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Double gain for UPS subscribers: Gratuity bonanza over and above lump-sum benefit for these government employees, here's how

Central Government employees under the Unified Pension Scheme (UPS) now gain retirement and death gratuity benefits up to Rs 25 lakh, as per the latest rules. This adds to the existing lump-sum payment within UPS, offering a double financial advantage. Read below to know how government employees can benefit from this new development.

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Read on: <https://economictimes.indiatimes.com/wealth/save/double-gain-for-ups-subscribers-gratuity-bonanza-over-and-above-lump-sum-benefit-for-these-government-employees-heres-how/articleshow/121971882.cms>

Article Content:

Central Government employees who have opted for Unified Pension Scheme (UPS) can now receive retirement and death gratuity benefits of up to Rs 25 lakh, according to the Central Civil Service (Payment of Gratuity under National Pension System) Rules, 2021.

This means UPS subscribers will now enjoy gratuity payments (on both retirement and death in service), along with a lumpsum payment already built in the UPS. UPS subscribers will get a lump sum amount equal to 10% of the emoluments for each completed six months of service.

What did the government say about the gratuity payment under UPS?

According to a press release dated June 18, 2025, the government said: “The Department of Pension and Pensioners’ Welfare vide its OM No. 57/01/2025-P&PW(B)/UPS/10498 dated 18.06.2025, has issued clarification that the Central Government employees opting for Unified Pension Scheme shall be eligible for benefit of ‘Retirement gratuity and Death gratuity’ under the provisions of the Central Civil Service (Payment of Gratuity under National Pension System) Rules, 2021.”

What does this mean for government employee subscribing to UPS?

Shravan Shetty, Managing Director, Primus Partners, says the key benefit is that employees under UPS can now access lump sum gratuity payouts upon retirement or in the unfortunate event of death in service—benefits that were earlier unclear or unavailable.

This update under the Central Civil Service (Payment of Gratuity under National Pension System) Rules, 2021 gives UPS subscribers a more comprehensive social security net and provides financial support to families and retirees during critical life stages,” says Shetty.

Aslam Ahmed, Partner, Singhania & Co agrees with Shetty and adds: “UPS subscribers get both benefits – lump sum benefits from UPS itself and gratuity benefits carried over from NPS rules.”

The retirement gratuity formula under Rule 22 of Central Civil Service (Payment of Gratuity under National Pension System) Rules, 2021 is:

“..retirement gratuity equal to one-fourth of his emoluments for each completed six monthly period of qualifying service, subject to a maximum of 16 1/2 times the emoluments.”

The death gratuity formula under Rule 22 of Central Civil Service (Payment of Gratuity under National Pension System) Rules, 2021 is:

Serial no.	Length of qualifying service	Rate of death gratuity
1.	Less than one year	Two times of emoluments
2.	One year or more but less than five years	Six times of emoluments.
3.	Five years or more but less than eleven years	Twelve times of emoluments.
4.	Eleven years or more but less than twenty years	Twenty times of emoluments.
5.	Twenty years or more	Half of emoluments for every completed six-monthly period of qualifying service subject to a maximum of thirty three times of emoluments

Source: Rule 22 of Central Civil Service (Payment of Gratuity under National Pension System) Rules, 2021

The term emoluments means basic pay plus dearness allowance (DA). As per the said rules, stagnation increment is treated as emoluments for calculation of gratuity.

The gratuity amount has been increased up to Rs 25 lakh. According to an office memorandum dated May 30, 2024, “..the maximum limit of Retirement Gratuity and Death Gratuity under the Central Civil Services (Pension) Rules, 2021 or the Central Civil Services (Payment of Gratuity under National Pension System), Rules 2021, would be increased by 25% i.e. from Rs 20 lakh to Rs 25 lakh with effect from January 1, 2024.”

The government has not yet clarified or explained that government employees opting for UPS will not get Lumpsum and retiral/death gratuity benefits both, hence experts have interpreted the law and answered that the said employees will get both the benefits under UPS, until the government clarifies this is not the case.

Vivek Joshi, Senior Associate, PSL Advocates & Solicitors says: "By way of these clarifications, the DoPPW has resolved several concerns of the employees with regard to losing their gratuity benefits while opting-in for the UPS. This development marks a progressive blending of old and new pension schemes and reflects the beneficial nature of the framework. As the gaps between UPS and Oold Pension Scheme (OPS) are now resolved, it ensures parity and is likely to encourage employees to opt for UPS with an option to avail benefits of OPS as well."

How much lumpsum amount can you get under UPS?

A lump sum amount is calculated as 1/10th of their last drawn monthly pay for every six months of completed service.

Ahmed says: “Upon retirement, employees will receive a one- time payment alongside gratuity, calculated as 1/10th of their monthly salary (basic pay plus Dearness Allowance) for every six completed service months. This extra amount does not affect the assured pension.”

If we compare the lumpsum benefit under UPS with NPS, then under NPS employees can withdraw up to 60% of the NPS corpus as lump sum on superannuation, which could be bigger than the lump-sum received under UPS. However, the regular income generated by annuity purchased with 40% of the remaining retirement corpus may not be as big as in case of UPS.

However, in NPS, the employees have the option of investing their corpus in equities which isn't possible with UPS. This means there is a greater potential for a bigger corpus in NPS compared to UPS, especially if the stock market yields returns of over 8% to 10% per annum during their employment.

Comparison between UPS and NPS

Here's a table showing how UPS and NPS differs:

Particulars	Unified Pension Scheme (UPS)	National Pension System (NPS)
Employer's contribution	The employer contributes 18.5% of the employee's basic salary to the pension fund.	The employer deposits 14% of the basic salary into the pension account.
Pension Payout	Offers a fixed monthly pension, which is 50% of the average basic pay earned in the final 12 months before retirement (for employees completing 25 years of service).	No fixed pension is guaranteed. The monthly pension depends on the performance of the investments over time and the final amount accumulated.
Employee Contribution	Employees will contribute 10% of the basic salary to the pension fund.	Employees will contribute 10% of the basic salary to the pension fund.
Inflation Adjustment	Pension payments are periodically adjusted based on the All-India Consumer Price Index for Industrial Workers (AICPI-IW) to protect against inflation.	NPS does not offer automatic inflation adjustments. It does not have a built-in mechanism like DA (Dearness Allowance).