



KAMARAJ IAS ACADEMY
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Approves Unified Pension Scheme for Government Employees

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Context:

To enhance retirement benefits for government employees, the Union Cabinet on Saturday approved the **Unified Pension Scheme (UPS)**.

- This new scheme is set to **benefit approximately 23 lakh government employees** and will serve as an alternative to the existing National Pension System (NPS).

About:

- One of the most **notable features of the UPS is the assured pension.**
- Employees who have **completed a minimum qualifying service of 25 years** will be **entitled to a pension that is 50% of the average basic pay drawn over the last 12 months prior to superannuation.**
- The UPS also introduces an **assured family pension.** In the unfortunate event of an employee's death, their family will receive a pension at the rate of **60% of the employee's pension**
- A **minimum pension of ₹10,000** for those **who worked for at least 10 years.**
- the UPS includes provisions for **inflation indexation**, which protects against inflation
- This provision ensures a stable and substantial income for retirees.
- Current subscribers to the National Pension System will have the **option to switch to the UPS from the next financial year.**
- The scheme is based on the recommendations of a committee led by **former Finance Secretary and Cabinet Secretary-designate T.V. Somanathan.**
- The **Centre's share towards the scheme was increased from 14% under the NPS to 18.5%**, which will ensure government employees dignity and financial security.
- **Employees** to contribute **10% of their salary.**

Transition from NPS to UPS:

National Pension System (NPS): Originally **implemented for employees joining on or after January 1, 2004**, the NPS linked pension payouts to the accumulated contributions from both the government and employees, invested in market-linked securities.

Switch option: Employees who joined after 2004, including retirees, have the option to switch from NPS to UPS, which is expected to be beneficial for approximately 99% of NPS members.

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