Source : www.thehindu.com Date : 2023-02-22

WAITING TO RUSH: ON EPFO GUIDELINES ON HIGHER PF PENSION SCHEME

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February 22, 2023 12:10 am | Updated 08:42 am IST

The Employees' Provident Fund Organisation (EPFO) has not acquitted itself well by issuing a circular on higher PF pension at the fag end of the four-month period the Supreme Court had allowed in its November 2022 judgment. This time period was given to members of the Employees' Pension Scheme (EPS) of 1995 who were in service as on September 1, 2014 and whose employers had made PF contributions in excess of the statutory ceiling, which was 5,000 (up to May 31, 2001) and 6,500 (up to August 31, 2014). But, the EPFO took its own time. The Court, using 'discretionary powers', under Article 142 of the Constitution, had granted these members the four months, which it called a "further chance," as two opportunities had been provided in the 2014 amendment of the EPS. The Court's rationale was that it found uncertainty as regards the validity of the amendment (quashed by three High Courts), and that the authorities' interpretation of the cut-off date had come in the way of eligible employees exercising the option within a maximum period of one year (as stipulated in the amended scheme). Unfortunately, the latest circular is not comprehensive. Eligible employees would need additional circulars to be issued before they can make their decision. And, all this needs to be done on or before March 3 — the Court's deadline. A member's expression of consent involves their willingness to allow the transfer of money in the member's individual PF account, to the Pension Fund, which is a pooled fund. Such a decision cannot be taken in a hurry as such a transfer would mean hiving off a substantial portion of lifetime savings.

Besides, the number of prospective applicants is likely to be high, as the Court's judgment made it clear that the amended pension scheme would apply to employees of exempted establishments too — as in the case of regular establishments. Under such circumstances, a flood of submissions, online or offline, is inevitable, disrupting the normal workload of the PF authorities. The circular has also not taken into account factors in the backdrop of the COVID-19 pandemic. Some employers, having suffered a severe fund crunch, have restricted their contributions to the statutory ceiling even though, till the outbreak of the pandemic, they had, like many others, been making their contributions in excess of the statutory ceiling. The EPFO has to shed light on how it will compute pension for such employees. It would not be out of place to suggest that the time period be extended. Nevertheless, with the EPFO having to comply with the Court order, it should expedite issuing all its guidelines with clear illustrations on higher PF pension.

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