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Bringing back Old Pension Scheme - Government Employees demand.

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In News: Union Govt Employees Want Old Pension Scheme Restored

Why Important?

Many states are demanding to restore the Old Pension Scheme and roll back the National Pension System (NPS).

- Rajasthan has said it will bring back the old pension scheme in the state from the next financial year, and Chhattisgarh is expected to follow suit.
- Governments of Kerala, Andhra Pradesh, and Assam have also formed committees regarding the old pension scheme.

What is the Old Pension Scheme?

- The scheme assures life-long income, post-retirement.
- Under the old scheme, employees get a pension under a pre-determined formula which is equivalent to 50% of the last drawn salary. They also get the benefit of the revision of Dearness Relief (DR), twice a year. The pay-out is fixed and there was no deduction from the salary. Moreover, under the OPS, there was the provision of the General Provident Fund (GPF).
- GPF is available only for all the government employees in India. Basically, it allows all the government employees to contribute a certain percentage of their salary to the GPF. And the total amount that is accumulated throughout the employment term is paid to the employee at the time of retirement.
- The Government bears the expenditure incurred on the pension. The scheme was discontinued in 2004.

What are all the main concern?

- 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 OPS was also unsustainable. For one, pension liabilities would keep climbing since pensioners' benefits increased every year, like salaries of existing employees, pensioners gained from indexation, or what is called 'dearness relief'.

What are all the steps taken to address the concern?

- In 1998, the Union Ministry of Social Justice and Empowerment commissioned a report for an Old Age Social and Income Security (OASIS) project. An expert committee submitted the report in January 2000.
- The primary objective of OASIS was targeted at unorganised sector workers who had no old age income security.
- The OASIS report recommended individuals could invest in three types of funds — safe, balanced, and growth — to be floated by six fund managers. The balance would be invested in corporate bonds or government securities. Individuals would have unique retirement accounts, and would be required to invest at least Rs 500 a year.

- The OASIS report became the basis for the New Pension Scheme, which was notified in December 2003.

What is the National Pension System?

- The Central Government introduced the National Pension System (NPS) with effect from January 2004 (except for armed forces).
- In 2018-19, to streamline the NPS and make it more attractive, the Union Cabinet approved changes in the scheme to benefit central government employees covered under NPS.
- On introduction of NPS, the Central Civil Services (Pension) Rules, 1972 was amended.
- After retirement they can withdraw a part of the pension amount in a lump sum and use the rest to buy an annuity for a regular income.
- NPS is being implemented and regulated by PFRDA (Pension Fund Regulatory and Development Authority) in the country. National Pension System Trust (NPST) established by PFRDA is the registered owner of all assets under NPS.

What is PFRDA?

- It is the statutory Authority established by an enactment of the Parliament, to regulate, promote and ensure orderly growth of the National Pension System (NPS).
- It works under the Department of Financial Services under the Ministry of Finance.
- It performs the function of appointing various intermediate agencies like Pension Fund Managers, Central Record Keeping Agency (CRA) etc.

What are the Issues with NPS?

- Unlike OPS, the NPS requires employees to deposit 10% of the basic pay, along with the dearness allowance.
- There is no GPF advantage and the amount of pension is not fixed.
- The major issue with the scheme is that it is market-linked and return-based. In simple terms, the payout is uncertain.