

# The Central Board recommends 8.50 % rate of interest to its subscribers for the year 2020-21

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The 228th meeting of Central Board of Trustees, EPF was held today in Srinagar, Jammu & Kashmir under the chairmanship of Shri Santosh Kumar Gangwar, Union Minister of State for Labour & Employment(Independent Charge), Vice-Chairmanship of Shri Apurva Chandra, Secretary(L&E) and the Member Secretary Shri Sunil Barthwal, Central P F Commissioner. The Central Board recommended 8.50% annual rate of interest to be credited on EPF accumulations in members' accounts for the financial year 2020-21. The interest rate would be officially notified in the government gazette following which [EPFO](#) would credit the rate of interest into the subscribers' accounts.

Since FY 2014 EPFO has consistently generated returns not less than 8.50 percent. A high EPF interest rate along with compounding , makes a significant difference to gains of subscribers. This is despite the fact that EPFO has consistently followed a conservative approach towards investment, putting highest emphasis on the safety and preservation of principal first approach. Risk appetite of EPFO is very low, since it involves investing poor man's retirement savings also.

EPFO over the years has been able to distribute higher income to its members, through various economic cycles with minimal credit risk. Considering the high credit profile of the EPFO investment, the interest rate of EPFO is considerably higher than other comparable investments avenues available for subscribers.

During the period from 2015-16 EPFO prudently started investing in equity through exchange traded funds based on the NSE 50 and BSE 30 indices. The investment in equity assets started from 5 percent for FY 2015 and subsequently gone up to 15 percent of the incremental portfolio.

For FY 2021, EPFO decided to liquidate investment in and the interest rate recommended is a result of combined income from interest received from debt investment as well as income realized from equity investment. This has enabled EPFO to provide higher return to its subscribers and still allowing EPFO with healthy surplus to act as cushion for providing higher return in future also. There is no over-drawl on EPFO corpus due to this income distribution.

The assured fixed return approach of EPFO, announced by CBT every year along with the tax exemptions makes it an attractive choice for investors, providing them with strong social security in the form of provident fund, pension and insurance schemes.

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