



# **UNIFIED PENSION SCHEME INFORMATION GUIDE & FREQUENTLY ASKED QUESTIONS**

## **Explainer Series - II**

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**NATIONAL COMMUNICATIONS ACADEMY  
FINANCE (NCA-F)**



# UNIFIED PENSION SCHEME INFORMATION GUIDE & FREQUENTLY ASKED QUESTIONS

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# Preface

The Government of India has consistently worked toward ensuring financial security and dignity for its employees' post-retirement. In this context, the Unified Pension Scheme (UPS) marks a significant policy shift, aiming to combine the structural discipline of the National Pension System (NPS) with enhanced predictability and security traditionally associated with assured pension frameworks.

This guide seeks to help Central Government employees understand the nuances of the UPS, especially in light of its implementation from 1<sup>st</sup> April 2025. It offers a comparative overview of UPS and NPS, covering key aspects like contributions, returns, dearness allowance linkage, family pension, corpus accumulation, and annuity stability. Given that employees currently under NPS have been given a three-month window to make an informed choice, this document serves as a critical decision-support tool.

The UPS continues to operate under the overall architecture of NPS and is regulated by the Pension Fund Regulatory and Development Authority (PFRDA). As such, a clear understanding of both schemes—NPS and UPS—is essential for a well-informed transition decision.

As part of its knowledge-sharing mandate, NCA-F has curated this document to serve not just Central Government employees but also other Central Training Institutes. It aims to foster cross-institutional learning and support capacity building on evolving financial frameworks. By doing so, NCA-F continues to uphold its commitment to empowering the wider government training ecosystem.

Presented in an easy-to-navigate FAQ format, this guide is intended to answer common queries, dispel myths, and offer clarity on financial implications over the long term. Whether one is considering a switch or simply seeking a better understanding of one's retirement benefits, this guide has been designed to support Central Government employees every step of the way.

We hope this information guide empowers eligible Central Government employees to make a prudent, well-informed choice for their future financial well-being. Together, let us continue reinforcing a culture of financial security, transparency, and dignity in public service.

National Communications Academy – Finance acknowledges the efforts of Shri Shailesh Bansal, Director (TER), NCA-F in preparation of this Information Guide.

Building upon the foundation established by our inaugural Explainer Series: Spectrum Glossary, we are pleased to introduce the second installment—Explainer Series II: Unified Pension Scheme- Information Guide and FAQs. This initiative reflects our continued commitment to demystifying key concepts and enhancing understanding across stakeholder groups. We look forward to bringing forth further editions in this series in the times to come.

# Disclaimer

This guide is intended solely for informational and educational purposes to assist Central Government employees in understanding the key features of the Unified Pension Scheme (UPS) and its comparison with the National Pension System (NPS). While every effort has been made to ensure the accuracy, clarity, and reliability of the information contained herein, it should not be construed as legal, financial, or investment advice.

The data, projections, and illustrations used in this document are indicative and based on assumptions such as rate of return, dearness allowance, and discount rate, which may vary over time. Actual outcomes may differ depending on individual service details, market behaviour, government policies, and regulatory changes.

This guide does not replace or supersede any official communication, notification, or circular issued by the Government of India, Department of Pension & Pensioners' Welfare, Ministry of Finance, or the Pension Fund Regulatory and Development Authority (PFRDA).

Users are encouraged to consult the official UPS Notification/Rules & other relevant government orders before making decision regarding migration from NPS to UPS. The Users of this Information Guide are requested to conduct their own due diligence. The authors or publishers of this Information Guide shall not be held liable for any decisions made or actions taken based on the contents of this guide.

# List of Abbreviations

Abbreviation	Full Form
UPS	Unified Pension Scheme
NPS	National Pension System
PFRDA	Pension Fund Regulatory and Development Authority
TER	Training, Evaluation and Research
DA	Dearness Allowance
OPS	Old Pension Scheme
CCA	Central Civil Services (Classification, Control and Appeal) Rules
DDO	Drawing and Disbursing Officer
CRA	Central Recordkeeping Agency
PAO	Pay and Accounts Office
CDDO	Cheque Drawing and Disbursing Officer
PRAN	Permanent Retirement Account Number
IC	Individual Corpus
BC	Benchmark Corpus
FW	Final Withdrawal
FR 56(j)	Fundamental Rule 56(j)
EOL	Extraordinary Leave
NAV	Net Asset Value
PV	Present Value
ASP	Annuity Service Provider
NPV	Net Present Value
RoR	Rate of Return
DR	Discount Rate
DoB	Date of Birth
DoJ	Date of Joining
DoR	Date of Retirement
SCF	Subscriber Contribution File
PPF	Public Provident Fund

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# Unified Pension Scheme

## 1. BACKGROUND

The philosophy of the UPS is rooted in the principle of providing financial security and predictability to Central Government employees after retirement. UPS introduces an assured payout mechanism that blends the flexibility of individual contributions with the stability of guaranteed income. It seeks to address the concerns of uncertainty in retirement income by ensuring a defined amount based on service tenure and salary. At its core, UPS reflects the Government's commitment to social security, equity, and long-term dignity for its employees, while maintaining fiscal prudence through structured contributions and a pooled corpus. By offering inflation protection, survivor benefits, and transparency in fund management, UPS embodies a balanced approach between individual responsibility and institutional support, ensuring a dignified and stable life after retirement to Government servants.

## 2. OBJECTIVE

The main objective of this Information Guide & FAQ is to enable every NPS-covered Central Government employee to make an informed & considered decision about their long-term retirement planning.

UPS is a defined benefit-type scheme that offers a guaranteed monthly payout post-retirement, DA indexation to protect against inflation, Family/spouse payout and gratuity provisions. It will be operated under the PFRDA framework and technically integrated within NPS systems.

This FAQ format information guide has been created to:

- Help Central Government employees evaluate the implications of migrating from NPS to UPS.
- Provide data-backed comparisons, graphs, and scenarios.
- Offer clear, concise, and actionable information.



### 3. REASONS FOR INTRODUCTION OF UPS

The UPS was introduced to address the concerns of Central Government employees under the NPS while maintaining long-term fiscal sustainability and modern pension principles.

**a. Balancing Certainty for Employees with Fiscal Responsibility**

- Defined Benefit Scheme (popularly known as OPS assured a fixed monthly pension (50% of last pay drawn or the average of the last 10 months' salary, whichever is more beneficial to the employee). It created an unsustainable burden on the public exchequer, especially with increasing life expectancy and salaries.
- UPS, while providing an assured payout, does so based on a funded and contributory model, where both employee and government contribute.

**b. Preserving the Discipline of a Contributory System**

- Defined Benefit Scheme is non-contributory for employees.
- NPS and UPS retain the contributory principle: employees invest 10% of basic + DA, and the government also contributes to it.

**c. Avoiding Inter-generational Inequity**

- Under Defined Benefit Scheme, the current workforce (and taxpayers) funds the pensions of retirees.
- UPS avoids this pay-as-you-go model, ensuring each employee contributes to their own pension fund, thus avoiding burdening future generations.

**d. Providing Assurance without Open-Ended Liability**

- UPS offers a minimum guaranteed payout, addressing a main concern of the employees—but only to the extent the corpus supports it, or with a top-up from a pooled fund, not from general taxation.

**e. Ensuring Portability and Transparency**

- NPS and UPS are both market-linked and managed through professional fund managers under PFRDA, with transparent recordkeeping and individual ownership of corpus.
- Defined Benefit Scheme has no such system; it relies entirely on budgetary provisions.

## 4. SUBSCRIBING TO UPS

### 1. Who is the “Authority” under these regulations?

The “Authority” refers to the PFRDA, established under Section 3(1) of the PFRDA Act, 2013.

### 2. Who is eligible to opt for UPS?

The following categories of Central Government personnel are eligible:

- i. Existing employees covered under NPS as on 1<sup>st</sup> April 2025.
- ii. New recruits joining on or after 1<sup>st</sup> April 2025.
- iii. Employees covered under NPS who have minimum 10 years of service and have:
  - a. Superannuated,
  - b. Voluntarily retired, or
  - c. Retired under Fundamental Rule 56(j) (*not treated as a penalty*) on or before 31st March 2025.
- iv. The legally wedded spouse of a deceased subscriber who was eligible to opt for UPS but passed away before opting.

### 3. Who is considered a “Legally wedded spouse”?

The spouse whose name appears in the service records of the subscriber as on the date of:

- a. Superannuation, or
- b. Voluntary retirement, or
- c. Retirement under Fundamental Rule 56(j) (not treated as a penalty under CCS (CCA) Rules, 1965), and who is surviving the subscriber at the time of death.

### 4. What are the timelines for exercising the option to join UPS?

Eligible persons must opt for UPS within the following periods:

- i. For existing employees and retirees (Categories 1 and 3):
- ii. Within three months from 1<sup>st</sup> April 2025, or within an extended timeline allowed by the Central Government.
- iii. For new recruits (Category 2): Within 30 days of joining Central Government service, or as per any extended timeline notified.

### 5. Can an employee revoke their option once exercised?

No. Once the option to join UPS is exercised, it is final and irrevocable.

## 6. How can a Central Government employee opt for UPS under the NPS?

An eligible individual must submit the appropriate application form to the DDO within the option period. The form depends on the individual's category:

- i. In-service employees as on 1<sup>st</sup> April 2025: Submit Form A2
- ii. New recruits joining on or after 1<sup>st</sup> April 2025: Submit Form A1
- iii. Retired employees (on or before 31<sup>st</sup> March 2025): Submit Form B2 with KYC documents
- iv. Spouse of a deceased eligible retiree: Submit Form B6 with KYC documents

## 7. Where can these forms be submitted?

Forms A1, A2, B2, and B6 can be submitted:

- i. Online through the CRA portal, or
- ii. Physically to the Head of Office or DDO

## 8. What if an applicant is unable to submit the form online?

If online submission is not possible, the form may be submitted physically to the Head of Office or through the DDO. The Head of Office then shares the option details with the DDO, who updates the CRA system and forwards the record to the PAO for authorisation.

## 9. Who is the “Head of Office”?

The “Head of Office” is a Gazetted Officer as defined under the Delegation of Financial Powers Rules, 2024, or any other authority designated by the Central Government for this role.

## 10. What if an eligible person does not exercise the UPS option within the deadline?

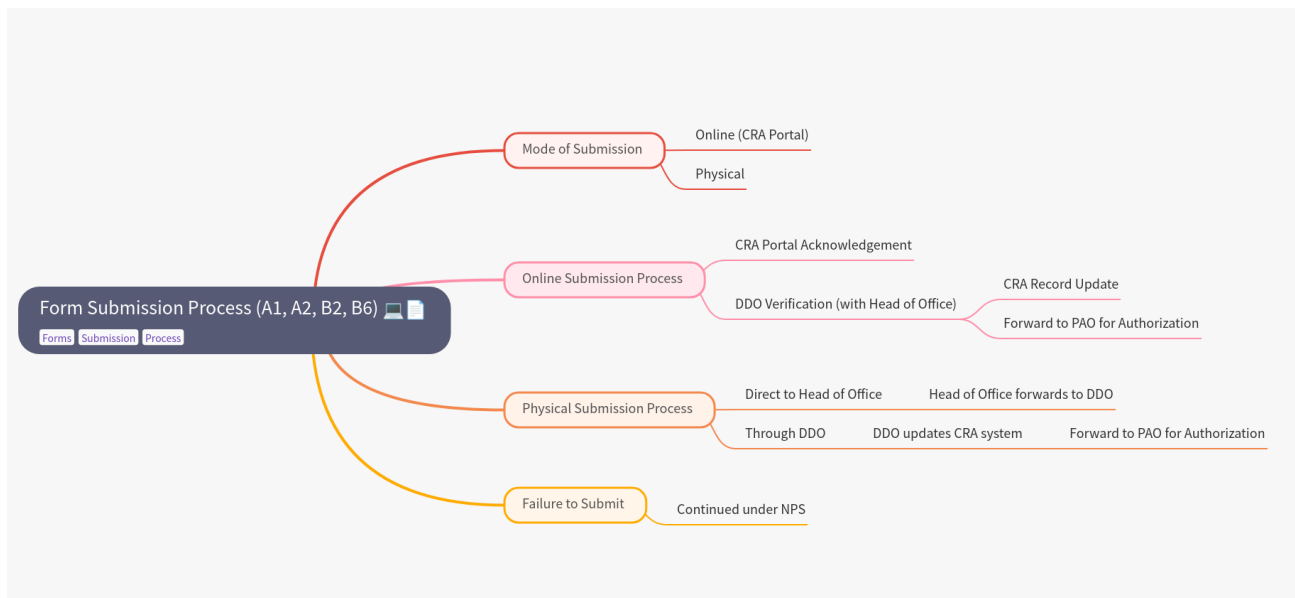
If the option is not exercised within the prescribed timelines, the person will be deemed to have chosen to continue under NPS without the UPS option.

## 11. What is a PRAN in the context of UPS?

PRAN stands for Permanent Retirement Account Number, a unique ID under NPS. It is used to track pension contributions and corpus.

## 12. How is PRAN assigned or tagged under UPS?

- i. **In-service employees or new recruits** who submit Form A1 or A2: A PRAN tagged to UPS will be created or linked once the application is authorised by the PAO.
- ii. **Retirees and surviving spouses** submitting Form B2 or B6: Their existing PRAN will be tagged to UPS after PAO authorisation.



### 13. What is the monthly contribution required from a UPS Subscriber?

A UPS Subscriber must contribute 10% of their Basic Pay (including Non-Practising Allowance, where applicable) plus DA. This amount is credited to the subscriber's individual PRAN account.

### 14. Does the Central Government also contribute to the UPS?

Yes. The Central Government matches the employee's monthly contribution (10% of Basic Pay + DA) and credits it to the same individual PRAN account.

### 15. Who is responsible for deducting the UPS contribution from the employee's salary?

The DDO is responsible for deducting the contribution and forwarding the bill to the PAO or CDDO along with individual subscriber details by the 20<sup>th</sup> of each month.

### 16. Will the existing NPS corpus be transferred to the UPS account?

Yes. For in-service employees opting for UPS (Form A2), the CRA will transfer the individual corpus to the PRAN tagged to UPS after PAO authorisation, in a manner and timeline decided by the Authority.

### 17. Can a UPS subscriber also maintain a separate NPS account?

Yes. A UPS subscriber may voluntarily open or maintain an additional NPS Tier I and Tier II account under the All-Citizen model, separate from their UPS-linked account.

### 18. Will the pension payouts under UPS be guaranteed?

Payouts are assured based on the adequacy of the accumulated funds (IC=BC) and qualifying service. Regular and sufficient contributions with minimum 25 years of service are critical to ensure assured 50% payout benefit subject to conditions.

### 19. Who is eligible to receive UPS benefits?

UPS benefits are available in the following cases:

- i. **Superannuation:** Employees who superannuate after completing at least 10 years of qualifying service.
- ii. **Retirement under FR 56(j):** Employees retired by the Central Government under Fundamental Rule 56(j) (not as a penalty).
- iii. **Voluntary Retirement:** Employees who voluntarily retire after completing 25 years of qualifying service. However, benefits will accrue only from the date the employee would have superannuated had they continued in service.

### 20. What happens if a UPS subscriber is removed, dismissed, or resigns?

If a UPS subscriber is removed, dismissed, or resigns from service, their UPS enrolment ceases to apply, and they are not eligible to receive UPS benefits.

## 5. UPS INTERMEDIARIES: ROLES & RESPONSIBILITIES

### 21. Who are the intermediaries responsible for implementing the UPS?

The UPS is implemented through the existing NPS architecture by intermediaries registered with the Authority, including:

- i. National Pension System Trust
- ii. Pension Fund
- iii. CRA
- iv. Trustee Bank
- v. Custodian of Securities
- vi. Additionally, Central Government nodal offices such as Head of Office, PAO, DDO, and CDDO also participate in the implementation.

### 22. How do intermediaries ensure security and prevent fraud?

Intermediaries must:

- i. Implement appropriate security measures and system controls.
- ii. Conduct periodic audits and checks.
- iii. Report findings internally and to the Authority through their compliance officer.
- iv. Submit compliance certificates to the Authority as per regulations.

### 23. How do the various entities involved in UPS work together?

The National Pension System Trust ensures this coordination.

## **24. What is the role of the National Pension System Trust (NPS Trust) in UPS?**

The NPS Trust:

- i. Acts according to its trust deed and relevant 2015 regulations, including the code of conduct.
- ii. Performs roles as detailed in Chapter III of the NPS Trust Regulations, extended to include UPS activities.
- iii. Undertakes UPS-related activities per the UPS regulations.

## **25. What are the key functions of the National Pension System Trust under the UPS?**

The NPS Trust is responsible for multiple activities to ensure smooth implementation of UPS, including:

- i. Authorizing release of UPS benefits after verifying the UPS Payout Order issued by the Central Government's PAO.
- ii. Authorizing monthly payouts from the Pool Corpus to the UPS Subscriber's or legally wedded spouse's bank account, along with periodic release of applicable Dearness Relief.
- iii. Giving periodic instructions to the CRA for releasing applicable Dearness Relief.

## **26. How does the NPS Trust ensure that monthly payouts are made only to eligible beneficiaries?**

The NPS Trust verifies the availability of a **valid life certificate** in the CRA system before releasing monthly payouts to ensure the subscriber is alive.

## **27. What are the CRA's responsibilities regarding life certificates?**

The CRA obtains valid life certificates from payees annually and reports this to the NPS Trust.

## **28. What happens in case of the death of a UPS subscriber?**

The NPS Trust authorizes the transition of assured payouts to the legally wedded spouse of the deceased UPS subscriber.

## **29. What auditing and monitoring responsibilities does the NPS Trust have?**

The Trust conducts concurrent audits of assured payouts from the pool corpus and its monitoring for Asset-Liability Management.

## **30. What technological and operational responsibilities does the CRA have for UPS?**

The CRA shall develop appropriate and dynamic technology, infrastructure, and processes to facilitate UPS activities, including:

- i. Enrolment and issuance of identifiable UPS accounts to subscribers.
- ii. Enabling permissible choices for UPS Subscribers.
- iii. Providing systems and forms to intermediaries for UPS implementation.
- iv. Designing and providing a UPS calculator.
- v. Disseminating information to subscribers, intermediaries, and entities involved.

### 31. What key responsibilities does the Pension Fund have under UPS?

The Pension Fund shall:

- i. Maintain separate scheme and books of account specifically for UPS.
- ii. Execute assured payouts from the Pool Corpus based on instructions from the CRA.
- iii. Manage liquidity of the Pool Corpus.
- iv. Manage the Pool Corpus with the stated portfolio objective.
- v. Perform any other functions as instructed by the Authority.

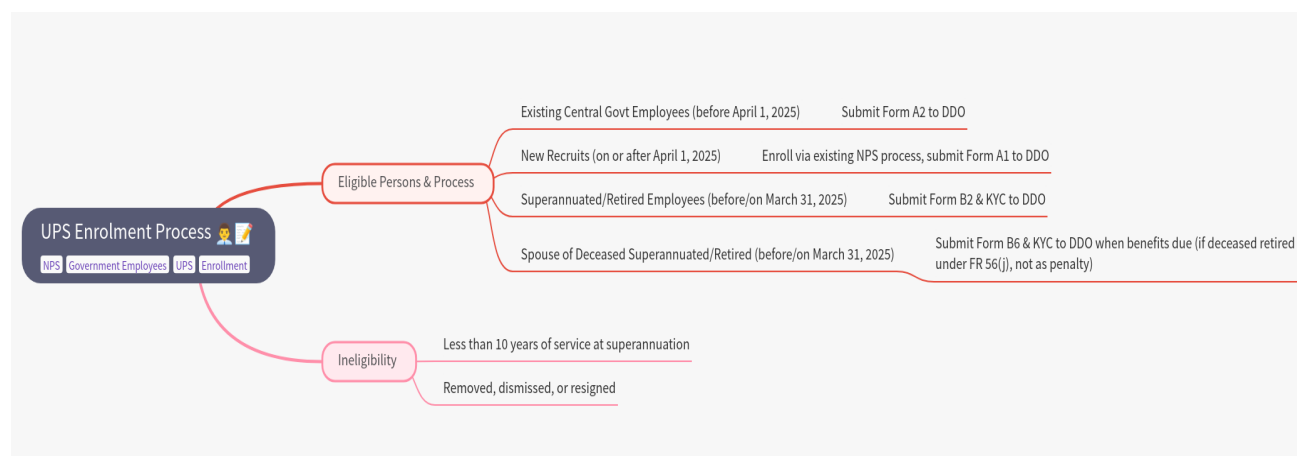
### 32. How are subscriber grievances handled under UPS?

Subscriber grievances are redressed as per the Pension Fund Regulatory and Development Authority (Redressal of Subscriber Grievance) Regulations, 2015. Each intermediary must have a suitable mechanism for grievance redressal following these provisions.

## 6. UNDERSTANDING THE BACK-END PROCESSES

### 33. What happens after submitting the form online through CRA?

- i. The CRA issues an acknowledgement and forwards the form to the DDO.
- ii. The DDO verifies and updates the records in the CRA system after consulting the Head of Office.
- iii. The records are then forwarded to the PAO for authorisation.





**34. What happens after the DDO submits the details to PAO/CDDO?**

The PAO/CDDO prepares and uploads the SCF in the CRA system and generates a Transaction ID by the 25<sup>th</sup> of each month.

**35. When is the contribution remitted to the Trustee Bank?**

The PAO or CDDO shall remit:

- i. Both employee and Central Government contributions to the Trustee Bank by the last working day of the month.
- ii. For March, contributions must be remitted on the first working day of April.

**36. When does the first contribution get credited under UPS?**

- i. **For existing NPS subscribers opting for UPS as of 31<sup>st</sup> March 2025:** First contribution is credited in the month following the exercise of option.
- ii. **For newly recruited employees:** First contribution is credited within 20 days of application submission or by the end of the joining month, whichever is later.

**37. How often is the list of eligible employees for UPS benefits prepared?**

The Head of Office prepares a list every three months — on 1<sup>st</sup> January, 1<sup>st</sup> April, 1<sup>st</sup> July, and 1<sup>st</sup> October — of Central Government employees eligible for UPS benefits who are due to retire within the next twelve months.

**38. By when is this list shared with the PAO?**

A copy of the list is provided to the PAO no later than 31<sup>st</sup> January, 30<sup>th</sup> April, 31<sup>st</sup> July, or 31<sup>st</sup> October, corresponding to each quarterly list.

**39. What is the role of the PAO regarding this list?**

The PAO keeps the service records of these employees updated and verifies subscriber details.

**40. How are details about partial withdrawals and corpus values accessed?**

The CRA provides DDOs and PAOs access (through their system login) to the details of partial withdrawals (if any) and the value of the individual and benchmark corpus as on the date of superannuation or retirement.

**41. What does the DDO do with the information from the CRA?**

The DDO updates the records in the CRA system, obtains any necessary additional details from the Head of Office, and forwards the updated information to the PAO for authorization.

**42. What action does the PAO take after verifying subscriber details?**

The PAO issues the UPS Payout Order using the appropriate form (Form B1, B3, or B5) containing the required details as per Regulation 20.



**43. What happens once the National Pension System Trust receives the UPS Payout Order?**

Upon receipt of the UPS Payout Order and the subscriber's option for final withdrawal (if any), the NPS Trust authorizes the release of UPS benefits and transfers the balance in the individual corpus to the pool corpus.

**44. How is the monthly payout and dearness relief paid to the UPS subscriber?**

The NPS Trust ensures monthly payouts from the Pool Corpus and applicable dearness relief (released periodically) are credited to the subscriber's bank account. The CRA coordinates by instructing the pension fund to redeem amounts from the Pool Corpus for these payments.

## 7. DEMYSTIFYING FUND MANAGEMENT

**45. What is meant by UPS being a 'Fund-Based' System?**

Employee and employer contributions are regularly invested to create fund and Payouts after retirement depend on regular and timely accumulation and investment of accumulation in both individual and pool corpus.

**46. What is the investment objective of the UPS?**

The goal is to optimize returns on contributions while ensuring the safety of funds in the interest of UPS Subscribers. Pension funds must invest with prudence, diligence, and technical expertise.

**47. What is an "Individual Corpus"?**

This is the corpus based on the contributions by the UPS subscriber as well as the Government in the PRAN of the UPS subscriber.

**48. What is a "Pool Corpus"?**

The pooled corpus under UPS comprises two components: (1) ongoing government contributions of 8.5% of the subscriber's basic salary with DA, and (2) the subscriber's residual Individual Corpus (after withdrawing up to 60%) at retirement or superannuation or any other contribution as decided by the government. This combined corpus funds lifetime payouts, and investment decisions related to pool corpus are solely taken by the government.

**49. Who manages the investment of the Pool Corpus?**

The Central Government designates the pension fund(s) for managing the Pool Corpus. These funds must follow the investment pattern and instructions approved by the Central Government.

**50. Are there audits of the Pool Corpus?**

Yes. The Pool Corpus is audited annually by an auditor appointed by the Authority, as per Section 141 of the Companies Act, 2013.

**51. What is the Benchmark Corpus under UPS?**

The BC acts as a standard reference value assigned to each UPS subscriber, calculated based on a default investment pattern. It is used to compare against the subscriber's Individual Corpus (IC) to determine the pension payout under the scheme. If the IC is equal to or exceeds the BC, the subscriber is entitled to the full assured payout, subject to meeting the required qualifying service. However, if the IC falls short of the BC, the payout will be proportionately reduced. The BC is computed by the CRA.

**52. What are the assumptions used to calculate the Benchmark Corpus?**

The following assumptions are made when computing the benchmark corpus:

- i. Timely and regular monthly contributions by both employer and employee.
- ii. Investments are made using the default investment pattern.
- iii. No partial withdrawals are made during the accumulation phase.
- iv. Voluntary contributions are excluded.
- v. Contributions made before qualifying service under the Central Government are not considered.

**53. What investment value is used for computing the Benchmark Corpus?**

The BC is based on the NAV of the default investment pattern and the corresponding units allocated. If a contribution is missing, its value will be estimated using the weighted average NAV on the last working day of that month, applied to the contribution amount from the previous full month, starting from 1<sup>st</sup> April 2025.

**54. How is NAV calculated, if the default pattern is managed by multiple pension funds?**

If more than one pension fund manages the default pattern, a **weighted average NAV** is computed using the formula prescribed in the PFRDA UPS notification.

**55. Are partial withdrawals or voluntary contributions included in the Benchmark Corpus?**

No. Both partial withdrawals and voluntary contributions are excluded from the computation of the Benchmark Corpus.

## 56. How are past contributions (before 1<sup>st</sup> April 2025) treated?

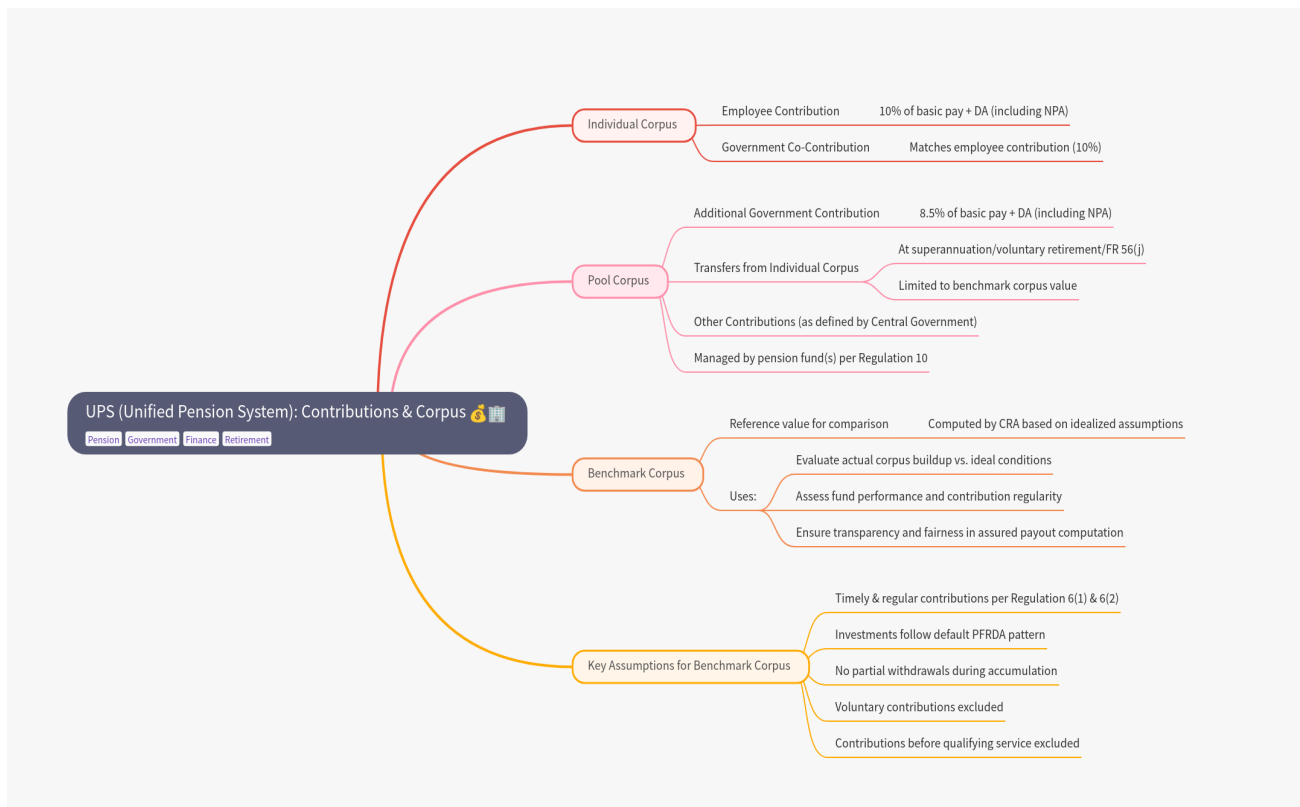
Contributions received before 1<sup>st</sup> April 2025 will be considered as received and valued as if invested under the default pattern.

## 57. How are current and future contributions (post 1<sup>st</sup> April 2025) treated?

- Contributions received during a month will be valued based on the default pattern.
- If a contribution is missing, its value will be estimated using the weighted average NAV on the last working day of that month, applied to the contribution amount from the previous full month.

## 58. Are arrears (e.g., Dearness Allowance arrears) included in the Benchmark Corpus?

Yes. Arrears-related contributions are included and valued under the default pattern when they are received.



## 8. INVESTMENT CHOICES FOR UPS SUBSCRIBERS

### 59. Can a UPS Subscriber choose how their individual corpus is invested?

Yes. Each subscriber may:

- i. Choose a pension fund registered with the Authority.
- ii. Choose an investment pattern, including a default pattern as prescribed by the Authority.

### 60. What happens if a subscriber does not make a choice?

If a UPS subscriber does not select a pension fund or investment pattern, they will be automatically assigned the default option.

### 61. What investment choices are available to subscribers?

Subscribers can choose one of the following:

- i. **Scheme G:** 100% investment in Government Securities.
- ii. **Life Cycle-based Funds:**
  - a. **LC-25:** Conservative fund (equity capped at 25%).
  - b. **LC-50:** Moderate fund (equity capped at 50%).

### 62. How often can a subscriber change their investment preferences?

- i. **Pension Fund:** Once per financial year
- ii. **Investment Pattern:** Twice per financial year

### 63. What is the “Default pattern”?

The “default pattern” refers to the pre-defined investment option for individual pension corpus that subscribers are automatically assigned if they don’t actively choose a different one. It is the pre- determined choice of pension fund(s) and investment options/pattern(s) for UPS subscribers, as decided by PFRDA from time to time. This default pattern is determined by PFRDA.

### 64. How will subscribers know how their fund is performing?

Pension funds are required to provide easily understandable information about past performance of their schemes to help subscribers make informed decisions.

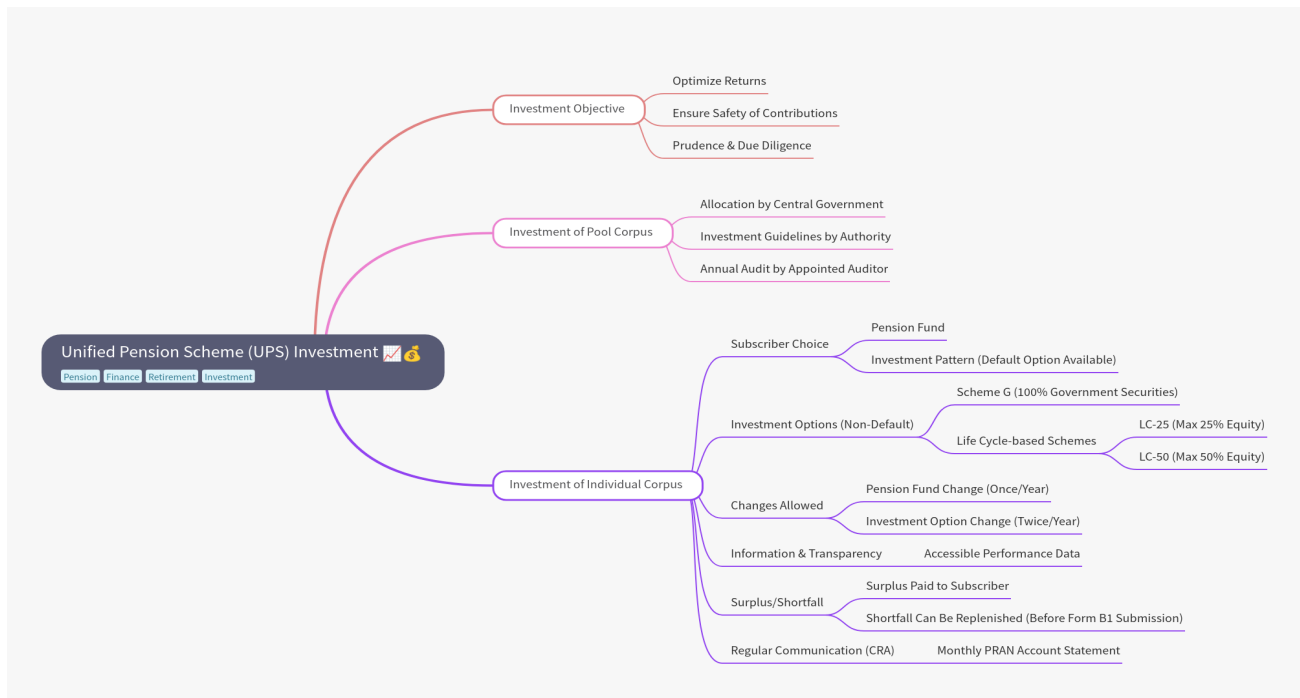
## 65. What happens if my individual corpus performs better or worse than the benchmark?

- i. **If your corpus exceeds** the benchmark corpus, the surplus will be paid to you after your UPS payout order is issued.
- ii. **If your corpus falls short** of the benchmark, you may:
  - a. Replenish the shortfall before or on retirement.
  - b. If not replenished, your payout will be proportionately reduced.

## 66. When is the surplus or shortfall calculated?

The final comparison between your individual corpus and the benchmark corpus is done at the time of:

- i. Superannuation
- ii. Voluntary retirement
- iii. Retirement under Fundamental Rule 56(j) (not treated as a penalty under CCS rules)



# 9. CALCULATION OF BENEFITS UNDER UPS

## 67. What is considered as ‘qualifying service’ for UPS benefits?

Qualifying service refers to the number of completed months of regular service under the Central Government. It is determined by the Head of Office at the time of retirement or superannuation and includes/excludes certain periods as per the rules.

**68. When does qualifying service begin?**

- i. For existing, superannuated or voluntarily retired employees or employees retired under Fundamental Rules 56(j): From the date they became eligible for NPS enrolment.
- ii. For new recruits: From the date they became eligible for UPS enrolment.

**69. What is the end date for qualifying service?**

The end date is the actual date of superannuation or retirement, as applicable.

**70. Is unauthorised absence counted as qualifying service?**

No, unauthorised absence is not counted unless:

- i. It is condoned by the competent authority (then the full service excluding the unauthorised absence counts).
- ii. It is regularised through due and admissible leave (then the full period counts including the leave period).

**71. What about deputation or foreign service?**

Periods of deputation/foreign service are excluded unless contributions to both the individual corpus and pool corpus have been received.

**72. Is suspension time counted in qualifying service?**

Suspension is counted only if:

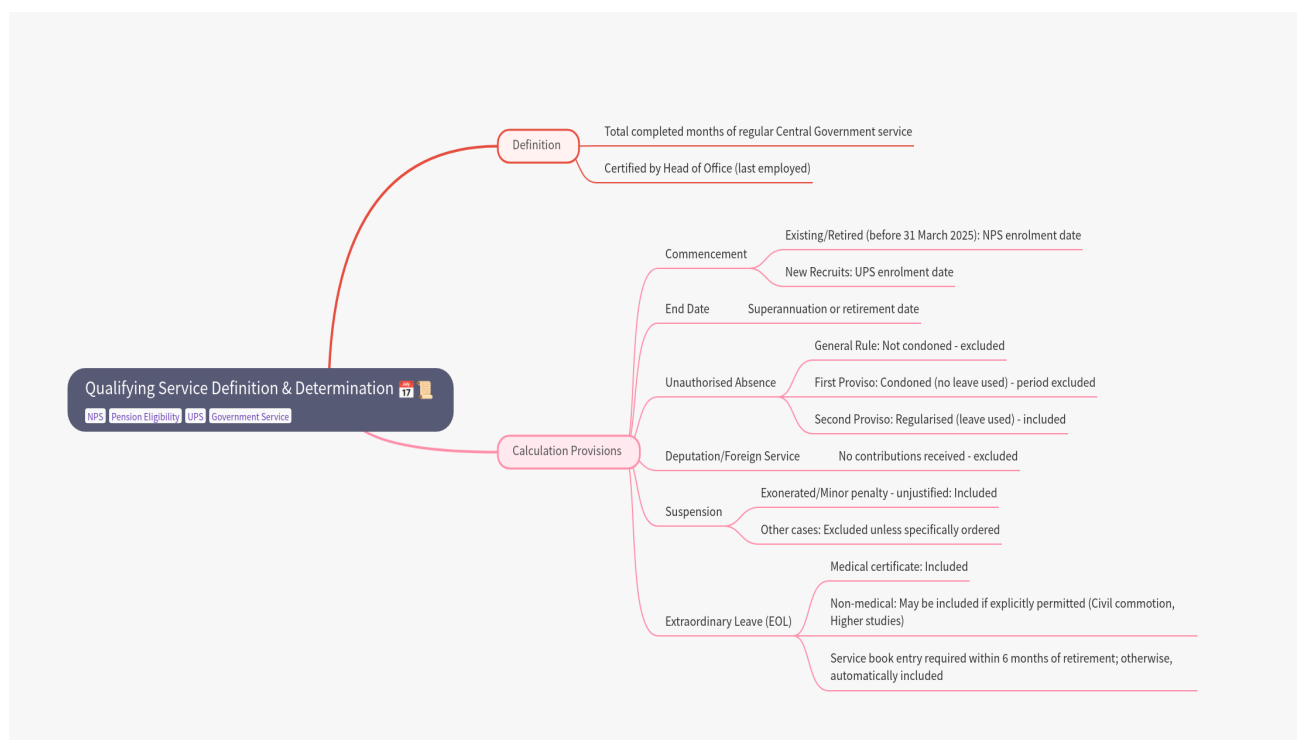
- i. The employee is fully exonerated, or
- ii. A minor penalty is imposed and the suspension is declared wholly unjustified. In other cases, the competent authority must explicitly state whether any or all of the suspension period will count. This must be recorded in the employee's service book.

**73. Does extraordinary leave count toward qualifying service?**

- i. Extraordinary leave on medical certificate is counted.
- ii. Other types of extraordinary leave may count only if:
  - a. Granted due to civil commotion, or
  - b. Granted for higher scientific or technical studies, and the authority allows it at the time of granting leave.
  - c. A definite entry must be made in the service book stating whether or not the period will be treated as qualifying service. If no entry is made at the time, it must be done at least six months before retirement, failing which the period will be counted by default.

**Table: Qualifying Service**

Type of Service Period	Counts as Qualifying Service?
Unauthorised Absence (Uncondoned)	Excludes entire past service including absence
Unauthorised Absence (Condoned)	Past service counted; Absence period excluded
Unauthorised Absence (Regularised)	Entire period including regularised absence is counted
Deputation/Foreign Service (No contrib.)	Excluded unless contributions received
Suspension (Fully exonerated/minor penalty, unjustified)	Full suspension period counted
Suspension (Other cases)	As declared by competent authority in service book
EOL (on medical certificate)	Counted
EOL (other, e.g. studies/civil commotion)	Counted, if explicitly allowed and entered in service book
EOL (no entry made in service book)	If no entry by 6 months before retirement, it is deemed qualifying



## 74. What is the lumpsum payment under the Unified Pension Scheme (UPS)?

A UPS Subscriber is entitled to a lumpsum payment upon superannuation, voluntary retirement, or retirement under Fundamental Rule 56(j) (not treated as a penalty under CCS (CCA) Rules, 1965). **This payment is in addition to the assured pension payout and final withdrawal up to 60% of IC or BC whichever is lower.**

**75. How is the lumpsum payment calculated?**

The lumpsum is calculated using the following formula:

$$\text{Lumpsum Payment} = (E / 10) \times L$$

Where:

E = Last drawn Basic Pay (including Non-Practising Allowance, if applicable) + Dearness Allowance, as on the date of retirement.

L = Number of completed six-month periods of qualifying service, certified by the Head of Office. Any period less than six months shall not be taken into account.

**76. What is considered “Emoluments” for this calculation?**

**Emoluments include:**

- i. Basic Pay (including Non-Practising Allowance, if applicable)
- ii. Dearness Allowance

These are calculated as of the date of superannuation, voluntary retirement, or retirement under FR 56(j), as applicable.

**77. What does “completed six months of qualifying service” mean?**

Only full six-month blocks of qualifying service are considered. Any period less than six months is not counted.

**78. Who certifies the length of qualifying service?**

The Head of Office certifies the number of completed six-month periods of qualifying service.

**79. Is the lumpsum payment affected by the assured pension payout?**

No. The lumpsum payment is in addition to the assured payout and does not affect its amount.

**80. Is this lumpsum applicable in cases of retirement under Fundamental Rule 56(j)?**

Yes, provided that the retirement under FR 56(j) is not treated as a penalty under the Central Civil Services (Classification, Control and Appeal) Rules, 1965.

**81. Will a subscriber receive this lumpsum payment if they resign or are dismissed?**

No. Lumpsum payment is unique feature of the UPS and UPS benefits are not available to those UPS Subscribers, who, resigns or are dismissed or removed from the service. So, it is not payable in cases of resignation, dismissal, or removal from service.



## 10. PAYOUTS & WITHDRAWALS UNDER UPS

### 82. What is the payout structure under the Unified Pension Scheme (UPS)?

The payout under UPS includes the following components:

- i. Assured Payout
- ii. Minimum Guaranteed Payout
- iii. Proportionate Payout
- iv. Admissible Payout

### 83. What is the Assured Payout under UPS?

The Assured Payout is 50% of the average Basic Pay of the last 12 months prior to retirement, multiplied by the ratio of qualifying service months (Q) to 300. It is payable only if the subscriber has completed a minimum of 25 years (300 months) of qualifying service.

Formula:

$$\text{Assured Payout (A)} = (\frac{1}{2} \text{ of P}) \times (Q / 300)$$

Where:

P = Average Basic Pay for the last 12 months before retirement (as certified by the Head of Office)

Q = Number of qualifying service months (max 300)

### 84. What is the Admissible Payout and when does it apply?

For assured payout both IC & BC should be equal but when the IC is less than the BC or if the subscriber opts for a FW of up to 60% of the corpus, the Assured Payout is proportionately reduced to determine the Admissible Payout. So, it is the proportionately reduced Assured Payout.

Formula:

$$\text{Admissible Payout} = \text{Assured Payout} \times (\text{IC} / \text{BC}) \times (1 - \text{FW}\%)$$

Where:

IC = Individual Corpus

BC = Benchmark Corpus

FW% = Final withdrawal (max 60% of corpus)

### 85. Can a subscriber avoid reduced admissible payout due to corpus shortfall?

Yes. If the individual corpus is less than the benchmark, the subscriber **may replenish the shortfall** any time before or on retirement to avoid reduction in the assured payout.

### 86. What is a Proportionate Payout?

In case the subscribers with 10 years or more but less than 25 years of qualifying service, payout would be admissible on proportionate basis at the time of superannuation.

### 87. Is there a minimum service requirement for UPS payout?

Yes:

- Less than 10 years (120 months): No payout under UPS.
- 10 years to less than 25 years (120 to <300 months): Eligible for Proportionate Payout.
- 25 years or more (300 months): Eligible for Full Assured Payout.

### 88. What is the Minimum Guaranteed Payout?

If the calculated assured payout is less than ₹10,000 per month and the subscriber has at least 10 years (120 months) of qualifying service, then the subscriber will receive a Minimum Guaranteed Payout of ₹10,000 per month.

### 89. Who certifies the average pay and qualifying service for payout calculations?

The Head of Office is responsible for certifying both the average of the last 12 months' Basic Pay and the total months of qualifying service.

### 90. How will I be informed about the value of my corpus?

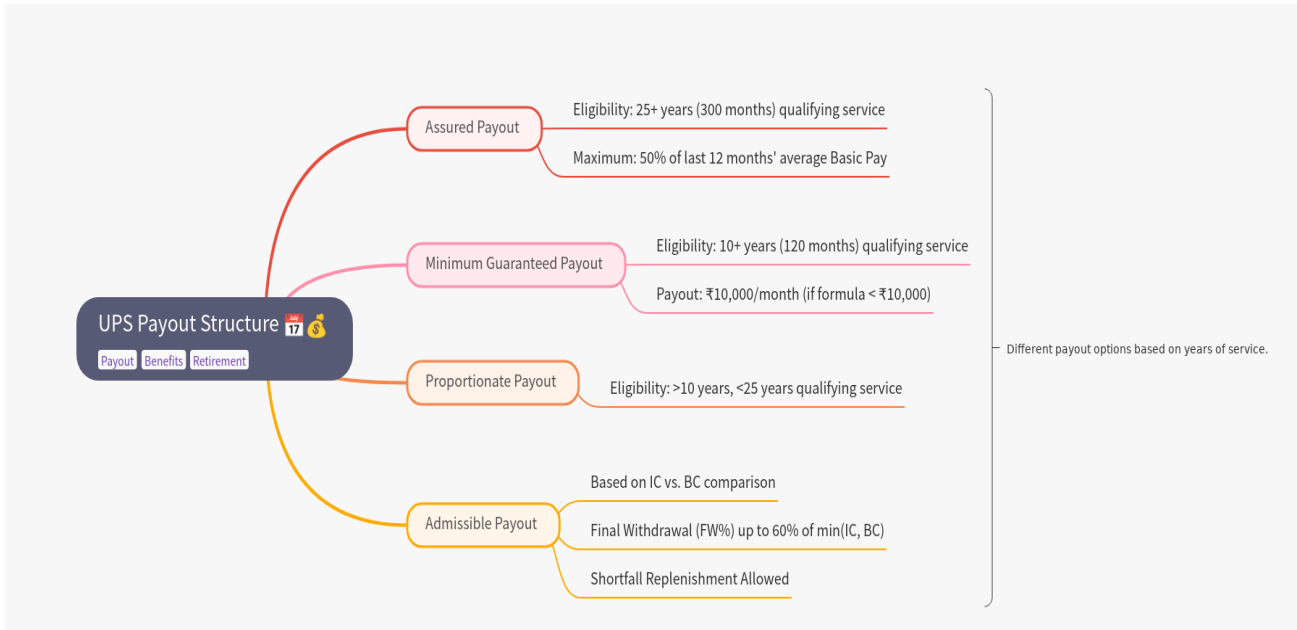
CRA will inform subscribers of their individual and benchmark corpus values in the monthly PRAN account statement.

**Table: Types of Payouts under UPS**

Scenario	Conditions	Payout Type	Formula / Amount
$Q < 120$ months	Not eligible	No UPS benefit	–
$Q \geq 120$ & $< 300$	Partial benefit	Proportionate / Minimum	Max (₹10,000, Assured Payout Formula)
$Q \geq 300$	Full benefit	Assured Payout	$(\frac{1}{2} \times P) \times (Q/300)$
$IC < BC$ or $FW\% > 0$	Adjusted	Admissible Payout	$\text{Assured} \times (IC/BC) \times (1 - FW\%)$

**Table: Final Withdrawal**

Scenario	FW Limit	Excess Corpus	Payout Impact
$IC \leq BC$	60% of IC	–	Proportional reduction
$IC > BC$	60% of BC	$(IC - BC)$ paid to subscriber	No reduction due to IC shortfall, but reduction due to FW applies
No FW Opted	0%		Full payout possible if $IC \geq BC$



### 91. What is the maximum amount a UPS Subscriber or their legally wedded spouse can withdraw at retirement?

A UPS Subscriber or their legally wedded spouse can withdraw up to 60% of the individual corpus or the benchmark corpus, whichever is lower, available in the PRAN linked to UPS at the time of superannuation, voluntary retirement, or retirement under Fundamental Rules 56(j). This withdrawal reduces the assured payout proportionately.

### 92. How is the final withdrawal amount calculated if the individual corpus is higher than the benchmark corpus?

If the individual corpus exceeds the benchmark corpus at retirement, the final withdrawal is calculated based on the benchmark corpus. The excess amount over the benchmark corpus will be credited directly to the UPS Subscriber's designated bank account.

### 93. When is the final withdrawal admissible?

The final withdrawal can be made on the date of superannuation, voluntary retirement, or retirement under Fundamental Rules 56(j), whichever is applicable.

### 94. What happens to the family payout upon the demise of a UPS Subscriber who was receiving payouts?

The legally wedded spouse of the deceased UPS Subscriber will receive a family payout for life amounting to 60% of the admissible payout the subscriber was drawing immediately before their demise.

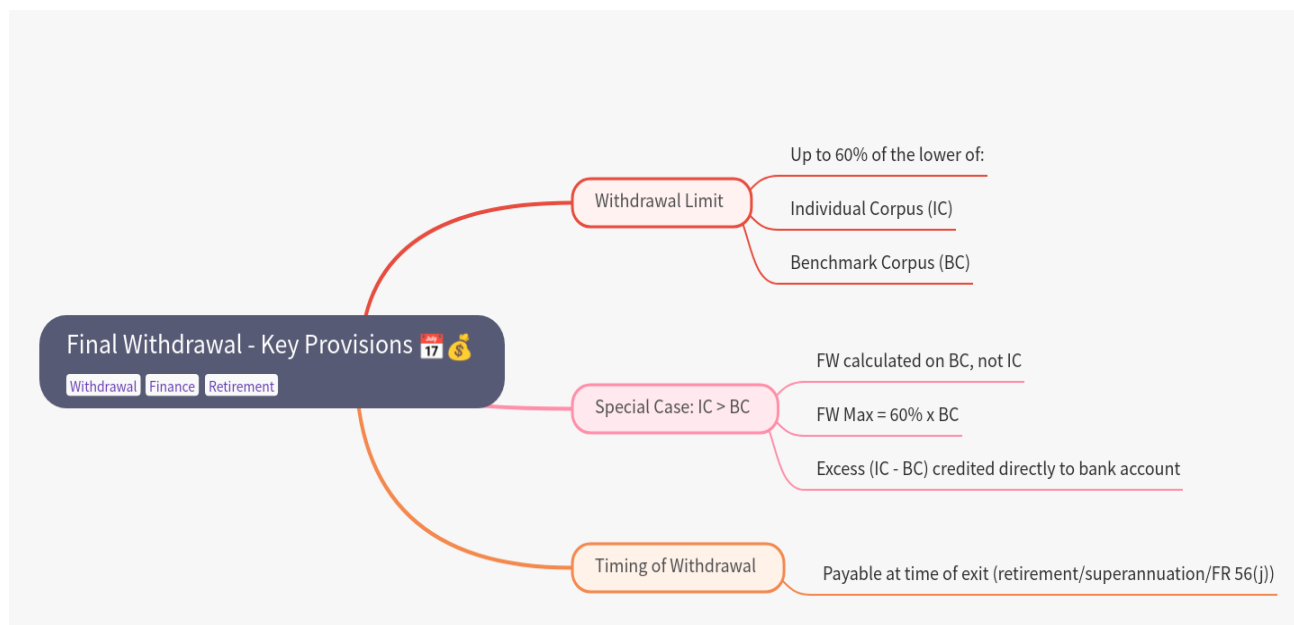
## 95. What benefits does the legally wedded spouse of a deceased Central Government employee under NPS (retired before 31<sup>st</sup> March 2025) receive?

The spouse is entitled to:

- Family payout equal to the difference between 60% of the admissible payout and 60% of the representative annuity amount.
- Lumpsum payment payable to the deceased employee.
- Monthly top-up payments payable after retirement until the date of demise.
- Applicable dearness relief.
- Simple interest on arrears (calculated at Public Provident Fund rates) from retirement to claim submission month, except if the UPS option form was submitted late.

## 96. Is Dearness Relief payable on UPS payouts?

Yes, Dearness Relief as declared by the Central Government is payable on admissible payouts and family payouts. It is payable only after the commencement of the admissible payout.



## 97. When is a UPS Subscriber eligible to make a partial withdrawal?

A UPS Subscriber can make partial withdrawals from their individual corpus after completing a lock-in period of three years from the date of enrolment under UPS or NPS, whichever is earlier.

**98. How many partial withdrawals are allowed under UPS?**

Partial withdrawals are allowed up to a maximum of three times in total, including any withdrawals already made under NPS as per PFRDA regulations during the entire UPS tenure.

**99. What is the maximum amount that can be withdrawn partially?**

Withdrawals cannot exceed 25% of the UPS Subscriber's own contributions (excluding accretions) as of the withdrawal application date.

**100. For what purposes can a partial withdrawal be made?**

Partial withdrawals are permitted only for the following purposes:

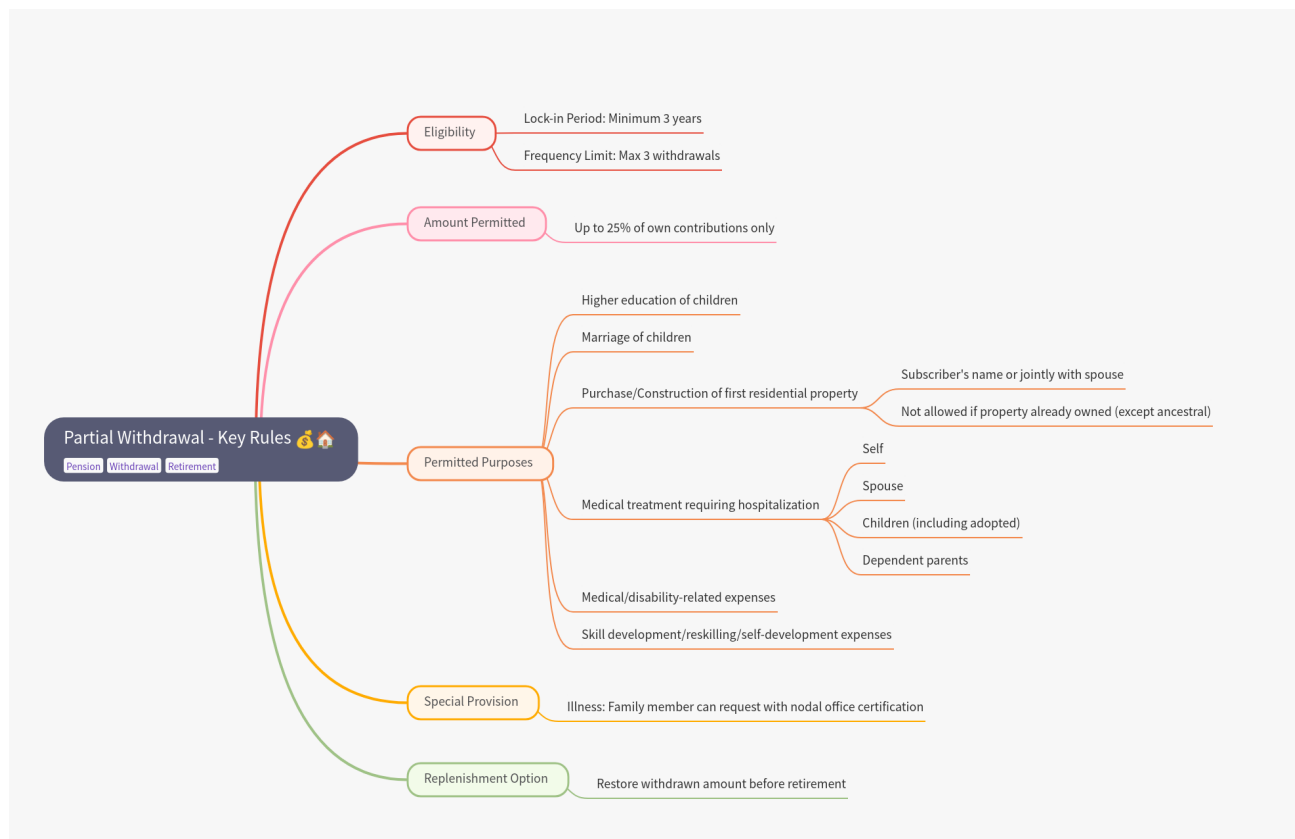
- i. Higher education of the subscriber's children (including legally adopted children).
- ii. Marriage of the subscriber's children (including legally adopted children).
- iii. Purchase or construction of a residential house or flat in the subscriber's own name or jointly with their legally wedded spouse (no withdrawal if the subscriber already owns a house or flat other than ancestral property).
- iv. Treatment of illnesses requiring hospitalization of the subscriber, legally wedded spouse, children (including legally adopted), or dependent parents.
- v. Medical and incidental expenses arising from disability or incapacitation of the subscriber.
- vi. Expenses for skill development, reskilling, or other self-development activities.

**101. Can someone else apply for partial withdrawal on behalf of an ill UPS Subscriber?**

Yes, in case the subscriber is suffering from any illness, any family member can submit the withdrawal request, provided it is recorded and certified by the nodal office.

**102. Is it possible to replenish the withdrawn amount?**

Yes, a subscriber who has made a partial withdrawal can choose to replenish the withdrawn amount before the date of superannuation or retirement.



### 103. How are payments of benefits made under UPS?

Payments to UPS Subscribers are made in accordance with the UPS Notification, regulations, guidelines, circulars, instructions, or directions issued by the Authority or Central Government.

### 104. How does a UPS Subscriber apply for benefits?

The UPS Subscriber must submit the applicable form (as per Schedule I) to the Head of Office or DDO as follows:

- i. For benefits at superannuation, voluntary retirement, or retirement under Fundamental Rules 56(j):
  - a. The UPS Subscriber submits Form B1.
  - b. The legally wedded spouse of a deceased UPS Subscriber submits Form B3 (if benefits were availed) or Form B5 (if eligible but benefits not yet availed) to claim family payout.
- ii. For past retirees eligible for UPS benefits:
  - a. The retiree submits Form B2.
  - b. The legally wedded spouse of a deceased past retiree submits Form B4 (if benefits were availed) or Form B6 (if the UPS option was not exercised).

**(i) For UPS Subscribers Retired after 31<sup>st</sup> March'25:**

Event	Applicant	Form to be Submitted
Superannuation/Voluntary retirement/FR 56(j)	UPS Subscriber	Form B1
Post-death (UPS opted and availed)	Legally wedded spouse	Form B3
Post-death (UPS eligible but not availed)	Legally wedded spouse	Form B5

**(ii) For UPS Subscribers Retired before 31<sup>st</sup> March'25:**

Event	Applicant	Form to be Submitted
Already retired (on or before 31 March 2025)	Past retiree	Form B2
Post-death (UPS opted and availed)	Legally wedded spouse	Form B4
Post-death (UPS eligible but not opted)	Legally wedded spouse	Form B6

**105. What happens to the individual corpus at retirement?**

At superannuation, voluntary retirement, or retirement under Fundamental Rules 56(j), the UPS Subscriber must authorize the transfer of units from their individual corpus to the pool corpus. This transfer shall not exceed the benchmark corpus value.

**106. What if the individual corpus value is less than the benchmark corpus?**

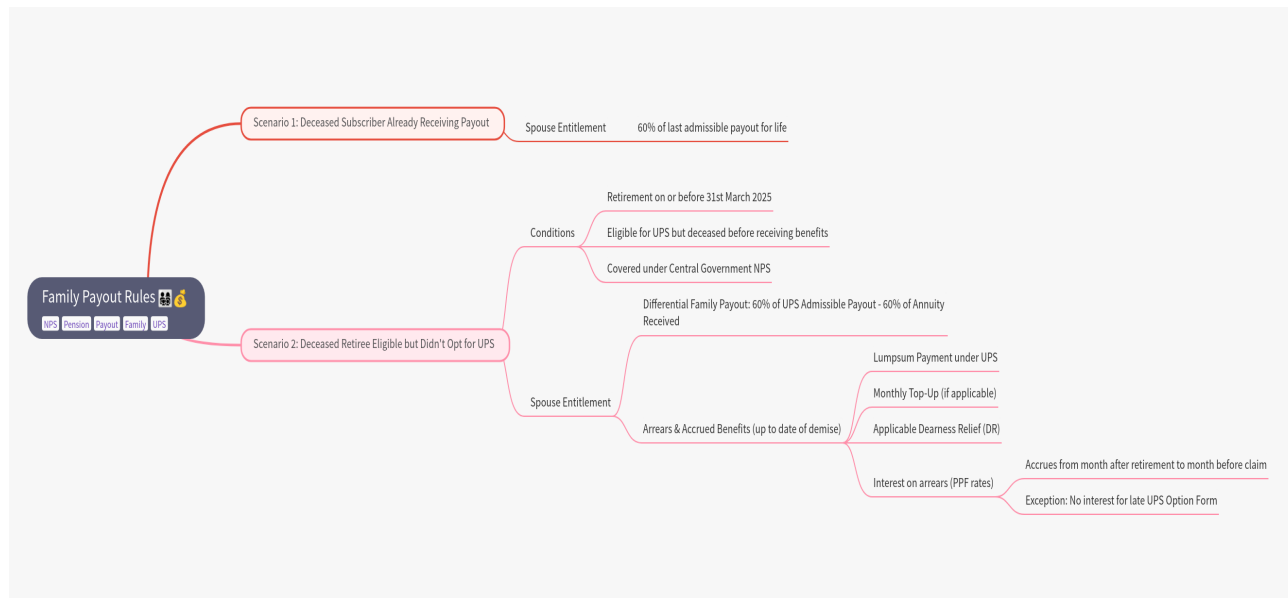
If the individual corpus transferred is less than the benchmark corpus, the assured payout will be proportionately reduced unless the shortfall is replenished by the subscriber.

**107. Is the transfer of individual corpus to pool corpus mandatory for employees who retired on or before 31<sup>st</sup> March 2025?**

No. Employees who superannuated or retired on or before 31 March 2025 are not required to transfer their individual corpus to the pool corpus, as they are already receiving annuity from the same corpus through the ASP. Accordingly, any applicable top-up amount will now be disbursed directly from the pool corpus.

**Table: Family Payout**

Situation	Benefit
UPS Subscriber dies while receiving payout	Spouse gets <b>60% of last admissible payout for life</b>
NPS Retiree (pre-31 Mar 2025) eligible for UPS dies before availing	Spouse gets <b>family payout</b> , plus <b>all due benefits</b> till date of demise



## 108. What is a UPS Payout Order?

A UPS Payout Order is an official document issued by the Pay and Accounts Office (PAO) recording the benefits payable to a UPS Subscriber. It is prepared using Forms B1, B2, B3, B4, B5, or B6 (as applicable) and sent to the NPS Trust through the CRA. Copies are provided to the UPS Subscriber or their legally wedded spouse.

## 109. What information is included in the UPS Payout Order?

The UPS Payout Order contains:

- Subscriber and legally wedded spouse details as per service records at retirement.
- Period of qualifying service.
- Joint bank account details of subscriber and spouse.
- Percentage of final withdrawal opted (up to 60% of individual corpus).
- Details of benefits such as lumpsum payment, individual corpus and benchmark corpus values, assured payout, admissible payout, family payout, and applicable dearness relief.
- Date of commencement of admissible payout.
- Other necessary details for payment processing.



**110. What happens after the UPS Payout Order is received by the NPS Trust?**

The NPS Trust authorizes:

- i. Release of admissible payout.
- ii. Release of lumpsum payment.
- iii. Release of final withdrawal amount.
- iv. Release of any surplus in the individual corpus exceeding the benchmark corpus.
- v. Payment of dearness relief on admissible payout.

**111. How are monthly payouts and dearness relief paid?**

The NPS Trust ensures monthly payouts **from the Pool Corpus** to the UPS Subscriber's bank account and periodic payment of applicable dearness relief. The CRA notifies the pension fund to redeem funds from the Pool Corpus for these payments.

**112. What benefits a superannuated or retired employees will receive, who have superannuated or retired under NPS on or before 31<sup>st</sup> March 2025 and complied with Regulations?**

They are entitled to:

- i. Lumpsum payment.
- ii. Monthly top-up amounts due immediately after retirement or superannuation.
- iii. Applicable Dearness Relief.
- iv. Simple interest on arrears related to the above benefits, calculated as per PPF rates for the period from the month after superannuation to the month before claim submission.

**113. Is the interest payable for all periods after retirement?**

No, interest is not payable beyond the last date for submission of option or claim as specified in Regulation 3.

**114. Are these benefits in addition to the regular NPS benefits?**

Yes, these benefits are additional to those already availed or accrued under NPS, including any annuity.

**115. How is the monthly top-up amount calculated?**

The monthly top-up = (Admissible Payout + Dearness Relief on Admissible Payout) – Representative Annuity Amount.

- i. **Admissible Payout** = Assured Payout  $\times$  ((Individual Corpus (IC) / Benchmark Corpus (BC))  $\times$  (1 – Final Withdrawal % (FW))) (If IC > BC, IC is taken as equal to BC)
- ii. **Representative Annuity Amount** = Individual Corpus  $\times$  (1 – FW%)  $\times$  Representative Annuity Rate / (12  $\times$  100) (If IC > BC, IC is taken as equal to BC)
- iii. Assured Payout, IC, BC, FW, and annuity rates are defined in applicable regulations and schedules.

### 116. From when is Dearness Relief applicable?

Dearness Relief is applicable only from 1<sup>st</sup> January 2016 onwards as per 7<sup>th</sup> Pay Commission rates, and subsequent pay commission adjustments as determined by the Central Government.

### 117. Can a superannuated or retired employee opt not to take the monthly top-up?

Yes, such an employee may choose to avail assured payout instead of monthly top-up by replenishing any shortfall due to partial withdrawal to match the benchmark corpus **at the NAV rate on the date of option exercise.**

### 118. How are these benefits disbursed?

The NPS Trust authorizes payment of benefits from the Pool Corpus as per the UPS Payout Order and ensures monthly payouts and Dearness Relief payments to the bank account of the UPS Subscriber. The CRA coordinates the redemption from the Pool Corpus for these payments.

## 11. UNDERSTANDING UPS WITH THE HELP OF NUMBERS: COMPARATIVE CHART OF DIFFERENT SCENARIOS

To facilitate better understanding, we have included a diverse set of scenarios in our analysis. These cover a broad spectrum of employees — from those who joined service around the time of the launch of NPS, two mid-career cases, and finally, a newly recruited employee who joined in UPS. This range ensures that the applicability, benefits, and implications of the Unified Pension Scheme (UPS) are clearly illustrated for employees at different stages of their service. **The calculations have been made as on 10.6.2025.**

#### Assumptions common to all scenarios

Particulars	NPS	UPS@6%DR	NPS	UP-S@5%DR
Basic Salary Annual Growth Rate	3%	3%	3%	3%
Annual DA Growth Rate	6%	6%	5%	5%
Expected Rate of Return	8%	8%	7%	7%
Annuity Rate	6.8%	6.8%	6.8%	6.8%
Discount Rate for calculating NPV	4%	4%	4%	4%
Life Expectancy of Retiree	75	75	75	75
Life Expectancy of Spouse	80	80	80	80

Calculation Source: UPS Calculator of NPS Trust (<https://npstrust.org.in/ups-calculator#>)

**Scenario 1: Employee who joined on 01.01.2004 and retiring on 31.08.2035.**

DoB	DoJ	DoR	20.08.1975	01.01.2004	31.08.2035
Particulars			NPS	UP-S@6%DR	NPS UPS@5%DR
Monthly Basic Pay as on today			360000	360000	360000
Existing Corpus			10000000	10000000	10000000
Monthly Contribution			86400	72000	86400
Projected Lumpsum@60% of the TC (A)			35242628	31565897	32228942
Lumpsum (B)			0	7705350	0
<b>Total Lumpsum on Retirement C=(A)+(B)</b>			<b>35242628</b>	<b>39271247</b>	<b>32228942</b>
Discounted PV @4% of future annuity value till spouse life (D)			21809265	48096376	19944300
<b>Total Projected payments till death of Spouse E=(C)+(D)</b>			<b>57051893</b>	<b>87367623</b>	<b>52173242</b>
Projected Monthly Annuity			132160	151400	120859

**Scenario 2: Employee who joined on 29.08.2011 and retiring on 31.08.2043.**

DoB	DoJ	DoR	20.08.1983	29.08.2011	31.08.2043
Particulars			NPS	UPS@6%DR	NPS UPS@5%DR
Monthly Basic Pay as on today			200000	200000	200000
Existing Corpus			5500000	5500000	5500000
Monthly Contribution			48000	40000	48000
Projected Lumpsum@60% of the TC (A)			54303659	47490605	46541249
Lumpsum (B)			0	8397616	0
<b>Total Lumpsum on Retirement C=(A)+(B)</b>			<b>54303659</b>	<b>55888221</b>	<b>46541249</b>
Discounted PV @4% of future annuity value till spouse life (D)			33604840	51654619	28801213
<b>Total Projected payments till death of Spouse E=(C)+(D)</b>			<b>87908499</b>	<b>107542840</b>	<b>75342462</b>
Projected Monthly Annuity			203639	172580	174530

**Scenario 3: Employee who joined on 29.08.2018 and retiring on 31.08.2050.**

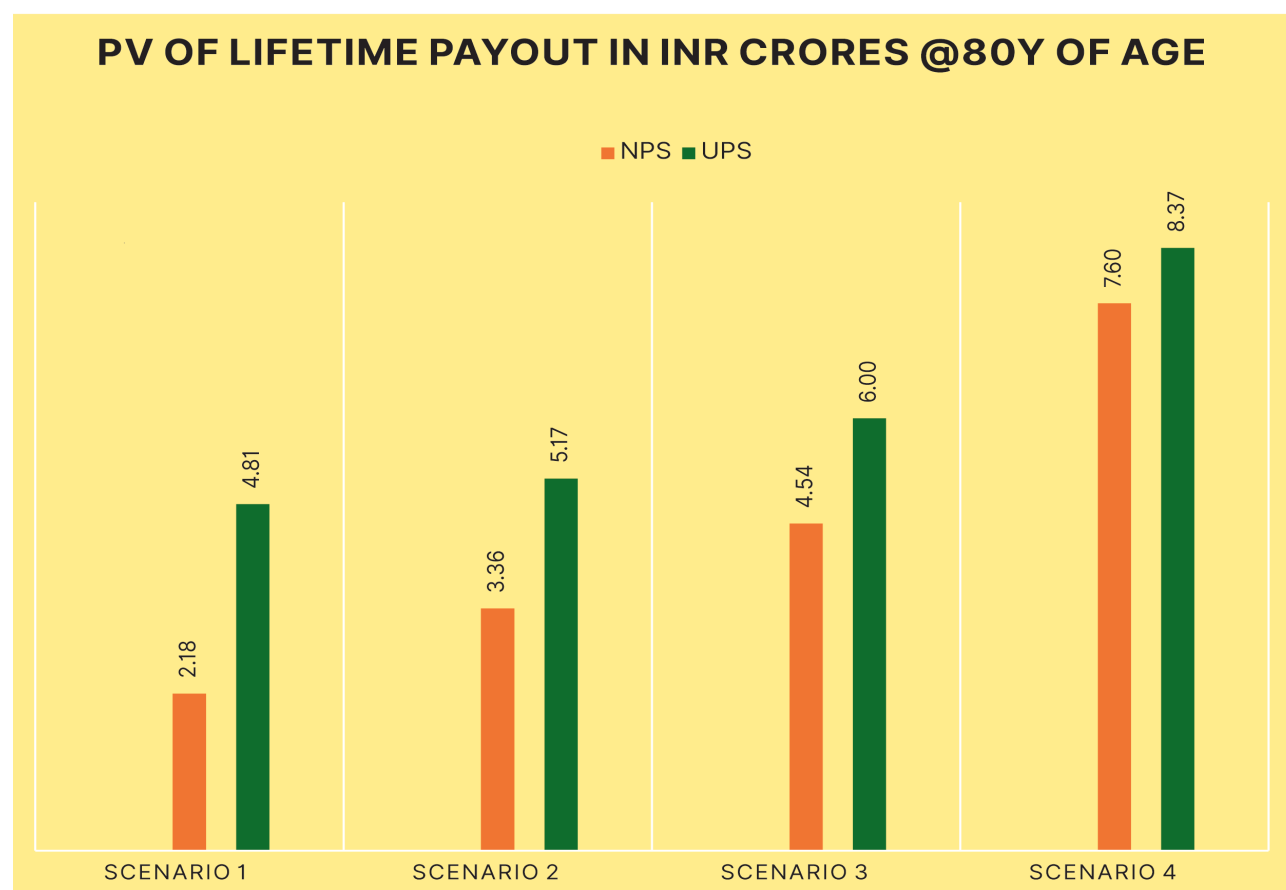
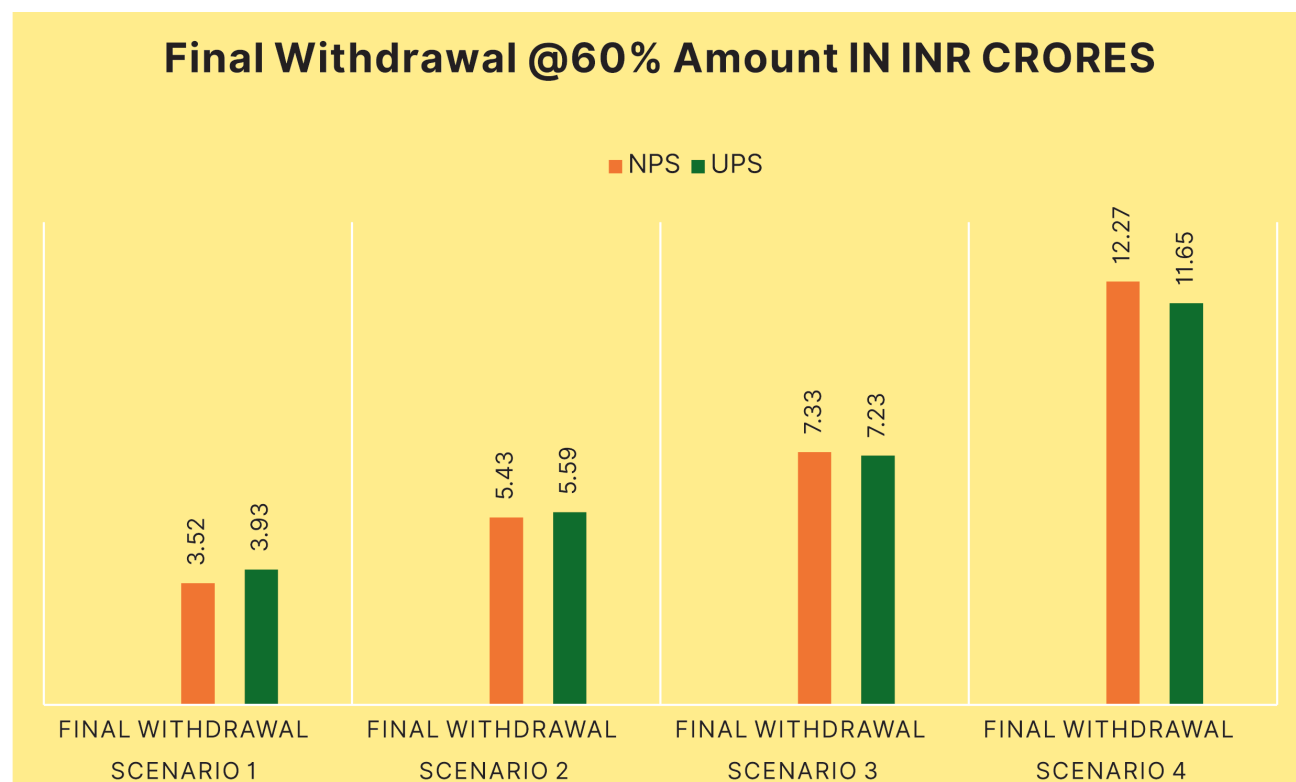
DoB	DoJ	DoR	20.08.1990	29.08.2018	31.08.2050	
Particulars			NPS	UPS@6%DR	NPS	UPS@5%DR
Monthly Basic Pay as on today			130000	130000	130000	130000
Existing Corpus			2500000	2500000	2500000	2500000
Monthly Contribution			31200	31200	31200	31200
Projected Lumpsum@60% of the TC (A)			73349618	62869601	59545076	50995979
Lumpsum (B)			0	9434776	0	7948117
<b>Total Lumpsum on Retirement C=(A)+(B)</b>			<b>73349618</b>	<b>72304377</b>	<b>59545076</b>	<b>58944096</b>
Discounted PV of future annuity value till spouse life (D)			45386991	59987049	36848396	48731358
<b>Total Projected payments till death of Spouse E=(C)+(D)</b>			<b>118736609</b>	<b>132291426</b>	<b>96393472</b>	<b>107675454</b>
Projected Monthly Annuity			275053	220742	223277	193398

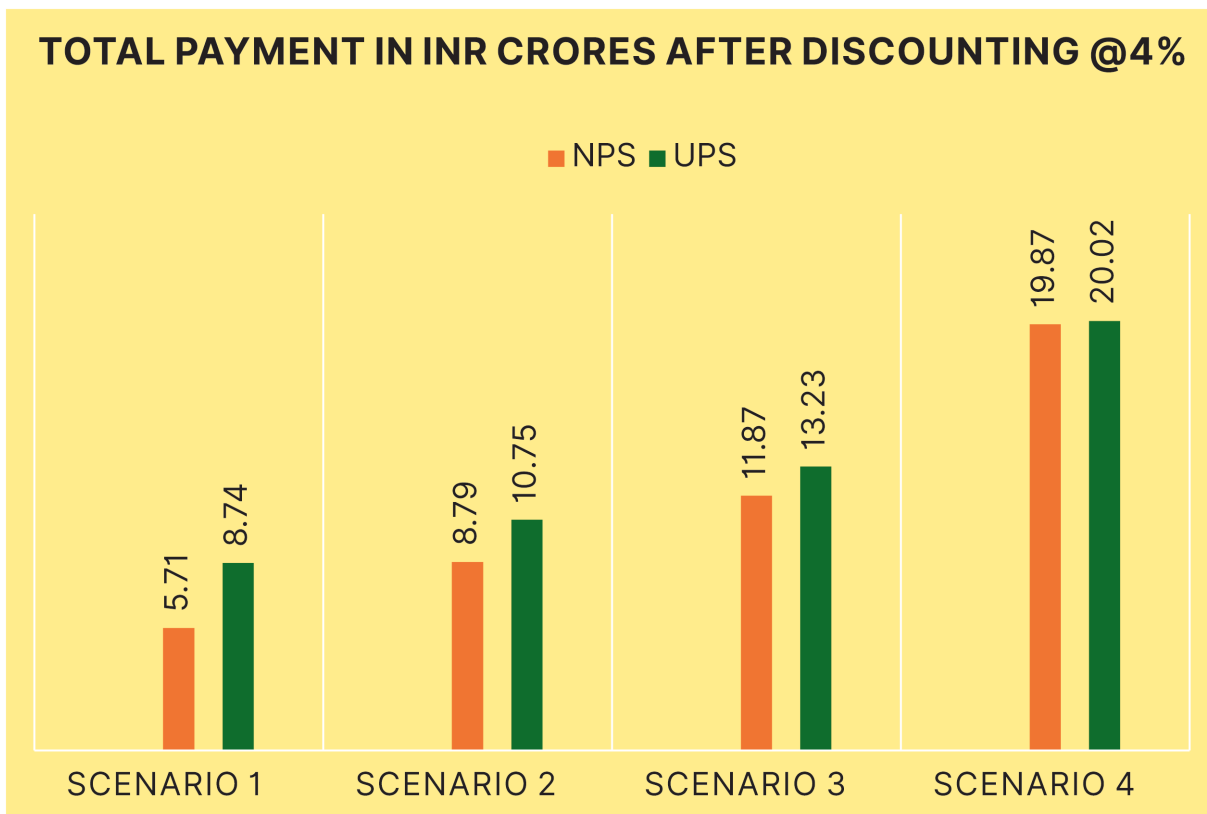
**Scenario 4: Employee who joined on 01.04.2025 and retiring on 31.08.2060.**

DoB	DoJ	DoR	20.08.2000	01.04.2025	31.08.2060	
Particulars			NPS	UPS@6%DR	NPS	UPS@5%DR
Monthly Basic Pay as on today			86000	86000	86000	86000
Existing Corpus			0	0	0	0
Monthly Contribution			20640	20640	20640	20640
Projected Lumpsum@60% of the TC (A)			122734355	102278629	92495528	77079607
Lumpsum (B)			0	14251473	0	11255472
<b>Total Lumpsum on Retirement C=(A)+(B)</b>			<b>122734355</b>	<b>116530102</b>	<b>92495528</b>	<b>88335079</b>
Discounted PV of future annuity value till spouse life (D)			75951943	83671594	57239190	63723537
<b>Total Projected payments till death of Spouse E=(C)+(D)</b>			<b>198686298</b>	<b>200201696</b>	<b>149734718</b>	<b>152058616</b>
Projected Monthly Annuity			460254	307898	346858	252897

Calculation Source: UPS Calculator of NPS Trust (<https://npstrust.org.in/ups-calculator#>)

The above scenarios have been presented in graphical format below:





**Summary of Calculations**

Factor	NPS	UPS
Monthly Contribution (A)	✓ Higher	✗ Lower
Projected Lumpsum (Based on 'A' above only) (B)	✓ Higher	✗ Lower
Additional Lumpsum (C)	✗ None	✓ Yes
Total Retirement Corpus (D)	✗ Lower	✓ Higher with sum of B & C above
Monthly Pension	✓ Slightly Higher initially but fixed for lifetime	✗ Lower but increases over time due to DA effect
PV of Future Annuity (D)	✗ Lower	✓ Much Higher
Lifetime Benefit (E)	✗ Lower	✓ Higher

### Effect Of Changing Variables

As is evident, all the amounts are liable to change if the underlying assumptions change. In the following paragraphs, we have tried to analyse the impact of change in different variables.

**i. Rate of Return (RoR) – Reduced from 8% → 7%**

- Impacts NPS more significantly, reducing total corpus and annuity due to its market-linked nature.
  - o NPS Corpus drops
  - o NPS Annuity drops
- UPS corpus increases slightly due to compounded DA, even with lower RoR.  
Conclusion: UPS provides better risk protection in lower RoR environments.

**ii. Dearness Allowance (DA) – Increased from 5% → 6%**

- UPS benefits directly from higher DA since annuity and corpus are DA-indexed.
  - o PV of Annuity (UPS)
  - o UPS Monthly Annuity also improves despite lower RoR
- Conclusion: DA increases greatly favour UPS, reinforcing stability and predictability.

**iii. Discount Rate (DR) Constant @ 4%**

- UPS annuities are discounted at this rate to estimate PV of spouse benefits.
- Based on last 10 years average DA growth, the average annual DA growth rate is 6%
- With higher DA and lower RoR, the value of fixed annuities in UPS becomes more attractive.
  - o NPS PV declines due to market risk.
  - o UPS PV increases due to guaranteed growth.
- Conclusion: Keeping DR constant amplifies UPS advantage under inflationary or low-return scenarios.

**iv. Contribution Levels – Lower in UPS**

- Despite a lower monthly contribution, UPS shows better outcomes in corpus and annuity.
- Indicates greater return efficiency per ₹1 invested, due to government guarantees and indexation.  
Conclusion: UPS is more efficient in terms of output per unit contribution, especially for long-service employees.

**v. Spouse Protection**

- PV of annuity till spouse life is significantly higher in UPS
- NPS spouse support is lower due to lack of guaranteed survivor pension.  
Conclusion: UPS offers better family/spouse support.

**vi. What happens to DA, when Market Returns are High?**

- A. No direct impact on DA as DA is not linked to stock market or mutual fund returns.

**B. Possible Indirect Links (in macroeconomics):**

Scenario	Effect on DA (if any)
High market returns due to real economic growth (demand-led)	May lead to mild inflation, increasing DA
High returns due to speculative bubble	No real inflationary pressure → no DA impact
If returns increase because of high commodity prices (like oil)	Can cause CPI inflation → DA rises

**Sensitivity Analysis**

Change	Impact on NPS	Impact on UPS	Who Wins?
<b>Drop in RoR</b>	↓ Corpus, ↓ Annuity	Stable/↑ Corpus	UPS
<b>Increase in DA</b>	No effect (DA not linked)	↑ Annuity & Corpus	UPS
<b>Constant DR</b>	PV reduces with lower RoR	PV increases with higher DA	UPS
<b>Lower Contribution</b>	↓ Effectiveness	↑ Return efficiency due to indexation or DA effect	UPS
<b>Spouse Benefits</b>	↓	↑↑↑	UPS

**vii. Final Insights**

- NPS is likely to give better returns when RoR is high and inflation is low.
- UPS appears to be better when:
  - o Returns are uncertain
  - o Inflation (DA) is rising
  - o Long-term support to family is of importance
- UPS becomes significantly attractive under higher DA and RoR, even with lower contributions.

In essence, UPS is a hybrid model—it addresses the pension security demands of employees, but does so in a financially responsible and modern manner, unlike the Defined Benefit Scheme.

## 12.COMPARISON OF DEFINED BENEFIT SCHEME, NPS & UPS

Feature	Defined Benefit Scheme	National Pension System (NPS)	Unified Pension Scheme (UPS)
Type	Defined Benefit Scheme (Guaranteed pension)	Market-linked Investment Scheme	Hybrid Pension Scheme (Guaranteed pension with contribution model)



Feature	Defined Benefit Scheme	National Pension System (NPS)	Unified Pension Scheme (UPS)
Applicable To	Government employees appointed before 1 <sup>st</sup> Jan 2004	Government employees appointed after 1 <sup>st</sup> Jan 2004	Government employees covered under NPS
Employee Contribution	None	10% of basic salary + DA	10% of basic salary + DA
Government Contribution	Fully funded by the government	14% of basic salary + DA	Individual Corpus: 10% of basic salary + DA Pool Corpus: 8.5% of basic salary + DA
Pension/Assured Amount Calculation	Pension is based on the last drawn basic salary	Depends on investment performance and annuity plan purchased	50% of average basic pay over the last 12 months (for employees with 25+ years of service)
Final Withdrawal at Retirement	Up to 40% Commutation of pension	60% of corpus (tax-free), 40% annuity	Up to 60% of Individual corpus
Lump Sum Payout	No	No	Yes
Family Pension/ Payout	Yes, pension benefits for the spouse	Depends on the annuity plan chosen	60% of the last payout given to spouse
Inflation Protection (DA Revisions)	Yes	No	Yes
Risk Factor	No risk, fixed pension	Market-dependent returns	No market risk, assured payout
Flexibility in Investment	Not applicable	Choice of fund managers and greater investment options	Choice of fund managers and investment options
Sustainability	High burden on the government, increasing pension liabilities	Sustainable, self-funded through investments	Balanced approach with government support
Leave Encashment	Yes	Yes	Yes
Gratuity Benefits	Yes	Yes	Yes
Minimum Pension	₹9,000/month subject to rules	No fixed minimum, it depends on investments	₹10,000/month (10+ years of service)
Tax Benefits	No tax benefits	Tax deductions under Sections 80C, 80CCD (1B), and 80CCD (2)	UPS has the same tax benefits as NPS, as per news reports published recently
Family Pension in case of death during the service or discharge on the ground of invalidation or disablement	Yes	Yes	Yes