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# THE PENSION CONUNDRUM: ON THE EPFO RESOURCE BASE

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Union Minister for Labour and Employment Bhupender Yadav seems to have little to say on the issue of the Employees' Provident Fund Organisation (EPFO) allowing sections of subscribers and pensioners to opt for higher pension under the Employees' Pension Scheme (EPS), 1995. With the four-month period fixed by the Supreme Court in November last year set to lapse soon for those who were in service as on September 1, 2014 to exercise the option, his observation that the Court's directions, which have "legal, financial, actuarial and logistical implications", are under examination, has not been reassuring. The issue of allowing higher pension — pension proposed in the event of employers making 12% mandatory PF contributions on employees' actual pay that exceeds the statutory ceiling — has been bothering the PF establishment almost from the start. Adopting actuarial principles for ensuring long-term financial viability, the Pension Scheme is funded by the transfer of 8.33 percentage points out of the 12% PF contributions by employers coupled with the central government's contribution of 1.16% of the monthly wages that do not go beyond 15,000. Opposition to the higher pension is around the projected actuarial deficit in the valuation of PF, lower returns on investments and increasing pensioner longevity. The EPFO top brass feels that higher pension may deplete the resource base in no time. The PF establishment has every reason to feel concerned but what has not helped its case is the proviso — paragraph 11 (3) of the pre-amended rules of the EPS — allowing for such requests to be entertained.

Even in September 2014, when the proviso was removed and amendments made to the EPS's rules, the concept of higher pension was not abolished. Instead, the amendments provided 12 months for employees and employers to exercise the joint option. This is why sections of pensioners are justified in their demand for higher pension, as their employers had, during their service period, made contributions on their actual pay which had exceeded the statutory ceiling. But, the authorities, while providing an online option for pre-2014 retirees to exercise the option, have sought to mirror the conditions in Himachal Pradesh Tourism Development Corporation (a battle for higher pension that began over 15 years ago). Such an approach goes against the spirit of the Court's 2022 judgment, which was based on the 2016 verdict of the Court, as the two judgments are for eligible pensioners to reap the benefit. What has added injury to insult is the EPFO's circular (January) re-opening the cases of higher pension after 2016, and initiating recovery proceedings. The government and the EPFO must explain to the stakeholders the genuine difficulties in implementing the Court's directions. Bureaucratic shortsightedness and compliance difficulties around simplistic legal directives have raised hopes as well as triggered anxieties among pensioners and those nearing retirement.

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