EPFO announces new Provident Fund (PF) withdrawal rules

EPFO members can now withdraw 75% of their funds post a 30-day period of unemployment and the remaining 25% after 2 months

The EPFO, on Tuesday, declared much greater flexibility for their members with regard to fund withdrawal. Members now have the option to withdraw 75% of their deposits after a month of being unemployed and still keep their accounts active. With around 5.5 crore subscribers, this announcement makes a big difference in numerous lives.
Furthermore, after 2 months of being unemployed, EPFO members can settle their accounts by pulling out their cumulative corpus under the revised Employee Provident Fund Scheme of 1952.

Labour minister, Santosh Kumar Gangwar, the Chairman of the Central Board of Trustees at the EPFO went on record stating,"We have decided to amend the scheme to allow members to take advance from its account on one month of unemployment. He can withdraw 75percentt of its funds as an advance from its account after one month of unemployment and keep its account with the EPFO."

He also added that the EPFO's ETF investment is soon to cross the Rs 1 lakh crore mark having already invested Rs 47,431.24 crore till May end ,2018 and earning a return of 16.07%.

While it was proposed that members would be allowed to withdraw 60% of funds in advance of unemployment for not less than 30 days, the CBT raised the limit to 75% in their latest meeting.

Gangwar further said, "We approved almost the entire agenda listed for the meeting of the CBT today. We have also given an extension of one year to ETF (exchange-traded funds) manufacturers SBI and UTI Mutual funds till July 1, 2019. We have also extended the term of fund managers till December 31, 2018."

It was also proposed to provide an extension of six more months to its five fund managers – SBI, ICICI Securities Primary Dealership, Reliance Capital, HSBC AMC and UTI AMC for managing its corpus. These fund managers had been appointed for a period of three years from April 1, 2015. They have been handed an extension till June 30, 2018. Moreover, the CBT is keen to appoint a consultant to select portfolio managers as well.

Central PF Commissioner, VP Joy stated that they are *"trying to give subscribers a window to take out a sizable portion of the corpus, yet not close the account. When he gets a new job, he can transfer the old account money to the new account with the new employer".*

The decision has modified the current PF scheme quite a bit. In the previous scheme, employees needed a 10-year contribution to be eligible for pension and lost his/her eligibility if they closed their PF account after 2 months of unemployment. Now, they can still have an active account despite unemployment. While this new development does not yet feature in the same league as social security privileges provides in countries like France, Germany or Japan, it does seem to be a step towards a more relevant PF scheme.

In an additional development, the central board of EPFO has also requested the Finance Ministry's approval on diversifying its equity portfolio beyond the Nifty 50 and Sensex 30 stocks. The EPFO began investing in exchange traded funds in 2015 with a mandate of investing 5% of its investible deposits in the equity-based schemes. The mandate was later increased to 10% in 2016-17 and has now been modified to 15%.