Unified Pension Scheme (UPS)

An assured 50% pension for central government employees, live from April 2025.

50% of last-year average basic (assured) | Assured, inflation-indexed pension

What is UPS?

The Unified Pension Scheme is a new pension option for central government employees, effective 1 April 2025. It blends the assurance of the old pension scheme with the funded structure of NPS: eligible employees are assured a pension of 50% of their last 12 months' average basic pay after 25 years of service, with inflation indexing and a family pension, while the corpus is still built through contributions.

In brief

Suits	Central government employees covered by NPS who prefer an assured pension.
You get	50% of the average basic pay of the last 12 months, after 25 years of service, indexed to inflation.
Your money	Contributions continue as under NPS; a one-time switch back to NPS is allowed before retirement.
Tax	Pension is taxed as salary income.
Watch for	Compare the UPS and NPS outcomes for your own service length before choosing.

Key facts

Assured pension	50% of average basic pay of last 12 months
Full pension after	25 years of qualifying service
Minimum pension	₹10,000/month (for 10+ years service)
Family pension	60% of the employee's pension
Effective	1 April 2025 · central government employees under NPS

What's new

Aug 2026	The Finance Ministry told Parliament that about 1.18 lakh employees had chosen UPS by 19 July 2026.
Nov 2025	The opt-in window for existing employees closed on 30 November 2025.
Aug 2025	Employees who chose UPS were given a one-time option to move back to NPS before retirement.

Questions and answers

THE BASICS

What is the Unified Pension Scheme?

UPS is a pension option introduced for central government employees who are covered by NPS, effective 1 April 2025. It offers an ASSURED pension (unlike market-linked NPS) while retaining a contributory, funded design, an attempt to bridge the old guaranteed pension (OPS) and the newer NPS.

How much pension does UPS assure?

An assured pension of 50% of the average of your basic pay drawn over the last 12 months before retirement, provided you've completed at least 25 years of qualifying service. For 10–25 years of service, the pension is proportionate.

Is there a minimum pension?

Yes, an assured minimum pension of ₹10,000 a month on superannuation, for employees with at least 10 years of service. This floor protects lower-tenure and lower-grade employees.

BENEFITS

What is the family pension under UPS?

On the death of the pensioner, the family receives 60% of the pension the employee was drawing immediately before death, a meaningful survivor benefit built into the scheme.

Is the UPS pension protected against inflation?

Yes. The assured pension, minimum pension and family pension are all indexed to inflation via Dearness Relief, linked to the All India Consumer Price Index for Industrial Workers (AICPI-IW), so the pension's real value is preserved over time.

Is there a lump sum at retirement too?

Yes, in addition to gratuity, UPS provides a lump-sum payment at superannuation equal to one-tenth of your monthly emoluments (pay + DA) for every completed six months of qualifying service. This does not reduce the assured pension.

CONTRIBUTIONS & ELIGIBILITY

Who is eligible for UPS?

Central government employees currently covered under NPS can opt for UPS. It is an option, eligible employees choose between staying in NPS and moving to UPS. State governments may separately choose to adopt UPS for their employees.

How is UPS funded?

It remains contributory: the employee contributes 10% of basic + DA, and the government contributes a higher share (18.5%) into the corpus. This funded structure is what distinguishes UPS from the old, unfunded OPS.

HOW IT COMPARES

UPS vs NPS, what's the trade-off?

NPS is market-linked: potentially higher returns, but the pension is not guaranteed and depends on the annuity rate at retirement. UPS gives an ASSURED, inflation-indexed 50% pension with a family pension, more certainty, less upside. Employees who value a predictable pension tend to prefer UPS; those comfortable with market risk may prefer NPS.

UPS vs the old pension scheme (OPS)?

OPS was fully government-funded (no employee contribution) and assured 50% of last-drawn pay. UPS also assures 50% (of the last 12 months' average basic) but is contributory and funded, designed to be fiscally sustainable while restoring the assurance employees wanted back.

GOOD TO KNOW

How do I opt for UPS, and can I switch back?

Eligible central government employees exercise the option through their department/the designated portal within the notified window. The opt-in window for existing employees closed on 30 November 2025. Since August 2025, an employee who chose UPS has a one-time, one-way option to move back to NPS, at least one year before superannuation or three months before voluntary retirement (not available on dismissal or pending disciplinary action).

Sources: The Tribune; All India Radio News; Vajiram & Ravi current affairs.

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