

Select Central government employees can opt for Old Pension Scheme

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Why in News?

- In a major move, a select group of central government employees have been given a one-time option to opt for old pension scheme.
- The employees who joined the central government services against posts advertised or notified before December 22, 2003, the day National Pension System (NPS) was notified, are eligible to join the old pension scheme.

What is the Old Pension Scheme (OPS)?

- OPS offers pensions to government employees on the basis of their last drawn salary. **50% of the last drawn salary.**
- The attraction of the Old Pension Scheme lay in its promise of an assured or 'defined' benefit to the retiree. It was hence described as a '**Defined Benefit Scheme**'.
- E.g., if a government employee's basic monthly salary at the time of retirement was Rs 10,000, she would be assured of a pension of Rs 5,000.
- Also, like the salaries of government employees, the monthly pay-outs of pensioners also increased with hikes in dearness allowance or DA announced by the government for serving employees.
- The OPS was discontinued by the Central government in 2003.

What were the concerns with the OPS?

- The main problem was that the pension liability remained unfunded — that is, **there was no corpus specifically for pension**, which would grow continuously and could be dipped into for payments.
- The Government of India budget provided for pensions every year; there was no clear plan on how to pay year after year in the future.
- The 'pay-as-you-go' scheme created **inter-generational equity issues** — meaning the present generation had to bear the continuously rising burden of pensioners.

What is New Pension Scheme (NPS)?

- **About**
 - As a substitute of OPS, the NPS was introduced by the Central government in **April, 2004**.
 - This pension programme is open to employees from the **public, private** and even the **unorganised sectors** except those from the armed forces.
 - The scheme encourages people to invest in a pension account at regular intervals during the course of their employment.
 - After retirement, the subscribers can take out a certain percentage of the corpus.
 - The beneficiary receives the remaining amount as a monthly pension, post retirement.
- **Nodal agency:** Pension Fund Regulatory and Development Authority (PFRDA)

- **Eligibility:**
 - Any Indian citizen between 18 and 60 years can join NPS.
 - NRIs (Non-Residential Indians) are also eligible to apply for NPS.
- **Permanent Retirement Account Number (PRAN):**
 - Every NPS subscriber is issued a card with 12-digit unique number called Permanent Retirement Account Number or PRAN.

What is the Difference between NPS and OPS?

Image caption: OPS Vs NPS

- The Old Pension Scheme is a pension-oriented scheme. It offers regular pensions to employees during retirement. The pension amount is 50% of the last drawn salary by the employee.
 - Thus, in OPS, **the pension amount is constant.**
- On the other hand, the National Pension Scheme is an investment cum pension scheme.
- NPS contributions are invested in market-linked securities, i.e., equity and debt instruments.
 - Therefore, **NPS doesn't guarantee returns.**
- However, the investments, in NPS, are volatile and hence have the potential to generate significant returns.

News Summary: Select Central government employees can opt for Old Pension Scheme

- In a significant decision, the government has decided to give a one-time option to select Central government employees to migrate to the Old Pension Scheme (OPS).

Key highlights of the decision

- The option is available to the Central government employees enrolled under the NPS as they joined the service on or after January 1, 2004, the day the NPS came into effect, even though such posts were advertised before December 22, 2003.
- The employees have time till August 31 to opt for the OPS.
- The order will be applicable to Central Armed Police Force (CAPF) personnel and other Central government employees who joined the services in 2004 as the recruitment process was delayed due to administrative reasons.
- The employees' contribution to the NPS will be credited to the General Provident Fund (GPF) of the individual.

Why government passed this order?

- There were hundreds of litigations in courts across the country, the government did not win a single case.
 - Through court orders individual officials were getting benefit. Hence, the government decided to issue general instructions for the benefit of all eligible officials.
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Q1) What is Permanent Retirement Account Number (PRAN)?

Permanent Retirement Account Number (PRAN) is a unique identification number that is assigned to individuals who subscribe to the National Pension System (NPS) in India. It is a 12-digit number that serves as a permanent record of the subscriber's retirement account and can be used throughout their lifetime.

Q2) What is Pension Fund Regulatory and Development Authority (PFRDA)?

PFRDA is a statutory body established by the Indian government in 2003, under the Pension Fund Regulatory and Development Authority Act, 2013. PFRDA is responsible for regulating, promoting and ensuring the orderly growth of the National Pension System (NPS) and other pension schemes in India. The authority is mandated to protect the interests of subscribers to the NPS, develop and promote pension products, and encourage the development of a pension industry in India.

Source: [Select Central government employees can opt for Old Pension Scheme](#) | [Times of India](#)

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