

20170/2024



KERALA STATE ELECTRICITY BOARD Ltd

(Incorporated under the Companies Act, 1956)

Registered Office: Vidyuthi Bhavanam, Pattom, Thiruvananthapuram – 695 004

CIN: U40100KL2011SGC027424 Web: www.kseb.in

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ABSTRACT

Designing the funding pattern of additional liabilities of Master Trust - Engagement of Consultant - Sanctioned - Orders issued.

CORPORATE OFFICE (FINANCE WING)

B.O. (FTD) No.46/2024 (MasterTrust/BondIssue/2023-24)
Thiruvananthapuram.

Dated:31-01-2024

- Read :
1. G.O. (MS) 37/2008/PD dated 25.09.2008.
 2. G.O.(P) No. 46/2013/PD dated 31st October 2013.
 3. Tripartite Agreement dated 01.08.2014.
 4. G.O.(P) No.3/2015/PD dated 28th January 2015.
 5. Letter No. FA&CAS/MT-Actuarial Valuation/2017-18 dated 14.05.2018 of Financial Adviser.
 6. Letter No. FA&CAS/MT-Actuarial Valuation/2018-19 dated 25.07.2018 of Director (Finance).
 7. Letter No. FA&CAS/Master Trust/Bond/2018-19 dated 25.04.2019 of Chairman and Managing Director.
 8. Letter No. FA&CAS/Master Trust/Bond/2019-20 dated 26.12.2019 of Chairman and Managing Director.
 9. Letter No. FA&CAS/Master Trust/Bond/2021-22 dated 11.10.2021 of Chairman and Managing Director.
 10. Letter No.B&P/Master Trust/Bond/2022-23 dated 27.08.2022 of Chairman and Managing Director.
 11. Letter No. B&P/Master Trust/Bond(2)/2022-23 dated 20.10.2022 of Chairman and Managing Director.
 12. D.O. No. B&P/Master Trust/Bond/2022-23 dated 12.12.2022 of Chairman and Managing Director
 13. Letter No. FA-AFACMC-DAO1/2023/7 dated 15.06.2023 of Chairman and Managing Director.
 14. Letter No. FA-AFACMC-DAO1/2023/8 dated 03.07.2023 of Chairman and Managing Director.
 15. D.O. No. Master Trust/Bond/2023-24 dated 09.08.2023 of Chairman and Managing Director.
 16. Note No.E11032/Master Trust/Bond Issue/2023-24 dated 10.01.2024 of Financial Adviser (Agenda No:40-01/2024).

ORDER

As per the Government Order read as 2nd above, the State Government notified the Kerala Electricity Second Transfer Scheme (Revesting), 2013 wherein the functions, properties, interests, rights, obligations and liabilities of the KSEB which was already vested into the State Government by the first transfer scheme dated 25.09.2008 were re-vested to new successor entity, ie Kerala State Electricity Board Limited (KSEBL). The Second Transfer

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Scheme, envisaged constitution of a Master Trust to manage funds and disburse terminal benefits, pension etc and to ensure the interest of existing pensioners and personnel transferred to KSEBL as on the date of re-vesting.

The State Government as per G.O. read as 4th above has amended the certain clauses in the notification dated 31.10.2013. As per the aforesaid G.O dated 28.01.2015 the present value (as per actuarial valuation) of the liability towards pension, gratuity, leave encashment etc as on 31.10.2013 was valued at ₹12419 crore and the funding pattern was finalised as follows.

- i. KSEBL will issue two series of bonds to the Master Trust, ie 20 year bond with a coupon rate of 10% p.a for ₹8144 crore (KSEBL share) and 10 years bond with coupon rate of 9% p.a for ₹3751 crore (Government share).
- ii. Another ₹524crore will be funded by the State Government through budgetary allocation over a period of 10 years in equal instalments.
- iii. For funding of 9% bond (ie share of the Government), the State Government will fund ₹5861crores over a period of next 10 years from the date of transfer to KSEBL on annual basis for meeting the unfunded terminal liability by way of retention of electricity duty.

As per transfer scheme vide Government Order dated 31.10.2013 the unfunded terminal liabilities shall be borne and shared by the State Government in the ratio of 35.4:64.6 respectively. A tripartite agreement was signed on 01.08.2014 amongst the State Government, Kerala State Electricity Board Limited and Employees Unions to ensure payment of terminal benefits and with a view to facilitate smooth implementation of the re-vesting scheme.

As per the re-vesting scheme, KSEBL has to pay the annual pension contribution based on actuarial valuation to the Master Trust. In the original re-vesting scheme as well as the tripartite agreement executed at the time of corporatization of KSEB, the unfunded terminal liability has to be borne by Government of Kerala and KSEBL in the ratio of 35.4:64.6 respectively. After the corporatization, the actuarial valuation of terminal liabilities of Employee's/Pensioners was carried out for the first time as on 31.03.2017 and is being carried out on yearly basis thereafter. As per the latest actuarial valuation of terminal liabilities, the unfunded portion of terminal liabilities is assessed as ₹22,339.67 Crore as on 31.03.2023.

KSEB over these years have requested the Government to give permission to issue bonds for increased unfunded portion of terminal liabilities on yearly basis. As per letters read as 5th to 15th above KSEBL has requested the Government to issue sanction for the issue of bonds for the increased actuarial valuation amount and to provide contribution for the unfunded portion in the same ratio of original re-vesting scheme i.e., 35.4% by allowing retention of electricity duty. However, the Government decision has not been communicated from the Government.

As the Government share towards funding of Master Trust by way of adjustment of Electricity duty is already finished, it is necessary to take steps to issue further Bond to Master Trust for the increased value of Actuarial valuation to ensure payments of pension and terminal liabilities in future. In this regard, the Honourable Electricity Regulatory Commission has given directions to furnish a plan for future funding arrangements of Master Trust.

In this context, the Financial Adviser as per note read as 16th above has informed that M/s PFC Consulting Ltd was the consultant who designed the re-vesting scheme and given suggestions to the Government of Kerala for creation of Master Trust to facilitate payment

of terminal and pension liabilities of employees of erstwhile KSE Board in line with revesting scheme implemented in other DISCOMS. M/s PFC Consulting Ltd was also consultant for many DISCOMS during revesting process as per provisions of Electricity Act, 2003. Considering the experience of the firm in this field, the Financial Adviser suggested to entrust M/s PFC Consulting Ltd, to furnish a detailed funding plan of Master Trust based on latest actuarial valuation of terminal liabilities. It is suggested that the consultant may be entrusted to furnish a complete solution of funding arrangements as well as steps to be taken to ensure future funding of Master Trust in line with actuarial valuation.

The matter was placed before the Full Time Directors as per note read as 16th above. Having considered the matter in detail, the Full Time Directors has resolved to accord sanction to grant in principle approval to engage M/s PFC Consulting Ltd. as consultant to design the structure of the Bonds as well as funding pattern for the increased value of pension related liabilities based on Actuarial Valuation of Master Trust.

Orders are issued accordingly.

By Order of the Full Time Directors

Signed by

Lekha G

Date: 31-01-2024 15:56:16

Company Secretary

To:

The Financial Adviser, K.S.E. Board Ltd

Copy to:

The Company Secretary/ Chief Engineer (IT,CR&CAPS)/ Financial Advisor/
LA&DEO/ Chief Internal Auditor/ Chief Vigilance Officer

The TA to the Chairman & Managing Director / Director (Generation-Civil) /
Director (Distribution, Safety, SCM & IT) / Director (Transmission, SO &
Planning)/ Director (Generation - Electrical, REES, SOURA, Sports & Welfare)

The PA to the Director (Finance & HRM)

The Sr.CA to the Secretary (Administration)

The RCAO/ RAO

Stock File.

Forwarded / By Order

Pamya

Divisional Accounts Officer