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EPFO Higher Pension: Additional Burden of ₹1.1 Lakh Crore for 4.45 Lakh Applicants

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Exam relevance: General Studies III (economy, social security), Mains; Prelims: EPFO, EPS-95, social security schemes



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What is the news

The EPFO has informed the Central Board of Trustees (CBT) that implementing the Supreme Court's judgment on pension on higher wages may cost it an additional ₹1.109 lakh crore. The estimate assumes 100 per cent approval of the roughly 4.454 lakh applications to which demand letters have been issued.

Background: the higher pension question

- Under the Employees' Pension Scheme (EPS), 1995, a part of the employer's contribution (8.33 per cent of wages) goes into the pension fund.
- The original scheme fixed a ceiling on pensionable salary; after a 2014 amendment, the option of pension on higher wages was restricted.
- In 2022, the Supreme Court allowed eligible employees to exercise a joint option for pension on actual (higher) wages, after which the EPFO invited applications.

Key figures (position as on 13 November 2026)

- A total of 17.49 lakh applications were received; of these, 2.24 lakh were not forwarded by employers by the last date of 31 January 2025.
- Around 15.24 lakh applications reached the EPFO, of which 99.2 per cent have been disposed of.
- Demand letters have been issued to 4,45,471 applicants.
- 80,067 cases were later found ineligible for non-remittance of the demand amount.
- 2,62,102 applicants deposited the demand amount/consent, of these, 1,03,793 are still in service and 1,58,309 have retired.
- 1,53,901 applicants have submitted Form-10D or are already pensioners.
- Pension payment orders (PPOs) have been issued to 1,51,874 applicants; 2,027 PPOs are under finalisation.

Related reading: EPFO 3.0's Proposed Universal Pension

Estimated financial liability

- The total additional liability for 3,15,601 applications is estimated at ₹78,501.42 crore.
- Per-person liability: ₹25.99 lakh for active members and ₹23.14 lakh for pensioners; the overall average across both groups is about ₹24.9 lakh.
- The proportionate additional liability for the 2,62,102 joint-option applicants is about ₹65,263 crore.
- If all 4.454 lakh applications for which demand notices have been issued are approved, the total additional liability would be about ₹1.109 lakh crore.
- The EPFO has cautioned that the figure may rise if more employees become eligible on account of ongoing litigation.

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Way forward

The EPFO has sought directions from the CBT and said that timely issue of PPOs, release of arrears and proper defence of legal cases will be ensured so that there are no adverse legal consequences.

Why it matters for the exam

- Prelims: institutional facts such as EPS-95, PPO, Form-10D and the CBT.
- Mains: financial viability of social security, the balance between judicial intervention and fund management; relevant to both GS-III (economy) and GS-II (welfare state).

Prelims Practice Questions

Question 1. With reference to the Employees' Pension Scheme (EPS), consider the following statements:

Statement 1: Under EPS, 1995, a part of the employer's contribution goes into the pension fund.

Statement 2: Pension payment begins only after a Pension Payment Order (PPO) is issued.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 only

(c) Both 1 and 2

(d) Neither 1 nor 2

▼ **Answer and Explanation**

Correct answer: (c)

Under EPS-95, 8.33 per cent of the employer's contribution goes to the pension fund. A pensioner is paid only after a Pension Payment Order (PPO) is issued; the EPFO has issued PPOs to 1,51,874 applicants.

Question 2. According to the EPFO's communication to the CBT, what is the estimated additional burden if all applications issued demand letters are approved?

(a) About ₹65,263 crore

(b) About ₹78,501 crore

(c) About ₹1.109 lakh crore

(d) About ₹2.24 lakh crore

▼ **Answer and Explanation**

Correct answer: (c)

If 100 per cent of the 4.454 lakh applications with demand notices are approved, the additional liability is estimated at about ₹1.109 lakh crore. The ₹78,501.42 crore figure relates to 3,15,601 applications, and ₹65,263 crore is the proportionate liability for the 2,62,102 applicants who deposited the joint-option amount.

Mains Practice Question

"Social security obligations arising from judicial orders put pressure on the financial stability of pension funds." Critically examine this statement with reference to the EPFO higher pension case. (250 words)

Answer Outline

Introduction:

Brief introduction to the Supreme Court's 2022 judgment and the joint option for pension on higher wages; the EPFO's estimated burden of ₹1.109 lakh crore conveyed to the CBT.

Main Body:

(a) Pensioners' interest: pension on actual wages is the essence of social security; (b) pressure on the fund: average liability of ₹24.9 lakh per person, with possible growth from ongoing litigation; (c) process side: disposal of 99.2 per cent of applications and 80,067 ineligible cases indicate administrative capacity; (d) solutions: contribution-based reform, actuarial valuation, and a framework of government support.

Conclusion:

A balance between the expansion of social security and the long-term stability of the fund is the sustainable solution.

Frequently Asked Questions (FAQ)

What is Form-10D?

It is the form submitted to claim monthly pension under EPS-95; a member files it on retirement or on completing eligibility, and the pension process moves forward on its basis.

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Where does the money in the EPS pension fund come from?

Under the EPS, 1995 rules, 8.33 per cent of the employee's pay out of the employer's contribution goes to the pension fund, and the Central Government also contributes 1.16 per cent of members' pay to the fund. These contributions are payable on a maximum wage ceiling of ₹15,000 per month (higher-wage coverage follows a separate option process).

What is the relationship between the EPFO and the CBT?

The Central Board of Trustees (CBT) is the EPFO's apex decision-making body, with representatives of the central government, state governments, employers and employees; major policy decisions are taken in its meetings.

Sources

- www.thehindu.com
- www.epfindia.gov.in