

EPFO brings out Higher Pension Scheme

In February 2023, the Employees' Provident Fund Organisation (EPFO) issued guidelines to allow a section of its older members to opt for higher pensions under the Employees' Pension Scheme (EPS).

The organizations seen in the news are important for the [IAS Exam](#).

EPFO Latest News

Guidelines in detail:

- **An online facility for the employer and employee to opt for a higher pension.**
- Computation of pension and method of the deposit will be provided in subsequent circulars.
- **Option for higher contribution by:**
 - those who were members before September 1, 2014 and are members on or after that date.
 - those who did not exercise the joint option (by employer and employee) while being members of the Employees' Pension Scheme (EPS 95);
 - employees and employers who had contributed on salary exceeding the wage ceiling of Rs 5,000 or 6,500.
- In case of transfer of funds from exempted provident fund trust to the pension fund of EPFO, an undertaking of the trustee shall be submitted.
- Employees who had already contributed on higher wage but not exercised the option formally will be required to submit an application at the EPFO regional office. In case of the amount requiring adjustment from provident fund to pension fund, and any re-deposit to the fund, explicit consent of the employee will be given in the joint option form.

Supreme Court Ruling in November 2022:

- Fifty-four writ petitions were filed by employees from both exempt and unexempt establishments asking for the amendments to be struck down. The employees cited a lack of information and awareness about the time window to opt for the amended pension scheme linked to higher pensionable salary.
- A three-judge Bench of then Chief Justice of India U U Lalit and Justices Aniruddha Bose and Sudhanshu Dhulia upheld the 2014 amendments, but extended the time to opt

for the new scheme by four months. The operation of the amendment requiring members to make the 1.16% contribution was suspended by the court for six months.

EPS amendments in 2014:

- Members opting for pension linked to actual salaries exceeding the wage ceiling were required to contribute an additional 1.16% of their salary towards the pension fund.
- Increased the pensionable salary cap to Rs 15,000 a month from Rs 6,500, and allowed members along with their employers to contribute 8.33% on their actual salaries (if it exceeded the cap) towards EPS.
- It gave all EPS members as on September 1, 2014 six months to opt for the amended scheme, extendable by another six months at the discretion of the Regional Provident Fund Commissioner.

What is EPFO?

Employees' Provident Fund Organisation (EPFO) was established by an act of Parliament of India, to provide social security to workers working in India. It came into force by Employee Provident Fund and Miscellaneous Provision Act, 1952. EPFO comes under the control of the Ministry of Labour and Employment, Government of India.

There are 3 major schemes of EPFO:

1. EPFO Scheme 1952

Salient features of EPFO schemes

1. Accumulation plus interest upon retirement and death
2. Partial withdrawals allowed for education, marriage, illness and house construction
3. Housing scheme for EPFO members to achieve the Prime Minister's vision of Housing for all by 2022.

2. Pension Scheme 1995 (EPS)

Salient features of the Pension Scheme

1. The monthly benefit for superannuation/benefit, disability, survivor, widow(er) and children
2. Minimum pension of disablement
3. Past service benefit to participants of the erstwhile Family Pension Scheme, 1971.

3. Insurance Scheme 1976 (EDLI)

Salient features of the scheme

1. The benefit provided in case of the death of an employee who was a member of the scheme at the time of death.
2. Benefit amount 20 times the wages, maximum benefit of 6 Lakh.

EPFO is the largest social security organization in the world in terms of the number of covered beneficiaries and the largest in terms of the volume of financial transactions undertaken. On 1st October 2014, Prime Minister launched Universal Account Number for Employees covered by EPFO to enable PF number portability.

Who gets a pension under the EPS?

- Employees should serve for at least 10 years and retire at age 58, after 58 years of age employees get pension under the EPS. If a member leaves employment between ages 50 and 57, they can avail early (reduced) pension.
- Formula to compute the monthly pension:
 - $\text{Monthly pension} = \text{pensionable salary} \times \text{pensionable service} / 70$, based on a pro rata basis linked to maximum monthly pensionable salary of Rs 6,500 for pensionable service up to September 1, 2014, and Rs 15,000 thereafter.

What is the pension structure that exists currently?

- The Employees' Provident Funds and Miscellaneous Provisions Act, 1952 did not provide for a 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.
- At the time of the introduction of EPS, the maximum pensionable salary was Rs 5,000 per month. This was subsequently raised to Rs 6,500 and, from September 1, 2014, to Rs 15,000. The pension contribution currently is 8.33% of Rs 15,000, that is, Rs 1,250 — unless the employee and employer have opted to contribute at actual basic salary exceeding the pensionable salary.
- The Government of India contributes 1.16% to an employee's pension. Employees do not contribute to the pension scheme.
- Both employees and employers contribute 12% of the employee's basic salary, dearness allowance and retaining allowance, if any, to the EPF. The employee's entire contribution goes to EPF, while the 12% contribution by the employer is split as 3.67% to EPF and 8.33% to EPS.

Organization Structure of EPFO

Central Board of Trustees administers the EPFO. Central Board and Executive Committee are part of the Trustees Board. Both the Central Board and Executive Committee have a chairman. There is a vice-chairman on the central board while the central PF commissioner on the Executive Committee. Both of them are represented by the central government, state government, employees and employers' representatives (Numbers vary.)

The regulative structure of EPFO:

1. The organization is divided into zones which are headed by an Additional Central Provident Fund Commissioner
2. At present, there are 10 Zones across the country
3. States have one or more than one regional offices headed by Regional Provident Fund Commissioners (Grade I)
4. Regions are subdivided into Sub-Regions headed by Regional Provident Fund Commissioners (Grade II)
5. Districts have a district office

Steps taken by the EPFO to facilitate efficient services

Online facilities provided by the EPFO for the following processes

1. Nominations
2. Ascertaining balances
3. Settling claims
4. File online cases by members

EPFO UAN (Universal Account Number)

It is a 12 digit number allotted to an employee working in an organization. If a person has multiple member ID's issued by multiple organizations, all the ID's will come under one single UAN number which will be the same for a lifetime. This number will not change even when an employee changes his organization.

The various benefits are attained due to UAN.

1. Reduces confusion of multiple ID's and will have one single UAN number
2. Easy transfer and withdrawal of claims
3. Online-pass book
4. SMS services
5. Online KYC update

6. Download UAN EPF book
7. Check EPF balance online

Code on Social Security 2020

The Code on Social Security 2020 mandates social security to any establishment as notified by the central government. The other important points about the Code on Social Security 2020 are::

1. Central government to set up Social security funds for unorganised workers, gig workers and platform workers.
2. Separate social security funds to be established and administered by the state governments for the unorganized workers.
3. National Social Security Board may also act as the Board for the purposes of the welfare of gig workers and platform workers and can recommend and monitor schemes for gig workers and platform workers.
4. The Code on Social Security 2020 mentions the list of aggregators that will participate in the funding of schemes for gig workers and platform workers. Learn about [Social Security Schemes](#) in the linked article.
5. The Social Security Code 2020 changes the definitions of the following:
 - Employees - The Code expanded the definition of employees to include workers employed through contractors.
 - Inter-State Migrant Workers - Self-employed workers from another state are now too included in the definition.
 - Platform Workers - Central Government to notify additional categories of services or activities under this definition.
 - Audio-visual Productions - Films, web-based serials, talk shows, reality shows and sports shows are now included in the existing definition.
 - Building or other construction work - Construction works with the total cost of construction work exceeding Rs 50 lakhs are exempted from the ambit of the definition.
6. The 2020 Bill reduces the gratuity period from five years to three years for working journalists.
7. The National Social Security Board for unorganised workers will now have 10 representatives from the central government. The State Social Security Boards will have 10 representatives from state governments.
8. The 2020 Bill adds new clauses which may become applicable in the cases of an epidemic. For example, the central government may defer or reduce the employer's or employee's contributions (under PF and ESI) for a period of up to three months in the case of a pandemic, endemic, or national disaster.

Frequently Asked Questions about Employee Provident Fund Organisation

Q. What is the role of Employee Provident Fund Organisation?

Ans: The EPFO has the dual role of being the enforcement agency to oversee the implementation of the EPF & MP Act and as a service provider for the covered beneficiaries throughout the country. The Act is administered by the Central Board of Trustees, EPF a Statutory Board constituted by the Central Government under Section 5A of the Act.

Q. What is the EPFO?

Ans: The Employees' Provident Fund Organisation (EPFO) is the social security body that is responsible for running and supervising the largest mandatory state pension scheme for people in India.

