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Institute Of Civil Services

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18th June 2025

Mains Manthan

- India needs to design an inclusive pension system (Page No – 10)
- India increased its nuclear warhead count: SIPRI (Page No – 16)

Prelims Saarthi

- Wildlife Sanctuaries
- India-France Joint Exercise

India needs to design an inclusive pension system

Why in News?

- Pension System

Syllabus

- GS Paper 2 – Governance & Social Justice

India needs to design an inclusive pension system

Pensions are essential for maintaining economic stability and dignity after retirement. Retirees often face financial instability due to reduced earning capacity, rising health-care costs, and inflation, necessitating a safety net in the form of pensions.

The Economic Survey 2025-26 reports that Indian pension assets amount to just 17% of GDP, compared with up to 80% in many advanced economies. Currently, only around 12% of India's workforce is covered by formal pension schemes. The coverage is also disproportionate, with public sector and organised private sector workers being protected under multiple parallel schemes. In contrast, the only protection for the informal sector is voluntary adoption under the National Pension System and Atal Pension Yojana. These two schemes accounted for about 5.3 % of the total population in FY24.

Integrate the informal sector

Notably, almost 85% of the informal labour force is generating more than half of the country's GDP. As markets evolve, the gig economy will only expand further. Their exclusion from the pension framework is not only a policy gap but also a looming financial crisis in the making. By 2050, India's old-age dependency ratio will increase to 30%. Consequently, India's path to achieve developed economy status by 2047 will depend, in no small measure, on our efforts to secure the future against old-age poverty.

Currently, the expansion of pension coverage is hindered by issues that are linked to scalability, sensitisation, and sustainability.

The primary reason for the exclusion of informal workers from the pension framework is the fragmented nature of pension schemes. Although the government has introduced social security for gig workers, funded in part by aggregators, this only addresses a fraction of the informal sector and adds another parallel scheme to an already complex web. On the contrary, most mature economies have a well-structured



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As India undergoes a demographic shift, policymakers must plan a truly inclusive pension system

pension ecosystem with multiple tiers that cater to the diverse needs of the entire population. For example, Japan operates a mandatory flat-rate contributory scheme for all residents between the ages 20 to 59 years, encompassing the self-employed, farmers, public and private employees, and their dependents. Similarly, New Zealand offers a universal, flat-rate public pension to residents aged 65 years and over, subject to a 10-year residency requirement; roughly 40% rely on it as their main income during old age.

As a large proportion of the current pension coverage for the informal sector is voluntary, the next roadblock in expansion is a lack of awareness. As financial literacy in India remains low, efforts at sensitisation need to start at the grass-root level. For example, the financial literacy policy in Australia enables the school curriculum to incorporate a component on superannuation planning.

In the Netherlands, occupational pension funds provide annual disclosures of accrued pension rights to active participants. The United Kingdom runs an opt-out pension scheme for its employees, which promotes participation by default. Sensitisation is also linked with increasing accessibility of pension products, such as in Nigeria, which has invested heavily in a digital pension infrastructure to increase the reach of its pension system.

Ensuring sustainability and liquidity

Finally, sustaining the financial health and liquidity of pension funds are critical to securing sufficient resources for a dignified retirement. The Mercer CFA Institute Global Pension Index 2024 Report assigned an overall value of 44% to the Indian pension system, with a sharp decline in the adequacy ratio.

Notably, China, which performed on the index, is currently facing challenges in maintaining its public pension system without support from private pension funds. Thus, support from private funds is important in

developing a robust market. The Netherlands, Denmark and Australia also rely on private funds to support the public pension systems. In the United States, pension fund investments are secured through targeted debt funds to ensure reliable returns.

A three-tiered framework

To address the problems of scalability, sensitisation and sustainability, at the outset, India should harmonise fragmented schemes into a tiered system overseen by a unified regulator. In an ideal design, the first tier would comprise a mandatory basic pension guarantee, offering a flat-rate contributory pension for all, irrespective of employment status. The next tier would cover occupational pensions that may be mandatory, or on an opt-out basis, establishing employer-based schemes with auto-enrolment, subject to minimum contribution standards. The final tier would include voluntary pension savings, incentivised through tax benefits, market-linked returns, and flexible products to supplement retirement income.

In addition, measures such as targeted financial literacy campaigns at the school and college levels, user-friendly digital enrolment platforms, and mandated annual disclosures of pension entitlements can significantly enhance public participation and trust in the system. Further, robust investment regulations and oversight are necessary to monitor pension fund performance and ensure sufficient liquidity to meet long-term pension obligations.

As India undergoes a demographic shift, a minimum pension guarantee and a well-structured pension system for everyone, including informal workers, will ensure basic financial security during retirement. Policymakers must act now to design a truly inclusive pension system for all, regardless of their occupational status.

The views expressed are personal





Key Takeaways from the Article

• The Need for Pensions

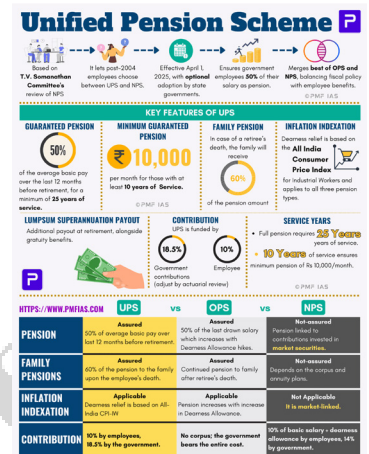
- ◆ Pensions provide **economic stability and dignity post-retirement**, especially amid:
 - ◆ Reduced earning capacity
 - ◆ Rising healthcare costs
 - ◆ Inflation
- ◆ As India's **old-age dependency ratio** is expected to reach **30% by 2050**, pensions will play a key role in development.

• India's Pension Landscape:

- ◆ **Pension assets:** Only **17% of GDP**, compared to **~80% in advanced economies**.
- ◆ **Formal coverage:** Just **12% of workforce** under formal pension schemes.
- ◆ Informal sector coverage:
 - ◆ **Voluntary via Atal Pension Yojana (APY) and National Pension System (NPS)**
 - ◆ **Only 5.3% of population** covered under APY + NPS (FY24)

• Informal Sector and Gig Workers: The Missing Link

- ◆ Informal workers = **~85% of India's workforce**, contributing **over 50% of GDP**
- ◆ Current schemes don't cover most informal or gig workers.
- ◆ A fragmented ecosystem with overlapping schemes adds confusion and reduces scale.
- ◆ The government's move to **mandate social security contributions** for gig workers is a positive step, but limited in reach.



Old vs New

A look at the difference between the old and the new pension schemes

Old Pension Scheme	National Pension Scheme
<ul style="list-style-type: none"> ■ The scheme guarantees a life-long income, post-retirement ■ Government bears the expenditure incurred on the pension ■ Under the scheme, a monthly payment is assured, where the amount is equivalent to 50% of the last drawn salary 	<ul style="list-style-type: none"> ■ It is a participatory scheme, where employees contribute to their pension corpus from their salaries, with matching contribution from the government ■ The funds are invested in earmarked investment schemes through Pension Fund Managers ■ On retirement, 60% of the corpus, which is tax-free, is withdrawn while the remaining 40% is invested in annuities, which is taxed

CABINET APPROVED THE

UNIFIED PENSION SCHEME (UPS)

SALIENT FEATURES:

- Scheme Options:** Central government employees will have the option to choose between the new Unified Pension Scheme and the existing New Pension Scheme
- Pension Contribution:** The staff contribution to the scheme will remain at 10%, unchanged from the previous structure. However, the Central Government's contribution will be reassessed every three years
- Expenditure:** The financial implications include a total expenditure of ₹800 crore for arrears, with an estimated initial annual cost of ₹8,750 crore for the scheme
- Implementation:** The UPS is set to take effect from April 1, 2025. It will also be applied retroactively to government employees who retired from 2004 onwards





Global Best Practices

Country	Approach
Japan	Mandatory flat-rate contributory pension for all (ages 20–59)
New Zealand	Universal flat-rate pension (age 65+, 10-year residency requirement)
UK	Opt-out employer-based scheme for broader inclusion
Netherlands	Mandatory occupational pension + regular disclosures to users
Nigeria	Digital pension infrastructure enhances accessibility
Australia	School curriculum includes superannuation planning

- **Recommendations: Three-Tiered Pension Framework**
 - ◆ **Tier 1 – Basic Pension Guarantee**
 - ◆ Flat-rate, **mandatory contributory scheme**
 - ◆ Universal for all residents, irrespective of employment type
 - ◆ **Tier 2 – Occupational Pensions**
 - ◆ Employer-based, **mandatory or opt-out**
 - ◆ With minimum contribution thresholds and auto-enrolment
 - ◆ **Tier 3 – Voluntary Savings**
 - ◆ Incentivised through **tax benefits, market-linked returns, and flexibility**

India increased its nuclear warhead count: SIPRI Report

Why in News?

- SIPRI Report released nuclear warhead count

Syllabus

- **GS Paper 2 – International Relations**





India increased its nuclear warhead count to 180 in 2024: SIPRI report

The Hindu Bureau
NEW DELHI

Nearly all of the nine nuclear-armed countries, including India and Pakistan, continued intensive nuclear modernisation programmes in 2024, upgrading existing weapons and adding newer versions, the Stockholm International Peace Research Institute (SIPRI), a global think tank, says in its 2025 report.

India is believed to have once again "slightly expanded" its nuclear arsenal in 2024 and continued to develop new types of nuclear delivery systems. "India's new 'canisterised' missiles, which can be transported with mated warheads, may be capable of carrying nuclear warheads during peacetime, and possibly even multiple warheads on each missile, once they become operational," the SIPRI says.

"Pakistan also conti-

'Nearly all of the nine nuclear-armed countries upgraded weapons, added newer versions'

nued to develop new delivery systems and accumulate fissile material in 2024, suggesting that its nuclear arsenal might expand over the coming decade," it says, observing that in early 2025, tensions between India and Pakistan briefly spilled over into armed conflict.

"The combination of strikes on nuclear-related military infrastructure and third-party disinformation risked turning a conventional conflict into a nuclear crisis," says Matt Koroda, associate senior researcher with SIPRI's Weapons of Mass Destruction Programme and associate director for the Nuclear Information Project

at FAS. "This should act as a stark warning for states seeking to increase their reliance on nuclear weapons," he says.

The findings, SIPRI says, are that a dangerous new nuclear arms race is emerging at a time when arms control regimes are severely weakened. The nine nuclear-armed countries are the United States, Russia, the United Kingdom, France, China, India, Pakistan, the Democratic People's Republic of Korea (North Korea), and Israel.

Call for caution

According to the SIPRI estimates, India's stored warheads increased to 180 in January 2025, from 172 in January 2024; whereas that of Pakistan remained at 170. The U.S. has 1,770 deployed and 1,930 stored warheads, while its inventory stands at 5,177 in 2025 compared with 5,328 in 2024.

Russia has 1,718 deployed and 2,591 stored warheads, and its inventory stands at 5,459, as against 5,580 in 2024. China has 24 deployed warheads and 576 stored ones, with its inventory rising to 600 in January 2025 from 500 in 2024.

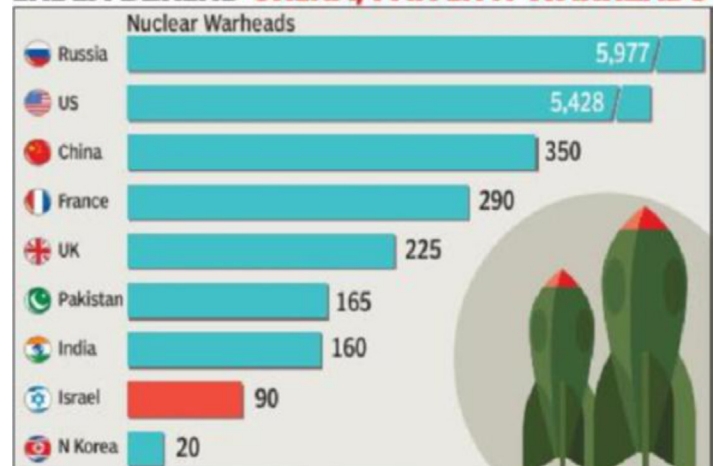
The total inventory stands at 12,241, of which 9,614 warheads are in "military stockpiles for potential use". An estimated 3,912 warheads are deployed with missiles and aircraft, and the rest are in central storage.

The report cautions that if no new agreement is reached to cap their stockpiles, the number of warheads deployed on strategic missiles might increase after the expiry of the bilateral 2010 Treaty on Measures for the Further Reduction and Limitation of Strategic Offensive Arms (New START) in February 2026.

Key Takeaways from the Article

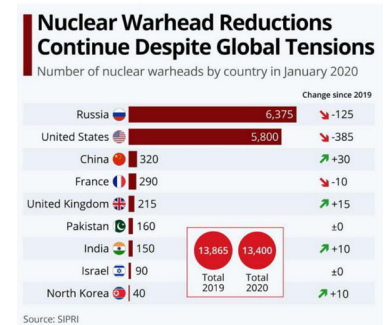
- The **Stockholm International Peace Research Institute (SIPRI)** has released its **2025 Yearbook**, highlighting a global trend in nuclear arms buildup. According to the report:
- **India increased its nuclear warhead count to 180** in 2024 (from 172 in 2023).
- Most nuclear-armed states, including India and Pakistan, are **modernising their arsenals**, signalling a **new nuclear arms race**.
- There is growing risk of **conventional conflicts escalating into nuclear crises**, especially in South Asia.

INDIA BEHIND CHINA, PAK IN N-WARHEADS





- **Challenges**
 - ◆ Geopolitical Threats
 - ◆ Cybersecurity Concerns
 - ◆ Emerging Technologies
 - ◆ Nuclear Energy Risks
- **International Treaties on Nuclear Programs**
 - ◆ Treaty on the Non-Proliferation of Nuclear Weapons (NPT)
 - ◆ Partial Test Ban Treaty (PTBT)
 - ◆ Comprehensive Nuclear-Test-Ban Treaty (CTBT)
 - ◆ Treaty on the Prohibition of Nuclear Weapons (TPNW)
- **Other Related Mechanisms:**
 - ◆ Nuclear Suppliers Group (NSG)
 - ◆ Missile Technology Control Regime (MTCR)
 - ◆ Hague Code of Conduct against Ballistic Missile Proliferation
 - ◆ Wassenaar Arrangement
- **Overview of India's Nuclear Program**
 - ◆ India conducted its first nuclear test in May 1974 and remains outside both the NPT and the CTBT.
 - ◆ Despite this, India has entered into a facility-specific safeguards agreement with the International Atomic Energy Agency (IAEA) and secured a waiver from the NSG, enabling it to engage in global civil nuclear commerce.
 - ◆ India has been admitted to several key non-proliferation regimes: the MTCR in 2016, the Wassenaar Arrangement in 2017, and the Australia Group in 2018.
 - ◆ A notable advancement occurred in 2024 with the initiation of core loading at India's Prototype Fast Breeder Reactor (PFBR) in Kalpakkam, Tamil Nadu—a significant step forward in India's nuclear energy capabilities.
 - ◆ India continues to uphold its official no-first-use (NFU) policy regarding nuclear weapons



Wildlife Sanctuaries

- ◆ Chinnar WLS
- ◆ Eravikulam NP
- ◆ Anaimudi NP





Turmeric farming a new way to thwart wild animal threat in Kerala's Munnar

Sandeep Vellaram

IDUKKI

The once-abandoned cropland in the tribal settlements of Munnar in Kerala's Idukki district will soon adorn a green carpet.

Farmers had left large areas uncultivated for years owing to attacks by wild animals.

According to officials, the tribal population under the wildlife division has now introduced turmeric farming on the abandoned lands, as wild animals stay away from such farms. The tribal population took it up with the financial support of the Forest Department.



Rich dividends: Forest department officials and tribal farmers sowing turmeric seeds on farms in the Munnar wildlife division.

Munnar Wildlife Warden K.V. Harikrishnan says that last year, turmeric was cultivated on two acres under the Munnar forest division, and it reaped rich dividends. "This year,

turmeric farming will be done on 55.56 acres in the tribal settlements of the Chinnar Wildlife Sanctuary, Eravikulam National Park, and Anamudi National Park. The trial farming

conducted here found that turmeric farming is very practical in these lands," says Mr. Harikrishnan.

Threat recedes

According to officials, all wild animals, including elephants and wild boars, stay away from turmeric farms. "During the trial farming, the department and tribal farmers monitored the wild animals and confirmed this," he says.

Over the months, the officials noted that the crop-raiding threat has waned. "Turmeric farming is a new hope for farmers, giving an average yield of five tonnes per acre of land," said an official.

India-France Joint Exercise

- India & French exercise - Shakti

Army team leaves for India-France joint exercise

The Hindu Bureau
NEW DELHI

An Army contingent left for France on Tuesday to participate in the eighth edition of the India-French joint military exercise named 'Shakti', which will be conducted at Camp Larzac, La Cavalerie in France from June 18 to July 1.

The Indian contingent comprises 90 personnel, primarily from a battalion of the Jammu and Kashmir Rifles.

The French contingent comprises 90 personnel from the 13th Foreign Legion Half-Brigade (13th DBLE), the Defence Ministry said.

The exercise is a biennial training engagement between the Indian and French Armies, aimed at enhancing interoperability, operational coordination, and military-to-military connect. The training will be conducted in semi-urban terrain.

