PROPOSAL FOR ENHANCING INFORMATION DISCLOSURE REQUIRMENTS OF THE EMPLOYEES PROVIDENT FUND (EPF)

THE PROPOSAL

Verité Research recommends that measures be introduced to improve the information reporting of EPF by increasing the frequency and clarity of required disclosures.

Legislation should require the EPF to publish the following additional information, in addition to the current annual statement, which includes receipts and payments, income and expenditure, and assets and liabilities.

(i) Publish a monthly statement of investments and divestments that includes the type of securities held by the Fund, as well as the volume, face value, purchase price, and market value of each investment or divestment, within 15 days of the end of the relevant month.

(ii) Publish a monthly report showing the cumulative yield and the preceding 12-month yield of its securities portfolio.

These reforms will ensure that EPF members and the public receive timely, accurate information, which will in turn boost public trust, accountability, and governance.

SHORT ABSTRACT

The Employees' Provident Fund (EPF), valued at LKR 4.38 trillion by end-2024, covers more than 2 million active contributors and is the primary retirement savings mechanism for private sector and certain government/ Semi-Government employees. However, the Fund has been plagued by allegations of political interference, weak governance, and scandals such as the "Bond scam" and "pump-and-dump" in the bond and stock markets, causing billions in losses. Current disclosure practices fall far short of global standards and domestic benchmark requirements. Strengthening transparency is essential not only to protect workers' savings but also to restore trust, enhance accountability, and align Sri Lanka's pension fund governance with international best practices.

Objective of the Proposal

- ☐ Economic Growth
- ☒ Governance
- ☒ Justice and Rights
- ☒ Social Welfare
- ☐ Other: ....

Implementing Agency:	Ministry of Labour and Ministry of Finance (CBSL)
Primary Beneficiaries:	EPF members, employers, and future retirees
Cost Estimate (if available):	Minimal administrative costs, primarily associated with upgrading reporting systems
Policy Type:	Legislative and regulatory reform

HOW IT ADVANCES THE OBJECTIVES

1. Governance: Restores trust in EPF management by addressing persistent gaps in disclosures, enforcing compliance with laws, and enabling public accountability through standardised reporting.

2. Justice and Rights: Guarantees the right of members to access accurate, timely information about their retirement savings, reducing the scope for misuse and ensuring fairness in fund management.

3. Social Welfare: Strengthens the retirement security of workers by making fund performance transparent and protecting long-term value of their contributions.

CASE FOR THE PROPOSAL

The Employees' Provident Fund (EPF) is Sri Lanka's largest financial institution, holding assets of LKR 4.38 trillion by the end of 2024—equivalent to 15% of GDP and larger than any domestic bank. It is a mandatory defined-contribution scheme in which both employees and employers contribute regularly into individual accounts, together totalling 20% of gross income. Workers are therefore required to set aside a significant portion of their earnings, locked away until retirement. Unlike a pension scheme, the value of members' savings depends entirely on investment performance. This makes **timely and accurate disclosure of information the only safeguard** available to workers, who have no choice or representation in how their savings are managed.

Past forensic audits and parliamentary inquiries demonstrate that **mismanagement and abuse have flourished because information has been concealed**. For example, the 2015 "bond scam" and earlier irregularities in bond trading cost the Fund an estimated LKR 9.8 billion between 2002 and 2015. Equity market manipulations between 1998 and 2017 caused further losses of LKR 9.9 billion. Moreover, withholding of information after 2015 has prevented the public from assessing the full extent of losses. These episodes reveal a simple truth: when transparency is compelled, malpractice comes to light; when it is withheld, abuse thrives.

The EPF Act in its current form requires that under section 5(1)(h) the Monetary Board must provide information on each investment that it has made. This is to be done yearly and shared with the Minister through the annual report. However, the EPF management has actively resisted compliance, and has refused to comply even after the RTI Commission has had held that it should disclose this information. Such non-disclosure allowed for fraudulent activity to go undetected until the forensic audits ordered after the Bond Scam brought them to light. Without timely publication of transaction details that is available for public scrutiny, the EPF will remain hugely at risk for manipulation and abuse, at the expense of the hardworking Sri Lankan workers.

International standards reinforce the need for reform. The OECD and the Global Pension Transparency Benchmark (GPTB) highlight that governance, performance, costs, and responsible investing must be reported in ways that are reliable, timely, accessible, and consistent.

Greater openness disciplines managers to focus on long-term, risk-adjusted returns, deters abuse, and builds public confidence. It also gives policymakers the evidence needed to guide effective reforms. In comparison, Sri Lanka's EPF falls behind both global benchmarks and domestic standards: banks, listed companies, and unit trusts are required to provide far more detailed and timely disclosures than the EPF currently does.

Analysis of EPF reporting identifies **five persistent weaknesses**: (i) inadequate information, with key performance and governance data missing; (ii) poor timeliness, with reports often published years late; (iii) limited frequency, as reporting is mostly annual; (iv) insufficient granularity, with investments reported in aggregates that obscure performance; and (v) persistent non-compliance with both statutory and RTI requirements. Together, these weaknesses create systemic opacity that undermines accountability and weakens protection for members' savings.

This proposal is a first step towards enhancing the frequency and clarity of disclosures, enabling better assessment of the EPF's investments. The proposal's contents were previously gazetted in a bill presented to Parliament in May 2024, aiming to establish a higher level of disclosure for the EPF. However, the bill did not proceed to a vote before the ninth Parliament was dissolved. Therefore, the proposal should be enacted promptly to address immediate transparency issues.

HOW DOES IT HELP THE COUNTRY

1. **Strengthens Governance and Accountability:** by enforcing transparent disclosures that reduce opportunities for corruption.
   Safeguards Workers' Retirement Security: Greater transparency ensures that the savings of over two million workers are managed responsibly, safeguarding their retirement income and strengthening financial security.
2. **Aligns with Global Standards on Fund Transparency:** Internationally, pension and provident funds are subject to regular disclosure on investment performance. [i]

PUBLISHED SUPPORTING ANALYSIS

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REFERENCES AND END NOTES

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