees is composed of the Deputy Chairman, Calcutta Dock Labour Board (CDLB), Chief Accounts Officer, CDLB, as *ex-officio* Trustee, a nominee of the administrative body of the employers, if any, and one member representing the employees of CDLB.

Annexure-XVIII
(Referred to in para 5.2)

Role of various Agencies involved in Atal Pension Yojana

1. Department of Financial Services

- The Department of Financial Services (DFS) provides grant-in-aid under various heads (Government co-contribution, media campaign, payment of incentives to Banks) to implement Atal Pension Yojana (APY) through Pension Fund Regulatory and Development Authority (PFRDA). Every year, DFS allocates the target number of accounts to APY Service Providers to be achieved during that year. The Government of India reimburses the expenditure done on promotional and development activities by the contribution collection agencies to encourage people to join APY. Banks and other enrolment agencies are also being paid incentives for enrolments under APY.
- Monitoring of PFRDA by seeking various reports regularly.

2. Pension Fund Regulatory and Development Authority

- APY is being administered by the PFRDA under the overall administrative and institutional architecture of the National Pension System (NPS).
- Government co-contribution is released as grants to PFRDA for crediting the same to subscribers.
- Monitoring the performance of APY Service Providers by seeking reports from Central Recordkeeping Agencies.

3. Enrolment Agencies

- As per notification of APY, enrolment agencies are as follows:
  - i. All banks, including all nationalised banks, private banks, banking companies, regional rural banks, cooperative banks, etc. either directly or through the following enablers:
    - a. All Points of Presence (Service Providers) and Aggregators, which are governed under the institutional architecture of NPS and are appointed as such by PFRDA could work as facilitators with banks.
    - b. Business Correspondents (BCs)/ existing non-banking aggregators, Micro Finance Institutions (MFIs) etc. who are appointed as enablers by banks.

Annexure-XIX
(Referred to in para 5.2)

Contribution chart under Atal Pension Yojana

Monthly, Quarterly and Half-yearly prescribed contributions under APY for different minimum guaranteed amount of pension at different entry age and the return of corpus amount to the nominee

		Minimum Guaranteed Pension of Rs. 1000/month			Minimum Guaranteed Pension of Rs. 2000/month			Minimum Guaranteed Pension of Rs.3000/month			Minimum Guaranteed Pension of Rs.4000/month			Minimum Guaranteed Pension of Rs.5000/month		
Return of Corpus Amount to the Nominee		Rs. 1.7 Lakh			Rs. 3.4 Lakh			Rs. 5.1 Lakh			Rs. 6.8 Lakh			Rs. 8.5 Lakh		
Age at entry	Vesting period	Monthly contri-bution	Quarterly contri-bution	Half yearly contri-bution	Monthly contri-bution	Quarterly contri-bution	Half yearly contri-bution	Monthly contri-bution	Quarterly contri-bution	Half yearly contri-bution	Monthly contri-bution	Quarterly contri-bution	Half yearly contri-bution	Monthly contri-bution	Quarterly contri-bution	Half yearly contri-bution
18	42	42	125	248	84	250	496	126	376	744	168	501	991	210	626	1239
19	41	46	137	271	92	274	543	138	411	814	183	545	1080	228	679	1346
20	40	50	149	295	100	298	590	150	447	885	198	590	1169	248	739	1464
21	39	54	161	319	108	322	637	162	483	956	215	641	1269	269	802	1588
22	38	59	176	348	117	349	690	177	527	1045	234	697	1381	292	870	1723
23	37	64	191	378	127	378	749	192	572	1133	254	757	1499	318	948	1877
24	36	70	209	413	139	414	820	208	620	1228	277	826	1635	346	1031	2042
25	35	76	226	449	151	450	891	226	674	1334	301	897	1776	376	1121	2219
26	34	82	244	484	164	489	968	246	733	1452	327	975	1930	409	1219	2414
27	33	90	268	531	178	530	1050	268	799	1582	356	1061	2101	446	1329	2632
28	32	97	289	572	194	578	1145	292	870	1723	388	1156	2290	485	1445	2862
29	31	106	316	626	212	632	1251	318	948	1877	423	1261	2496	529	1577	3122
30	30	116	346	685	231	688	1363	347	1034	2048	462	1377	2727	577	1720	3405
31	29	126	376	744	252	751	1487	379	1129	2237	504	1502	2974	630	1878	3718
32	28	138	411	814	276	823	1629	414	1234	2443	551	1642	3252	689	2053	4066
33	27	151	450	891	302	900	1782	453	1350	2673	602	1794	3553	752	2241	4438
34	26	165	492	974	330	983	1948	495	1475	2921	659	1964	3889	824	2456	4863
35	25	181	539	1068	362	1079	2136	543	1618	3205	722	2152	4261	902	2688	5323
36	24	198	590	1169	396	1180	2337	594	1770	3506	792	2360	4674	990	2950	5843
37	23	218	650	1287	436	1299	2573	654	1949	3860	870	2593	5134	1087	3239	6415
38	22	240	715	1416	480	1430	2833	720	2146	4249	957	2852	5648	1196	3564	7058
39	21	264	787	1558	528	1574	3116	792	2360	4674	1054	3141	6220	1318	3928	7778
40	20	291	867	1717	582	1734	3435	873	2602	5152	1164	3469	6869	1454	4333	8581

Annexure-XX
(Referred to in para 5.2.3)

Investment Pattern of Atal Pension Yojana

As per PFRDA's investment guidelines dated 3 June 2015, the investment limit in debt and related instruments would be upto 85 *per cent* and upto 15 *per cent* in equities and related instruments. In supersession of the said guidelines and other guidelines issued from time to time, PFRDA issued circular dated 20 July 2021 and amended the guidelines. The investment guidelines applicable to the NPS schemes including Atal Pension Yojana (APY) allows for five categories of investments as under:

(i) Government Securities and Related Investments (upto 55%, earlier upto 50%)

(ii) Debt Instruments and Related Investments (upto 45%)

(iii) Short-term Debt Instruments and Related Investments (upto 10%, earlier upto 5%)

(iv) Equities and Related Investments (upto 15%)

(v) Asset Backed, Trust Structured and Miscellaneous Investments (upto 5%)

Returns generated by APY Pension Fund Managers

The investment of funds is done through three Pension Funds – SBI Pension Fund, LIC Pension Fund, UTI Pension Fund. The returns as of March 2024 were as follows:

Financial year	Returns generated		
	LIC	SBI	UTI
2016-17	13.71%	13.79%	14.24%
2017-18	5.46%	5.98%	5.7%
2018-19	8.62%	9.19%	9%
2019-20	7.96%	9%	7.36%
2020-21	14.96%	13.57%	15.14%
2021-22	7.13%	7.08%	6.4%
2022-23	4.35%	3.99%	4.2%
2023-24	12.64%	12.31%	12.49%

Annexure XXI
(Referred to in para 5.3)

Pradhan Mantri Shram Yogi Maandhan Yojana

Features of the Scheme

Under the Scheme, the subscriber would receive the following benefits:

(i) **Minimum Assured Pension:** Each subscriber under the Pradhan Mantri Shram Yogi Maandhan Yojana (PMSYM), shall receive minimum assured pension of ₹3,000 per month after attaining the age of 60 years.

(ii) **Matching contribution:** PMSYM is a voluntary and contributory pension scheme on a 50:50 basis where the beneficiary, with a matching contribution by the Central Government, makes prescribed age-specific contributions (ranging from ₹55-₹200 per month) as mentioned in the contribution table.

(iii) **Family Pension:** During the receipt of pension, if the subscriber dies, the spouse of the beneficiary shall be entitled to receive 50 *per cent* of the pension received by the beneficiary as family pension. Family pension is applicable only to spouse.

If a beneficiary has given regular contribution and died due to any cause (before age of 60 years), his/her spouse will be entitled to join and continue the scheme subsequently by payment of regular contribution or exit the scheme as per provisions of exit and withdrawal.

Agencies involved in implementation of PMSYM

(i) Ministry of Labour and Employment (MoL&E)

MoL&E is the administrator of PMSYM and discharges the following responsibilities :

- MoL&E issues guidelines/instructions/directions and sets targets for smooth implementation of the scheme.
- MoL&E pays service charges for each successful enrolment to Common Services Centre (CSC).
- MoL&E issues instructions for the service charges to be paid by beneficiaries for every update in terms of change in nominee, change in the Bank account details and other matters. CSC will provide proper receipt to the beneficiary in this regard.
- MoL&E authorises CSC to collect beneficiary contribution amount.
- MoL&E undertakes awareness program across the country to inform beneficiaries about the benefits of the Scheme.
- MoL&E nominates a single point of contact for CSC and LIC wherein a Nodal officer shall be overall in-charge of the project, and two officers will be designated for smooth communication with CSC and LIC respectively.
- Issues letters to various State Governments and Central Government Ministries to engage the officers of concerned line departments to support the CSC officials for the onboarding of beneficiaries.

- MoL&E shall, for the purposes of this Scheme, establish a 'Pension Fund' which shall be managed by LIC on behalf of the Government in terms of the Scheme rules framed by the Government of India from time to time.
- MoL&E provides/adequately replenishes/maintains funds with LIC to meet the periodic co-contributions to the Subscriber Individual Accounts.
- The expenses of the Scheme and any other liabilities/expenses/claims/deductions as mentioned in the MoU are exclusively debited from the Expense Account being maintained with LIC.
- MoL&E supports and coordinates with CSC which is the enrolling agency chosen by the Government, IDBI Bank, which is the sponsor bank, Indian Banks' Association (IBA), National Payments Corporation of India (NPCI), or any other body as may be required for the smooth implementation of the Scheme.
- MoL&E gives necessary approvals and authorisation to LIC for incurring expenses and making payments to the debit of the Fund, in respect of special cost/expenses in relation to dedicated call center services, special SMS to be sent on behalf of or at the behest of the Ministry, publicity activities carried out at the behest of the Ministry and special IT development cost and other expenses which may have to be provided/incurred by LIC at the request of the Ministry from time to time.

(ii) Life Insurance Corporation of India

LIC is the fund manager and performs various roles as per MoU between MoL&E and LIC of India (signed on 10 July 2019) as stated below:

- LIC maintains Subscribers' Individual Accounts (SIA) to which amounts are credited as and when received and adjusted along with duly reconciled data, from Enrolling Agency by way of initial contribution and from sponsor bank by way of subsequent contributions.
- LIC further maintains a Pool Account of MoL&E, Government of India, (Government Pool Account) to which all amounts, as and when received from the Government, shall be credited.
- SIA together with GPA constitutes the Pension Fund under the Scheme. The Pension Fund comprising contributions of individual subscribers and Government are invested as per IRDAI (Investment) Regulations/Ministry of Finance, as amended from time to time.
- LIC designates Points of Contacts (PoCs) under which at least two officers are designated for smooth communication with the Ministry and other stakeholders.

(iii) CSC e-Governance Services India Limited

CSC is the implementing agency and performs various roles as per MoU between MoL&E and CSC e-Governance Services India Limited (signed on 1 July 2019) as stated below:

- Assists MoL&E by providing access to country-wide CSCs networks in all States/Union Territories (UTs) where the CSCs are established/located and where the CSCs are proposed to be established in future ensuring coverage in all 29 States and 7 UTs of the territory of India for assisted registration/validation/updation in online filling services.
- Supports MoL&E in advertising of registration process publicity through banners at CSC workshops and other awareness campaigns including CSC newsletters, display of banners to inform the citizens about the services. Also designs the marketing collaterals for MoL&E to spread awareness among Village Level Entrepreneurs (VLEs). Marketing collateral helps VLEs to understand the concept of filling in the online application registration form.
- CSC deploys one dedicated person at MoL&E office for support and coordination.
- Provides the Management Information Systems report to the LIC (Pension Fund Manager) or MoL&E as desired by them from time to time.
- Transfers funds to LIC on T+1 or as mutually agreed.
- Raises invoice of services charged on monthly basis or fortnightly or for any period as mutually agreed between the parties.

Annexure-XXII
(Referred to in paras 5.3 and 5.4)

Contribution chart for Pradhan Mantri Shram Yogi Maandhan Yojana and Pradhan Mantri Kisan Maandhan Yojana

Entry Age (years)	Superannuation Age (years)	Member's Monthly Contribution (₹)	Central Government's Monthly Contribution (₹)	Total Monthly Contribution (₹)
(1)	(2)	(3)	(4)	(5) = (3)+(4)
18	60	55	55	110
19	60	58	58	116
20	60	61	61	122
21	60	64	64	128
22	60	68	68	136
23	60	72	72	144
24	60	76	76	152
25	60	80	80	160
26	60	85	85	170
27	60	90	90	180
28	60	95	95	190
29	60	100	100	200
30	60	105	105	210
31	60	110	110	220
32	60	120	120	240
33	60	130	130	260
34	60	140	140	280
35	60	150	150	300
36	60	160	160	320
37	60	170	170	340
38	60	180	180	360
39	60	190	190	380
40	60	200	200	400

Annexure-XXIII
(Referred to in para 5.4)

Pradhan Mantri Kisan Maandhan Yojana

Features of Pradhan Mantri Kisan Maandhan Yojana (PMKMY)

Under the Scheme, the subscriber would receive the following benefits:

- **Minimum Assured Pension:** Each subscriber under the PMKMY shall receive minimum assured pension of ₹3,000 per month after attaining the age of 60 years.
- **Family Pension:** During the receipt of pension, if the subscriber dies, the spouse of the beneficiary shall be entitled to receive 50 *per cent* of the pension received by the beneficiary as family pension. Family pension is applicable only to spouse.
- If a beneficiary has given regular contribution and died due to any cause (before age of 60 years), his/her spouse will be entitled to join and continue the scheme subsequently by payment of regular contribution or exit the scheme as per provisions of exit and withdrawal.
- The PMKMY is a Central Sector Scheme, administered by the Department of Agriculture & Farmers Welfare in partnership with the LIC.
- The LIC shall be the Pension Fund Manager (PFM) and responsible for Pension payouts.
- The small and marginal farmers shall have the option to allow payment of their voluntary contribution to the Scheme from the financial benefits received by them from the PM-KISAN Scheme, directly.
- The State/UT Government will have the option of sharing the burden of individual small and marginal farmer beneficiary's contribution.
- The eligible small and marginal farmers desirous of joining the scheme have three options for making registration: Common Services Centre (CSC), State Nodal Offices (SNOs) as well as self-enrolment through dedicated online portal.
- After death of subscriber as well as of his/her spouse, the corpus i.e. total accumulated contributions made by the subscriber and the Government shall be credited back to the fund.

Agencies involved in implementation of PMKMY

(i) Department of Agriculture & Farmers' Welfare

The Department performs the following roles and responsibilities:

- Issues guidelines/instructions/directions for smooth implementation of the Scheme.
- Supports and coordinates with Common Services Centre (CSC e-Governance) and State Nodal Officers (SNOs) (PM-KISAN) which is the enrolling agency chosen by the Government or any other body as may be required for smooth

implementation of the Scheme. It also facilitates the transfer of bulk data of beneficiaries as available with the State Nodal Officers (SNOs) under the Pradhan Mantri Kisan Samman Nidhi Yojana (PM-KISAN) to the CSC for enrolment of beneficiaries and pays service charges for each successful enrolment to CSC.

- Issues letters to various State Governments and Central Government Ministries to engage the officers of concerned line departments to support the CSC officials for the onboarding of beneficiaries.
- Undertakes awareness program across the country to inform beneficiaries about the benefits of the Scheme, gives necessary approvals and authorisation to LIC for incurring expenses and making payments e.g. dedicated call center services, special SMS, publicity activities, special IT development cost and other expenses on behalf of the Department.
- Establishing a 'Pension Fund' which is managed by LIC on behalf of the Department; adequately replenishes/maintains fund with LIC to meet the periodic co-contributions to the Subscriber Individual Accounts.

(ii) Life Insurance Corporation of India

LIC is the fund manager and performs various roles as per MoU between the Department of Agriculture & Farmers' Welfare (DoA&FW) and LIC of India (signed on 8 August 2019). LIC maintains Subscribers' Individual Accounts (SIA) to which amounts are credited as and when received and adjusted along with duly reconciled data, from Enrolling Agency by way of initial contribution and from sponsor bank by way of subsequent contributions. It further maintains a Pool Account of DoA&FW, namely, the Government Pool Account (GPA) to which all amounts, as and when received from the Government, shall be credited. SIA together with GPA constitutes Pension Fund under the Scheme which is invested as per IRDAI (Investment) Regulations/Ministry of Finance, as amended from time to time.

(iii) CSC e-Governance Services India Limited

CSC e-Governance Services India Limited is an additional enrolment agency (other than State Nodal Offices and self-registration) and performs various roles as per MoU with Department of Agriculture & Farmers' Welfare (DoA&FW) dated 1 August 2019, as stated below:

- Assists DoA&FW by providing access to country-wide CSCs networks in all States/UTs for assisted registration/validation/updation in online filling services. Integration is done wherein an authorised Village Level Entrepreneur (VLE)[35] can access PMKMY website/ portal/application through authorised CSC platform.
- Supports DoA&FW in advertising of registration process, publicity through banners at CSC workshops and other awareness campaigns including CSC newsletters,

[35] ***The Village Level Entrepreneur (VLE) present at the CSC completes the online registration process after taking details of Aadhaar number, name, date of birth, spouse and nominee particulars, mobile number (optional), address and a few other details.***

display of banners to inform the citizens about the services. It also designs the marketing collaterals for DoA&FW to spread awareness among VLEs.

- CSC deploys one dedicated person at DoA&FW office for support and coordination.
- Provides the Management Information Systems (MIS) report to the LIC (Pension Fund Manager) or DoA&FW as desired by them from time to time.
- Raises invoices of services charged on a monthly basis or fortnightly or for any period as mutually agreed between the parties.

Annexure-XXIV
(Referred to in para 5.5)

Pradhan Mantri Vaya Vandana Yojana

As on 31 March 2022, Pradhan Mantri Vaya Vandana Yojana (PMVVY) had 9.39 lakh subscribers and Assets under Management amounting to ₹72,687 crore. Year on year growth of the Scheme was as shown below:

Year	Number of subscribers	Assets under Management (₹ crore)
2017-18	2,33,714	12,349.14
2018-19	4,03,140	24,791.02
2019-20	5,45,804	37,124.56
2020-21	7,39,659	54,810.22
2021-22	9,39,193	72,687.57

The contribution under PMVVY-2020 was as follows:

Mode of Pension	Purchase Price for minimum pension of ₹1,000/month	Purchase Price for maximum pension of ₹9,250/month
Yearly	₹1,56,658	₹14,49,086
Half-Yearly	₹1,59,574	₹14,76,064
Quarterly	₹1,61,074	₹14,89,933
Monthly	₹1,62,162	₹15,00,000

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