Society & Social Justice · GS - II

The debate over higher pensions under the Employees' Pension Scheme highlights the tension between pension adequacy, actuarial sustainability and social security rights. Examine.

EXAM YEAR	PAPER	SUBJECT
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MARKS	WORD LIMIT
15	~250 words

Answer Hint

EPS 1995, EPFO, pension adequacy, actuarial liability, wage ceiling, employer contributions, intergenerational equity, social security reforms.

Model Answer

Introduction

The Employees' Pension Scheme (EPS), 1995 provides retirement and survivor benefits to eligible organised-sector employees. The reported potential liability of ₹1.109 lakh crore arising from higher-pension applications highlights the challenge of balancing pension entitlements with long-term financial sustainability.

Key Issues

1. Pension Adequacy and Social Security

- Higher pensions can improve income security and living standards after retirement.
- They are particularly relevant amid rising healthcare costs and inflation.
- Denial or delay of eligible claims can undermine employees' retirement planning.

2. Financial Sustainability

- Higher pension payouts increase the scheme's long-term actuarial obligations.
- Contributions and investment returns must remain adequate to meet future liabilities.
- An imbalance may affect the scheme's capacity to serve future pensioners.

3. Administrative and Legal Challenges

- Verification of past salary and contribution records is complex.
- Pending litigation and disputes over additional deposits delay settlement.
- Differences in employer compliance and documentation create implementation difficulties.

4. Need for Reform

- Regular actuarial valuation and transparent disclosure of pension liabilities.
- Time-bound settlement of eligible claims and effective grievance redressal.
- Periodic review of contribution structures and pension parameters.
- Stronger digital record management and accountability within EPFO.

Conclusion

A sustainable pension system must protect legitimate retirement entitlements without creating unmanageable liabilities for future generations. Transparent actuarial assessment, timely implementation and institutional accountability are essential to strengthening India's social security framework.

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