

What is EPS (Employees' Pension Scheme)?

The EPS (EPS full form – Employee pension scheme) is a scheme by the Employee's Provident Fund Organization (EPFO), which aims at social security. This scheme is for the pension of the employees working in the organized sector, after their retirement at 58 years.

The advantages or benefits of this scheme are only to be availed if the employee has served for a minimum of (continuous or non-continuous) 10 years. EPS pension was made available from 1995 and later retained for existing and newly joined EPF employees since.

Eligibility criteria for EPS

To avail the benefits of pension under the Employees' Pension Scheme, your employees should meet the following eligibility conditions. The individual should:

- Be an EPFO member
- Complete 10 years of active service along with equal years of active contribution towards the EPF pension Scheme
- Be 58 years or above
- Have attained at least 50 years of age to withdraw from the EPS pension at a lower rate
- Delay withdrawing the pension for by 2 years, i.e., till he or she is 60 years, to become eligible to get EPS pension at a rate of 4% annually

Different EPS and EPF pension types

As per the EPS pension scheme, an employer can provide different kinds of pensions to the employees. Here are some pension types:

Widow pension

Also known as Vridha pension, wherein, a widow of the deceased EPFO member is eligible for this pension. The pension is paid to the widow until her death or remarriage. In case of more than one widow, the pension value is paid to the oldest widow.

The amount for a monthly payout of the widow pension is calculated according to Table C of the Employees Pension Scheme 1995. As on date, the minimum pension amount has been increased to INR 1,000.

Child pension

Under child pension, If the EPS member is deceased, their surviving children become applicable to receive a monthly pension from the pension contribution in EPF. This is in addition to the widow pension to the deceased's wife. The monthly payouts will be applicable until the child turns 25 years old. The pension can be paid to a maximum of two children and the payable amount is 25% of the widow pension amount.

Orphan pension

If the EPFO member dies and does not have any surviving widow, then his children are entitled to receive a pension under the orphan EPF pension scheme. Under this, the orphan or orphans receive 75% of the widow pension monthly.

Reduced pension

An EPF pension scheme member can withdraw early pension if he or she has attained the age of 50 but is less than 58 years old, and, if they have made an active pension contribution in EPF for 10 years or more. In such cases, the pension value is reduced to a rate of 4% per year until the employee reaches the age of 58 years.

For example: if an EPF pension member, who is 56 years of age, wishes to withdraw reduced pension monthly, then he or she will get the payouts at the rate of 92% of the original pension amount. It is calculated as $100\% - (2 \times 4) = 92\%$.