



All Employees Can opt for PF Pensions Scheme

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

For mains: Supreme Court on PF Pension Scheme and its Implications.

Why in News?

In a significant ruling, the [Supreme Court](#) has upheld the [Employees' Pension \(Amendment\) Scheme, 2014](#) but **quashed the threshold limit of Rs 15,000 monthly salary for joining the pension fund.**

What is the Employees' Pension Scheme?

▪ About:

- EPF Pension, which is technically known as Employees' Pension Scheme (EPS), is a social security scheme provided by the [Employees' Provident Fund Organisation \(EPFO\)](#).
 - The scheme was first launched in 1995.
- The scheme, provided by EPFO, makes provisions for pensions for the employees in the organized sector after the 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.

▪ EPS (Amendment) Scheme, 2014:

- The EPS amendment of 2014, had raised the **pensionable salary cap to Rs 15,000 a month from Rs 6,500 a month**, and allowed only existing members (as on September 1, 2014) along with their employers exercise the option to contribute **8.33% on their actual salaries (if it exceeded the cap)** towards the pension fund. This was extendable by another six months at the discretion of the Regional Provident Fund Commissioner.
- It, however, excluded **new members who earned above 15,000** and joined after September 2014 from the scheme completely.
- The amendment, however, **required such members** to contribute an additional 1.16% of their salary exceeding ₹ 15,000 a month towards the pension fund.

What is the SC's Judgement?

- Under Article 142, the Supreme Court 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 the 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 Implications?

- People who have subscribed to EPF will be able to get pension on their full salary instead of Rs. 15000 cap.
- Employees and Employers, who have contributed to the EPF without any approval from Assistant Provident Commissioner, may not get the benefit of judgment.
- Amendment done in 2014 may remain applicable to the companies which manage their EPF corpus through trusts.

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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