

***Matters at EPFO getting so bad, full inquiry needed***

With a R50,000 crore shortfall in its pension fund and unclaimed subscriber balances of, hold your breath, R22,600 crore, it can't possibly get worse at the Employees Pension Fund Organisation (EPFO). Which is why there is a clamour to allow subscribers to migrate from the EPFO to the privately-run New Pension Scheme (NPS) that offers much better returns—subscribers got a return of 9.95% in FY12, 11.35% in FY11 and 13.05% in FY10 for Scheme-G (government securities), while the EPFO offered 8.25%, 9.5% and 8.5% in these years. The returns offered under NPS Scheme-C (where majority of the investment goes into corporate bonds) were over 11% while Scheme-E (where up to 50% is invested in equities) ranged from 8.35% to 28.6% in the last three years. Once you factor in consumer inflation, in fact, EPFO is yielding a negative return—on Monday, EPFO raised FY13 returns to 8.5% from 8.25% last year.

Just when you thought things couldn't get worse, a CAG report points to a R1,336 crore error in the EPFO books—in the process of updating its accounts, the CAG says, the EPFO credited accounts with R1,336 crore more than it should have. Indeed, according to CAG, as more accounts get updated, the gap will increase. The problem, as pointed out before, is that EPFO is the only organisation in the world that still uses single-entry book-keeping, as a result of which it often doesn't know just what's happening. Some years ago, for instance, a trustee 'found' money which had not been accounted for, and this was used to raise that year's dividend. Given the regularity with which such events occur, it's time for a full-fledged inquiry into the EPFO—right now, it's beginning to look worse than US-64.