



**No: 500-50/2014-15/CA II/BSNL/Vol.V**

**Dated 5<sup>th</sup> Mar 2015**

To,  
The Chief General Manager,  
All Circles  
BSNL

**Sub: Management of Gratuity Fund and Leave Encashment Fund.**

In order to make the circles aware of the management of gratuity and leave encashment funds, it is intimated that the Gratuity Fund and Leave Encashment Fund are managed at corporate office level and the procedure of the same is briefed below:

**Gratuity Fund**

The gratuity fund is managed by BSNL Employees Gratuity Fund Trust. Every financial year, the actuarial valuation is required to be done for the purpose of calculation of liability in respect of gratuity expenses on employees as defined in the BSNL Employees Gratuity Trust Rules. On the basis of actuarial valuation the value of desired value of the fund is known and any shortfall in the value of fund from the desired level is invested with the fund manager. Further, on the basis of such actuarial valuation, a provision in respect of gratuity expenses in respect of directly recruited employees of BSNL is made in the books of accounts of BSNL at Corporate office BSNL.

During the year, circles book expenditure in respect of gratuity paid or payable by BSNL on behalf of Trust, in the books of accounts of BSNL. At the end of the year, the expenditure booked by circles is reversed and a claim in this regard is raised to the fund manager. The amount paid by BSNL on account of gratuity to the eligible employees of BSNL Employees Gratuity Fund Trust is reimbursed to BSNL by Trust only after settlement of the claims from the fund manager.

**Leave Encashment Fund**

Every financial year, the actuarial valuation is required to be done for the purpose of calculation of liability of BSNL towards leave encashment. Once the actuarial valuation is done the provision to this effect is made in the books of accounts of BSNL at CO, BSNL and no provision in this regard is made at circle office level. Initially, circles make the payment of leave encashment to the beneficiaries on behalf of the fund and later on the payment made by BSNL is subject to be refunded. The amount paid by BSNL circles is adjusted from the deficit in the desired level of the leave encashment fund as per actuarial valuation.

Hence, circles are required to continue the existing practice of booking expenditure in respect of Gratuity and Leave encashment.

**(Rajeev Singh)**  
**General Manager (CA)**

**Copy for necessary action to:**

1. General Manager (Finance)/IFA of all Circles.
2. AGM (R&P), Corporate Office, BSNL.