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THE OLD AND THE NEW: THE HINDU EDITORIAL ON THE DEMAND FOR THE OLD PENSION SCHEME

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The Union Finance Ministry’s reiteration in the Rajya Sabha recently, of the legal position, i.e., the absence of any provision to allow the accumulated corpus of members of the National Pension System (NPS) to be “refunded and deposited back” to States, should have a deterrent effect on those States contemplating a return to the Old Pension Scheme (OPS). The Ministry’s stand reflects what the Pension Fund Regulatory and Development Authority (PFRDA) Act, 2013, the PFRDA (Exits and Withdrawals under the National Pension System) Regulations, 2015, and other regulations say. The Centre has also been making it clear, for the right reasons, that it is not considering any proposal to restore the OPS. As experts and the Reserve Bank of India (RBI) point out, the annual saving in fiscal resources that a reversion to the OPS entails is short-lived. The potential fiscal benefit would be overtaken by the huge liability later in the form of pension payment. The former RBI Governor, D. Subbarao, even called the idea “regressive”, with more privilege for government servants than the public, many of whom have no social safety net.

However, the issue refuses to die down, as government employees or those in government-controlled enterprises have been fighting for it. Be it Maharashtra, Uttar Pradesh or Karnataka, staff have struck work, demanding, among others, the re-introduction of the OPS. But their concern about the uncertainty over the amount of pension under the NPS is genuine as they are justified in aspiring for a quality retired life. The NPS, despite being PFRDA regulated, is a market-linked and defined contribution product, while the OPS is a defined benefit pension scheme, where beneficiaries generally get 50% of their final salary, and the whole cost is borne by the government. So, the flat rejection of the demand for the OPS would only exacerbate the situation. It is time that the Centre formulated a scheme that combines features of the old and the new. While retaining the element of employees’ contribution, the scheme can have higher contributions by the government, which should also step in if the returns do not ensure the prescribed minimum pension amount. A proposal by Andhra Pradesh last year deserves attention. Holding on to the contributory character of the NPS, the proposal guarantees 33% of basic pay. If required, it can be improved upon to suit the requirements of other States too. Better health facilities that include a liberal insurance scheme can be considered. On their part, the employees should be both pragmatic and willing to resolve the issue.

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