

## **Why we oppose Unified Pension Scheme and continue struggle for Old Pension Scheme ?**

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On August 2024 the central cabinet approved unified pension scheme .CITU centre named it deceptive scheme.What CITU termed it has come true when it was notified in gazette on 25,January 2025 and when draft regulations were published on 27,January 2025.

It was told by Government that there was consensus among JCM unions on UPS.AIDEF had boycotted the PM's meeting on 24<sup>th</sup> August opposing UPS.Now JCM unions in the proposal for terms of reference to 8<sup>th</sup> CPC have opposed both NPS and UPS and have demanded OPS.There are good reasons to oppose UPS.

When cabinet decision was announced it was said that there will be assured 50% pension for 25 years of service based on last 12 months pay, proportionate pension for lesser service above 10 years, family pension at the rate of 60% of assured pension, minimum pension guarantee of Rs 10000, Dearness relief in the same way as for serving employees,lumpsum payment of 10% of pay plus DA for every 6 month's service apart from Gratuity and enhancement of Government contribution to 18.5% from 14%.

Notification and regulations have divulged the deceptive aspects of the scheme.The very fact that the scheme will be fully funded and will prevent fiscal hard ship to future generations of citizens goes to prove that government will have no expenditure to meet for the scheme.Retiree or family will not be paid pension but paid named as Pay Out.

In NPS, employee contributes 10% of basic pay and Dearness allowance and government contributes 14%.Both are invested in the market with no implicit or explicit assurance of benefits except market based mechanism as is mentioned in the section 20(g) of PFRDA Act,2013 which includes possible loss of principal. The 24% and returns if any forms pension wealth. At the time of retirement if the market does not fall the retiree can take 60% of entire pension wealth. The retiree is mandated to purchase an annuity for 40% of pension wealth. The annuity is not adequate, not compensated with Dearness relief, no commutation of pension, no additional pension after 80 years of age, will not be revised after pay commission and not guaranteed as OPS. That is why it is opposed as not equal to OPS. However after the demise of both retiree and the spouse the 40% is returned to their nominee.Consequently entire pension wealth is returned to the family of subscriber.

In UPS while employee contribution continues to 10% the employer contribution is reduced to 10% from 14%. The 20% is invested in the market with possible loss of principal. With the returns if any it will be called Individual Corpus(IC).There are default investment as prescribed by PFRDA and individual option as chosen by the individual.The employee can withdraw from the employee contribution three times in his service.

Government will contribute 8.5% and they will have their own investment options.This is called Pool Corpus(PC).

In the notification they have also introduced a Benchmark Corpus(BC).The PFRDA will determine this amount.If the employee has contributed to the IC without default due to absence or removal from service and reinstatement later,if he had not withdrawn from the IC and if he had invested in the default scheme what would be his corpus that will be taken as BC.This itself is an arbitrary figure.

The Pay Out is named as Assured Pay Out. The retiree should complete his prescribed retirement age that is age of superannuation. Mostly age 60 years.

In the OPS, in central government, employee having 10 years of service at superannuation or 20 years of service on voluntary retirement are entitled for 50% of last months pay.

But in UPS retiree should have 25 years of service and service more than this is ignored. Average of his last 12 months pay and 25 years of service is not enough to get 50% of his pay as assured pay out. His individual corpus should be equal to benchmark corpus. If it is less than the benchmark corpus he should pay the difference and recoup the individual corpus. Above all he should allow transfer of 100% of individual corpus to pool corpus which will not be returned to the pay out recipient or their nominee. It is once for all lost. Then only he will get the 50%. If he does not recoup it and if it is only 80% of benchmark corpus he will get only 80% of 50% as assured pay out i.e. 40% of pay. That is the pay out will be proportionately reduced according to the percentage of individual corpus to the benchmark corpus. If the individual corpus falls in the market and the principal is lost as during the period of sub prime crisis and becomes zero the pay out will be multiplied by zero and the pay out will be zero. Only if the retiree has individual corpus equal to benchmark corpus and agrees to transfer 100% to pool corpus he will have the minimum pension Rs 10000 guaranteed. Otherwise he will get the amount less than 10000 if it comes as per calculation.

The retiree can have Lumpsum withdrawal upto 60% of individual corpus. In that case after calculating pay out 60% will be reduced from the assured pay out and only 40% of pay out will be paid naming it admissible pay out. In that case minimum pension 10000 guarantee is not available.

Further, the pay out will be reduced proportionately according to the number of years of service.

The pool corpus will be used to top up the shortage of the assured pay out. It will also be used to give pay out to already retired in NPS upto 31-3-2025

Minimum years of service for eligibility for pay out is 10 years. If a person retires with less service what happens to his corpus is not spelt out anywhere. Employees removed, dismissed or compulsorily retired as a punishment are not entitled to assured pay out. What happens to their corpus is also not spelt out anywhere.

Employees superannuating after 10 years qualifying service and premature retirement on public interest are eligible for UPS.

Family pay out is 60% of admissible pay out and minimum pension Rs10000 is not applicable to this. It is applicable to the legally wedded spouse at the time of superannuation. Cannot avail family pay out if one remarries another spouse after its demise after superannuation as is available in OPS.

Voluntary retirement is ridiculous. One can voluntarily retire only after 25 years of service unlike 20 in OPS. But retiree can get pay out only when he would superannuate. An employee entering service at 21 can voluntarily retire at 46 but can get pay out only after 60 after 14 years.

Dearness relief.

Many thought that DA/DR announced by central government will be made applicable to UPS beneficiaries too. It is becoming 55% as on 1-1-2025. But this DA/DR will not be made applicable to UPS beneficiaries. According to chapter VII of Regulations National Pension System Trust will issue periodic instructions to Central Record Keeping Agency to release applicable Dearness Relief. The duty of CRA is to release Dearness Relief to UPS beneficiaries and do record keeping of dearness relief and its application on assured pay out. Therefore they will start a new DR base. The

12 monthly average of indices of 2016=100 base in 2024 will be taken in to account. It is 141.58. They will start this with 0% .

whether family pension and death gratuity under pension rules to deceased employee and invalid pension and service gratuity to invalidated employee as available in NPS is available to employees opting to UPS is a question. Because either the notification or the regulations do not spell out this..

But it is stated in the notification in para 11 as follows

**For the sake of clarity, it is made clear that any employee who has exercised the Unified Pension Scheme option under National Pension System under this notification, shall not be entitled for and cannot claim, any other policy concession, policy change, financial benefit, any parity with subsequent retirees etc. later including post retirement.**

This raises the doubt whether the above benefits under pension rules to deceased and invalidated employees in NPS will be available in UPS.

In the press release on 24 August it was stated that Lumpsum payment will be apart from Gratuity. But in the notification or regulations this benefit is missing. Does it also come under other policy concession is also a question.

Lumpsum

All those who are entitled to assured pay out are entitled for a lumpsum amount based on 10% of pay plus DA for every 6 months of service. For 25 years of service 5 months pay will be paid. This is nothing but worm in the fish hook.

Examples

I

12 months average pay Rs 45000

Service 25 years /300 months 300 divided by 300 =1

Individual corpus 2500000

Benchmark corpus 2500000

2500000 divided by 2500000 =1

Assured pay out 45000 divided by 2=22500 multiplied by 1 X1

2500000 transferred to pool corpus

Assured pay out 22500

Family pay out 22500X60%=13500

II

Individual corpus 2000000

Benchmark corpus 2500000

2000000 transferred to Pool corpus

Assured pay out 80% of 22500=18000

Family pay out 60% of 18000=10800

III

Individual corpus 2500000

Benchmark corpus 2500000

Lumpsum withdrawal 60% of individual corpus

1500000 retiree takes

40% ie 1000000 transferred to pool corpus

Admissible pay out is 40% of 22500=9000

No guarantee of minimum pension 10000

Family pay out

60% of admissible pay out ie 9000=5400

No minimum pay out 10000 guarantee to family pay out

IV A

10 years service ie 120 months out of 300=6/15

IC/BC 2500000/2500000

2500000 transferred to pool corpus

$6/15 \times 22500 = 9000$

Assured pay out 10000

Minimum pension 10000 guaranteed as 100% of IC transferred to PC

Family pay out =60% of assured pay out 10000=6000

Minimum 10000 guarantee not applicable to family pay out despite full corpus transferred to PC.

IV B

IC 2000000 ie 80% of BC

2000000 transferred to PC

$9000 \times 80\% = 7200$

Assured pay out is 7200. As IC is less than BC minimum pay out 10000 is not guaranteed

Family payout

60% of 7200=4320

IVC

IC/BC 2500000/2500000

60% lumpsum withdrawn=1000000 transferred to BC 1500000 taken by retiree

Assured pay out is 40% of 9000=3600 no minimum pay out guaranteed

Family pay out

60% of 3600 =2160

TO ALL PAY OUT ADD ZERO AS DR

Therefore UPS is not adequate pension equal to OPS. It is linked to amount of individual corpus transferred to pool corpus unlike initial announcements. Family pension ends with spouse and not extended to unmarried/divorced/widowed daughters or crippled son. There is suppressive dearness relief. There is no 50% pension for 10 years service. As annuity in NPS, here also there is no guarantee of pension. Minimum pension in central government is 15950 as on 1.1-2025 where as it is less than 2160 with zero DA/DR. There is no commutation or additional pension after 80. There is no revision of pension after pay commission.. Death and invalidation benefits and gratuity are denied.

OPTION

The employees as on 1-4-2025 have to give option in form A2 only for UPS. If does not give option to UPS will continue in NPS and fight for OPS. New recruits from 1-4-2025 have to give option in form A1 either to NPS or UPS. AIDEF HAS DECIDED NOT TO GIVE OPTION TO UPS and to continue struggle against both NPS and UPS.

Notification says states also can implement UPS in their states.

As on 28<sup>th</sup> February 2025 there are 27,14,418 central government employees in NPS. In states 69,94,167 employees are in NPS. Tamilnadu's 6,14,000 has to be added to this since they are not in PFRDA. Together there is a pension wealth of 11.33 lakh crores in the name of Asset under management. The Modi government wants to play with this amount in the market while pretending to give assured pay out.

Central and state government employees account for 1.03 crore in NPS. They must unite and thwart the attempt to deceive employees away from introducing OPS.

