



## Higher Pension under EPS

**Prelims:** EPFO, EPS, Supreme Court, Employees' Pension (Amendment) Scheme, 2014.

**Mains:** Higher Pension under EPS.

### Why in News?

The [Employees' Provident Fund Organisation \(EPFO\)](#) has issued guidelines to allow a section of its older members to opt for **Higher Pension** under the **Employees' Pension Scheme (EPS)** as per 4<sup>th</sup> November 2022 judgment of the [Supreme Court \(SC\)](#).

### What was the SC's November 2022 judgment?

- The SC upheld the [Employees' Pension \(Amendment\) Scheme, 2014](#) but extended **the time to opt for the new scheme** by four months.
- Under **Article 142**, the SC's ruling gives EPFO members, who have availed of the EPS, another opportunity over the next four months to opt and contribute up to 8.33% of their actual salaries as **against 8.33% of the pensionable salary capped at Rs 15,000 a month towards pension.**
  - Under the pre-amendment scheme, **the pensionable salary was computed as the average of the salary drawn during the 12 months prior** to exit from membership of the Pension Fund. The amendments raised this to an average of 60 months prior to exit from membership of the Pension Fund.
- The court held the amendment requiring **members to contribute an additional 1.16 % of their salary exceeding Rs 15,000** a month as ultra vires the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

### What are the New Guidelines?

- The new guidelines open the **window for employees to deduct a sum equal to 8.33% of the actual basic salary** (Basic pay+ DA) towards the EPS, helping to accumulate larger corpus and receive a higher pension amount.
  - Currently, the EPS contribution from employees is capped at the maximum Rs 15,000 for pensionable salary.
- For subscribers who opt for this, the employers' share going to the Employees' Provident Fund (EPF) since September 2014 will be **shifted to the EPS, with the interest earned.**
- The **Basic Criteria to avail** the benefits are,
  - Employees who were members before September 1, 2014, and continued to be a member on or after that date.
  - Employees and employers who had contributed on salary exceeding the wage ceiling of Rs 5,000 or Rs 6,500.
  - Employees and employers who did not exercise the joint option in the previous window while being EPS members.

### What is the Employees' Pension Scheme?

- The EPS, administered by the EPFO, came into being in 1995. The pension fund was to **comprise a deposit of 8.33% of the employers'** contribution towards the PF corpus.
- It makes provisions for pensions for the employees in the **organized sector after retirement at the age of 58 years.**
- Employees who are members of EPF automatically become members of EPS.
  - Both employer and employee contribute 12% of employee's monthly salary (basic wages plus dearness allowance) to the Employees' Provident Fund (EPF) scheme.
  - EPF scheme is mandatory for employees who draw a basic wage of Rs. 15,000 per month.
  - Of the employer's share of 12 %, 8.33 % is diverted towards the EPS.
  - Central Govt. also contributes 1.16% of employees' monthly salary.

## UPSC Civil Services Examination Previous Year Question (PYQ)

**Q. With reference to casual workers employed in India, consider the following statements: (2021)**

1. All casual workers are entitled for Employees Provident Fund coverage.
2. All casual workers are entitled for regular working hours and overtime payment.
3. The government can by a notification specify that an establishment or industry shall pay wages only through its bank account.

**Which of the above statements are correct?**

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

**Ans: (d)**

**Source: TH**

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