SAWAL JAWAB

INVESTMENT NEXT
RETIREMENT FUNDS CONCLAVE 2017

SBI FUNDS
MANAGEMENT PVT. LTD.

SAWAL JAWAB

EPFO Officials – SAWAL JAWAB SESSION

- Dr. V P Joy ,
  Central PF Commissioner, EPFO.
- Shri K. L. Taneja, Additional Central P. F. Commissioner (Hqrs.)
  (Exemption, Publicity, Compliance & CAIU)
- Shri Ajay Kumar, Regional P. F. Commissioner (Hqrs.)
  (Investment Management Cell)
- Shri Subrata Kumar, Regional P.F. Commissioner (Hqrs.)
  (Exemption)
- Shri Gaurav Srivastava, Assistant P. F. Commissioner
  (Exemption)

SBI FUNDS
MANAGEMENT PVT. LTD.

Q1) When do we have finality on accounting Equity Investment Gains and what should Exempt PF trust follow till the accounting norms are finalized

Q2) Clarity on 'Senior Citizens Welfare fund' Rules – Transfer of in-operative accounts balances to this fund. What are implication to PF Trust?

N T P C LTD, DELHI (SHRI N.K. GUPTA)

Q1) Media reports are suggesting that EPFO is considering giving units and NAV to members for equity investments. How are advances of employees to be tackled in such a scenario?

Q2) Vide amended, investment pattern has given an upper limit for investments in Category-I (Govt. Securities & related investments) at 65%. However, on complying with minimum Category II (Debt instruments and related investments) requirements of 35% and Category IV (equity and related investments) requirements of 5% that limit of 65% can never be reached.

Consider the fact that AAA rated corporate bonds have much lower yield/ coupons than equivalent tenor SDLs, can the Trusts invest 65% in SDL and invest in Corporate Bonds at 30%

Given that EPFO is investing a significant portion in Equities thru ETF mode and also actively exploring the possibility of unitization of ETF Units to its Subscribers, how does EPFO foresee this aspect to be handled by various Exempted Trusts?

Is there likely to be any specific direction to exempted trusts on this account?

BHEL DELHI (SHRI LOKESH AGARWAL)

Q1) In case of transfer of service period for pension, EPS no. is also being required by EPFO for Form-13 while after introduction of UAN, it is not being used. Please suggest do we need to maintain both EPS no. as well as UAN.

Q2) Please suggest the way out for refund of EPS contribution if any extra payment is made to EPFO erroneously.

Q3) In case any amendment is made in PF rules relating to advances to be paid to members, do we need to take any prior approval from EPFO or it will be deemed to be approved if a copy of revised PF Rules is submitted.

D A V COLLEGE, DELHI (MRS S A PUJA)

Q) A Trust invests 5% of its Annual accretions in Equity Mutual Fund Schemes in the Financial Year 2016-17 and another 5% in 2017-18 thereby exhausting its mandatory requirements. Then, if it sells off the amount of Investment made in the Financial year 2016-17, what treatment should be given to the Redemption proceeds, including Realized profit, out of the following:

1) The entire proceeds should be considered as fresh accretions for the Financial year 2017-18 and be invested as per the Investment Pattern

2) The profit earned should be invested as per 1 above but the Principal amount should be invested back in the same category viz. Equity Mutual Fund in spite of the fact that the 5% mandatory investment for the financial year 2017-18 has already been exhausted.

F C I, DELHI (SHRI PUKHRAJ TAK)

Q) As per notification dated 23.04.2015, category (iii) "Short term Debts instruments & related Investment" has a limit "up to 5%" Sub-para (b) units of liquid mutual fund regulated by SEBI.

Whether limit of 5% will apply to investment on the last day of financial year i.e. 31.03.2018, or amount invested during the year in liquid mutual fund and redeemed during the year will also be considered for calculation of limit?

Q1) Churning of Portfolio – It is stated in the rules that the Turnover Ratio (the value of securities traded in a year/average value of portfolio at the beginning of the year and at the end of the year) should not exceed two.

Are we allowed to sell securities with specific maturity dates, especially falling under Category I and Category II of Investment norms, without prior approval of EPFO. If so whether 'securities traded' shall be interpreted to include buying & selling of securities or only sale of securities shall constitute such trading in securities.

Q2) Asset Backed Securities – Can we take the accretion in the value of Asset Backed Securities as on the last date of the Financial Year directly to the Revenue Account or we need to account for the profit only at the time of redemption (cntd.)

Q3) Units of Mutual Fund Under Category I and Category II - Are we allowed to take the incremental increase in the value of units of mutual funds under Category I and Category II as at the last day of the Financial Year directly to Revenue Account. If not how shall we account for them.

Q4) Perpetual Bonds – Are we allowed to purchase BASEL II Bonds and Perpetual bonds from Private companies PSU without any restriction?

UNION BANK OF INDIA, MUMBAI (SHRI S PADHAN)

As far as interest for PF is concerned, we in public sector banks go for interest on PF in line with the yield on PF fund as decided by the trustees of PF fund, whereas EPFO announces PF interest rate separately. Is it mandatory for PSBs to offer interest rate on PF in line with EPFO rates?

G N F C, BHARUCH (SHRI P N GANDHI)

Q) Exempted PF Trust invested as per pattern prescribe by EPFO w.e.f. 29/05/2015. If we premature the amount earlier Invested from Government Securities or Debt Instruments category. Should we consider such proceeds as fresh receipt and allocate amount as per pattern in all categories?

MARUTI SUZUKI, DELHI (SHRI LALIT KHILANI)

Q1) In the circular on "Compliance of the Senior Citizen Welfare fund rules", the following point is there:

"The transfers by the institutions shall be made on a net basis, namely the unclaimed deposits minus the claims settled with interest in accordance with the law for the time being in force, of the accounts whose balances have already been transferred to the Fund. Interest will be computed as per the interest rates declared for respective years and eligible to the members"

We have the following queries to above para:

I What will be the procedure to get back the funds from the EPFO?

II. On claim of refund made by the member, who will bear the interest cost from 7th year onwards to settlement date?

MARUTI SUZUKI, DELHI (SHRI LALIT KHILANI)

Q2) As per the Notification dated 9 June 2015 issued by the EPFO, "Turnover Ratio (the value of securities traded in the year/ average value of portfolio at the beginning of the year and at the end of the year) should not exceed two". By reading the above line, it seems that a PF Trust is allowed to sell the securities during the year.

But the applicable regulations (Appendix A of Revised Conditions for Grant of Exemption under Section 17 of the Employees' Provident Funds And Miscellaneous Provisions Act, 1952) say that the Board of Trustees may raise sums of money as may be required for meeting obligatory expenses by sale of the securities or other investments standing in the name of the Fund subject to the prior approval of the Regional Provident Fund Commissioner.

Taking into view the above two paras, in an event of sale of security, what should be the modus operandi of the Trust?

Q) As per Category (V) of the Investment Pattern, PF Trusts can invest 5% in Asset Backed, Trust Structured and Miscellaneous Investments. Do Alternative Investment Funds (AIF) come under this category, i.e. can PF Trust invest in AIF's?

CIPLA, MUMBAI (SHRI PRADEEP MANIYANI)

Q) The Investment Pattern allows for investment in (b) Units of Liquid Mutual Funds regulated by SEBI under the category of “Short-term Debt Instruments and Related Investments” subject to a cap of 5%. Can the trust temporarily park their contributions and other accretions in Liquid MFs and thereafter invest as per the prescribed pattern? The objective being to earn better returns (as compared to a savings bank interest) till the appropriate investments are made.

MPHASIS, BANGALORE (SHRI VIJAY K)

Q1) Is there any prior approval required for transacting (sale of mutual fund units) the mutual fund units based on market fluctuations?

Q2) With aadhaar being introduced, there are challenges with respect to seeding on account of data mismatch, in such a scenario would the PF department provide option to correct the PF records under the employer / employee login to facilitate faster resolution of the issue?

B D L, BANGALORE (SHRI G V BRAHAMAIH)

Q1) Any proposal to reduce 1st Category Investment percentage, as 45% of Investments are earning very low interest i.e.6 to 7%.

Q2) As interests are drastically coming down and EPFO is declaring 8.65% to 8.70%, all the employees are depositing good amounts in VPF. Is there any provision to stop/restrict VPF

T C S, MUMBAI (MRS VARSHA PAWAR)

Q1) In case the PF Trust has invested in the group companies before the new pattern was implemented, it is necessary to exit from the group company exposures.

Q2) If the Trust has booked profits in equity exposure, is it necessary to restore (buy equity) the opening equity portfolio from the current year's investible surplus.

Q3) In case credit rating of any investment made couple of years back has fallen below the current rating requirements as per the investment pattern, is it necessary to exit.

Q4) What is the frequency of pattern compliance.

Q5) Further the Investments are made by the Trust when the Trust gets competitive rates for the benefit of the Trust. It may so happen, that the Trust may temporarily park it funds in MF pending long term investments. In such cases since the Trust did not get any good investment at a competitive rate the funds are reinvested in MF. When the Turnover ratio is computed it may so happen that it may exceed the mandated turnover ratio of 2 just because of MF redemptions. How is it viewed ?

Q6) What would be considered as concentration of investments in a portfolio company. The guidelines is silent about it.

ENGINEERS INDIA LTD, DELHI (SHRI GAURAV RASTOGI)

Q1) Whether a member is allowed to RETAIN his/her PF balance with the PF Trust AFTER his/her retirement/resignation?

Q2) Whether a member is allowed to withdraw his PF Balance in MULTIPLES PARTS after his/her retirement?

Q3) In cases other than retirement/death/migration abroad (e.g. resignation), when his/her PF account shall become in-operative? If an employee resigns, then, will his account become in-operative immediately or after 36 months or will it remain operative till the age of 55/58/60 years and become inoperative after 55/58/60/61/63?

Q4) Are the Members Accounts which were made in-operative because of 2011 Notification, will again become Operative?