

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES

LOK SABHA
UNSTARRED QUESTION NO. 3681

ANSWERED ON MONDAY, 24 MARCH, 2025/ CHAITRA 3, 1947 (SAKA)

IMPLEMENTATION OF UNIFIED PENSION SCHEME

†3681. **Shri Dharmendra Yadav**

Will the Minister of Finance be pleased to state:

- (a) the timeline for full implementation of Unified Pension Scheme (UPS) and the manner in which it is likely to impact the existing New Pension Scheme (NPS) Subscribers;
- (b) the likely long-term financial viability for UPS in comparison to NPS for the Government;
- (c) the difference between investment flexibility in NPS and UPS;
- (d) whether the Government has identified the problems of NPS and if so, the details thereof;
and
- (e) whether the UPS will resolve the above problems, if so, the details thereof?

ANSWER

MINISTER OF STATE FOR FINANCE

(SHRI PANKAJ CHAUDHARY)

(a) Unified Pension Scheme (UPS) has been notified by the Government on 24.01.2025, as an option under National Pension System (NPS) with the objective of providing assured monthly payout after retirement to the Central Government employees covered under the NPS. The UPS has been envisaged to address the demand of the employees covered under National Pension System (NPS) regarding assured pension after retirement while ensuring fiscally responsible funded and contributory pension scheme.

(b) UPS is defined contribution scheme with elements of defined benefit. It relies on the regular and timely accumulation and investment of applicable contributions (from both the employee and the employer) for assured payout to the employees. The monthly contribution of the UPS subscriber shall be ten percent of the basic pay and dearness allowance matched by the Central Government by crediting an equal amount, to the individual PRAN of the UPS subscriber. The Central Government shall also make additional contribution at an estimated eight and half percent of basic pay plus dearness allowance of all employees who opt the UPS, to the pool corpus on aggregate basis. The additional contribution is for supporting assured payouts under the Unified Pension Scheme to ensure long-term financial viability of UPS.

(c) Presently, Central Government subscribers are allowed to choose any of the pension funds registered with PFRDA and exercise investment options from (a) 100% investments in Government securities; (b) Conservative Life Cycle fund with maximum equity exposure capped to 25%; (c) Moderate Life Cycle fund with maximum equity exposure capped to 50%; and (d) Default scheme.

Under UPS, the employee can exercise investment choices for the individual corpus alone. Such investment choices shall be regulated by the Pension Fund Regulatory and Development Authority. If an employee does not exercise an investment choice on individual corpus, the 'default pattern' of investment will apply. The investment decisions for the pool corpus built through the additional Central Government contribution solely rests with Central Government.

(d) & (e) NPS is a defined contribution-based scheme with market linked returns for post-retirement benefits. An NPS review committee was constituted to suggest measures as are appropriate to modify the NPS with a view of improving upon the pensionary benefits of Government employees covered under NPS, keeping in view the fiscal implications and impact on overall budgetary space, so that fiscal prudence is maintained to protect the common citizens. UPS is a defined contribution-based schemes with elements of defined benefit which addresses the concerns regarding assured payout after retirement.
