

Pension System of India

Pension is old age security. Presently organized sector had a pension system in place, but recently there are many schemes were launched to address the unorganized sector of the society.

What are the various schemes for the pension of various sectors of society?

- Old pension System
- National pension system
- Employees Pension Scheme (EPS)
- Atal pension system
- Pradhan Mantri Kisan Maan Dhan Yojana
- National Social Assistance Programme (NSAP)
- Pradhan Mantri Vaya Vandana Yojana (PMVVY)
- Donate a Pension' Scheme
- Pradhan Mantri Shram Yogi Maan-dhan (PM-SYM) Yojana
- Pradhan Mantri Laghu Vyapari Maan Dhaan Yojana

Now let's see the important facts about the schemes

Old Pension System

In recent times its in news because many state governments have reverted to old pension system. It is to be noted that the governments of five states -- Rajasthan, Chhattisgarh, Jharkhand, Punjab, and Himachal Pradesh -- have informed the Centre about their decision to revert to the old pension scheme It was discontinued in 2004, however, it guaranteed life-long income after retirement. Typically, the insured amount is equal to 50% of the most recently drawn salary. The expenditure incurred on the pension is borne by the government.

National Pension scheme:

It was launched in 2004 for government employees. However, in 2009, it was opened to all sections.

It is a government-sponsored pension scheme

The Pension Fund Regulatory and Development Authority(PFRDA) implements and regulates this scheme NPS can be subscribed to by any Indian citizen (resident/non-resident/overseas) aged between 18-70 years on a voluntary basis.

The National Securities Depository Limited (NSDL) is acting as the Central Record keeper for the NPS

The subscriber will be allotted a unique PRAN which is portable and can be used from any location in India

Following are the major differences between the Old Pension System and NPS:

Table: 1.1

Description	Old Pension System	NPS (Tier-I)
Contribution of employee	Nil	10% of (Basic pay plus DA)
Pension guarantee by Government	Yes	No
Amount of pension	50% of last pay drawn	No link with last pay
Dearness Relief provided by Government for mitigating impact of inflation	Yes	No
Amount of commutation allowed	Upto 40%	No option
GPF eligibility	Yes	No
GPF/NPS withdrawal	Temporary: within 15 years Final: after 15 years	Tier-I : Not allowed till May 2015 ³

Employees Pension Scheme (EPS)

It is a social security scheme that was launched in 1995 by the EPFO (Employee Provident Fund Organization).

It makes provisions for pensions for the employees in the organized sector after retirement at the age of 58 years.

The benefits of the scheme can be availed only if the employee has provided a service for at least 10 years. A minimum pension of Rs. 1000/- per month to the member/disabled/widow/widower/ parent/nominee pensioners and Rs. 250/- per month for children pensioners and Rs. 750/- per month to orphan pensioners.

Contribution to EPS: An employee contributes 12% of his/her pay towards the EPF account. A matching contribution is also made by the employer. 8.33% of the employee's pay is remitted by the employer to EPS. The Central Government also contributes at the rate of 1.16 percent of the pay of the members to the Employees' Pension Scheme.

Atal pension system

It was launched in 2015

To address the longevity risks among the workers in unorganized sector and to encourage the workers in unorganized sector to voluntarily save for their retirement

Eligibility Criteria

It is open to all bank account holders aged between 18-40 years.

The focus will be on unorganized sector workers.

Should make contributions for a minimum of 20 years.

Implementing Agency: Pension Fund Regulatory and Development Authority (PFRDA) through National Pension System (NPS) architecture Additional Information.

Note: The existing subscribers of the Swavalamban Scheme would be automatically migrated to APY unless they opt-out.

Pradhan Mantri Kisan Maan Dhan Yojana

It was launched in 2019

The scheme meant for old age protection and social security of Small and Marginal Farmers

Eligibility Criteria

Only for Small and Marginal Farmers (SMFs)

Entry age between 18 to 40 years

Cultivable land up to 2 hectares as per land records of the concerned State/UT

It is a Central Sector Scheme.

A fixed pension of Rs 3000 will be provided to all eligible SMFs.

It is a voluntary and contribution-based pension scheme.

Farmers will have to contribute an amount between Rs 55 to Rs 200 per month to the Pension Fund till they reach the retirement date i.e., the age of 60 years

National Social Assistance Programme (NSAP)

Launch Year: 1995

Aim To provide financial assistance to the elderly, widows, and persons with disabilities in the form of social pensions. The beneficiary must be from the BPL category

It is a Centrally Sponsored Scheme.

It is being implemented in rural as well as urban areas.

There are five different schemes being implemented as a part of NSAP.

Indira Gandhi National Old Age Pension Scheme (IGNOAPS):

Monthly pension of Rs 200 for Age- 60- 79 people from BPL, RS 500 For 80 and above

Indira Gandhi National Widow Pension Scheme (IGNWPS):

Monthly pension of Rs 300 to age 40 to 79 widows of BPL category, Rs 500 for age 80 and above

Indira Gandhi National Disability Pension Scheme (IGNDPS):

Any disabled person whose age is more than 18 years, and with a 40% disability belonging to the poverty line can apply for this scheme. A sum of Rs. 300 is paid as a pension for people up to the age of 79 and a sum of Rs. 500 is applicable for people above 79 years.

National Family Benefit Scheme (NFBS):

provides one-time lump sum cash assistance of Rs. 20,000 to families living below the poverty line on the death of the primary bread-earner between the age group of 18-59. The objective of the scheme is to ensure social security for the households living below the poverty line.

Annapurna:

Under this scheme, 10 Kg of food grains are distributed per month free of cost to destitute above the age of 65 years with no or meager subsistence.

Pradhan Mantri Vaya Vandana Yojana (PMVVY):

The launch year is 2017

Pension Scheme announced by the Government of India exclusively for the senior citizens aged 60 years and above which was available. The scheme is now extended up to 31st March 2023 for a further period of three years beyond 31st March 2020.

Eligibility criteria:

Minimum Entry Age: 60 years (completed)

Maximum Entry Age: No limit

Policy Term: 10 years

Investment limit: Rs 15 lakh per senior citizen

Minimum Pension: Rs. 1,000/- per month

Maximum Pension: Rs. 9,250/- per month

Pradhan Mantri Shram Yogi Maan-dhan (PM-SYM) Yojana

Launch year: 2019

PM-SYM is a Central Sector Scheme administered by the Ministry of Labour and Employment and implemented through the Life Insurance Corporation of India and Community Service Centers (CSCs). LIC will be the Pension Fund Manager and responsible for Pension payout.

The unorganized workers (home-based workers, street vendors, mid-day meal workers, head loaders, landless laborers, and similar other occupations) whose monthly income is Rs 15,000/ per month or less.

The Subscriber: entry age group of 18-40 years.

The subscriber will be required to have a mobile phone, savings bank account, and Aadhaar number.

They should not be covered under New Pension Scheme (NPS), the Employees' State Insurance Corporation (ESIC) scheme, or the Employees' Provident Fund Organisation (EPFO).

He/She should not be an income taxpayer.

Minimum Assured Pension: Each subscriber shall receive a minimum assured pension of Rs 3000/- per month after attaining the age of 60 years.

Donate a Pension' Scheme

The launch year is 2022

Is to extend the benefits of the Pradhan Mantri Shram Yogi Maan-Dhan (PM-SYM) pension scheme to the unorganized workers, the Government has taken the Donate-a-Pension initiative

The donation amount for a year amounts to a minimum of Rs. 660/ and a maximum of up to Rs 2400/- depending on the age of the beneficiary. The people/employers can donate on <https://maandhan.in/> or by visiting the nearest Common Service Centre.

Pradhan Mantri Laghu Vyapari Maan Dhaan Yojana

Launch year : 2019

It is a voluntary and contribution-based central sector scheme.

The government launched the scheme, entailing a monthly minimum assured pension of ₹3,000 for the entry age group of 18-40 years after attaining the age of 60 years

Under the scheme, the government makes matching contributions to the subscribers' accounts.

The scheme is based on self-declaration as no documents are required except a bank account and Aadhaar Card.

Eligibility:

All small shopkeepers, self-employed persons and retail traders aged between 18-40 years and with Goods and Service Tax (GST) turnover below Rs.1.5 crore can enroll in the pension scheme.

To be eligible, the applicants should not be covered under the National Pension Scheme, Employees' State Insurance Scheme, and the Employees' Provident Fund or be an Income Tax assessee.

Multiple Choice question

Q1. Ram, (35 years old, earning 12000 per month) is working in a tea stall where 5 more people work. Ram is thinking to secure his old age by taking a pension scheme. Which scheme he can enroll in?

1. Atal Pension Scheme
2. National Pension Scheme
3. Employee Pension Scheme

- (a) 1,2
(b) 2,3
(c) 1,3
(d) 1,2,3

Ans. (d)

Ram can enroll in both 1,2 but in 3 he can enroll with joint declaration of its employer. There is a voluntary contribution under EPFO. If his employer doesnot agree than he cannot.

Q2. Arrange the various schemes in chronological order:

1. National Pension Scheme
2. Donate A pension scheme
3. Atal Pension Scheme
4. National Social Assistance Programme (NSAP)

- (a) 1,2,3,4
(b) 4,1,3,2
(c) 1,4,3,2
(d) 1,4,2,3

Ans: (b). explanation in notes

Q3. What is the minimum assured pension under Pradhan Mantri Laghu Vyapari Maan Dhaan Yojana?

- (a) 1000
(b) 2000
(c) 3000
(d) 5000

Ans: (c)