FAQ: Pension Scheme

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At a glance

Topic	Key point
Membership	Only PF members can be members of the Pension Scheme
Pension formula	Pensionable Salary × Pensionable Service ÷ 70
Normal pension age	58 years
Early (reduced) pension	Between 50 and 57 years, with 10 years of contributory service
Employer contribution to pension	8.33% of wages (ceiling Rs.25,000), diverted from the employer's PF share
Life certificate	Once every 12 months; Digital Life Certificate (DLC) available via Aadhaar

1. Membership and Eligibility

Q1. Can an employee become a member of the Pension Scheme only, without contributing to the PF?

No. Only a member of the Provident Fund can become a member of the Pension Scheme.

From 01/09/2014, a new employee joining an establishment and drawing a basic wage of more than Rs.15,000 per month (revised to Rs.25,000 from 17.9.2026) can become a member of the PF only, after submitting an option under Para 26(6) of the EPF Scheme. Such an employee cannot get membership of the Pension Fund. Both the employee share of 12% and the employer share of 12% are paid into the Provident Fund for all such employees.

Q2. Is an employee who is already drawing pension under EPS, 1995 required to join the PF and the Pension Fund?

He is required to join only the PF. He cannot become a member of the Pension Scheme.

Q3. Can an employee who did not opt for the earlier Family Pension Scheme, 1971 join EPS-1995?

Yes.

Q4. Can a member seek exemption from the Pension Scheme?

No. An individual member cannot seek exemption from the Pension Scheme. Only an establishment can seek exemption.

2. Contributions

Q5. Does a member contribute to the Employees' Pension Scheme and the Employees' Deposit-Linked Insurance (EDLI) Scheme?

No. The employer pays 12%, out of which 8.33% is diverted to the Pension Fund. The employer also pays 0.5% of pay into the EDLI Scheme.

Q6. How will the reduced rate of contribution affect the amount of pension in the longer run?

The EPS contribution of 8.33% of wages, subject to a ceiling of Rs.25,000, is diverted from the employer's share of EPF contributions. Reducing the EPF contribution rate to 10% will not reduce the pension contribution or benefits.

3. Calculating Your Pension

Q7. What is the formula for calculating the pension amount?

Pension = Pensionable Salary (average of the last 60 months) × Pensionable Service ÷ 70.

Q8. How much pension can a member expect on superannuation?

Consider a member who joins EPS-1995 at the age of 23, superannuates at 58, and contributes at the present wage ceiling of Rs.25,000. With 35 years of service, the pension would be about Rs.12,500.

Pensionable Salary × Pensionable Service ÷ 70 = 25,000 × 35 ÷ 70 = Rs.12,500

Q9. How is the average salary determined for granting pension?

The average salary is determined only for the purpose of granting pension. It is the average of the last 60 months. Any non-contributory period is reduced.

Q10. Which formula applies to member pension calculation?

Pension is calculated as per Para 12 of EPS-95. The date of commencement of pension determines the applicable formula for calculating pensionable service, pensionable salary and pension.

Q11. How is pensionable salary calculated if the date of commencement of pension is before 01.09.2014?

For members eligible for pension on higher wages, where pension commenced before 01.09.2014, pensionable salary is based on the average monthly pay drawn during the contributory period of service in the 12 months preceding the date of exit from membership of the pension fund.

Q12. How is pensionable salary calculated for members who retired after 01.09.2014?

It depends on the date of commencement of pension. Two examples:

- **Member A** retired from establishment X at the age of 60 on 01.01.2015. Even though the date of retirement is 01.01.2015, for EPS-1995 purposes he is treated as superannuated at 58, i.e. before 01.09.2014. His pensionable salary is therefore calculated on the average monthly pay during the contributory period in the 12 months preceding the date of exit from membership of the pension fund.
- **Member B** retired from establishment X at the age of 50 on 01.01.2012. Although he retired in 2012, he can opt to take pension at 58, i.e. after 01.09.2014. His pensionable salary is therefore calculated on the average monthly pay during the contributory period in the 60 months preceding the date of exit from membership of the pension fund.

Q13. A member will retire in the future, say in 2030. How will the pension be calculated?

The pension will be calculated under the provisions of EPS-1995 that exist on the date of commencement of pension.

Q14. Is there an increase in the pension amount every year?

No.

Q15. How will unemployment periods affect my pension?

Periods of unemployment are excluded from actual service. Pension is based on contributory service only.

4. When Can You Start Drawing Pension?

Q16. At what age is a member eligible for pension?

A member is eligible for pension on superannuation at 58 years. A member who leaves employment between 50 and 57 years of age with 10 years of contributory service can avail the early reduced pension.

Q17. How is the start date of early pension (before 58) decided?

The member must indicate in the application form the date from which early pension is required. If no date is given in the claim form, the date of application is taken as the opted date.

Q18. If I take reduced pension at 50, can I get full pension on reaching 58?

No. Once pension is sanctioned, it cannot be altered.

Q19. Can a member draw pension while still in service?

A member who continues in service beyond 58 can avail pension from the age of 58.

A pensioner who has availed early pension and then takes up employment is not eligible to join the Pension Scheme again. In such cases, the employer's 8.33% contribution goes towards the EPF.

Q20. Can a member delay pension beyond 58 years?

Yes. A member can opt to start pension at 59 or 60 years of age in either of two ways:

1. **Pension contribution stops at 58.** The quantum of pension increases by 4% for each year of deferment beyond 58.
2. **Pension contribution continues after 58.** The quantum of pension will be higher than in the first case.

5. Family Pension, Nominees and Beneficiaries

Q21. What service is required for family pension if the member dies?

Family pension and children pension are payable even if only one month's contribution (including part of a month) has been made to the Pension Fund.

Q22. If a member dies, to whom is the pension payable?

The pension is automatically payable to the spouse (widow or widower). In addition, children are eligible until they reach 25 years of age, up to two at a time. A disabled child in the family receives a disabled pension for life, in addition to the two child pensions.

Q23. Can a married daughter be excluded from family pension?

No. Marital status has no relevance. Children below 25 years are eligible for family pension in the event of the member's death.

Q24. Can a member exclude his or her spouse from family pension?

No. The spouse is an automatic beneficiary unless legally divorced.

Q25. If a member has two wives, to whom is family pension payable?

If the second marriage is legally valid, the pension is payable to the eldest wife by reference to the date of marriage. On her death, it is payable to the next surviving widow.

Q26. Is family pension payable to a widow who married the pensioner after his superannuation?

Yes. The widow of a pensioner is eligible for family pension irrespective of the date of marriage, whether before or after his superannuation.

Q27. Why does a pensioner's widow get less pension than a non-pensioner's widow?

Pension and family pension under EPS-1995 are social security benefits, viewed as need-based and not related to the quantum of contribution paid by a member.

After 58, a pensioner is expected to take care of his spouse, and in his absence the liability is restricted to one person. Hence 50% of the pension is payable.

When a non-pensioner member dies, he may leave behind a spouse and children who are yet to complete their education, marriage and so on, and the death is premature. The pension payable to a non-pensioner's widow is therefore higher.

Q28. What happens if the widow or widower remarries?

The pension to the widow or widower is stopped. The children's pension is then converted to orphan pension at 75% of the widow's pension.

Q29. Until when is pension payable to a widow or widower?

Pension is paid until remarriage or death.

Q30. Are orphan children eligible for double orphan pension if both parents contributed to EPS-1995?

Yes. Pension benefits are a direct consequence of contributions paid by the member. If both parents were members and contributed independently, the orphan is eligible for two pensions separately. The normal ceiling provided in the Scheme continues to apply.

Q31. Can a member or family member avail more than one pension for one service under EPS-1995?

No.

Q32. What is the need for giving a nomination for pension?

If a pension member dies before receiving pension and there is no eligible family member, the pension is payable to the nominee.

Q33. In the absence of family members, can a pensioner nominate any other person to receive family pension?

No. If there is no family member on the date of the member's death before eligibility for member pension, family pension is payable to the nominee. In the absence of a valid nomination, it is payable to the dependent father, followed by the dependent mother.

Once the member has started receiving pension, nomination has no validity. A pensioner cannot nominate any person.

Q34. Here "family" means the family created by the member, not the one he or she was born into. In its absence, who gets the pension?

It is payable to the dependent parents.

6. Disablement Pension

Q35. Who is eligible for disablement pension?

An EPS-95 member who is permanently and totally disabled during employment is entitled to pension, irrespective of age and service.

A member applying under this provision must undergo the medical examination prescribed by the Central Board, to determine whether he or she is permanently and totally unfit for the employment being done at the time of disablement.

7. Receiving Your Pension

Q36. Can a pensioner draw pension anywhere in the country?

Yes.

Q37. Can pension be paid by money order or cheque?

Pension is payable through the designated banks notified for each region, through the Core Banking Solution.

Q38. Is it necessary to open a separate bank account to draw child pension?

Yes.

Q39. Can the widow and children draw pension at different places or banks?

No. The widow and children must draw pension in the same bank and branch.

Q40. When, and to whom, does a pensioner give a life and non-remarriage certificate?

All pensioners under EPS-1995 must give a Life/Non-Remarriage Certificate 12 months after the month in which pension was sanctioned, or after the date of submission of the last life certificate.

A Digital Life Certificate (DLC) has replaced the physical certificate since the financial year 2015-16. Pensioners can use their Aadhaar number to submit the DLC at:

- Common Service Centres (CSCs)
- Branches of pension disbursing banks
- Post Offices, through India Post Payments Bank (IPPB)
- PF offices

Q41. Will my pension arrears be paid to me, or adjusted against a demand for contributions on higher wages?

Arrears of pension will be paid to pensioners under the existing process, in compliance with income tax provisions relating to TDS.

Q42. Has EPFO conducted any educational programme for pensioners?

Yes. EPFO conducts webinars through its Regional Offices. Pensioners may request the concerned office for participation to resolve any query.

8. Commutation of Pension

Q43. Can I surrender or sell my full pension for a lump sum payment?

No.

Q44. What does commutation of pension mean?

Commutation means payment of a lump sum in lieu of a portion of pension surrendered voluntarily by the pensioner. This option was deleted with effect from 26.09.2008.

Q45. What is the Employees' Pension Amendment Scheme, 2020?

In EPS-1995, after Paragraph 12, the following paragraph was inserted, and is called the Employees' Pension Amendment Scheme, 2020:

12B. Restoration to normal pension in cases of grant of commutation *– The normal pension in respect of those members who availed the benefits of commutation of pension under the erstwhile paragraph 12A of this Scheme on or before the 25th day of September 2008 shall be restored after completion of fifteen years of the date of such commutation.*

Q46. Who can avail the restoration to normal pension?

Members who availed commutation of pension under the erstwhile Paragraph 12A on or before 25 September 2008. Their normal pension is restored after completion of fifteen years from the date of commutation.

Q47. When will pensioners who opted for commutation receive their full pension?

After completion of fifteen years from the date of commutation.

9. Service Records, Transfers and Forms

Q48. My PF amount was transferred from my previous Member ID to my present one, but my pension amount was not. What should I do?

Pension benefits depend on the length of service and the average of the last wages drawn. They do not depend on the actual amount lying in the Pension Fund account. This amount is therefore not transferred when you change employment. A mere transfer of past service history makes the member eligible for pension benefits.

Q49. Can I enter different dates of exit for EPF and EPS using "Mark Exit" in the UAN Member Portal?

Yes, different dates of exit can be entered for EPF and EPS.

- The EPS date of exit may be blank if the member is not an EPS member.
- It can be earlier than the EPF date of exit only when the member has completed 58 years of age.
- It cannot be later than the EPF date of exit.
- For an EPS member who has not completed 58 years, the date of exit must be the same in both.

Q50. How do I fill Form No. 2?

A member can submit Form No. 2 online through the employer. An e-sign facility is also available for members to submit it online. If a new family member is added, the EPF member should fill Form No. 2 to update the details in EPFO. The form can be submitted both online and offline.

10. International Workers

Q51. What is the condition for withdrawal benefit for International Workers (IWs) from countries with a Social Security Agreement (SSA)?

Only IWs covered by an SSA are eligible for withdrawal benefit under EPS-1995, and only if they have not rendered the eligible service of 10 years even after including the totalisation benefit, if any, provided in the agreement.

Q52. What is the condition for withdrawal benefit for IWs from non-SSA countries?

Withdrawal benefit under EPS-1995 is not available to IWs from non-SSA countries.

Q53. Can a claimant from an SSA country receive pension benefits in their home country?

Yes. Portability is provided in the SSAs, so persons covered by an SSA can opt to receive pension benefits in their home country.

11. Other Relief

Q54. Is an employee earning less than Rs.15,000, in an eligible establishment, who is no longer an EPS-1995 member because of reaching 58 but remains a member of

the EPF Scheme, 1952, eligible for relief under this Scheme?

Yes. EPF members who are not EPS members because they have completed 58 years are eligible, provided other conditions are fulfilled. The contribution from the Central Government is credited to their EPF account.

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