A STUDY ON-POST RETIREMENT PENSION SCHEME EVALUATION FOR GOVERNMENT EMPLOYEE IN INDIA

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ABSTRACT
Employee Compensation and benefit is a very important aspect of Human Resources Management. Post-Retirement terminal benefits are helpful for old age income security, especially for the salaried employee. Post retirement Pension is an important component of constant income and financial stability. In India the Government Employees working in various Ministries and departments are covered under a defined pension Scheme, those appointed before 31/12/2003 named as Old Pension Scheme (OPS). An employee appointed on and after 01/01/2004 is covered under a contributory pension scheme named as National Pension Scheme (NPS). This study is an overview and evaluation of retirement pension plans of the Government employees in India. Under the OPS Government Employee receive one-time terminal benefits as EL encashment, Provident fund, Gratuity, pension computation facility and regular defined monthly pension whereas under NPS, the one-time terminal benefits are restricted to Earned Leave encashment, Gratuity only and pension pattern has changed to contributory scheme. This proposed study aims to analyse for adopting the contributory pension scheme and evaluation of both the pension scheme vis-à-vis OPS and NPS. Post retirement pensions are given to a retired central / State government employee in India to ensure that the retired government officials should be financially independent and can live their retired life without any financial challenges. The basic idea for extending the regular defined monthly pension was to ensure the old age constant monthly income and the social security of retired Government Employees.
Keywords: Pension Scheme Pattern and Evaluation, NPS - OPS.

Introduction

The Government Employee in India is getting one-time terminal benefits and retirement pension after superannuation. The Government Employee in India Central / State has a defined superannuation age and after the completion of the superannuation age employee has to retire from the service. The recruitment in Government service is purely on a competitive exam basis based on set procedure and in depth verification of the credential as well as antecedent. The role and responsibilities for each post is defined and has to work in public interest. The Pay and allowance is fixed for each and every level post and cannot change in any case. The Government employee has to perform their duty with due diligence within given parameters and the service of each employee is evaluated on yearly basis. The Government employee is playing a vital role in the machinery of government that interconnects structures and processes of government. A recent example is COVID-19 period when the entire private sector in a country shut their business for a particular period due to lock down and restriction, the Government sector employee continues to perform their duty as per the instruction and guidelines issued from time to time by the Government. Though the overall percentage of the government employees in total India population is very less, still the government sector employees are one of the leading direct tax payers of the country. With a perception the Government employee spent his full life serving the nation worked towards public interest with great responsibility. Therefore, after attaining the age of superannuation he/she is entitled for pension. The old pension scheme is a defined pension scheme applicable to government retirees appointed before 2004 and after the death of a retired employee subsequently extended to the spouse / or eligible family members of the deceased employee. The main objective of the pension is old age income security of retired employees and to take care of their livelihood. In the year 1999, the Government of India had created a national project / Commission named as “OASIS” (an acronym for old age social & income security) to examine policy and existing structure related to old age income security in India. The recommendations of the OASIS report have been accepted by the Government of India and then introduced a new Contribution Pension System for the new recruitment to Government service. Now, employees appointed before 2004 are regulated under the existing system of Defined Benefit System and appointments made after 2004 will fall under contributory pension scheme (NPS). Pension Fund Regulatory & Development Authority (PFRDA) was established by the Government of India in 2003, to promote, develop and regulate the new proposed pension sector in India. The new contributory pension system was notified by the GOI on 22nd December, 2003. Actually effective from the 1st January 2004, named as National Pension Scheme.

The Pension Fund Regulatory & Development Authority Act was actually notified on 1st February, 2014. PFRDA regulates NPS i, e. subscribed by Central / State Government employees of India. In addition, it also includes the employees of private organizations in organized and unorganized sectors. The PFRDA main job is to ensure the growth and development of the pension market. The Preamble is describing the basic functions of the PFRDA as – "to promote old age income security by establishing, developing and regulating pension funds, to protect the interests of subscribers to schemes of pension funds

Literature Review

Hershey (2010) has evaluated that social influences and parental effects have a great impact on retirement planning goals. People with parents having planned retirement life have high income and financial stability.

Seethali (2018) in their empirical study as Pension Scheme for retirement Planning has shown full functioning of the National Pension Scheme as retirement planning.

Shultz 2010 their Future Investigation and importance of the future retirement planning and the investment plan.

Hooda (2018) the study has defined that the NPS is initially meant for the Government sector and later extended to all citizens of India. It's really helpful for the economy and capital market. It leads to the GDP growth of the country.

Dulebohn (2008) the research is carried out regarding the overall retirement benefits including the health benefits and family of the employee. The study showed that the employee benefits are extensive and the lack of study in the retirement benefits, higher cost of the defined retirement plan resulting in the changes in pension regulation.

Pooja (2021) the study was brief about the NPS system working and detail of the plan, structure of the scheme. The advantage given in the NPS scheme is not fruitful for the government employee and depends upon the market situation. The study reveals that there is absence of learning data.

Palanivelu and Chadrakumar (2013) proved the investments are made on assets with the intention of generating income or capital growth. Today, investing is the most crucial thing. Despite having more money, people lack the knowledge on where, when, and how to invest it. To properly manage one's finances and achieve one's life goals, one must have a thorough awareness of money, its value, the available avenues for investment, various financial institutions, the rate of return/risk, etc. The preferred investment options among salaried individuals in Namakkal Taluk, Tamil Nadu, India, have been investigated through this study. The findings show that a number of criteria, like education level, knowledge of the current financial system, investor age, etc., have a big impact on choosing investment opportunities.

Thulasipriya (2015) stated that India has to invest at a very high rate to further its efforts to achieve high levels of growth. Investments have been emphasised as the main engines of economic growth and increases in national income since the commencement of planning. Using an easy sample procedure, this study aims to predict the investing preferences of the salaried group of people. The population is set at 500, and the prognosis for the workforce is salaried workers. Instead of examining the entire spectrum of investors, it simply focuses on one group, salaried government employees.

Savarimuthu and et.al (2009) took a representative sample of women from rural South India who were studied using a qualitative methodology. In order to identify ICD 10 depression, women in the postpartum phase were evaluated using the Tamil translations of the Short Explanatory Model Interview, the Edinburgh Postnatal Depression Scale, and a semi-structured interview. Additionally, sociodemographic and medical information was logged. The study came to the conclusion that a variety of social and cultural factors significantly influence postpartum depression. When evaluated from a biological perspective, postpartum depression ignores the function of context in the creation of emotional suffering in the post-partum period.

Research problem

The retirement one time benefits and monthly regular pension is the main component of income for any retired Government employee. The Monthly regular pension is a secured source of monthly income of retired government employees to live their life happily and without any financial challenges without depending on others. It is also a factor for sound per capita income in the country. Introduction of the New pension scheme in place of the existing old pension scheme has killed the definite and sponsored benefit of the employee since it is purely based on monthly contribution and market driven annuity plan. Moreover, the purpose to promote old age income security and financial independence is beyond the National Pension Scheme. The GOI has commissioned the project OASIS, to examine policy related to old age income security in India with limited utilization of financial resources. But as per the reports recommendation has changed the existing pattern and suggested pension plan is not fully secured. This study is to understand both the Pension scheme and to assess the impact on the employee motivation and financial stress.

Objectives

The main objective of the present study is to

1. Assess the Pension scheme of retired Government employees and ascertain the currently applicable pension scheme i.e. National Pension Scheme and Old Pension Scheme.
2. The significant study for porting to NPS and whether the new scheme really achieves the objective of old age income security and has really protected the interests of retired employees and subscribers.

Research methodology

The study is descriptive in nature and purely based on secondary data collected from various sources such as PFRDA reports, NPS trust, and other concerned websites, articles and studies on it. Percentage based on reports has been applied in order to achieve the objectives of the study. The study includes playout patterns of old pension schemes vs National Pension Scheme and PFRDA/ NSDL reports for evaluation of NPS Management. The study is conceptual but based on realistic data, GOI applicable regulation in place, collected from books, national journals, and Government reports.

Overview and Comparison

In any organization the employees are known as human capital and the compensation appropriate manner to employee satisfaction is very important. If the employees are satisfied with the current and future benefits, the organization can function smoothly and increase its productivity. A good employment compensation structure and future pension plan bring job satisfaction and positive attitude in an employee towards his/her job. Therefore, this study has been undertaken to assess the Nation pension scheme, which is necessary for the Government employee in order to make future decisions for entry in the government sector and working attitude. To understand the implementation of the NPS instead of OPS an overview of the report of Sh. D. Swarup, Chairman PFRDA on Social Security Need has been taken for evaluation of study.

1. The Indian population of elderly people is increasing and has reached nearly eighty million people, which is 0.12% of the world's elderly population. This population is growing at a rate of 3.8% per annum vs a rate of growth of 1.8% for the total population. The majority of this population is not covered by any formal old age income security scheme and are purely dependent on their earnings and transfer from their children or any other family members. This system of old age income support is totally imperfect and not good for future development.

2. The unemployment and poverty may have acted as deterrents to provide a tax support state pension arrangement for each and every citizen obtaining old age. Therefore, it is recommended to the organised sector a pension policy that has been adopted based on financing through employer and employee participation. This has, however, denied the vast majority of the workforce in the unorganized sector

3. National Pension Policy in India is based on financing through employer and employee contribution. As a result, the coverage has been restricted to the organized sector and government sector, the majority of the workforce in the unorganized sector has not accepted this formal channels of old age financial support. As per the data only 12% of the salaried population in India are covered by some form of retirement benefit scheme. Besides the problem of limited coverage, the existing pension system is characterized by limitations such as fragmented regulatory framework, lack of individual choice and lack of uniform standards.

4. The non-sustainability of the existing pension structure has been accentuated by the highly increased financial burden on the Government on account of pension liabilities. While the total pension liability on account of the Central Government employees has increased drastically and more than 21% during the annual budget in the 1990s, and the rate for the State Government was 27% per annum.

5. The Old pension system is indexed with wages and inflation. A modified one rank one-wage principle applies to it wherein all retired employees of a certain rank get the same pension. Pension payments are revised

periodically as per pay commission to reflect the growth in wages and consumer price index. Growth in pension payment in old age is higher than the rate of inflation.

6. The report showed that OPS has a very high burden on GOI and that causes fiscal stress. The Old pension Scheme pattern was designed when going by the pattern of life expectancy and most of the employees who superannuated were expected to live up to the age of 68 and so on. This value of the annuity included in the Old pension scheme has gone up with the time, due to elongation of mortality in recent years. The mortality rate of Government employees, who belong to the higher range income group than the average, are more or less in line with the OECD populations. The financial burden at the sub-head level has been much higher. Some of the State governments are not in position to make timely payment of pension payment and terminal benefits. So, by introducing the National Pension Scheme in these organised sectors and the government sector will reduce the fiscal stress. The OPS is operated directly by the government and after implementation of the NPS the government sector is also included with other private organised sectors and regulated by a trust i, e. PFRDA. The difference between two scheme in tabular form given below: -

Old Pension Scheme (Before 2004)	**National Pension Scheme (After 2004)**
Applicable for Government only, appointment before year 2004.	Applicable for Government employee appointment after the year 2004 and other organised private sector employees.
The OPS is fully paid from the GOI fund without any monthly /yearly contribution from employees. Minimum 10 years of continuous service required. Other terminal benefit (Gratuity, EL encashment, PF) as per entitlement amount. The amount paid is fully exempted from tax.	The NPS is a contributory scheme (10% Employee + 10 % Employer, 14% in case of CGE) and payable from 40 % annuity plan compulsorily, out of total corpus available at the time of retirement. Only 60% withdrawal allowed and fully exempted from tax.
Pension after Superannuation 50 % of the last pay drawn. e.g. If Basic Pay is Rs 125000/- at the time of retirement the monthly pension will be Rs. 62500/-.	Based on the selection of annuity plan and opting of annuity terms and period. The annuity is from a registered insurer company.
Commutation of Pension (40%) is available.	Not available in NPS.
Pension will be extended in case of VRS, premature retirement, Extraordinary pension and family pension also available in case of death of Service Pensioner with enhanced family pension and waived of the commutation recovery.	Uncertainty and not extended to all. In case of VRS or resignation only 20 % withdrawal is allowed from total corpus value.
The pension is fully sponsored by the Central / State Government fund. The provision is included in the annual budget.	Annuity based and in the hand of a private listed insurance company in PFRDA. The corpus value depends upon the market.
Fully secured and a constant regular income for retired employee financial security.	Fully depend on market value. Financial security is not secured and uncertain

In India, post-retirement pension plans for public employees are essential for ensuring stability and financial security. These programmes are designed to guarantee that government workers receive a steady paycheck and other benefits during their post-service years. In India, the Central Civil Services (Pension) Rules, 1972 and related regulations that apply to employees of various state governments primarily regulate pension plans for public employees.

Evaluation of post-retirement pension plans entails evaluating a number of factors, including eligibility requirements, pension calculation, retirement age, commutation possibilities, family pension benefits, and the scheme's overall viability. Let's examine these elements in greater detail:

Government personnel must have served for a minimum number of years typically 10 years in order to be eligible for a pension. Depending on the regulations that apply to various employment classifications, the particular eligibility requirements may change.

Pension Calculation: Based on the employee's average salary and the number of years of qualifying service, the pension amount is determined. Pension calculations for pensioners who retired before 2006 and after 2006 may use different formulas. The 7th Central Pay Commission's (CPC) adoption brought about new pension-determination regulations, including the idea of "Basic Pension".

Retirement Age: In India, the standard retirement age for government employees is 60 years old. However, depending on the type of work and special guidelines for different groups of employees, there may be differences.

Pension Commutation: When retiring, government personnel have the choice to convert a portion of their pension into a lump sum payout. According to the applicable rules, the maximum commutation amount is typically 40% of the pension amount. Family Pension: If an employee passes away, their surviving spouse or other eligible dependent family members may be entitled to family pension benefits. The family pension amount is often a specific percentage of the employee's pension (for example, 50% or 30%), and it is subject to certain requirements. Sustainability: It's critical to assess the pension plan's sustainability. It entails evaluating the plan's long-term financial feasibility while taking into account elements including the government's economic health, actuarial calculations,and the ability to meet future pension liabilities. It's important to note that the specifics and rules of post-retirement pension plans may differ for employees of the federal and state governments, as well as those working for various autonomous organisations and public sector organisations. These programmes are reviewed by the government on a regular basis based on administrative requirements, economic conditions, and suggestions from expert groups (such Pay Commissions). It is advised to refer to the official government documents, notifications, and websites related to pensions and retirement benefits as well as consult with the concerned government departments or human resource divisions in order to obtain the most accurate and up-to-date information regarding the specific pension scheme applicable to a particular government employee in India.

Conclusion

The study reveals that the implementation of the National Pension Scheme is for the social security of old age people, income security and social security of organised and unorganised private sector employees and Old age citizens. The Government is extending the old age pension and other sector pension for the social being of old age people. The government employee has the pension benefit due to their employment status and after superannuation they are entitled for pension by virtue of that. The Government is ascertaining the pension burden by calculating all the pension schemes. Whereas, the NPS is linked with an instrument for growth of economy and capital market and it can be examined in terms of accumulation of institutional capital. It has been seen from one study that the Indian debt market showed continued decline in terms of investment purpose which was only 3.2% in 2007 and in GDP terms but gained a lead with the introduction of NPS. Government has extended this NPS to every citizen of India working in organized or unorganized sector. Each and every citizen can make use of the National Pension Scheme for the purpose of saving for retirement. But it is not even linked with respect to government sector employees. Further the social security with this kind of market based investment cannot be achieved. Now by implementing this National Pension scheme to government sector employees has created disparity within the groups of the same Government sector employees. Now a group of people who joined before 2004 enjoy the benefit of a guaranteed pension scheme (OPS) without any contribution and the second group of employees who joined after 2004 fall under contributory scheme (NPS). Further the objective to reduce the financial stress is also not fully achieved and the same is only converted into monthly financial burden. As per the NPS Government has to contribute monthly to each employee as 10% in case of State Government and 14% in case of Central Government employer as NPS contribution. The one-time financial burden is diverted into monthly expenditure. NPS is an instrument for growth of the economy and depends on the market. As per the last two years return reports (2019-22) the fund growth trend has fallen down. It shows that in unforeseen and emergent conditions like (Covid-19) it will collapse. Thus, the reforms in the pension sector are not appropriate and not fit for Government Sector employees. It needs to be rationalized immediately on the same pattern of the Old Pension Scheme. Government to curb pseudo-orders while also examining the feasibility of adopting an alternate measure for the same.

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