



The Government of India amends Employees' Pension Scheme allowing members to contribute till 60 years of age

Background

The Employees' Pension Scheme (EPS) was introduced by the Government of India in November 1995¹. It replaced the Family Pension Scheme, 1971 which provided pension benefits only to the family members of the deceased member. Under the EPS, individual members are also eligible to avail the benefit of monthly pension subject to fulfillment of certain conditions laid down in the EPS.

It was not possible for members either to defer the start of pension or to contribute towards the pension fund after attaining the age of 58 years under the existing EPS.

Recently, the Ministry of Labour and Employment, Government of India issued a notification² dated 25 April 2016 to amend the age criteria for contributions as well as for benefits by inserting a new provision in EPS. This notification is effective from 25 April 2016.

Key amendments in the notification

Under the EPS, a new provision under sub-paragraph (7B) of paragraph 12 has been inserted enabling the following benefits:

a) Contributions allowed after the age of 58 years but not beyond 60 years

A member may opt to continue contributions under EPS till the age of 60 years if the employment is continued. Earlier the contribution was stopped at the age of 58 years.

b) Option to defer the age of drawing pension

An eligible member may also opt to defer the date of drawing the pension benefit beyond 58 years but not beyond 60 years of age. In such case, the amount of pension will be increased at the rate of 4 per cent for every completed year after the age of 58 years but not beyond 60 years of age.

c) Entitlement of pension in the event of death of a member

In the event of the death of a member, who opted for deferring the age of drawing the pension, the family of the member would be entitled to pension from the date following the date of death of the member as if the member monthly pension had started on the date of death of the member.

Our comments

New changes in the EPS can help members draw higher pensions by way of deferment of pension and/or by contributing to the EPS till the age of 60 years. This move by the government can help improve the pension adequacy for EPS members. This is a voluntary provision that can be availed by EPS members at their own option. Further guidelines are expected from Employees' Provident Fund Organisation to implement the new changes in EPS.

¹ Notification no. G.S.R. 748(E), dated 16 November 1995, published in the Gazette of India

² Notification no. G.S.R. 440(E), dated 25 April 2016 [F.No. R-15011/3/2016-SS-II]

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