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Sent: Wednesday, February 14, 2024 3:20:10 PM
Subject: Calculation of pension in Higher Wages Cases - Examples

For Internal Circulation Only

Madam / Sir,

Kind reference is invited on the above cited subject.

2. Requests have been received from various Zonal and Regional Offices to provide an example of calculation of pension on higher wages where date of commencement of pension is post 01.09.2014 i.e. pro-rata calculation is to be done.

3. Accordingly, it is once again clarified that as per provisions of EPS, 1995 pro-rata calculation is being done since 01.09.2014 in normal pension cases (please refer circular no. Actuarial/18(2)/2008/Vol.III/7738 dated 29.08.2014). Now, after implementation of judgement of Hon'ble Supreme Court, in eligible cases, the normal pension earlier given has to be enhanced to pension on higher wages. Since, there is no separate formula in EPS, 1995 for calculation of pension on higher wages in respect of ordinary EPS members, therefore in Higher Wages cases also as per provisions of EPS, 1995 calculation shall be done similarly, where date of commencement is on and after 01.09.2014:

a. *Calculation of Pension in Higher Wages Cases will be on pro-rata basis as per provision of EPS, 1995:*

$$\text{Monthly Member's Pension} = \frac{\text{Pensionable salary} \times \text{Pensionable service}}{70}$$

pro-rata calculation will entail separate calculation for pensionable service prior to 01.09.2014 and pensionable service post 01.09.2014

b. Calculation of Pensionable Salary in Higher Wages Cases:

- i. For pensionable service prior to 01.09.2014: Pro-rata pensionable salary i.e. highest monthly salary prior to 01.09.2014 or 60 Months average of salary preceding the date of exit from the membership of the Pension Fund ,whichever be less.*
- ii. For pensionable service post 01.09.2014 : Pro-rata pensionable salary i.e. highest monthly salary post 01.09.2014 or 60 Months average of salary preceding the date of exit from the membership of the Pension Fund ,whichever be less.*

- c. c. 2 year weightage, where due, is to be added to pensionable service prior to 01.09.2014 i.e. in b (i) above.*

(Examples attached for ready reference)

[This is issued with the approval of CPFC]

With regards,

Vertical-1, S-2,

Pension Division,
Head Office

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Examples.pdf

231 KB

EXAMPLES

	Example of Calculation of Pension (up to wage ceiling) that these members were receiving or were eligible to receive	Examples of Calculation of Pension on Higher Wages when a member becomes eligible for the same	
		I	II
Date of Joining	01/09/1996	01/09/1996	01/09/1996
Date of Exit	31/08/2023	31/08/2023	31/08/2023
2 year weightage benefit admissible (Pensionable Service >= 20 years)	Yes	Yes	Yes
Pensionable Service up to 31/08/2014 (IN DAYS)	18x365=6570	18x365=6570	18x365=6570
Total Pensionable Service up to 31/08/2014 (including 2 year weightage benefit if any) (IN DAYS)	6570+365x2= 7300	6570+365x2= 7300	6570+365x2= 7300
Pensionable Service from 01/09/2014 (IN DAYS)	9x365= 3285	9x365= 3285	9x365= 3285
Pensionable Salary (Average monthly pay drawn during contributory period of service in the span of 60 months preceding the date of exit from the membership of the fund) (in Rs)	15,000/-	18,000/-	18,000/-
Maximum Monthly wages taken for wage ceiling period pre 01.09.2014	6,500/- (Maximum wage ceiling)	11,000/- (Maximum Salary for pre 01.09.2014 period)	19,000/- (Maximum Salary for pre 01.09.2014 period)
Maximum Monthly Wages taken for wage ceiling period post 01.09.2014	15,000/- (Maximum wage ceiling)	22,000/- (Maximum Salary for post 01.09.2014 period)	22,000/- (Maximum Salary for post 01.09.2014 period)
Formula Pension	$\frac{(7300 \times 6500 + 3285 \times 15000)}{70 \times 365}$ = 3,786/-	$\frac{(7300 \times 11000 + 3285 \times 18000)}{70 \times 365}$ = 5,457/-	$\frac{(7300 \times 18000 + 3285 \times 18000)}{70 \times 365}$ = 7,457/-