

SUBJECT NO: 227

Sub:- VUDA - Accounts - VUDA employees GPF Fund - Investment in  
Postal Savings - Approval - Reg.  
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#### AGENDA NOTE

The Government in G.O. Ms. No. 631 MA & UD Department dt. 13.12.1991 have issued orders making applicable the State Government rules in respect of Pension, Gratuity, GPF and GIS to the employees of Urban Development Authorities in the State on par with State Government employees subject to the condition that the Urban Development Authorities shall meet the expenditure from their own funds.

Accordingly, the GPF account of VUDA Employees was under implementation from April 1992. So far the PF subscription of employees are being invested in the Banks alongwith general funds of VUDA. The Accountant General, Andhra Pradesh, has pointed out that the collection and payment of interest on par with other Government employees, requires creation of separate fund with attendant investment policy vide their I.R. 2002-03 at para 9. The Internal Auditors of VUDA have also observed that the Provident Fund investments were not specifically earmarked and they are mixed with the Funds of VUDA in their report-dated 15.6.2004. The original investments alongwith accrued interest till date must be segregated so that the VUDA can also avoid the deduction of tax at source.

As per the GPF rules, basing on the interest accumulated during the year on the deposits, the subscriber is to be paid an interest at such % fixed by the authority from time to time. But in practice no such calculations are being worked out and annually 9% for the rate of interest as fixed by the Government from time to time is being paid to the subscriber in VUDA on par with State Government employees.

But the Government reduced the rate of interest on GPF and allowing 8% to the Government Servants during the year 2003-2004.

As per P.F. records an amount of Rs. 2,43,00,220/- is accumulated towards P.F. amount in respect of all the VUDA employees as on 31.7.2004.

In view of the above, it is proposed to invest the amount so far accumulated towards P.F. contribution of the staff as a reserve fund in Postal Department's Kisan Vikas Patra so that the interest accrued will mitigate needs of the future transactions relating to P.F. subscribers of VUDA.

The Senior Superintendent of Head Post Office, Visakhapatnam.1 was addressed in the letter dt. 9.9.2004 to suggest the schemes which are beneficial to VUDA for investment under Postal Savings Schemes. The Postal Department in their letter dated 10.9.2004 have advised for investment under Time Deposits OR Kisan Vikas Patras and the amount invested can be made operated by two officers jointly nominated by Vice Chairman, VUDA.



The interest rates of Banks and interest rates on Postal Saving Scheme have been examined. The Bank rate of interest on savings under Time Deposits is at the rate of 5.75% for the period of 3 years and above and whereas the rate of interest on Postal Savings ie., on Time Deposits (5 years) is at the rate of 7.50% . The investment under Kisan Vikas Patras in the Post Office will be doubled on maturity after 8 years 7 months.

The Opinion of the Internal Auditors was also obtained in the matter and placed on record.

Taking into consideration the effective rate of interest on time deposits by taking compound interest, the investment under Kisan Vikas Patras is advantageous than the maturity value of Time Deposit as per the following statement.

Proposed Investment	Principal including yearly interest
Principal Rs. 2.50 Crores	
1 <sup>st</sup> year	2,68,75,000
2 <sup>nd</sup> year	2,88,90,625
3 <sup>rd</sup> year	3,10,57,422
4 <sup>th</sup> year	3,33,86,729
5 <sup>th</sup> year	3,58,90,733
6 <sup>th</sup> year	3,85,82,538
7 <sup>th</sup> year	4,14,76,229
8 <sup>th</sup> year	4,45,86,946
8 <sup>th</sup> year - 7 <sup>th</sup> months	4,65,37,629

Kisan Vikas Patra after 8 years 7 months on Rs.2.50 Crores Rs. 5,00,00,000

Maturity value of time deposit after 8 years 7 months Rs. 4,65,37,625

Difference

Rs. 34,62,375

As seen from the above statement the Scheme of Kisan Vikas Patra is advantageous when compared to Time Deposit, as the maturity value is more.

The yielding rate of interest on Kisan Vikas Patra comes to around Rs. 11.5% effectively, which is more than the interest rate of 8% being paid to the Government Servants on G.P.F.

Hence, it is proposed to invest a sizable amount of Rs. 2.50 Crores under Kisan Vikas Patra.

In addition to the above investment, Savings Bank cum Flex account will be opened in Indian Overseas Bank, which is our Service Branch and offering high rate of interest when compared to other Banks to operate the GPF subscription deposits / withdrawals from time to time and once in a year the accumulation over and above the required amount from this account will be invested under Postal Department in Kisan Vikas Patra or any other scheme in the series as is beneficial to VUDA from time to time.

It is also proposed that the Chief Accounts Officer, VUDA and the Secretary, VUDA will jointly operate the P.F. investments and related accounts.

The matter is placed before the Special Officer, VUDA for consideration and approval.

19/08/2004

108. 21/9  
Chief Accounts Officer

108. 29/9/2004  
Vice Chairman & Special Officer



SUBJECT NO : 228

Sub:- VUDA - VISAKHAPATNAM - ACCOUNTS - Creation of Pension Fund -  
Reg.

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AGENDA NOTE :

The Government in G.O. Ms. No. 631 MA & UD Department dt. 13.12.91 have issued orders making applicable the State Government Rules in respect of Pension, Gratuity, GIS and GPF to the employees of Urban Development Authorities in the State on par with the State Government employees subject to condition that the Urban Development Authorities shall meet the expenditure from their own funds.

As on date there are 69 Pensioners and 322 employees working in VUDA. In the coming 10 years nearly 80 employees are going to be retire and in the coming 15 years it will be much higher. As per the calculation sheet furnished by the L.I.C. authorities the pension burden will be nearly Rs. 1,11,89,949/- during the year 2014-15.

In future huge amounts are to be paid to the Pensioners towards payment of pension. In view of the above, it may be better to invest some amount towards Pension Fund, as a reserve fund so that the interest accrued will meet the needs regarding pension payment of the employees of VUDA.

The average Pension Contribution for the employees of VUDA has been worked out (approximately) to create a separate Pension fund.

Out of 322 employees there are 130 Class-IV employees. The average pensionary contribution in respect of the 322 employees has been worked out basing on the average past 19 service as years (as calculated by L.I.C.) which comes to Rs. 13.85 Crores. The existing monthly pension is Rs. 2.78 Lakhs and deposit to be made for the existing pensioners to earn Rs. 2.78 lakhs per month at 8% interest is Rs. 4.16 Crores. Thus the total commitment for Pension Fund is Rs. 18.00 Crores approximately.

The monthly Pension Contribution was also worked out basing on the pay scales as on 6/2004 for all the existing employees as per F.R.116. The monthly pension contribution earned by the present members is Rs. 3.28 lakhs. So per annum it will be around Rs. 40.00 lakhs. So taking past service as 19 yrs, the average pension contribution, earned by the employees will be Rs. 7.60 Crores. For payment of pension to the existing pensioner an amount of Rs. 4.16 Crores has to be invested to earn Rs. 2.78 lakhs per month as stated above. So the total commitment for pension fund is approximately Rs. 11.76 Crores



The L.I.C. of India was also requested to submit a proposal for Group Superannuation Cash Accumulation Scheme (Pension Scheme) and the L.I.C. authorities have submitted a proposal for Rs. 20.70 Crores towards initial contribution of Group Superannuation Cash Accumulation Scheme that takes care of the total pension payment to the employees of VUDA and the annual contribution will be at 23.50% of the annual wage bill in addition to the initial contribution of Rs. 20.70 Crores. The interest rates are variable from year to year. As seen from the information furnished by them there is a variation of nearly 3.2% in the last 5 years (decreased) for fund of Rs. 10.00 Crores to Rs. 20.00 Crores. The Interest rates offered by L.I.C. depending on the size of the investments i.e., From Rs. 2.00 Crores to Rs. 5.00 Crores @ 8.15% , Rs. 5.00 Crores to Rs. 10.00 Crores @ 8.30% and Rs. 10.00 Crores to Rs. 20.00 Crores @ 8.40%.

The VUDA has already invested Rs. 2.25 Crores with L.I.C. under Group Gratuity Scheme. If some amounts are invested for Group Superannuation Cash Accumulation Scheme also this fund and the fund in Group Gratuity Scheme will be clubbed and thereby yields higher rate of interest than the rate of interest offered by Banks.

It was stated by the L.I.C. authorities that the contribution to the pension funds are eligible for deduction as expenditure in computing taxable income. It was also stated that the annual contribution relating to the current year will be allowed 100% tax benefit and those relating to past years would be allowed to the extent of 80% only with the prior approval of Income Tax Commissioner.

The opinion of the Internal Auditors was also obtained in the matter. He has advised to cover presently the employees, that are likely to retire in the coming 5 years span with L.I.C. of India for future employees he has suggested to deposit same amount in Kisan Vikas Patras.

But in the past also some amounts were invested in various Banks towards Pension fund but later were withdrawn and pooled up in the general funds of VUDA. In order to avoid such position, it may be appropriate to make operate the pension fund by the external agency like L.I.C. yielding interest rate at 8% which is higher than that of Banks so that there will not be any burden to VUDA in future with regard to payment of pension.

As the demand raised by the L.I.C. of India is very high, it may be considered for depositing some amount around Rs. 5 to 10 Crores initially. Then every year some amount can be added to the initial contribution by VUDA in addition to the annual contribution.

If an amount of Rs. 8.00 Crores is invested with L.I.C. of India, an amount of Rs. 5.33 lakhs per month and if an amount of Rs. 10.00 Crores is invested an amount of Rs. 6.67 lakhs will be earned at 8% rate of interest which will meet the pensionary needs of existing pensioners and also for employees who are going to retire in future 5 years. Then stage wise the pension fund with L.I.C. can be enriched.

It is also proposed to appoint the Chief Accounts Officer / Chief Urban Planner / Secretary / Chief Engineer as Trustees for administrating the Scheme and the Trust Deed will be executed in consultation with L.I.C. as being done in Group Gratuity Scheme.

In view of the above, it is considered to invest Rs. 6.95 Crores in L.I.C. Superannuation Scheme since Rs. 2.05 Crores were already invested in Group Gratuity Scheme and the total amount invested in L.I.C. <sup>will be</sup> ~~is~~ Rs. 9.00 Crores under Superannuation Scheme and Group Gratuity Scheme in total.

The matter is placed before Special Officer for consideration and approval.

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**VUDA RESOLUTION NO.227, DATED 30-10-04.**

Resolved to approve the proposals to invest an amount of Rs.2.50 crores in the post office on account of management of VUDA Employees Provident fund to operate the account jointly by Secretary and Chief Accounts Officer. ✓

**VUDA RESOLUTION NO. 228, DATED 30-10-04.**

Resolved to approve the proposals to invest an amount of Rs. 6.95 crores in L.I.C. Superannuation scheme under VUDA Employees superannuation scheme ✓

  
30/10/04

**SPECIAL OFFICER; VUDA.**