GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2903
ANSWERED ON:13.03.2015
CHANGES IN NON GOVERNMENT PF NORMS
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to liberalise and change investment norms for Non-Government Provident Fund (PF) as well as superannuation and gratuity funds;

(b) if so, the details thereof and the reasons therefor; and

(c) the time by which it is likely to be implemented?

Answer

The Minister of State in the Ministry of Finance (SHRI JAYANT SINHA)

(a) and (b) : Yes, Sir. The Government has been notifying the Investment Pattern to be followed by the non-Government Provident Funds, Superannuation Funds and Gratuity Funds. The Investment Pattern was earlier revised in 2008 and was made effective from 1st April, 2009.

The new Investment Pattern, notified on 2nd March, 2015, provides for new category of instruments, such as, debt securities issued by entities engaged in the business of development or operation and maintenance of infrastructure, or development, construction or finance of low cost housing and Infrastructure and affordable housing Bonds issued by any scheduled commercial bank, Infrastructure Debt Funds, under the category of debt instruments and related investments. Further, a new category of Asset Backed, Trust Structured and Miscellaneous investments has been introduced which, inter-alia includes the following instruments:

(i) Units issued by Real Estate Investment Trusts

(ii) Units of Infrastructure Investment Trusts

The Investment Pattern for Non-Government Provident Funds, Superannuation Funds and Gratuity Funds is reviewed from time to time and revisions are effected based on the developments in the financial market and economy. The investment pattern was last revised on 14th August, 2008 and was made effective from 1st April, 2009. There was a budget announcement in the Budget Speech of 2013-14 that the list of eligible securities in which pension funds and provident funds may invest will be enlarged to include exchange traded funds, debt mutual funds and asset backed securities. Subsequently, a Committee on investment pattern for pension and insurance sector was constituted by the Department of Financial Services, Ministry of Finance (DFS) under the Chairmanship of Shri G. N. Bajpai, Ex-Chairman of LIC and SEBI, which submitted its report in December, 2013. The Committee inter alia, made certain recommendations regarding revising the Investment Pattern to provide greater flexibility to subscribers to maximise returns as also to provide long term resources to productive sectors in the economy. Accordingly, the proposed revised pattern was put up on the website of the DFS in draft form in June, 2014 inviting comments. A large number of comments were received and these have been examined by the Government.

Based on this feedback, the new Investment Pattern has been notified on 2nd March, 2015.

(c) The new Investment Pattern to be followed by the Non-Government Provident Funds, Superannuation Funds and Gratuity Funds will be effective from 1st April, 2015.