# PART-I RETIREMENT BENEFITS C G EMPLOYEES

# 1. PENSION: (SERVICE)

-Min service 10 years

-10 months’ AE or 50% LPD

- WHEN SERV. IS > 20 YEARS

-Min Pension Rs.3,500 & Max Pension Rs.45,000/-

# 1.1 PENSION (FAMILY PENSION)

- Family Pension is eligible after completion of ONE year or even completion of one year if the Government servant had been examined by the appropriate Medical Authority and declared fit for Government service

# 2. COMMUTATION OF PENSION

- Government servant has an option to commute max. of 40% w.e.f 1.1.1996. No medical examination if option is exercised within one year of retirement.
- If the option is exercised after one year, he/she will have to under go medical examination .
- Lump sum payable is calculated with reference to the Commutation Table .
- The monthly pension will stand reduced by the portion commuted
- The commuted portion will be restored on the expiry of 15 years from the date of receipt of the commuted value of pension.
- Dearness Relief, however, will continue to be calculated on the basis of the original pension (i.e. without reduction of commuted portion).

# 3. GRATUITY – RETIREMENT

- This is payable to the retiring Government servant.
- A min.of 5 years qualifying service and eligibility to receive service gratuity.
- RG is calculated @ 1/4th of a month's Basic Pay plus Dearness Allowance drawn before retirement for each completed SMPS.
- There is no min.limit for the amount of gratuity.
- Max. RG payable is 16½ times the Basic Pay, subject to a maximum of Rs. 10 lakhs.

# 3.1. GRATUITY – DEATH

- **Death Gratuity**

  This is a one-time lump sum benefit payable to the widow/widower or the nominee of a permanent or a quasi-permanent or a temporary Government servant, including CPF beneficiaries, dying in harness. There is no stipulation in regard to any minimum length of service rendered by the deceased employee. Entitlement of death gratuity is regulated as under:

# 3.2. GRATUITY – DEATH(contd…)

| Qualifying Service | Rate |
| --- | --- |
| a. Less than one year | 2 times of basic pay |
| b. One year or more but less than 5 years | 6 times of basic pay |
| c. 5 years or more but less than 20 years | 12 times of basic pay |
| d. 20 years of more | ½ of emoluments for every SMPS sub. to max of 33 times.. |

# 3.3. GRATUITY – SERVICE(Contd…)

- If service is < 10 yrs – pension is not eligible. Only Service Gratuity paid.
- Half month's basic pay last drawn for each completed SMPS.
- No min or max limit on the quantum.
- This one time lump sum payment is distinct from and is paid over and above the retirement gratuity.

# 4. GENERAL PROVIDENT FUND AND INCENTIVES

- Applicable for employees joined Government Service before 1.1.2004)

- Min.subscription 6% of Basic; Max: Basic pay. Min.service: One year.
- Deposit Linked Insurance Scheme applicable – Rs.60,000/- maximum benefit.

# 5. CONTRIBUTORY PROVIDEND FUND

- CPF Rules (India), ,1962 applicable to every non-pensionable servant of the Government.
- A subscriber shall subscribe monthly to the Fund when on duty or Foreign Service but not during the period of suspension.
- Rates of subscription shall not be less than 10% of the emoluments and not more than his emoluments.
- The employer's contribution at 10% will be credited to the subscriber's account.
- ROI from 1.4.2009 is 8% compounded annually.
- The Rules provide for drawl of advances/ withdrawals from the CPF for specific purposes. As in GPF Rules.
- The CPF Rules also provide for Deposit Linked Insurance Revised Scheme.

# 6. LEAVE ENCASHMENT

- Encashment of leave is a benefit granted under the CCS (Leave) Rules and not a pensionary benefit.
- Encashment of Earned Leave/Half Pay Leave standing at the credit of the retiring Government servant is admissible on the date of retirement subject to a max.Of 300 days. There is no provision under the Rule for payment of interest on delayed payment of Leave Encashment.

# 7. GROUP INSURANCE

- **Central Government Employees Group Insurance Scheme**
- A portion of monthly contributions paid while in service is credited in a Saving Fund, on which interest accrues.
- There are Four Groups A B C & D.
- Payments under this Scheme are made in accordance with the Table of Benefit.
- Insurance cover benefit under this Scheme is available to the family in the event of death of the subscriber.
- No interest is payable on account of delayed payments under this Scheme.

# PART – II

# NEW PENSION SCHEME

# EXISITNG PENSION SCHEME VS NEW PENSION SCHEME

## Existing Pension Scheme

- It is defined benefit pension scheme
- Applicable for those recruited prior to 1.1.2004.
- GPF is applicable

## New Pension Scheme

- It is defined contribution scheme
- Operational with effect from 1.1.2004.
- GPF would not be available to new Govt. servants joining service on or after 1.1.2004.
- Will have tiers – Tier-I & tier-II.

# What is NPS?

- A new scheme, where individuals fund their own financial security during their work-life for their old age when they no longer work
- Any individual between 18 to 55 years may be part of NPS

# NPS (Contd…)

- PRAN(Permanent Retirement A/c Number)
- Subscribers are issued with PRAN
- May be accessed on line through POPs (Point of Presence)
- You can retain PRAN, even if you change POP, job, residence, PFM or allocation of investment.

# CRA – its role

- Central Record Keeping Agency
- NSDL (National Securities Depositories Ltd) is Central agency that maintains all the accounts i.e., CRA for NPS
- Acts as interface between POPs, PFMs Banks etc.

# Trustee BANK (Bank of India)

- Collection of Funds from identified POP
- Pooling of Funds at Trust Account at Nodal Branch. Fund Receipt Confirmation to CRA
- Remittance of funds to PFMs, as per CRA
- Fund Reconciliation with CRA

# Points of Presence: (POP)

- First point of interface between subscriber and NPS architecture
- Provides NPS services to subscriber
  - Subscriber Registration
  - Regular subscriber’s contribution
  - Change in subscriber details
  - Change of investment scheme/fund manager
  - Processing of withdrawal request
  - Processing of request for subscriber shifting
  - Issuance of printed Account statement
  - Any other service prescribed by PFRDA

# List of POPs

- Abhipra Capital Limited
- Alankit Assignments Limited
- Allahabad Bank
- Andhra Ban
- Axis Bank Ltd.
- Bajaj Capital Ltd.
- Bank of Baroda
- Bank of India
- Bank of Maharashtra
- Canara Bank
- Central Bank of India
- Citibank N.A
- Computer Age Management Services Pvt. Ltd.
- Corporation Bank
- Dena Bank
- Elite Wealth Advisors Limited
- HDFC Securities Limited
- ICICI Bank Limited
- ICICI Securities Ltd
- IDBI Bank Limited

# Pension Fund Manager – Role

- PFM would invest savings put into PRAs, dividing into three parts:
- (a) Equity (E)
- (b) Government Bonds (G)
- (c) Debt Instruments/ Corporate Bonds/ FDs (C)
- Pension Fund Managers (PFMs) who share common CRA infrastructure
- 6 PFMs are appointed :
- SBI,ICICI, IDFC, Kotek Mahindra, Reliance capital, UTI

# CUSTODIAN( STOCK HOLDING CORPORATION OF INDIA –SCHIL)

Providing Custodial services in compliance with SEBI Custodial Regulations 1996

- Settlement Processing of Assets
- Safe keeping of securities – Electronic
- Physical Custody of Securities
- Corporate Actions

# METHOD OF OPERATION

- Subscriber should be aged between 18 to 55 years
- Minimum Contribution is Rs 500/- Minimum four times a year
- Minimum amount to be paid in a year is Rs 6000/-

# TAX LIABILITIES

Long Term savings have three stages:
- Contribution
- Accumulation
- Withdrawal

Government planned to move all long term savings into EET (Exempt-Exempt Tax), which are exempt at the time of contribution and accumulation of earning and taxed at withdrawal

This is unlike PF, EPF & GPF where all three are exempted.

# Default Allocation of Savings:

| Savor above 35 years of age: | Saver not more than 35 years of age: |
| --- | --- |

E portion decreases & G increases.

By the age of 60, gradual adjustment is done and only 1/10 remains in E, another 1/10 in corporate bonds and 80% in state & government bonds.

(i) E i. e. Equity: ½

(ii)G i. e. Government Bond: 1/5

(iii) C i. e. Corporate Bonds etc: 3/10

***NOTE: This is default option which may be changed as per the wish of investor, however not more than 50% can go into equities.***

# NPS VS MUTUAL FUNDS

| Mutual Fund | NPS |
|---|---|
| Flexi-withdrawal option<br>High fund management charges | Retirement financial security, thus no flexi-withdrawal is possible<br>Low fund mgt charges<br>Cost of opening & maint.PRA & trns. charges on changing address, PFMs etc are Rs. 400/- |

# Positive Points – NPS

- Truly long term
- Well structured
- Low fund management fee, much less than Mutual Funds
- Offers choice between E,C & G proportion (though E is capped at max 50%) thus diversified portfolio
- Offers mobility: Investors may change PFMs by indicating to CRA
- Offers Convenience: Easy reach as many POPs available
- Portable: Same PRAN may be retained at the change of address

# Negative Points – NPS

- Only 44% of the paid work force has a bank account hence a large chunk remain uncovered
- Annual service charges are high: enough to repel lower income group
- Tax treatment
- Full benefits may only be availed at the age of 60 or beyond

# Process of Return under NPS

- If subscriber exits before the age of 60, he may keep 1/5 as cash & has to invest rest in annuities offered by insurance companies
- If exits between 60-70yrs, has to use 40% of corpus to buy annuities and may take rest of the sum in one go or installments
- If subscriber dies, option for nominee to receive money in a lump sum or installments

# *PART-III: NEW PENSION SCHEME – IMPORTANT POINTS:*

1. Officials appointed on or after **1.01.2004** are **covered** by **New Pension Scheme**.

2. Such officials are **not** eligible for the existing pension scheme and **GPF .**

3. The NPS is having two tiers. Tier-I and Tier-II.

4. Contribution to **Tier-I** is **compulsory** for officials appointed on or after **1.01.2004**

# *PART-III: New Pension Scheme – Important Points(Contd…)*

5. Contribution to **Tier-II** is **optional** for officials appointed on or after 1.01.2004
6. In Tier-I Government servant will make a contribution of **10% of his basic Pay+GP+DA** by recovery from his salary monthly. For such officials DDO will prepare a separate bill.
7. Such recovery will be rounded off to the nearest rupee.
8. The Government will make an **equal** contribution monthly to the official's account. For this the DDO will prepare separate bill.

# *PART-III: New Pension Scheme – Important Points(Contd...)*

9. Whenever there is any <u>**increase/decrease**</u> in the pay of the official's the change in the rate of contribution will be given effect to only from <u>**first of following month**</u>.

10. If the official is on <u>**HPL**</u> the recovery is based on Leave salary.

11. If the official is on <u>**EOL**</u> there will be no recovery and no contribution from govt.

12. If the official is on suspension <u>**no**</u> recovery will be made.

# PART-III: New Pension Scheme – Important Points(Contd…)

13. If he is exonerated and reinstated the subscription is based on the salary to which he is entitled to on the first day after returning to duty.

14. For the suspension period if the official elects to subscribe the rate of subscription will be based on emoluments allowed for the period.

15. Recoveries towards Tier-I contribution will start from the salary of the month following the month in which the official joins duty.

# PART-III: New Pension Scheme - Important Points(Contd...)

- 16. The contribution by the official and govt and investment returns will be kept in a separate non-withdrawable account.
- 17. The Pension Fund Regulatory and Development Authority(PFDRA) will regulate and develop the pension market.
- 18. Immediately on joining the DDO will collect information from the official in prescribed format and send it to PAO.

# PART–III: New Pension Scheme – Important Points(Contd…)

- 19. The PAO will allot a 13 digit account number to each official. This number is unique and permanent.

- 20. When the govt servant retires on Superannuation he will be getting 60% of the accumulation in his account in cash.

- 21. The remaining 40% will be retained by the PFRDA.

# PART-III: New Pension Scheme – Important Points(Contd…)

- 22. It will be invested in some pension annuity fund to provide pension for the life time of the employee and his dependents and parents
- 23. If the govt servant exits before attaining the age of 60 years then 80% of the accumulation in his account will be retained by the PFRDA for investing in Pension annuity fund.

# *PART-III: New Pension Scheme – Important Points(Contd...)*

- 24. Only 20% of the accumulation in his account will be paid to him in cash.
- 25. No interim withdrawal from the fund is admissible.

# PART-IV – SOME FAQS ON NPS:

Q. Whether a retiring Government servant is entitled for leave encashment after retirement under the NPS?

Ans:The benefit of encashment of leave salary is not a part of the retirement benefits admissible under Central Civil Services (Pension) Rules, 1972. It is payable in terms of CCS (Leave) Rules which will continue to be applicable to the government servants who join the government service on after 1-1-2004. Therefore, the benefit of encashment of leave salary payable to the governments/to their families on account of retirement/death will be admissible.

# Some FAQs on NPS(Contd…)

Q. Why is it mandatory to use 40% of pension wealth to purchase the annuity at the time of the exit (i.e. after the age of 60 years) from NPS?

Ans: This provision has been made in the New Pension Scheme with an intention that the retired government servants should get regular monthly income during their retired life.

# Some FAQs on NPS (contd…)

Q. Whether any minimum age or minimum service is required to quit from Tier-I?

Ans: Exit from Tier-I can only take place when an individual leaves Government service.

# Some FAQs on NPS (contd...)

Q. Whether Dearness Pay is counted as basic pay for recovery of 10% for Tier-I?

Ans: As per the New Pension Scheme, the total Dearness Allowance is to be taken into account for working out the contributions to Tier-I. Subsequently, a part of the �Dearness Allowance� has been treated as Dearness Pay. Therefore, this should also be reckoned for the purpose of contributions.

# Some FAQs on NPS (contd…)

Q. Whether contribution towards Tier-I from arrears of DA is to be deducted?

Ans: Yes. Since the contribution is to be worked out at 10% of (Pay+ DP+DA), it needs to be revised whenever there is any change in these elements

# Some FAQs on NPS (contd…)

Q. Who will calculate the interest PAO or CPAO?

Ans: The PAO should calculate the interest.

# Some FAQs on NPS (contd…)

Q. What happens if an employee gets transferred during the month? Which office will make deduction of Contribution?

Ans: As in the case of other recoveries, the recovery of contributions towards New Pension Scheme for the full month (both individual and government) will be made by the office who will draw salary for the maximum period.

# Some FAQs on NPS (contd…)

Q. Whether NPA payable to medical officers will count towards �Pay� for the purpose of working out contributions to NPS?

A. Yes. Ministry of Health & Family Welfare has clarified vide their O.M. no. A45012/11/97-CHS.V dated 7-4-98 that the Non-Practicing Allowance shall count as �pay� for all service benefits. Therefore, this will be taken into account for working out the contribution towards the New Pension Scheme.

# Some FAQs on NPS (contd…)

Q. Whether a government servant who was already in service prior to 1.1.2004, if appointed in a different post under the Government of India, will be governed by the CCS (Pension) Rules or NPS?

A. In cases where Government servants apply for posts in the same or other departments and on selection they are asked to render technical resignation, the past services are counted towards pension under CCS (Pension) Rules, 1972. Since the Government servant had originally joined government service prior to 1-1-2004, he should be covered under the CCS (Pension) Rules, 1972.

# Some FAQs on NPS (contd…)

Q. The CCS(P) Rules are applicable to govt. servants appointed on or before 31.12.2003.Are the employees who joined pensionable establishments of Govt. of India after 31/12/2003 eligible for any benefits under these rules?

A. In accordance with DoP&PW O.M. No. 38/41/06-P&PW(A) dated 5.5.2009 such employees who joined after 31/12/2003 and/or their families may be given the benefit of disability pension or family pension provisionally till the finalization of rules under the National Pension System (NPS) on death/injury.

# Some FAQs on NPS (contd…)

Q. What are the guidelines/orders in regard to settlement of dues of the deceased government employees covered under NPS ?

A. As per the Department of Pension & PW O.M. No.38/41/06 -P&PW(A) dated 5.5.2009 (available on website) the benefits under the CCS(Pension) Rules has been provisionally extended to the families of deceased employees covered under NPS. Family Pension/gratuity in terms of O.M. dated 5.5.2009 shall be payable to the family of the deceased employee if the deceased employee was covered under NPS and fulfils the conditions…

# Some FAQs on NPS (contd…)

- …These payments are provisional and will be adjusted as per the final provisions. As per Para 7 of the O.M., the accumulations in pension wealth of deceased employee under NPS will not be paid during the period provisional benefits under the aforementioned O.M. are payable. The Head of Office will prepare the pension papers as per provisions of the relevant rules and proceed as per the procedure for making the provisional payments to eligible Government servants' families explained in Ministry of Finance O.M. No.1(7)/DCPS(NPS)/2009/TA/221 dated 2.7.2009 read with corrigendum dated 29.9.2009.

# Some useful urls:

- Economic Times
- www.pfrda.org.in
- www.livemint.com
- www.icai.org (Report of Committee on Insurance & Pension)
- http://finmin.nic
- *www.iief.com*

# Thank You