Course Name: Labour Welfare and Industrial Relations

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Lec 30: Employee Pension Scheme 1995, Miscellaneous Provisions

Hello learners, welcome back to the course on labor welfare and industrial relations. Today we start a new module, module 7, where we look more into the different schemes which we have already introduced you to. For example, we have seen the employee pension scheme. We have looked into the gratuity scheme. So we look into a different dimension of these schemes, specifically with respect to the detailed forms and, you know, how you actually apply for that.

And some of the typical cases which have given some classical verdicts and some of the adjudications which are part of the labor welfare and industrial relations curriculum.

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So when we look into the Employees Pension Scheme 1995. we like to focus on the miscellaneous provisions this time. We have seen that what is the employee pension scheme specifically. A quick revision, it's a social security scheme provided by the Employees Provident Fund Organization, EPFO, to help employees in the organized sector. Now, this is something which we have already seen, that it has come into force from 1995, the typical date being 16th November 1995. It allows the EPF employees Provident Fund members to receive a pension after retirement at the age of 58 and with respect to other companies in other particular cases as specified in the Act. Now let's look into some of the key features or what I'll call as additional features because we have looked into the specific scheme in previous modules.

We will look into some additional features specific to what happens when you switch the job what happens when there is you know certain withdrawal mechanisms or what happens when there are cases of withdrawal and there are withdrawal mechanisms in act so let's look into that in greater detail when you look into the specific features specifically job switches and you know service period bonus or withdrawal and restart We have to understand it from the background. And the background is that there is certain eligibility criteria, which we have seen in the previous sessions. If you have gone through the video, you will see that for a person to be eligible for availing benefits under the EPS, he should be a member of EPFO.

He has reached the age of 58, which you have already seen, should have completed 10 years of service. This is something which is relevant. He can also withdraw his EPS at a reduced rate from the age of 50 years. So these are some of the additional aspects which would otherwise come in handy for a person who wants urgent money. He can also defer his pension for let's say 2 years up to 60 years of age after which he will get a pension at an additional rate of 4% for each year.

Now, when you look into the job switches part specifically, the employee has to get the EPS scheme certificate issued and submit it to the new employer every time he switches the job. So this is mandatory. This is critical. particularly when you look into the EPF. We have seen that the service period is typical, but the employee gets a bonus of 2 years after completing 20 years of service.

And finally, if you look into the withdrawal and restart, if the member withdraws the EPF corpus before completing the service period of 10 years, and joins another company he will have to start afresh for contributing to the APS account and the service period also will be set as zero at the start now that said we should understand that though we have underscored that the pension on the retirement age is for age of 58 years a member becomes eligible for the pension benefits at this age however It is mandatory for him or her to provide a service for a period of at least 10 years. This is what the clear-cut instructions of the Act is all about. So, an EPS scheme certificate is generated, which can be used to fill Form 10D, which we have seen it in the previous module, if you recollect, for withdrawing the monthly pension.

Now, when you actually look this in a close quarter, When you look into this in closer details, you will understand that in case of a member is not able to remain in service for 10 years before attaining the age of 58 years, he can actually withdraw the complete sum at the age of 58 years by filling form 10C. Now, this would be new to you, which has not been discussed previously. So, it is worth mentioning here that he or she will not get the monthly pension benefits after retirement. Now, when you are looking into cases of total disablement, we have understood what is the case of total disablement previously.

But specific to this scheme, a member of EPFO who becomes disabled totally and permanently is entitled to a monthly pension, irrespective of the fact that he has not served the pensionable service period. Now, this is the exemption here. His employer has to deposit funds in the EPS account for at least one month to be eligible for the pension. So the member becomes eligible for the monthly pension from the date of permanent disablement and is payable for the entire lifetime. However, the member may have to undergo a medical examination to check.

whether he is unfit for the job and he was doing that he was doing before becoming a disabled now when you're looking into total disablement if you recollect we have also seen the case of you know for family or related to pension for family or related to the death of a member when a member's family becomes eligible for the pension benefit the following cases have to be noted in case of the death of the member let's say he or she is while dying while in service and the employer has deposited funds in his eps account for at least one month another possibility is in the case the member has completed 10 years of service and dies before attaining the 58 years of age or in case of the death of the member after the commencement of the monthly pension so in all these schemes there is a pension eligibility for the family Because of the death of the member. Now, when you look into the EPF specifically, we have to understand that it is governed by these four cardinal principles. One is EPF membership.

He should be a member of EPFO already established minimum service. He should have completed. 10 years of service, no doubt about it and he has reached the age of 58, closely the retirement age and he can also withdraw his EPS at a reduced rate from the age of 50. So, these are the core principles or I would say the eligibility criteria which marks the execution of this EPF scheme altogether. Now, we have seen that there is a retirement at 58, that is the age but,

There is a possibility of early withdrawal which I would like to reiterate in case a member is not able to remain in service for 10 years before attaining the age of 58 years. He or she can withdraw the complete sum at the age of 58 years. But remember, he or she will not get the monthly pension benefits after retirement. Now, this is something which we have already seen with respect to disability and family pension. Specifically, I would like to mention that the member's family, when it comes to family pension, becomes eligible for pension benefits in case of the member's death while in service or if the member had completed 10 years of service and died before attaining 58 years of age.

Now, let's look into something which is more interesting and which we have not gone through, which is the pension calculation. Now, when you look into pension calculation, we have to understand that there is a possibility of minimum and maximum amount of pension. So that actually leads way to how you actually calculate the pension. The minimum pension amount under EPS, please remember, is Rs. 1000 per month.

And the highest pension amount that you are eligible to receive is Rs. 7500 per month. Now, on the condition that no pension contribution is paid on amounts beyond the statutory ceiling. So, this is the range specifically now. Now, how to calculate pension?

When you look into the pension calculation, there are components like pensionable salary which becomes critical. The pensionable salary is the average monthly salary in the last 60 months before the member exists the pension. So the first important thing is pensionable salary. Another important element or factor in calculating the pension would be the pensionable service. So pensionable service is the actual service period of the member which is considered as the pensionable service.

And the third most important factor is the pension formula. The member's monthly pension amount is calculated as pensionable salary into pensionable service. by 70 now let's look into this in greater detail when you look into the pensionable salary specifically if there are non-contributory periods in the last 60 months of employment which is pretty much possible the non-contributory days in the month will not be considered and the benefit of those days would be given to the employee so let us assume that the person takes up the job on let's say third of the month, then his salary of 28 days will be divided as per each day's pay. So on a per diem basis and then multiplied with 30 to calculate the total monthly wage for the month.

So let's say the salary of the person is 15,000. Go into this in greater detail. Let's say the salary of the person is 15,000. the salary of the person would be 14,000 for 28 days. This is for 28 days.

Rs. 500 per day less for 2 days. So, however, the monthly salary considered for EPS would certainly be 15,000 for 30 days. So, the maximum pensionable salary is limited to 15,000 every month. So, since the employer contributes, let's say, 8.33%,

Let's assume this 8.33% of this salary in the employee's EPS account. The amount deposited in EPS account of the employee every month would be somewhat 15,000 into the 8.33% which is nothing but rupees 1,250. So this would be the calculation when it comes to the pensionable salary. When you're looking into the pensionable service, I've already mentioned the actual service period of the member is considered as a pensionable service. Now, service periods under different employers are added at the time of calculating the pensionable service period.

So the employer has to get the EPS scheme certificate issued and submitted to the new employer every time he switches a job. So it is worth mentioning that the employee gets a bonus of two years after completing 20 years of service. So if the member withdraws the EPS corpus before completing the service period of 10 years and joins, let's say another company, he will have to start afresh for contributing to the EPS account, which we have already seen from the zero he has to start. So the pensionable service period is considered on a six month basis. The minimum pensionable service period is six months.

If the service period is eight years, two months. the pensionable service period is considered 8 years. However, if the service duration is 8 years and 10 months, let's say, the pensionable service is taken as 9 months. So, the formula to calculate EPS pension was revised by EPFO in 2014. Please note that.

Prior to the amendment, the average basic salary of last one year of an individual was taken as pensionable salary. So, this is the change that has happened after 2014. Members of the EPS should keep in mind that if you have joined the scheme prior to 2014, a prodata calculation will be used to determine your monthly pension. Let's take an example. Let's say you have enrolled in the EPS scheme in January 2010.

So, we are taking... The reference period was January 2010 and quit working on February 10th. let's say 2024 for the sake of calculation february 2025 we'll take it as february 2025 so as a result up until august 2014 you would have served four years and seven months so the rest of the service period spans from September 2014 till our end date which is feb 2025 or 10 years and five months so additionally let's assume that the pensionable wage is Rs. 6,500 up until August 2014 and Rs.

15,000 starting from September 1st September 2014 specifically. So when you calculate the pension made between the period January 2010 and August 2014 it would be something like I am calculating this 6500 into 5 by 70 which is 464 somewhat i think let's say if you calculate to the to the decimal places it would be 464 0.28 now the pension for the period between september 2014 and February 2025, similar calculation will yield us 15,000 into 10 by 70. It amounts to around 2,142.

So, the total pension payable to the person would be sum of A and B. This is B and this is A specifically. So, around 2,000 So, A plus B would be around 2608, 2607. So, thus, this would be the total pension. So, please understand, in 2014, the EPFO even hiked the wage ceiling limit from Rs.

6,500 to Rs. 15,000. That's why, if you see, we have used Rs. 15,000 as a figure from September 2015. So, all the pension calculation and EPS contribution from 2014 September would be Rs.

15,000. Now, these are some of the In a calculation, and I think for most of you who have a mathematical bend of mind, this calculation would sound more interesting than the theory. So that's why I tried to include a greater detail about the EPFO and the pension calculation in this module. Now, when you look into the types of pension, we have seen that there are different types of pension under EPS, such as pensions for widows, children and orphans. These pensions provide an income to the family as well as the EPF subscriber. Please note while on the discussion with the EPF, specifically the employee pension scheme and even when we discuss provident fund and gratuity, etc., Our key concern was specifically one when what happens when the person itself is not there. Let's say what will be the benefit given to the dependent or the family member. Second option was what is related to the child and orphan scheme or how they are benefited and is there any discounting in the pension or is there any cases of reduced pension.

So when we are discussing this particular pension, we have to understand this from mainly these three dividends or mainly these three elements. So let's look into that in greater detail. We look into widow pension. The widow pension or what we call as the the pension. So widow pension or the pension is applicable to the widow of the member eligible for a pension.

So the pension amount will be payable. until the death of the widow or her remarriage please note that so in case of more than one widow the pension amount will be payable to the eldest widow so that provision is also there the monthly with the pension amount depends on let's say if you go through the eps document the table c of the eps 1995 the minimum pension amount has been increased to rupees 1000 as of now so as per the pensionable salary of rupees what we accounted for in the previous slide rupees 6500 for member pensioners the widow pension amount is calculated according to the particular calculation given under the table C so note that the monthly pensionable salary has been increased to rupees 15000 post September 2014 now when you look into the child and Orphan pension, we have to understand that in case of the death of a member, monthly children pension is applicable for the surviving children in the family in addition to the monthly widow pension. So the monthly pension will be paid till the child attains the age of 25 years.

25 years, the amount payable is 25% of the widow pension. Please note that. and can be paid to a maximum of two children. So that is the case of the child pension. If you are looking into specifically orphan pension, in case the member dies and has no surviving widow, his children will be entitled to get the monthly orphan pension of 75% of the value of monthly widow pension.

The pension will be applicable for two surviving children from oldest to youngest, similar to the child pension. Now, when you look into the reduced pension, please note a member of the EPFO can withdraw an early pension if he has completed 10 years of service, which we have seen and has reached the age of 50 years, but is less than 58 years. In this case, the pension amount is slashed at a rate of 4% for every year the age is less than 58 years. So in case the member decides, let's say, to withdraw the monthly reduced pension at age of 56 for the sake of calculation, we can see that he or she will get the pension at the rate of 92%. So there are two years being reduced 58 to 56.

So 4% each year. So 92% of the original pension amount. So please note that would be the calculation for the reduced pension. Now, having seen the type of pension, we have to quickly understand the different pension forms. Now, I'm covering this topic in greater detail.

Almost it's a comprehensive, exhaustive coverage. So that's why even I thought I'll include the forms that are relevant for the different purposes of claim settlement or, you know, fund release, etc. So when you're looking into a member or the survivors of the EPFO program, Member of EPA for participant he or she have to fill the following forms to avail the employees pension scheme EPS benefits. So the first one is form 10 C.

10C is for the withdrawal before 10 years of service and it is related to the EPS scheme certificate. Form 10D which we have you know talked about in couple of lectures already. The monthly pension withdrawal after 50 years of age and monthly widow pension, child pension etc. also corroborates with this form. There is a life certificate.

Life certificate is when, you know, the pensioner signs a form certifying that he or she is alive to be submitted every year in November to the bank manager where the pension account is active. So this is one of the key criteria what the pensioners have to take care of. because they have to ensure that they are still alive and that's a check mechanism which the authorities are also having and finally there is a clause of or there is a form for the non-remarriage certificate which is generally given to the applicant who is widow or widower to declare that the widow or widower has not remarried and it has to be submitted every year in the number so this is also a check and balance mechanism whereby It is clarified that, you know, there is no misuse of the fund that is otherwise that should have gone to the participant in full. Now, when you are looking into the EPF pension, please note there are certain important points that have to be remembered.

And that would be the last segment of this lecture. When you look into EPF specifically, all contributions made in the employee's pension scheme, EPF account, are to be done by the employer. Please note that the employer has to make a contribution. This is again subject to revision.

The employee's pay consists of a basic wages with DA, Dearness Elements, Retaining Elements and admissible cash value of food concessions also. So the employer has to make the contribution within 15 days of close of every month. So you will see the prompt service or prompt approach from the part of the employer. If that is not the case, then there is always a possibility of raising a complaint against the employer. All applicable contribution cost has to be borne by the employer, the principal employer has to make the contributions for all employees working for him directly or under a contractor. So this is critical. You cannot just pawn off. You just cannot delegate this. The principal employer categorically has to make contributions the key contributions are the contributions for all the employees working for him directly or under a contractor. So the minimum service period, as we have seen, is 10 years to be eligible for availing pension benefits. So if you have completed less than 10 years, what will happen? Less than 10 years, but more than six months service, you can withdraw the EPS amount on being unemployed for more than two months. So this is critical.

This is yet again another leeway given to those people. So as per the scheme, the retirement age of the person is fixed at 58 years of age. And finally, an employee ceases retirement. To be a member of the pension fund after reaching the age of 58 or from time he starts availing reduced pension. So we have seen exhaustively what the scheme is all about.

We had introduced about the scheme in previous lectures. If you have gone through that, then you will definitely appreciate that. What we have seen today is there are certain calculations that are made there are certain assumptions that are made and if you look into or if you read between the lines you will understand one thing that all the exemptions that are made all the calculations that are made. is looking into a possibility that what will happen. Two things.

One, if you have retired, let's say post 58, you need to have a good secure life. So that is the first and the foremost intention behind the scheme. If you look into the exemptions part and also the calculation part, you will understand one more important thing that there could be a possibility at that particular age, let's say 50 to 58 or somewhat that period would be a possibility. particular period where you might need a lump sum amount maybe for for some of the you know clear expenses like meeting the expenses of your child or let's say your family or building house etc requirement of lump sum amount is there Then there is a possibility to engage that or possibility to take your own money.

So all these exemptions are actually pointing to one thing that it is giving a social buffer. It is giving a social security for every single employee and the employer has to be appreciated for this. We'll see more details in the next class. Thank you for listening to me patiently. We'll see in the next class.

Till then, take care. Bye bye.