

HIGHER PENSION

UNITED CONSULTANCY SERVICES

What is Higher Pension?

WHAT IS HIGHER PENSION?

Employees who were existing EPS members as on September 1, 2014 can contribute up to 8.33 per cent of their 'actual' salaries as against 8.33 per cent of the pensionable salary capped at Rs 15,000 a month towards pension.

This would essentially imply higher annuity after retirement.

The court has given the option of pension on higher earnings to subscribers of exempted provident fund trusts also.

WHO IS ELIGIBLE?

The employees and employers who had contributed under Para 26(6) of the EPF Scheme on salary exceeding the prevalent wage ceiling of Rs. 5000/- or 6500/- and

The employees who did not exercise joint option under the Proviso to para 11(3) of the preamendment scheme (since deleted) while being members of EPS, 95 &

The employees who were members prior to 01.09.2014 and continued to be a member on or after 01.09.2014.

Date of Retirement	Contributions on Higher Wages by Employee & Employer	Option exercised / not	Acceptance by EPFO	Eligibility for pension on higher wages
Before 01.09.2014	Not paid	Never opted	-	Not Eligible
Before 01.09.2014	Paid	Never opted	-	Not Eligible
Before 01.09.2014	Paid	Exercised option before 01.09.2014	Rejected / not responded by EPFO	Eligible
Retired between 01.09.2014 and 04.11.2022	Paid	Never opted	Option can be given within 4 months before (04.03.2023)	Eligible
Retired between 01.09.2014 paid and 04.11.2022	Paid	Exercised option before 01.09.2014 & 04.11.2022	Rejected / not responded by EPFO	Eligible
Retired between 01.09.2014 and 04.11.2022	Not Paid		-	Not Eligible

**THOSE WHO CONTINUE IN SERVICE AFTER 01.09.2014 AND WHO
JOINED SERVICE ON OR AFTER 01.09.2014**

Joined before 01.09.2014 and continue in service	PAID	Never opted	Option can be given within 4 months (Before 04.04.2023)	Eligible
Joined before 01.09.2014 and continue in service	PAID	Exercised option between 01.09.2014 and 04.11.2022	Rejected / not responder by EPFO	Eligible
Joined before 01.09.2014 and continue in service	NOT PAID	Never opted		Not Eligible
Joined on or after 01.09.2014 on basic wages of Rs. 15000/- or above	Not eligible for EPS Membership	No Option		Not Eligible

WHO IS NOT ENTITLED TO HIGHER PENSION?

Those Employees whose PF Contribution were deducted on ceiling limit (Rs.6500/-) or on the Restricted PF

New Employee who joined his services on 01.09.2014, and thereafter.

Excluded Employee who is defined under paragraph 2(f) of the Scheme,1952. However, EPF can be deducted subject to compliance as per paragraph 26(6) of the Scheme,1952 but not entitled Pension.

Existing Employee / Retired Employee who does not file his / her joint option on or before 03rd May 2023

CURRENT STATUS

EPFO has extended the application filing timeline till 3rd May 2023

The URL Link is <https://unifiedportal-mem.epfindia.gov.in/memberInterfacePohw/>

The link includes 2 subcategories, employees who retired prior to 01.09.2014 and exercised the Joint option can apply using the Pension Payment Order (PPO) link,

Employees who were in service prior to 01.09.2014 and existing employees but could not exercise the Joint option can apply using the Universal Account Number (UAN) Link.

INSTRUCTIONS FOR UAN BASED:

Employees are required to have the Para 26(6) permission letter.**

EPF Passbook as evidence to prove Higher PF is contributed by the employee. The available balance will be verified by the EPFO body to transfer the Employer PF into Employees' Pension Scheme Account.

In case of insufficient balance or the PF Account is closed then the employee is required to issue an undertaking to deposit the contributions along with the interest due through his/her last employer and this undertaking is to be attached for the applicable cases.

The documents to be uploaded only in PDF upto the size of 250 KB.

The 9 conditions specified by the EPFO body to be accepted by the employees.

INSTRUCTIONS FOR UAN BASED:

The application has Save option & Submit option. Once submitted acknowledgment no gets generated.

Employer DSC/Esign will be done once the application is visible in the portal for e- sign

Any grievance by the applicant can be registered on www.epfigms.gov.in website and directly contact RPFC

** If Para 26(6) permission letter is not available, then the enclosed Joint Declaration to be issued for the interested employees on the Company Letter head for filing to the PF office & the dept may take around 30-45 days to issue the Permission order. Considering the strict timelines, the JDs to be filed at the earliest.

WHAT SHOULD EMPLOYEES BE AWARE OF

Due to the removal of contribution from A/c No 1 ER PF to A/c No 10 Pension account, the interest earned by the employee on A/c No 1 ER portion is likely to be recovered by EPFO

The employees must be aware that their PF A/c No 1 will see a depletion towards the transfer of Funds to Pension A/c No 10 due to opting of Higher Pension scheme. A higher pension contribution reduces the EPF lumpsum corpus that you get on retirement.

Unlike the PF, the EPS is not an employee-specific corpus. In simple words, Employee EPF contribution is set aside in specially- made corpus for the employees. At retirement, that corpus is employees'; it can be withdrawn with principal plus interest earned over the years. On the contrary, the EPS is not a corpus. The EPFO will pay regular pension, out of the kitty built through EPS contributions over the years, till the employee lives. After employee dies, their spouse gets 50 percent of the eligible pension. If both employee and spouse die, their children get pension equal to 25 per cent of the amount payable till they reach 25 years of age.

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Once opted to Higher pension, employees cannot go back to restricted Pension option

Pension account do not earn any interest. By moving 8.33% of funds into Pension, this portion will not qualify for any interest This will also end the benefit of compound interest on the employees PF account.

The EPF maturity amount is tax-free, if you are in the continuous service of more than five years. Employees are subject to taxation on their monthly pensions and lump sum pensions.

Higher pension attracts additional 1.16% contribution which was paid by Central Govt till Sep 2014. If employee opts for Higher pension, then effective from Sep 2014 to May 2023, this additional contribution of 1.16% to be borne by the employee over & above.

IMPORTANT NOTE

PURELY EMPLOYEE'S VOLUNTARY SCHEME

the employees who intend to go for higher pension can apply for this and it is not mandatory

EMPLOYER HAS NO OBLIGATION TO ENROL EMPLOYEES UNDER THE HIGHER PENSION SCHEME

its only on the basis of the approval provided by RPFC on the basis of employees who have applied for higher scheme

THERE IS NO FINANCIAL IMPLICATION ON EMPLOYER FOR AFTER THE HIGHER PENSION SCHEME IS APPROVED FOR EMPLOYEES

The total contribution shall be the same and only the contribution to be allotted to the respective EPF/ EPS as per the revised calculation. The employees must be aware that their PF A/c No 1 will see a depletion towards the transfer of Funds to Pension A/c No 10 due to opting of Higher Pension scheme. A higher pension contribution reduces the EPF lumpsum corpus that an employee receives on retirement.

IMPORTANT NOTE (CONTINUED)

THE INDIVIDUAL EMPLOYEE MUST DO THEIR PROPER COST-BENEFIT ANALYSIS BEFORE OPTING FOR THIS SCHEME.

For those opting for higher pension in EPS will be that they will not get the option of early retirement. The benefit of EPS scheme is available only when the employee has retired after working till the age of 58 years or has completed 10 years of service.

THE COMPANY WILL HAVE TO CALCULATE PENSION CONTRIBUTION AS 8.33% ON THE ACTUAL BASIS FOR THE
active employees only from the prospective month on which the RPFC has approved the Higher Pension

IMPORTANT NOTE (CONTINUED)

EMPLOYEES MUST BE AWARE THAT THE CENTRAL GOVT. IS EMPOWERED TO AMEND THE SCHEME AS IT MAY DEEM FIT IN THE FUTURE, THIS IS PART OF THE 9-POINTER DECLARATION IN THE ONLINE PROCESS.

Employees working at the current establishment that offers PF remittance on higher wages, who in future move to an establishment that follows PF remittance on restricted PF, the average 60 months pension wage from the exit will be calculated resulting in lesser average wages, hence employees need to consider this risk factor as well.

PENSION CALCULATION FORMULA

EXAMPLE FOR 20 YEARS SERVICE FOR 1 LAKH WAGES

Pension= Pensionable Salary (average of preceding 60 months) * Service Period / 70

Eg: Current EPS = $15000 \times 20 / 70 = 4286/-$ pm

Eg: Higher EPS = $100000 \times 20 / 70 = 28572/-$ pm

F A Q S

Can those employees that retired before 01.09.2014 opt now?

Those who retired before 01.09.2014 can opt now if they had opted for higher pension during their service period and such options were rejected by EPFO

For employees that retired on or after 01.09.2014, are they eligible to opt now?

Those who retired on or after 01.09.2014 can opt now if they were contributing to EPF on actual salary and did not opt for higher pension before 01.09.2014

Can employees currently working opt now?

If the member joined before 01.09.2014, and continuing now, can opt if the conditions in Answer 2 are satisfied.

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Are employees that joined after 01.09,2014 eligible to opt now?

Not eligible

What is para 26(6) of EPF?

Paragraph 26(6) of EPF is the provision by which a member can opt to contribute towards EPF on more than the statutory limit. For this the member and Employer have to submit an application in writing jointly which in turns will be approved by an Officer not less than the rank of APFC

Is paragraph 26(6) compulsory to opt now?

Yes. Higher pension option can be submitted only if a member is contributing towards EPF on his actual salary by exercising option under para 26(6) from the date on which the salary exceeded the statutory limit

What is para 11(3) of EPS 1995?

Para 11(3) of pre-amended EPS 1995 provides for submitting option to contribute towards Pension Scheme on actual salary from 16.11.1995 or from the day the salary exceeded the statutory limit whichever is later by submitting a joint option with Employer.

What is para 11(4) of EPS 1995?

The paragraph 11(3) has been deleted with effect from 01.09.2014 on amendment of EPS 1995. However, a chance to continue the options already exercised under para 11(3) has been provided in para 11(4). As per this paragraph, those who had already opted under para 11(3) can renew their option by giving a joint option with the Employer within six months from 01.09.2014 and within another six months extended by the RPFC.

If a member who had opted under para 11(3) did not renew his option under 11(4) within 1 year, can they opt now?

No. As his option has been cancelled by his own inaction, he cannot renew his option now.

In a nutshell, who can opt now?

By summarising the above, the following members can opt now.

- (i) Those who left before 01.09.2014 and opted during their service but rejected by EPFO.
- (ii) Those who are in service on or after 01.09.2014 and if they are contributing to EPF on actual salary but not opted for a higher pension.
- (iii) Those who have taken the Para 26(6) permission letter from EPFO.

F A Q S

Who are not eligible for the higher pension option?

- (i) Those who left before 01.09.2014 without exercising any option
- (ii) Those who are contributing towards EPF on statutory limit.
- (iii) Those who were exercised option under 11(3) but not renewed within one year under 11(4)
- (iv) Those who joined after 01.09.2014

Is Para 26(6) Permission Letter mandatory?

Yes. Towards filing the Higher Pension application, Para 26(6) JD approved by the RPFC is mandatory.

THANK YOU

UNITED CONSULTANCY SERVICES

2023