

**GOVERNMENT OF INDIA  
LABOUR AND EMPLOYMENT  
LOK SABHA**

STARRED QUESTION NO:426  
ANSWERED ON:03.08.2009  
EMPLOYEES PENSION SCHEME  
Dhanaplan Shri K. P.

**Will the Minister of LABOUR AND EMPLOYMENT be pleased to state:**

- (a) whether the Government has received any representations/complaints/suggestions regarding the effectiveness of the Employees' Pension Scheme (EPS), 1995 in the recent past;
- (b) if so, the details thereof and the reaction of the Government thereto; and
- (c) the steps being taken by the Government to improve the quality of social security and benefits to the beneficiaries?

**Answer**

MINISTER OF LABOUR AND EMPLOYMENT (SHRI MALLIKARJUN KHARGE)

(a) to (c): A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (c) OF LOK SABHA STARRED QUESTION NO. 426 FOR 03.08.2009 BY SHRI K. P. DHANAPALAN REGARDING EMPLOYEES' PENSION SCHEME

(a) to (c): The suggestions/representations/complaints received on Employees' Pension Scheme, 1995 primarily cover the following areas:

- # Increase in the rates of contribution of employers and Central Government towards Employees' Pension Scheme, 1995.
- # Grant of additional relief regularly.
- # Increase in the maximum salary limit beyond Rs.6,500/-.
- # Pension at par with employees under the Central Government.
- # Restoration of provisions of commutation and return of capital.
- # Dearness allowance to pensioners under Employees' Pension Scheme, 1995 to be linked with the cost of living index.

The Employees' Pension Scheme, 1995 which came into effect from 16th November, 1995 replacing the erstwhile Employees Family Pension Scheme, 1971, has been designed as a "defined contribution, defined benefit social insurance scheme" formulated following actuarial principles for ensuring long term financial viability. The Scheme aims at providing for economic sustenance during old age and survivorship coverage to the member and his family in the form of monthly benefits for superannuation/retirement, for disability and for spouse widow(er), children.

The benefits under the Scheme are reviewed and amended from time to time based on actuarial valuations of the Scheme so as to ensure that it is not only sustainable but also meets the aspirations of the members. Paragraph 32 of the Scheme provides for annual valuation. So far, nine valuations have been carried out. As the first four valuations showed a surplus upto the year 2000, relief was declared by the Central Government @ 4%, 5.5%, 4% and 4% during the period from 1996 to 2000. However from the year 2001 onwards the valuations had showed a continuous deficit and as per the 9th valuation the deficit had increased to Rs.22,659 crores.

The increasing actuarial deficit arising due to high withdrawal rate, generous benefits, higher life expectancy, falling interest rates and raising the wage ceiling from Rs.5,000/- to Rs.6,500/- compelled the Government to make some reforms in the Scheme for maintaining the viability of the Scheme. In order to wipe out the actuarial deficit in the Pension Fund, the Government has carried out the following amendments in the Scheme:

- (i) Factors of Table 'B' (factor for computation of past service benefit under ceased Family Pension Scheme for existing members on exit from the employment) and Table 'D' (return of contribution on exit from the employment) have been revised.
- (ii) Reduction factor in case of early pension under paragraph 12(7) has been changed from 3 to 4 per cent.
- (iii) Paragraph 12A which provides for option for 'Commutation of Pension' and paragraph 13 which provides for 'Return of Capital'

have been deleted.

These measures, at present, are sufficient to wipe out the deficit in the Pension Fund under Employees' Pension Scheme, 1995, and sustained the Scheme.

However, in order to address the suggestions and representations, the entire Scheme is under constant review.

To improve the quality of service and social security benefits under Employees' Provident Fund Organisation, a computerisation project has been started which will enable the time taken to settle claims to be brought down substantially, improve compliance and provide service on 'any-time any-where' basis.