



## All Employees Can opt for PF Pensions Scheme

**For Prelims:** Employees' Pension (Amendment) Scheme, 2014, EPFO, Supreme Court.

**For mains:** Supreme Court on PF Pension Scheme and its Implications.

### Why in News?

In a significant ruling, the [Supreme Court](#) has upheld the [Employees' Pension \(Amendment\) Scheme, 2014](#) but **quashed the threshold limit of Rs 15,000 monthly salary for joining the pension fund.**

### What is the Employees' Pension Scheme?

#### ▪ About:

- EPF Pension, which is technically known as Employees' Pension Scheme (EPS), is a social security scheme provided by the [Employees' Provident Fund Organisation \(EPFO\)](#).
  - The scheme was first launched in 1995.
- The scheme, provided by EPFO, makes provisions for pensions for the employees in the organized sector after the retirement at the age of 58 years.
- Employees who are **members of EPF automatically become members of EPS.**
  - Both employer and employee contribute 12% of employee's monthly salary (basic wages plus dearness allowance) to the Employees' Provident Fund (EPF) scheme.
  - EPF scheme is mandatory for employees who draw a basic wage of Rs. 15,000 per month.
  - Of the employer's share of 12 %, 8.33 % is diverted towards the EPS.
  - Central Govt. also contributes 1.16% of employees' monthly salary.

#### ▪ EPS (Amendment) Scheme, 2014:

- The EPS amendment of 2014, had raised the **pensionable salary cap to Rs 15,000 a month from Rs 6,500 a month**, and allowed only existing members (as on September 1, 2014) along with their employers exercise the option to contribute **8.33% on their actual salaries (if it exceeded the cap)** towards the pension fund. This was extendable by another six months at the discretion of the Regional Provident Fund Commissioner.
- It, however, excluded **new members who earned above 15,000** and joined after September 2014 from the scheme completely.
- The amendment, however, **required such members** to contribute an additional 1.16% of their salary exceeding ₹ 15,000 a month towards the pension fund.

### What is the SC's Judgement?

- Under Article 142, the Supreme Court ruling gives EPFO members, who have availed of the EPS, another opportunity over the next four months to opt and contribute up to **8.33% of their actual salaries as against 8.33% of the pensionable salary** capped at Rs 15,000 a month towards pension.
  - Under the pre-amendment scheme, the pensionable salary was computed as the **average of the salary drawn during the 12 months** prior to exit from membership of the

Pension Fund. The amendments raised this to **an average of 60 months prior to exit** from the membership of the Pension Fund.

- The court held the amendment requiring members to contribute an additional **1.16 % of their salary exceeding Rs 15,000 a month** as ultra vires the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952.

### **What are the Implications?**

- People who have subscribed to EPF will be able to get pension on their full salary instead of Rs. 15000 cap.
- Employees and Employers, who have contributed to the EPF without any approval from Assistant Provident Commissioner, may not get the benefit of judgment.
- Amendment done in 2014 may remain applicable to the companies which manage their EPF corpus through trusts.

### **UPSC Civil Services Examination Previous Year Question (PYQ)**

**Q. With reference to casual workers employed in India, consider the following statements: (2021)**

1. All casual workers are entitled for Employees Provident Fund coverage.
2. All casual workers are entitled for regular working hours and overtime payment.
3. The government can by a notification specify that an establishment or industry shall pay wages only through its bank account.

**Which of the above statements are correct?**

- (a) 1 and 2 only
- (b) 2 and 3 only
- (c) 1 and 3 only
- (d) 1, 2 and 3

**Ans: (d)**

[Source: TH](#)

PDF Reference URL: <https://www.drishtias.com/printpdf/all-employees-can-opt-for-pf-pensions-scheme>