Sri Lanka: Federation of Labour warns against Govt. move to amend EPF Act

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The Ceylon Federation of Labour (CFL) has warned against the Government's move to amend the Employees Provident Fund (EPF) Act as part of raising the retirement age as proposed by the 2021 Budget approved by Parliament last month.

CFL General Secretary T.M.R. Rasseedin in a letter to Labour Minister Nimal Siripala de Silva has alleged that it appears that the Budget proposal is to be implemented by amending Section 9 (1) of the EPF Act, preventing members from withdrawing monies in their own individual accounts before the new retiring age of 60 years.

While the CFL welcomes the intention of the Government to raise the retirement age of employees in the private sector based on present life expectancy of people, it was disturbed by the move to amend Section 9 (1) of EPF Act.

"We believe that this proposal has been made with the intention of curtailing withdrawals from the EPF during the next five years so that the Government could use the accumulated funds for its own purposes, a strategy which we believe can threaten the very viability of the EPF," CFL said in its letter copies of which had been sent to Secretaries of the Ministry of Labour and Ministry of Finance, EPF Superintendent, Commissioner-General of Labour and members of the National Labour Advisory Council.

Previously a national retirement age and a universal old age pension to go with it has been recognised by trade unions as an acceptable strategy to raise the retirement age of workers. The present proposal, if implemented, would seriously affect employees, especially women, who have already made plans to retire in the next few years.

The CFL said in its letter that any contemplated action in this regard should not be prejudicial to the interests of members of the EPF who presently enjoy the following benefits regarding withdrawal of their balances under the EPF Act:

(a) Earlier retirement age for females and the right to withdraw funds if they cease to be employed as a consequence of marriage

(b) A member ceasing to be employed as being unfit for work due to a permanent and total incapacity as certified by a doctor

(c) A member departing Sri Lanka who declares in writing of his or her intention of not returning

(d) A member taking up pensionable employment in the public sector

(e) The use of EPF credits as pledges in obtaining housing loans

(f) Use of up to 30% of savings in the member's account for specified medical treatments

The CFL urges that existing employees be exempted from the proposed amendment making it only applicable to new employees or at least provide members with an option to retire and withdraw their EPF balances at their presently recognised retirement age for the next five years.

This, CFL said, would enable them to continue with retirement plans they have made and provide relief to older workers left in dire straits by loss of employment due to businesses shedding labour because of the COVID-19 pandemic.

The impact of a possible spurt in withdrawals prior to the amendment being passed, affecting the viability of the fund and thereby life savings of the working people also needs your urgent consideration.

It is well known that EPF investments in the stock market against specific provisions in Section 5 (1) of the EPF Act confining investments to Government securities have been subject to considerable criticism.

Attorney Generals Siva Pasupathy in the 1970s and Shibly Aziz in 1995 were of the opinion that investment in volatile, risky investments such as shares went against the Act which permitted only investments in Government securities. However, in 2002, AG Kamalasabesan opined that EPF could invest in shares but only in those of blue-chip companies.

Audit reports on the EPF since 2012 have repeatedly drawn attention to the many serious imprudent, questionable investments and transactions of the Fund that have resulted in loss of income. It was alleged that the Monetary Board of the CBSL had gone beyond the authority given to it by investing in unlisted companies outside the stock exchange.

Accusations have been made that it collaborated in pumping and dumping of shares to benefit cronies of the powers that be and fostered artificial growth in the stock market facilitating huge profits to individuals.

"The CFL is totally opposed to investment in the stock market and sees no role for the working class in propping up a faltering stock market. The exposure of the EPF to high-risk investment should be avoided as it threatens the very viability of the fund," the letter to the Minister stated.

The CFL believes that Government securities offer the best mode of investment as they are absolutely risk-free, thus safeguarding members' rights to their hard-earned balances. With the growing needs of Government, demand for EPF funds has increased. However, it believes the practice of Government accessing EPF funds at lower rates of interest should be discouraged and a genuine effort made for workers' funds to receive higher than market rates.

Despite increased investment by the EPF in the stock market being promoted as a strategy to significantly increase the rate of interest paid on member accounts, the interest rate has remained stagnant during the last several years. If the investment arm of the EPF is made independent of the Central Bank and allowed to make competitive bids at auctions for Treasury bonds, we might see improved returns to the Fund as interest rates will rise when the quantum of captive funds decrease.

"We believe you will keep workers' interests at heart and give due consideration to the above matters to ensure that their lifetime savings are not jeopardised by the planned amendments to the EPF Act," CFL letter to Labour Minister stated.

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