

Frequently asked questions on higher pension

Introduction to the Employees' Pension Scheme

Employees' Pension Scheme is a social security scheme provided by the Employees' Provident Fund Organisation (EPFO).

The scheme makes provisions for employees working in the organized sector for pension after their retirement at the age of 58 years.

Every month 8.33 percent of the employer PF contribution will be contributed towards Employees' Pension Scheme by the employer up to the wage ceiling limit. Currently, the PF wage ceiling limit is INR 15,000.

However, the benefits of the scheme can be availed only if the member has completed 10 years of service. EPS was launched in 1995 and allowed existing and new EPF members to join the scheme. In case the EPS service period is less than 10 years, employee must opt for a one-time payment, like PF. The 10 years membership criterion is not applicable in case of death while the member is still in service.

A member can avail the benefit of Employees' Pension Scheme even in employment provided he has attained the age of 58 years

Following are the highlights of the amended Employees' Pension Scheme, effective 1st September 2014

- The wage ceiling limit for Employees' pension contribution was increased from INR 6,500 to INR 15,000.
- New entrants (who were not part of PF coverage as on 1st September 2014) to Provident Fund Scheme whose PF wages was above INR 15,000 were not eligible to become members of Employees' Pension Scheme.
- Members who were already making a higher contribution towards EPS prior to 1st Sept 2014 were allowed to continue, provided fresh option is exercised by the member within a period of six months or within one year as per the discretion of the EPFO.
- The members who had opted to contribute on salary exceeding 15000/- had in addition, to contribute at the rate of 1.16 per cent on salary

exceeding fifteen thousand rupees as an additional contribution from and out of the contributions payable by the employees for each month.

- The methodology of computing pensionable salary, which ultimately would have an impact on the quantum of monthly pension was changed. Instead of taking twelve months of average EPS wages in the year preceding the date of member's exit. This basis for arriving the pensionable salary was changed to average 60 months EPS wages preceding the date of member's exit.

Gist of Supreme Court Judgement dated 4th November 2022

The said amendment of September 2014 in Employees' Pension Scheme was challenged in various High Courts and the High Courts had ruled the amendment as invalid. The case went before the Supreme Court of India and the Supreme Court has partially upheld the amendment and given an option to EPS members who had not opted for higher pension contributions earlier but would like to opt now, can do so within four months from the date of ruling i.e., until 3rd March 2023, which is now extended till 3rd May 2023. But this option can be exercised only upon meeting of all the eligibility conditions.

FAQs are published below for you reference

1	What is the time limit within which joint option application can be filled by the member and approved by the employer?	Joint option has to be filled by the employee and approved by the employer digitally / e-sign by 3 rd May, 2023.
2	Where can a member fill the joint option application?	Link for filling the joint option application is available on the home page of member UAN portal. Link is enclosed below: https://unifiedportal-mem.epfindia.gov.in/memberInterfacePohw/
3	Whether those who retired before 01.09.2014 can opt now?	Members who retired before 01.09.2014 can opt, provided they had opted for higher pension during their service period and such options were rejected by EPFO.
4	Whether those who retired on or after	Yes. Members who retired on or after 01.09.2014 can opt now, if they were contributing to EPF on

	01.09.2014 are eligible to opt now?	higher wages and did not opt for higher pension before 01.09.2014.
5	Whether those who are working presently can opt now?	Yes. If the member was covered under the EPF Scheme before 01.09.2014, and contributing now, can opt IF the conditions in answer 2 are satisfied.
6	Whether those joined after 01.09.2014 are eligible to opt now?	Not eligible.
7	If a member who had opted under para 11(3) and not renewed his option within one year from 01.09.2014. Would the member be able to opt now?	If a member who had opted under para 11(3) and had not renewed his option under para 11(4) within one year from 01.09.2014, his/her option will be cancelled and the contributions received in excess of statutory limit will be diverted to EPF.
8	In a nutshell, which members can opt now?	<p>By summarising the above, the following members can opt now.</p> <ul style="list-style-type: none"> (i) Those who left before 01.09.2014 and opted during their service but rejected by EPFO. (ii) Members of the Employees' Pension Scheme prior to 01.09.2014 and continued to be member on or after 01.09.2014.
9	Who are not eligible for higher pension option?	<ul style="list-style-type: none"> (i) Those who left before 01.09.2014 without exercising any option. (ii) Those who are contributing towards provident fund on statutory limit, which is currently INR 15,000. (iii) Those who were exercising option under 11(3) but had not renewed within one year under 11(4). (iv) Those who joined after 01.09.2014.
10	Whether option to exercise higher EPS is mandatory?	No.
11	Is this option to contribute to higher pension open to International Workers?	No. International workers already contribute on higher wages as per prevailing provisions of Employees' Provident Fund Scheme. Read along with Employees' Pension Scheme for further details.

12	Will there be an impact on take home salary if opted for higher pension?	There would be no impact, as the contributions from employer contribution would be reduced. Contribution to employee pension scheme would be increased accordingly.
13	If an employee opts to contribute to pension on a higher salary, can the employee exercise opt out option at a later stage?	No. This is a one-time option. Once opted in, cannot be opted out.
14	If opted for higher pension, what is the impact on employer contribution and pension contribution?	<p>Details are narrated in the example below:</p> <p>Current process: If the PF wage is Rs.1,00,000 per month. The monthly contributions are:</p> <ol style="list-style-type: none"> 1. Member contributions : Rs.12,000 2. Employer contribution : Rs.10,750 3. Pension contributions : Rs.1,250 <p>If higher pension is opted, monthly contributions are:</p> <ol style="list-style-type: none"> 4. Member contributions : Rs.12,000 5. Employer contribution : Rs.3,667 6. Pension contributions : Rs.8,333 <p>If the employee opts to contribute to pension on higher salary, then the funds will be diverted from Employer PF account to pension account along with interest up to the date of refund of contributions. The diversion would be from the date of EPS membership basis contributions.</p> <p>In case of insufficient balance for such transfer, the same needs to be paid back by the employer to the PF department through the employer with applicable interest.</p>
15	How can a member check date of joining in pension scheme?	<p>Following steps have to be followed to check the date of joining for pension:</p> <ol style="list-style-type: none"> 1. Log into the member UAN portal with your UAN and password. Link for the home page is provided below: https://unifiedportal-mem.epfindia.gov.in/memberInterfacePohw/

		<p>2. Once logged in, click on the “View” option, and select “Service History”. The service history option will show the list of organizations where the member has worked.</p> <p>3. Employee will be able to see the date of joining the EPS under Service History.</p>
16	How is monthly pension computed and when will I start receiving it?	<p>Monthly pension is computed by using the following formula:</p> $((\text{Pensionable salary} * \text{number of years of service}) / 70)$ <p>Pensionable salary is the average pension wages for the last 60 months.</p> <p>Pensionable service refer to number of years for which contributions were made to the EPS. Service with effect from 1995 would be considered for this purpose. If the pensionable service is 20 years or more, the pension services will be increased by adding a weightage of 2 years.</p> <p>Pension can be applied on completion of the age of 58 years.</p> <p>However if any employee is not working, he can opt for pension at any time post attaining the age of 50 years. This is called as early pension and there would be 4% discounting rate per year.</p>
17	How will contributions from employer contribution be transferred to employee pension account, if a member chooses for higher pension now?	Circular would be issued by the PF office on the modalities of calculation and deposit.
18	For a member eligible for pension, can he/she opt for a one-time payment, instead of monthly pension?	No. There is no such option available under EPS.
19	Will there be any revision in pension amount?	No. There will not be any revision in the monthly pension. Pension amount would be static month-on-month.

	<p>Benefits:</p> <ol style="list-style-type: none"> 1. In case of death of the member while in service 	<p>Spouse becomes eligible for 100% pension benefit. In case of children, pension amount equal to 25% of widow pension will be applicable up to the age of 25 years. This is subject to maximum of 2 children. Children pension is applicable, if they are dependent on the member.</p>
	<ol style="list-style-type: none"> 2. In case of death of the member after the commencement of monthly pension 	<p>Spouse becomes eligible for 50% of pension benefit. In case of children pension amount equal to 25% of widow pension will be applicable up to the age of 25 years. This is subject to maximum of 2 children. Children pension is applicable, if they are dependent on the member.</p>
20	In the absence of a family member, whether a pensioner can nominate any other person as nominee for pension benefits?	No. The nominee cannot be a person other than the family member.
21	If joint declaration is already submitted to the PF office, should joint option form be submitted online now?	Yes. The forms have to be re-submitted online again.
22	Is there an option of return of capital in the Employees' Pension Scheme?	No. There is no option of return of capital in Employees' Pension Scheme.
23	What will be the process for deducting EPS contributions, if the employee does not opt for this option?	As followed currently, for eligible members of the Employees' Pension Scheme, contributions would be deducted at 8.33% on PF wage ceiling limit (Currently INR 15,000).